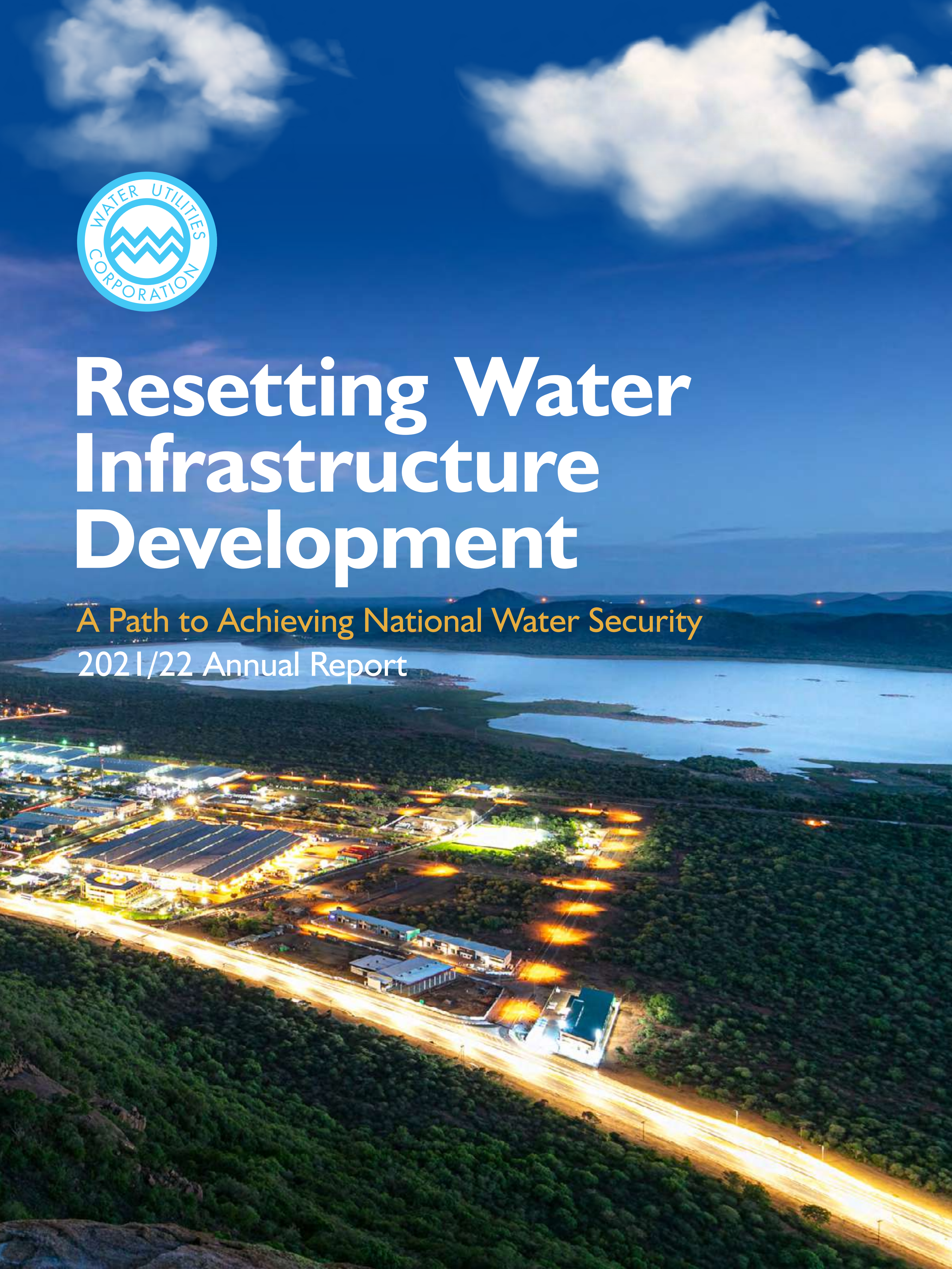


WATER UTILITIES CORPORATION

Resetting Water Infrastructure Development

A Path to Achieving National Water Security

2021/22 Annual Report

ABOUT THIS REPORT

The theme ***'Resetting Water Infrastructure Development, a Path to Achieving National Water Security,'*** is inspired by water infrastructure development aimed at aligning Botswana's Vision 2036 and Sustainable Development Goals. Throughout the Report, we reflect on how water projects have helped Botswana make substantial headway in water security, thus enabling water supply in line with our Mission as Water Utilities Corporation. As project developments unfold, we ensure access to and provision of water throughout the country, 'Keeping it Flowing' and stimulating growth in the economy.

We have incorporated elements of integrated reporting in our continuous endeavour towards good governance and practices that consider value add in our work, our environment and sustainable development, in line with the King Code.

01 | INTRODUCTION

02 | GOVERNANCE

03 | SUSTAINABILITY

04 | FINANCIAL STATEMENTS

PG Printed Section

The printed version of the Annual Report aims to provide concise, relevant and reliable information addressing the Corporation's objectives and activities

Online Section

The online version is made available to provide convenience of accessibility and cater for readership preference to Water Utilities Corporation stakeholders. The Annual Report aims to provide concise, relevant and reliable information addressing the Corporation's objectives and activities

https://www.wuc.bw/wuc-publications-list/id/3/annual-reports/

CORPORATE PROFILE

Established in 1970 by an Act of Parliament (Laws of Botswana Cap 74:02), Water Utilities Corporation (WUC) is a parastatal organisation wholly owned by the Government of Botswana.

MANDATE

The Corporation's mandate is to plan, construct, operate, maintain, and distribute potable water in the entire country as well as to manage wastewater services as mandated by the Botswana Government. The delivery of uniform service levels as well as the upgrading of water infrastructure, to meet requisite water supply and wastewater standards remain a long-term objective that the Corporation is pursuing.

The Corporation's customer base is currently over 500 000 connections, with a staff complement of 3 484 to date.

INFRASTRUCTURE

The Corporation has an asset base which is valued at over P11 billion including nine dams: Gaborone, Nnywane, Bokaa, Shashe, Letsibogo, Ntimbale, Dikgatlhong, Thune and Lotsane, equipment for 900 boreholes, drilling rigs, earthmoving equipment, the North South Carrier Scheme (NSC), with over 500 km long pipeline, 35 000km network, over 500 000 connections, water treatment plants, associated pump stations, break-pressure tanks, boreholes and wastewater treatment facilities across the entire country.

PEOPLE

At the centre of its operations are the 3 484 WUC employees who are champions of the water management processes. Through their collective efforts, the water infrastructure is brought to life to ensure inclusive access to and provision of water to people. The mandate of WUC takes the responsibility placed on it with the utmost seriousness. Therefore, leadership have been tasked with sound guidance of all staff and delivery of day to day business operations, while the Board oversees Management to this end in terms of wider governance and direction.

ABOUT WATER UTILITIES CORPORATION

01

OUR STRATEGY

Vision

WE WILL BE A LEADING WATER UTILITY SERVICE PROVIDER BY 2023.

Figure 1: WUC's Strategy Map

Mission

We are a service provider that strives to **guarantee an efficient and responsible supply of high-quality potable water and wastewater management services** which support the social and economic development of Botswana.

WUC's Values, indicating the acceptable behaviours of employees to support the achievement of our Strategy

RELIABILITY
We do what we promise in our relationships with our colleagues, stakeholders and customers, and we are consistent in the delivery of our services and work.

TEAMWORK
We have a collaborative approach to work that always strives to provide the best solutions to customers.

INNOVATIVE
We apply practical and contemporary solutions to our service delivery, while remaining grounded in our markets and customer needs.

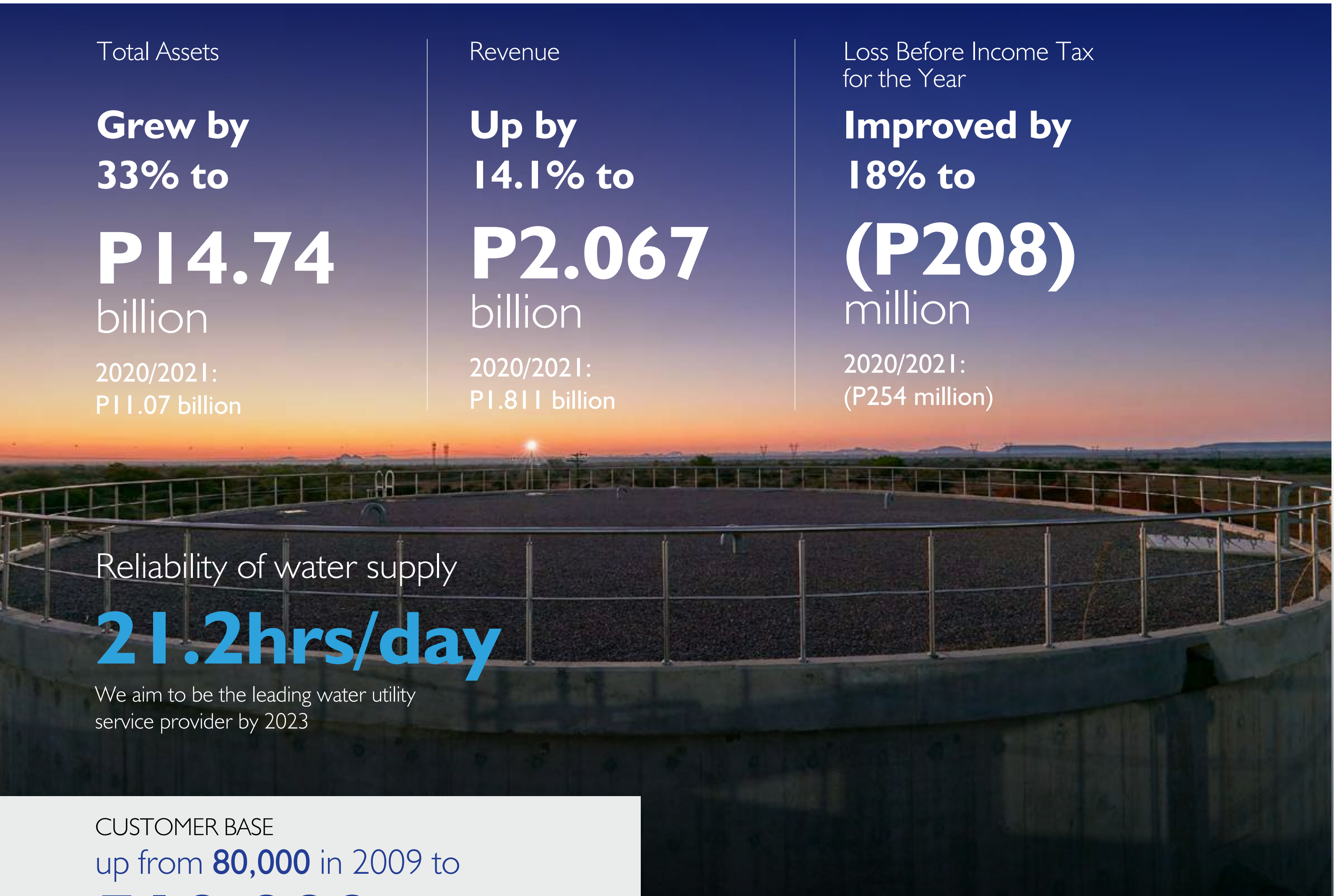
CUSTOMER-FIRST
Our customers are our first priority, driving decision-making and the way in which we carry out our duties.

INTEGRITY
We will conduct our business in a trustworthy, honest, and ethical manner.

SUMMARY OF PERFORMANCE

We identify opportunities to work with local economic development programmes

Operating **9** dams



Total Assets

Grew by 33% to

P14.74 billion

2020/2021: P11.07 billion

Revenue

Up by 14.1% to

P2.067 billion

2020/2021: P1.811 billion

Loss Before Income Tax for the Year

Improved by 18% to

(P208) million

2020/2021: (P254 million)

Reliability of water supply

21.2hrs/day

We aim to be the leading water utility service provider by 2023

CUSTOMER BASE

up from **80,000** in 2009 to

510,000

100 percent Localisation of Staff Complement

75 percent Stakeholder Satisfaction

Keep it flowing

WATER UTILITIES CORPORATION

A re thusaneng.

This pandemic has not been easy on anyone. If you're falling behind with your payments or challenged to keep up, reach out to us. Together we can make a payment plan suited for you.

GOVERNANCE

02

BOARD CHAIRMAN'S STATEMENT

On behalf of the WUC Board of Directors, I am pleased to present the 2021/2022 Annual Report which covers the period 1 April 2021 to 31 March 2022. The production of the Annual Report is in accordance with the WUC Act of 74:02 of 1970.

Our theme for this report is ***'Resetting Water Infrastructure Development: a Path to Achieving National Water Security,'*** and it underscores that, indeed, our ability to keep it flowing is closely linked with accelerated water project development. In review of the period, we reflect on a year of turbulence owing to COVID-19 and how we persevered through innovative ways of doing things in delivery of our mandate.

Corporate Strategy

2022 is the third year into our Business Strategy where we envisioned being a "leading water utility service provider." We made strides as regards some objectives, whilst others needed adjustment to make headway. While we did not lose sight of prioritising consistent and reliable water supply, we also worked hard around the operational efficiency objective to enable us to grow and sustain our mandate. We did this while focusing on the safety of employees against COVID-19, hence our constant review and implementation of health and safety protocols.

Some of the highlights of our Strategy include achieving reliability of water supply and access to safe drinking quality water. These remain satisfactory at twenty-one (21) hours against a targeted twenty-two (22) hours a day, with a substantial number of villages and settlements being serviced through water bowsing for free.

Governance

The Board continues to provide oversight role by closely monitoring the implementation of the Strategy and its related initiatives. Our goal has been to ensure value for the Shareholder as well as to lay a foundation for accountability for the people we owe our existence to. I am happy to report that our duty to bring confidence to the shareholder and our stakeholders was fulfilled.

Financial Sustainability

With water playing a pivotal role in the country's overall economy, the Corporation's financial sustainability has become paramount. In the year under review, the financial position remained stable despite insurmountable debt that has engulfed the business and the operating financial loss. Aged debt remains a concern, one which we are resolving through intensified debt analysis. This is supported by steadfast debt collection methods. Collections improved against a stable operating cost and improved revenue; our plan is to intensify collection efforts and reduce operational costs to ensure that the Corporation is a going concern.

In the year under review, our major revenue contributor, at 58 percent of total revenue, was Government. Our meter reading efficiency remains on target of over 90 percent. We continue to review our strategies to increase customer experience and ultimately impact positively on debt, revenue and profitability as these are necessary for service expansion.

Outlook and prospects

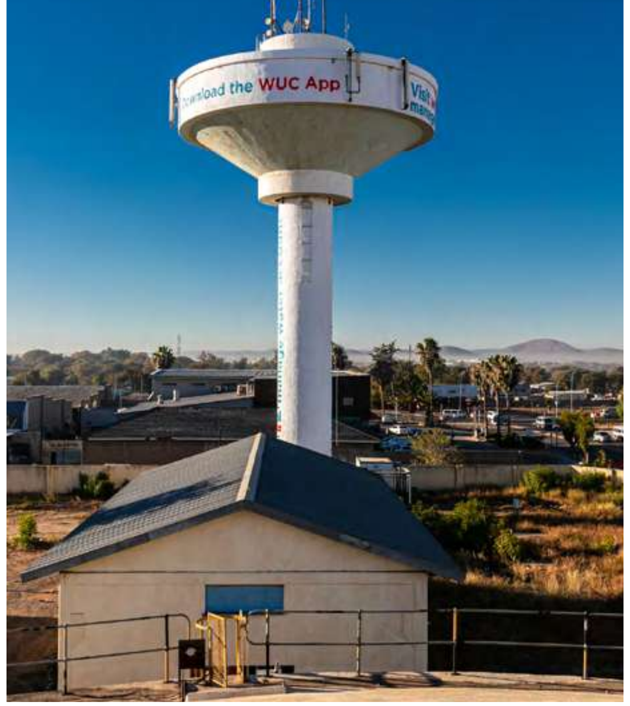
Botswana is looking for new and sustainable solutions in all sectors of the economy, and our industry is no different. The water sector is challenged to create value for future generations through creation of sustainable water sources and infrastructure. This provides rare opportunities for stewardship. We reflected on our Strategy and extended its duration by another year to March 2023, with a view to identifying areas of enhancements that put the Corporation in a position of being closer to achieving the status of "a leading water utility service provider."

The Corporation has aligned with Government's Reset Agenda, which directs that we improve performance to position the Corporation as a benchmark in operational efficiencies and transform it into a Centre of Excellence. In this vein, our project portfolio provides assurance of water for tomorrow amid climate change, where access to clean water and sanitation has become a global concern. We remain committed to the delivery of the mandate, to help our nation experience the ripple effect of the proverbial water drop as it contributes towards economic growth.

Acknowledgement

I must begin by acknowledging a key loss during the period, as we continue to mourn the demise of our Deputy Board Chairman, Ms. Linah Mohohlo, in June 2021 and some valued members of staff who passed around the same period. We will forever cherish their immense contribution. May their souls rest in eternal peace and their legacies live on.

"The water sector is challenged to create value for future generations through creation of sustainable water sources and infrastructure."



I would like to extend my sincere gratitude to our Shareholder for the support that was demonstrated by the substantial budget allocation to water infrastructure projects and the support accorded to the Board in carrying out its functions. I would also like to thank my fellow Board Members for their work and counsel.

I thank the Corporation's Management and staff for the unrelenting commitment they have shown during this period, indeed against a tough trading period of rising inflation and uncertainty. Finally, I would like to express my appreciation to our stakeholders and customers for their continued support. Let the journey to 'Keep it flowing' continue.

Noble Katse
Board Chairman - Water Utilities Corporation

THE BOARD AND CORPORATE GOVERNANCE

The Board is responsible for corporate governance and providing strategic direction to the Corporation by developing the Strategy and targets. The Board also considers the business impact of WUC operations on water users. During the year under review, the Board of Water Utilities Corporation comprised:

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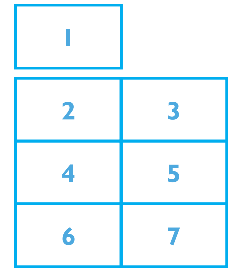
ANNUAL FINANCIAL STATEMENTS
PAGES 56 - 113



1. Mr. Noble Katse

Chairman

Qualifications:

MBA (General), (University of Botswana), BA Statistics (University of Botswana), Diploma in Telecommunication Management (Temple University – Singapore Telecom Academy).

Tenure: 2018-2022

2. Mr. Maclean Letshwiti

Member

Qualifications:

Bachelor of Arts Degree in Administration (University of Botswana and Lesotho), Graduate School of Business (University of Cape Town)

Tenure: 2020-2023

3. Mr. Moatlhodi Kefentse Lekaukau

Member

Qualifications:

FCPA, CA (SA), B. Com (University of Cape Town), PGDip. Acc (University of Cape Town)

Tenure: 2020-2023

4. Ms. Wandipa Kelobang

Member

Qualifications:

LLB (University of Botswana), LLM (Yale Law School)

Tenure: 2020-2024

5. Mr. Galeitsiwe Ramokapane

Member

Qualifications:

BCom Human Resources Management and Industrial Relations (Zimbabwe Open University), Diploma in Agriculture (University of Botswana)

Tenure: 2020-2024

6. Ms. Bogadi Mathangwane

Member

Qualifications:

MSc. Water Resources (Iowa State University), BSc (Hons) Applied and Analytical Chemistry (Staffordshire University - UK), BTEC National Diploma in Science (Loughborough College)

Tenure: 2020-2022

7. Mr. Gaetshwane Matsiara

Member

Qualifications:

Master of Project Management (University of Botswana), BSc (Hon) Civil Engineering Design (University of South Bank, London - UK), Diploma in Business Management/ Administration (Cambridge Tutorial College), Water Engineering Technician Diploma: City & Guilds of London Institute (Botswana Polytechnic)

Tenure: 2020-2022

The Board and Corporate Governance *(continued)*

Stakeholder Tour of Mahalapye Water Treatment Plant Expansion

Registered Office
Water Utilities Corporation
Head Office
Sedibeng House, Plot 17530, Luthuli Road
Old Lobatse Road Industrial Site, Gaborone

Independent Auditors
PricewaterhouseCoopers

Board Engagements
The Board meets at least quarterly and follows a structured approach to delegation, reporting and accountability. In service of the foregoing, four (4) Board sub-committees carry out delegated duties on Finance, Risk and Audit, Board Tender, Human Resources, Operations and Technical. During the year under review, the Board convened four (4) ordinary meetings and four (4) special meetings.

Members' Declaration of Interest
Members declare their interest on an annual basis and at every meeting in relation to matters presented before the Board or Committees for their decision.

Board Remuneration
Board remuneration rates are determined by the Government of Botswana. The applicable rates per sitting during this year were as follows:

Chairman	P2 250
Vice Chairman	P1 800
Member	P1 800

Chairpersons of Committees were also remunerated at the rate of P2 250 for Committee meetings.

PG Refer to page 58 to 113 for responsibility for the maintenance of adequate accounting records, the preparation and integrity of the financial statements and related information

The Board and Corporate Governance *(continued)*

Committees are as follows:

1. **HRC:** Human Resources Committee
2. **BTC:** Board Tender Committee
3. **FRAC:** Finance, Risk and Audit Committee
4. **OPTECH:** Operations and Technical Committee

Human Resources Committee (HRC)

The Human Resources Committee comprised Ms. Wandipa Kelobang, Mr. Galeitsewe Ramokapane, and Ms. Bogadi Mathangwane. Ms. Kelobang chairs the Committee, which deals with policies relating to the management of human resources, including organisational structure, terms and conditions of service, remuneration, recommendations for appointment of senior staff, amongst other matters delegated to it by the Board. The Committee meets at least quarterly and, during the year under review, satisfied this requirement.

Board Tender Committee (BTC)

The Board Tender Committee comprised Mr. Gaetshwane Matsiara, Ms. Wandipa Kelobang, and Ms. Bogadi Mathangwane. The Committee was chaired by Mr. Matsiara.

It is responsible for the implementation of policies laid down for the procurement of works, goods and services by the Corporation. In carrying out this mandate, the Committee is expected to ensure that principles of economy and efficiency prevail. It is also expected to encourage and support local businesses in line with the Government's Economic Diversification Drive (EDD) and other citizen empowerment programmes.

The Committee operates within the limits of the Corporation's Tender Regulations and Procurement Procedures, which are revised from time to time to align them with legislative requirements and best practice. The Committee met six (6) times and held two (2) special meetings during the year under review.

Finance, Risk and Audit Committee (FRAC)

The FRAC comprised Mr. Moatlhodi Kefentse Lekaukau, Ms. Wandipa Kelobang and Mr. Gaetshwane Matsiara. The Committee was chaired by Mr. Lekaukau.

The Committee's activities are governed by the FRAC Charter, which was approved by the Board. The Charter empowers the FRAC to provide oversight responsibilities on behalf of the Board on:

- Financial reporting processes;
- Budget Approvals;
- Internal controls systems;
- Audit processes;
- Corporate and information technology governance;
- Processes for monitoring compliance with laws and regulations;
- Safety, Health and Environment; and
- Enterprise Risk Management.

To meet its goals, WUC has an Internal Audit function that is charged with the responsibility of providing independent assurance to the FRAC on the existence and effectiveness of internal controls as well as the efficiency and effectiveness of governance processes and risk management. The Committee is scheduled to meet at least four (4) times annually. Four (4) Ordinary meetings and four (4) Special meetings were held during the year under review.

The Board and Corporate Governance *(continued)*

Operations and Technical Committee (OPTECH)

Chaired by Mr. Maclean Letshwiti, the Committee comprised Mr. Galeitsiwe Ramokapane, Mr. Maclean Letshwiti, Mr. Moatlhodi Lekaukau, Ms. Bogadi Mathangwane, and Mr. Gaetshwane Matsiara. It met four (4) times during the year under review. The Committee assists the Board in monitoring and reviewing operational and technical matters of significance including:

- Water Resources Management;
- Water and wastewater quality monitoring;
- Non-Revenue Water;
- Projects management;
- Systems acquisition;
- Asset operation and management; and
- Strategic management of technological innovation.

Table 1: Board Meetings Attendance

Member	Ordinary Board	Special Board	BTC	Special BTC	OPTECH	FRAC	Special FRAC	HR
Mr. Noble Katse	4	4	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Maclean Letshwiti	4	3	N/A	N/A	4	N/A	N/A	N/A
Mr. Galeitsewe Ramokapane	4	4	N/A	N/A	4	N/A	N/A	4
Mr. Moatlhodi K. Lekaukau	3	4	N/A	N/A	3	4	4	N/A
Ms. Wandipa Kelobang	3	3	6	2	N/A	4	3	4
Ms. Bogadi Mathangwane	3	3	5	2	2	N/A	N/A	2
Mr. Gaetshwane Matsiara	4	3	6	2	4	3	4	N/A

Journalists on a tour of the Masama-Mmamashia 100km pipeline

The Board and Corporate Governance *(continued)*

Reporting to the Botswana Government

The Board reports regularly to the Minister of Lands and Water Affairs on the outcome of its meetings and programme of work. There are continuous consultative meetings between the Board and the Minister. The Board Chairman also updates the Minister on strategic operations on a regular basis. Additionally, Management provides monthly progress reports to the Ministry and briefs the Minister on operational performance on a fortnight basis.

Going Concern

The financial statements for the year ending 31 March 2022 have been prepared on a going concern basis. The Board is satisfied with the available financial resources, the future performance projections and the continued support from the Government of Botswana. The Corporation has good prospects of operating into the foreseeable future.

Statutory Reporting Requirements

The Water Utilities Corporation Act requires that the Corporation business should be conducted along sound commercial lines and that a reasonable return be generated on the equity provided by the Government of Botswana.

The Act further requires that the Audited Financial Statements be presented to the Minister of Lands and Water Affairs by the 30 of September each year. The Corporation's Chief Executive Officer is expected to appear before the Parliamentary Committee on Statutory Bodies on an annual basis. The Board is satisfied that the Corporation has complied with these and other statutory requirements for the year ended 31 March 2021.

A statement by Board Members on their responsibility for the maintenance of adequate accounting records, the preparation and integrity of the financial statements and related information are detailed on Page 66 to 113 of this Report.

Executive Management

The management and daily running of the Corporation is the responsibility of the Chief Executive Officer (CEO) who is assisted by the Corporate Management Team (CMT). Assisted by Heads of Business Centres, General Managers and Section Heads, the CMT provides strategic direction and implements strategic objectives as set out by the Board within the confines of the Corporation's Vision, Mission and Values.

"WHILE WE DID NOT LOSE SIGHT OF PRIORITISING CONSISTENT AND RELIABLE WATER SUPPLY, WE ALSO WORKED HARD AROUND THE OPERATIONAL EFFICIENCY OBJECTIVE TO ENABLE US TO GROW AND SUSTAIN OUR MANDATE."

CHIEF EXECUTIVE OFFICER'S REPORT

The financial year ending March 2021/2022 experienced a slow growth owing to COVID-19. Our priority was to save lives through consistent supply of and access to quality water across Botswana.

It was not easy, but we stood as a collective unit to put the customer first, guided by our Corporate Strategy, and navigated our way through the pandemic. In our endeavour to ensure social equity in public access to water to prevent the spread of COVID-19, our water supply footprint extended to cover ungazetted areas beyond our jurisdiction.

Our Mission continues to inform our efforts towards service delivery. We explored and optimised the use of technology and our growth in this area enabled a seamless working environment with regards our Operational Excellence and Customer Focus pillars, both in terms of demand and delivery. We drew lessons from COVID-19 and associated challenges. Our aim is to optimise our human resource expertise to serve our nation and transform lives, and we continue to invest in doing this better.

Operations

All our nine (9) dams, except Gaborone and Molatedi Dams, were above 70% capacity as at 31 March 2022. The total water under storage was 819.8 MCM compared with 961.4 MCM at the same period last year translating to an average of 74 percent capacity from 87 percent capacity respectively. There has been a notable decrease in the water levels in our dams and we anticipate a further decrease following the end of the normal rainfall season. The current levels will, however, still sustain water supply until the next rainy season.

I am happy to report progress in our infrastructural projects. We completed the Ramonnedi-Mmathethe Pipeline Project, Masama to Mmamashia 100km pipeline project and the

Total Assets
Grew by 33% to
P14.74
billion
(2020/2021: P11.07 billion)

Revenue
Up by 14.1% to
P2.067
billion
(2020/2021: P1.811 billion)

Dam Levels
74%* Capacity
* At the close of reporting the reporting period

Localisation of Staff Complement
100%

Mahalapye and Palapye Water Treatment Plants Expansion in the year under review. We started other projects as well, amongst them Gamononyane-Molepolole North South Career Connection and Lobatse Water Master Plan. We progressed the implementation of the NSC 2.3 projects, which are intended to improve the resilience and sustainability of water supply in the greater Gaborone, and these are planned to be completed in the next financial year. We also started the Tswapong South Project, completed the Northeast-Tutume Water Supply Scheme Upgrade and Remedial Works, while making significant progress on the Selebi-Phikwe Serule project. All these initiatives are aimed at improving water supply in their respective areas.

Groundwater monitoring reports summarising the groundwater resources for areas such as Serowe, Mahalapye, and Kanye Management Centres were submitted to the Water Apportionment Board. The monitoring reports for wellfields in Maun, Masunga, Letlhakane and Mochudi Service Centres will be submitted in the next financial year. We also drilled boreholes in Kokotsha and Makopong and rehabilitated nine boreholes in Tsabong and Ghantsi Service Centres.

Our Asset Utilisation performance was also satisfactory in our service centres.

Customer and Stakeholder

During this period, we worked on putting our customers first to serve them better. In this vein, we added a kiosk to our self-service channels to help change the course of our Service Delivery Model from the traditional way of physical presence as a customer, to digital. Our nationwide campaign named 'Keep the Flow' continues with the end-goal of ensuring timely payments whilst encouraging water users to settle their bills. We are also implementing a Know Your Customer (KYC) project to undertake customer data clean-up, through which we anticipate improvement of our customer outreach. We are happy to see a 100 percent bill distribution for Key Accounts Holders such as Government, Councils and large corporates. We anticipate improvement in electronic bill distribution as KYC unfolds, coupled with an automatic monthly bill distribution process.

We remain committed to social and economic development and our stakeholder relations. For our Corporate Social Responsibility (CSR), our strategy was to incorporate enhanced customer education by constructing bus shelters, whose aim was to provide dignified shaded rest and water related messages for those waiting for public transport. Stakeholder engagements are a greater part of our Strategy as they provide the opportunity to interact with water users and appreciate their needs as we continue building confidence in our operations. To this end, we met with village leadership countrywide to update them on the water supply situation and used the same platform to gauge feedback. We are happy to report 75 percent stakeholder satisfaction.

Financial Growth and Sustainability

The year under review saw improved collections and revenue against a stable operating cost. We intensified conversations on the need to settle bills, publishing provisional payment arrangements for water supply as the 2021 State of Emergency (SoE) came to an end. During that period, we enhanced

Chief Executive Officer's Report *(continued)*

Permanent Secretary in the Ministry of Land & Water Affairs, Ms. B. Khumotaka; WUC CEO, Mr G. Senai; and NamWater CEO, Mr. A Nehemia, "shake hands" after signing letter of intent. Looking on are executive team members of Botswana and Namibia water authorities

education on meter reading, meter to payment process as well as WUC responsibility and associated Customer Responsibilities while also sharing structures through which to channel any form of dissatisfaction on water consumption. We continue to intensify collection efforts to ensure that collected revenue covers costs.

After a difficult and volatile year for Botswana and the global economy represented by soaring inflation, increasing fuel prices, higher interest rates, declining liquidity, and the remnants of the COVID-19 pandemic, the Corporation realized revenue growth of 14% (2021:-1%). Various strategies such as improved billing efficiency, digitisation and clearing of the backlog on new connections were effected during the financial year culminating in a double-digit revenue growth and a recorded revenue of over P2 billion for the first time in the Corporation's history.

The Corporation's Operating Expenses increased by a marginal 0.7% despite the tough economic conditions. This is a result of robust costs management and a significant decline in impairment losses on trade receivables due to strict adherence to the credit policy and the introduction of novel digital payment platforms. Resultantly, the Corporation reported a loss before tax of P208 million, an 18% improvement in comparison to the prior year.

A growth of 33% in Total Assets was realised during the year due to additions to the fixed assets and increased capital work in projects funded largely by Government grants.

Results Oriented Talent, Leadership and Culture

The year under review followed the completion of our restructuring exercise and it became imperative that we derive value from the new structure and its people. This made performance management one of our key agenda items. The Corporation developed a new Performance Management System (PMS) which provides a framework to achieve our Strategy objectives.

In our effort to drive operational excellence through digitisation, we introduced technology that enables us to monitor employee performance and identify areas of improvement while building a culture of delivery. Team members are gradually embracing this culture by showing interest in collaborative activities such as sports and others going out of the way to make customers happy. The technological advancement that makes virtual engagements possible, helps us drive innovation and meet untapped market requirements. We are, in this regard, indebted to our information technology system. This makes us responsive to the needs of our stakeholders and customers, both near and far. Such efforts did not just bring us closer but also helped reduce travel costs in our geographically spread operations.

As part of our quest for growth and transforming WUC into a regional benchmark for Operational Efficiency and Centre of Excellence, the Corporation entered into an agreement to collaborate on water utilities management roles with the Namibia Water Authority to share best practices on water supply.

Looking Ahead

The immense value of water to the livelihoods of communities and to the wellbeing of our people and economic growth in the country compels us to reflect and review our challenges and achievements. We reset as we look ahead for sustainable development.

Appreciation

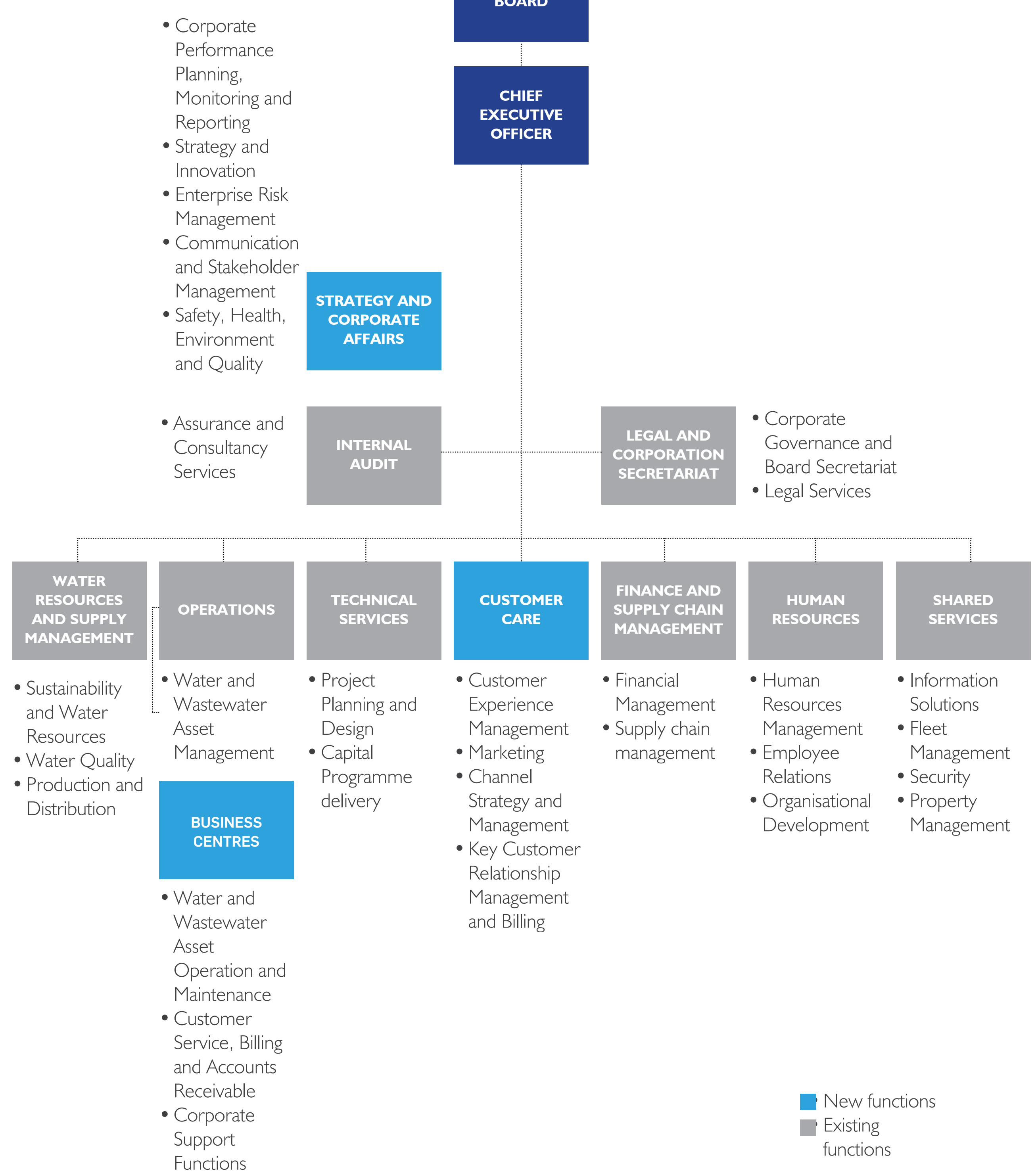
I would like to thank the Board of Directors for the great stewardship, support and sound engagements during the period under review, which brought positive results to our operations. I also acknowledge the hard work of our employees who spent days and nights bringing water to our doorsteps. Further appreciation goes to our strategic partners, Government and private sector players who took part in water supply management and water financing. Without their support, we would not deliver to the expectations of water users. I look forward to another year with equal resolve where we will further engage in our efforts to serve our valued customers. With decreased water levels in our sources, let us remember to save water while managing our water accounts to Keep the Flow, and experience value as we continue ***the path to achieving National water security.***

I thank you.

Gaselemogwe Senai
Chief Executive Officer

THE HIGH LEVEL ORGANISATIONAL STRUCTURE

WUC functional structure



THE CORPORATE MANAGEMENT TEAM

1. Gaselemogwe Senai
Chief Executive Officer

Qualifications
BSc Chemistry and Environmental Science (University of Botswana)

Responsibilities
Overall management of the Corporation, development and implementation of strategic plans and achievement of the organisational Mission, Vision, business objectives and goals established by the Board.

The CEO is also responsible for broad policy objectives of the Corporation and general advice to the Board that covers the following areas:

- Water supply
- Wastewater services
- Operations and maintenance
- Customer billing and commercial services
- Customer services and quality
- Strategic partnerships and stakeholders
- Management
- Water loss reduction
- Water resources management
- Safety, health, environment, and quality

2. Mathews Sebina
Chief Operations Officer

Qualification
MSc in Water Resource Management (Birmingham University, UK), BSc Civil Engineering (University of Botswana), Diploma in water Engineering (Botswana Polytechnic)

Responsibilities
- Water supply management and services
- Wastewater management and services
- Water quality management
- Asset Management
- Operations and maintenance
- Customer billing and commercial services
- Customer services and quality
- Effective revenue generation
- Stakeholder Management

3. Felicity Ziga
Corporation Secretary

Qualification
LLB (University of Botswana)

Responsibilities
- Legal services
- Board secretarial services

4. Taboka Gulubane
Chief Financial Officer

Qualifications
BA Accounting (University of Botswana), FCCA - United Kingdom (Botswana Accountancy College)

Responsibilities
- Statutory financial reporting
- Management accounting
- Budgeting
- Treasury management
- Financial forecasting
- Sourcing of funding for operations
- Management of financial obligations and covenants
- Financial policies and procedures formulation
- Payroll logistics and materials procurement

5. Teddy Ditsabatho
Water Resources Director

Qualifications
BSc (Chemistry & Environmental Science), University of Botswana, MSc (Analytical Chemistry and Instrumentation) Loughborough University of Technology (UK)

Responsibilities
- Sustainable water resources management
- Dams management
- Groundwater management
- Bulk water transfers
- Maintenance
- Water quality

6. Ntshambiwa Moathodi
Technical Services Director

Qualification
Bachelor of Engineering (University of Botswana)

Responsibilities
- Infrastructure and capacity planning
- Design/engineering consultancy
- Major projects implementation
- Geographical Information Systems (GIS)
- Project engineering and construction management
- Infrastructure and asset management

7. Thapelo Kalake
Chief Information Officer

Qualification
MBA (University of Botswana)
BSc Engineering Industrial Engineering (Western Michigan University, United States)

Responsibilities
- Information Technology, including business systems
- Property and administration
- Fleet services
- Knowledge Management
- Asset Management
- Security services

8. Goitseone Tshiamiso
Customer Care Director

Qualifications
Bachelor of Information Systems (University of Botswana)

Responsibilities
- Customer Experience & Service Management
- Marketing Management
- Corporate Accounts Management
- Channel Management (Digital)
- Contact Centre

9. Evelyn Disele
Human Resource Director

Qualifications
MSc in Human Resource Management (University of Salford, UK), Bachelor of Arts in Social Sciences with majors in Public Administration and Accounting (University of Botswana)

Responsibilities
- Organisational development
- Personnel and training
- Staffing
- Employee relations
- Employee wellbeing
- Recruitment

10. Peter Lebone Sedingwe
Strategy and Corporate Affairs Director

Qualifications
MSc in Strategic Management Derbyshire Business School - University of Derby, UK) (The, Postgraduate Diploma in Education (University of Botswana)) Postgraduate Certificate in Enterprise Risk Management (Botswana accountancy College), Postgraduate Certificate in Public Sector Project Management (BAC), Degree of Bachelor of Arts - Humanities (University of Botswana)

Responsibilities
- Corporate Strategy
- Corporate Risk Management
- Corporate Affairs
- Safety, health, environment and quality

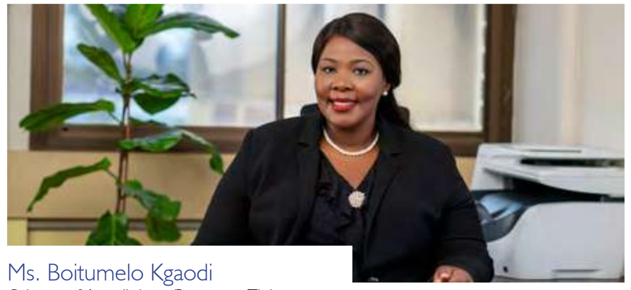
11. Agnes Barulaganye Motlhanka
Internal Audit Director

Qualifications
MSc Internal Auditing & Management, (City University London, UK)
Bachelor of Commerce (University of Botswana)

Responsibilities
- Assurance and consulting
- Risk management evaluation
- Controls evaluation
- Corporate governance
- Appraisal of compliance with statutes, policies, and procedures

HEADS OF BUSINESS CENTRES TEAM

Mr. Innocent Leonard
Centre of Excellence



Ms. Boitumelo Kgaodi
Gaborone/Mogoditshane/Ramotswa/Tlokweng

Ms. Keatlaretse Machete
Francistown/Selebi/Phikwe

Mr. Kebaabetswe Mogami
North South Career (NSC) Scheme

Mr. Abednigo Mooka
Molepolole/Mochudi

Mr. Olebile Matswiri
Lobatse/Kanye

Mr. Thabo Ndadi
Maun/Gumare

Mr. Mothusi Lebala
Masunga/Tutume/Kasane

Mr. Amogelang Molefe
Ghanzi/Tsabong

Mr. Donald Moagi
Palapye/Mahalapye/Serowe/Letlhakane

SUSTAINABILITY 03

SUSTAINABILITY AT WUC

Introduction

In this section, we look at our sustainable practices, detailing Operational Highlights, Occupational Health and Safety, Environment and Quality and our performance in these parameters. The Report also covers our work with the communities, stakeholders and customers and reflects on the capital projects that enable sustained water supply.

This is also our way of living our Mission, "Striving to guarantee an efficient and responsible supply characterised by high-quality potable water and wastewater management services, which supports the social and economic development of Botswana." This Report would be incomplete without our response to COVID-19, a challenge which significantly slowed our National and world economies.

Total water under storage for all the dams

819.8 million cubic metres (MCM)

Capacity under storage

74 percent

SUSTAINABLE BUSINESS PRACTICES

Information and Communication

The Corporation's digitalisation drive continued with projects such as Internet of Things (IoT) and initiatives to support smart infrastructure, Human Resources (HR) processes digitalisation and data analytics. Various projects continue to be rolled out to drive operational efficiencies, customer services, and financial sustainability.

To address challenges faced during the COVID-19 pandemic, the Corporation rolled out projects to enhance operational efficiencies, financial sustainability, and overall service provision to internal and external customers and stakeholders. Virtual collaboration platforms like Microsoft Teams were primary interactive channels. The programme is anticipated to sustain WUC business engagements, beyond the pandemic.

The increased use of virtual platforms and digital solutions during the COVID-19 pandemic enhanced productivity, particularly in multi-disciplinary projects, which resulted in successful completion, despite challenges faced. Essentially, virtual interactions helped reduce physical trips and gatherings, significantly reducing adverse health outcomes.

This year also saw the upgrade of the Customer Relations Management and Business Process Exception Management functions, further enhancing customer service processes and handling customer metering, billing, and invoicing exceptions. The self-service online tender purchase application on the WUC website was launched, allowing bidders to pay with credit cards and improved efficiency throughout the tender process.

The introduction of a data analytics platform which started with basic operational reports were also completed and is being rolled out in an agile operating environment.

Operational Highlights

The Corporation supplies water from nine (9) dams, nine hundred (900) boreholes, and rivers. The health of these water sources is important for the Corporation to fulfil its mandate of providing water.

2022 Performance of Surface Water Resources

The water levels as at 31 March 2022 show that all the dams, except Gaborone and Molatedi Dams were above 70 percent capacity. The total water under storage was 819.8 MCM as compared with 961.4MCM in the same period last year, translating to an average of 74 percent capacity and 87 percent capacity respectively denoting decreased water levels. With the normal rainfall season coming to an end, it is expected that the dam levels will continue to decrease during the coming months.

The rainfall season that ended in March 2022 however provided a general optimism that the current levels will sustain water supply until the next rainy season. A 38.1 percent capacity on Molatedi dam from 58.8 percent in the previous year is a cause for concern. According to the Agreement between Botswana and South Africa, when Molatedi reaches 33 percent, restrictions on the raw water drawn from the dam are implemented in line with the Dam's Operating Rules. A comparison of the current water level with the previous year is shown in Table 2.

Table 2: Dam Levels as March 2022

Water Source	Capacity (MCM)	Current Level (%) 31/03/2020	Same Date Last Year Level (%) 31/03/2020	Last Quarter Level (%) 30/12/2020	Months of supply without inflow	Area supplied
Dikgatlhong	400	87.5	87.9	99.1	24	Greater Gaborone, Mahalapye, Palapye, Serowe & MCM, S/Phikwe, BCL & Mmadinare
Letsibogo	100	95.0	95.3	97.7	23	Greater Gaborone, Mahalapye, Palapye, Serowe & MCM, S/Phikwe, BCL & Citrus Irrigation, and Mmadinare
Molatedi	201	38.1	38.2	58.8	44	Greater Gaborone
Gaborone	141.4	50.1	50.7	63.1	20	Greater Gaborone
Thune	90	77.4	78.2	99.4	39	10 Bobirwa Villages
Shashe	85.0	95.5	96.4	97.9	23	Greater Francistown
Ntimbale	26.5	99.3	99.6	100.1	15	52 Northeast &Tutume Sub-District
Lotsane	42.35	74.8	75.2	96.4	25	22 villages of Tswapong North & Irrigation
Bokaa	18.5	87.9	88.9	95.2	13	Greater Gaborone
Nnywane	2.3	99.7	100.0	99.0	13	Lobatse

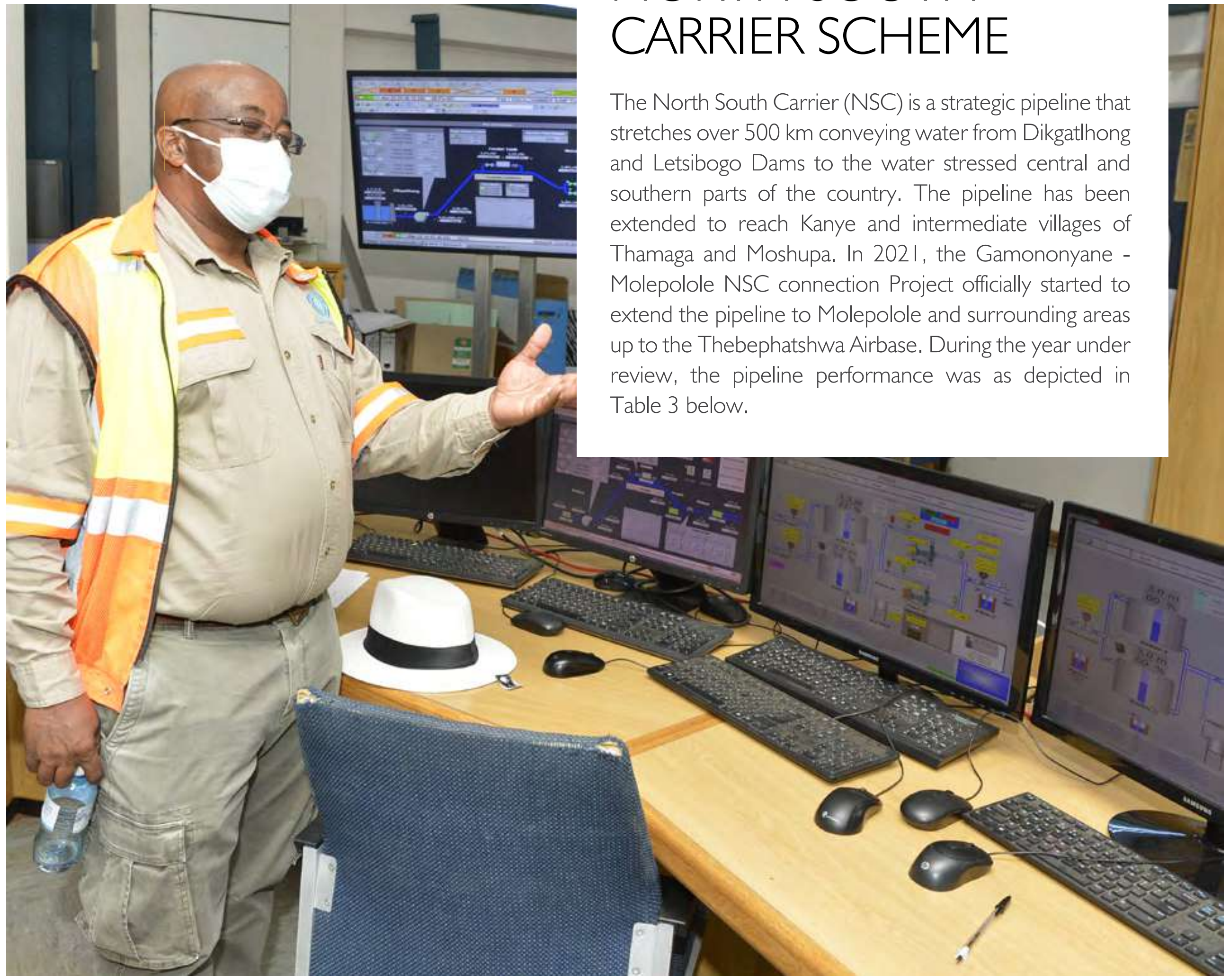
Greater Gaborone: Gaborone City, Mogoditshane and surrounding arears, Mochudi and surrounding arears, Tlokweng, Ramotswa, Otse, Lobatse, Goodhope, Kanye, Thamaga, Moshupa.

Greater Francistown: Francistown City, Matsiloje, Matshelagabedi, Matopi, Tonota, Tati Siding, Ditladi, Foley, Mathangwane, Makobo, Natale, Shashe Mooke, Shashe Bridge, Borolong, Chadibe, Matsitama, Mabesekwa and Patayamatebele.

Sustainability at WUC *(continued)*

NORTH SOUTH CARRIER SCHEME

The North South Carrier (NSC) is a strategic pipeline that stretches over 500 km conveying water from Dikgatlhong and Letsibogo Dams to the water stressed central and southern parts of the country. The pipeline has been extended to reach Kanye and intermediate villages of Thamaga and Moshupa. In 2021, the Gamononyane - Molepolole NSC connection Project officially started to extend the pipeline to Molepolole and surrounding areas up to the Thebephatshwa Airbase. During the year under review, the pipeline performance was as depicted in Table 3 below.



Head of Business Centre - NSC, Mr Kebaabetswe Mogami at the Mmamashia Command Centre

Table 3: NSC Availability

Quarter	Down time (Hours)					Total (hours)
	Power Failure	Pipe Burst	Equipment Failure	Communication failure	Maintenance works	
1	25	0	29	8	0	62
2	33	144	2	3	24	206
3	81	168	72	48	0	369
4	0	68	61.5	0	0	129.5
Total	**139**	**380**	**164,5**	**59**	**24**	**766,5**

Total Downtime = 766.5 hours that translates into 32 days.

Overall Availability of the Scheme = 91.2%.

Sustainability at WUC *(continued)*

His Excellency the President, Dr. Mokgweetsi E.K Masisi, and First Lady, Mrs. Neo Jane Masisi, drinking water from Masama - Mmamashia 100km Pipeline Project

Table 3 shows a total downtime of NSC 766.5 hours or 32 days during the financial period. This translates to 91.2% availability of the scheme. There was a decline in availability of the scheme from 96.2% in the previous financial year to 91.2% due pipeline failures that occurred in the second, third and fourth quarters of the year under review, two in Oodi and one by Bonwapitse River near Mahalapye.

Masama-Mmamashia 100km Project was commissioned in the second quarter of the year to augment water supply to Greater Gaborone. Following the commissioning of the pipeline, water supply deficit was reduced by 53 percent. The scheme was, however, affected by vandalism of boreholes and this resulted in the deficit being reduced by 23 percent.

National Water Supply

Water supplied from all dams, rivers and groundwater sources provides an overall amount of water supplied to the nation. During the year under review, the Corporation abstracted a total of 361.3 million litres of water for various uses.

The domestic customer base, which stands at over 500 000, was the primary beneficiary. Some customers including those in ungazetted settlements, however, continued to be supplied through standpipes and metered bowsers, where there is absence of reticulation network. There was an increase in water supply for the financial year ending 2021-22 due to the North-East-Tutume Project and Masama-Mmamashia 100km Project as demonstrated in the water abstracted in Figure 1 and national water supply in Graph 1.

Sustainability at WUC *(continued)*

Gaborone, Francistown/Selebi-Phikwe, Kanye/Lobatse, Molepolole/Mochudi and Mahalapye Palapye service centres contributed 80% of the National supply while Tsabong/Ghanzi, Serowe/Letlhakane and Masunga/Tutume/Kasane contributed 20%.

Graph 1: Showing Volumes of Abstracted Water

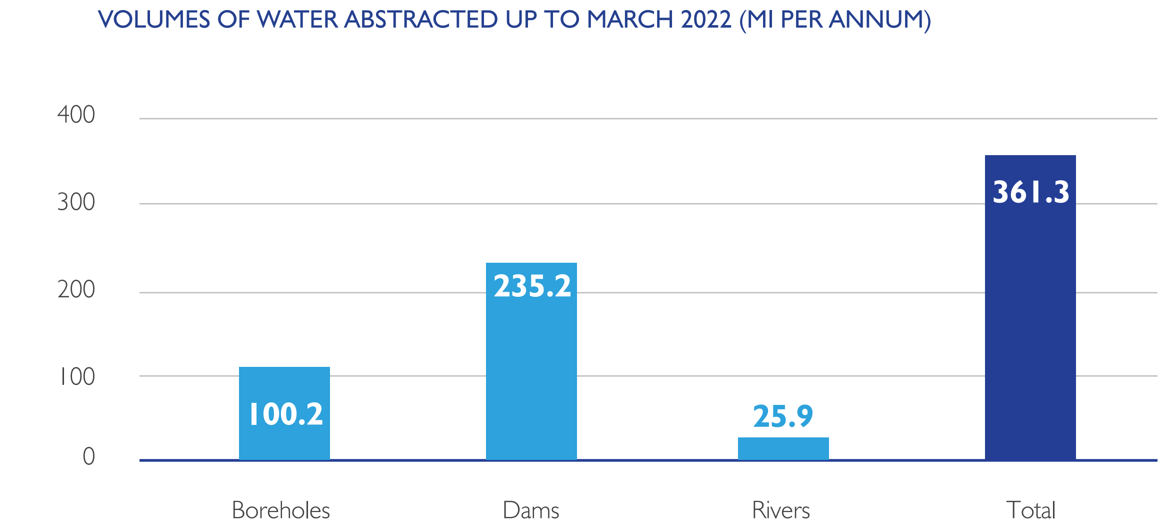
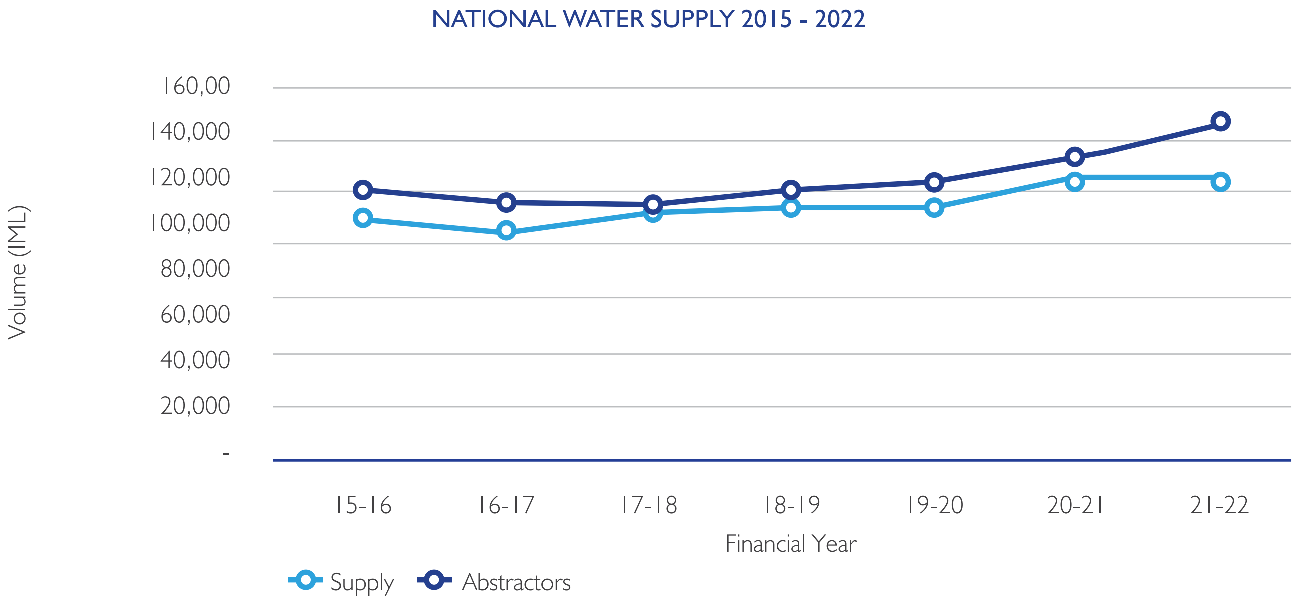


Figure 2: Showing National Water Supply



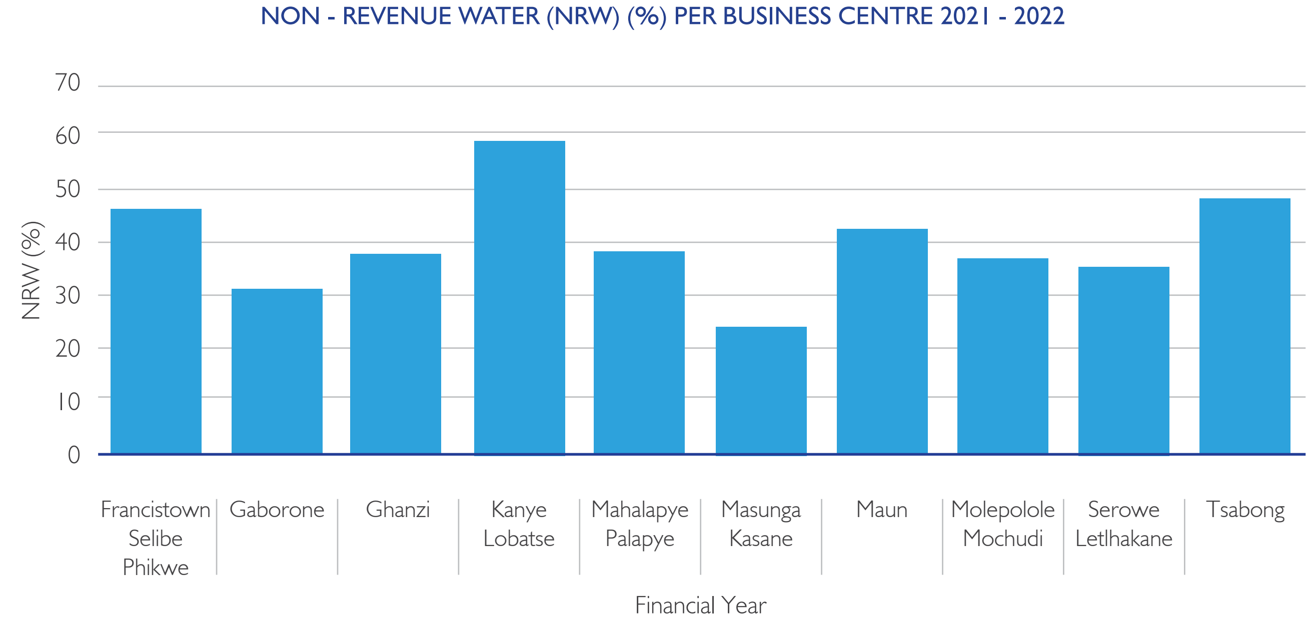
Water at Gaborone Dam

Sustainability at WUC *(continued)*

Non-Revenue Water

Non-Revenue Water for the year 2021-2022 was 39% compared to a target of 19%. The high NRW was due to dilapidated infrastructure, stuck meters, meter reading estimations and authorised unbilled consumption especially resulting from water bowsing to ungazetted areas, to prevent the spread of COVID-19.

Graph 2: Showing Non-Revenue Water



Graph 2 shows Non-Revenue Water in the Business Centres of Francistown/Selebi Phikwe, Kanye/Lobatse, Maun and Tsabong. The Corporation is implementing projects for the rehabilitation of the distribution network to prevent leakages which contribute towards Non-Revenue Water.

Sustainability at WUC *(continued)*

Graph 2 shows high incidents of Non-Revenue Water in the Business Centres of Francistown/Selebi Phikwe, Kanye/Lobatse, Maun and Tsabong. The Corporation is implementing projects for the rehabilitation of the distribution network to prevent leakages which contribute towards Non-Revenue Water.

Groundwater Monitoring

Monitoring reports for Serowe, Mahalapye, and Kanye Service Centres were submitted to the Water Apportionment Board. The reports summarize the groundwater resources situation at Moriri, Setekwane, Pallaroad, Kgwakgwe, Ramonnedi, Letlhakane East, Selokolela Wellfields. The Board is expected to receive monitoring reports for Maun (Kunyere, Thamalakane and Shashe Wellfields), Masunga (Maitengwe Wellfield) Tutume (Dukwi and Chidumela Wellfields) Letlhakane (Letlhakane Wellfield) and Mochudi (Masama East, Masama West, Malotwana and Makhujwane Wellfields) in the next financial year.

Borehole Rehabilitation and Drilling

The Corporation drilled eight (8) boreholes, four (4) boreholes each at Kokotsha and Makopong in addition to the two (2) boreholes drilled in Makopong during the last financial year. Out of the eight (8) boreholes drilled, five (5) were successful. The combined yield of the three (3) successful boreholes drilled at Makopong is 30 m^3/hr whilst the combined yield for the two (2) successful boreholes at Kokotsha are 57 m^3/hr. However, there is a water quality challenge with the water resources developed since they require treatment. The Corporation has also rehabilitated nine (9) boreholes: (six) 6 boreholes in the Tsabong Service Centre and three in Ghanzi Service Centre. In the Tsabong Service Centre three (3) boreholes were drilled in Tsabong, one (1) in Makopong, one (1) in Ngwatle and one (1) in Hunhukwe. The three (3) boreholes in the Ghantsi Service Centre were drilled in Kuke, Qabo and New Xade.

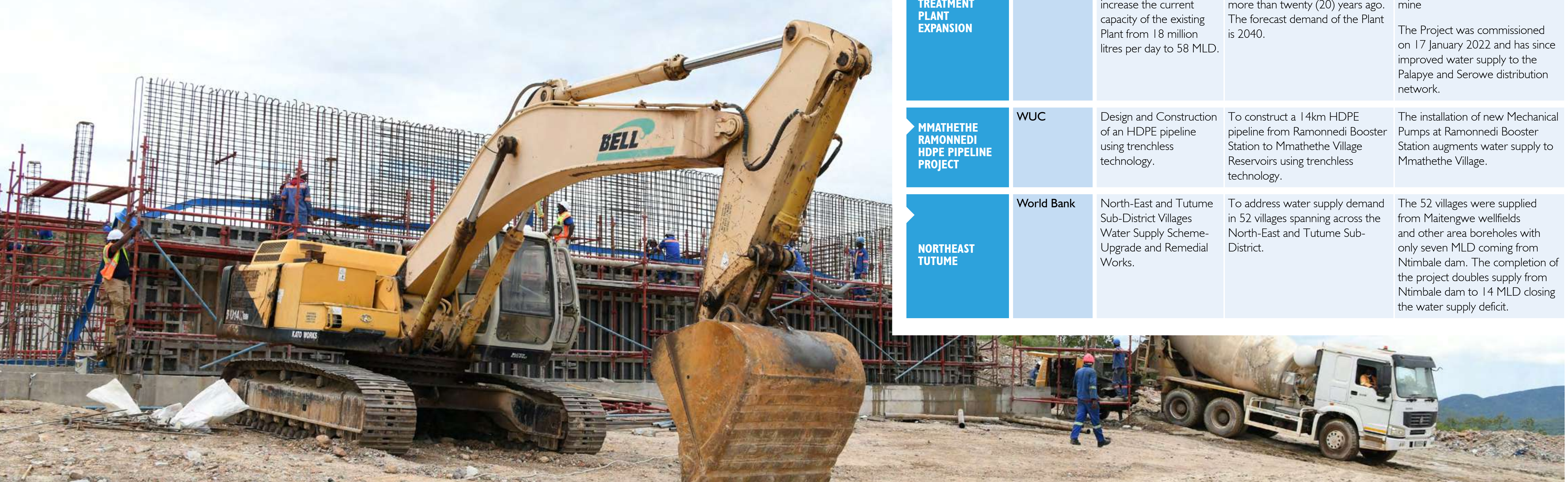
Major Infrastructural Projects

During the year under review, some Water Infrastructural projects were carried out under National Development Plan (NDP) 11, Botswana Emergency Water Supply and Efficiency Project (BEWSEP) and WUC budget to improve water supply. Table 4 highlights the projects and their benefits.

Sustainability at WUC *(continued)*

Table 4: Major Water Supply Projects

PROJECT	FUNDING MODEL	DESCRIPTION	PROJECT OBJECTIVE	IMPACT ON COMMUNITIES
100KM MASAMA TO MMAMASHIA PIPELINE	NDP 11	Design and construction of a 100km long transmission pipeline to convey water from Masama Wellfields to Mmamashia Water Treatment Plant to transfer 64million litres per day (MLD) of water to Greater Gaborone.	The project's objective was to augment water supply to greater Gaborone, ensuring that water reaches greater Gaborone consumers - with a water supply of over 15Ml/d.	WUC was not meeting demand in Greater Gaborone locations of Gaborone, Mochudi, Molepolole, Thamaga, Moshupa, Kanye, Ramotswa catchment, and Lobatse/Rolong. The total deficit for Gaborone and greater Gaborone is 49Ml/d. Masama Wellfield, which is expected to supply up to 64MLD, assisting in closing the deficit.
MAHALAPYE WATER TREATMENT PLANT EXPANSION		Design, Supply, Install, Construction and Commissioning of a new 18 MLD Water Treatment Plant.	To build a bigger, improved, and reliable Water Treatment Plant that meets the increased water demand for Mahalapye, Tswapong South cluster and Shoshong, Mmutlane, Kalamare and Bonwapitse Clusters.	The project was commissioned on the 17 January 2022 and has been supplying potable water to Mahalapye Distribution network since then improving supply reliability in the area.
PALAPYE WATER TREATMENT PLANT EXPANSION		Design, Supply, Install, Construction and Commissioning of a new 40 MLD Water Treatment Plant to increase the current capacity of the existing Plant from 18 million litres per day to 58 MLD.	To meet the increased demand for Palapye, Serowe, Morupule Mine, BIUST where the demand has increased drastically since the existing Plant was constructed more than twenty (20) years ago. The forecast demand of the Plant is 2040.	The demand for water supply has increased tremendously over the years with the need to supply Serowe, BIUST and increased growth of Palapye, and Morupule mine The Project was commissioned on 17 January 2022 and has since improved water supply to the Palapye and Serowe distribution network.
MMATHETHE RAMONNEDI HDPE PIPELINE PROJECT	WUC	Design and Construction of an HDPE pipeline using trenchless technology.	To construct a 14km HDPE pipeline from Ramonnedi Booster Station to Mmathethe Village Reservoirs using trenchless technology.	The installation of new Mechanical Pumps at Ramonnedi Booster Station augments water supply to Mmathethe Village.
NORTHEAST TUTUME	World Bank	North-East and Tutume Sub-District Villages Water Supply Scheme-Upgrade and Remedial Works.	To address water supply demand in 52 villages spanning across the North-East and Tutume Sub-District.	The 52 villages were supplied from Maitengwe wellfields and other area boreholes with only seven MLD coming from Ntimbale dam. The completion of the project doubles supply from Ntimbale dam to 14 MLD closing the water supply deficit.



Celebrating Water Infrastructure Project Milestone

WUC undertakes major capital infrastructure developments at the behest of the Government for sustainable water supply and for overall economic growth.

Through ground-breaking events, construction works are brought to life while commissioning demonstrates completion of works and subsequent use of the water from the projects. These are milestones in terms of government effort to achieve resilience and sustainability in supply. The achievements of these projects are a fulfilment of the National Water Master Plan and are funded under the National Development Plan (NDP). Through the projects, Government is desirous to quench thirst hence the slogan **"Re Timola Lenyora."**

Government's journey towards global sustainable water supply practices continued with water infrastructural projects during the year under review. At the helm of the projects' commemoration was His Excellency the President of the Republic of Botswana, Dr. Mokgweetsi E.K. Masisi, who commissioned the Masama-Mmamashia 100km pipeline Project. The Project was categorised as an emergency project following water shortage in Greater Gaborone where the demand of 179 MLD at peak exceeded supply from available sources of 130 MLD resulting in a deficit of 49 MLD resulting in Water Rationing and Restrictions. Masama-Mmamashia 100km Pipeline Project was delivered within time, scope, budget, and quality.

THE PRESIDENT, HIS EXCELLENCY THE PRESIDENT, DR. MOKGWEETSI E.K. MASISI, PERFORMED GROUNDBREAKING OF THE FOLLOWING PROJECTS:

Lobatse Water Master Plan
The scope of the Project entailed the Construction of a Pump Station at Forest Hill reservoir site, pipeline, (900 mm) from Forest Hill to Lobatse, Construction of a 16 ML Concrete Reservoir at Lobatse and Installation of Telemetry Infrastructure. The pipeline is aimed at addressing water deficits in the Ramotswa Cluster (Ramotswa, Mmankgodi, Manyana and Mogonye), Otse Police College, Mogobane, Otse, Lobatse Township, Goodhope Sub District, Molapowabojang, Kgomokasitwa and Mmathethe. The Project has also made provisions for water supply to Kgale Development, Southern, Notwane, Crocodile Pools, Lion Park and Mmokolodi.

Gamononyane-Molepolole NSC Connection
The Project intends to augment water supply to Molepolole, Mmanoko Cluster villages, Thebephatswa Botswana Defence Force Airbase Camp, Kopong, Gamononyane, Serinane and Mantshwabisi villages through a connection pipeline to the North South Carrier (NSC) at Gamononyane Pump Station. The current water supply sources within the stated villages are inadequate.

Minister of Lands and Water Affairs, Honourable Dr. Kefentse Mzwinila, touring a water infrastructure Project

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INVESTMENT IN SAFETY, HEALTH, ENVIRONMENT & QUALITY

The Corporation manages Occupational Health, Safety, Environment and Quality through the implementation of ISO Standards of 45001 and 9001 respectively.

"THE CORPORATION ALSO HAD A SPECIAL BUS SHELTER PROGRAMME ACROSS THE COUNTRY, THE AIM OF WHICH WAS TO IMPROVE THE LIVES OF THE BENEFITING COMMUNITY BY PROVIDING A COMFORTABLE PLACE TO AWAIT PUBLIC TRANSPORT, WHILE ALSO PROVIDING EDUCATIONAL MESSAGES."

Bus shelters donated in Tsetseng village

This is to ensure that as far as reasonably practicable, the workplace, equipment and processes are safe and present no risk to the health and safety of employees. The Corporation implements its safety programme through the following:

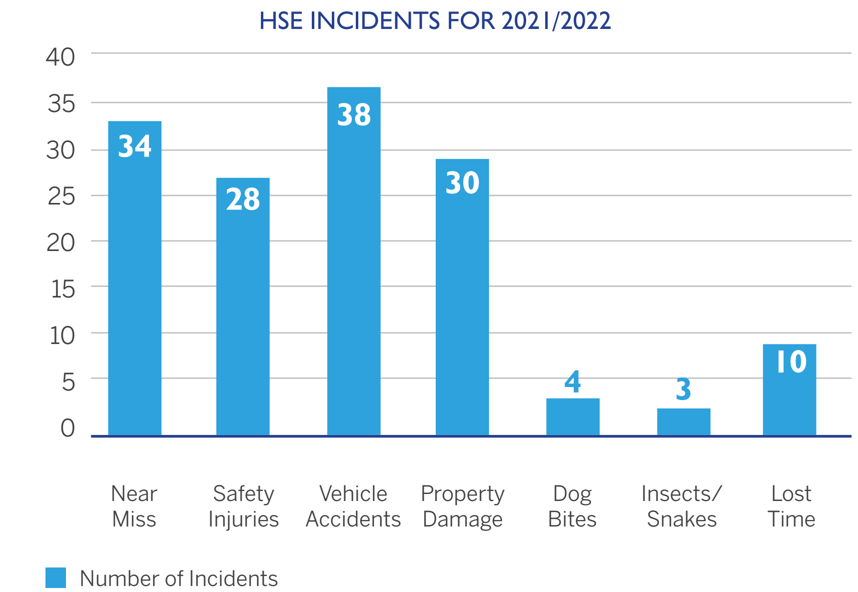
- i. Providing training on awareness, documentation and implementation of the OHS ISO standards to employees;
- ii. Establishment of the OHS Standards and framework;
- iii. Inspections of premises and operation processes to check compliance to the SHEQ systems;
- iv. Conducting Risk Assessments and execution of mitigations plans;
- v. Drawing of action plans to correct nonconformities identified during inspections; and
- vi. Management walkabouts to appreciate status quo and ensure corrective actions are executed.

A Trade Effluent Agreement (TEA) programme is in place to monitor industrial effluent entering the WUC sewerage network. The Corporation capacitates industries with guidelines to pre-treat their waste in line with BOS 93-2012. In the year under review, the Corporation continued to collaborate with stakeholders such as United Nations Development Program (UNDP) and Councils, to ensure adherence to TEA.

OCCUPATIONAL HEALTH AND SAFETY (OHS) INCIDENTS

One hundred and thirty (130) OHS incidents were recorded from April 2021 to March 2022. The incidents are detailed in Graph 3. This further demonstrates WUC's record of zero fatal incidents.

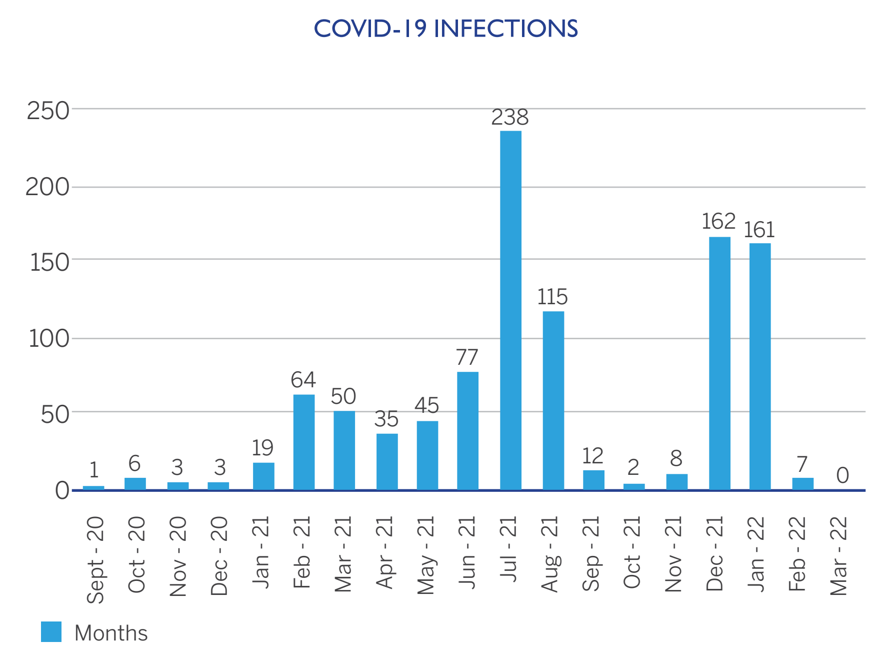
Graph 3: Showing OHS Incidents for 2021/2022



COVID-19 - Our response

COVID-19 presented a sad reality not only for the Corporation but the entire country and the world at large. Despite all prevention measures adopted, the Corporation had cumulative COVID-19 staff statistics of nine hundred and ninety-seven (997) confirmed positive cases, nine hundred and seventy-nine (979) recoveries and eighteen (18) fatalities. The numbers reached an all-time high in winter when the Delta variant was most prevalent, and the increases were attributed to outbreaks experienced in various offices. The established COVID-19 protocols that included working from home, wearing of masks, frequent washing of hands and disinfection of high touch surfaces, sanitising, and introduction of shift work to decongest the offices, all helped contain the spread of the virus. Graph 4 shows the number of COVID-19 cases during the year under review.

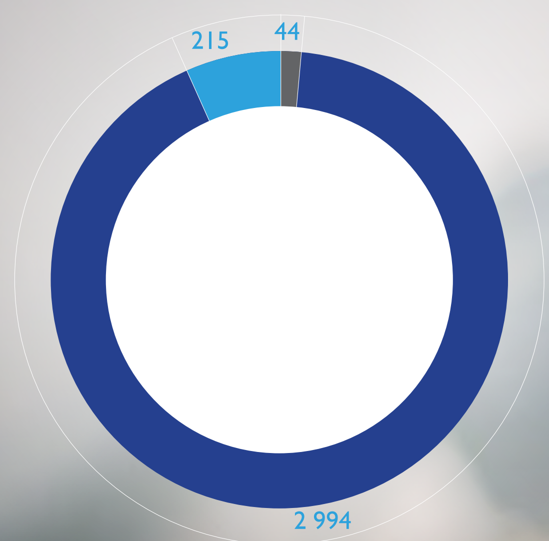
Graph 4: Number of COVID-19 cases



To contain the virus, the Corporation encouraged employees to participate in the National vaccination programme. Out of a total of **3 468 staff members**, two thousand nine hundred and forty-four **(2 944)**, which is **85 percent** of WUC staff, were fully vaccinated, with forty-four **(44)** having taken their first jab. However, as of March 2022, only two hundred and fifteen (215) had taken their booster injections.

Chart 1: Showing WUC COVID-19 Vaccination Status as of March 2022

VACCINATION UPDATE (%)



KEY PERFORMANCE AREA	2022
First dose	44
Booster	215
Full vaccinated	2 994

WATER QUALITY

WUC is mandated to supply water that complies with the limits stated in the Botswana Drinking Water Standard (BOS 32-2015) and dispose of effluent within limits of the Wastewater Quality Standard (BOS 93-2012), for safe disposal into the environment. The Corporation therefore maintains a monitoring programme informed by these standards and works with relevant stakeholders to ensure that all trading industries comply with the requirements of Trade Effluent Agreements (TEA) to discharge into the WUC sewer system.

The frequency of sampling is informed by the size, nature of the network, parameter variability and incidence pattern. The sampling points include reservoirs, major delivery points, dead-ends, high occupancy buildings, hospitals, and schools. The Corporation therefore samples all water sources (dams, rivers, and boreholes) and storage reservoirs at a minimum frequency daily for treatment plants and all other areas monthly for microbiological monitoring.

For chemistry monitoring, treatment plants are sampled monthly and quarterly. For microbiology parameters, Service Centres were assessed as rural and urban areas based on the availability of the disinfection facilities.

The results are reported to ensure maintenance of compliance and to close deviations that may affect public health timeously. During the year under review, the Corporation attained a compliance percentage of 74.6 percent across all the Business Centres on BOS 32:2015_DRINKING WATER SPECIFICATION.

The Corporation continues with its sampling programme and will employ alternative disinfection methodologies such as chlorine dioxide and dosing calcium hypochlorite, where applicable to ensure compliance with the desired quality.

LABORATORY QUALITY MANAGEMENT SYSTEM IMPLEMENTATION

WUC Laboratories implement a laboratory quality management system (LQMS) in accordance with the ISO/IEC 17025:2017 to achieve accreditations for all laboratories. Laboratory accreditation is a formal process that recognises the technical competence of a laboratory to perform specific tests and requires laboratories to maintain a documented quality management system and personnel who are qualified and competent to perform tasks related to the scope of accreditation. Currently the WUC Mmamashia Laboratory is accredited by Southern African Development Community Accreditation Service (SADCAS) for the scopes of Chemical and Microbiological analysis of drinking water in accordance with the ISO/IEC 17025:2005 Standard - General Requirements for the Competence of Testing and Calibration Laboratories.

STAKEHOLDER ENGAGEMENT

WUC recognises the important role played by stakeholders and has a robust plan to update them on its products and services, as well as the status of water supply countrywide.

The engagement enables a roll out of water services programs making the stakeholder support and input critical. During the year under review, WUC took stakeholders through tours of water infrastructure projects and workshops. As part of its consultative strategy, the Corporation met with all its stakeholders in its service centres across the country, briefing them on WUC operations, determining their needs and partnering with the community to deliver community projects. The Corporation further partnered with LEO Schacter and donated a water project in Matlagatse village and received support of a Laboratory Machine from UNDP. The stakeholder plan adopts a customer centric approach with mutual benefit for both the Corporation and its stakeholders. During the same period the Corporation gauged stakeholder satisfaction, which was found to be at 75 percent. Table 5 summarises 2021/2022 engagements.

Table 5 Showing WUC stakeholder engagement activities

MONTH	STAKEHOLDER ENGAGEMENT
April 2021	➢ Mmamashia assessment by SADC Accreditation ➢ Consultative Project Meeting, Moshupa village
May 2021	➢ Hon. Minister Dr. K. Mzwinila tours the Glen Valley Wastewater Treatment Plant
June 2021	➢ Hon. Minister Dr. K. Mzwinila breaks ground for Gaborone and Lobatse Water Supply Master Plan Projects ➢ Hon. Minister Dr. K. Mzwinila tours Northeast Tutume Water Supply Project, Mahalapye and Palapye Water Treatment Plants ➢ Stakeholder Engagement: Tsabong, Boatlaname
August 2021	➢ Hon. Minister Dr. K. Mzwinila visits the failed Oodi-Mmamashia Pipeline ➢ Stakeholder Workshop: Kanye
September 2021	➢ Stakeholders tour the North-East Tutume Water Project ➢ Journalists appreciate the progress of Masama-Mmamashia 100km Pipeline ➢ Stakeholder Meeting for Sowa Water Supply Project. ➢ Site handover of production boreholes at Ncojane and Karakubis wellfields ➢ Hon. Minister Dr. K. Mzwinila commissions Boatle Water Treatment Plant
October 2021	➢ Journalists appreciate Gamononyane-Molepolole NSC Connection ➢ Stakeholder Tour of boreholes in the Mahalapye Area ➢ His Excellency, the President commissions Masama-Mmamashia 100km pipeline ➢ His Excellency, the President breaks ground the Lobatse Water Master Plan ➢ Stakeholder workshops: Lobatse and Tutume
November 2021	➢ His Excellency the President breaks ground the Molepolole-Gamononyane NSC Water Connection Project ➢ World Bank visits BEWSEP water projects in Botswana ➢ WUC and Namibia benchmarking and partnership tours ➢ WUC annual Press Conference ➢ Stakeholder workshops: Masunga, Goodhope, Mahalapye, Lorolwane, Tlokweng, Ramotswa, Selibe Phikwe, Bobonong, Kanye, Mabutsane, Jwaneng, Moshupa
December 2021	➢ Stakeholder workshops: Ghanzi, Charles Hill, Francistown, Shoshong, Tonota, Sefhare, Maun
January 2022	➢ Stakeholder workshops: Palapye, Molepolole, Letlhakeng and Lentsweletau
February 2022	➢ Stakeholder Engagement workshops: Mogoditshane, Molepolole, Thamaga, Artesia, River Villages, ➢ Stakeholder Tour of Kasane Water Project ➢ Ocean Cleaning Campaign at Dikgatlhong Dam
March 2022	➢ WUC CEO meets Mmatshumo Villagers on their Water Treatment Plant Project ➢ World Bank visits water project in Botswana ➢ Stakeholder engagement workshops: Mochudi, Palapye, Francistown, Tsabong, Hukuntsi, Tswapong South Villages ➢ Masama-Mmamashia 100km Media Tour ➢ Stakeholder tour of Water Project in Selebi-Phikwe ➢ Journalists appreciate Masama-Mmamashia 100km pipeline Project ➢ Media Briefing for the Oodi- Mmamashia NSC Pipeline Shutdown ➢ SADC Secretariat Delegation tour of Mmamashia Facilities ➢ Stakeholder site visits of water projects in Mmadinare

WUC CEO addressing media during a press conference

MEDIA MANAGEMENT

The Media is an important part of WUC's stakeholder management programme hence collaboration with the sector to support the growth of the water sector. During the year under review, the Corporation engaged the media covering debt collection and service interruptions, offices closures on account of COVID-19 pandemic, stakeholder workshops, Corporate Social Responsibility (CSR) initiatives and water projects. The media was also taken on tours of water infrastructure projects such as Masama-Mmamashia 100km pipeline project and its commissioning and were also invited to the ground-breaking of various other projects. The Corporation further held a special conference, courtesy of the media to update them on its operations in recognition of the role it plays in the country's development.

WUC AND COMMUNITIES

The Corporation also engages in community work to enhance stakeholder relationships and as part of its CSR. In the year under review WUC joined the community of Robelela to clean up Dikgatlhong dam as part of the World Oceans Cleaning Day Commemorations. The event is a collaboration of WUC and the European Union (EU) to help create a cleaner environment and to keep water sources clean.

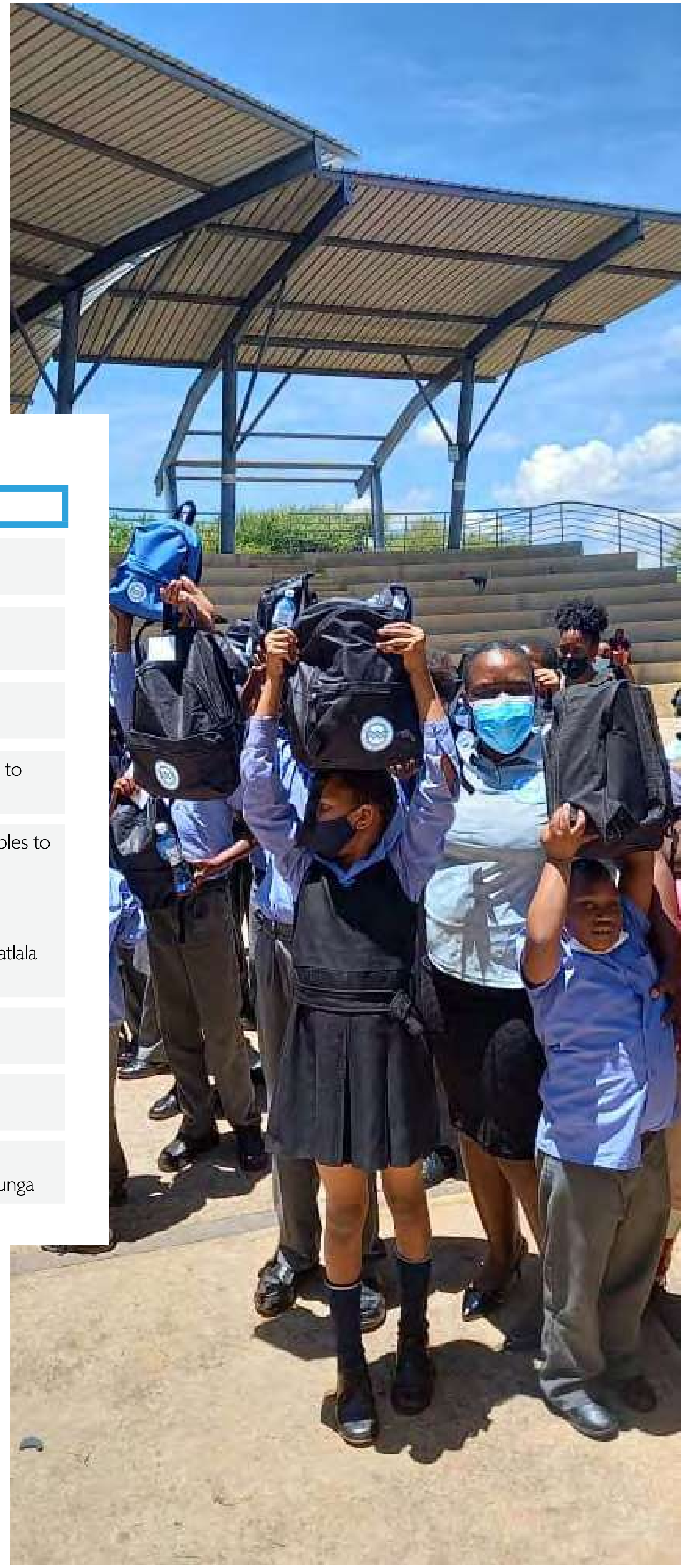
WUC CEO picking litter as part of Ocean Cleaning Campaign with the EU in Dikgathong

CORPORATE SOCIAL RESPONSIBILITY

The Corporation recognises education as key to socio-economic development, and therefore donated branded dustbins, preschool chairs and tables to Karakubis Primary School in the Charles Hill sub-district. The Corporation also had a special bus shelter programme across the country, the aim of which was to improve the lives of the benefiting community by providing a comfortable place to await public transport, while also providing educational messages. The flagship projects are of a permanent nature and once-off donations. All CSR projects follow investigations by the WUC team in collaboration with the leadership to find projects that uplift the lives of communities and ensure sustainable, meaningful impact.

Table 6: Showing CSR Projects for 2021/2022

MONTH	CSR DONATIONS
April 2021	➢ A house for a less privileged family in Maun
July 2021	➢ Printing toners for Gakuto Primary School ➢ Food hampers in Masunga
September 2021	➢ Food hampers in Lobatse
November 2021	➢ Collaboration with Central District Council to donate house window glasses
December 2021	➢ Branded dustbins, Preschool chairs and Tables to Karakubis Primary School ➢ Bus Shelter: Tsetseng village ➢ Automatic hand sanitizers ➢ Two air conditioners to Palapye and Maunatlala Primary School.
January 2022	➢ Bus Shelters: Kanye
February 2022	➢ Bus Shelters: Palapye
March 2022	➢ Bus Shelters: Mochudi, Kang, Makopong, Tsesebe, Makaleng, Serowe, Tonota, Masunga



CUSTOMERS

WUC Customer Experience (CX) Strategy has an outward-inside approach to ensure that customer needs and expectations are at the centre of what WUC delivers to its customers.

Through Convenience, Accessibility, Reliability and Effortless (CARE), emphasis is placed on Customer Experience initiatives that are impactful towards delivering customer value. The initiatives below, grouped into Customer Experience Strategy pillars, were fulfilled in the year under review and highlighted in Figure 3.

Convenience

- Online Application Form;
- Automated Service Notifications;
- Digital Contact Centre (Omni-Channel);
- Webchat Channel;
- WhatsApp Channel; and
- Kiosk.

Accessibility

- Service Request Tracker; and
- Outage Notifications.

Reliability

- Tracking of Service Turnaround Times;
- Introduction of Welcome/Onboarding Letters; and
- Updated Query/Complaints Procedure.

Effortless Service

- One-page Application Form; and
- Reduced service application Requirements.

The pillars with the Transformation initiatives attained have been marked with a tick in Figure 4.

Figure 4: Showing the new initiatives

SERVICE TRANSFORMATION INITIATIVES

Accessibility

- Service request tracker (Website/App/Kiosk)
- Access to Water quality test results
- Outage notifications

Convenience

- WhatsApp
- Self Service Kiosk (Public Places/Mall)
- Water payment at Shopping Till
- Chats Bots (Web/Social media)
- Website FAQs
- Contact Centre - Omi Channel customer view
- Online application and deposit payment
- Automated progress notifications

Reliability

- Publishing of service Turn Around Times
- Welcome letters/Customer Onboarding Manual
- Updated query and complaints procedure
- B2B Self Service Portal, Billing, Consumption tracking

Effortless Service

- Self Service Quotation configurator
- Self-Billing and Instant Billing
- One page application form and reduced requirements

Figure 4 demonstrates some of the in initiatives the Corporation achieved to enhance customer experience. This includes a one-page application, WhatsApp line, and outage notifications to name a few.

ACCESSING WUC SERVICES

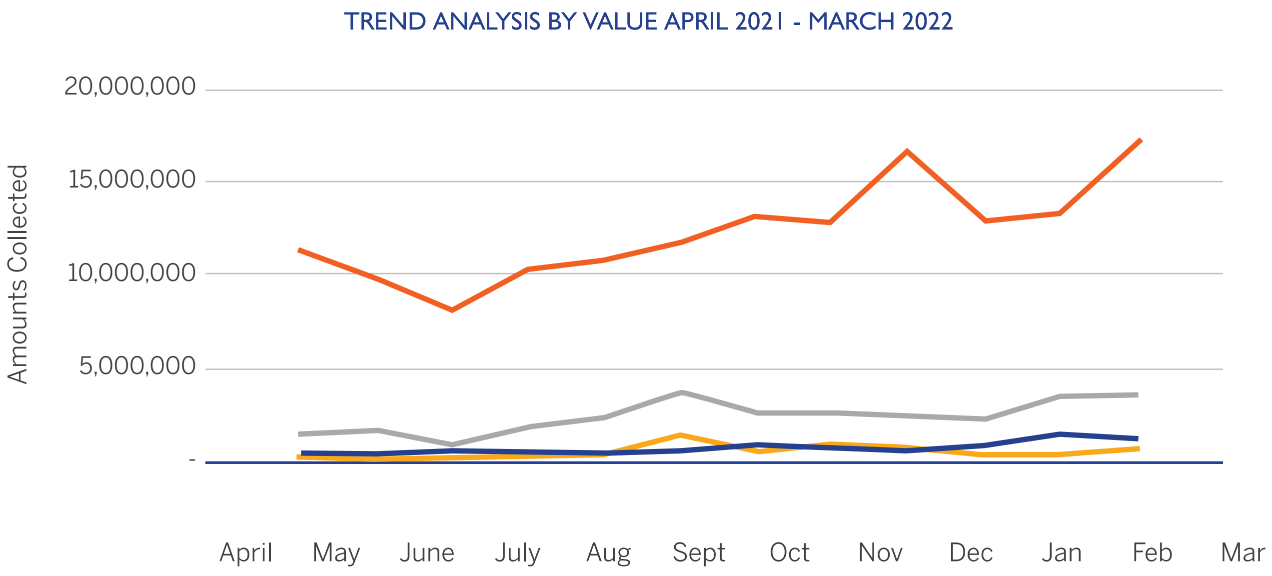
The Corporation serves a wide spectrum of customers across segments and demographic profiles through forty-two (42) Customer Service Centres, the Contact Centre, a bouquet of WUC self-service channels, while also leveraging third-party solutions offered by banks and Mobile Network Operators (MNOs). The Corporation has further strengthened its service offering by allowing liberal migration by customer across these different service offers and protecting the bill payment value from transaction fees during payments. The service delivery is achieved through three (3) key areas of Channels Management, Self-Service Channels and online presence.

CHANNELS MANAGEMENT

Channels Management considers all touch points customers use to present enquiries, complaints, request or payments for water services. Through the Contact Centre, Digital and 3rd Party Channels, the Corporation is changing its Service Delivery Model, from the traditional way of requesting physical customer presence for service provision, to a digital space which does not require customer presence. WUC endeavours to provide timeous, simple, and cost-effective service to customers through these channels, while also allowing customers to initiate services using these channels.

The Corporation partnered with Orange Money, First National Bank Botswana (FNBB), Absa Bank Botswana (ABB), Standard Chartered Botswana (SCB), and Bank Gaborone to provide easy payment options to customers. The use of the different channels continues to grow as illustrated in Graph five (5).

Graph 5: Showing Third Party Channel Performance



Graph 5 shows a growth in the use of the third-party channels with customers preferring their flexibility, ease of use and availability anytime and anywhere. The Corporation will continue to listen to the Voice of Customers through surveys and engagements to improve fit-for-purpose channels for its customers.

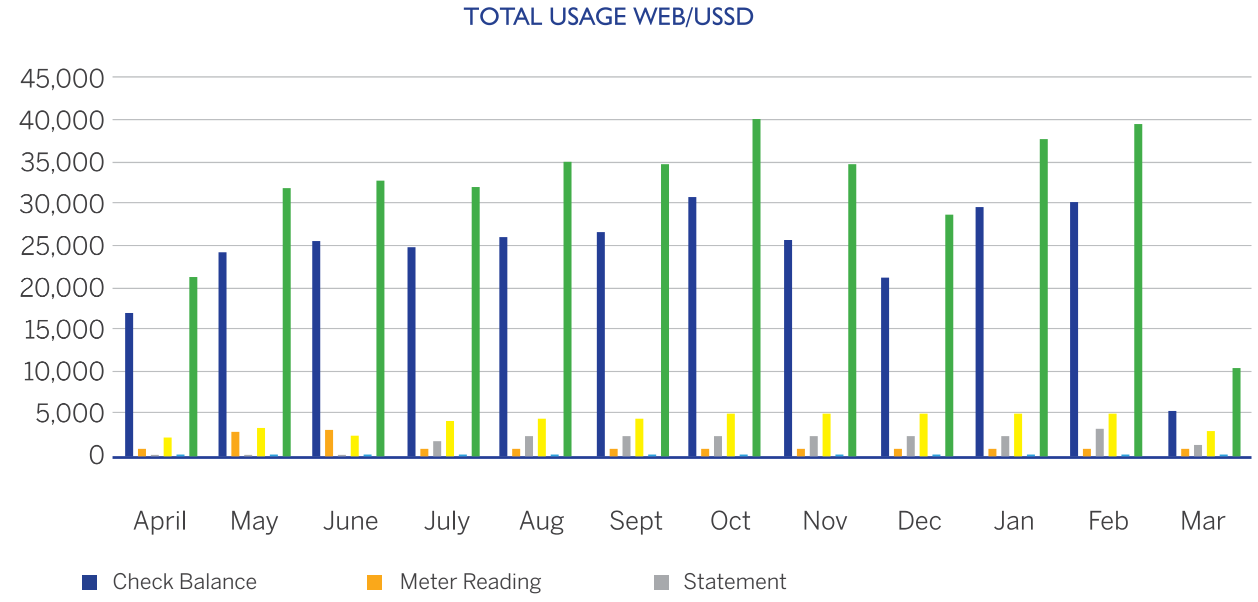
SELF SERVICE CHANNELS

The Corporation uses USSD (*186#), website (www.wuc.bw), WUC App and the recently launched 'e-sizze' Self Service Kiosk to enable customers to check account balance, pay bills, submit meter readings and send customer statements.

The website also allows customers to apply for connecting water through the website. In the year under review, there was an increase in Pula value and volume (number of transactions) for these channels.

The USSD saw a 25% increase from P14 763 337 to P19 774 495, and a 43 percent growth in the use of website from P11 132 956 to P19 568 861. Due to technical challenges the WUC App only managed to collect P1 683 133.36. The App experienced a setback when new upgrades were implemented due to incompatibility with mobile phones and was therefore reprogrammed. The Kiosk collected P764 979 in the first three months after commissioning. Graph six (6) shows the USSD uptake in the year under review.

Graph 6: Total USSD Usage as of March 2022



Graph 6 shows a marginal increase in the use of USSD with just over 100 new users. Most customers continue to use the channel to check balances and access water consumption statements

CONTACT CENTRE

WUC revamped the Contact Centre and systems, resulting in an increase in the offerings with 147 000 Voice calls and 27 000 emails from Customers.

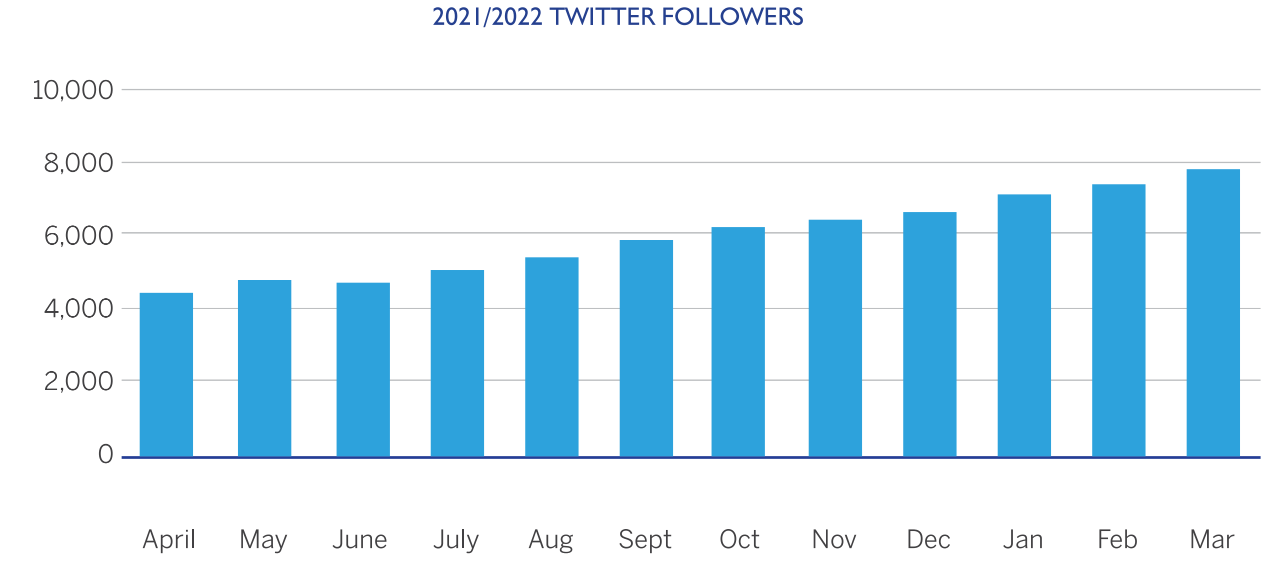
The Contact Centre previously assisted customers through Voice (Toll Free) and Email. In the year under review, the Corporation provided a new bouquet of offerings including Voice, Email, WhatsApp, Facebook, Twitter and Webchats, rendering the Centre more digital and easily accessible to customers. To complement growth and facilitate timeous service in the Contact Centre, 10 Contact Centre Agents were recruited to make a staff compliment of ten (10). The Contact Centre is available daily from 0730am till 1130pm throughout the year.

ONLINE PRESENCE

In a continuous effort to reach customers, the Corporations manages website, Facebook, Twitter and events. The channels have been effective in promoting remote access to WUC services amid COVID-19. During the year under review, over 40 000 customers accessed WUC services virtually, most of them checking balances and statements. More awareness of the convenience of these channels will continue for their optimal use. The Corporation also continues to experience growth in social media as demonstrated by Twitter growth followers in Graph 7.

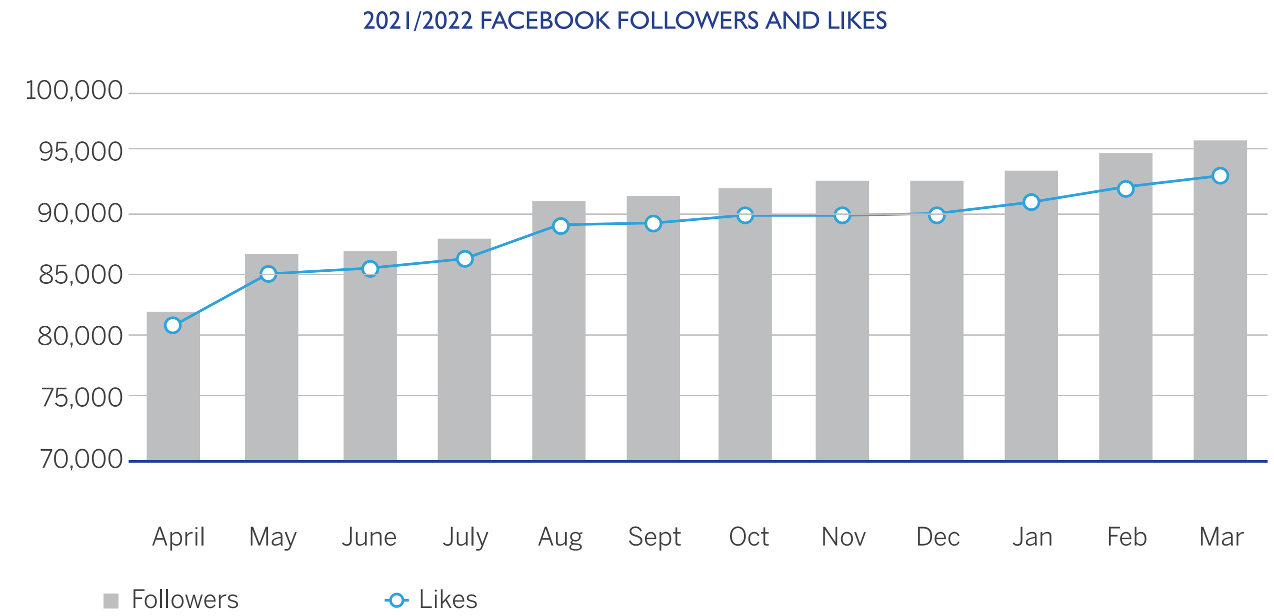
Journalists during the 2021 Annual Press Conference

Graph 7: Demonstrating Growth in Twitter Followers



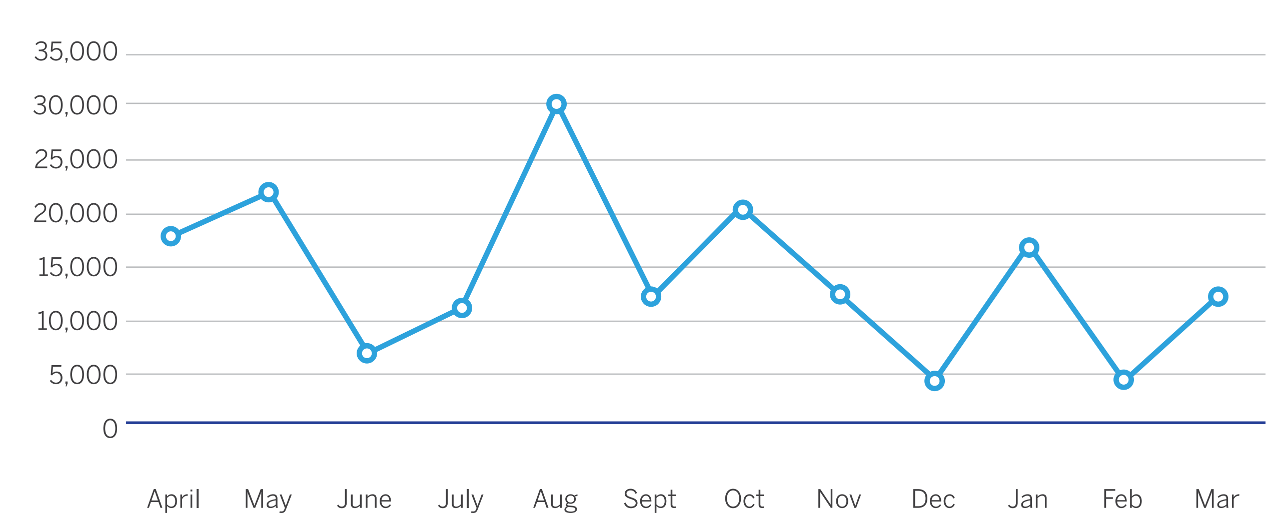
Twitter followers grew from four thousand, four hundred and ninety-seven (4 497) in March 2021 to seven thousand, six hundred and thirty-four (7 634) as at March 2022.

Graph 8: Demonstrating Growth Facebook Followers on monthly basis



Facebook followers reached 95 914 as of March 2022 from around 80 000 in March 2021. The continuous growth is driven by education and awareness through campaigns such as the 'Keep the Flow' carried out in the year under review to encourage water users to manage their water accounts. In the month of August 2021, the surge in the number of followers was a result of engagement around a major pipe burst that took place along the Mmamashia-Oodi North South Carrier (NSC) pipeline.

Graph 9: Showing Average Reach per Month



WUC DEBT PERFORMANCE

Collections for the year under review improved owing to improved relationship management, consistency and efficacy of applying the billing process, and early identification of credit defaulters. There was also an improvement in application of the credit management process, and improvement in internal communication of service delivery teams despite their geographic spread. The Corporation targeted 100 debtor days and attained eighty-eight (88). The turnaround times to receipt customer payments also reduced from an average of five (5) days in the previous year to two (2). However, debt as a moving target grows as water use continues. Chart 2 summarises the Corporation's debt status per categories.

Chart 2: Showing Debt Performance

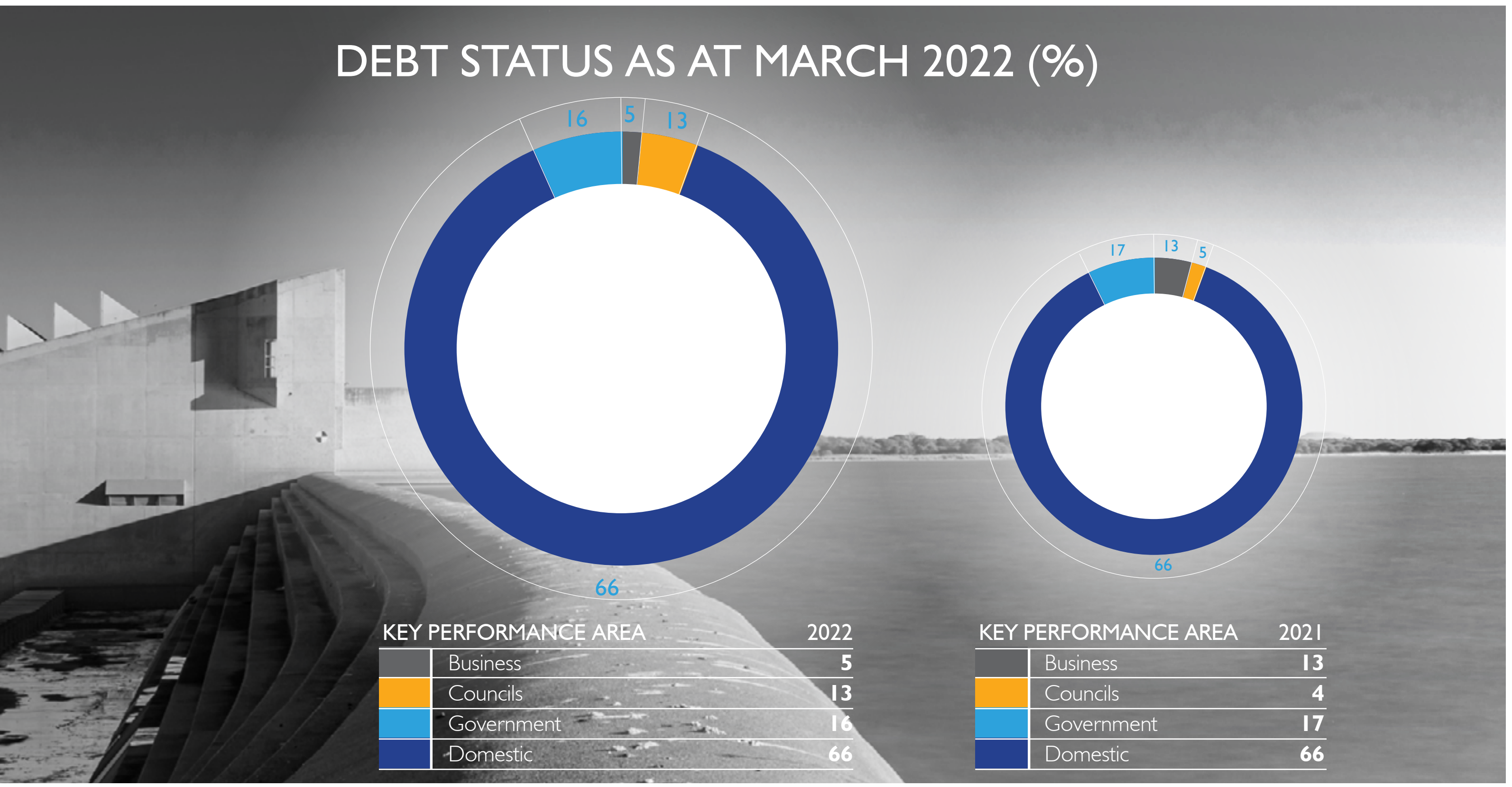


Chart 2 shows that most WUC debt is found within domestic water users. Going forward, the Corporation will enhance Customer education which includes promotion of Self-Service Channels

CORPORATE ACCOUNTS MANAGEMENT

Corporate Accounts Management focuses on developing and maintaining valuable relationships with Government Ministries, Councils and large corporate entities.

These entities are key contributors to Botswana's economy, and water services provides a critical input to their operations. In the year under review, Corporate Accounts contributed about 58 percent of the total WUC revenue, and more than 50 percent of monthly collections. WUC Key Accounts Managers support Corporate Accounts by providing dedicated and focused service attention on all products and services.

Customer Service and Satisfaction

Key service improvement highlights for the year under review are the transition from reliance on physical invoice delivery to electronic invoice delivery. This led to timely delivery, better accountability and tracking of invoicing data exchanges between the Corporation and its Corporate customers.

Customer Management process were also centralised resulting in increased visibility, agility and accountability for customer service requests. This is an improvement compared with previous years where key customers walked into or called any WUC office, which often prolonged service requested for not provided at all, leaving the customer very frustrated.

Water and Wastewater Services Tariffs
Effective 1 June 2021

DOMESTIC TARIFFS (VAT EXCLUSIVE)						
			Potable Water			
-		0-5	>5-15	>15-25	>25-40	>40
Tariff per KL		3.50	11.78	20.62	31.72	39.66
			Wastewater Services			
-		0-5	>5-15	>15-25	>25-40	>40
Tariff per KL		0.65	2.95	4.41	5.89	7.36
			Domestic Other			
-		**Raw Water**	**Below Class 2 Borehole Water**	**Treated Effluent**	**Treated Bulk Water**	
Tariff per KL		7.64	7.64	4.25	39.66	
BUSINESS, COMMERCIAL & INDUSTRIAL TARIFFS (VAT EXCLUSIVE)						
			Potable Water			
-		0-5	>5-15	>15-25	>25-40	>40
Tariff per KL		4.32	12.82	22.44	34.52	43.16
			Wastewater Services			
-		0-5	>5-15	>15-25	>25-40	>40
Tariff per KL		0.65	2.95	4.41	5.89	7.36
			Business, Commercial & Industrial Other			
-		**Raw Water**	**Below Class 2 Borehole Water**	**Treated Effluent**	**Treated Bulk Water**	
Tariff per KL		7.64	7.64	4.25	39.66	
GOVERNMENT TARIFFS (VAT EXCLUSIVE)						
			Potable Water			
-	**Min. Charge**	**0-5**	**>5-15**	**>15-25**	**>25-40**	**>40**
Tariff per KL	77.06	11.10	29.59	38.53	61.65	77.06
			Wastewater Services			
-		0-5	>5-15	>15-25	>25-40	>40
Tariff per KL		0.65	2.95	4.41	5.89	7.36
			Government Other			
-		**Raw Water**	**Below Class 2 Borehole Water**	**Treated Effluent**	**Treated Bulk Water**	
Tariff per KL	-	7.64	7.64	4.25	56.65	

The above rates will be charged VAT at 14% except for the first 5kl of the Domestic category.

The Government approved a request to adjust potable and wastewater tariff for the year 2021/2022 effective from 1 June 2021. The lowest consumption Tariff block of 0-5kl (5000L) for domestic is not subjected to any adjustment and VAT, to ensure affordability. Both potable and wastewater Tariffs remain stepped, and charges are relative to the amount of water used countrywide.

WUC's Human Capital

The Corporation prides itself as one of the biggest employers in Botswana, with a 100 percent citizen employment status. As of 31 March 2022, the Corporation's head count stood at 3 484 employees. The Corporation also has employees on short-term engagement with 22 employees on a one-year contract and 52 as auxiliary. The Corporation will continue to support skills development by providing opportunities for various professional attachments and avail its resources for research by students. Auxiliary staff are additional manpower under the engagement terms and conditions as depicted in Table 6.

Table 6: Showing WUC employees as of 31 March 2020

AUXILLIARY STAFF REPORT - MARCH 2022

	Palapye/ Mahalapye	Lobatse/ Kanye	Ghanzi / Tsabong	Maun	Gaborone	Francistown/ Selibe-Phikwe	Head Office	Molepolole/ Mochudi	Masunga / Kasane	Serowe/ Letlhakane	WUC Total
Graduate Voluntary Scheme (GVS)	0	0	1	5	1	0	1	1	3	2	14
Graduate Internship	3	4	0	0	4	4	4	1	0	1	21
Temporary staff /Fixed Term	2	0	10	0	1	6	1	2	0	0	22
Tirelo Sechaba	0	2	2	5	0	0	0	1	6	0	16
Attachment	0	0	0	0	0	1	0	0	0	0	1
Auxiliary staff compliment as at March 2022	5	6	13	10	6	11	6	5	9	3	74

The Corporation also has 36 percent of its women workforce in various positions across the organisational hierarchy.

EMPLOYEE WELLNESS

The Corporation subscribes to the notion of employee wellness and strongly promotes work-life balance. The COVID-19 pandemic, however, challenged employees' ability to interact compelling the Corporation to suspend all social activities. As the year ended, a gradual resuscitation of sports activities was opened for outdoor employee wellness activities amidst strong adherence to COVID-19 protocols.

In terms of the Human Resource Business Improvement, the Corporation made significant progress in transforming its Human Resource system processes by Digitising HR processes Pursuant to the Government's Reset Agenda initiative as well as the Corporate Strategy. The successful delivery of SuccessFactors Phase II (a Cloud-based system solution sub-modules resulted in great HR processes optimisation and efficiency, particularly on Time Management module, which accounts for real-time employee leave management. The Corporation is in the process of increasing automated HR processes to ensure maximum competency levels and heightened uptake of system usage by the employees. Such processes included the attract and retain platform which enables employees to apply for internal positions online through automated end-to-end processes.

During the year under review, the Corporation successfully conducted employee onboarding, allowing for the integration of new employees into the Corporation culture so that they are partakers of the processes. Employee engagement continued through intranet, staff meetings and publications, and CEO messages. Employee Engagement forums continue to enhance internal communication aimed at cascading leadership decision for effective Manpower planning and efficiency maximisation.

ANNUAL FINANCIAL STATEMENTS

04

GENERAL INFORMATION

(Incorporated and domiciled in Botswana in terms of the Water Utilities Corporation Act of 1970 - Laws of Botswana Chapter 74:02)

Business

The Corporation is wholly owned by the Government of Botswana which is the ultimate controlling party. The mandate of the Corporation is to provide potable water supply and wastewater services in the whole country.

Members of The Board

Noble Katse	(Board Chairperson)
Galeitsiwe Ramokopane	
Maclean Letshwiti	
Moatlhodi Lekaukau	
Wandipa Kelobang	
Bogadi Mathangwane	
Gaetshwane Matsiara	
Linah Mohohlo	(Retired 02 June 2021)

Corporate Management Team

Gaselemogwe Senai	Chief Executive Officer
Mathews Sebina	Chief Operations Officer
Taboka Gulubane	Chief Financial Officer
Felicity Ziga	Corporation Secretary
Thapelo Kalake	Chief Information Officer
Evelyn Disele	Human Resources Director
Ntshambiwa Moathodi	Technical Services Director
Goitseone Tshiamiso	Customer Care Director
Agnes Motlhanka	Internal Audit Director
Teddy Ditsabatho	Water Resources Director
Peter Sedingwe	Corporate Strategy Director

Registered Office

Water Utilities Corporation Head Office
Sedibeng House
Plot 17530, Luthuli Road
Industrial Site
Gaborone

Postal Address

Private Bag 00276
Gaborone

Bankers

Access Bank Botswana Limited (formerly Banc ABC)
ABSA Bank of Botswana Limited
Bank Gaborone Limited
Botswana Savings Bank
Botswana Building Society
First Capital Bank Limited
First National Bank of Botswana Limited
Standard Chartered Bank of Botswana Limited

Investment Bankers

African Alliance
Botswana Insurance Fund Management
Vunani (Previously named Stanlib)

Independent Auditors

PricewaterhouseCoopers

Functional Currency

Botswana Pula "P"

Ministry

Ministry of Lands and Water Affairs

STATEMENT OF RESPONSIBILITY BY THE MEMBERS OF THE BOARD

The Members of the Board are responsible for the preparation and fair presentation of the financial statements of Water Utilities Corporation ("the Corporation"), comprising the statement of financial position as at 31 March 2022, and the statement 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") and in the manner required by the Water Utilities Corporation Act (Chapter 74:02).

The Members of the Board are required by the Water Utilities Corporation Act (Chapter 74:02), 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 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 Members of the Board are responsible for such internal controls as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. It is also the responsibility of the Board to incorporate controls that prevent and detect material fraud.

The responsibilities of the members of the Board also include maintaining adequate accounting records and an effective system of risk management. They are also responsible for implementing controls and security over the maintenance and integrity of the corporate and financial information included on the Corporation's website. Legislation in the Republic of Botswana governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Corporation and all employees are required to maintain the highest ethical standards in ensuring the business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Corporation is on identifying, assessing, managing and monitoring all known forms of risk across the Corporation. While operating risk cannot be fully eliminated, the Members of the Board endeavour to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Members of the board are of the opinion, based on the information and explanations given by Management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The external auditors are responsible for independently reporting on the Corporation's financial statements and their report is presented on pages 60 to 65.

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 continued financial support from the Government of the Republic of Botswana, and the revision of the tariffs, together with the ongoing operational efficiency initiatives will ensure that the Corporation continues as a going concern for the foreseeable future.

Members of the Board's approval of the financial statements

Against this background, the Members of the Board accept responsibility for the financial statements on pages 66 to 113 which were approved and authorised for issue on 16 August 2022 and signed on its behalf by:

Director	Director

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Independent auditor's report

To the Minister of Land Management, Water and Sanitation services of Water Utilities Corporation

Our opinion

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

What we have audited

Water Utilities Corporation's financial statements set out on pages 66 to 113 comprise:

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

Basis for opinion

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

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

Independence

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

Our audit approach

Overview

Overall materiality	• *Overall materiality: P 11 454 000, which represents 4.5% of the four-year average profit/loss before tax and tariff subsidy income.*
Key Audit Matters	• *Impairment of trade receivables.*

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

Country Senior Partner: R Binedell
Partners: A S Edirisinghe, I D Molebatsi, S K K Wijesena

pwc

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	*P 11 454 000*
How we determined it	*4.5% of the four-year average profit/ loss before tax and tariff subsidy income.*
Rationale for the materiality benchmark applied	*We chose the four-year average profit/loss before tax and tariff subsidy income as the benchmark because, in our view, it is the benchmark against which the performance of the Corporation is most commonly measured by users of the financial statements. An average of profit before tax and tariff subsidy income for the past 4 years was used and determined to be more appropriate because of the volatility in the Corporation's operating profits before tax and tariff subsidy.* *We chose 4.5% based on professional judgement and after consideration of the range of quantitative materiality thresholds that would typically apply when using the four-year average profit/loss before tax to compute materiality. The considerations include taking cognisance of the intended users of the financial statements, audits of similar entities, and the Corporation's level of external debt.*

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.

Key audit matter	***How our audit addressed the key audit matter***
Impairment loss of trade receivables **(All amounts in Pula '000)** At 31 March 2022 the Corporation recognised trade receivables of P 309 931 (2021: P 320 372)	We performed the following audit procedures on the ECL provision for impairment on trade receivables: • We obtained an understanding of relevant internal controls by:

pwc

after deducting expected credit losses ("ECL") of P 721 254 (2021: P 697 606).

The Corporation applies the simplified approach allowed by International Financial Reporting Standards 9 *Financial Instruments* ("IFRS 9") and recognises lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics within customer type.

The Corporation uses a provision matrix to determine the ECL on Trade receivables. The assumptions and judgements applied includes:

- the determination of the probability of default (PD); and
- the determination of Loss Given Default (LGD).

We considered the determination of ECL to be a matter of most significance to the current year audit due to:

- the assumptions and judgements applied by management in determining the ECL; and
- the magnitude of the ECL and the impact on the financial statements.

Disclosures with respect to the application of IFRS 9 in determining ECL are:

- Significant accounting policies - Financial Instruments: IFRS 9; Financial assets at amortised cost
- Critical accounting estimates and assumptions: Impairment losses on trade receivables;
- Note 11 "Trade and other receivables"; and
- Note 28 "Financial risk management".

- enquiring from management as to whether any significant changes have been made to the internal control system; and
- reading through the Corporation's process manuals.

- We evaluated the design and implementation of relevant controls applicable to customer registration and creation and tested their operating effectiveness through inspection of a sample of new connection application forms;
- We assessed the application of the accounting policies and management's ECL impairment model against the requirements of IFRS 9 and no material inconsistencies;
- We agreed the amount of the ECL as per the output of management's ECL impairment model to the provision for impairment as per the general ledger. No material differences were noted;
- We reconciled the receivable balances used in the model to the relevant accounting records and reviewed the segments of receivables for appropriate segmentation. No material differences were noted;
- Utilising our actuarial, risk and quants expertise, the following procedures were performed in order to assess the reasonability of the ECL as determined by management as at 31 March 2022:
  - Independently calculated the ECL by using the simplified approach method and compared the result to management's ECL calculation result. No material differences were noted;
  - For trade receivables related to business and domestic groups, PD and LGD assumptions made in management's calculations were stressed to arrive at an impairment range. We noted that the Corporation's calculated ECL was within a reasonable range of our independent expected range of ECL calculated;
  - For Government trade receivables, a benchmark probability of default (" PD") and Loss Given Default ("LGD") was used to independently assess the impairment to be held for this segment. Given the short-term nature of the trade receivables, a 12 month PD was used. A range of benchmarked LGDs was used to calculate a possible range for the impairment. We noted that the Corporation's ECL provisions were within a reasonable range of our independent expectations;
  - Independently assessed the COVID 19 impact on the ECL by building an independent model using historic benchmark data and determining a link between Gross Domestic Product (GDP) and the relative increase in the loss rates for various base loss rates. In this regard, we used a forecasted GDP figure for Botswana to infer an increase in counterparty risk arising due to COVID 19. We noted that the Corporation's ECL provisions were within a reasonable range of our independent expectations overall.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Water Utilities Corporation Financial Statements 31 March 2022", which we obtained prior to the date of this auditor's report, and the other sections of the document titled "Water Utilities Corporation 2021/22 Annual Report", which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial statements

The directors 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 directors 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 directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and

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using the going concern basis of accounting unless the directors 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 directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the members 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.

We also provide the members with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on other legal and regulatory requirements

In accordance with Section 25(3) of the Water Utilities Corporation Act (Chapter 74:01) (the "Act"), we report that:

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- We have received all the information and explanations which, to the best of our knowledge and belief, were necessary for the performance of our duties as auditors;
- The accounts and related records of the Corporation have been properly kept;
- The Corporation has complied with all the financial provisions of the Act with which it is the duty of the Corporation to comply except for Section 19 of the Water Utilities Corporation Act which requires the Corporation to conduct its affairs on sound commercial lines and to produce a net operating income by which a reasonable return can be measured. Since the Corporation has registered a loss, it has therefore, failed to comply with this section of the Act; 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).

PricewaterhouseCoopers

PricewaterhouseCoopers — **23 August 2022**
Firm of Certified Auditors — **Gaborone**
Practising member : Sheyan Edirisinghe (CAP 004 2022)

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2022

	Notes	2022	2021 (Restated)*
		P'000	P'000
Revenue from contracts with customers	1	2,066,697	1,811,031
Other income	2	30,451	30,300
Operating expenses			
Water treatment and distribution expenses	4,24	(1,435,882)	(1,196,430)
Administration and other expenses	4,24	(538,085)	(611,877)
Depreciation and amortisation	7, 8, 9,16	(272,556)	(278,586)
Impairment loss on trade receivables	11	(77,379)	(236,097)
Impairment loss on development expenditure	7	(15,815)	-
Total operating expenses		**(2,339,717)**	**(2,322,990)**
Operating loss before tariff subsidies and grants		**(242,569)**	**(481,659)**
Revenue grant	16	-	172,194
Operating loss after tariff subsidies and grants		**(242,569)**	**(309,465)**
Finance income	5	62,706	81,321
Finance costs	5	(28,119)	(25,570)
Loss for the year before income tax		**(207,982)**	**(253,714)**
Income tax	6	(184,378)	79,223
Loss for the year		**(392,360)**	**(174,491)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(392,360)**	**(174,491)**

*See note 24 for details regarding restatement as a result of prior period errors.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2022

	Notes	31 March 2022	31 March 2021 (Restated)*	1 April 2020 (Restated)*
		P'000	P'000	P'000
ASSETS				
Non-current assets				
Property, plant and equipment	7,24	11,760,725	8,631,660	7,153,236
Right of use assets	8	45,820	37,738	47,547
Intangible assets	9	1,291	1,763	2,466
Deferred tax asset	20	-	11,215	-
		11,807,836	8,682,376	7,203,249
Current assets				
Inventories	10	60,539	54,711	50,390
Trade and other receivables	11	1,380,121	743,286	412,955
Tax refundable	20	16,181	22,922	22,922
Investments carried at amortised cost	13	1,192,793	34,328	390,945
Cash and cash equivalents	12	283,256	1,534,154	1,660,412
		2,932,890	2,389,401	2,537,624
Total assets		**14,740,726**	**11,071,777**	**9,740,873**
EQUITY AND LIABILITIES				
Capital and reserves				
Irredeemable capital	14	752,738	752,738	752,738
Government contribution - Water sector reforms	15	4,104,627	4,104,627	4,104,627
Interest reserve - EIB	17	17,962	17,796	17,466
Retained earnings		212,522	605,048	779,869
		5,087,849	5,480,209	5,654,700
Non-current liabilities				
Government grants	16	8,207,207	4,277,475	3,185,588
Borrowings	17	205,000	210,889	212,944
Consumer deposits	18	61,414	55,146	50,436
Lease liabilities	8	39,617	29,937	41,690
Deferred tax liabilities	20,24	173,163	-	68,008
Trade and other payables	19	253,356	155,085	49,503
		8,939,757	4,728,532	3,608,169
Current liabilities				
Borrowings	17	11,738	11,363	13,442
Lease Liabilities	8	13,462	13,079	9,277
Trade and other payables	19	687,920	838,594	455,285
		713,120	863,036	478,004
Total liabilities		9,652,877	5,591,568	4,086,173
Total equity and liabilities		**14,740,726**	**11,071,777**	**9,740,873**

*See note 24 for details regarding restatement as a result of prior period errors.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2022

	Notes	Irredeemable Capital P'000	Government Contribution P'000	Interest Subsidy Reserve P'000	Retained Earnings P'000	Total P'000
Balance at 1 April 2020		**752,738**	**4,104,627**	**17,466**	**781,872**	**5,656,703**
Correction of error (net of tax) (note 24)		-	-	-	(2,003)	(2,003)
Restated total equity at the beginning of the financial year		**752,738**	**4,104,627**	**17,466**	**779,869**	**5,654,700**
Loss for the year (restated*)		-	-	-	(174,491)	(174,491)
Transfers within components of equity		-	-	330	(330)	-
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		**-**	**-**	**330**	**(174,821)**	**(174,491)**
Balance as at 31 March 2021 (Restated*)	14,15,17	**752,738**	**4,104,627**	**17,796**	**605,048**	**5,480,209**
Balance as at 1 April 2021 as originally presented		**752,738**	**4,104,627**	**17,796**	**615,499**	**5,490,660**
Correction of error (net of tax) (note 24)		-	-	-	(10,451)	(10,451)
Restated total equity at the beginning of the financial year		**752,738**	**4,104,627**	**17,796**	**605,048**	**5,480,209**
Loss for the year		-	-	-	(392,360)	(392,360)
Transfers within components of equity		-	-	166	(166)	-
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the year		**-**	**-**	**166**	**(392,526)**	**(392,360)**
Balance as at 31 March 2022	14,15,17	**752,738**	**4,104,627**	**17,962**	**212,522**	**5,087,849**

*See note 24 for details regarding restatement as a result of prior period errors.

STATEMENT OF CASH FLOWS

for the year ended 31 March 2022

	Notes	2022 P'000	2021 (Restated)* P'000
Net cash flow from operating activities*	21	**(639,785)**	**(44,261)**
Cash generated from/(used in) investing activities			
Development expenditure incurred*	7,24	(2,984,515)	(1,678,461)
Proceeds on sale of property, plant and equipment	2, 7	5,883	797
Purchase of property, plant and equipment	7	(537,527)	(155,079)
Interest received	5	73,365	81,321
Purchases of investments at amortised cost	13	(1,158,465)	-
Disposals of investments at amortised cost		-	356,617
Net cash used in investing activities		**(4,601,259)**	**(1,394,805)**
Cash generated from/(used in) financing activities			
Interest paid	5	(28,119)	(25,570)
Repayment of borrowings	17	(5,514)	(4,134)
Cash and capital grants received from Government	16	4,036,221	1,351,903
Principal payment of lease liabilities	8	(12,442)	(9,391)
Net cash from financing activities		**3,990,146**	**1,312,808**
Net decrease in cash and cash equivalents		(1,250,898)	(126,258)
Cash and cash equivalents at beginning of the year		1,534,154	1,660,412
Cash and cash equivalents at end of the year		**283,256**	**1,534,154**
Reconciled to:			
Cash and cash equivalents recognised as current assets	12	**283,256**	**1,534,154**

*See note 24 for details regarding restatement as a result of prior period errors.

NOTES TO THE
FINANCIAL STATEMENTS

for the year ended 31 March 2022

SIGNIFICANT ACCOUNTING POLICIES

Presentation of Financial Statements

The Corporation has been established under the Water Utilities Corporation Act (CAP 74:02). The Corporation is domiciled in Botswana with the primary objective to provide potable water supply and wastewater services throughout Botswana. The financial statements have been prepared on the historical cost basis except where otherwise stated and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous year except where otherwise stated. The financial statements are presented and rounded to the nearest one thousand Pula which is the functional currency. These financial statements were approved and authorised for issue by the Members of the Board on 16 August 2022.

Basis of Preparation

The financial statements of the Corporation have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Water Utilities Corporation Act (CAP 74:02). The financial statements have been prepared under the historical cost convention and are presented in precision of thousands of Pula (P'000'). Historical cost is generally the fair value of the asset or liability at the date of initial recognition. The financial statements are prepared under the assumption that the Corporation is a going concern.

Statement of Compliance

The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB'), interpretations issued by the International Financial Reporting Standard Interpretations Committee and in the manner required by the Water Utilities Corporation Act (Chapter 74:02).

Changes in accounting policies

(a) New and amended standards adopted by the Corporation

The Corporation has not adopted new standards or amendments to existing standards in the current reporting date. On 31 March 2021, the IASB published an additional amendment to IFRS 16 to extend the date of the May 2020 practical expedient from 30 June 2021 to 30 June 2022. The March 2021 amendment will only be available if an entity chose to apply the May 2020 optional practical expedient. The table below is a summary of standards and amendments that are effective for the current reporting period but have been assessed to have no impact on the Corporation's financial statements.

Standard/Interpretation	Confirmed or Proposed Effective date: Years beginning on or after	Summary of changes and Management's Rationale for Impact
Covid-19-related Rent Concessions - Amendments to IFRS 16	1 Apr 2021	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Based on Management's assessment the amendment is applicable but does not have an impact on the financial statements of the Corporation.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies (continued)

(a) New and amended standards adopted by the Corporation (continued)

Interest Rate Benchmark Reform - Phase 2 introduces amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 Jan 2021	In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide the following reliefs: • When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, as a direct consequence of interbank offered rate (IBOR) reform, will not result in an immediate gain or loss in the income statement. • The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded. The Corporation does not undertake hedging activities nor does it have financial assets or liabilities which use IBOR in determining contractual cash flows, hence no material impact has been noted based on Management's assessment.

(b) Standards issued but not effective

As at 31 March 2022, the following standards and interpretations had been issued but were not mandatory for the current reporting period. Management will continue to assess the impact of these standards for forthcoming periods and the table below indicates the preliminary impact assessments and rationale.

Standard/Interpretation	Confirmed or Proposed Effective date: Years beginning on or after	Summary of changes and Management's Rationale for Impact
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 Jan 2023	The IASB provided guidance in regard to judgments for classification of financial liabilities as current or non-current when there are covenants that have been breached or there are indicators of potential breaches. The guidance extends to entities that have provided guarantees to related entities. The Corporation has not fulfilled debt covenants in the past and continues to monitor and reflect on the potential impact of deviations from the debt covenants. Outstanding debt is expected to be settled in the short term, consequently, the extent of judgment in classification as current or non-current is reduced.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies (continued)

Standard/Interpretation	Confirmed or Proposed Effective date: Years beginning on or after	Summary of changes and Management's Rationale for Impact
Property, plant and equipment: Proceeds before intended use – Amendments to IAS 16	1 Jan 2022	The IASB has issued guidance in regard to accounting for proceeds generated from assets at testing stage or prior to being ready for intended use. The guidance entails that such proceeds must not be adjusted against the carrying amount of the asset but recognised in profit or loss. The Corporation does not bill or recover fees from customers for testing potable or wastewater infrastructure assets. We do not expect any significant impact on the financial statements of the Corporation.
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	1 Jan 2022	The amendment to the Standard provides that direct costs of fulfilling a contract include both the incremental costs directly related to fulfilling contracts. The Corporation is not aware of any of such contracts currently and therefore does not expect any significant impact on the financial statements.
Annual Improvements to IFRS Standards 2018–2020	1 Jan 2022	The following improvements were finalised in May 2020: • IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. • IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. We do not expect any significant impact on the financial statements of the Corporation.
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 Jan 2023	The IASB amended IAS 1 to require entities to disclose their rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. We do not expect any significant impact on the financial statements of the Corporation.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies (continued)

(b) Standards issued but not effective (continued)

Standard/Interpretation	Confirmed or Proposed Effective date: Years beginning on or after	Summary of changes and Management's Rationale for Impact
Definition of Accounting Estimates – Amendments to IAS 8	1 Jan 2023	The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period. We do not expect any significant impact on the financial statements of the Corporation.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 Jan 2023	The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. We do not expect any significant impact on the financial statements of the Corporation.

Revenue recognition

The core principles of IFRS 15 "Revenue from Contracts with Customers" requires an entity to recognise revenue when, or as, the performance obligations with regards to the supply of good or services under a customer contract have been satisfied through the transfer of such promised goods or services to the customer and it is probable that the Corporation will collect the consideration that it is entitled to. Such transfer occurs when the customer obtains control over the said goods or services.

Control is transferred as and when the customer consumes the potable water and receives wastewater services. Revenue is measured at an amount that reflects the consideration that the Corporation expects to be entitled to in exchange for transferring those goods or services to the customer. The consideration expected by the Corporation is based on the volume of potable water consumed by the customer or the wastewater services received and the approved tariff rates applicable.

"Prepayments or overpayments received from customer are recorded within other payables.

In determining whether it is probable that the Corporation will collect the consideration to which it is entitled to, an assessment is made as to the customer's ability and intention to pay. Where the ability and/or the intention of the customer to pay the consideration is determined to be low (i.e. low probability of collection), no revenue is recognised when the water is consumed or when wastewater services are received by such customers. These contracts are therefore outside the scope of IFRS 15 and any income as a result of these connections is recognised as 'income' as and when received.

Since it is not practicable to obtain actual meter readings for all customers at the end of each reporting cycle, the Corporation may estimate the water consumed by its customers. The estimates are mainly based on recent and historical consumption. These estimates are provisionally recognised as revenue for the period to which the consumption is deemed to have been enjoyed by the customers. These estimates are continuously monitored against actual periodic meter readings obtained or appeals made by customers and are updated continuously.

The following services are recorded within "Revenue" in the Statement of Comprehensive Income since they relate to the Corporation's obligation as a water and wastewater services provider.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Potable water and wastewater services

The Corporation has an ongoing obligation to provide potable water and wastewater services to customers which are analysed into domestic, commercial and Government categories. The Corporation is obligated to provide a continuous supply of services across the entire network, so customers simultaneously receive and consume the benefits in line with the Corporation's performance obligation .

The Corporation recognises revenue for potable water and wastewater services at an amount to which it expects to be entitled to, since this amount is considered by Management to correspond directly with the value of its performance obligations satisfied to date, being the delivery and consumption of potable water.

The amount of consideration which the Corporation expects to be entitled to is determined by actual usage, derived from meter readings, where such readings are available. Where there are no actual readings available due to practical reasons such as the Corporation not gaining access to customer premises to allow for meter readings, Management then estimates the potable water and wastewater services bill by reference to recent consumption in line with actual historical meter readings. Instances of estimations are common for domestic customers, as such actual revenue may vary from the estimate.

Revenue also includes an estimate of the amount of consumed potable water and wastewater charges billed to unmetered customers at the period end, which are recorded within trade receivables.

Connection fees

A connection fee includes the provision of a connection service to an existing water main or sewer, laying a pipe to the boundary of a customer's property and connecting to their supply pipe. Management has considered that the combination of these activities comprises of a distinct performance obligation to the customer. Service connection income is recognised in revenue at the point in time that the connection is completed.

Property, plant and equipment

Recognition

Property, plant and equipment comprise mainly land, dams and buildings, distribution systems, plant and machinery, vehicles and equipment. These are items that are tangible and held for use in the supply of goods and services and are expected to be used for more than one year. Where major components of an item of property, plant or equipment have different useful lives, they are accounted for as separate items of property, plant or equipment and depreciated separately over their respective useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Assets in physical form that are under the control of the Corporation through non-short term leases and within the scope of IFRS 16 are recognised separately as Right of Use Assets and not subsumed to PPE balances.

Spare parts, standby and servicing equipment held by the Corporation, that meets the definition of property, plant and equipment are classified as such. Spare parts and standby equipment are considered to be critical spares and can only be used in connection with a specific item of property, plant and equipment are also accounted for as property, plant and equipment. All other spare parts are accounted for as inventory.

Initial and subsequent measurement

Property, plant and equipment are initially stated at cost. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. Property, plant and equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Subsequent expenditure on property, plant and equipment is capitalised only when the expenditure enhances the value or output of the asset beyond original expectations and it can be measured reliably. Costs incurred on repairing and maintaining assets are recognised in the statement of comprehensive income in the period in which they are incurred.

Depreciation is recognised so as to write off the cost of assets to their residual values over their useful lives, using the straight-line method. Depreciation commences when the asset is available for its intended use, which could be an earlier date than when the asset is actually put into economic use by Management. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Indicators of impairment are evaluated at each reporting date and where an asset or group of assets' carrying amounts are determined to be higher than the recoverable amounts, an impairment is charged to profit or loss. The recoverable amount is the higher of the fair value less cost to sell and value in use. Fair value less cost to sell is determined by reference to observable market data to which market participants will undertake in the exit of the asset by the Corporation. Value in use reflects the present value of future cash flows that will be generated by the Corporation from continued use of the asset or group of assets in its current condition over the remaining life.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

Land and assets under construction are not depreciated. All other property, plant and equipment are depreciated on a straight line basis over their estimated useful lives to their estimated residual value. Major repairs are depreciated over the remaining useful life of the related asset or to the date of the next major repair, whichever is shorter. The estimated useful lives are as follows:

	Useful Life
Leasehold land, dams and buildings	25 - 99 years
Distribution systems, plant and machinery	5 - 40 years
Vehicles and equipment	5 - 15 years

Depreciation is recognised in the statement of comprehensive income.

Development expenditure

The property, plant and equipment balances include Development Expenditure, which constitutes of self-constructed assets and assets transferred to the Corporation by the Government of Botswana through Water Sector Reform initiatives for production and supply purposes are carried at cost, less any recognised impairment loss. The cost includes the cost of materials, direct labour, borrowing costs for qualifying assets and professional fees, the initial estimate, where relevant, of costs of dismantling and removing the items and restoring the site on which they are located and an appropriate proportion of production overheads. Such costs are classified to the appropriate categories of property, plant and equipment when completed and ready for the intended use.

Depreciation of Development Expenditure assets commences when the assets are ready for their intended use and charged on a similar basis as prescribed for completed assets above. Management performs an annual assessment of long overdue development projects, including an evaluation of whether such projects are impaired. Any impaired development expenditure is written off to the statement of comprehensive income.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

Intangible assets

Costs that are directly associated with the purchase of identifiable software products controlled by the Corporation, that will probably generate economic benefits beyond one year that can be measured reliably, are recognised as intangible assets. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Intangible assets comprising computer software, are capitalised at cost when it's probable that the expected future economic benefits attributable will flow to the Corporation and the costs can be reliably measured. These costs are amortised over their estimated useful lives (five years) on a straight line basis. The computer software costs are measured at cost less accumulated amortisation and impairment charges. Intangible assets are assessed for impairment as and when there are indicators of such.

An item of intangible assets is derecognised upon disposal or when no future economic benefits are expected from its use. Gains or losses arising from the de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and are recognised in profit or loss when the asset is derecognised.

Intangible assets are not developed internally and as such, there is no research and development relating to these.

Leases under IFRS 16

The Corporation assesses whether a contract is, or contains a lease, at the date of inception of contract after transition date and date of legal or deemed renewal of contract, whichever is applicable. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, Management determines whether the asset under consideration is identified, which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once Management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Corporation has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases under IFRS 16 (continued)

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Corporation is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. Where the total value of undiscounted rentals paid during the life of any single lease is P50,000 or less, such leases are considered to be leases of low value assets. For these leases, the Corporation recognises the lease payments as an operating expense (note 8) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However as an exception to the preceding paragraph, the Corporation has elected not to separate the non-lease components for leases of land and buildings. Details of leasing arrangements where the Corporation is a lessee are presented in note 8 Leases (Corporation as lessee).

Right-of-use assets

Right-of-use assets are presented as a separate line item on the statement of financial position. These are leased properties. Lease payments included in the measurement of the Right-of-use asset comprise the following:

- the initial amount of the corresponding lease liability as outlined under the lease liability section below;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the corporation incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life (2-5 years) of the underlying asset on a straight line basis. 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, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation charge is included in the statement of comprehensive income unless it is included in the carrying amount of another asset. Depreciation starts at the commencement date of a lease.

Right of use assets are annually assessed for impairment indicators, including whether the underlying lease contracts or arrangements have become onerous. Potential impairments are evaluated in a manner consistent with accounting for impairments as detailed under the accounting policy for property, plant and equipment. Onerous contracts over Right of use assets result in a provision being created at the lower of the amounts payable to exit the contract and the present value of the unavoidable net cash outflows from continued use of the asset.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

Right-of-use assets are derecognised when the contract is terminated, expires or the Corporation ceases to be party of the arrangement that qualifies as a lease under IFRS 16 as outlined above. Gains or losses arising on derecognition of the Right-of-use asset are recognised in profit or loss.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases under IFRS 16 (continued)

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Corporation uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Corporation under residual value guarantees;
- the exercise price of purchase options, if the Corporation is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the corporation is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rentals that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses.

The lease liability is presented as a separate line item on the Statement of Financial Position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 5). The Corporation remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Corporation will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Inventory

Inventories comprise maintenance spares and stores, water treatment chemicals and consumables. Maintenance spares and consumable stores are expensed to the statement of comprehensive income as they are utilised unless they satisfy the recognition criteria as critical spares, which are capitalised as property, plant and equipment. Inventories are measured at the lower of cost, determined on a weighted average cost basis and net realisable value (NRV). The weighted average cost includes costs attributable to purchase price including non-refundable taxes, transportation and duties required to avail the inventory to usable and saleable condition. The net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and variable selling expenses. 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. Write-downs to net realisable value and inventory losses are expensed within cost of sales in the statement of comprehensive income in the period in which the write-downs or losses occur.

Financial Instruments: IFRS 9

Financial assets and liabilities are recognised on the Corporation's statement of financial position when the Corporation becomes party to the contractual provisions of the instruments.

The financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial asset or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in the statement of comprehensive income. Financial instruments held by the Corporation are classified in accordance with provisions of IFRS 9 Financial Instruments.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments: IFRS 9 (continued)

Financial Assets

Classification and measurement

The Corporation classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

The classification depends on the Corporation's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

The Corporation reclassifies debt instruments when and only when its business model for managing those assets changes.

Recognition and derecognition

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose term requires delivery of the financial asset within the time frame established by the market concerned.

All recognised financial assets are subsequently measured 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.

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 amortised cost. All other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Financial assets at amortised cost

Trade receivables and other receivables are classified as financial assets at amortised cost. They are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any Expected Credit Losses (ECLs). Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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.

Provision for expected credit losses of trade receivables

The Corporation applies a simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar credit risk characteristics (i.e. by invoice aged category within the risk classifications as Domestic, Business and Government Customers).

The provision matrix is initially based on the Corporation's historical observed default rates. The Corporation will calibrate the matrix to adjust the historical credit loss experience with forward-looking information that has observable correlations with default patterns. Forward looking information includes the projected Gross Domestic Product (GDP) and other macro-economic factors.

The assessment of the correlation between historically observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecast economic conditions. The Corporation's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments: IFRS 9 (continued)

Financial assets at amortised cost (continued)

The Corporation recognises an impairment gain or loss in the statement of comprehensive income for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account

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

Write off policy

The Corporation considers that the ECL as determined by probability of default (PD) is an estimate and may differ from actual loss patterns. An annual assessment of the sufficiency of the ECL is performed and any changes are accounted for in the statement of comprehensive income. The Corporation writes off trade receivables when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure to make contractual payments beyond 90 days, corporate closures and no successful efforts towards tracing the customer for enforcement of collection. Write-offs are approved by Management and authorised by Members of the Board.

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 transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the right to receive cash flows from the investments has expired or has 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.

Derecognition of financial assets

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

Fair value measurements

"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 levels 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 the 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.

Financial liabilities and equity instruments

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.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments: IFRS 9 (continued)

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 fair value 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 Water Utilities Corporation Act of 1970 - (Laws of Botswana Chapter 74:02) has a residual interest in the assets of the entity after deducting all of its liabilities.

Financial liabilities at amortised cost

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

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

Derecognition of financial liabilities

The Corporation derecognises financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

The Corporation considers cash and cash equivalents to include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

Investments carried at amortised cost

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

Government grants

Grants are recognised when there is a reasonable expectation that the grant will be received and all attached conditions will be complied with. The Corporation may receive grants relating to capital projects in the form of cash or physical assets and towards working capital expenditure. Grant income related to capital projects or in physical assets is initially recognised as government grants liability in the statement of financial position with a corresponding asset recognised in property, plant and equipment or development expenditure, whichever is relevant. Subsequently, the government grant liability is amortised to the statement of comprehensive income in a manner consistent with depreciation of the related asset. Grant income related to expenditure is initially recognised as a government grant in the statement of financial position and subsequently amortised to the statement of comprehensive income when the intended expenditure is incurred by the Corporation.

Irredeemable capital

Irredeemable capital comprises contributions received from the Government in respect of its obligations as the owner of the Corporation in terms of the Water Utilities Corporation Act (74:02).

Interest subsidy

The interest subsidy reserve relates to a subsidy on the EIB loan 45. In accordance with the agreement with the EIB, the Corporation shall pay net interest on the daily balance of the loan balance at the interest rate applicable reduced by an interest rate subsidy of 1.82%, provided that the interest payable shall at no time fall below 3%. The interest expense is netted off with the subsidy hence interest expense is presented as the net after taking into account the subsidy. If the Corporation wishes to make a withdrawal from this account it has to send details of schemes to be financed and their projected financing plans. Only after approval from EIB will funds be withdrawn from this account. Residual balance in this account at the end of the final repayment of the loan shall be used by the Corporation for approved capacity building plans.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Taxation

Income tax expense represents the sum of the current tax payable and the movement in 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 that are non-taxable and non-deductible. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by reporting period end.

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 recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date 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 reporting date. 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 amounts of its assets and liabilities.

Deferred tax assets and liabilities are offset where 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 assets and current liabilities on a net basis. There are no restrictions in offsetting the tax assets and liabilities.

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Corporation prior to the end of the financial year which are unpaid. They 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). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method. The corporation deems the fair value of the trade and other payables to approximate their carrying amounts.

Consumer deposits

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

Employee benefits

Employee benefits are recognised as an expense unless the cost qualifies to be capitalised as an asset.

(i) Defined contribution plans

Contributions are recognised as an expense to the Corporation, included in staff costs, as membership to the pension fund is a condition of employment.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

(ii) Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave, gratuity and severance that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations on the balance sheet.

Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are derecognized from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(i) Borrowing costs
General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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. Other borrowing costs are expensed in the period in which they are incurred. .

Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of the Corporation are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in Botswana Pula (BWP), which is Water Utilities Corporation's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other gains/(losses).

Joint arrangements
The Corporation accounts for its interests in joint operations by recognising its share of operating expenses in accordance with its contractually conferred rights and obligations. The joint operation does not constitute a business as defined by IFRS 3 and as a result, the Corporation is not required to apply all the principles of IFRS 3 in accordance with IFRS 11 Joint Arrangements. The expenses have been included in the financial statements under the appropriate heading. Details of the joint operations are set out in note 23.

Changes in accounting policies, prior period errors and changes in accounting estimates
Changes in accounting policies are adopted either due to new IFRS or amendments of existing standards or voluntarily. Voluntary changes in accounting policies relate to instances when Management considers that a change in accounting policy will better inform the users of the financial statements in regard to new circumstances and the underlying impact of such changes on the relevance and reliability of the financial statements. Where the change in accounting policy is triggered by new IFRS or amendments of existing standards, the Corporation adopts transitional guidance issued by IFRS. Prior period errors that are identified during the reporting period relate to deviations from IFRS, omissions or misstatements in financial information reported in prior periods.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies, prior period errors and changes in accounting estimates (continued)

Material prior period errors are retrospectively adjusted on comparative periods to which the error occurred. The cumulative net effect, including tax consequences of changes in accounting policies and prior period errors that impact financial reporting periods earlier than the recent comparatives are adjusted in opening retained earnings for the earliest comparative financial statements with corresponding adjustments to the respective assets, liabilities or other components of equity. Changes in accounting estimates are prospectively accounted for in the financial statements during the year of the change in estimate and subsequent reporting periods.

Critical accounting estimates and assumptions
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Corporation's accounting policies. These areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Corporation's financial statements are disclosed.

Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of events that are believed to be reasonable under the circumstances. The following are what Management considers to be critical accounting estimates and assumptions:

a) Determination of useful lives and residual values of property, plant and equipment
On an annual basis, the Corporation obtains technical assistance from user functions, for example, engineers to assess if the useful lives and residual value estimates are appropriate and consistent with theoretical lives and residual values per the financial records. Changes in useful lives and residual values are adjusted in profit or loss prospectively.

b) Impairment losses for non - financial assets (property, plant and equipment, intangible assets and right-of -use assets)
At each reporting date intangible assets, property, plant and equipment and right-of-use assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. If any such indications exist, 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 it belongs. The recoverable amount is the higher of an asset's or cash generating unit's fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Corporation's assets. Forecast cash flows, expected life, and growth patterns have been limited to 5 years, given that Management has no ability to forecast cash flows accurately for a longer period and that longer period may bring about the risk of estimation errors. In the current year, Management reviewed all the non-financial assets for impairment and indicators of impairment were identified on property, plant and equipment. These indicators and the results of the impairment test carried out are outlined in note 7. For the purposes of assessing impairment, the whole Corporation was considered as a single cash generating unit ("CGU") and we assessed the value in use by considering future cash flows and economic conditions that would affect the Corporation's future operations.

c) Impairment losses on trade receivables
The Corporation applies the simplified approach in determining the expected credit losses on trade receivables. Expected Credit Loss (ECL) has been assessed using provision matrix by grouping customers with shared credit risk characteristics and days past due. The assumptions and judgements applied includes the determination of probability of default (PD) using historical default rates and the determination of Loss Given Default (LGD). The determination of PD is considered a critical accounting estimate because the assessment of the correlation between historically observed default rates and forecast economic conditions is judgmental and based on future events that can change. The determination of LGD is based on historical credit loss experience which may not be representative of customer's actual default in the future. LGD is considered to be 100% as post default recoveries are insignificant. 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. The Corporation has used historical data up to one prior year to determine the historical loss rates as it was deemed reasonable. In relation to forward looking macroeconomic factors, consideration was made based on the forecasted growth in Gross Domestic Product. This was applied to all receivables except on Government receivables because the Government is expected to settle all the bills. Detailed disclosures about the significant judgements applied and assumptions used are provided under notes 11 and 28

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and assumptions (continued)

d) Estimation of Incremental Borrowing Rate (IBR) and lease term used on measurement of lease liabilities and right of use assets

Where the Corporation is unable to readily determine the interest rate implicit in the lease, the discount rate will be the Corporation's incremental borrowing rate.

The incremental borrowing rate is an interest rate specific to the Corporation that reflects:

- The credit risk of the Corporation
- The term of the lease
- The nature and quality of the security
- The amount 'borrowed' by the Corporation and
- The economic environment (the country, the currency and the date that the lease is entered into) in which the transaction occurs.

The Corporation has adopted the incremental borrowing rate as the discount factor. The discount factor takes into account the interest rate on the existing facilities where applicable and commercial rates that the Corporation could be offered by its lenders if it were to source funding. The Corporation adopted the practical expedient that allows entities to apply the same discount rate to a portfolio of leases that have similar characteristics.

The weighted average incremental borrowing rate of 7.0% was applied in recognising the lease liabilities at the date of initial application. The Corporation applied the available practical expedients as follows:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application

The lease term is estimated using the prevailing and or historic terms and conditions of the prior leases. This includes but is not limited to renewal, extension or termination clauses. An assessment is made on whether it is reasonably likely that the Corporation will exercise those options.

e) Revenue recognised from sale of potable and wastewater

The Corporation estimates meter readings for its customers based on the set parameters when applicable. As per the standard contract with all its customers, the Corporation shall estimate meter readings relating to potable and wastewater when there is no access to the plot/premises of the customer. The estimation is automated and calculated by the billing system. Monthly consumption estimate is based on consumption for that meter in the previous period. The current month's consumption estimate is calculated as the average daily consumption of the immediate previous period multiplied by the number of days in the current period. In other words, only the immediate past period is considered for consumption estimate. Management assumes that the average daily rate of consumption for customers will remain constant being the current period and the immediate previous period. This assumption forms the basis for Management's revenue estimation model.

f) Income taxes

Significant judgement is required in determining the 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 assets and liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due or there will be a refund or assessed loss. 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. Tax uncertainties can arise due to changes in legislation within the Botswana jurisdiction.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

	2022 P'000	2021 P'000
1. Revenue from contracts with customers		
Potable water	1,884,296	1,632,589
Wastewater	145,627	143,678
Connection fees	36,774	34,764
	2,066,697	**1,811,031**

Disaggregation of revenue

The Corporation derives revenue from the transfer of goods and services over time and at a point in time in the following major product and service lines. In the following table, revenue is disaggregated by major products / service lines and timing of revenue recognition.

2022

Revenue	Service transferred overtime	Service transferred at point in time	Total
Potable water (P'000)	1,884,296	-	1,884,296
Wastewater (P'000)	145,627	-	145,627
Connection fees (P'000)	-	36,774	34,764

2021

Revenue	Service transferred overtime	Service transferred at point in time	Total
Potable water (P'000)	1,632,589	-	1,632,589
Wastewater (P'000)	143,678	-	143,678
Connection fees (P'000)	-	34,764	34,764

	2022 P'000	2021 P'000
2. Other Income		
Foreign exchange gain	2,035	2,253
Water bowsing	7,090	3,020
Sewage cleaning	5,766	15,975
Vacuum tanker services	3,724	4,724
Reversal of legal provision	4,200	-
Profit on disposal of property, plant and equipment	3,178	470
Sundry income*	4,458	3,858
	30,451	**30,300**

*Sundry Income is made up of the following: Sale of Sludge for re-use, Recovery of Damages, Illegal Connection charges, Tender Documents Fees and Bad Debts Recovery.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

	2022 P'000	2021 P'000 (Restated)*
3 Operating Profit / (loss) before Tariff subsidy		
The operating profit / (loss) before tariff subsidy includes the following items:		
Depreciation of Property, plant and equipment (note 7)	374,457	352,636
Depreciation - Right of use (note 8)	14,423	11,249
Amortisation of capital grants (note 16)	(116,796)	(88,155)
Amortisation of revenue grants (note 16)*	-	(172,194)
Amortisation of intangible assets (note 9)	472	2,856
Increase/(decrease) in accounts receivable impairment provision (note 11)	26,462	236,097
Board member's fees (note 23)	381	233
Lease rentals & rates - property	1,277	1,466
Remuneration - Key management (note 23)	26,851	17,290
Foreign exchange gain (note 2)	2,035	2,253
4 Expenses by nature		
Expenses to be apportioned		
Salary and wage expenses	936,270	778,095
Terminal benefits	93,252	66,133
Pension contribution	78,986	54,248
Total salaries and wages expenses	**1,108,508**	**898,476**
Spares and consumables	**167,768**	**143,830**

Basis of apportionment
Apportionment is on an 80:20 basis between water treatment and distribution expenses and administration and other expenses respectively. Apportionment is based on the allocation of resources between the expenses.

Water treatment and distribution expenses	2022 P'000	2021 P'000 (Restated)*
Building maintenance	679	343
Pumping power, repairs and chemicals*	414,183	362,242
Apportioned: Direct salaries and wages	886,806	718,781
Apportioned: Spare and consumables	134,214	115,064
Total Water treatment and distribution expenses	**1,435,882**	**1,196,430**

*See note 24 for details regarding restatement as a result of errors

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

4 Expenses by nature (continued)

	2022 P'000	2021 P'000 (Restated)*
Administration and other expenses		
Security	80,566	74,065
Travelling	20,434	20,907
Professional and consultancy*	33,768	36,441
Legal fees	275	3,860
Settlement fees	-	112,000
Auditor's remuneration	3,248	2,500
IT expenses	55,875	41,894
Telephone, postage, printing and stationery	26,842	25,849
Repairs and maintenance	12,000	9,098
Staff expenses	12,735	13,392
Public relations & advertising	10,382	6,116
Insurance	1,186	12,618
Bank charges	10,127	6,125
Office rental, electricity and water	9,102	8,664
Foreign exchange loss	6,289	2,586
State of emergency reconnections	-	27,301
Apportioned: Indirect salaries and wages	221,702	179,695
Apportioned: Spare and consumables	33,554	28,766
	538,085	**611,877**

	2022 P'000	2021 P'000
5 Finance income/costs		
Finance income		
Interest on deposits and short term investments	62,706	81,321
Finance costs		
European Investment Bank Loan	2,148	484
Domestic Medium Term Note Bond (DMTN)	21,729	21,789
Unwinding of interest - IFRS 16	4,242	3,297
	28,119	**25,570**

*See note 24 for details regarding restatement as a result of prior period errors.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

	2022 P'000	2021 Restated* P'000
6 Taxation		
Current tax:		
Basic tax at 22 % (2021: 22%)	-	-
Over statement of prior year tax (note 20)	-	(5,126)
Restatement impact*		(2,382)
Write off	251,947	
Current year estimate (note 20)	(67,569)	(71,715)
Income tax expense	**184,378**	**(79,223)**
The tax on the Corporation's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:		
Loss before income tax	**(207,982)**	**(253,714)**
Tax calculated at applicable tax rates of 22% (2021: 22%)	(45,756)	(55,817)
Tax effects of:		
- Write off	251,947	-
- Expenses not deductible for tax purposes	4,413	1,127
- Income not subject to income tax	(26,225)	(19,407)
- Prior year overstatement	-	(5,126)
Income tax expense	**184,378**	**(79,223)**
Effective tax rate	**-89%**	**31%**

Expenses not deductible for tax purposes relate to non-allowable expenses, such as impairment of development expenditure and IFRS 16 interest. Income not subject to income tax relates to non-taxable income and includes items such as amortisation of grants. These are not subject to tax as per section 39(2) and section 27 as per the income tax act respectively.

*See note 24 for details regarding restatement as a result of errors

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

	Land, dams and buildings P'000	Development expenditure P'000	Distribution systems, plant and machinery P'000	Vehicles and equipment P'000	Total P'000
7 Property, plant and equipment					
COST	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Balance at 1 April 2020 (Originally stated)	**3,410,413**	**710,378**	**5,345,299**	**577,685**	**10,043,775**
Reclassification (note 24)*	651,166	-	(544,935)	(106,231)	-
WIP Non qualifying costs transferred to SoCI (note 24)*	-	(2,569)	-	-	(2,569)
Late transfer of available for use assets (note 24)*	326	(2,760)	2,434	-	-
Balance at 1 April 2020 (Restated, note 24)*	**4,061,905**	**705,049**	**4,802,798**	**471,454**	**10,041,206**
Additions	1,097	-	64,693	89,289	155,079
Additions to development expenditure	-	1,694,196	-	-	1,694,196
Disposal	-	-	-	(1,010)	(1,010)
Transfer from development expenditure to PPE	69,442	(228,124)	158,682	-	-
Transfer from development expenditure to Intangible assets (note 9)	-	(2,153)	-	-	(2,153)
WIP Non qualifying costs transferred to SoCI (note 24)*	-	(15,735)	-	-	(15,735)
Late transfer of available for use assets (note 24)*	6,456	(8,416)	1,960	-	-
Balance at 31 March 2021 (Restated, note 24)*	**4,138,900**	**2,144,817**	**5,028,133**	**559,733**	**11,871,583**
Balance at 1 April 2021	**4,138,900**	**2,144,817**	**5,028,133**	**559,733**	**11,871,583**
Additions	214,278	-	245,046	78,203	537,527
Additions to development expenditure	-	2,984,515	-	-	2,984,515
Disposal	-	-	(56)	(16,807)	(16,863)
Transfer from development expenditure to PPE	644,704	(1,557,733)	913,029	-	-
Adjustment	-	-	9,255	-	9,255
Impairment	-	(15,815)	-	-	(15,815)
Balance at 31 March 2022	**4,997,882**	**3,555,784**	**6,195,407**	**621,129**	**15,370,202**

*See note 24 for details regarding restatement as a result of errors

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

7 Property, plant and equipment (continued)

	Land, dams and buildings	Development expenditure	Distribution systems, plant and machinery	Vehicles and equipment	Total
	P'000	P'000	P'000	P'000	P'000
ACCUMULATED DEPRECIATION					
Balance at 1 April 2020 (Originally stated)	**994,850**	**-**	**1,571,660**	**321,460**	**2,887,970**
Reclassification (note 24)*	(17,192)	-	54,924	(37,732)	-
Balance at 1 April 2020 (Restated, note 24)*	**977,658**	**-**	**1,626,584**	**283,728**	**2,887,970**
Depreciation charge	118,939	-	189,140	44,557	352,636
Disposals	-	-	-	(683)	(683)
Balance at 31 March 2021	**1,096,597**	**-**	**1,815,724**	**327,602**	**3,239,923**
Balance at 1 April 2021	**1,096,597**	**-**	**1,815,724**	**327,602**	**3,239,923**
Depreciation charge	130,242	-	189,618	54,597	374,457
Adjustment	-	-	9,255	-	9,255
Disposals	-	-	(20)	(14,138)	(14,158)
Balance at 31 March 2022	**1,226,839**	**-**	**2,014,577**	**368,061**	**3,609,477**
Carrying amount at 31 March 2020 (Restated note 24)*	**3,084,247**	**705,049**	**3,176,214**	**187,726**	**7,153,236**
Carrying amount at 31 March 2021 (Restated note 24)*	**3,042,303**	**2,144,817**	**3,212,409**	**232,131**	**8,631,660**
Carrying amount at 31 March 2022	**3,771,043**	**3,555,784**	**4,180,830**	**253,068**	**11,760,725**

*See note 24 for details regarding restatement as a result of prior period errors.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

7 Property, plant and equipment (continued)

Impairment assessment of non-financial assets

The Corporation carried out an impairment review and the following impairment indicator was noted at an individual asset level:

- Some of the major assets in the Corporation that were transferred through the water reforms project during the years 2010/2011 required major repair and maintenance in the current year indicating that the assets' carrying amounts could be lower than their recoverable amounts.

However, management noted that it is not possible to determine the recoverable amounts of the individual assets as they do not generate cash inflows that are largely independent from other assets. As a result, the assets were grouped for the purposes of an impairment test and the Corporation was identified as a single cash generating unit ("CGU"). At this level, it was further noted that the Corporation has not been able to meet its budgeted revenue as generated by these assets. The recoverable amount was therefore estimated for the whole Corporation. Below are the details of the findings from the assessment:

The key assumptions underlying the impairment assessment of the whole Corporation as a single CGU under the Expected Cash Flow approach are:

- Cash flow projections covering a five-year period;
- For a period beyond the five years, an extrapolation using a terminal growth rate was used.

The recoverable amount for the cash generating unit has been determined as the value in use which is deemed to be higher than the piecemeal fair value less costs of disposal of the components making up the cash generating unit. The recoverable amount was determined using multiple variables including projected free cash flows, terminal value growth rates and discount rates. After taking all key assumptions into consideration and use of multiple variables, the Corporation decided to adopt a base case outcome which reflected a more conservative and realistic expectation. The recoverable amount/value-in-use of the CGU calculated for the base case is P14,681,378,000 (2021: P11,079,266,000) at a discount rate of 12.22%.

The significant inputs and probability of each scenario are set out in the table as follows:

Principal assumptions used	Best Case	Worst Case	Base Case
Discount rate (DR)	14.22%	14.22%	12.22%
Growth rate (GR)	7.50%	0.00%	4.15%
Headroom/(Loss) - Impairment - P'000	5,135,420	(963,854)	2,881,416
Headroom/(Loss) - Impairment (% Change -1% DR & GR) - P'000	5,604,382	(713,242)	3,250,107
Headroom/(Loss) - Impairment (% Change +1% DR) - P'000	3,239,697	(1,550,960)	1,240,249
Headroom/(Loss) - Impairment (% Change -1% DR) - P'000	7,698,000	(284,990)	4,989,242

Reassessment of useful lives and residual values

The Corporation reassessed the useful lives and residual values of its property, plant and equipment as at year end. The existing class of assets were further divided into subclasses for ease of assessment. The useful lives for each subclass were assessed, and in determining the estimated life span, the following considerations were made; global standards, technological advancements, condition of assets, design life, maintenance plan and manufacturers` warranty and specifications. The assessment was carried out internally by duly qualified experts with requisite skills, experience and qualifications. The previously assessed useful lives and residual values of property, plant and equipment were determined to be appropriate.

Impairment of development expenditure

Although the impairment assessment carried out above did not identify impairment on any of the Corporation`s assets, management noted an impairment on a specific project for installation of water disinfection infrastructure. There were several technical challenges experienced during the project implementation between the contractor and Corporation's technical team that led management to decide to terminate the project. Management assessment showed that no recoveries could be made from the infrastructure that was already in place hence full impairment of the project.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

8 Leases (Corporation as lessee)

The Corporation leases office space and customer service offices for the purpose of back office operations and customer interactions (collections & water connections services) respectively. The Corporation leases properties to which the title is restricted as ownership remains with the lessor. The Lease terms range between 2 and 9 years (2021: 2-6 years).

Net carrying amounts of right-of-use assets
The carrying amount of the right-of-use assets are made up of the following:

Right of use assets	2022 P'000	2021 P'000
Opening balance	37,738	47,547
Additions right-of-use assets	14,099	2,112
Lease modifications in the current year	8,406	-
Terminated leases	-	(672)
Depreciation for the year charged in profit or loss	(14,423)	(11,249)
Closing balance	**45,820**	**37,738**

Lease modification above relates to changes in the scope of leases, that were not part of the original terms and conditions. These changes came about mainly in the form of increase in the lease term on existing leases that was not part of the original lease agreement.

Reconciliation of cost and accumulated depreciation	2022 P'000	2021 P'000
Cost	81,702	59,197
Accumulated depreciation	(35,882)	(21,459)
Carrying amount at reporting date	**45,820**	**37,738**

Depreciation recognised on each class of right-of-use assets is presented above. It includes depreciation which has been expensed in the total depreciation charge in profit or loss as well as depreciation which has been capitalised to the cost of other assets.

Lease liabilities
Lease liabilities have been included in the non-current and current liabilities on the statement of financial position.

	2022 P'000	2021 P'000
Current portion	13,462	13,079
Non-current portion	39,617	29,937
Total Liability	**53,079**	**43,016**
The maturity analysis of lease liabilities contractual undiscounted cash flows is as follows:		
Within one year	16,631	13,045
Two to five years	37,584	36,059
More than five years	8,371	22
Total undiscounted lease liabilities (operating lease commitment)	**62,586**	**49,126**
less future finance charges component	(9,507)	(6,110)
Lease liability at reporting date	**53,079**	**43,016**
Reconciliation of movement in lease liabilities		
Opening balance	43,016	50,967
Additions to lease liabilities	14,099	2,112
Lease modifications in the current year	8,406	-
Finance costs charged in profit or loss	4,242	3,297
Lease repayments recognised in statement of cash flows	(16,684)	(12,208)
Accrued rentals included in other payables	-	(480)
Terminated leases	-	(672)
Closing balance	**53,079**	**43,016**

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

8 Leases (Corporation as lessee) (continued)

The Corporation has applied the practical expedient regarding the incremental borrowing rate by using a rate of 7% to its lease portfolio as the leases have similar characteristics. The exposure to interest rate risk is evaluated in note 28.

Extension Options
The leases for certain properties contain extension options, for which the related lease payments had not been included in lease liabilities as the Corporation is not reasonably certain to exercise these extension options. All of the extension options are available to the Corporation and not the lessor.

Low value and short term leases
During the period, the Corporation expensed P1,472,862 (2021: P2,313,882) for short-term leases. This relates to the lease of photocopiers for the Corporation in all its Business Centres in Botswana.

	2022 P'000	2021 P'000
9 Intangible assets		
Computer software costs		
Cost		
Balance at beginning of the year	40,957	38,804
Transfers from development expenditure (note 7)	-	2,153
Balance at end of the year	40,957	40,957
Amortisation		
Balance at beginning of the year	(39,194)	(36,338)
Charged during the year	(472)	(2,856)
Balance at end of the year	(39,666)	(39,194)
Carrying amount	**1,291**	**1,763**

Intangible assets comprise computer software. These are off-the-shelve purchases and none are internally generated

10 Inventories		
Chemicals	1,085	896
Spares and consumables	62,321	55,875
Provision for obsolete inventories	(2,867)	(2,060)
	60,539	**54,711**
Provision for obsolete inventories		
Opening balance	(2,060)	(1,171)
Charge to profit or loss	(807)	(889)
Closing balance	**(2,867)**	**(2,060)**

The cost of inventories recognised as an expense and included in Water Treatment and Distribution Expenses amounted to P366,933,000 (2021: P152,555,000).

The Corporation has recognised a write down of inventory of P2,867,000 (2021: P2,060,000). The goods written down had not been disposed at year-end.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

	2022 P'000	2021 P'000
11 Trade and other receivables		
Trade receivables	1,082,102	1,017,978
Write-off	(50,917)	-
Net trade receivables	**1,031,185**	**1,017,978**
Less provision for impairment	(721,254)	(697,606)
	309,931	320,372
VAT receivable	430,300	103,170
Prepayments	639,890	319,744
	1,380,121	**743,286**
Trade receivables comprise of:		
Business	118,164	133,035
Government department and Council	253,331	239,947
Domestic debtors	659,690	644,996
	1,031,185	**1,017,978**

The write-off above relates to revenue recognised in the current year in line with IFRS 15. However, following management's assessment, and in accordance with IFRS 9, it was determined on day one that there was no reasonable expectation to believe that the related receivable balance is recoverable. Therefore, the amount was immediately impaired and written off in full after recognition. The write off of P50.9 million and increase in provision for impairment of P26.4 million amount a total charged to statement of comprehensive income of P77.3 million. The increase in the VAT receivable and prepayments result from the significant growth in development expenditure in the current year. The Corporation typically makes advance payments to contractors based on the agreements. Similarly, payments on project costs give rise to a significant amount of input VAT which is not fully absorbed by the output VAT resulting from the sales.

Loss allowance reconciliation for financial assets under IFRS 9

	Trade receivables			
	Business	**Government and Council**	**Domestic**	**Total**
Balance at 31 March 2021 (P'000)	107,230	-	590,376	697,606
Bad debts written off	-	-	(2,814)	(2,814)
(Decrease)/Increase in allowance recognised in profit or loss	(12,833)	-	39,295	26,462
Balance at 31 March 2022 (P'000)	**94,397**	**-**	**626,857**	**721,254**
Effective ECL % 31 March 2021	81%	0%	92%	69%
Effective ECL % 31 March 2022	80%	0%	95%	70%

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

	2022 P'000	2021 P'000
12 Cash and cash equivalents		
Cash and cash equivalents comprise:		
Current and call accounts	283,114	286,783
Petty cash	142	125
Short-term investments	-	1,247,246
	283,256	**1,534,154**

Restricted cash

The cash and cash equivalents disclosed above and in the statement of cash flows include P5,671,000 which is held by the Corporation. This deposit is held as collateral in the form of a cession of fixed and special deposits for a Letter of Credit issued by First National Bank with a limit of P11,730,000 repayable on demand. This deposit is subject to contractual restrictions and is therefore, not available for general use by the Corporation.

Short-term investments above relate to highly liquid investments which can be redeemed within a short period of time and are considered to have insignificant exposure to interest and credit risk. These investments are classified as cash and cash equivalents.

In the current year short-term investment are being held for a period longer than 3 months and are no longer highly liquid as they are held to maturity. These investments have now been classified as investments held at amortised cost as shown in note 13 below.

	2022 P'000	2021 P'000
13 Investments carried at amortised cost		
Vunani (Previously named Stanlib)	93,236	15,933
African Alliance	96,177	18,395
Botswana Insurance Fund Management	91,924	-
Short-term investments	911,456	-
	1,192,793	**34,328**

Short term investments consist of the following deposits held at the following banks:

	2022	2021
First Capital Bank	267,013	115,538
Botswana Savings Bank	-	283,775
Botswana Building Society	325,850	345,271
Access Bank (Previously named Banc ABC)	202,349	354,697
Bank Gaborone	116,244	62,323
Standard Chartered Bank	-	85,642
TOTAL	**911,456**	**1,247,246**

Investments at amortised cost largely include fixed deposits with fixed or determinable payments and fixed maturity dates that the Corporation has the positive intent and ability to hold to maturity. Due to the short-term nature of the investments (current), their carrying amount is considered to be the same as their fair value.

	2022 P'000	2021 P'000
14 Irredeemable capital		
Balance at beginning and end of the year	**752,738**	**752,738**

Irredeemable capital represents contributions made by the Government of Botswana to commence the Corporation's operations.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

	2022 P'000	2021 P'000
15 Government contribution - Water Sector Reforms		
Balance at beginning of the year	4,104,627	4,104,627
Balance at end of the year	**4,104,627**	**4,104,627**

Government contribution - This relates to net assets contributed by the Government of Botswana acting in its capacity as owners of the Corporation. The balances are capital reserves and not recycled to profit or loss

	2022 P'000	2021 P'000 (Restated)*
16 Government grants		
Revenue Grants		
Opening balance*	-	55,289
Cash grant received during the year*	-	116,905
Recognised in income statement*	-	(172,194)
Closing balance at end of the year	**-**	**-**

Revenue grant relates to funds received from the Government of Botswana towards supplementing expenditure by the Corporation on non-capital projects or not for the acquisition of income generating assets. There were no revenue grants received during the year 2021/2022

	2022 P'000	2021 P'000 (Restated)*
Capital Grants		
Balance at the beginning of the year	4,277,475	3,130,299
Received during the year*	4,036,221	1,234,998
Vehicles received from Government	10,307	333
Amortisation of grant	(116,796)	(88,155)
Balance at the end of year	**8,207,207**	**4,277,475**

Capital grants relate to funds and assets received from the Government towards infrastructure and other capital projects. These are amortised to the statement of comprehensive income in a manner consistent with depreciation of the respective infrastructure or non-current assets. The amortisation reduces depreciation charges in profit or loss.

	2022 P'000	2021 P'000 (Restated)*
Amortisation of grants recognised in profit or loss (note 3)	**(116,796)**	**(260,349)**
Total Contributions by the Government through water sector reform, capital and revenue grants	**12,311,834**	**8,387,007**

*See note 24 for details regarding restatement as a result of prior period errors.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

	2022 P'000	2021 P'000
17 Borrowings and Interest reserve		
Current borrowings		
Foreign borrowings	6,264	5,889
Domestic Medium Term Note Bond	5,474	5,474
	11,738	**11,363**
Non-current borrowings		
Foreign borrowings	-	5,889
Domestic Medium Term Note Bond	205,000	205,000
	205,000	**210,889**
Total Borrowings	**216,738**	**222,252**

Below is the European Investment Bank (EIB) loan denominated in ZAR

	2022	2021
Foreign borrowings		
Loan 45 EIB (ZAR'000)	**7,968**	**15,937**
Interest reserve - EIB		
Opening Balance	17,796	17,466
Interest subsidy income - transfer	166	330
Closing Balance	**17,962**	**17,796**

The interest subsidy reserve relates to a subsidy on the EIB loan 45. In accordance with the agreement with the EIB, the Corporation shall pay net interest on the daily balance of the loan balance at the interest rate applicable reduced by an interest rate subsidy of 1.82%, provided that the interest payable shall at no time fall below 3%. If the Corporation wishes to make a withdrawal from this account it has to send details of schemes to be financed and their projected financing plans. Only after approval from EIB will funds be withdrawn from this account. Residual balance in this account at the end of the final repayment of the loan shall be used by the Corporation for approved capacity building plans.

Section 6.12 of the EIB agreement stipulates a debt service coverage (DSC) ratio of 1.5:1. The Corporation did not comply with the covenant as the debt coverage ratio for 31 March 2022 is -7.2:1 (2021 -10.4:1) as a result of the loss made in the current financial year.

	2022 P'000	2021 P'000
Maturity of borrowings		
Current	11,738	11,363
Between 1 and 2 years	-	5,889
Between 2 and 5 years	205,000	205,000
	216,738	**222,252**

The Domestic Medium Term Note (DMTN) Bond is unsecured. It carries an interest rate of 10.65% per annum and is repayable in full in 2026.

The foreign borrowings of ZAR 7,968,000 are unsecured and obtained from the European Investment Bank (EIB) and are repayable on the 15th of March 2023 at an interest rate between 8 to 12% per annum.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

17 Borrowings and Interest reserve (continued)

	2022		2021	
	P'000 Carrying Amount	**P'000 Fair Value**	**P'000** Carrying Amount	**P'000** Fair Value
Domestic Medium Term Note Bond	210,474	237,431	210,474	263,671

The fair value of the medium term bond is based on the quoted price of the bond on the Botswana Stock Exchange (BSE) as at the reporting date. They are classified as level one fair values in the fair value hierarchy due to the use of observable inputs from BSE.

For the foreign borrowings, their fair values are not materially different from their carrying amounts, since the interest payable on these borrowings is close to current market rates and the borrowings are also close to the maturity date.

Reconciliation of liabilities arising from financing activities

			Non-cash changes				
	1 April 2021 P'000	Principal and Interest payments P'000	Addition during the year P'000	Modification of lease liability P'000	Interest Expense P'000	Foreign Exchange Movement P'000	31 March 2022 P'000
EIB Loan	11,779	(7,663)	-	-	266	1,882	6,264
Lease Liabilities	43,016	(16,684)	14,099	8,406	4,242	-	53,079
Domestic Mid Term Note Bond	205,000	(16,255)	-	-	21,729	-	210,474

			Non-cash changes				
	1 April 2020 P'000	Principal and Interest payments P'000	Addition during the year P'000	Modification of lease liability P'000	Interest Expense P'000	Foreign Exchange Movement P'000	31 March 2021 P'000
EIB Loan	15,912	(4,618)	-	-	484	-	11,778
Lease Liabilities	50,967	(12,688)	2,112	-672	3,297	-	43,016
Domestic Mid Term Note Bond	205,000	(16,315)	-	-	21,789	-	210,474

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

	2022 P'000	2021 P'000
18 Consumer deposits		
Opening balance	55,146	50,436
Deposits received	11,310	8,871
Deposits refunded	(5,042)	(4,161)
Closing balance	**61,414**	**55,146**

As per IFRS 15, the Corporation does not recognise proceeds from customers in relation to deposits that are charged for initial connections as revenue. These are accounted for as a contract liability to match against future refunds upon disconnection.

	2022 P'000	2021 (Restated)* P'000
19 Trade and other payables		
Current		
Trade creditors*	300,311	592,000
Payroll liabilities	122,194	47,625
Contract retention	199,792	73,296
Other accruals	46,178	113,581
Audit fee accrual	2,436	2,500
Construction Industry Trust Fund (CITF) levy*	17,009	9,592
	687,920	**838,594**
Non-Current		
Contract retention	**253,356**	**155,085**
Total trade and other payables	**941,276**	**993,679**

Trade and other payables are unsecured and usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values. The increase in contract retention is a direct result of the increase in development expenditure in the current year, the related projects are expected to be completed in the next financial year. Other accruals in the prior year included customer overpayments from customers reclassified from trade receivables. In the current year other accruals have decreased due to significant reduction in customer overpayments as customers were utilizing their prior year overpayments.

Reclassification of non-current portion of contract retention

The Corporation previously classified all of its contract retention as a current liability within the trade and other payables on the statement of financial position. The Corporation annually assesses the timing of payment of its liabilities in order to determine if classification on the statement of financial position as current or non-current is appropriate. Such an assessment was performed at 31 March 2022 and it was concluded that contract retention was not fully current based on the expected completion dates of the ongoing projects. Retention is paid on completion of the project. Management's assessment, revealed that in the past financial years, major projects were carried out which took a significant amount of time to complete, leading to error in classification of the retention. This error only resulted in reallocation from current to non-current in the same note and on the statement of financial position with no further consequences. Therefore, the statement of financial position is impacted but not the statement of comprehensive income and statement of cashflows.

The assessment impact on the non-current portion is P253 million (2021: P155 million) which has been included on the statement of financial position. The assessment also revealed that there was an impact of this error on the opening balances for the restated period of P49.5 million hence included on the third balance sheet.

*See note 24 for details regarding restatement as a result of prior period errors.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

19 Trade and other payables (continued)

	2022 P'000	2021 P'000
Gratuity accrual		
Opening balance	15,901	10,015
Charge for the current year	31,892	22,347
Payments made during the year	(15,530)	(16,461)
Closing balance	**32,263**	**15,901**
Leave accrual		
Opening balance	31,724	14,067
Charge for the current year	61,360	43,786
Payments made during the year	(3,153)	(26,129)
Closing balance	**89,931**	**31,724**
Restructuring accrual		
Opening balance	-	128,618
Charge for the current year	-	-
Payments made during the year	-	(128,618)
Closing balance	-	-
Total payroll accruals	**122,194**	**47,625**

Payroll liabilities include gratuity and leave pay

The restructuring of the Corporation occurred in 2020 and resulted in the retrenchment of 200 employees. An agreement was reached with the union representatives on the specified number of staff involved and quantified the amount payable to those made redundant. Estimated staff redundancy costs amounting to P128,618,000 was recognised as a provision in the financial year ended 31 March 2020 and was fully utilised by 31 March 2021.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

20 Taxation Balances

	P'000	(Restated)* P'000
Deferred Taxation		
Liability / (asset) at beginning of the year	(11,215)	68,008
Prior year overstatement	-	(5,126)
Restatement impact*	-	(2,382)
Current year estimate	(67,569)	(71,715)
Write off of deferred tax asset from tax losses	251,947	-
Taxation recognised in profit or loss	184,378	(79,223)
Balance at end of the year liability / (asset)	**173,163**	**(11,215)**
Analysed as follows;		
Differences in tax and accounting depreciation	302,170	234,559
Accruals and provision for credit losses	(127,410)	(125,480)
Tax loss	(251,947)	(119,133)
IFRS 16 Leases	(1,597)	(1,161)
Write off of deferred tax asset from tax losses	251,947	-
Liability / (asset) at end of the year	**173,163**	**(11,215)**

Deferred tax liabilities (assets) are calculated based on the liability method using a principal tax rate of 22% (2021: 22%). At the end of 31 March 2022, unutilised carried-forward tax losses amounted to P1.5bn which expire between 2025-2027. The utilisation of tax losses is dependent on the Corporation's ability to generate sufficient taxable income in future periods. Management prepared forecasts assuming that the results of the Corporation over the forecast period will reflect the average growth rates of the past 5 years.

These forecasts indicate that the Corporation will not be able to generate sufficient taxable profits to absorb the available tax losses. The preparation of forecasts requires management to estimate the Corporation's future results and requires management to apply significant judgements. As a consequence, the expected deferred tax asset amounting to P252mn has been written off. The losses can be carried forward up to a period of 5 years.

	2021 P'000	2020 P'000
Tax (payable)/refund		
Balance at beginning of the year	22,922	22,922
Other tax adjustments	(6,741)	-
Closing balance	**16,181**	**22,922**

Tax refund relates to quarterly income tax payments made during the year based on management accounts and withholding tax on interest from investments. The refund arises due to the final tax assessment being lower or nil and therefore the payments made during the year become refundable. There were no refunds during the year, however, part of it was impaired as it has been outstanding for some time.

*See note 24 for details regarding restatement as a result of errors

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

	2022	2020 (Restated)*
	P'000	P'000

21 Cash flows from operating activities

	2022 P'000	2020 (Restated)* P'000
Operating income after interest and tax*	(392,360)	(174,491)
Adjustment for		
Depreciation and amortisation expense (notes 3, 7, 8 ,9)	384,675	366,741
Development expenditure impairment adjustment	15,815	-
Amortisation of revenue and capital grants (note 16)	(116,796)	(260,349)
Finance income (note 5)	(62,706)	(81,321)
Finance costs (note 5)	23,877	22,273
Finance costs on leases (note 8)	4,242	3,297
Foreign exchange gain/loss (note 2, 4)	4,254	333
Loss / (profit) on sale of assets	(3,178)	(470)
Tax refund written off	6,812	-
Income tax charged in profit or loss	184,378	(79,223)
	49,013	**(203,210)**
Adjusted for working capital movements		
Movement in inventories	(5,828)	(4,321)
Movement in trade and other receivables	(636,835)	(330,331)
Movement in consumer deposits	6,268	4,710
Movement in trade and other payables	(52,403)	488,891
	(688,798)	**158,949**
Net cash flow from operating activities*	**(639,785)**	**(44,261)**

22 Commitments and contingent liabilities

Lease commitments

Lease commitments have been disclosed in note 8.

Capital commitments

Capital expenditures contracted for at the reporting date but not recognised in the financial statements are as follows:

	2022 P'000	2020 P'000
Approved and contracted for	**4,903,620**	**8,077,056**

The commitments are expected to be financed from internally generated funds, external borrowings and funding from the Government of Botswana under the Emergency/ Drought projects. The Capital commitments above relate only to property, plant and equipment.

*See note 24 for details regarding restatement as a result of prior period errors.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

23 Related party transactions

The Corporation is 100% owned by the Government of Botswana. Related parties comprise the Government of Botswana, Key management and Board members. Key management is made up of the Corporate Management team and Heads of Business Centres. Transactions and account balances with the Government of Botswana and Government related entities are identifiable within disclosures relating to receivables and Government grants.

A list of members of the Board is disclosed on the front page of the report. The total remuneration of Directors and other members of key management during the year were as follows:

	2022 P'000	2021 P'000
Remuneration of key entity personnel:		
Salaries and allowances	22,547	16,785
Terminal benefits	4,304	505
Board fees	381	233
	27,232	**17,523**

Key management includes the Corporate Management Team as disclosed under the General Information section on the first page of the financial statements.

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Corporation and related parties:

	2022 P'000	2021 P'000
Sales of good and/or services to the Government	1,089,941	962,971
Government Trade receivables No provisions for Impairment on Government debt	253,331	239,947
Government contribution	4,104,627	4,104,627
Capital grants from Government	8,207,207	4,277,475
Tswasa Transfer Scheme	11,569	9,581

The Tswasa Water Supply Scheme is an agreement between the Government of South Africa and Botswana jointly to facilitate water supply across the border from South Africa's Molatedi Dam to Botswana. The Agreement stipulates that the Corporation on behalf of the Government Of Botswana will on annual basis funds its portion of operational and maintenance support costs.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

24 Correction of material error in recognition of project costs

a) Correction of material error in recognition of project costs
During the current reporting period, Management carried out its annual assessment of project viability which includes reviewing the recoverability of project related costs recognised as Development Expenditure (Capital WIP). This assessment included the involvement of lead engineers who are the project managers responsible for each project. The process in turn led to the identification of a material error relating to the capitalisation of project-related costs incurred during the period ended 31 March 2021 which resulted in a restatement of the prior years.

Costs incurred are related mainly to professional work on the identification of areas of asset repairs and restoration rather than the development of new infrastructure or increasing the original capacity of the existing infrastructure. This meant that the costs were not directly part of the larger projects where assets were constructed, or the end product was an item of property, plant and equipment, and therefore not capital in nature. Consequently, these costs did not meet the asset recognition criteria under IAS 16 and therefore, should not have been capitalised and classified as Development Expenditure (Capital WIP) reported within property, plant and equipment but rather expensed in the period incurred. Grants received for the same were reclassified to revenue grants instead of capital grants as the costs were expensed.

Consistent with the applicable reporting framework and the Corporation's accounting policies regarding prior period errors, the error has been corrected in the comparative financial statements retrospectively. Management also assessed that there was an impact of this error on the opening balances for the restated period hence the inclusion of the third balance sheet.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Statement of Financial Position (extract)	**31 March 2021**	**Increase/ (Decrease)**	**31 March 2021 (Restated)**
	P'000	**P'000**	**P'000**
Property, plant and equipment (Dev. Expenditure)	8,649,964	(18,304)	8,631,660
Deferred Tax Asset	8,267	2,948	11,215
Government grants	(4,282,380)	4,905	(4,277,475)
Net assets	**5,490,660**	**(10,451)**	**5,480,209**
Retained Earnings	(615,499)	10,451	(605,048)
Total equity	**(5,490,660)**	**10,451**	**(5,480,209)**

Statement of Financial Position (extract)	**1 April 2020**	**Increase/ (Decrease)**	**1 April 2020 (Restated)**
	P'000	**P'000**	**P'000**
Property, plant and equipment (Dev. Expenditure)	7,155,805	(2,569)	7,153,236
Deferred Tax Asset	(68,573)	565	(68,008)
Government grants	(3,185,589)	1	(3,185,588)
Net assets	**5,654,700**	**(2,003)**	**5,652,697**
Retained Earnings	(781,872)	2,003	(779,869)
Total equity	**5,654,700**	**2,003**	**5,656,703**

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

24 Correction of material error in recognition of project costs (continued)

Statement of Comprehensive Income (extract)	**31 March 2021**	**Increase/ (Decrease)**	**31 March 2021 (Restated)**
	P'000	**P'000**	**P'000**
Revenue Grant	167,290	4,904	172,194
Water treatment and distribution costs	(1,185,000)	(11,430)	(1,196,430)
Administration and other expenses	(607,572)	(4,305)	(611,877)
Loss before income tax	**242,883**	**(10,831)**	**253,714**
Income tax	76,840	2,383	79,223
Loss for the year	**166,043**	**(8,448)**	**174,491**
Other comprehensive income for the period	-	-	-
Total comprehensive income	**166,043**	**(8,448)**	**174,491**

	1 April 2020	**Increase/ (Decrease)**	**1 April 2020 (Restated)**
	P'000	**P'000**	**P'000**
Statement of Changes In Equity (extract)			
Retained earnings	**781,872**	**(2,003)**	**779,869**

Statement of Cashflows (extract)	**31 March 2021**	**Increase/ (Decrease)**	**31 March 2021 (Restated)**
	P'000	**P'000**	**P'000**
Property, plant and equipment (Dev. Expenditure)	1,694,196	(15,735)	1,678,461
Net cash flow from operating activities	28,526	15,735	44,261
Cash and cash equivalents	**1,534,154**	**-**	**1,534,154**

(b) Prior year misclassification of asset classes
During the current reporting period, Management carried out an assessment of property, plant and equipment asset classes which resulted in correcting the classifications as per the Corporation's policy. This process led to the identification of a material difference in the grouping of the asset classes in the prior years. Some of the assets were moved to land, dams and buildings that were previously classified under distribution systems, plant and machinery and vehicles, and equipment. The value of these is P668,358,000.

This error only resulted in a reallocation between asset classes in the same asset line. Therefore, the statement of financial position is not impacted but just the disclosure in the PPE note. Management assessed that this error impacted the opening balance of the prior period and the correction was made to the opening balances of the comparative period.

	01 April 2020	**Increase/ (Decrease)**	**01 April 2020 (Restated)**
	P'000	**P'000**	**P'000**
COST			
Land, dams and buildings	3,410,413	651,166	4,061,579
Distribution systems, plant and machinery	5,345,299	(544,935)	4,800,364
Vehicles and equipment	577,685	(106,231)	471,454
Total Cost	**9,333,397**	**-**	**9,333,397**

*See note 24 for details regarding restatement as a result of prior period errors.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

24 Correction of material error in recognition of project costs (continued)

	01 April 2020 P'000	Increase/ (Decrease) P'000	01 April 2020 (Restated) P'000
ACCUMULATED DEPRECIATION			
Land, dams and buildings	994,850	(17,192)	977,658
Distribution systems, plant and machinery	1,571,660	54,924	1,626,584
Vehicles and equipment	321,460	(37,732)	283,728
Total Accumulated Depreciation	**2,887,970**	**-**	**2,887,970**

	01 April 2020 P'000	Increase/ (Decrease) P'000	01 April 2020 (Restated) P'000
CARRYING AMOUNT			
Land, dams and buildings	2,415,563	668,358	3,083,921
Distribution systems, plant and machinery	3,773,639	(599,859)	3,173,780
Vehicles and equipment	256,225	(68,499)	187,726
Total Carrying Amount	**6,445,427**	**-**	**6,445,427**

(c) Late transfer of available for use assets

An assessment of all open capital asset projects was carried out in the current financial year with the involvement of both project managers and project engineers, and it was noted that some of these projects had been completed in the prior years but not transferred from development expenditure to the correct class of assets post being signed-off as available for use. These assets were, therefore ready for use in the prior years but only transferred to the appropriate class of fixed assets during the current year. The assets have been excluded from current years' transfer and correctly recognised in the appropriate year of completion. The depreciation impact of this late transfer was calculated and determined to be immaterial hence no depreciation corrections were made. The cost of the assets was appropriately recognised in the correct year of completion. Management also assessed that there was an impact of this error on the opening balances for the restated period hence the inclusion of the third balance sheet.

The error has been corrected by restating each of the affected note line items for the prior periods as follows:

	01 April 2020 P'000	Increase/ (Decrease) P'000	01 April 2020 (Restated) P'000
COST			
Land, dams and buildings	3,410,413	326	3,410,739
Distribution systems, plant and machinery	710,378	(2,760)	707,618
Vehicles and equipment	5,345,299	2,434	5,347,733
Total cost	**9,466,090**	**-**	**9,466,090**

	01 April 2021 P'000	Increase/ (Decrease) P'000	01 April 2021 (Restated) P'000
COST			
Land, dams and buildings	3,480,952	6,456	3,487,408
Distribution systems, plant and machinery	710,378	(8,416)	701,962
Vehicles and equipment	5,568,674	1,960	5,570,634
Total cost	**9,760,004**	**-**	**9,760,004**

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

24 Correction of material error in recognition of project costs (continued)

(d) Restatement of Note 19

Note 19 has been restated in the current year to reclassify the CITF levy which was previously disclosed as part of trade creditors but now has been disclosed as a separate line item in the note. The balance of trade and other payables has remained unchanged as this is only a reclassification from trade creditors to CIFT levy still within the trade and other payables note. This restatement was required as the CITF levy is not a trade creditor and should therefore be disclosed separately as other payables. This further had an impact on IFRS 7 related disclosures as trade payables are classified as financial liabilities at amortised cost, and CITF levy is a statutory liability therefore, specifically excluded from the scope. Refer to note (19) and note (28) b for details of the changes. The statement of financial position has not been impacted.

The error has been corrected by restating each of the affected line items in note 19 for the prior period as follows:

	31 March 2021 P'000	Increase/ (Decrease) P'000	31 March 2021 (Restated) P'000
Trade and other payables			
Trade creditors	601,592	(9,592)	592,000
CITF levy	-	9,592	9,592
Trade and other payables	**993,679**	**-**	**993,679**

25 Compliance with the Water Utilities Corporation Act (Chapter - 74:02)

The Corporation has to comply with the requirements of Section 19 of the Water Utilities Corporation Act (Chapter 74:02) which requires the Corporation to conduct its affairs on sound commercial lines and to produce a net operating income by which a reasonable return can be measured. During the year, the Corporation has reported an operating loss before tariff subsidies and grants of P243 million (2021: Loss P477 million).

26 Going concern considerations

The Corporation incurred a loss of P207,982,000 (2021: P253,714,000) before tax. This condition indicates the existence of a material uncertainty that may cast significant doubt on the Corporation's ability to continue as a going concern. The government of the Republic of Botswana has committed to provide ongoing financial support in the future aimed at sustaining the Corporation in the medium to long term through funding capital projects and implementation of revised tariffs as approved by the Ministry.

The Corporation has sufficient liquid assets to settle obligations as they fall due and the Government of Botswana, through the Ministry of Land and Water Affairs has indicated that they will continue to support the Corporation towards financing infrastructure and operational budget requirements to enable achievement of its mandate. Such support has been realised in the current year and after the reporting date.

27 Events after the reporting date

Botswana Stock Exchange has notified the Corporation that its listed bond has been transferred to the Default Board following the failure by the Corporation to file the audited financial statements by 30 June 2022.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

28 Financial risk management

The Corporation's activities expose it to a variety of financial risks, market risks, credit risk and liquidity risk. The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Corporation's financial performance. Risk management is carried out under policies approved by the board. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

a) Market risk
Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in the market prices. Market risks reflect interest rate risk and other price risks.

(i) Foreign exchange risk
Foreign exchange risk arises when commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Corporation is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the South African Rand (ZAR). Foreign exchange risk arises from borrowings and other commercial transactions. Management has set up a policy to require the Corporation to manage its foreign exchange risk against the functional currency. To manage foreign exchange risk arising from those transactions, the Corporation ensures that it maintains adequate funds in foreign currency in its bank accounts and negotiates terms and conditions in the loan agreements with the lenders.

At 31 March 2022, the Corporation's foreign exchange exposure was to ZAR borrowings of R7,968,436 (2021: R15,936,871). If the Botswana Pula (BWP) had strengthened by 1% against foreign currencies, the effect would have resulted in a decrease of P63,507 (2021: P105,188) on the Corporation's loss. A 1% weakening of the Pula would have an equal but opposite effect.

(ii) Interest rate risk and cash flow risk
The Corporation's interest rate risk arises from long-term borrowings and short-term deposit investments. Borrowings and short-term deposit investments at variable rates expose the Corporation to cash flow interest rate risk. Borrowings and short-term deposit investments issued at fixed rates expose the Corporation to fair value interest rate risk. The Corporation maintains its borrowings at both variable and fixed rates while short-term deposit investments are maintained at fixed interest rates as agreed with the counterparties. During the 2021/2022 financial year, the Corporation's borrowings at variable rates were denominated in Rand (ZAR) while borrowings and short-term deposit investments at fixed rates were denominated in Pula (BWP). The risk is managed by the Corporation by spreading the short term investment portfolio across various financial institutions to maximise returns.

A 1% increase in the interest rate in borrowings would increase the Corporation's loss and equity by P59,990 (2021: P1,733,566), short-term deposit investments would decrease the Corporation's loss and equity by P5,043,665 (2021: P9,996,277) while an increase in the interest rates for investments carried at amortised cost would decrease the Corporation's loss by P1,548,502 (2021: P267,758). A decrease in interest rates by a similar margin would result in an equal and opposite effect on the loss for the year.

(iii) Interest rate risk and cash flow risk - IFRS 16
A 1% increase in the Incremental Borrowing Rate (IBR) used in the model assuming the lease term remain static, would increase the Corporation's loss and equity by P335,525 (2021: P397,543). A decrease in interest rates by a similar margin would result in an equal and opposite effect on the loss for the year.

b) Liquidity risk
Liquidity risk refers to the risk that the Corporation will not be able to generate sufficient cash flows to meet its financial obligations as they fall due. Liquidity risk arises on borrowings, consumer deposits, trade payables and lease liabilities. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Management monitors rolling forecasts of the Corporation's liquidity reserves (comprises cash and cash equivalents - note 12) on the basis of expected cash flow. This is generally carried out by Management in accordance with practice and limits set by the Board.

The table below analyses the Corporation's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

28 Financial risk management (continued)

	Less than 1year P'000	Between 1 and 2 years P'000	Between 2 and 5 years P'000	Over 5 years P'000	Total Contractual Cash flows	Carrying amount P'000
At 31 March 2022						
Borrowings	33,549	21,730	248,460	-	303,739	216,738
Consumer deposits	-	61,414	-	-	61,414	61,414
Lease liabilities	16,631	-	37,584	8,371	62,586	53,079
Accounts payable	500,103	-	-	-	500,103	500,103
	550,283	**83,144**	**286,044**	**8,371**	**927,842**	**831,334**
At 31 March 2021						
Borrowings	33,384	27,679	270,190	-	331,253	222,252
Consumer deposits	-	55,146	-	-	55,146	55,146
Lease liabilities	13,045	-	36,059	22	49,126	43,016
Accounts payable*	665,296	-		-	665,296	665,296
	711,725	**82,825**	**306,249**	**22**	**1,100,821**	**985,710**

c) Capital risk
The Corporation is a parastatal established by an Act of Parliament. The Corporation is supported by its shareholder, the Government of Botswana. The Corporation's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Consistent with others in the industry, the Corporation monitors capital on the basis of the debt to equity ratio. This ratio is calculated as long term debt divided by total equity as shown in the statement of financial position.

	2022 P'000	2021 (Restated)* P'000
Total long - term debt (note 17)	205,000	210,889
Total capital and reserves*	5,087,849	5,480,209
Debt : equity ratio	4.03%	3.85%

The Corporation considers a debt-equity ratio of less than 10% to be acceptable. This is reviewed annually after considering market conditions and the growth objectives of the Corporation. The Corporation regularly monitors and reports on debt covenants to financial institutions. Refer to note 17 where debt covenants were disclosed.

*See note 24 for details regarding restatement as a result of prior period errors.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

28 Financial risk management (continued)

d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Corporation. Credit risk arises from cash and cash equivalents, investments carried at amortised cost and deposits with banks and financial institutions, as well as credit exposures to consumers, including trade receivables. Credit risk is limited to the carrying value of financial assets as at 31 March 2022.

Maximum Exposure	2022 P'000	2021 P'000
Cash and Cash Equivalents	283,256	1,534,154
Investments carried at amortised cost	1,192,793	34,328
Trade Receivables (note 11)	1,031,185	1,017,978
Total	**2,507,234**	**2,586,460**

Deposits are payable by consumers before water is connected and overdue accounts are disconnected. Accounts receivable are settled in cash, cheques or electronic transfer. Accounts receivable outstanding were reviewed and considered for impairment provision in accordance with IFRS 9- Financial Instruments. 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.

In accordance with the simplified approach adopted, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. This lifetime expected credit losses for debtors excluding Government debtors are estimated using a provision matrix, which is presented below. The provision matrix is a probability-weighted model which applies an expected loss percentage, based on the net write-off history experienced on receivables, to each ageing category of receivables at the end of each month in order to calculate the total provision to be raised on the receivable balances. It also incorporates forward looking information relating to the country's gross domestic product and other macroeconomic factors affecting the customers' ability to settle the outstanding amount as at the reporting date. Customers are considered to have defaulted when their outstanding balances extend beyond the 30 days credit period.

The credit ratings of the investments are monitored for credit deterioration. The Corporation's investments are diversified with different institutions to manage credit loss risk, maturing fixed deposits are assessed for redemptions or for any reinvestment and this is done after assessing the corporation's investment portfolio distribution. The cash balances are measured on 12-month expected credit losses and are subject to immaterial credit loss.

Key assumptions used in determination of expected credit losses

The Corporation applies a provision matrix to determine Expected Credit Loss (ECL) on Trade receivables. The receivables are analysed on a past due basis within customer type, that is, Domestic, Business and Government classifications. This grouping is under the assumption that customers within the classification have similar credit risk characteristics. The assumptions and judgements applied include the determination of the probability of default (PD) and the determination of Loss Given Default (LGD).

The determination of Probability of Default (PD) is based on historical defaults as estimated by flow rates indicating receivables that migrate from the earliest past due category to the subsequent and ultimately the post 90 days grouping. The historical flow rates are adjusted to reflect trends in debtor collection in the subsequent period prior to the finalisation of financial statements in addition to forward looking factor of forecast GDP. This only applies to business and domestic customers, for government customers we have assumed the probability of default to be zero because the credit risk of the Government of Botswana was evaluated based on its historical default rate with no instance of default noted as regards its water bill with WUC. The Loss Given Default (LGD) is the amount of final loss of receivable that has displayed a significant increase in credit risk taking into consideration any recoveries received once a receivable goes into default expressed as a percentage of total exposure at default. Management has exercised significant judgement in the determination of Loss Given Default (LGD). The determination of LGD is based on historical credit loss experience which may not be representative of customer's actual default in the future. LGD is also based on the Corporation's policies on disconnection and write-off which are set at 90 days. The LGD was considered to be 100% as historically post default recoveries have been insignificant. Forward looking factors are incorporated into the model by analysing the economic trends through customer payment patterns over the current and prior year only and extrapolating these trends into expected future outcomes by assuming no material economic volatility from the average of these two financial years.

Management performs regular reviews of gross receivables for unusual balances (non-genuine debtors) that could be indicative of excess estimation. Such exceptions are excluded from the gross receivables that are subjected to the ECL computations. Receivables with credit balances are also isolated from the ECL computations and reclassified to trade and other payables.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

28 Financial risk management (continued)

d) Credit risk (continued)

The schedule below summarises the credit risk as represented by the Expected Credit Loss (ECL) from the provision matrix. Expected credit losses have been measured on a collective basis based on the groups below. It was determined that the increase in the gross carrying amount of trade receivables did not materially contribute to the increase in the loss allowance and the change loss allowance due to non-performance of existing debtors.

2022

	Domestic debtors			Business debtors			
	Loss rate	Loss allowance (P000)	Balance as at 31/03/2022 (P000)	Loss rate	Loss allowance (P000)	Balance as at 31/03/2022 (P000)	Total loss allowance
Performing							
0 - 30 days	56.80%	25,610	45,091	32.09%	7,294	22,728	32,904
Non-Performing							
31 - 60 days	86.23%	48,382	56,106	65.61%	13,645	20,796	62,027
61 - 90 days	94.73%	34,105	36,002	89.62%	6,018	6,715	40,123
Credit impaired							
Over 90 days	99.29%	518,760	522,491	99.29%	67,440	67,925	586,201
		626,857	**659,690**		**94,397**	**118,164**	**721,254**

The schedule below summaries the credit risk as represented by the Expected Credit Loss (ECL) from the provision matrix

2021

	Domestic debtors			Business debtors			
	Loss rate	Loss allowance (P000)	Balance as at 31/03/2021 (P000)	Loss rate	Loss allowance (P000)	Balance as at 31/03/2021 (P000)	Total loss allowance
Performing							
0 - 30 days	44.50%	22,797	51,224	32.24%	5,869	18,203	28,666
Non-Performing							
31 - 60 days	66.41%	35,605	53,610	56.30%	12,897	22,908	48,502
61 - 90 days	78.91%	29,667	37,595	65.82%	6,662	10,122	36,329
Credit impaired							
Over 90 days	99.95%	502,307	502,567	100.00%	81,802	81,802	584,109
		590,376	**644,996**		**107,230**	**133,035**	**697,606**

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

28 Financial risk management (continued)

d) Credit risk (continued)

2022

Government debtors

In regard to Government debtors, Management has assessed the default risk to be zero because the credit risk of the Government of Botswana was evaluated based on its historical default rate with no instance of default on bills relating to the Corporation.

	PD	LGD	Coverage ratio	Impairment	Balance as at 31/03/2022 (P000)
Government	0.00%	0.00%	0.00%	-	253,331

2021

Government debtors

In regard to Government debtors, Management has assessed the default risk to be zero because the credit risk of the Government of Botswana was evaluated based on its historical default rate with no instance of default on bills relating to the Corporation.

	PD	LGD	Coverage ratio	Impairment	Balance as at 31/03/2021 (P000)
Government	0.00%	0.00%	0.00%	-	239,947

(ii) Impairment of Other Financial Assets

Cash and cash equivalents and investments carried at amortised cost are placed with highly reputable financial institutions only, these include domestic subsidiaries to international institutions. The Corporation regularly monitors the outcome of the regulatory inspections and reports with respect to these counterparties. The Corporation is not aware of any facts or circumstances which would indicate that the institutions where cash and cash equivalents were held at year-end exposed the Corporation to levels of credit risk beyond those normally associated with such relationships.

	2022 P'000	2021 P'000
Financial instruments by category		
Financial assets at amortised cost		
Trade and other receivables	1,031,185	1,017,978
Investments carried at amortised cost	1,192,793	34,328
Cash and cash equivalents	283,256	1,534,154
	2,507,234	**2,586,460**

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2022

28 Financial risk management (continued)

d) Credit risk (continued)

	2022 P'000	2021 Restated* P'000
Financial instruments by category		
Financial liabilities at amortised cost		
Borrowings	216,738	222,252
Consumer deposits	61,414	55,146
Lease liabilities	53,079	43,016
Trade and other payables*	670,911	829,002
	1,002,142	**1,149,416**

Fair values of financial assets held at amortised cost

Due to the short-term nature of the financial assets carried at amortised cost, their carrying amount is considered to be the same as their fair value.

Fair values of financial liabilities held at amortised cost

For the borrowings, their fair values are not materially different from their carrying amounts, since the interest payable on those borrowings is close to current market rates and the borrowings are also close to the maturity date. This excludes the domestic medium term note bond for which the fair value has been determined, refer to note 17 for details.

*See note 24 for details regarding restatement as a result of prior period errors.

Notes


WATER UTILITIES
CORPORATION