

GEARED TO LEAD

EMPOWERING CUSTOMERS
WITH INNOVATIVE
TECHNOLOGIES



2019/2020 ANNUAL REPORT
We keep it flowing, for you.

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Printed Section

The printed version of the integrated 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 integrated 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. Upon establishment, it was mandated to manage a single project: the supply and distribution of water in what was then called the Shashe Development Area.

WUC's New Values Indicating the Acceptable Behaviours of Employees to Support the Achievement of Our New 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 the 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 the 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

The mandate involved planning, constructing, operating, treating, maintaining and distributing water resources in the country's urban centres and other areas as mandated by the Botswana Government. It also involved the supply of bulk water to the then Department of Water Affairs and various Local Authorities for onward distribution to villages and settlements in the country.

Between 2009 and 2013, the water sector was restructured. The Corporation was given a new mandate to supply potable water to all urban centres and villages in the country, as well as to manage wastewater and sanitation services. The Water Sector Reforms (WSR) programme was the result of a study aimed at rationalising the water sector in Botswana and ensuring uniform service levels. The delivery of uniform service levels at a uniform tariff, and upgrading of water infrastructure, remain a long-term project that the Corporation is pursuing.

The WSR commencement and implementation increased the Corporation's customer base from 80,000 in 2009 when the programme began, to over 440,000 to date.

STRATEGY

The Corporation's asset base, which is valued at over P9 billion, includes nine dams: Gaborone, Nnywane, Bokaa, Shashe, Letsibogo, Ntimbale, Dikgatlong, Thune and Lotsane. It also incorporates the North South Carrier Scheme, which includes a 360 km NSC 1 pipeline from Letsibogo dam to Mmashashia; 150 km NSC 2.1 pipeline from Dikgatlong dam to Palapye, and a 110 km pipeline from Mmamashia to Kanye.



Vision

We will be a leading water utility service provider by 2022.

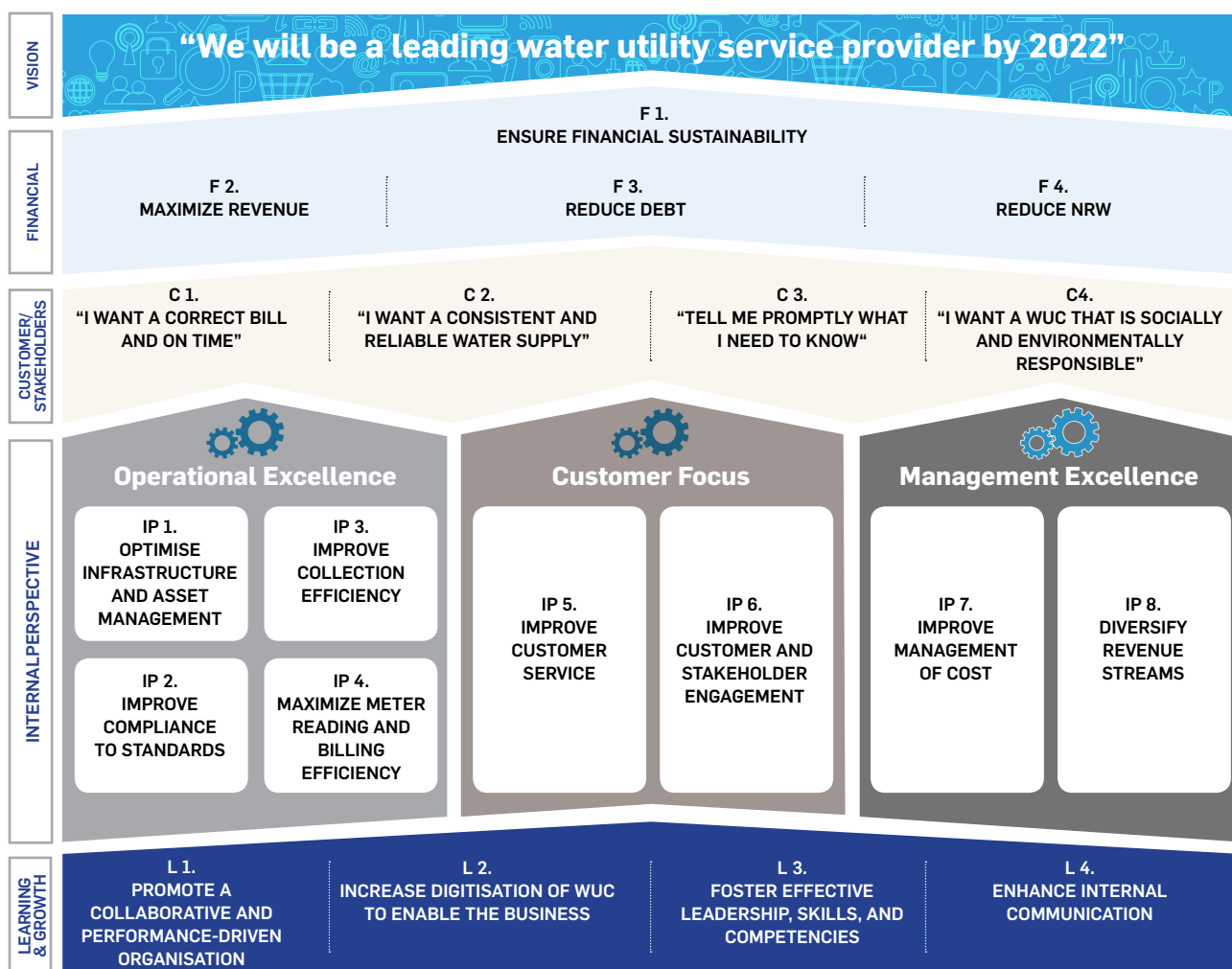


Mission

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.



CUSTOMER BASE
up from **80,000** in 2009 to
440,000



SUMMARY OF PERFORMANCE

FINANCIAL

Revenue

P1.8 billion

∨ 0.2%

Return on Equity

1.3%

∨ 2%

Comprehensive Surplus

P76million

∨ 59%

Cash and Cash Equivalents

P2.1billion

∧ 14%

Key performance indicators

Consolidated	FY19/20	FY18/19
	P'000	P'000
Total comprehensive income	75,598	185,500
Taxation	(28,624)	(39,826)
Net assets	5,682,378	5,606,780



Refer to page 57 to 101 for additional information on the Corporation's financial results

Strategic Initiatives



Operational Excellence

We will ensure that we achieve our mandate through providing more reliable services to customers, while also preserving the natural resources of Botswana.

Customer Focus

WUC will become more focused in its approach in dealing with customers and turning them into supporters of the brand. This is crucial for its future success.

Management Excellence

Due to its precarious financial situation after the Water Reform, WUC needs to dedicate its attention to better managing its financial performance to ensure sustainability of its operations.

21.2hrs/day

Reliability of water supply

We aim to be the leading water utility service provider by 2022

People



Percentage of Women at Management Level



Staff Complement



as at 31 March 2020



BOARD CHAIRMAN'S STATEMENT



On behalf of the Water Utilities Corporation Board of Directors, I am delighted to present our Annual Report for the financial year ending 31 March 2020.

The financial year ushered in the Corporation's new 2019-2022 Strategy aimed at taking WUC through a transformational journey. The report has been carefully crafted to ensure alignment with sustainability practices and global reporting initiatives to help readers appreciate our strategic journey and our commitment to serve the people of Botswana.

Corporate Strategy

The new Corporate Strategy Vision is to be “...a leading water utility service provider by 2022”.

Based on the challenges and weaknesses identified in its strategic analysis, the Corporation chose to focus on three main areas which form the themes of the Strategy:

- 1. Operational Excellence,**
- 2. Customer Care, and**
- 3. Management Excellence.**



Various objectives and initiatives are currently being implemented to achieve success in these areas and thus to ultimately realise the Vision.

The Vision has three critical measures: financial performance, which is measured by operating costs over collected revenue; operational performance measured by Non-Revenue Water; and reliability and accessibility of water supply with reliability measured as hours of water supply in a day, and accessibility as a percentage of population with access to safely managed drinking water. The target of reliability of water supply is on a positive projectile, as the Corporation managed 21.1 hours of supply against the target of 22 hours. However, other targets in the vision were not achieved mainly due to delays in the organisational restructuring process. Now that the restructuring process has gained momentum and is nearing completion, we anticipate that a fully resourced organisation will greatly facilitate execution of the strategy.

Financial Sustainability

The Corporation's results for the past three years have shown a substantial improvement in its financial performance. In line with this trend, the 2019/2020 financial year performance was generally positive, especially as the Corporation continued with initiatives for efficiency improvements, cost containment, as well as intensified collection. All these efforts have moved WUC towards its basic objective of independently sustaining its operations.

One of the highlights for the past two years has been the ability to self-sustain without any operating subsidy from Government. The financial statements for the year ending 31 March 2020 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 for operating into the foreseeable future.

The Corporation experienced growth in its asset base from P9.2 million in March 2019 to P9.8 million in March 2020. Total revenue for the review period remained constant from the previous financial year at P1.9 billion. Operating costs continued to grow at a higher rate than income and reached P1.9 billion in March 2020, up from P1.6 billion in the previous year. Much of this was due to significant IFRS changes as well as the COVID-19 pandemic, which resulted in the introduction of new costs in the last month of the financial year. These did not affect cash outflows, however, it significantly increased total operating costs.

Outlook and prospects

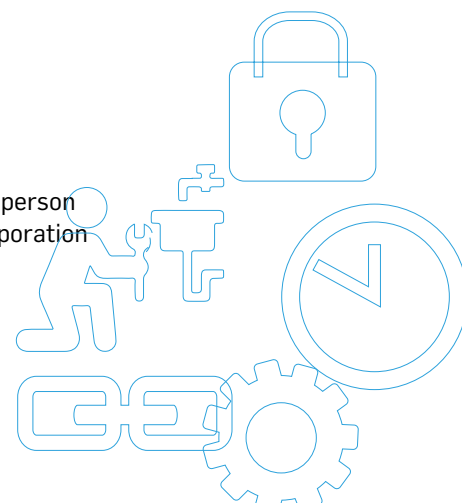
In the face of an ever-challenging water industry which includes threats to the sustainability of supply and access to water, WUC managed to record a 1% growth in its customer base, bringing the number of customers to 440,000. A noteworthy achievement was the improved access to potable water infrastructure from 84% in FY18/19 to 85% in the reporting period – a result of additional connections and the securing of water sources. WUC has embarked on major potable and wastewater management projects, signifying a commitment to ensuring water security, improving water transmission and supply, and improvements to services provisioning. These capabilities enable a conducive environment for new connections and customer base growth, improved efficiencies and operational cost reductions. Most importantly, improved customer and stakeholder satisfaction.

Acknowledgement

I would like to express my utmost appreciation and gratitude to our shareholder for supporting and entrusting us to steer the WUC ship. My warmest gratitude also goes to Management and employees, for their dedicated work and commitment to deliver the WUC mandate. A further note of appreciation goes out to our customers and stakeholders for supporting our teams nationwide to help us deliver an improved water service. Let us remain united as we look forward to greater growth and operational success.

Noble Katse

Acting Board Chairperson
Water Utilities Corporation



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GOVERNANCE





02

02

THE BOARD AND CORPORATE GOVERNANCE

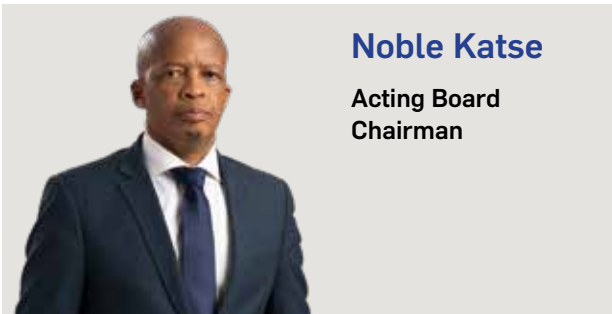
The Board of the Corporation is appointed by the Minister of Land Management Water and Sanitation Services. In appointing the Board members, the Minister takes into consideration their experience and ability to make meaningful contributions to the business of the Corporation. The composition of the Board does not exceed nine Members, including the Chairman, at any one time.

The Board meets at least quarterly and follows a structured approach towards delegation, reporting and accountability. As part of this, four Board Committees (Finance, Risk and Audit Committee (FRAC); Board Tender (BTC); Human Resources Committee (HRC); and Operations and Technical Committee (OPTEC) carry out delegated duties. During the year under review, the Board convened four ordinary meetings and five special meetings.

The Board's role is to determine corporate policy and provide strategic direction. In carrying out this mandate, the Board is expected to adhere to the highest standards of ethical conduct and good governance, in line with both statutes and generally accepted practices. The Corporation's Risk and Audit frameworks played pivotal roles in ensuring integration into our business operations and strong adherence to statutory reporting requirements.

Composition of the Board

During the year under review, the Board of Water Utilities Corporation consisted of the following Members:



Noble Katse

**Acting Board
Chairman**

Tenure: 2018-2022

Qualifications: MBA (University of Botswana),
BA Statistics (University of Botswana)



**Dr Obolokile
Obakeng**

**Member of the
Operations and
Technical Committee
& Finance, Risk and
Audit Committee**

Tenure: Entire duration of appointment as Permanent
Secretary, Ministry of Land Management, Water and
Sanitation Services

Qualifications: PhD Hydrology (University of
Amsterdam, Netherlands), MSc Water Resources
Hydrogeology (International Institute Aerospace
Survey and Earth Sciences, Netherlands) and BSc
Geology (University of Botswana)

John Phatshwe
Member and Chairman
of the Human
Resources Committee



Tenure: 2018-2020

Qualifications: Master's in Environmental Planning (University of Nottingham, United Kingdom), Master of Commerce in Project Management (Cranefield College, South Africa) and BA Environmental Science (University of Botswana)

**Galeitsewe
Ramokapane**
Member



Tenure: 2018-2022

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

Godfrey Molefe
Member and Chairman
of the Finance, Risk
and Audit Committee



Tenure: 2016-2020

Qualifications: MSc Fiscal Studies (University of Bath, United Kingdom), BCom Accounting (University of Botswana) and CIMA

**Othusitse
Lekoko**
Member and Chairman
of the Operations and
Technical Committee



Tenure: 2016-2020

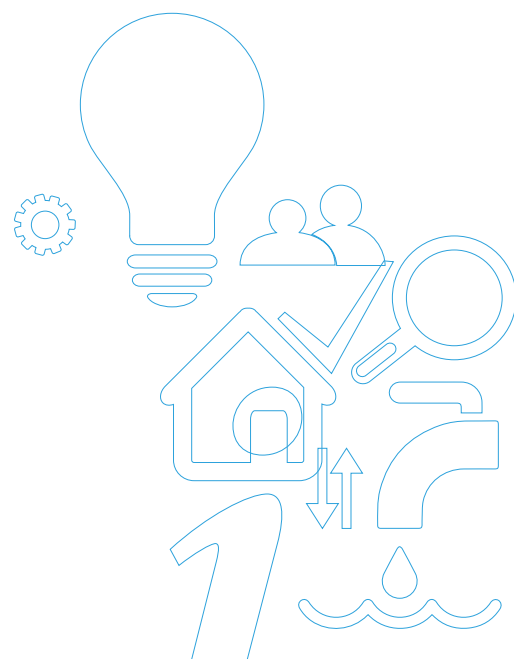
Qualifications: MSc GeoInformation Science and Earth Observation (University of Twente, Netherlands), BSc Parks and Natural Resources Management (California State University, United States)

Juliana White
Member and Chairman
of the Tender
Committee



Tenure: 2016-2020

Qualifications: LLM (University of London), LLB (University of Botswana)



Registered Office

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

Independent Auditors

PricewaterhouseCoopers

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. Fees for Members from Government Departments in the parent Ministry are paid directly to the Government. The applicable rates per sitting during this year were as follows:

Chairperson	P2,250
Vice Chairperson	P1,800
Member	P1,800

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

Human Resources Committee (HRC)

The Human Resources Committee comprised three Members: Mr John Phatshwe, Mr Godfrey Molefe and Mr Othusitse Lekoko. This Committee deals with policies relating to the management of human resources, including organisational structure, terms and conditions of service, remuneration, appointment and removal of Board appointed senior staff, pensions as well as any other matters delegated to it by the Board. The Committee meets at least quarterly and during the year under review, satisfied this requirement. It also convened seven special meetings.

Board Tender Committee (BTC)

The Board Tender Committee comprised four Members: Mr John Phatshwe, Mr Godfrey Molefe, Mr Othusitse Lekoko and Ms Juliana White. 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 and other citizen empowerment policies.

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 best practice. The Committee is required to convene quarterly in each financial year. In the year under review it met this requirement and also convened three special meetings

Finance, Risk and Audit Committee (FRAC)

The FRAC comprised four Members: Mr Godfrey Molefe, Mr Noble Katse, Ms Juliana White and Dr Obolokile Obakeng. The Committee's mandate includes responsibility for the Financial reporting processes, Internal controls systems, Audit processes, Corporate and information technology governance, and Processes for monitoring compliance with laws and regulations.

The Committee also provides advice on corporate risk management and the budget. In order 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 times annually. During the period under review, it held four scheduled meetings and one special meeting.

Operations and Technical Committee (OPTECH)

The Committee consists of five Members: Dr Obolokile Obakeng, Mr Noble Katse, Mr Godfrey Molefe, Mr Othusitse Lekoko and Mr Galeitsiwe Ramokapane. The Committee assists the Board in monitoring and reviewing any matters of significance including:

- Abstraction, supply, and distribution of water resources
- Project management and systems acquisition
- Asset operation and management
- Health, safety, environment, and quality management
- Strategic management of technological innovation

Table 1: Board Meetings Attendance

Member	Ordinary Board	Special Ordinary Board	BTC	Special BTC	OPTECH	FRAC	Special FRAC	HR	Special HR
Mr. N Katse	4	4	N/A	N/A	2	N/A	N/A	N/A	1
Dr. O Obakeng	0	1	N/A	N/A	2	2	1	N/A	N/A
Mr. G Ramokapane	4	3	N/A	N/A	2	N/A	N/A	N/A	1
Mr. G Molefe	4	4	4	4	N/A	4	1	3	7
Mr. O Lekoko	4	2	4	3	2	N/A	N/A	2	2
Mr. J Phatshwe	4	3	4	4	2	N/A	N/A	3	7
Ms. J White	2	3	4	3	N/A	3	1	N/A	N/A

Reporting to the Botswana Government

The WUC Board reports to the Minister of Land Management, Water and Sanitation Services on the outcome of its meetings and programme of work. There are regular consultative meetings between the Board and the Minister, which are scheduled as required. WUC Management through the Chief Operations Officer, also provides periodic updates to the Minister, the Permanent Secretary to the Minister, and Ministerial Committees on progress of strategic projects and initiatives that are of national interest.

Going Concern

The financial statements for the year ending 31 March 2020 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 for operating into the foreseeable future.

Statutory Reporting Requirements

The Water Utilities Corporation Act requires that all 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 Land Management, Water and Sanitation Services within four months after financial year end. The Annual Report is expected to be completed and presented to the Minister within six months of the financial year end. The Minister shall then submit and present the Report to the National

Assembly within 30 days of receiving the Report and a copy of the audited accounts. 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 2020.

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 is detailed from Page 53 of this Report.



Refer to page 57 to 101 for responsibility for the maintenance of adequate accounting records, the preparation and integrity of the financial statements and related information

Executive Management

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



CHIEF EXECUTIVE OFFICER'S STATEMENT



This Annual Report covers the period from 1 April 2019 to 31 March 2020 and follows the requirements of the WUC Act of 74:02 of 1970.

Our Corporate values are deliberate enablers and reminders of ethical and moral virtues that we should uphold in our business conduct and decision making. Furthermore, they guide in the pioneering of new and responsible business solutions that drive increased economic success.

With sustainable water supply as a key enabler to facilitate sustainable economic development for Botswana, our focus remains on the quest for securing water sources and supply to all sectors of the economy. Compliance with laws and policies, including implementing, monitoring measures and controls, remains paramount to sustain water as a resource, and its related services. Although the COVID-19 pandemic resulted in public domain discussions locally in the last month of the reporting period, our preparations for sustainable water operations commenced in the final quarter of the reporting period. This was based on the understanding of the key role that water would play in combating the COVID-19 pandemic.

Deliverables

Completed water security projects have benefitted about

750,000

Residents across the country

as at 31 March 2020

A new delivery strategy
in place for a
transformed WUC*

A WAVE OF TRANSFORMATION

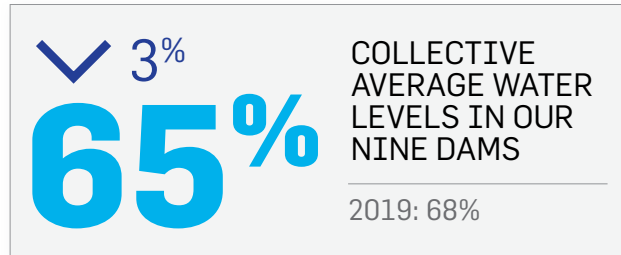
On groundwater monitoring, the Corporation monitors all the wellfields within its mandate to maintain water supply and sustain the environment. In the year under review, monitoring reports for the Molepolole Management Centre were submitted to the Water Apportionment Board. Reports for the Kanye and Mochudi Management Centres were in progress with Mochudi prioritised in view of its shared resource with the ever-rising water demand in the Greater Gaborone area.

The Corporation carried out rehabilitation of boreholes countrywide to improve water supply, rehabilitating over 70 percent of targeted boreholes and continued to supply water through bowsing for villages with acute water shortages.

Monitoring of the infrastructure continued as did investment in its rehabilitation and maintenance to sustain water supply and resource management. The North South Carrier (NSC) scheme performance was satisfactory, achieving an availability rate of over 84 percent for the period under review. The NSC Scheme comprises two dams, Dikgathong and Letsibogo in the north eastern of Botswana that integrate in Palapye through two separate pipelines. This has allowed for a sustainable water supply to Palapye, Serowe, Mahalapye, Shoshong and Greater Gaborone. Due to Botswana's growing economy and infrastructural development, the national demand for water continues to grow at an increased pace, compelling continuous review of its water security, supply and resource management strategies to stay ahead of the demand curve.

There were acute water shortages in the areas of Masunga, Ghanzi, Tsabong, Tswapong South, Gumare, Goodhope Cluster, Mmathethe, Lotlhakane East, Hukunsi and Molepolole, with, with short-term mitigations implemented through water bowsing. In the medium to long term, the situation is expected to ease with the implementation of thirty four high impact projects, of which eleven are funded through the World Bank loan and twenty are funded under the National Development Plan (NDP11).

Furthermore, WUC has funded major projects delivered in this review period, including the upgrades of the Tsabong, Ncojane and Maun Water Supply Schemes. Maun continued to rely mainly on boreholes following the drying up of the Thamalakane river and subsequent closure of the Borolong Treatment Plant.



Customer and Stakeholder

The Corporation's social, environmental, and economic activities are espoused in its Corporate Social Investments and stakeholder relations interactions. A robust operations structure was established with the sole aim of better serving customers while promoting sustainable relations for continued management of water resources.

WUC has ongoing efforts to provide safe drinking water available to all, and uphold the required potable water quality standards.

The establishment of the Customer Care department in Q2 of the financial year, led to the introduction of the Customer Experience (CX) Strategy. The objective of this Strategy is to elevate the Customer Focus theme of WUC's Corporate Strategy, through the provision of a customer vision, customer experience (CX) model, governance and adoption of a proactive approach. Further to that was establishing key measures, setting the tone, and behaviours for adoption at tactical and operational levels in order to realise the desired customer centric culture. As a quick win, increased response to customer issues resulted in a revised and re-introduced Customer Queries & Complaints Procedure. This clarified channels of engagement with WUC, escalation procedures, and roles and responsibilities between customer, WUC and the Ministry. The result was improved adherence to procedure, evident in an increased number of recorded queries, and most notably encouraging feedback from customers, as well as improved coordination of service requests internally.

Various activities aimed towards growing the Corporation's online presence were carried out. This included publishing notices on the WUC Facebook page and Twitter accounts. There were also online competitions which quizzed customers on products and services and rewarded them with tickets to attend high profile events such as concerts and dinners. In addition, targets were exceeded on joint projects with stakeholders for the year, in recognition of the role community projects play in contributing to a culture of inclusivity and enabled participation in water supply management.

Financial Growth and Sustainability

Future growth prospects remain positive in anticipation of increased customer base growth. This is anticipated as a result of a strategic focus and decisive approach on prioritising and implementing Water Security projects. An integrated project delivery approach has been adopted to encompass all infrastructural components of a Water Supply Scheme, from extraction and treatment, to storage and distribution. Notable and near future projects that will enable significant new customer connections include the Chadibe Borolong Shashe-Mooke Water Supply Scheme, the North East –Tutume Water Supply Scheme, the Masama 100km pipeline, and the Goodhope Water Supply Scheme, to mention a few. Successful delivery of these projects will enable sustainable water supply distribution to more than 87 villages in Botswana.

Collectively and also in consideration of those completed and nearing completion, land servicing projects across the country are anticipated to have direct impact on over 250,000 residents. These will also present an increased avenue for sustainable customer growth for a period of up to three years through new potable water connections and related services.

New Operational and Service strategies will continue to be implemented from time to time to promote new potable and wastewater connections including some to address customer service requests and water connection backlogs

Results Oriented Talent, Leadership and Culture

Corporate restructuring dubbed iTemogo, was driven by a determination to align the business model with change, and design a fit-for-purpose structure that facilitates the achievement of the WUC mandate. The current Corporate strategic focus on customer-centricity is an integral part of the new business model developed through the project. These include the decentralisation of WUC operational management decision-making. A major highlight of the restructure was the introduction of the Customer Care department. This Department is expected to orient WUC towards a customer-centric approach through studying consumer behaviour patterns, and incorporating the voice of customers as an input to business processes, decision making and policy direction. With the right talent identified alongside WUC's value chain, a transformed WUC, with new direction and delivery strategy is anticipated. I also take this opportunity to welcome our Customer Care Director and Heads of Business Centres who joined us as part of this transformation. Their appointment marked great progress in the recruitment process for key strategic level positions.

Looking Ahead

In 2020, the year marking our 50 years of service, our search for excellence continues. We shall optimise our operations, find better ways for collaboration with our stakeholders and seize opportunities to consistently provide better water service solutions.

Appreciation

On behalf of Management, I would like to thank the the WUC Board of Directors and the Shareholder for their invaluable guidance, as well as my colleagues and fellow employees who are responsible for our achievements. Delivering a water supply service in a country characterised by low rainfall and limited resources is a challenge, but we continue to rise to that challenge, exhibiting a united spirit to serve our nation and demonstrate commitment and the excellence that we stand for. I am honoured and humbled to serve alongside such a great team of skilled and talented professionals. Further appreciation goes out to our stakeholders, who supported us during the year. I am confident that together we shall continue to keep it flowing. I look forward to more exciting times ahead.

I thank you.

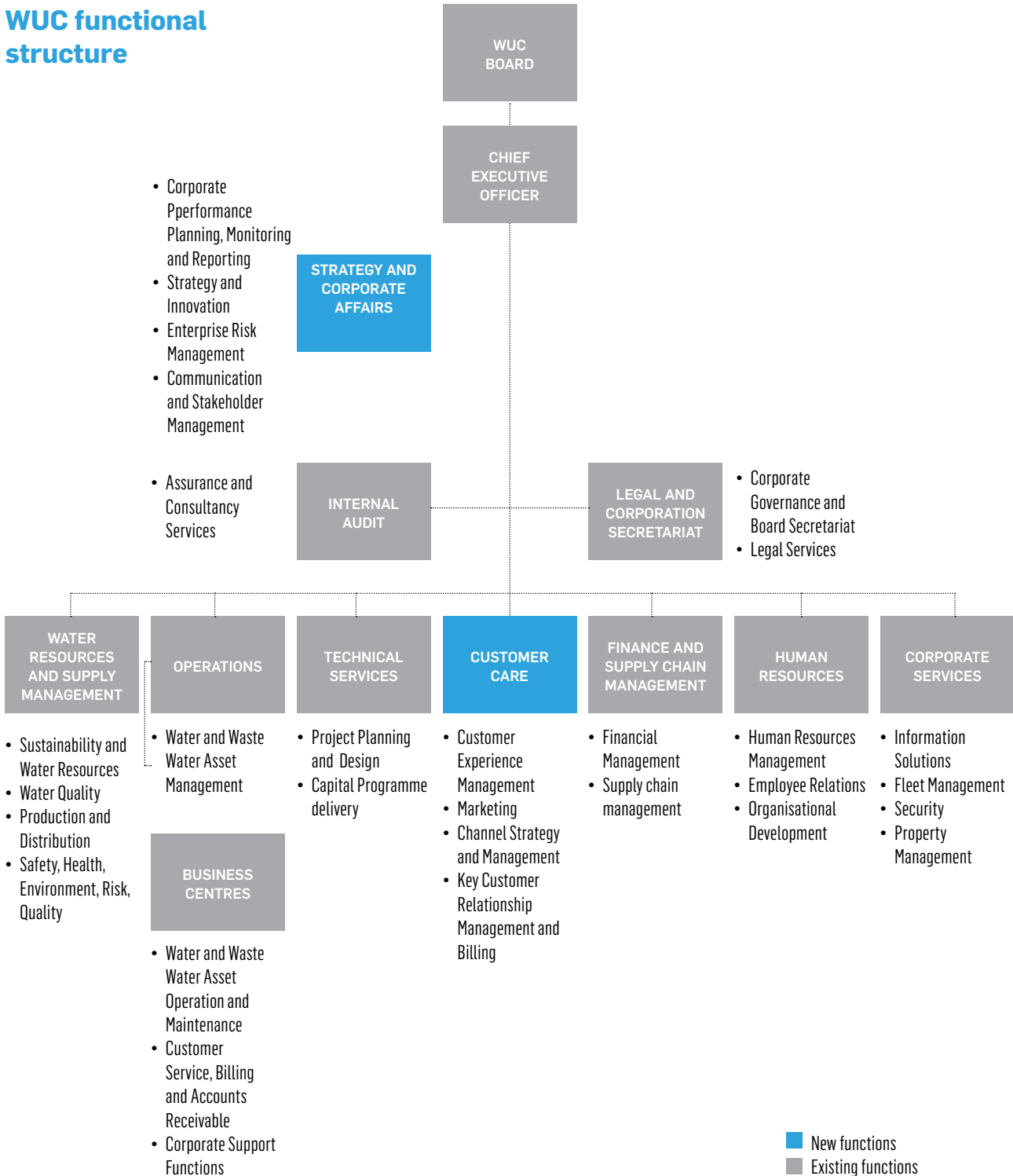


Gaselemogwe Senai
Acting Chief Executive Officer



THE HIGH LEVEL STRUCTURE

WUC functional structure



THE CORPORATE MANAGEMENT TEAM



**Gaselemogwe
Senai**
Acting Chief
Executive Officer

Qualifications

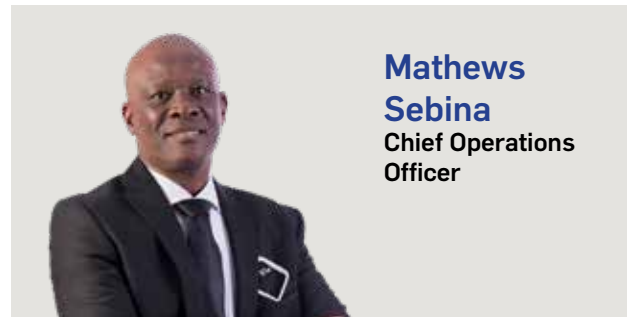
BSc Chemistry and Environmental Science (University of Botswana)

Responsibilities

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

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

- Finance
- Customer
- People
- Risk Management
- Stakeholder Management



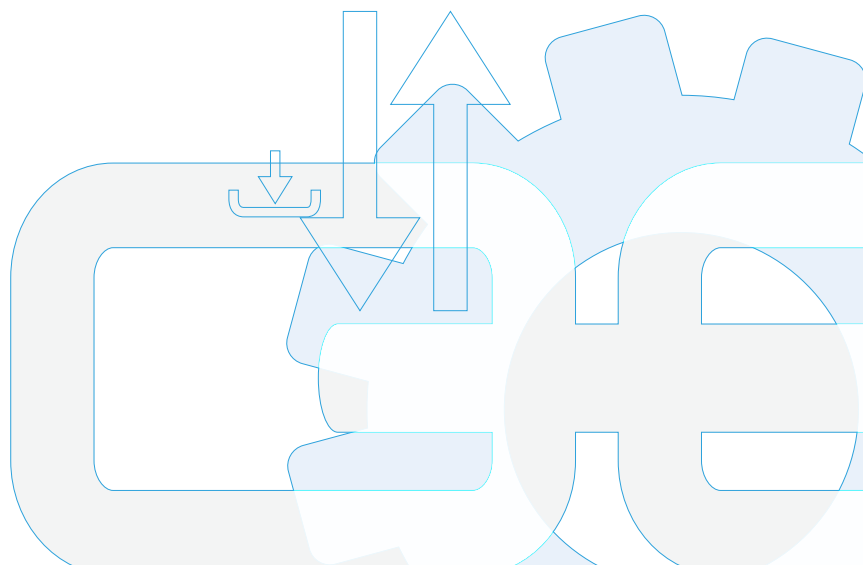
**Mathews
Sebina**
Chief Operations
Officer

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
- Non Revenue Water reduction
- Asset Management
- Operations and maintenance
- Customer billing and commercial services
- Customer services and quality
- Effective revenue generation
- Stakeholder Management



Taboka Muke
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

Thapelo Kalake
Shared Services
Director



Qualifications

MBA (University of Botswana), BSc. Eng. Industrial Engineering (Western Michigan University, United States) and COP Long-term (Botswana Accountancy College)

Responsibilities

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

Ntshambiwa Moathodi
Technical Services
Director



Qualifications

B-Eng (University of Botswana) Surge Transient Modelling (University of ARE Israel), Project Management and Implementation Specialist on PPP (Washington DC), APMG

Responsibilities

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

Goitseone Tshiamiso
Customer Care
Director



Qualifications

EDP, SMDP, MDP (University of Stellenbosch Business School), Bachelor of Information Systems (University of Botswana), Certified Process Professional Master (CPP Master level 5)

Responsibilities

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



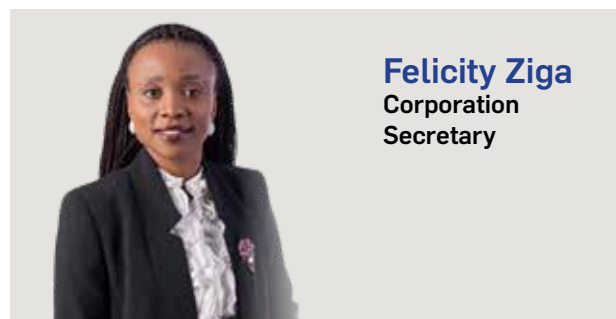
Evelyn Disele
Human Resource
Director

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), Certified Pension Specialist.

Responsibilities

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



Felicity Ziga
Corporation
Secretary

Qualification

LLB (University of Botswana)

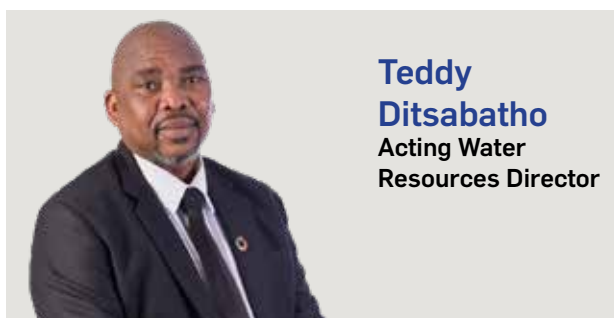
Part Qualification

Chartered Institute of Secretaries and Administrators (CIS)

Associate Member - Chartered Institute of Business Management

Responsibilities

- Risk management
- Legal services
- Board secretarial services



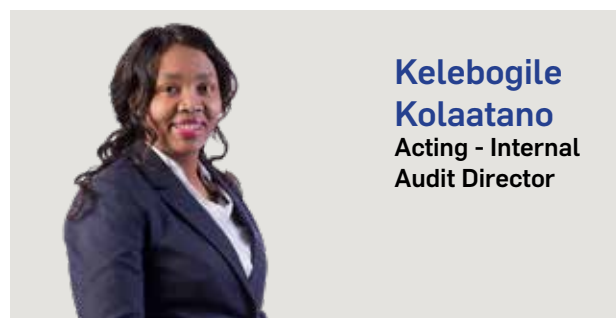
Teddy Ditsabatho
Acting Water
Resources Director

Qualifications

BSc (Chemistry & Environmental Science), MSc (Analytical Chemistry and Instrumentation)

Responsibilities

- Sustainable water resources management
- Dams management
- Groundwater management
- Bulk water transfers
- Maintenance
- Water quality
- Safety, health, environment and quality



Kelebogile Kolaatano
Acting - Internal
Audit Director

Qualifications

BSc Engineering in Civil Engineering (University of Cape Town)

Responsibilities

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

**AS WE ABSTRACT, TREAT,
SUPPLY WATER, AND MANAGE
WATER
ACCOUNTS,
WE DARE TO
LIVE THIS
CHANGE.**

SUSTAINABILITY



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SUSTAINABILITY

AT WUC

WATER RESOURCES MANAGEMENT

The Corporation operates nine dams and approximately 840 boreholes countrywide. The performance of these resources is critical to ensuring that the Corporation fulfils its mandate of water provision to all Batswana at reasonable cost, while preventing undue environmental degradation. Further to this, is the operation of critical infrastructure such the NSC and the management of Non-Revenue Water (NRW).

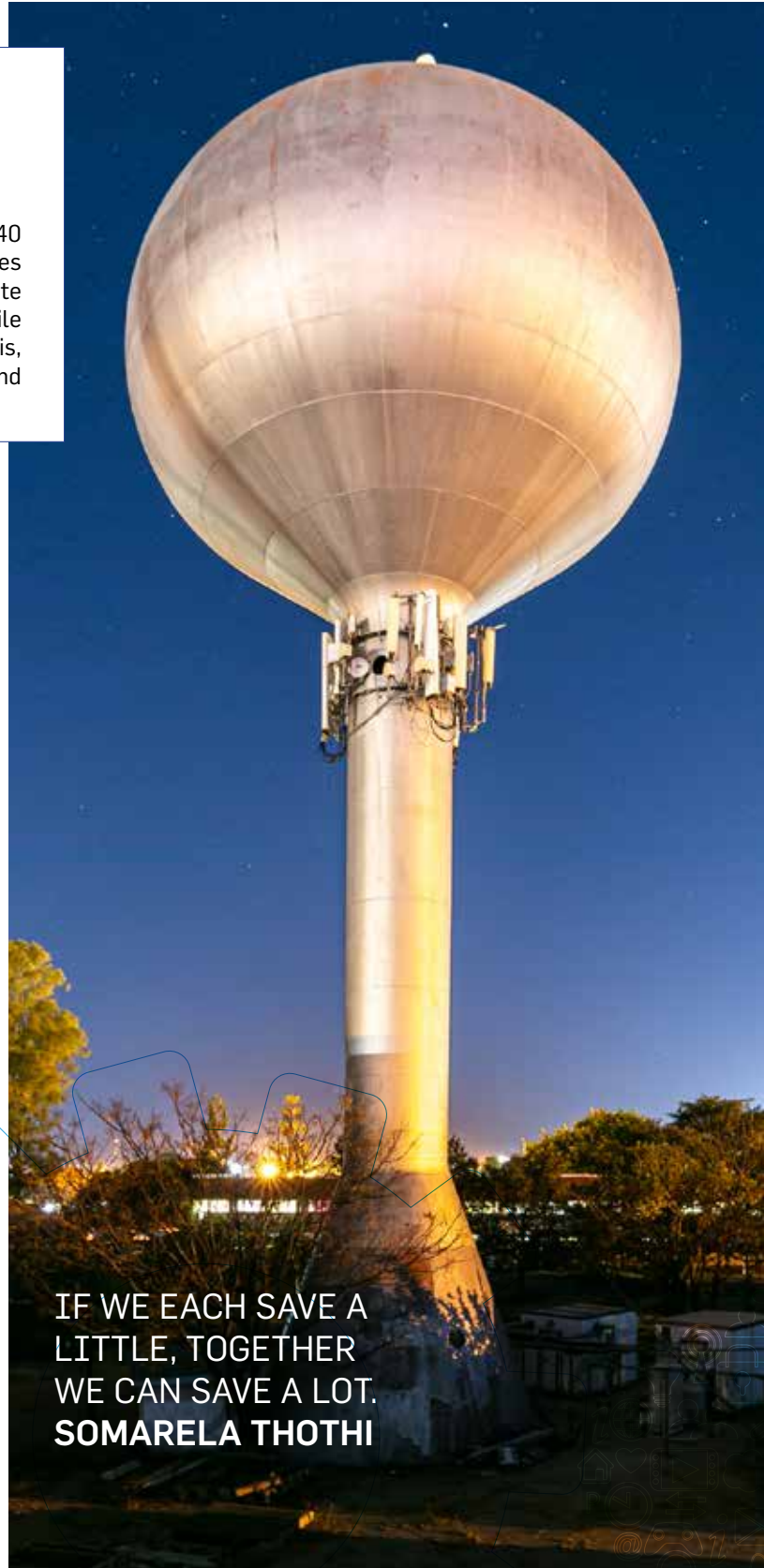
Operations

The period under review saw the collective average water levels in our nine dams at 65 percent, a 3 percent decline from the 68 percent average recorded in the previous financial year. All dams had an increase in water levels attributed to the February – March 2020 rainy season, save for the Dikgathong dam, which experienced a 1.3 percent decrease compared to the previous reporting period. Key to note is that Dikgathong is the biggest dam and is the primary source of water for the Greater Gaborone area and intermediate villages. This means that changes in its water levels impact overall water supply volumes. The total water capacity and levels are satisfactory, signifying a projected water supply capability for a period of 21 months without inflows

Molatedi dam, located in South Africa, ended the financial year with 16.7 percent of its total water capacity. This is a concern as Botswana's domestic allocation from the dam is curtailed when the level drops below 33.8 percent. However agreements were reached by the Tswasa Operating Control Committee to reduce from normal daily supply of 13.8 million litres per day (ML/day) to 7 ML/day. Consequently, this reduced water supply options and security for Greater Gaborone.

Our sustainability report covers the following areas:

1. Employees and Technologies
2. Water Source Monitoring
3. Corporate Citizenship and CSR
4. Operational Highlights and Special Project
5. Water and Wastewater Quality



IF WE EACH SAVE A
LITTLE, TOGETHER
WE CAN SAVE A LOT.
SOMARELA THOTHI

INVESTMENT IN EMPLOYEE SAFETY

WUC values the contribution of its employees and targets zero fatalities.

During the review period, we continued working on the creation of a better working environment and enhanced capabilities for increased business output. The Corporation devised new and innovative ways to promote productivity and safety. Strategic programmes were put in place to enhance the safety of employees. The Corporation has adopted and implements the ISO management systems such as the overarching ISO 9001 (Quality Management Systems) and the BOS ISO/IEC 17025 (General requirements for the competence of testing and calibration laboratories). These two (2) standards are currently being integrated into the ISO 45001, the only international safety standard that specifies requirements for an occupational health and safety (OH&S) management system. The standard gives guidance for its use, to enable organisations to provide safe and healthy workplaces by preventing work-related injury and ill health, as well as by proactively improving its OH&S performance.

Notable progress in the transition to ISO 45001 Standard implementation has been:

- Appointment of Executive HSEQ Steering Committee to provide strategic and policy direction
- Recruitment of all HSE critical staff
- Appointment of functional committees to drive the system across WUC
- Review of existing HSE documentation and alignment to ISO 45001 requirements

During this transition, Water Utilities Corporation continues to implement SHEQ according to NOSA requirements to comply to all the necessary legal and regulatory requirements.

Following a fatal accident at Glen Valley wastewater plant in the last quarter of the review period that claimed the life of an outsourced project employee, the Corporation reinforced measures to ensure stronger adherence to work safety procedures and operational standards. An enhanced safety protocol remains in place and incorporates safe operating procedures and continuous environmental management. Other measures included the refurbishment of laboratory facilities and optimised Trade Effluent Agreement (TEA) implementation plan.

SUSTAINABLE BUSINESS PRACTICES

As part of a wider IT roadmap to enable the WUC's mandate by "increasing digitisation to enable the business", the Corporation implemented strategic solutions aimed at enhancing its utilisation of information and communications technologies. Some of the highlights of this programme in the Corporate Platform were the implementation of:

- **Microsoft Office365:** a cloud-based platform that enables IT users to amongst others securely access their email accounts from anywhere; and access and share files within their teams on all platforms such as desktops, tablets and smartphones. This improved mobility in the workplace.
- **Yammer:** A collaboration tool that helps employees connect and engage, have conversations, share knowledge, build communities and enhance communication on work issues.
- **Microsoft Teams:** a unified communication platform that combines workplace chat, video and audio meetings, enhanced seamless remote working and effective collaboration.

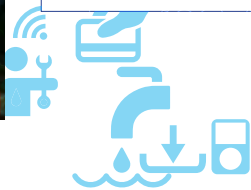
Digitalisation of Services and Processes

The following services were digitalised to reduce the use of paper and printing, and improve service efficiency:

- Automation of the Tender Process
- Digitization of the Employee Leave Management System, replacing the paper-based platform
- Digitization of the WUC Board Meetings platform
- Automation of the Digital Signatures platform and workflow of documents
- Integration of the WUC meetings rooms into the Microsoft Outlook email system

Smart Water Internet of Things

A project for the implementation of a Meter Data Management System (MDMS) platform aimed at connecting all connectable devices (smart meters, measurement devices such as water level monitors, pressure gauge monitors pressure sensors, quality sensors etc.) to allow for real-time access to operational data and decision was launched. As the year ended, 35 smart devices (sensors, smart meters, smart valves) had been deployed at Nanogang Community Junior Secondary School in Gaborone. This exercise was done to test the functionality, pick learnings with the view to expand to the entire Village suburban area od Gaborone. Future plans are in place to progressively expand the roll out to the entire country.



WATER SOURCES MONITORING

WUC monitors its surface and groundwater, shares reports with the Government through the Department of Water Affairs and promotes water conservation, a gesture of leadership in responsibility of water resources for all water stakeholders and users. The Corporation deploys several water conservation strategies, the most important of which is drought and groundwater monitoring. This involves measuring water levels in dams, dam inspections and maintenance, resource utilization, conjunctive use of resources and providing updates on water availability. For the year ending March 2020, Level Two (2) Water Restrictions were in place in the greater Gaborone area prohibiting the following:

- Watering of all gardens, parks and sports fields using potable water
- Washing of vehicles with hose pipes using potable water
- Use of Automatic urinals
- Filling of swimming pools with potable water
- Spraying or washing of pavements, sidewalks and streets with potable water
- Using potable water for construction purposes, except with the express written permission of the Corporation in cases where non-potable water has been proven to be detrimental to the quality of work
- Unattended defective plumbing and pipe fittings which result in water wastage



CORPORATE CITIZENSHIP

Since its conception, WUC operations have been grounded in the globally adopted Corporate Social responsibility philosophy. In 2017, WUC introduced Corporate Social Responsibility (CSR) guidelines to inspire its workforce to pursue voluntary work alongside WUC CSR initiatives and contribute towards improving the lives of our communities.

We also worked on aligning with the Global Sustainable Development Goal #6 (Water and Sanitation) by increasing the number of households with access to potable water. However, this effort was hampered by the low rate of new connection installations associated with un-serviced land and a lack of wastewater infrastructure in most areas across the country. An improvement is expected with the completion of primary potable and wastewater projects in the near future, examples being the Kanye, Moshupa, Molepolole and Maun Wastewater projects where customers are expected to make sewer connections.



DID YOU KNOW?

SIXTY (60) PERCENT
OF BOTSWANA'S WATER COMES FROM
GROUND SOURCES

CORPORATE SOCIAL RESPONSIBILITY

The Corporate Social Responsibility (CSR) programme, which emphasises community development, environmental protection as well as staff welfare and involvement, allowed both WUC and the community to interact for sustained relationships. In the review period, WUC funded projects that fully benefited communities in its sixteen Management Centres. This resulted in the delivery of CSR projects to the value of over P300,000 as outlined in Table 2.

Table 2: CSR highlights for the year.

Month	CSR Donations
April 2019	• Gumare - Two bus shelters
May 2019	• Mochudi - Clothes to less privileged members of the community
June 2019	• Charles Hill - Cattle crush, small stock exhibition kraals, loading ramp and bottled water • Ghanzi Bus stop • Tshesebe Kgotla - Branded water bottles
Feb 2020	• Ghanzi Turn-off - solar powered streetlights and bus stop
Feb 2020	• Masunga Management Centre - House for a destitute person

Other projects which had begun before the year ended included equipment for Palapye public gym, a printer for Kokong Primary School, Computer Lab chairs for Mannathoko Junior School, and a house for a destitute person in Nxaunxau.

GROWING THE EDUCATION CENTRE

The Corporation also contributed to the education sector through a total package of about P100,000. Two best performing teachers at Moremi Primary (Maun) were given a laptop trolley bag during their school prize giving ceremony; Bakgopeng (Lesenepole), Parwe Community Junior Secondary School (Mahalapye) and Mahube Primary School (Francistown) best performers were given schools bags and stationery; and Kgope Primary School (Kgope Village) received branded water buckets to store water during lessons. The Corporation also supported Tshesebe Kgotla and Mahube Primary school with bottled water. All donations carried water conservation messages to inculcate the spirit of participation in water conservation activities.



SPONSORSHIP

The Corporation participated in and sponsored sporting activities during the year in a special **"Hydrating the Nation"** project. For the second consecutive year, the Selibe-Phikwe marathon carried the WUC flag through branded bottled water and WUC team participation, but similar involvement in the Kasane Annual Marathon was a first for the Corporation. WUC also provided tickets to attend sponsored corporate events as a reward for participation in service campaigns that included the use of self-service. Top self-service users were allocated some of the tickets, and the remainder were used to encourage participation and were won during radio and social media promotions. Professional activities were also organized for employees to build capacity. Some of the WUC sponsored corporate events are listed in Table 3.

Table 3: Sponsored events and activities

Month	Corporate Support	Amount BWP
April 2019	• Kalahari Conservation dinner	9,900
	• Music legends.	15,000
May 2019	• CIMA	10,000
	• Engineer Registration Board	20,000
	• Ladies Circle Botswana	4,000
June 2019	• Y-Care	25,000
	• Diacore	15,420
	• Botswana Life Classic Marathon	2,800
July 2019	• Botswana Institute of Engineering	20,000
	• Joyous Celebrations	10,000
	• Legends in Concert	10,000
	• Cycle for life club	5,000
	• Kgalagadi Agric Show	6,500
August 2019	• Kalahari Conservation Dinner	9,000
	• Botswana Classic Marathon	2,800
	• UB Foundation Gala Dinner	10,000
	• Tsela Riders Cycling Club	10,000
	• Gaborone Music week	24,550
	• Bakgopeng Junior School Annual Sponsored Walk	2,000
	• Beauty Pageant Corporate	1,000
September 2019	• Voice of Change	5,000
	• Miss Botswana- Selibe Phikwe	1,500
October 2019	• Y Care Challenges	25,000
	• Annual Gospel Awards	5,000
	• Sports Entertainment Airport	
	• Junction Marathon	6,250
Nov 2019	• Diacore Gaborone Marathon	15,420
	• Desert Bush Walk	1,500
	• Annual Gospel Awards	5,000
	• Mosadi Tota Corporate Event	5,000
Dec 2019	• BDF Concert	40,000
	• Kasane Annual Race	3,600
February 2020	• Y CARE Charitable Trust	2,500
March 2020	• Annual Kgosi Malope Cycling	
	• Challenge Dinner	2,500
Totals for the year		306,500





WUC AND COMMUNITIES

The Corporation operates nationwide and creates footprints by allowing and encouraging employee involvement in local activities.

In Gaborone, the Corporation continued its annual **“Ocean Cleaning Campaign”** with the European Union (EU) Delegation. EU and WUC families began this event in 2018 with Bokaa communities and made this a collaborative undertaking. This financial year, the event was even more successful as the community of Old Naledi was partnered within cleaning the Gaborone Dam environs as the chosen ‘ocean’. The community was further encouraged to help prevent pollution in and around the dam.

This was the second time in the review period that WUC had partnered with the Old Naledi community to keep the dam clean.

The Corporation also joined in community activities with sponsorship of P30,000 and participation by employees as set out in Table 3.

Table 3: Community engagement during the year

Community Activity	Areas
Kgosi Malope Cycling	Kanye
Debswana Jwaneng Mine cleaning campaign	Jwaneng
Batlokwa Development Trust	Tlokweng
Lorwana Village and cultural commemorations.	Lorwana
Dithubaruba Cultural Festival	Molepolole
Old Naledi Cultural Commemorations	Gaborone- Old Naledi
Groundbreaking Ceremony for a Construction of house for Mr. Qwee Qwii	Nxauxau


SURFACE WATER RESOURCES

The total water under storage for all the dams currently stands at 718.5 million cubic metres (MCM), an average of 65% capacity compared to a 757.1 MCM or 68% capacity at the same period last year. Further analysis shows that there has been significant increase in the dam levels from the previous quarter that ended 31 December 2019, except for Dikgatlong which decreased by 1.3%. The increase in the water levels is attributed to the rains which fell during the months of February and March 2020.

As the rainfall season ended in March 2020, the dam levels are expected to sustain the Corporation until the next rainy season. A comparison of the current water levels with the previous year is shown in Table 4.

Table 4: Water levels in March 2019 and March 2020

Water Source (Dam)	Capacity (MCM)	Level (%) 31/03/2020	Level (%) 31/03/2019	Quarter Level (%) 30/12/2019	Months of supply without inflow	Area supplied
Dikgatlong	400	72.7	88.3	71.5	24	Greater Gaborone Palapye Serowe Mahalapye Shoshong
Molatedi	201	16.7	22.5	17.6	27	Greater Gaborone
Gaborone	141.4	64.6	56.2	62.1	22	Greater Gaborone
Letsibogo	100	94.6	95.8	80.5	22	S/Phikwe, & Mmadinare
Thune	90	57.1	57	46.5	39	Bobonong cluster
Shashe	85.0	97.3	97.3	76.2	23	Greater Francistown
Ntimbale	26.5	98.2	94.3	82.7	42	North East & Tutume Sub-District
Lotsane	42.35	68	72.6	53.5	24	22 villages of Tswapong North
Bokaa	18.5	92.6	32.5	97.2	13	Greater Gaborone
Nnywane	2.3	93	82.7	99.2	12	Lobatse



The total water under storage for all dams currently stands at **718.5 million cubic metres (MCM)**, an average of 65% capacity compared to a 757.1 MCM or **68% capacity** at the same period last year.

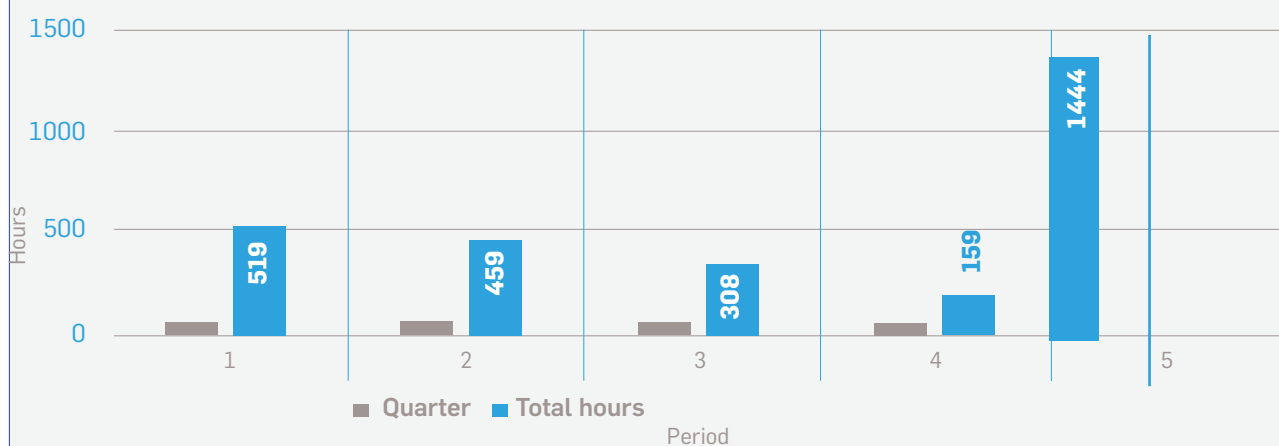
BULK WATER SUPPLY SCHEMES

North South Carrier (NSC) Bulk Water Supply Scheme

The Corporation operates a 510km bulk water transmission pipeline that transfers water from the Letsibogo and Dikgatlong Dams up to Greater Gaborone with offtakes at Selebi Phikwe, Palapye, Serowe, Mahalapye and Shoshong. The scheme also includes a new node, a 110 km pipeline scheme that supplies water to Thamaga, Moshupa and Kanye, and was added during this financial year to augment supply to these areas. The proposed extension to deliver water from the Zambezi River would add approximately 520 kilometres to the existing pipeline length.

The NSC operated satisfactorily during the financial year under review supplying water to Palapye, Serowe, Mahalapye, Shoshong and the Greater Gaborone areas. Figure 1 shows the performance of the scheme.

Figure 1: NSC Performance



The total NSC downtime was 1,444 hrs 40min or 60.16 days, which translates to 83.5% scheme availability in the year under review, compared to 79% in the previous year.

The Corporation further undertook several water supply projects during the year. Table 5 includes highlights of Projects and their associated benefits.

Borehole Drilling Projects

Various drilling projects were carried out with a total of 8 boreholes drilled. Some of the boreholes such as those in Mahotshwane and Topisi are yet to be connected. The two boreholes drilled in Lorolwane and Ramotlabaki are now operational and have improved the villages' water supply.

TSWASA Bulk Water Supply Scheme

The WUC allocation was revised on 1 November 2019 when the Molatedi dam level fell below 33.8%, in line with the TSWASA Agreement between between the Corporation and Sedibeng Water Board (South Africa) on the Molatedi dam water utilisation. The Corporation currently receives about 7ML/day of raw water supply as opposed to the full allocation of 13.85ML/day. The dam supplies water to Gaborone and the Kgatleng River Villages (Mabalane, Sikwane, Mathubudukwane, Ramonaka, Malolwane and Dikwididi).

BULK WATER SUPPLY SCHEMES (CONTINUED)

Rivers and Shared Water Resources

The Corporation continued to abstract water from Okavango, Chobe, Thamalakane, Boteti, Limpopo and Orange Rivers to supply water to the Okavango region, Kasane, Maun, Boteti, Greater Gaborone and Middlepits clusters respectively. The sharing or utilisation of these water resources are negotiated under the established river basin organisation namely: the Permanent Okavango River Basin Commission (OKACOM) shared between Angola, Botswana and Namibia; the Orange-Senqu River Basin Commission (ORASECOM), shared between Botswana, Lesotho, Namibia and South Africa; the Zambezi River Basin Commission (ZAMCOM) shared by Angola, Botswana, Malawi, Mozambique, Namibia, Tanzania, Zambia and Zimbabwe; and the Limpopo Watercourse Commission (LIMCOM), shared by Botswana, Mozambique, South Africa and Zimbabwe.

Groundwater Sources

To ensure compliance with legislative requirements, the Corporation continues to monitor wellfields in order to facilitate the sustainable management of these resources, most especially in times of drought WUC continually updates a comprehensive water resources monitoring archive that is reliable and accessible to all stakeholders. This also helps facilitate drought preparedness and disaster management, and support other sectors of the economy.

During the year, groundwater monitoring reports for the Molepolole Management Centre covering the Gaotlhogwe, Malwelwe, East Suping, Sasakwe and Ramaphatle wellfields were submitted to the Water Apportionment Board.

Through World Bank Funding, the Corporation is undertaking a project to develop, adopt and fully operationalise a National Groundwater Monitoring Framework that incorporates the revised roles and responsibilities of the principal stakeholders to maximise the collection and archiving of reliable, appropriate and comprehensive water resources monitoring data in the most efficient and cost-effective manner

Borehole Rehabilitation

The Corporation carried out the rehabilitation of boreholes countrywide to improve water supply in villages with severe water supply challenges. A 77% achievement was attained on the Corporation's target of four rehabilitated boreholes per month. Figure 3 shows the number of boreholes rehabilitated.

Figure 3: Number of boreholes rehabilitated.

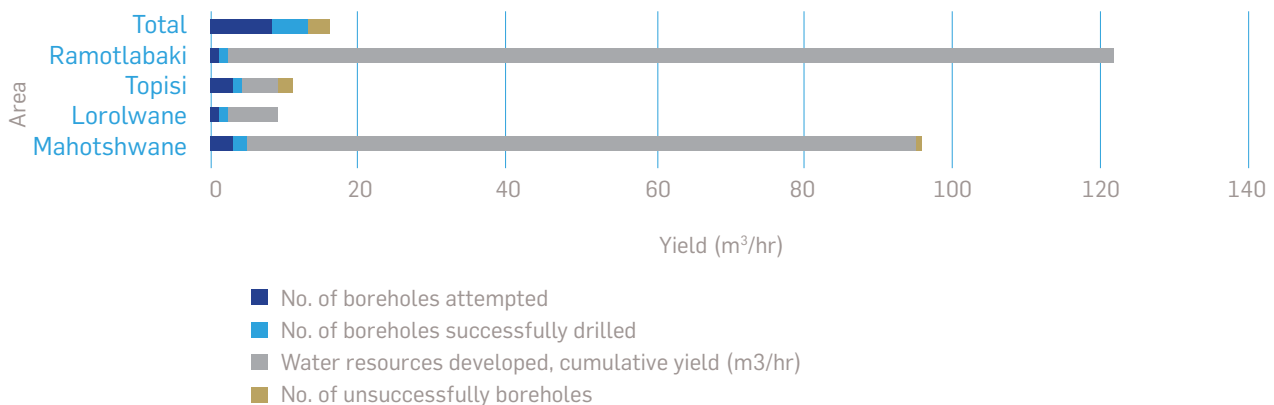


Table 5: Highlights of NSC Associated Water Supply Scheme Projects.

Project	Location	Social Benefit
Design, supply, installation, construction and commissioning and replacement of glass reinforced plastic (grp) pipeline with a 1100nd steel pipe on NSC 1 section 338km to 361km (23km) (Pipeline replacement Project)	Bokaa	<p>The NSC 1 pipeline is now robust enough to handle high water flows and equivalent pressures on the pipeline to Mmamashia Water Treatment Plant. This strength ensures potential full-capacity pumping at Pump station 4.1.</p> <p>Enhanced operational efficiency and reliability of the NSC 1, and secure water supply to Greater Gaborone</p> <p>Reduced water supply disruptions which were the result of the frequent NSC1 failures.</p> <p>Reduced NSC1 maintenance costs and strengthened valve chambers.</p>
Major Villages Water Supply Distribution Network Rehabilitation Mahalapye Village	Mahalapye	<p>Improved condition of the Mahalapye network infrastructure.</p> <p>Improved reliability of water supply in the village</p> <p>Reduced operational and maintenance costs</p> <p>Connections to accommodate future village expansions.</p>
Major Villages Water Supply Distribution Network Rehabilitation Palapye Village	Palapye	<p>Expansion of the network to areas that do not have water supply in Palapye.</p> <p>Improved reliability of water supply in the village</p> <p>Reduced operational and maintenance costs</p> <p>Connections to accommodate future village expansions.</p>



SAVE WATER,
**SAVE
LIVES**

SPECIAL PROJECTS

To further improve water supply across the country, the Minister of Land Management Water and Sanitation Services, Honourable Kefentse Mzwinila together with Ministry and WUC leadership commissioned the Gamononyane, Thamaga and NSC PS 4.1 Pump Stations. The Minister also led groundbreaking events for the Mopipi borehole, Maun Water & Sanitation Scheme and the Chadibe, Borolong, Shashe-Mooke primary water infrastructure upgrading. Thamaga, Moshupa and Kanye villages are now benefitting from the NSC scheme. Botswana Innovation Hub also commissioned a solar powered Reverse Osmosis Water Treatment Plant in Sojwe.

COMMISSIONING OF GAMONONYANE PUMP STATION

Hon Minister Kefentse Mzwinila (left) handing over the Pump station to WUC CEO Mr. Gaselemogwe Senai for operation



4000M3 CONCRETE RESERVOIR AT THAMAGA

Team of engineers during the project progress meeting at the 4000m3 concrete reservoir at Thamaga.



DRAW OFF POINT

WUC Acting CEO Mr. Senai at Mmamashia water treatment plant: Draw off point for Mmamashia connection to Kanye project.



MEDIA TOUR

Hon Minister Kefentse Mzwini (centre in white safety helmet) with media to appreciate the Mmamashia connection to Kanye water project.



POLOKWE PUMP STATION

supplies water to Gookgwagwe 10000m³ concrete reservoir at Kanye.



MMAMASHIA CONNECTION TO KANYE PROJECT

4000m³ concrete reservoir part of Mmamashia connection to Kanye project which also supplies water to Thamaga.



MEDIA TOUR

Mmamashia connection to Kanye water project.

All projects were preceded by Environmental and Social Impact Assessments (ESIA) in compliance with legislation and to protect the interests of the communities. Since water works projects usually involve excavation processes, due diligence is exercised to ensure that the areas are rehabilitated to their original state.

SAFETY, HEALTH, ENVIRONMENT & QUALITY

The Corporation has a positive track record with regard to Safety, Health, Environment and Quality (SHEQ) compliance standards. This is in line with its core responsibility to deliver water within the required safety and quality standards. The Corporation strives to implement an occupational health, safety and environment programme 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.

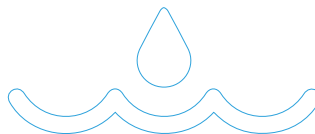
The Corporation further collaborates with various stakeholders such as Botswana Institution of Technology Research and Innovation (BITRI) and councils, to ensure adherence to Trade Effluent Agreements, for compliance with environmental standards

WATER AND WASTEWATER QUALITY MANAGEMENT

Water and Wastewater quality is managed through the implementation of a comprehensive sampling and analysis programme. The frequency of sampling is dictated by the size and nature of the network, parameter variability as well as incidence pattern of consumer complaints, while sampling points in the network must include catchment, reservoirs, major delivery points, dead-ends, high occupancy buildings, hospitals and schools. A deliberate decision has therefore been taken to sample all water sources (dams, rivers and boreholes) and storage reservoirs at a minimum frequency of daily up to monthly.

A total of over 6,000 water and wastewater samples were analysed for 71 determinants (physical, chemical, microbiological, and biological) over this reporting period to ensure compliance with drinking water and wastewater standards. Additional samples were analysed to address water quality queries resulting from various water quality dynamics.

A total of over
6,000 water and
wastewater
samples were analysed for
71 determinants (physical,
chemical, microbiological, and biological) over
this reporting period to ensure compliance



WASTEWATER QUALITY

Wastewater treatment is critical to safeguard the environment from pollution and human health against pathogenic waste. This is achieved when treatment is effectively carried out to ensure that pollutants are reduced significantly, if not eliminated. The WUC wastewater laboratories monitor wastewater treatment facilities around the country for compliance against Wastewater Standard (BOS 93:2012).

POTABLE WATER QUALITY

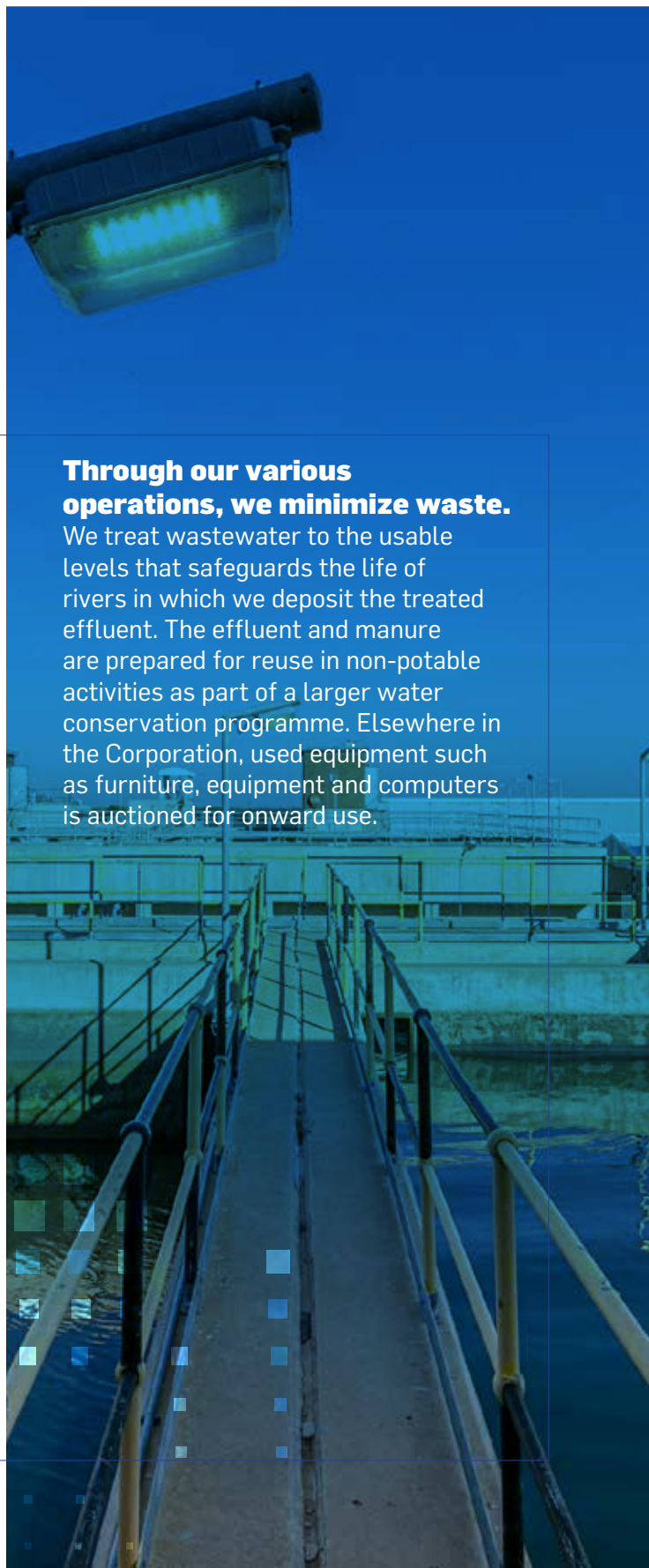
The Corporation is committed to effective management of its drinking water supplies to provide a safe, high quality product that consistently meets the Botswana Standard for Drinking Water Quality Specification (BOS 32:2000) and World Health Organisation Drinking Water Quality Guidelines. A wide variety of parameters are tested in the WUC state-of-the-art laboratory at Mmamashia. Water samples are also sent to other strategic laboratory alliances in the region for further testing. The quality of water is tested at various points in the distribution network including storage reservoirs and the consumer's tap to maintain the set quality standards and safeguard consumers' health.

To ensure that quality standards are maintained, the laboratory is accredited by the Southern African Development Community Accreditation Service in accordance with ISO/IEC 17025: General requirements for the competence of testing and calibration laboratories. A comprehensive water quality database is maintained on a Laboratory Information Management System (LIMS). Analysis is performed by a professional team of chemists, microbiologists and laboratory technicians continuously trained in the use of state-of-the-art analytical instrumentation.

To ensure continuous compliance to standards requirements, the Corporation encourages the public to report any leaks and pipe bursts that may lead to deterioration of water quality, to which response and mitigation are immediately carried out.

Through our various operations, we minimize waste.

We treat wastewater to the usable levels that safeguards the life of rivers in which we deposit the treated effluent. The effluent and manure are prepared for reuse in non-potable activities as part of a larger water conservation programme. Elsewhere in the Corporation, used equipment such as furniture, equipment and computers is auctioned for onward use.



CUSTOMER SERVICES

Contact Centre

The WUC Contact centre which started as a pilot project in 2007 has advanced tremendously in operations, technology, and inbound traffic. This hub of communications ensures that customers get the best possible service in line with the objectives of providing excellent and consistent customer service. The Centre's core business is to provide first call resolution of all requests and assist customers on a range of services including:

- 1 **Enquiries:** e.g. connection procedures
- 2 **Queries:** e.g. high bills
- 3 **Requests:** e.g. account balance
- 4 **Complaints:** e.g. delayed meter installations
- 5 **Reports:** pipe bursts

The Centre is accessible between 0730hrs to 2330hrs throughout the year. The introduction of different access channels enables customers to make reports, and check and pay bills from the comfort of their homes or workplaces. The Centre's call volume started with over 100,000 interactions in 2014 and has almost doubled since as shown in Table 6.

Table 6: Call Volumes in the Contact Centre

Call Volumes

Month	2018	2019	% Growth
April	15,646	14,052	(10.2)
May	15,938	15,241	(4.4)
June	13,151	14,743	12.1
July	14,274	16,209	13.6
August	16,087	16,021	(0.4)
September	13,050	13,434	2.9
October	15,283	14,626	(4.3)
November	18,258	17,354	(5.0)
December	15,204	13,332	(12.3)
January	14,904	15,675	5.2
February	13,346	20,513	53.7
March	16,997	26,605	56.5
Total	184,156	199,824	8.5



Self Service Platforms

WUC customers value time and desire personalised and convenient solutions. This has challenged WUC to find innovative ways of meeting these needs through the introduction of the following access points:

CUSTOMER SERVICE CENTRES	CONTACT CENTRE	WUC FACEBOOK PAGE	TWITTER	WUC WEBSITE	WUC APP	WUC USSD *186#
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Mobile Money platform

In addition to the existing payment channels and integrated web services to commercial banks, the Mobile Money platform was enhanced to enable the non-banking community to pay their water bill through the Orange Money service.

The call centre validates payment platforms by providing the Customer and Contract Numbers necessary to check and make payments through all self-service platforms, giving customers engagement options beyond mass media and physical engagements. Table 7 illustrates the growth in Transactions & Monetary Value on the various payment platforms.

Table 7: Payments trends on alternative payment platforms

Transaction Volumes

Channel	2018	2019	% Growth
FNBB	18,710	17,970	-4.0
Absa	1,241	1,654	33.3
SCB	1,015	1,145	12.8
Bots Post	63,156	39,034	-38.2
USSD	10,493	16,239	54.8
WUC web	4,498	7,205	60.2
WUC App	539	1,729	220.8
Orange Money	0	2,901	

Monetary Value (BWP)

Channel	2018	2019	% Growth
FNBB	115,317,822.49	113,850,897.68	-1.3
Absa	815,829.12	1,429,898.80	75.3
SCB	6,470,972.69	7,123,963.45	10.1
Bots Post	13,268,092.08	9,708,565.80	-26.8
USSD	6,531,761.75	10,571,409.73	61.8
WUC web	4,497,757.34	6,983,383.44	55.3
WUC App	312,005.30	1,176,349.43	277.0
Orange Money	0	767,247.98	

Growth in the use of technology also provided convenient options in account management and empowered customers to participate in the WUC services. Figure 6 provides statistical usage of self-service platforms.

Figure 6: WEB/USSD Usage

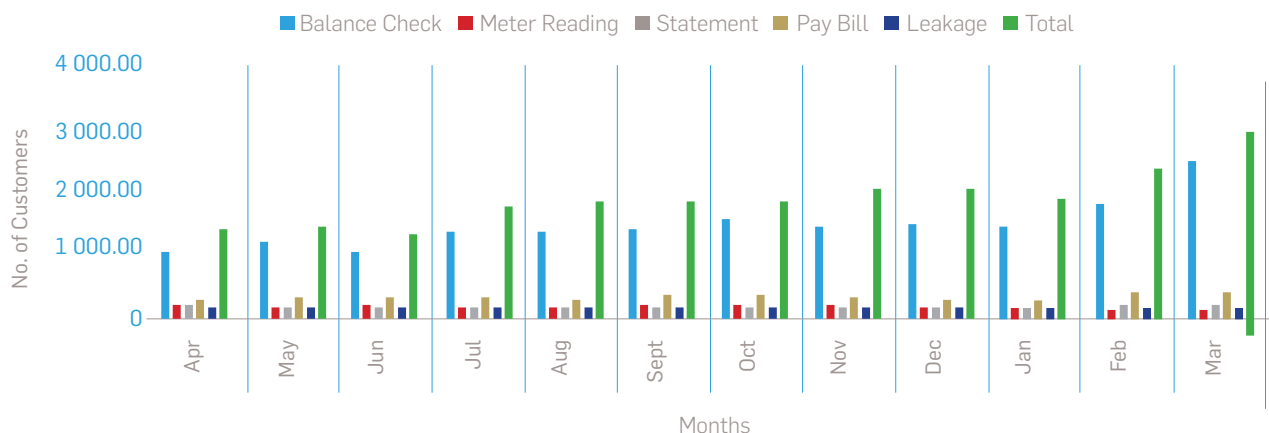


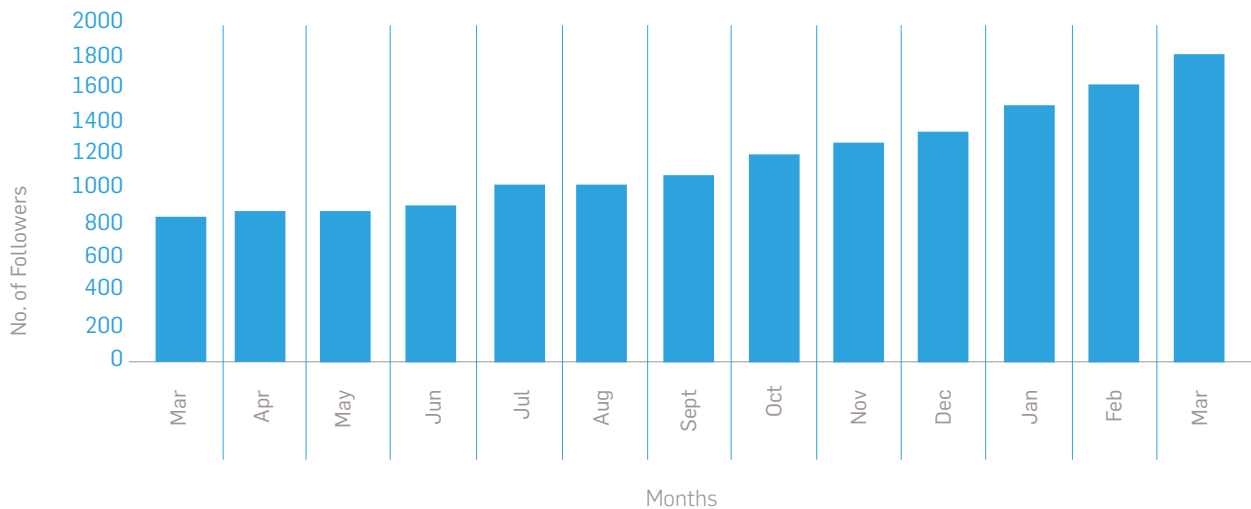
Figure 6 shows that more people still use the platforms to check balances and report leakages hence increasing efforts to leverage the technology to meet efficiency targets, further promoting other services such as bill payments.

CUSTOMER SERVICE CHANNELS

Contact Centre

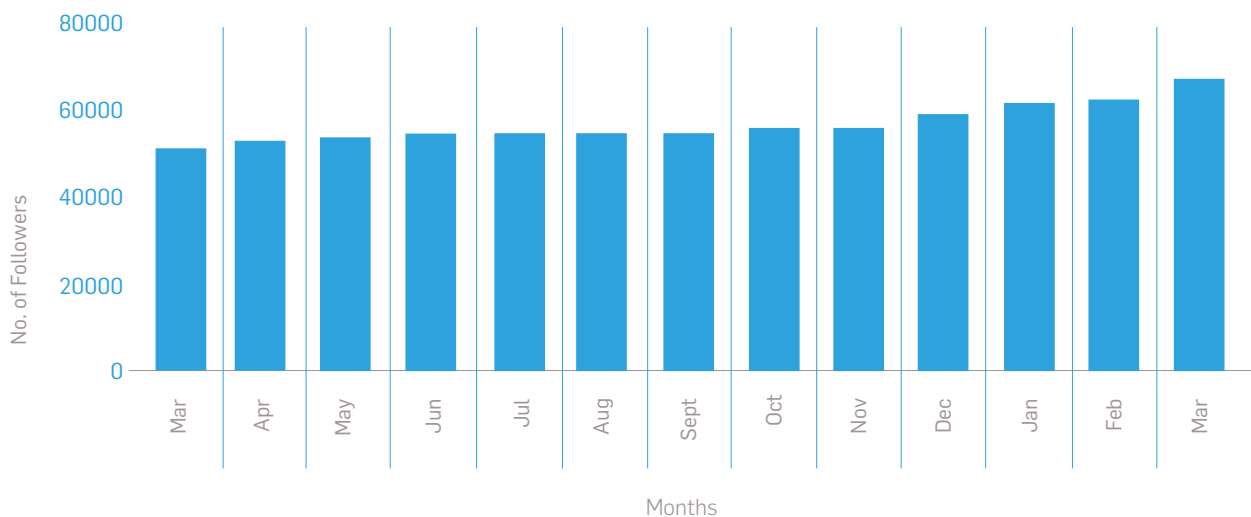
WUC further increased online visibility and grew its social media presence as evidenced by growing numbers of Twitter and Facebook followers (see tables 7 and 8) with the former attracting more tweets on dam levels. Customer queries are addressed and tracked for closure. The widened channels of engagement give customers options for remote access to WUC services. Twitter growth levels for the year under review are recorded in Figure 7.

Figure 7: 2019 Twitter Followers



There was also further growth in the number of Facebook followers as seen in Figure 8.

Figure 8: Facebook Followers 2019-2020

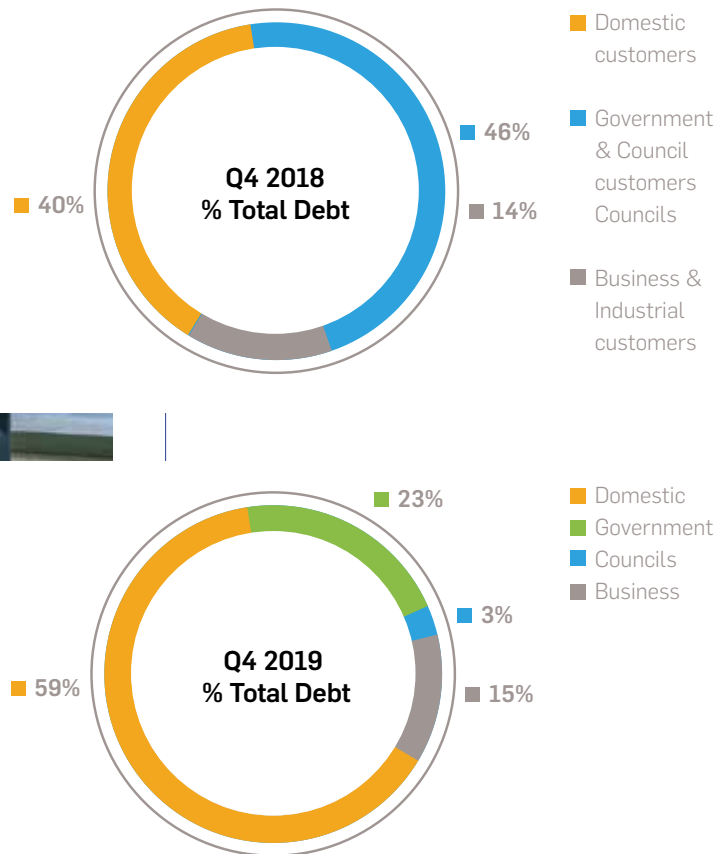




DEBT

Debt collection is key to service delivery. Through a robust collection strategy, the Corporation was successful in collecting more revenue, some through the self-serve platforms. Figure 9 illustrates the Corporation's debt status in different categories in the last quarters of FY18/19 and FY19/20.

Figure 9: Debt Performance



The Corporation was encouraged to explore alternative payment channels and embarked on updating customer contact details regularly to benefit them in the use of online channels.

MANAGE YOUR WATER ACCOUNTS: DIAL

***186#**, DOWNLOAD WUC APP OR VISIT WWW.WUC.BW



CONSULTATIVE OPPORTUNITIES

Through its stakeholder plan, the Corporation participated in about 30 nationwide events taking WUC projects, the water supply situation and general service to the public.

WUC also participated in local and national exhibition fairs to enhance brand, visibility, presence and equity in the market. The Corporation performed well in the year under review scoping Positions 1 and 2 in the Parastatals category at the Business Botswana Northern Trade Fair and Global Expo Botswana respectively.

Sustainability issues identified through various stakeholder engagements included the need for increased community consultations engagement and service education. We recognised that water issues and challenges are uniquely experienced and better addressed in collaboration with stakeholders. Growing partnerships with service recipients helped us to identify new challenges for innovative solutions that are tailor-made for customers. During the review period, WUC met stakeholders through different platforms, explained what the Corporation stands for and highlighted areas for collaboration. Amongst these stakeholders are members of the Diplomatic Corps, Parliament and Ntlo ya Dikgosi. This interaction provided an opportunity to facilitate understanding of WUC's direction, exchange ideas, and lobby for support towards improved management of water as a resource, and addressing water challenges. WUC's collaboration with Botswana Post through organised tea sessions for elders and pensioners cemented the spirit of inclusiveness and engagement as set out in the corporate strategy pillar of Customer and Stakeholder.

Table 8: 2019 Stakeholder Consultation Forums

Month	Stakeholder Engagement,	Customer Days	Exhibitions
April 2019	Lobatse, Letlhakane, Kedia, Mokubilo, Mosu, Xhumo, Mmadikola, Rakops, Xere, Shashe West Constituency		World Day for Health and Safety at Work
May 2019	Press Conference Goodhope Roadshow (Shakawe, Sepopa, Etsha VI, Nokaneng, Tsau)	Sojwe Plant Commissioning	Business Botswana Trade Fair Palapye-World Culture Day Public Service Innovation Day
June 2019	Sehithwa, Gumare, Sepopa and Gudigwa New plot owners in Gantsi		Charles Hill District Show
July 2019	Letlhakeng and Kang Mahalapye and Mmadinare Gantsi and Tsabong		Selibe Phikwe Mahalapye
August 2019	Lentsweletau Goo-Moremi Selibe-Phikwe	Mmadinare Bobonong	Global Expo Botswana Serowe Agric Consumer Fair Old Naledi Cultural Day
September 2019	Mmamashia NSC Tour Molepolole	Tutume	Palapye Business Expo
October 2019	Sekoma, Botshabelo	Mopipi Letlhakane & Jwaneng	
November 2019	Mogapi and Kanye Pensioners Tlokweneng, Mochudi and Mogoditshane	Radisele, Lerala, Lesenepole, Machaneng, Ramokgonami, Sefhare, Mmaphashalala, Mahalapye & Nata	Gabane Agricultural Show
December 2019	Thamaga, Kanye, Jwaneng Leadership and Media Tour at Polokwe Pump Station	Topisi Kasane	

MEDIA ENGAGEMENT

WUC recognises the media houses as key partners for vital information dissemination to all corners of this country and beyond. The media continuously ensured that customers and the Nation were informed on water and other matters in their environs. Conscious efforts were made to ensure that the media was catered for with press releases, media responses, interviews and tours to keep them informed, on water products and service, including water supply developments, and projects. This year's news and highlights are outlined in Table 9.

Table 9: Water highlights covered in the media during the year

Month	Media Topic Covered	Events and Promotions Executed
April 2019	Water Shortage - Maun Dam Levels Government Restructures WUC Water network rehabilitation crucial for Letlhakane WUC and Old Naledi Clean Gaborone Dam NSC shutdown	Self Service Platforms, Leakages, Wastewater Sewer Blockages Water Conservation: NSC Scheme Shutdown
May 2019	NSC two-week shut down Water supply of Kweneng West Clothes Donation by WUC Mochudi Conservation of water- Minister Water supply situation	NSC Shut down Phase 3 WUC wins at Northern Fair Customer Appreciation- Tickets to "A Night with Ladysmith Black Mambazo"
June 2019	Molepolole water supply interruption Shakawe Treatment Former CEO departure New CEO addresses Ntlo ya Dikgosi Boreholes address water shortages in Maun Donation of exhibition kraals at Charles Hill and loading ramp	WUC wins at Business Botswana Northern Trade Fair New Water Connections CSR at Charles Hill NSC Maintenance
July 2019	Water supply interruption in Serowe, Lobatse; Gaborone Emergency works in Mogoditshane water scheme Water challenge; Minister Water supply issue in GoodHope Stakeholder meeting: Letlhakeng	NSC Shutdown update Removing weed/unwanted plants in Thune dam Self – Services Platforms and WUC events
August 2019	Self-services platforms WUC wins at Global Expo Water Shortages dominates Molepolole Water Projects e.g. Masama Water Supply projects tender Uncertainty Water issues and Projects – WUC CEO	Customer Appreciation-Tickets to Joyous Concert WUC wins at Global expo and Serowe trade show Water Conservation WUC at Consumer Fair
September 2019	Improvement of Maun water supply Infrastructure, water shortage key issues WUC participation at Botswana Life Classic Marathon Molepolole water situation (NSC) Scheme-Mmamashia-Kanye	WUC participation at Phikwe Marathon Self-Service platforms NSC-Mmamashia-Kanye Connection Leakages
October 2019	Masama Funding	Gamononyane Pump Station Commissioning Maun Groundbreaking and 4.1 Pump station Commissioning Improved Queries and Complaints Procedure
Nov 2019	Water supply interruption-Serowe, Molepolole Water supply update	Self-Service Platforms Improved Queries and Complaints Procedure

MEDIA ENGAGEMENT (CONTINUED)

Month	Media Topic Covered	Events and Promotions Executed
Dec 2019	Water supply interruption – Letlhakane	Leaks New connections and water accounts Ground-Breaking: Chadibe, Borolong, Shashe, Mooke Primary Water infrastructure upgrading Improved Queries and Complaints Procedure
	Water Supply in Molepolole	
	Tati West water shortage	
	Groundbreaking for Chadibe and Borolong	
Dec 2019	Dam levels	Improved Queries and Complaints Procedure
	NSC project reaches Kanye	
	Water supply situation	
Dec 2019	Groundbreaking Ceremony for Chadibe and Borolong, Masunga	Improved Queries and Complaints Procedure
	Leadership and Media tour at Polokwe Pump Station	
Jan 2020	Parliament visits to Letsibogo Dam	

It remains imperative to develop sustainability strategies and identify matters of importance to stakeholders.

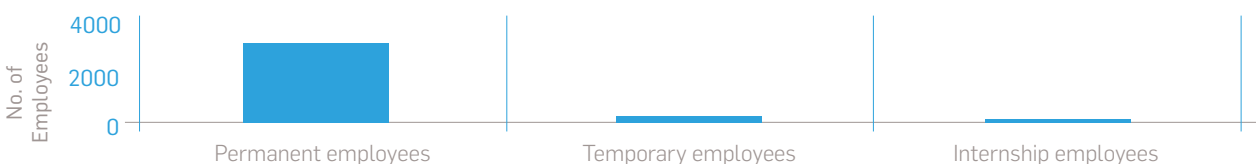
Month	Stakeholder Engagement	Customers Days	Exhibition
January 2020		Ramotswa, Lobatse and Good hope	
February 2020	Head of Diplomats State and Regional Fish Festival	Selibe Phikwe	
March 2020	Ntimbale Treatment Plant expansion meeting with leadership of affected villages	Mahalapye, Sefhare, Shoshong, Mookane, Mmadinare Cluster villages and Masunga	

OUR EMPLOYEES

At the heart of our processes and success are our 3,076 (at end-March 2020) employees. They are the brand ambassadors, Champions of Somarela Thothi and our pride. We make deliberate efforts to acknowledge and capacitate teams for improved organisational performance in recognition of a corporate culture that is underpinned by experience. Involving our employees forms the basis of our success: their skills and knowledge make a meaningful contribution to a sustainable business environment. We are proud of our resilient team whose contribution repositioned WUC, grew the brand and kept the water flowing.

During our planning we recognised the need for consistent learning and adaptation to grow our employee capacity through benchmarking or training. We strive to provide a conducive working environment and ensure that our employees are appropriately skilled to enhance their ability to perform. The goal is to develop clear career paths for employees as part of our quest for Corporate growth. Project Itemogo was founded on similar principles: that of attracting and retaining the right talent in the right position.

WUC Employees March 2020




OUR EMPLOYEES (CONTINUED)

The new WUC Strategy was rolled out to employees through workshops at each level to emphasise the importance of the roadmap. This was to enable employees to understand and align with the Strategy, ensuring their full participation and helping its execution.

The Corporation's restructuring project iTemogo, continued and most employee positions are filled. Employees who applied for voluntary separation left the Corporation and were issued reasonable payment packages while others who are handling critical functions have been recruited on a fixed-term basis. Vacant posts are being advertised for further recruitment and to enable the transfer of critical skills to their potential successors.

Enhanced internal communication through newsletters, emails, Yammer and memorandums kept employees updated on Corporate activities, thereby encouraging increased participation in the business. The Corporation is constantly looking for enhanced opportunities to communicate with employees and enable their input in its sustainable journey.

**CHECK YOUR
METER.** A RUNNING
METER WHEN ALL TAPS
ARE CLOSED COULD
INDICATE A LEAKAGE



EMPLOYEE INSURANCE SCHEMES

Through the Group Life Assurance Policy and a medical insurance scheme, the Corporation insures the lives of its employees, and conducts annual on the job and exit medical screening as part of the Corporation's Comprehensive Total Wellness Strategy. Regular reports to demonstrate adherence to the Corporation's commitment to sustainability. Occupational Health and Safety is a priority within WUC in line with our commitment to create a positive and safe working environment for all employees.

EMPLOYEE WELLNESS

The Corporation continues to invest in the Health and Wellness of its employees, and this has effectively reduced healthcare costs and enhanced productivity. The Corporation does this through a gymnasium subsidy and promoting the participation of employees in athletics, soccer, netball, eight-ball pool, aerobics, marathon and cycling.

WUC employees also participated in the SADC Zone 6 VI Water Utilities Games held in Bloemfontein South Africa during the Easter holidays in 2019. The regional games offer water organisations in Lesotho, Swaziland, Botswana and South Africa an opportunity to promote a sporting culture amongst employees, which not only contributes to the health and wellness of team members, but also raises staff morale and increases productivity levels.

In line with putting the safety of employees first, we cancelled participation in the 2020 Games scheduled for March 2020 in Lesotho following the outbreak of the COVID-19 pandemic and focused on following Government coronavirus precautions and guidelines.

GOVERNMENT INTERNSHIP PROGRAMME

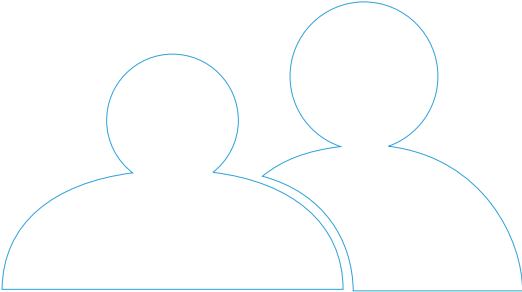
The Corporation supports tertiary graduates by taking them on under the Government's Graduate Internship Programme. Many of the graduates have had the opportunity to be absorbed into the WUC employment as the graduates are also eligible to apply for jobs when they are internally advertised. The initiative demonstrates the Corporation's contribution to supporting government programmes that are designed to help graduates build skills and grow professionally.

**INNOVATION,
TEAMWORK,
RELIABILITY
AND INTEGRITY.**

FINANCIALS



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04



WATER UTILITIES CORPORATION

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

BUSINESS

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)

Obolokile T. Obakeng

Galeitsiwe Ramokopane

Linah Mohohlo Appointed 30 April 2020

Maclean Letshwiti Appointed 30 April 2020

Moatlhodi Lekaukau Appointed 30 April 2020

Wandipa Kelobang Appointed 30 April 2020

Godfrey B. Molefe Retired 31 July 2020

Mokgadi K. Nteta Retired 30 April 2020

John P.D. Phatshwe Retired 30 April 2020

Othusitse Lekoko Retired 31 January 2020

Juliana White Retired 30 April 2020

CORPORATE MANAGEMENT TEAM

Gaselemogwe Senai Chief Executive Officer

Mathews Sebina Chief Operations Officer

Taboka Muke Chief Financial Officer

Felicity Ziga Corporation Secretary

Thapelo Kalake Shared Services Director

Evelyn Disele Human Resources Director

Ntshambiwa Moathodi Technical Services Director

Goitseone Tshiamiso Customer Care Director

Kelebogile Koolatamo Head of Internal Audit (Acting)

Teddy Ditsabatho Sustainability and Water Resources Director (Acting)

REGISTERED OFFICE

Water Utilities Corporation Head Office

Sedibeng House

Plot 17530, Luthuli Road

Industrial Site

Gaborone

INDEPENDENT AUDITORS

PricewaterhouseCoopers

STATEMENT OF RESPONSIBILITY BY THE MEMBERS OF THE BOARD

For the year ended 31 March 2020

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 2020, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS") 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 for detection of fraud.

The financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The responsibilities of the members of the Board also include maintaining adequate accounting records and an effective system of risk management.

The Members of the Board acknowledge that they are ultimately responsible for the system of internal financial control established by the Corporation and place considerable importance on maintaining a strong control environment. To enable the 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 50 to 56.

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 tariffs will ensure that the Corporation continues as a going concern in the future.

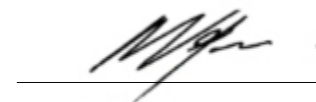
Members of the Board's approval of the financial statements

Against this background, the Members of the Board accept responsibility for the financial statements on pages 57 to 101 which were approved on 27 September 2020 and signed on its behalf by:

Director: Noble Katse



Director:



INDEPENDENT AUDITOR'S REPORT

For the year ended 31 March 2020



Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Water Utilities Corporation (the "Corporation") as at 31 March 2020, and its financial performance and its 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 57 to 101 which comprise:

- the statement of financial position as at 31 March 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; 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.

PricewaterhouseCoopers, Plot 50371, Fairground Office Park, Gaborone, P O Box 294, Gaborone, Botswana
T: (267) 370 9700, www.pwc.com/bw

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 March 2020



Our audit approach

Overview

Overall materiality

Overall materiality: P 8,858,000 which represents 4.5% of average profit before tax and tariff subsidy for the past 5 years.

Key Audit Matters

- *Impairment of trade receivables.*

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 members made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events

<i>Overall materiality</i>	<i>P 8,858,000.</i>
<i>How we determined it</i>	4.5% of average profit before tax and tariff subsidy income for the past 5 years.
<i>Rationale for the materiality benchmark applied</i>	We chose profit before tax and tariff subsidy income as the benchmark because, in our view, it is the benchmark against which the performance of the Corporation can be measured by users. An average of profit before tax and tariff subsidy income for the past 5 years was used because of the volatility in the Corporation's operating profits before tax and tariff subsidy due to decline in revenue and it was therefore determined that it would be more appropriate to use a 5 year average. We chose 4.5%, which is within the range of percentages that would typically apply to audits of similar entities, and after making an adjustment to take into account the Corporation's level of external debt.

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.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 March 2020



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.

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
<p>Impairment loss of trade receivables</p> <p>At 31 March 2020 the Corporation recognised trade receivables of P 339 million after deducting expected credit losses (“ECL”) of P 462 million</p> <p>The Corporation applies the simplified approach allowed by IFRS 9 <i>Financial Instruments</i> (“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 and customer type.</p> <p>The Corporation uses a provision matrix based on the Corporation’s historical loss rates, adjusted for forward-looking factors of the country’s gross domestic product (GDP) growth rate.</p> <p>We considered the determination of ECL to be a matter of most significance to the current year audit due to the following:</p> <ul style="list-style-type: none"> the assumptions and judgements applied by management in determining the ECL the magnitude of the ECL and the impact on the financial statements; and the magnitude of the COVID 19 impact on recoverability of trade receivables and its impact on the financial statements. 	<p>Our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL as follows:</p> <ul style="list-style-type: none"> We obtained an understanding of, and evaluated, the design, implementation and operating effectiveness of the Corporation’s relevant internal controls relating to credit origination, credit control and debt collection. We assessed the accounting policies and management’s ECL impairment model against the requirements of IFRS 9 and noted no material inconsistencies. We tested the mathematical accuracy of management’s ECL impairment model by agreeing the management’s model to the general ledger. No material differences were noted. We agreed a sample of the data utilised in management’s ECL impairment model on 31 March 2020 to underlying documents and noted no differences.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 March 2020



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>Disclosures with respect to the application of IFRS 9 in determining ECL are disclosed in:</p> <ul style="list-style-type: none"> • Note (b) “Critical accounting estimates and assumptions”; • Note 9 “Trade and other receivables”; • Note 31 “Financial risk management - Exposure to credit risk”; and • Note 33 “Going concern” 	<ul style="list-style-type: none"> • Using our actuarial, risk and quants expertise, the following procedures were performed in order to assess the reasonability of the ECL and to analyse the COVID 19 impact as determined by management at 31 March 2020: <ul style="list-style-type: none"> 0 Independently calculated the ECL by using the simplified approach method 0 For trade receivables related to Business and domestic groups, several assumptions made in management’s calculations were stressed to arrive at an impairment range. This included the assumption in respect of the transition proportion from the ‘61-90 days’ bucket to the ‘over 90 days’ bucket and the assumption to cap the transition proportion to 100%. 0 For Government trade receivables, a benchmarked probability of default (“PD”) x Loss Given Default (“LGD”) approach was used to independently assess the impairment to be held for the government 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.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 March 2020



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
	<ul style="list-style-type: none"> o Independently assessed the COVID 19 impact on the ECL by building an independent model using historic market data and determining a link between GDP and the relative increase in the loss rate 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. Following our assessment and discussions with management, management recognised an upward adjustment to ECL in the financial statements. o Noted an exception between management's ECL calculations and actuarial, risk and quants expertise's calculation. The exception was corrected in the financial statements.

Other information

The members are responsible for the other information. The other information comprises the information included in the document titled "Water Utilities Corporation Financial Statements 31 March 2020" which we obtained prior to the date of this auditor's report, and the document titled "Water Utilities Corporation 2019/20 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.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 March 2020



Responsibilities of the members for the financial statements

The members 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 members 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 members are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members 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 the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members.
- Conclude on the appropriateness of the members' 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.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 March 2020



- 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 74:02), we are also required to report to the Minister of Land Management, Water and Sanitation Services as to whether or not:

- 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 financial provisions of the Act with which it is the duty of the Corporation to comply; and
- the financial statements prepared by the Corporation were prepared on the basis consistent with that of the preceding year and represents a true and fair view of the transactions and financial affairs of the Corporation.

A handwritten signature in black ink that reads 'Butler Phirie'.

Individual practicing member: Butler Phirie
Membership Number: 19900312

Gaborone
29 September 2020

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2020 Pula	2019 Pula
Revenue from contracts with customers	7	1 825 430	1 829 298
Other income	8	23 976	26 272
Operating expenses			
Water treatment and distribution expenses	2	(1 193 495)	(954 091)
Administration and other expenses	2	(429 590)	(375 179)
Depreciation and amortisation	6, 10, 17, 32	(232 579)	(233 099)
Net impairment loss on trade receivables	2	(61 493)	(19 939)
Impairment loss on property, plant and equipment	6	-	(64 319)
Impairment loss on development expenditure	2, 6	(38 213)	-
Total operating expenses		(1 955 370)	(1 646 627)
Operating profit before tariff subsidies and grants		(105 964)	208 943
Revenue grant	16	147 420	-
Operating profit after tariff subsidies and grants		41 456	208 943
Finance income	3	89 438	52 432
Finance costs	3	(26 672)	(30 636)
Profit for the year before taxation		104 222	230 739
Taxation	5	(28 624)	(39 826)
Profit for the year		75 598	190 913
Other comprehensive income			
Items that will not be reclassified subsequently to profit and loss:			
Remeasurement recognised on the defined benefit plan	25	-	(5 413)
Total comprehensive income for the year		75 598	185 500

STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	31 March 2020 P'000	31 March 2019 Re-stated P'000
Non-current assets			
Property, plant and equipment	6	7 188 722	6 856 642
Right of use assets	32	47 547	-
Intangible assets	10	2 466	4 920
		7 238 735	6 861 562
Current assets			
Inventories	12	50 390	44 951
Trade and other receivables	9	412 954	403 406
Income tax refundable	21	22 922	43 962
Cash and cash equivalents	13	2 051 357	1 802 847
		2 537 623	2 295 166
Total assets		9 776 358	9 156 728
EQUITY AND LIABILITIES			
Capital and reserves			
Irredeemable capital	14	752 738	752 738
Government contribution - Water Sector Reforms	15	4 104 627	4 104 627
Interest reserve - EIB	27	17 466	16 998
Retained earnings		807 547	732 417
		5 682 378	5 606 780
Non-current liabilities			
Government grants	17	3 185 588	2 770 033
Borrowings	18	212 944	220 698
Lease Liabilities	32	41 690	-
Consumer deposits		50 436	43 570
Retirement benefit obligation	25	-	-
Deferred taxation	19	75 815	47 191
		3 566 473	3 081 492
Current liabilities			
Borrowings	18	13 442	13 442
Lease Liabilities	32	9 277	-
Trade and other payables	20	504 789	455 014
		527 507	468 456
Total liabilities		4 093 980	3 549 948
Total equity and liabilities		9 776 358	9 156 728

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Notes	Irredeemable capital P'000	Government contribution P'000	Interest subsidy reserve P'000	Retained earnings P'000	Total P'000
Balance at 31 March 2018						5 445 430
IFRS 9 day 1 adoption adjustment		-	-	-	(24 150)	(24 150)
Profit for the year		-	-	-	190 913	190 913
Other Comprehensive Income		-	-	-	(5 413)	(5 413)
Transfer to interest subsidy reserve	27	-	-	578	(578)	-
Balance at 31 March 2019		752 738	4 104 627	16 998	732 417	5 606 780
Balance at 1 April 2019		752 738	4 104 627	16 998	732 417	5 606 780
Profit for the year		-	-	-	75 598	75 598
Transfer to interest subsidy reserve	27	-	-	468	(468)	-
Balance at 31 March 2020		752 738	4 104 627	17 466	807 547	5 682 378

STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 P'000	2019 P'000
Cash flows from/(to) operating activities	22	181 383	508 604
Cash flows used in investing activities			
Development expenditure incurred	6	(575 802)	(570 504)
Proceeds on sale of property, plant and equipment		6 610	1 156
Purchase of property, plant and equipment	6	(60 109)	(24 458)
Interest received	3	89 438	52 432
Tax refund		15 916	-
Net cash used in investing activities		(523 947)	(541 374)
Cash flows from financing activities			
Interest paid	3	(22 901)	(30 636)
Repayment of long-term borrowings	18	(7 754)	(209 731)
Cash grants received from Government - Capital grant	17	632 291	987 223
Payments towards lease liabilities	32	(10 562)	-
Deferred cash revenue grants received	16	-	202 710
Net cash from financing activities		591 074	949 566
Net increase/(decrease) in cash and cash equivalents		248 510	916 796
Cash and cash equivalents at beginning of the year		1 802 847	886 051
Cash and cash equivalents at end of the year	13	2 051 357	1 802 847
Reconciled to:			
Cash and cash equivalents recognised as current assets		2 051 357	1 802 847

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

SIGNIFICANT ACCOUNTING POLICIES

PRESENTATION OF FINANCIAL STATEMENTS

The Corporation has been established under the Water Utilities Corporation Act (CAP 74:02). The Corporation provides 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 by the board of directors on 27 September 2020.

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 Pula (P). Historical cost is generally based on the fair value of the consideration received or paid for the assets and liabilities.

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 Companies Act of Botswana (CAP 42:01).

Changes in accounting policies

(a) New and amended standards adopted by the Corporation

IFRS 16 Leases

The company assesses whether a contract is, or contains a lease, at the inception of the contract.

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 determine 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 company 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

For the year ended 31 March 2020

Changes in accounting policies (Continued)

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

Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the company recognises the lease payments as an operating expense (note) 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 company has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the company is a lessee are presented in note 23 Leases (company as lessee).

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 company 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 company under residual value guarantees;
- the exercise price of purchase options, if the company is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the company 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 rents 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). The company 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;

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

Changes in accounting policies (Continued)

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

IFRS 16 Leases (Continued)

Lease liability (Continued)

- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- 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.

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

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

- the initial amount of the corresponding lease liability;
- 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 company 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 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 company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

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.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

Changes in accounting policies (Continued)

(b) Standards issued but not effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Corporation's financial statements are disclosed below. The Corporation intends to adopt these standards, if applicable on financial year end March 2021, when they become effective.

Standard/ Interpretation	date: Years beginning on	Expected Impact
• Amendment to IAS 1, 'Presentation of financial statements'	1 Jan 2020	Low
• Amendment IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.	1 Jan 2020	Low
• Amendments to IFRS 9, Financial Instruments,	1 Jan 2020	Low
• Amendments to IAS 39, Financial Instruments: Recognition and Measurement	1 Jan 2020	Low
• Amendments to IFRS 7, Financial Instruments: Disclosure – Interest rate benchmark reform	1 Jan 2020	Low

SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The core principle of IFRS 15 "Revenue from Contracts with Customers" requires an entity to recognise revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to in exchange for transferring those goods or services to the customer.

Revenue is recognised when, or as, the performance obligations to the customer are satisfied. Consideration received in advance of recognising the associated revenue from the customer is recorded within contract liabilities (deferred income). When services are provided to some counterparties, is not probable that the consideration that the corporation is entitled to will be collected. This is based on an assessment of the counterparty's ability and intention to pay. For these transaction, consideration is included in revenue only once received.

The following services are recorded within "Revenue" in the Income Statement since they relate to the corporation's obligation as a water and wastewater services provider to provide these services to customers:

Potable water and wastewater services

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

The Corporation recognises revenue for potable water and wastewater services at an amount which it has a right to receive, since this amount is considered by management to correspond directly with the value to the customer of the corporation performance to date.

The amount of consideration which the corporation has the right to receive is determined by actual usage, derived from meter readings. There are instances when the Corporation does not gain access to customer premises to allow for meter readings, management then estimates the potable water and waste water bill by reference to recent consumption in line with actual historical meter readings. Instances of estimations are common for domestic customers as such the actual revenue may vary from estimate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue (Continued)

Revenue also includes an estimate of the amount of mains potable water and wastewater charges unbilled to metered 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 consider that the combination of these activities comprise 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

Property, plant and equipment comprises 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 expected to be used for more than one year. All property, plant and equipment purchased by the Corporation is stated at historical cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Corporation; and the cost of the item can be measured reliably.

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. 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.

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.

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 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.

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 financial performance 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

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
Distribution systems, plant and machinery	5-40
Vehicles and equipment	5-15

Depreciation is recognised in the statement of comprehensive income.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. When major inspections are done, any remaining carrying amount relating to the previous inspection is derecognised. 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. Development expenditure (i.e. capital work in progress) is depreciated from the date the asset is ready for intended use.

Development Expenditure

Development expenditure relates capital work-in-progress (plant and equipment in the course of construction) which comprises costs incurred in constructing property, plant and equipment that are directly attributable to the construction of the asset. Assets remain in capital work in progress until they have been put into use or are commissioned, whichever is the earlier date. At that time they are transferred to the appropriate class of property, plant and equipment. Further details are given in Note 6.

Development expenditure is carried at cost less any impairment losses suffered before the related assets are transferred to property, plant and equipment when ready for use.

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.

Computer software is 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), effectively, the computer software costs are measured at cost less accumulated amortisation and impairment charges. An item of intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use. Gains or losses arising from 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.

Amortisation and impairment charges are recognised in statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Development expenditure

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 intended use.

Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use and management performs an assessment of long overdue development projects, including an evaluation of whether such projects are impaired. Any impaired development expenditure is written off statement of comprehensive income.

Government grants

Grants are recognised when there is 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 form of cash or physical assets and towards income expenditure. Grant income related to capital projects or in physical assets is initially recognised as deferred income in the statement of financial position with a corresponding asset recognised in property, plant and equipment or development expenditure, whichever is relevant. Subsequently, the deferred income is amortised to the statement of comprehensive income in a manner consistent with depreciation of the related asset. Grant income related to income expenditure is initially recognised as deferred income in the statement of financial position and subsequently amortised to the statement of profit or loss 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).

Inventory

Inventories comprise maintenance spares and stores, water treatment chemicals and consumables and are measured at the lower of cost, determined on a weighted average basis, and net realisable value. These are not major spare parts and are not used over 12 months.

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.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and variable selling expenses. Write-downs to net realisable value and inventory losses are expensed in the statement of financial performance in the period in which the write-downs or losses occur.

Segment reporting

The Corporation's Chief Executive Officer has been identified as the chief operating decision maker (CODM), who is responsible for assessing the performance and allocation of resources of the Corporation. The Corporation reports a single segment – Water Utilities Corporation performance within the Botswana economic environment. The business is widely distributed with no reliance on any major clients. In addition, no client accounts for more than 10% of revenue. The CODM regularly review the operating results of the Corporation for which discrete financial information is made available on a quarterly (tailor as appropriate) basis and against which performance is measured and resources are allocated across the segment. Within the segment are a number of services that the Corporation derives its revenue from. These include:

- Water sales and Connection fees services of which P1,825,000,000 (2019:P1,829,000,000) fee income is disclosed on the face of the income statement

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Finance income and expenses

Interest income or interest expense is recognised for all interest-bearing financial instruments on an accrual basis, using the effective interest rate method. Interest income or interest expense is recognised in profit or loss except for interest expense capitalised as part of the construction of a qualifying asset. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Consumer deposit

Consumer deposits are initially recognised at the fair value of the consideration received from consumers. They are refundable to consumers when their accounts are closed and there are no balances owing to the Corporation.

Impairment of non financial assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non financial assets other than goodwill that suffered impairment loss in prior periods are assessed at the end of the reporting period for any indication that the loss no longer exists or may have decreased.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A decrease or reversal of an impairment loss is recognised immediately in profit or loss.

Leases as per IAS 17

Leases of property, plant and equipment where the Corporation has substantially all risks and rewards of ownership are classified as finance leases. Finance lease are capitalised at the inception of the lease at the lower of the fair value of the asset or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long term payables.

The interest element of the finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Corporation as lessor

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Lease income is recognised as income in profit or loss on a straight-line basis over the lease term. Contingent rentals are recognised as revenue in the period in which they are earned.

Corporation as a lessee

Operating leases do not transfer to the company substantially all the risks and benefits incidental to ownership of the leased item. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividends

Dividend distribution to the Corporation's shareholders is recognised as a liability in the Corporation's financial statements in the period in which dividends are approved by the Corporation's shareholders.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the original effective interest method, less provision for impairment.

Classification

Trade and other receivables (note 9) are classified as financial assets subsequently measured at amortised cost. They have been classified in this manner because the contractual terms of these receivables give rise, on specified dates to cash flows that are solely payments of principal outstanding, and the company's business model is to collect the contractual cash flows on these receivables. The company does not charge interest on its receivables.

Impairment policy

The Corporation measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Corporation measures the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Write off policy

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Functional and presentation currency

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

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Non monetary items in foreign currency measured at historical cost will be translated using the exchange rate at the date of the transaction. While monetary items held at fair value with translated using the exchange rate at the date fair value was measured.

Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

a) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within twelve months after the end of the period in which the employees render the related service.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Short-term employee benefits (Continued)

Short-term employee benefits include items such as:

- salaries and other contributions;
- short-term compensated absences where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service; and

When an employee has rendered service to the entity during a reporting period, the Corporation recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Corporation recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments; and
- as an expense, unless another accounting standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The Corporation measures the expected cost of accumulating compensated absences as the additional amount that the Corporation expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

b) Post-employment benefits: Defined contribution plans

Payments to the defined contribution retirement benefit plan are recognised as an expense when employees have rendered service entitling them to the contributions.

The Corporation used to operate a defined benefit retirement benefit plans. This has been discontinued and hence the current year does not have amounts recognised in the current year statement of financial position and statement of comprehensive income.

Borrowings

Borrowings are initially measured at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Borrowings obtained from the Debt Participation Capital Funding Limited (DPCFL) and Government borrowings at rates below the ruling market rates are originally recorded at fair value, determined based on the effective yield method. Under this method, the fair value of the borrowing is measured as the present value of anticipated future cash flows discounted at an applicable interest rate.

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

Interest costs on borrowings obtained to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the property for its intended use. Other borrowing costs are expensed.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions (Continued)

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.

FINANCIAL INSTRUMENTS: IFRS 9

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

Financial assets

The date of initial application (i.e. the date on which the Corporation has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 April 2018. Accordingly, the Corporation has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 April 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the Corporation's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

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

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

Under the old IAS 39 Financial Assets were classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

At fair value through profit or loss (FVTPL)

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

Cash and cash equivalents

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

Financial assets at amortised cost

Trade receivables, and other receivables are classified as Financial Assets at Amortised Cost. They are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Provision for expected credit losses of trade receivables

The corporation uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by Invoice aged category).

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. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of 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. The information about the ECLs on the corporation's trade receivables in Note 9.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

Derecognition of financial assets

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

Financial liabilities and equity instruments issued by the Corporation

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

TAXATION (Continued)

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.

Current tax and deferred tax for the year

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

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Related party transactions

Related parties are defined as those parties:

(a) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with, the entity;
- has an interest in the entity that gives it significant influence over the entity; or

(b) that are members of the key management personnel of the entity or its parent including close members of the family.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and assumptions (Continued)

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

The Corporation tests annually whether, the useful lives and residual value estimates are appropriate and in accordance with its accounting policy.

b) Impairment loss on trade receivables

The Corporation uses provision matrix as a determination of expected credit losses on Trade receivable.

Expected Credit Loss ("ECL") has been assessed 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 historical observed default rates and forecast economic conditions is judgemental 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. Expected loss rates are determined based on historical losses adjusted to reflect current and forward looking macroeconomic factors, where relevant, affecting the customer's ability to settle the outstanding amount. Refer note 9 for details.

c) Retirement benefit asset

The amounts recognised in the statement of financial position based on a valuation performed at 31 March 2019 by independent actuaries using the projected unit credit method. The assumptions and methodology used are consistent with IAS 19 - Employee Benefits. The pension costs and statement of financial position items are dependent on the assumptions made for future experience. IAS 19 sets out how these assumptions should be set. These assumptions are shown in note 25 to the financial statements.

d) Impairment loss for Property plant and equipment

At each reporting date, the Corporation reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. 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. An asset's 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 and 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. Operating profit/(loss) before tariff subsidy

The following items have been included in arriving at the operating loss before tariff subsidy:

	2020 P'000	2019 P'000
Auditor's remuneration - current year	1 641	2 017
Depreciation of property, plant and equipment (note 6)	297 912	287 602
Depreciation - Right of use (note 32)	10 210	-
Amortisation of capital grant (note 17)	(77 997)	(57 343)
Amortisation of intangible assets (note 10)	2 454	2 840
Increase/(decrease) in accounts receivable impairment provision (note 9)	61 493	19 939
Board members' fees (note 26)	538	860
Operating lease rentals & rates- property	1 277	11 170
Remuneration - executive management (note 26)	11 035	9 373
Foreign exchange losses	-	635

2. Expenses by nature

Expenses to be apportioned

Total salaries and wages expenses	906 181	683 115
Spare and consumables	157 040	139 952

Administration and other expenses

	2020 P'000	2019 P'000
Security	64 288	37 596
Travelling	30 037	28 549
Professional, Consultancy & Legal fees	63 058	32 576
IT Expenses	18 722	21 787
Telephone, postage, printing & Stationery	20 047	27 058
Repairs and maintenance	4 648	11 699
Staff expenses	11 659	9 459
PR & Advertising	6 226	8 073
Insurance	1 197	7 520
Bank Charges	7 383	7 096
Office Rental, Electricity & water	10 085	15 043
Provision for bad debts expense	61 493	19 939
Other expenses	17 809	4 110
	316 652	230 505

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. Expenses by nature (Continued)

Administration and other expenses (Continued)

	2020 P'000	2019 P'000
Apportioned: Indirect salaries and wages	181 236	136 623
Apportioned: Spare and consumables	31 408	27 990
Total administration and other expenses	529 296	395 118
Water treatment and distribution expenses		
Building maintenance	1 554	1 396
Pumping power, repairs & chemicals	341 364	294 241
Apportioned: Direct salaries and wages	724 945	546 492
Apportioned: Spare and consumables	125 632	111 962
Total Water treatment and distribution expenses	1 193 495	954 091

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 allocation of resources between the expenses

3 Finance income/costs

Finance income

Interest on deposits and short term investments

Finance costs

- European Investment Bank Loan
- DMTN Bond
- Unwinding of interest - IFRS 16

	2020 P'000	2019 P'000
89 438	89 438	52 432
- European Investment Bank Loan	1 171	4 643
- DMTN Bond	21 730	25 993
- Unwinding of interest - IFRS 16	3 771	-
26 672	26 672	30 636

4 Staff Costs

Salaries and wages

Pension costs

Leave pay, restructuring and gratuity

Medical aid

Other staff costs

622 819	517 802
51 865	46 463
163 431	50 220
48 174	45 491
19 892	23 139
906 181	683 115

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

5 Taxation

Current tax:

Basic tax at 22 % (2019: 22%)

Deferred income tax expense (note 19)

Income tax expense

The tax on the Corporation's profit before tax differs from theoretical amount that would arise using the basic tax rate as follows:

Profit before income tax

Tax calculated at applicable tax rates of 22% (2019: 22%)

Tax effects of:

- Expenses not deductible for tax purposes
- Income not subject to income tax
- Tax effects of tax loss not recognised in the previous year

Current tax expense

2020	2019
P'000	P'000
-	7 638
28 624	32 188
28 624	39 826
104 222	230 739
22 929	50 763
10 149	7 649
(4 454)	(12 616)
-	(5 970)
28 624	39 826

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

6 Property, plant and equipment

COST

Balance as at 31 March 2018

	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
Balance as at 31 March 2018	2 923 556	732 223	4 766 441	526 421	8 948 641
Additions	1 259	-	8 567	14 632	24 458
Additions to development expenditure	-	570 504	-	-	570 504
Assets received from Projects	-	-	-	10 784	10 784
Transfer from development expenditure	-	(645 123)	645 123	-	-
Disposals	(1)	-	(3 082)	(5 404)	(8 487)
Assets write off	-	-	(85 421)	-	(85 421)

Balance at 31 March 2019

Balance at 31 March 2019	2 924 814	657 604	5 331 628	546 433	9 460 479
Additions	1 476	-	8 778	49 855	60 109
Additions to development expenditure	-	575 802	-	-	575 802
Disposal	-	-	-	(18 603)	(18 603)
Transfer from development expenditure	484 123	(450 730)	4 893	-	38 286
Impairment of development expenditure	-	(38 213)	-	-	(38 213)
Re-classification of chemical consumption	-	(1 168)	-	-	(1 168)

Balance at 31 March 2020

ACCUMULATED DEPRECIATION

Balance at 31 March 2018

Balance at 31 March 2018	759 952	-	1 325 524	257 685	2 343 161
Depreciation charge	114 401	-	132 821	40 380	287 602
Disposals	-	-	(1 604)	(4 220)	(5 824)
Assets write off	-	-	(21 102)	-	(21 102)

Balance at 31 March 2019

Balance at 31 March 2019	874 353	-	1 435 639	293 845	2 603 837
Depreciation charge	120 497	-	136 010	41 394	297 901
Disposals	-	-	-	(13 768)	(13 768)

Balance at 31 March 2020

Balance at 31 March 2020	994 850	-	1 571 649	321 471	2 887 970
Carrying amount at 31 March 2019	2 050 461	657 604	3 895 989	252 588	6 856 642
Carrying amount at 31 March 2020	2 415 563	743 295	3 773 650	256 214	7 188 722

The impairment of development expenditure of P38,213 relates to Projects Refurbishment of Glen Valley Waste Water Treatment Plant as the contract was terminated in December 2019 and the Planning & Design of Water Utilities Corporation Head Office due to lack of funding from the Government to construct the building.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

7 Revenue from contracts with customers

Potable water
Waste water
Connection fees

	2020 P'000	2019 P'000
	1 634 631	1 636 524
	146 995	154 114
	43 804	38 660
	<u>1 825 430</u>	<u>1 829 298</u>

Disaggregation of revenue

The company derives revenue from the transfer of good 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. The prior year comparatives have been presented consistently with the presentation in last year's Annual Report under IAS 18.

2020			
Revenue	Service transferred overtime	Service transferred at point in time	Total
Portable water	1 634 631	-	1 634 631
Waste water	146 995	-	146 995
Connection fees	-	43 804	43 804

2019			
Revenue	Service transferred overtime	Service transferred at point in time	Total
Portable water	1 636 524	-	1 636 524
Waste water	154 114	-	154 114
Connection fees	-	38 660	38 660

8 Other Income

Foreign exchange gain
Water bowsing income
Sewage cleaning income
Vacuum tanker sale
Disposal of Property, plant and equipment
Sundry income

	2020 P'000	2019 P'000
	2 300	2 954
	2 097	5 015
	12 495	8 707
	4 036	5 939
	4 873	1 291
	(1 825)	2 366
	<u>23 976</u>	<u>26 272</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

9 Trade and other receivables

Trade receivables
Less provision for impairment

Prepayments

Trade receivables comprise of:

Business
Government department and Council
Domestic debtors

Opening balances

IFRS 9 provisional adjustment
Written-off as uncollectable
Increase/(decrease) in debtors provision

Total (Note 31)

	2020 P'000	2019 P'000
Trade receivables	801 173	801 546
Less provision for impairment	(461 747)	(400 254)
	339 425	401 292
Prepayments	73 529	2 114
	412 954	403 406
Trade receivables comprise of:		
Business	108 066	132 685
Government department and Council	233 264	202 215
Domestic debtors	459 843	466 646
	801 173	801 546
Opening balances	400 254	353 375
IFRS 9 provisional adjustment	-	30 962
Written-off as uncollectable	-	(4 022)
Increase/(decrease) in debtors provision	61 493	19 939
	461 747	400 254

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

10 Intangible assets

Computer software costs COST

Balance at beginning of the year
Additions

Balance at end of the year

AMORTISATION

Balance at beginning of the year
Amortisation

Balance at end of the year

Carrying amount

	2020 P'000	2019 P'000
	38 804	38 671
	-	133
	38 804	38 804
	33 884	31 044
	2 454	2 840
	36 338	33 884
	2 466	4 920

Intangible assets consists of computer software which is a purchased asset and also that there were no individual asset that is material to the annual financial statement of the Authority as a whole. Amortisation is calculated using the straight-line method to allocate their cost net of their residual values, over their estimated useful lives. As at year end the remaining amortization period for these assets is 2 years.

Computer software 5 years

11 Net debt reconciliation

Cash and cash equivalents
Borrowing - repayable in one year
Borrowings - repayable after one year

Net debt

Cash and cash equivalents
Gross debt - fixed interest rates
Gross debt - variable interest rates

Net Debt

	2020 P'000	2019 P'000
	2 051 357	1 802 847
	(13 442)	(13 442)
	(212 944)	(220 698)
	1 824 972	1 568 707
	2 051 357	1 802 847
	(15 936)	(23 666)
	(210 450)	(210 474)
	1 824 971	1 568 707

	Cash at bank P'000	Borrow Due within 1 year P'000	Borrow Due after 1 year P'000	Total P'000
Net debt 1 April 2019	1 802 847	(13 442)	(220 698)	1 568 707
Cash flows	249 036	-	7 754	256 790
Net debt 31 March 2020	2 051 357	(13 442)	(212 944)	1 825 497

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

12 Inventories

Chemicals
Spares and consumables
Provision for obsolete inventories

Provision for obsolete inventories

Opening balance
Charge to profit or loss
Closing balance

13 Cash and cash equivalents

Cash and cash equivalents comprise:

Current and call accounts

Short-term investments

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

Stanlib
African Alliance
BIFM
Capital Bank
Botswana Savings Bank
Botswana Building Society
BANC ABC

TOTAL

The Corporation holds highly liquid investments with an original maturity period of three months or less when purchased to be cash equivalent that are readily convertible bonds and subject to insignificant change in value.

14 Irredeemable capital

Balance at beginning and end of the year

These are contributions made to the corporation several years back for its operations to commence and they are irredeemable.

15 Government contribution - Water Sector Reforms

Balance at beginning of the year
Balance at end of the year

Government contribution - This relates to net assets contributed by government of Botswana acting in capacity as shareholders.

	2020 P'000	2019 P'000
	1 167	449
	50 394	45 673
	(1 171)	(1 171)
	50 390	44 951
	(1 171)	(2 416)
	-	1 245
	(1 171)	(1 171)
	322 224	248 462
	1 729 133	1 554 385
	2 051 357	1 802 847
	129 054	124 474
	131 725	126 677
	130 166	125 604
	162 730	255 060
	252 869	237 970
	589 775	355 466
	332 814	329 134
	1 729 133	1 554 385

	752 738	752 738
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	4 104 627	4 104 627
	4 104 627	4 104 627

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

16 Revenue Grant

Opening balance
Cash grant received during the year
Recognised in income statement
Closing balance at end of the year

2020 P'000	2019 P'000
202 710	-
-	202 710
(147 420)	-
55 290	202 710

Revenue grant relates to funds received from the Government of Botswana towards supplementing expenditure by the Corporation on non-capital projects or not for acquisition of income generating assets.

In the prior year, the Corporation received funding dedicated towards settlement of restructuring costs in form of terminal benefits, staff relocation and other activities to enable the effective execution of restructuring plans. As of the reporting date, a restructuring provision of P147,420,459 was made with the payment being made after year end.

17 Government grants

Balance at the beginning of the year
Received during the year
Vehicles received from Government
Amortisation of grant
Balance at the end of year

2 567 323	1 626 659
632 291	987 223
8 682	10 784
(77 997)	(57 343)
3 130 298	2 567 323

Capital grant - Emergency/drought projects is made up of funds received from the Government of the Republic of Botswana to fund emergency or drought related projects aimed at improving water supply in the country. The grants are amortised over the useful lives of the respective assets acquired to match with the depreciation costs for the constructed assets.

Total Government grants

3 185 588	2 770 033
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The Corporation holds highly liquid investments with an original maturity period of three months or less when purchased to be cash equivalent that are readily convertible bonds and subject to insignificant change in value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

18 Borrowings

Current borrowings

Foreign borrowings
DMTN Bond

2020 P'000	2019 P'000
7 968	7 968
5 474	5 474
13 442	13 442

Non current borrowings

Foreign borrowings
DMTN Bond

7 944	15 698
205 000	205 000
212 944	220 698

Total Borrowings

226 386	234 140
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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 P15,936, 000 are unsecured and obtained from the European Investment Bank (EIB) repayable in 2023 at an interest rate between 8 to 12% per annum.

Maturity of borrowings

Current
Between 1 and 2 years
Between 2 and 5 years
Over 5 years

13 442	13 442
7 944	(1 438)
-	17 136
205 000	205 000
226 386	234 140

Below is the EIB loan denominated in ZAR

Foreign borrowings

Loan 45 EIB

Denomination
ZAR

23 905	31 874
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

18 2020 Borrowings (Continued)

Loan Number	% rates of Interest p.a.	Period of repayment	Balance at 1 April 2019 P'000	Repaid during The year P'000	Balance at 31 March 2020 P'000
Foreign Loans direct to the Corporation					
45-EIB	'8-12	2008-2023	23 666	(7 730)	15 936
DMTN Bond					
WUC001	10.65	2008-2018	-	-	-
WUC002	10.6	2008-2026	210 474	(24)	210 450
			210 474	(24)	210 450
TOTAL LOANS			234 140	(7 754)	226 386

19 Deferred Taxation

Deferred income taxes are calculated in full on all temporary differences under the liability method using a principal tax rate of 22% (2019: 22%).

Balance at beginning of the year
IFRS 9 deferred tax adjustment
Income statement expense (note 5)

Balance at end of the year

Broken down as:

Differences in tax and accounting depreciation
Accruals and provision
Tax loss

	2020 P'000	2019 P'000
	47 191	21 815
	-	(6 812)
	28 624	32 188
	75 815	47 191
	174 414	106 189
	(66 592)	(58 998)
	(32 007)	-
	75 815	47 191

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

20 Trade and other payables

	2020 P'000	2019 P'000
Trade creditors	114 681	145 448
Interest accrued on borrowings	-	-
Value added tax	8 578	1 473
Payroll accruals	153 686	43 406
Other creditors	16 667	97 040
Contract retention	143 689	89 522
Contract liability	-	59 684
Other accruals	67 487	18 441
	504 788	455 014

As per IFRS 15, if the payments exceed the services rendered, a contract liability is recognised. The contract liability above relates to customers who prepaid their water bills, of which the Corporation will offset against their future water bills.

21 Tax refund

Balance at beginning of the year	43 962	-
Income tax liability (Note 5)	-	(7 638)
(Refund)/Payments made during the year	(15 916)	46 476
Other tax refund adjusted	(5 124)	5 124
Closing balance	22 922	43 962

Tax refund relates to quarterly income tax payments made during the year based on management accounts. The refund arise due to final tax assessment being lower or nil and therefore the payments made during the year become refundable at year end.

22 Cash flows from operating activities

Total comprehensive income/(loss) for the year	75 598	185 500
Adjustment for		
Depreciation and amortisation expense	310 576	290 442
WIP Impairment adjustment (note 6)	38 213	-
PPE Impairment adjustment (note 6)	-	64 319
Amortisation of grant (note 17)	(77 997)	(57 343)
Finance income (note 3)	(89 438)	(52 432)
Finance costs (note 3)	26 672	30 636
Foreign exchange gain/loss	2 662	(2 319)
Loss / (profit) on sale of assets	(4 873)	(1 291)
Income tax	28 624	61 678
	310 037	519 190

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

22 Cash flows from operating activities (Continued)

Adjusted for working capital movements

Movement in inventories	(5 439)	(4 107)
Movement in trade and other receivables	(9 548)	77 314
Movement in consumer deposits	6 866	(2 420)
Movement in trade and other payables	(120 533)	(81 373)
	(128 654)	(10 586)

Cash to operating activities

	181 383	508 604
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23 Commitments

Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

Due within one year	11 322	9 950
Due after one year	49 346	22 181
	60 668	32 131

Operating leases relate to leases of properties with lease terms between 2 and 5 years with an average yearly rental escalation of 10%. The Corporation does not have an option to purchase the properties at the expiry of the lease periods.

Capital commitments

Capital expenditure approved at the statement of financial position date but not recognised in the financial statements is as follows:

Approved and contracted for	2 200 357	539 405
Approved but not yet contracted for	1 330 557	1 505 880

The commitments are expected to be financed from internally generated funds, external borrowings and funding from the Government of the Republic of Botswana under the Emergency/ Drought projects.

24 Contingent liabilities

a) In the prior years the Corporation had guaranteed the obligations of its employees under the residential property and personal loans scheme up to a total of P0 (2019: P10 million). The schemes were operated through Barclays Bank of Botswana Limited. The amount disclosed represents the Corporation's exposure on the loan scheme. The extent to which an outflow of funds will be required is dependent on future rate of default by the employees. Therefore this is not a financial guarantee under IFRS 9 because the outflow of funds is not specific and it is unknown as it is dependent on future rate of default by the employees. However the guarantee came to an end in 2019 and as such there is no guarantee in 2020

b) The Corporation has no material obligations (2019: PNil) in respect of litigation matters, which existed at the financial year end.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

25 Retirement benefit liability

In the prior years, the Corporation operates a hybrid pension fund with both defined benefit and defined contribution members. The defined contribution and defined benefit plans are administered by a separate fund that is legally separated from the Corporation. The board of the pension fund is composed of an equal number of representatives from both employers and (former) employees. The board of the pension fund is required by law and by its articles of association to act in the interest of the fund and of all relevant stakeholders in the scheme, i.e. active employees, inactive employees, retirees, employers. The board of the pension fund is responsible for the investment policy with regard to the assets of the fund.

Defined Contribution Plan

The Corporation is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Corporation with respect to the retirement benefit plan is to make the specified contributions. The total expense recognised in profit or loss of P0 (2019: P46 463 000) represents contributions made to these plans by the Corporation at rates specified in the rules of the plan.

Defined Benefit Plan

In accordance with statutory requirements, independent actuaries value the Fund at the end of each financial year. Such valuations are based on the projected unit credit funding method. Under this method, the present value of benefits, which have accrued as a result of service prior to the valuation date, are compared with the value of the plan's assets. Allowance is made in the valuation of the accrued benefit for estimates of future salary increases, withdrawals and deaths benefits payable.

The defined benefit plan exposes the Corporation to actuarial risks, such as longevity risk, interest rate risk and market(investment) risk.

The most recent actuarial valuation of the defined benefit plan was performed at 31 March 2019 by AON Hewitt. The hybrid pension fund ceased operating as at 01 April 2019, with only the defined contribution remaining.

The results of the valuation are as follows:

Amounts recognised in the Statement of Financial Position are determined as follows:

	2020 P'000	2019 P'000
Present value of defined benefit obligation	-	(24 349)
Fair value of plan assets	-	32 561
Paragraph 64 limit	-	(8 212)
Net liability arising from defined benefit obligation	-	-
Amounts recognised in profit or loss in respect of the defined benefit plan are as follows:		
Current service cost	-	522
Gain on settlement	-	(5 563)
Interest on obligation	-	1 709
Interest income on plan assets	-	(1 953)
Interest on asset ceiling	-	261
	-	(5 024)
Amounts recognised in other comprehensive income in respect of the defined benefit plan are as follows:	-	5 413

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

25 Retirement benefit liability (continued)

Movements in the present value of the defined benefit obligations in the current period were as follows:

	2020 P'000	2019 P'000
Opening defined benefit obligation	-	35 982
Current service cost	-	522
Interest cost	-	1 709
Benefits paid	-	(7 742)
Actuarial losses	-	(5 563)
Actuarial losses due to experience	-	(560)
Closing defined benefit obligation	-	24 348

Movement in the present value of the plan assets in the current period was as follows:

Fair value of plan assets

Opening fair value of plan assets	-	41 009
Expected return on assets	-	1 953
Contributions	-	389
Benefits paid	-	(7 743)
Actuarial gains	-	(3 047)
Closing fair value of plan assets	-	32 561

Asset	-	8 212
Asset not recognised	-	(8 212)

Net Asset/ obligation in the statement of financial position

	-	-
The principal actuarial assumptions used are as follows:		
Discount rate	0.0%	5.1%
Expected return on plan assets	0.0%	5.1%

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and pension increase rate. However in the current year future salary and future pension increase has not been taken into consideration by the actuary given that all pension payments have been outsourced and the 6 defined benefit active members will eventually join the defined contribution scheme with the conversion value already earmarked. The sensitivity analyses below have been determined based on reasonably possible changes of respective assumptions occurring at end of period, while holding other assumptions constant.

If the pension increase rate is 0.5% higher (lower), the defined benefit obligation would decrease by P1 201 000,(increase by P 1 337 000), 2018 decrease by P1 850 000 (increase by P1 327 000).

The plan ensures that investment positions are managed within an asset-liability matching framework that has been developed to achieve long term investments that are in line with obligations under the pension plans.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

25 Retirement benefit liability (continued)

Total fund assets

Liabilities in respect of defined contribution portion

- Active members` fund credits

- Deferred members` benefits

- Outstanding benefits

Estimated assets in respect of defined benefits portion

	2020 P'000	2019 P'000
Total fund assets	-	788 525
Liabilities in respect of defined contribution portion		
- Active members` fund credits	-	(681 476)
- Deferred members` benefits	-	(73 740)
- Outstanding benefits	-	(748)
Estimated assets in respect of defined benefits portion	-	32 561

26 Related party transactions

The Corporation is 100% owned by the Government of Botswana. Related parties comprise the Government of the Republic of Botswana, Key Management and Board members. Transactions and account balances with the Government of Botswana and government related entities are disclosed in Note 1, Note 9, Note 14, Note 15, Note 16 and Note 17.

A list of members of the Board is disclosed on the front page of the report. Key entity personnel comprise of executive management disclosed on the front page of the report.

The total remuneration of Directors and other members of key management personnel during the year was as follows:

Remuneration of key entity personnel:

Salaries and other short term employee benefits

Terminal benefits

Board fees

	2020 P'000	2019 P'000
Salaries and other short term employee benefits	11 035	9 373
Terminal benefits	1 069	2 043
Board fees	538	860
	12 642	12 276

Key entity personnel comprises of executive management as disclosed on General Information of the financial statements.

27 Interest reserve - EIB

Balance at the 1 April 2019

Interest subsidy income - transfer

Balance at the 31 March 2020

Balance at the 1 April 2019		
Interest subsidy income - transfer	16 998	16 420
Balance at the 31 March 2020	468	578
	17 466	16 998

The interest subsidy reserve relates to a subsidy on the EIB loan 45 (Note 18). 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 make 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 subsequent financing of Water Sector Building.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

28 Taxation

The Corporation was previously a "Specified Corporation" which was exempt from income tax because it was wholly owned by the Government of the Republic of Botswana. In terms of the Income Tax Amendment Act 2015 (Act 14 of 2015) and Statutory Instrument number 41 of 2016 Income Tax (Bodies Corporate Exempt from Tax) Regulations 2016 that came into operation on 1 July 2016, the Corporation became a taxable entity.

The Botswana Unified Revenue Services ("BURS") has not issued any guidelines as to any transitional arrangements which would apply in the first tax period for the Corporation.

Accordingly, the Corporation has calculated income tax and deferred tax for the current year based on management's interpretation of the Income Tax Act as it may apply to the Corporation. These interpretations may differ to those of BURS. Any changes as a result of different interpretations made by BURS will be accounted for when agreed to by the Corporation. In the current year BURS has not yet issued guidelines regarding the transitional arrangements and as such the guideline has not been substantively enacted.

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

The Corporation has complied 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. An operating loss of P19 181 000 (2019: Profit of P208 943 000) before taking into account the tariff subsidy grant received from the Government of the Republic of Botswana of P nil (2019: Pnil).

Going concern disclosure

Management has considered the consequences of COVID-19 and other events and conditions, and it has determined that they do not create a material uncertainty that casts significant doubt upon the entity's ability to continue as a going concern. The impact of COVID-19 on future performance and therefore on the measurement of some assets might be significant and might therefore require disclosure in the financial statements, but management has determined that they do not create a material uncertainty that casts significant doubt upon the entity's ability to continue as a going concern.

The COVID-19 pandemic has developed rapidly in 2020. The resulting impact of the virus on the operations and measures taken by the government to contain the virus have negatively affected the Corporation's results in the reporting period. The currently known impacts of COVID-19 on the Corporation is the impairment of receivables of P33 Million.

30 Financial risk management

The Corporation's activities expose it to a variety of financial risks: market risk, 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 market prices. Market risk reflects interest rate risk, currency risk and other price risks.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

30 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk

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 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. 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.

At 31 March 2020, the Corporation's foreign exchange exposure was to ZAR borrowings of R23 905 307 (2019: R31 874 000). If the Botswana Pula (BWP) had strengthened by 1% against foreign currencies, the effect would have resulted in an impact of P157,782 (2019: P320,425) on the Corporation's profit and equity. A 1% weakening of the ZAR would have equal but opposite effect.

(ii) Cash flow and fair value interest rate 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 2019/2020 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 interest rate in borrowings would decrease the Corporation's profit and equity by P2, 720, 780 (2019: P2,291, 000) while short-term deposit investments would increase the Corporation's profit and equity by P894, 380 (2019: P15 494 000).

A decrease in interest rates by a similar margin would result in equal and opposite effect on the profit for the year.

iii) Price risk

The Corporation does not deal in commodities and therefore there is no exposure to price risk.

(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. 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 13) 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

For the year ended 31 March 2020

30 Financial risk management (continued)

(b) Liquidity risk (Continued)

	Less than 1 year P'000	Between 1 and 2 years P'000	Between 2 and 5 years P'000	Over 5 years P'000
At 31 March 2020				
Borrowings	13 442	7 944	-	205 000
Consumer deposits	-	-	-	50 436
Lease liabilities	9 277	-	41 690	-
Accounts payable	352 522	143 689	-	-
At 31 March 2019				
Borrowings	14 255	4 802	12 546	399 610
Consumer deposits	-	-	-	41 150
Accounts payable	264 302	-	-	-

(c) Capital risk

The Corporation is a parastatal established by an Act of Parliament. The Corporation is supported by its shareholder, Government of the Republic 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.

	2020 P'000	2019 P'000
Total long - term debt (note 18)	226 386	443 870
Total capital and reserves	5 606 780	5 445 430
Debt : equity ratio	0.04	0.08

The Corporation considers a debt equity ratio of less than 1 to be acceptable. This is reviewed annually after considering market conditions and the growth goals of the Corporation.

The ratio of interest bearing debt to the net book value of property, plant and equipment is calculated as:

	2020 P'000	2019 P'000
Total interest bearing borrowings (note 18)	226 386	443 870
Property, plant and equipment (note 6)	7 188 722	6 605 480
Ratio of interest bearing debt to property, plant & equip.	0.03	0.07

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, and deposits with banks and financial institutions, as well as credit exposures to consumers, including accounts receivable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

30 Financial risk management (continued)

d) Credit risk (continued)

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. These 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 country gross domestic product as at the reporting date.

	Domestic debtors			Business debtors			Total loss allowance P'000
	Loss Rate	Loss allowance P'000	Balance as at 31/03/2020 P'000	Loss Rate	Loss allowance P'000	Balance as at 31/03/2020 P'000	
0 - 30 days	47.82%	22 695	47 463	26.57%	10 066	37 889	32 761
31 - 60 days	66.43%	27 128	40 842	58.69%	6 975	11 885	34 103
61 - 90 days	96.06%	19 212	20 000	91.55%	5 938	6 487	25 150
Over 90 days	100.00%	298 287	298 287	100.00%	38 330	38 330	336 617
		367 322	406 592		61 309	94 591	428 631
			Government and Councils debtors**				102
			COVID 19 Impact				33 014
			Total Loss allowance/Expected credit loss	Note 9			461 747

The known impacts of COVID-19 on the Corporation is the increase in impairment of receivables by P33 Million. This was determined by building an independent model using historic market data and finding a link between GDP and the relative increase in the loss rate for various base loss rates. Thus allowing the use of a forecasted GDP figure for Botswana to infer an increase in counterparty risk arising due to COVID 19.

	Domestic debtors			Business debtors			Total loss allowance P'000
	Loss Rate	Loss allowance P'000	Balance as at 31/03/2020 P'000	Loss Rate	Loss allowance P'000	Balance as at 31/03/2020 P'000	
0 - 30 days	36.00%	26 335	79 357	23.00%	9 879	46 809	36 214
31 - 60 days	64.00%	33 814	75 956	56.00%	10 018	20 944	43 832
61 - 90 days	85.00%	19 002	26 003	95.00%	5 691	7 263	24 693
Over 90 days	95.00%	248 617	285 330	95.00%	36 447	57 669	285 064
		327 768	466 646		62 035	132 685	389 803
			Government and Councils debtors**				10 451
			Total Loss allowance/Expected credit loss	Note 9			400 254

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

30 Financial risk management (continued)

d) Credit risk (continued)

2020

Government and Councils debtors**

An alternative methodology is used for the government and council ("government") segment since the Government of Botswana has fulfilled historical obligations with WUC. As such, a provisioning matrix method would not be appropriate as it would reflect no impairment since no debt has been written-off. Instead, a method to estimate the probability of default is used in management's calculation.

A benchmarked Probability of Default (PD) x Loss Given Default (LGD) approach has been used to determine the impairment to be held for the government segment. Given the short-term nature of the trade receivables, a 12 month PD has been used. A range of benchmarked LGDs have been used to determine a possible range for the impairment. We have used the mid point to be the final.

	PD	LGD	Coverage ratio	Impairment P'000	Balance at 31 March 2020 P'000
Government and councils	0.10%	0.10%	0.050%	101 662	206 252

2019

Government and Councils debtors**

The determination of lifetime expected credit losses constitutes of both historical default trends and forward looking factors. Historical review indicates that the Government of Botswana has fulfilled its cash flow obligation to the Corporation. There are common instances of delays in settlement and these have been factored on to time value of money factor of 3.61% , reflective of the most imminent maturity government bond, BW008, which matures on 08 September 2020. The Government of Botswana is rated A2 on Moody's credit scale and A- by S & P Global this results in a 0.57% default rate. The Corporation, therefore summed the risk factor and the default factor to arrive at the 4.18% allowance .The default rate incorporates the forward looking information.

	Loss rate per annum	Loss Allowance P'000	Balance at 31 March 2020 P'000
Government departments and councils	4.18%	10 451	202 215

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

31 Leases (Corporation as lessee)

The Corporation leases several assets which includes property. The lease terms range between 2 and 5 years (2019: 2 - 5 years).

The Corporation adopted IFRS 16 for the first time using the modified retrospective approach in the current financial period. Comparative figures been accounted for in accordance with IAS 17 and accordingly, any assets recognised under finance leases in accordance with IAS 17 for the comparative have been recognised as part of property, plant and equipment. The information presented in this note for the right of -use assets therefore only includes the current period.

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are included in the following line items:

	2020 P'000	2019 P'000
Right of use assets		
Balance at 1 April 2019	57 757	-
Additions	-	-
Depreciation for the year	(10 210)	-
Balance at 31 March 2020	47 547	-

Depreciation recognised on right-of-use assets

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 (note 1), as well as depreciation which has been capitalised to the cost of other assets.

Other disclosures

At 31 March 2020, the Corporation is committed to P1,004,978 (2019: P1,172,810) for short-term leases. This relates to the lease of photocopiers for the Corporation in all its management centres in Botswana. These are a 12 month lease agreement.

Lease liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

31 Leases (Corporation as lessee) (continued)

Lease liabilities (Continued)

	2020 P'000	2019 P'000
Current portion	9 277	-
Non-current portion	41 690	-
Lease liability at 31 March 2020	50 967	-
The maturity analysis of lease liabilities- contractual undiscounted cash flows is as follows:		
Within one year	11 322	-
Two to five years	49 346	-
More than five years	-	-
Total undiscounted lease liabilities at 31 March 2020	60 668	-
Less finance charges component	(9 701)	-
Lease liability at 31 March 2020	50 967	-
Amounts recognised in the statements of profit or loss		
Finance cost on lease liability	3 771	-
Depreciation relating to right-of-use assets	10 210	-
Expenses relating to leases of low value	1 005	-
	14 986	-
Amounts recognised in the statement of cashflow		
Total cash outflow for leases	10 562	-

The Corporation has applied an incremental borrowing rate of 7% to its lease liabilities recognised in the statement of financial position at the date of initial application

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

32 Going concern

Management has considered the consequences of COVID-19 and other events and conditions, and it has determined that they do not create a material uncertainty that casts significant doubt upon the entity's ability to continue as a going concern. The COVID-19 pandemic has developed rapidly in 2020. The resulting impact of the virus on the operations and measures taken by the government to contain the virus have negatively affected the Corporation's results in the reporting period. The currently known impacts of COVID-19 on the Corporation is the increase in impairment of receivables by P33 Million, but management has determined that they do not create a material uncertainty that casts significant doubt upon the entity's ability to continue as a going concern

33 Subsequent events

The impact of COVID 19 on Corporation's revenue- Non adjusting events

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by the government to contain the virus have affected economic activity and the Corporation's business in various significant ways:

- The reduction of economic activity due to Government announcement to go under lockdown has resulted in significant decline in revenue, mainly business sector.
- Due to government measures taken, management had to allow Water to be supplied to all customers without the Corporation demanding payments/cutting supply of water.

As a result of these effects our cumulative revenue in the first 3 months of year end 2021 was approximately 20% lower than our 2019 revenues in the same period with the major negative impact identified in April-June 2020.

Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the Corporation might experience further negative results, and incur additional impairments on its assets in 2021. The exact impact on our activities in the remainder of 2021 and thereafter cannot be predicted. We also refer to note 33 Going concern

34 Tax restatement

Derecognition of Deferred tax

During the period, It was noted that balance of deferred tax liability (P15,003,000) relating to year end 2019 was incorrectly accounted for in the 2019 financial statements between trade and other payables and Income tax refundable account. Management corrected this in the year 2020 by correctly removing the balance from trade and other payables and Income tax refund and accounting for it under Deferred tax liability.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

34 Tax restatement (continued)

Offsetting tax liability against tax payments

Provisional tax payments have been made by WUC to BURS amounting to P46.5 million, this was recognised as a current asset "Income tax refundable" as a separate line item in the statement of financial position. The tax liability at the 2019 year end amounting to P7.6 million was recognised as a current liability "Tax payable" in the statement of financial position. Given that the liability and the asset (provisional payments made to settle the the tax liability) relate to the same tax authority we believe that the management should have offset the payments made against the tax liability and disclosed the net amount of P38.9 Million (liability of P7.6 Million less payments of P46.5 Million) as a current asset "Income tax refundable". This is on the basis that WUC has a legally enforceable right to offset amounts as the current tax asset and liability relates to one income tax return, further WUC intends to settle on a net basis.

The two restatements is considered to be a matter of most significance to the current financial year as, given the magnitude of the amounts involved, the guidance in International Accounting Standard 8 'Accounting Policies, Changes in Accounting Estimates and accounting treatment of the prior period error in accordance with the Errors' (IAS 8), has a significant impact on the financial statements.

	2019
	P'000
Current assets as previously stated	
Income tax refundable	66 603
Trade and other receivable	410 218
Current liability as previously stated	
Trade and other payables	476 829
Tax liability	7 638
Derecognition and offsetting of deferred tax and tax liability respectively	
Deferred tax derecognition from Income tax refundable	(15 003)
Deferred tax portion derecognition from trade and other receivables	(6 812)
Tax liability being offset against income tax refund	(7 638)
Current assets as correctly stated	
Income tax refundable	43 962
Trade and other receivable	403 406
Current liability as correctly stated	
Trade and other payables	455 014
Tax liability	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2020

35 Total assets impairment assessment and sensitivity analysis

Non current assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We have considered impact of COVID 19 to be such an even. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, WUC was considered a single cash-generating units.

The outcome of the impairment calculation was that WUC assets are not impaired as the recoverable amount (P 10 968 812 000) is higher than the carrying amount of total assets (P 9 816 612 000). Resulting in a headroom of P 1 152 201 000.

The use of this method required the following inputs and assumptions:

1. Discount rate
2. Sales volume
3. Growth rate
4. Tariff increase

The table below shows sensitivity analysis on valuation of critical estimates

Recoverable amount using the value in use (P'000) | 10 044 588

Principal assumption used	Best case	Worst case	Base case
Discount rate	6.91%	7.34%	7.12%
Sales volume	2.00%	-2.00%	1.50%
growth rate	4%	2%	2.80%
Tariff increase	12.5%	5%	0.125
Sensetivities(P'000)	4 473 245	(3 952 460)	268 230

