We keep it flowing, *for you*

Water & Sustainable Development

Water Utilities Corporation

ANNUAL REPORT

2014/15

VISION

TO BE A WORLD-CLASS WATER UTILITY

MISSION

To provide sustainable water and wastewater management services in a cost effective and environmentally friendly manner to the economy.

Values

Botho
We display a strong work ethic and respect for people

Therisanyo/ Consultation
We value open and free exchange of views and ideas

Kgetsi ya Tsie /Team Work
We believe in working together to accomplish more

Batho Pele/ People First
We understand and exceed expectations by putting the customer first

Botswerere/Quality
We provide a high quality of products and service delivery to our customers

Water Utilities Corporation

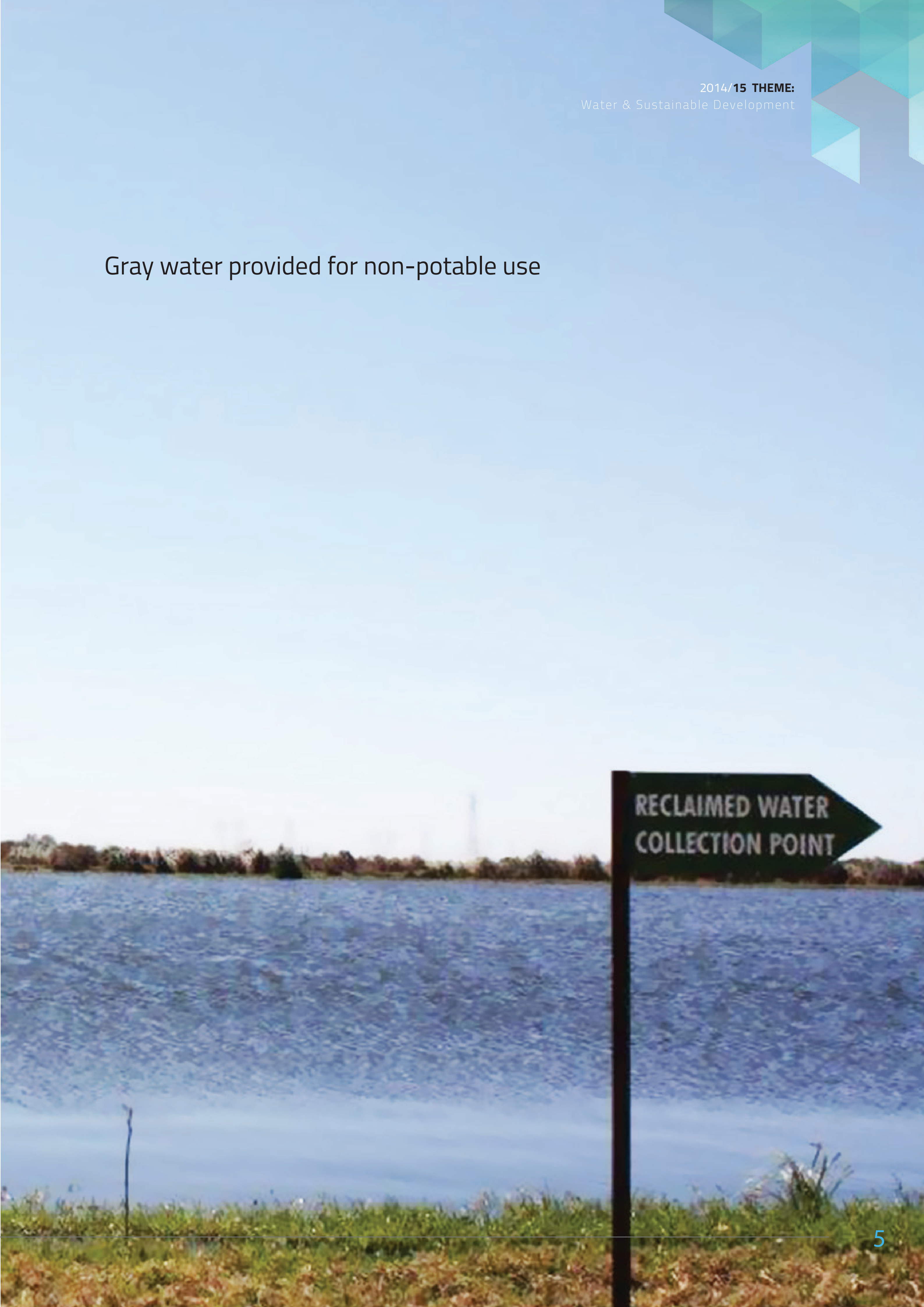
2014/15 THEME

Water & Sustaina

able Development

Table of Contents

Gray water provided for non-potable use



Performance Highlights for 2014/15

Net Loss
P370.3

million in 2015 compared to a net loss of P346.6 million in 2014.

Total Revenue
6.1%

increase in total revenue from P948.1 million in 2014 to P1,006.7 billion in 2015

Water Sales Revenue
6.6%

increase from P915.0 million in 2014 to P975.8 million in 2015.

Water Quantity
72300TCM

a 1.5% increase from 71 200tcm in 2014 to 72 300tcm in 2015.

New Potable Water Connection Fees
59.5%

increase from P20.0 million in 2014 to P31.9 million in 2015.

DSC Covanent
[4.69]

DSC covanent of 1.5 times has not been met. DSC for 2015 is (4.69) times compared to (4.87) times in 2014

Return On Equity
[7%]

Return on equity has remained constant from last financial year, (7%) in 2014 and (7%) in 2015.

Five Year Performance at a Glance

	2014/15 P'000	2013/14 restated P'000	2012/13 restated P'000	2011/12 P'000	2010/11 P'000
Income & cashflow statements					
Water sales	975,801	914,994	770,471	571,296	571,904
Total revenue	1,006,744	948,061	790,778	579,685	578,543
Operating expenses	1,122,539	1,076,400	957,200	947,035	495,494
Depreciation and amortisation	219,867	224,276	184,790	186,558	119,058
Net Finance charges	47,201	33,703	28,111	13,731	14,457
Net (Loss) / surplus	(370,282)	(346,559)	(191,062)	(541,595)	21,809
Net (decrease) / increase in cash	(76,800)	(254,840)	(302,249)	(102,647)	52,502
Balance Sheet					
Operating assets	5,440,892	5,040,805	4,620,261	4,444,660	3,544,677
Development Expenditure	632,679	771,755	625,866	538,249	110,234
Government equity	5,340,282	4,975,050	4,374,297	4,089,391	2,364,477
Interest subsidy reserve	13,789	12,493	10,984	9,213	7,421
Reserves	76,568	448,146	796,214	989,047	1,532,434
Long term borrowings	400,874	480,494	515,036	549,212	577,720
Retirement benefit asset / (obligation)	0	(1,351)	(21,611)	(3,920)	33,045
Water sales quantities (TCM)	72,300	71,200	75,600	66,000	61,672
Ratios					
Return on equity	-7%	-7%	-4%	-13%	1%
Return on capital employed	-7%	-6%	-4%	-11%	1%
Return on net operating assets	-7%	-7%	-4%	-12%	1%
Debt service cover (times)	-4.69%	-4.87%	-1.77%	-10.66%	0.83%
Debt/Equity Ratio	0.08	0.10	0.12	0.13	0.24
Statistics					
Annual Inflation (%)	2.81%	4.40%	7.30%	7.20%	8.50%
Prime lending rate	7.50%	9%	11%	9.50%	11%

Corporate Profile

The Water Utilities Corporation (WUC) is a parastatal organisation wholly owned by the Botswana Government. It was established in 1970 by an Act of Parliament (Laws of Botswana Cap 74:02) with a mandate to manage a single project for the supply and distribution of water in what was then called the Shashe Development Area.

Gaborone Dam
141.4 MCM
capacity

Shashe Dam
85 MCM
capacity

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

In the forty-five years since its inception, the Corporation's mandate has expanded to supplying potable water to all urban centres and villages in the country, as well as managing wastewater under the Water Sector Reforms Programme (WSRP). The programme resulted from a study to rationalise the water sector in Botswana and ensure uniform service levels for all. The implementation of the WSRP effected in May 2009 and the actual takeover was completed in 2013.

Following the commencement of the implementation of the WSRP the Corporation's customer base has grown significantly from 80 000 at the beginning of the reforms in 2009 to 355 000 at 31st March 2015. The Corporation presently supplies over 80million cubic metres of potable water annually to its total customer base.

With a property, plant and equipment value of over P6 billion, the Corporation's infrastructure includes nine dams: the Gaborone, Nnywane, Bokaa, Shashe, Letsibogo, Ntimbale, Dikgatlhong, Thune, Lotsane as well as the North South Carrier Scheme I (NSC I) which comprises a 365km long pipeline, water treatment plants and associated pump stations.

In keeping with its vision **"To be a world-class water utility"** the Water Utilities Corporation needs to be able to satisfy an increasingly discerning customer and ensure compliance with internationally accepted corporate governance practices. To this end the Water Utilities Corporation identified key strategic objectives to guide its activities, business focus and the allocation of resources for its 2015-2018 planning period. These are:

Chairman's Statement

I am pleased to present the 45th Annual Report of the Water Utilities Corporation. The report is presented against a background of various factors which consequently influenced the performance trajectory of the Corporation during the review period. Most of these factors were regularly shared with our stakeholders throughout the reporting period.

Letsibogo Dam	Ntimbale Dam
100 MCM capacity	**26.5 MCM** capacity

The effects of the Water Sector Reforms Programme which started in 2009 continued to be felt during the review period. This was mainly driven by an extended mandate amidst constrained revenue growth on the one hand and diminishing capital expenditure funding from government due to other competing national priorities on the other.

In real terms, over the period 2009 to 2014,compounded annual sales and cost growth was 13.0 % and 27.4 % respectively. Of note is that the Corporation took over waste-water services from the local authorities, which were hitherto not part of the Corporation's mandate. At the same time there was no tariff for such services and as such no earnings associated with the provision of such services. This demonstrates significant erosion of top line earnings, which over the period affected our liquidity position and for the first time the Corporation started incurring losses from 2012. The rapid deterioration in the liquidity position of the Corporation was a result of limited funding, which necessitated the use of free cash flow (retained earnings) to fund the Water Sector Reforms. While the liquidity position of the Corporation deteriorated, the Corporation remained vigilant and a strong focus was placed on managing our debt, thus ensuring that the capital structure remained strong and robust amid these tectonic shifts in our operating environment.

Of note is that our constrained cash flow situation affected the Corporation's capacity to successfully deliver projects and address the water shortages, especially against a background of poor rainfalls in the southern part of the country. A further impact of our constrained cash flow position was the decline in the Corporation's service standards due to lack of capacity to deal with infrastructure rehabilitation and operational challenges such as leakages and pipe bursts, amongst other problems.

Operations

The Corporation's mandate is to ensure the delivery of the most basic of human rights; access to water and provision of decent sanitation. However, the Corporation's quest to deliver on its mandate was hindered by several factors, some emanating from the restrictions within the Act that established the Corporation. The Corporation's mandate does not include land servicing but the provision of primary infrastructure, maintenance and operation of the water supply network. Land servicing remains the mandate of the Ministry of Lands and Housing and the respective Local Authorities or the land owners in the case of private land. This arrangement and the lack of synchronization in the provision of the related services by the responsible players in water service provision is a constraint to timeous and effective provision of services by the Corporation to its customers.

Board Chairman's Statement [continued]

The most prohibitive and constraining of these is the lack of reconciliation between plot allocations and land servicing which often result in plots being occupied in areas without any water delivery infrastructure. It is our aspiration that the Act be reviewed and amended to reflect this reality and empower WUC to effectively deliver its mandate in the provision of water and waste-water services.

The failure of the Gaborone Dam during the review period saw the Corporation struggle to ***'keep it flowing'*** and meet the demands of the Greater Gaborone area. This is the most highly populated area in the country and the largest revenue earner for the Corporation. Water shortages in this area therefore resulted in water rationing and reduced earnings for the Corporation. Water shortages were also experienced in other areas of the country and in particular, the Kgalagadi, North West and the Rolong areas, among others. Through strategic planning and targeted interventions, the Corporation embarked on a host of projects to mitigate against the effects of the unavailability of the Gaborone Dam. Initiatives included water bowsing and the implementation of projects to deliver water to the affected areas. Over one hundred projects across the length and breadth of the country were initiated and executed to reduce the supply/demand gap.

The Masama Wellfields project is one such short-term project that will go a long way in addressing the water shortages in the Greater Gaborone area by providing some 20 – 30 ML/day.

In spite of some of the challenges that the Corporation faced during the review period, WUC prides itself on its sustained ability to deliver quality water over the years. The period under review was no exception, with its Mmamashia laboratory (which was SADCAS accredited during the previous reporting period) continuing to ensure sustained delivery of quality water. The potable water quality from the Corporation's water treatment plants remained compliant to the BOS32:2000. However, deviations were recorded in areas without chlorination facilities. These are areas which WUC inherited from former water authorities and is still in the process of providing them with the necessary facilities.

Strategic Plan

This report covers WUC's performance in line with the objectives and targets it set itself in its Strategic Plan covering the years 2012 to 2015. For this period, the Board remained committed to positioning the Corporation to effectively implement its identified key strategic imperatives to ensure delivery of its mandate. The Board's key strategic imperatives for the period were:

- Leadership and Culture
- Financial Growth and Sustainability
- Stakeholder Management
- Service Delivery and Quality assurance
- infrastructure Development and Operational Efficiency

The thrust of these key strategic imperatives was captured under the theme of this report ***"Water Supply and Sustainable Development"*** and their achievement was in the main below expectation, but trending upwards.

Reviewed and adopted in February 2015, the key strategic imperatives set the pace towards the restoration of the Corporation. With their emphasis on customer centrism, compliance to each area will deliver the desired results.

Governance

The Board, under the guidance of the Board and Board Committee Charters and the general principles of good corporate governance, continued to fulfil its mandate of active enterprise leadership. The Board recognizes that it is the focal point and custodian of good governance and the Board and Management are aware of the value that good governance adds to the Corporation and are sufficiently committed to the principles of good governance. Full Board and Board Committee meetings were conducted as planned or as and when it was deemed necessary and these were adequate and effective in delivering the mandate of the Board. The Board is aware that while it delegates certain functions to the Board Committees, it does not in the process abdicate its responsibility to govern.

The Board on an on-going basis, considers the impact of the Corporation's operations on its stakeholders and the environment and has put in place mechanisms to monitor and report progress to the shareholders and other stakeholders. During the period under review, the Board has been instrumental in assisting Management to focus on sustainable borehole water abstraction; improve water quality by increasing the efficacy of water disinfection facilities, signing of Trade Effluent Agreements (TEA) with industry to deal with pollutants that are discharged into the waste-water facilities, among others.

The Board has also, on an on-going basis reviewed assurance reports from Management, internal and external auditors, consultants and other advisors and is happy that these reports are adequate and effective; and are a fair representation of the status of the Corporation.

The Board also has a heightened sense of the hazards and risks that face the Corporation and employees on a day to day basis and has been focused on compliance to legal and regulatory requirements with regard to safety and the need to ensure that such requirements are carried out and where there are deviations such deviations are reported and rectified urgently. We believe that this creates the necessary and sufficient conditions for the Corporation to remain a going concern and in the process promote and foster public trust.

It is our view as a Board and assisted by Management, that guided by these principles, we will take good stewardship of the Corporation and ensure that we promote and foster public trust in an environment that is becoming increasingly volatile, uncertain, complex and ambiguous and characterized by tectonic shifts in both the contextual and operating environment.

Looking Ahead

For the past five years the Corporation's performance has been subdued, with WUC having recorded consecutive crippling losses since the commencement of the reforms in 2009. The provision of wastewater services which do not bring any revenue also took a toll on the Corporation's revenues. With the newly approved water tariff and the introduction of a minimal wastewater tariff, it is our view that the Corporation will gradually emerge from its financial challenges. Revenue and profit margins projections are indicative of a gradual shift towards improved performance. However, the Board remains cognisant of the fact that the recovery will be gradual and will be largely dependent on the funding of the necessary capital projects by government and through other funding options such as Public Private Partnerships.

The Board is committed to pursuing these options with the necessary vigour and riguor at a time when competing national priorities will increasingly place a heavy burden on the fiscus. While these investments and their timely sequencing and execution is critical, the necessary project management and systems acquisition capabilities are required to ensure successful project delivery and achieve the required return on capital employed and ensure the Corporation earns its cost of capital on a sustainable basis.

Board Chairman's Statement [continued]

It is also of utmost importance for the Corporation to significantly improve operational efficiencies throughout all facets of its operations. These range from operational efficiencies in its water treatment plants, cost optimization through improved cost structures, improved collections, water conservation, and good asset management practices, among others.

Our focus for the next three years is to restructure the Corporation to make it a more flexible and agile enterprise with the right people in the right jobs. It is through doing this that we can have a strong and sustainable focus on safety, health and environmental compliance, water conservation, asset management, operational excellence, capital programme delivery and stakeholder management.

Financial Performance

The year under review presents revenue amounting to P1.007 billion. This is an increase of P58.6 million or 6.2% from P948.1 million in 2014. The increase is due to the slight increase in water sales quantity, from 71,200 tcm in the previous financial year to 72,300 tcm in the current financial year, translating to a 1,100 tcm or 1.5% increase. Potable water connection fees increased by P11.9 million (P31.9 million in 2015; P20.0 million in 2014) or 59.9%. Sales categories summarised below.

Revenue Categories	Amount in Pula	%
Domestic	290,393,863	28.8
Business & Industrial	253,305,062	15.2
Government	444,585,134	44.2
City Council	71,567,357	7.1
District Council	6,489,424	0.6
BCL & Tati Nickel Mines	9,460,036	0.9
Connection fees	30,943,536	3.1
Total Revenue	**1,006,744,413**	**100.0**

The Corporation recorded total operating expenses of P1.342 billion, compared to P1.300 billion in the financial year 2013/2014. This shows an increase in total operating expenses of P0.042 billion or 3.2%. Water and wastewater treatment and distribution expenses are 57% of the total operating costs, which is the same as the previous year, while administration and other operating costs constitute 26.6% (25.8% 2013/14) of these costs.

The Corporation's net results for the year is a net loss of P370.3 million, compared to the net loss P346.6 million in 2013/14. This represents an increase in net loss of P23.7 million or 6.8%.

The cash flow declined from P173.6 million in 2013/2014 to P96.8 in the financial year under review. Debt service coverage stood at (4.69):1 in 2015 compared to (4.87):1 in the previous year

Appreciation

During the review period, the Board remained cognisant of the burden the operational challenges placed on the Corporation's employees, especially against an uncertain environment, and would like to thank the employees and the Union for their commitment and unwavering support to the Corporation.

We also recognize the support of the Government of the Republic of Botswana, our suppliers and international agencies. Our valued customers continued to humble us through their support of the Corporation through the difficult periods of water rationing and emergent water supply interruptions.

The Board also recognizes the contribution made by our former Chief Executive Officer Mr Godfrey Wisiso Mudanga who has served the Corporation over a long period and welcomes the incoming CEO Mr Leonard Bongani Nxumalo.

The Board would also like to recognize the immense and invaluable contribution of Mrs Rachel Nekati who resigned from the Board during the period under review, having served the Corporation as a Board Member for four years. Rachel has served on the Audit Committee and was the chairperson of the Human Resources Committee at the time of her resignation. During her tenure Rachel brought to the Board constructive debate, penetrating insight and positive Board dynamics. She discharged her duties with due care and diligence over the years.

On behalf of the Board, Management and employees, I thank you all.

Matome Tsholetsa Malema
Board Chairman

Board of Directors

1. Matome T. Malema
Board Chairperson

Qualifications: MBA (UCT Graduate School of Business, RSA) BEng (Hons) Mineral Process (Camborne School of Mines, UK)

Tenure: 2014 -2017

8. Dr Obolokile Obakeng
Vice Board Chairperson

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

Tenure: 2010 - 2014

5. Godfrey B. Molefe
(Chairperson of the Audit Committee)

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

Tenure: 2012 - 2016

2. Zuma Chengeta
(Chairperson of the Operations and Technical Committee)

Qualifications: MSc Strategic Management (University of Derby, UK) BSc Hons Mining Geology (Leicester University, UK), Chartered Environmentalist (UK)

Tenure: 2012 – 2016

3. Rachel Nekati
(Chairperson of the Human Resources Committee)

Qualifications: BCom (University of Botswana)

Tenure: 2012 - 2016

7. Mercia Makgalemele
(Chairperson of the Board Tender Committee)

Qualifications: LLB (University of Botswana), Post Graduate Certificate in Corporate Law & Securities (University of South Africa)

Tenure: 2012 – 2016

8. John Phatshwe
(Member)

Qualifications: Masters in Environmental Planning (University of Nottingham, UK) Masters of Commerce in Project Management (Cranefield College, RSA) BA Environmental Science (University of Botswana)

Tenure: 2013-2017

9. Galeitsiwe Ramokapane
(Member)

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

Tenure: 2013 - 2017

6. Noble Katse
(Member)

Qualifications: MBA (University of Botswana) BA Statistics (University of Botswana)
Tenure: 2013 -2017

Chief Executive's Statement

The Corporation's main focus during the year was to execute the objectives of the Water Sector Reforms Programme (WSRP) following the completion of the actual takeover the previous financial year.

Lotsane Dam	Thune Dam
42 MCM capacity	**26.5 MCM** capacity

The objectives focused on equity in service delivery nationally in line with our mandate to supply potable water to all, and dispose of wastewater in an environmentally friendly manner. Also critical to the Corporation was the holistic recovery from the effects of implementing a massive project, the WSRP.

During the four years that the Corporation has been engaged in the project, its financial performance has deteriorated drastically, affecting its ability to deliver on its mandate. The Corporation's once spotless reputation regionally as a shining water authority, took a knock as it struggled to rise above the challenges inherent in supplying water to rural areas with sub-standard infrastructure.

Water Resources

The current review period was the most challenging concerning the Corporation's water resources. The financial year ended with Gaborone Dam at an unprecedented 3%. Bokaa Dam and South Africa's Molatedi Dam, from which the Greater Gaborone area gets some of its supply, were in no better positions at 16% and 14% respectively. Although the dams in the north remained in a relatively healthy state, the main challenge was the transfer of the water to the South. The NSCI remained a lifeline of the South as it conveyed the water from Letsibogo Dam in the North.

The completion of the 78km section of the pipeline from Dikgatlhong Dam to the South was of benefit to the Corporation. The pipeline was joined to the NSCI through a bypass at some point upstream of Palapye. In this way, the south benefitted from Dikgatlhong Dam water supply prior to the completion of this bulk transfer pipeline which is scheduled for completion by 2020.

Ground water supply was also as adversely affected by the lack of rainfall as surface water was. This was occasioned by the increased incidents of low yield and total drying up of boreholes. The Corporation's operations were affected in all areas supplied from groundwater, resulting in public outcries over water shortages and in some instances availability of water supply at low pressures.

To remain relevant and in recognition of its critical role in ensuring that it continues supplying water not only to the public but also to industry, many whose operations and continued existence relies on water, the Corporation introduced water rationing in the worst affected area, the Greater Gaborone, in order to share the little available supply amongst all users. By the end of the financial year, all areas in the Greater Gaborone area were being rationed for three eight-hour-days per week. Projections are that the water rationing will increase in the next quarter in order to mitigate the effects of the anticipated failure of the Bokaa Dam.

The Masama East Wellfield project to drill thirty-two boreholes is at an advanced stage and is scheduled for commissioning in the first quarter of our next financial year 2015/2016. Once complete, the boreholes will inject 30 million litres of water per day into the NSCI in order to augment water supply to the Greater Gaborone area. The second part of the Masama project, Masama West, is expected to replicate Masama East. It is anticipated that the project will inject an additional 30 million litres per day into the NSCI. The project is scheduled for completion in the financial year 2016/2017.

Chief Executive's Statement [continued]

Governance

The Board continued to play a critical role in providing strategic direction and oversight to the Corporation. The strategic direction they set is steering the Corporation towards viability and sustainability. Alive to the financial challenges of the Corporation, the Board continued to provide support in line with acceptable governance principles to ensure financial recovery of the Corporation. The triple bottom-line which the Corporation has emphasized in its operations over the years continued to take precedence. Due to the water shortages and other operational challenges that directly affected stakeholders, the Corporation consulted various stakeholders through public kgotla meetings, Water Pitso, media conferences, workshops, Consumer Fair exhibitions, infrastructure tours and open houses which were hosted for the various interest groups.

Guided by its Corporate Social Responsibility (CSR) policy, WUC remained a part of the communities in which it operates. Under its CSR programme the Corporation emphasized community development, the environment, staff welfare and involvement. Several CRS projects were undertaken, amongst them the construction of houses for destitute families in Jackalas 2 and Letlhakane. A storeroom was built for a youth group running a gardening project in Francistown.

The Corporation continued to open its doors to students and researchers to mentor and impart important water industry related knowledge to them.

In the interest of protecting the environment and ensuring its sustainability, relevant policies were implemented to protect boreholes. Professionals were engaged to clean oil spills at boreholes to avoid the contamination of water resources and related damage to the environment.

Successes

The Corporation also embarked on various initiatives in a quest to address the problem and to further ensure sustainable water supply into the future. These initiatives ranged from hard initiatives such as capital projects to soft issues like programmes aimed at promoting behavior change in favour of water conservation. The Mahalapye and Palapye network rehabilitation projects commenced during the year. Both projects are scheduled for completion during the next financial year. When complete, the projects will address the water shortages in these areas and more importantly, address the aged network which is a source of substantial water losses in the areas. A project to supply water in the Middlepits and surrounding areas from neighbouring South Africa through bulk supply transfer, the Cross Boarder Middlepits Water Supply Project, was completed and commissioned during the financial year under review. A longstanding arrangement to get water from South Africa's Molatedi Dam under the Botswana South Africa (TSWASA) agreement was reviewed. Under the new agreement WUC is entitled to 22 million litres a day when the dam is at 26% and above. The allocation is reduced accordingly when the dam falls below 26%.

The design, supply, installation, construction and connection of Masama and Makhujwane Wellfield into the NSC I project, in a bid to augment water supply to the Greater Gaborone area, has contributed to current successes. The Meriting project in Ghanzi under the Ghanzi Village Water Supply Distribution Network project was nearing completion by the close of the review period.

The completion of a 78km section of the pipeline from Dikgatlhong Dam to Palapye was also a significant accomplishment for the Corporation, as this line is connected to the NSCI at times to draw water from Dikgatlhong Dam relieving the Letsibogo Dam. This pipeline rendered it possible for the Greater Gaborone area to benefit from both the Dikgatlhong Dam and Letsibogo Dam. The pipeline from Dikgatlhong Dam to Gaborone is scheduled for completion in 2020.

The approval of a new tariff structure by Cabinet was another major accomplishment for the Corporation. The new tariff structure was an attempt at harmonizing the more than twenty-seven tariffs inherited from the various water authorities taken over by WUC under the WSRP. The review resulted in only eleven tariffs. Under the new tariff structure the Corporation introduced a charge for wastewater. Though minimal and not cost-reflective, the wastewater tariff is a positive first step towards making wastewater a revenue-generating activity that will be able to self-finance in future.

The Corporation also implemented some cost-cutting measures subsequent to the review of some policies such as the overtime policy. Following the implementation of the reviewed overtime policy, the Corporation's overtime went down significantly.

Challenges

Despite the widespread water shortages in the country, WUC managed to supply the public with potable water during the year. In water-stressed areas such as the Greater Gaborone, water restrictions continued as per the previous reporting period. For the areas where water supply was affected by infrastructure failures for extended periods, efforts were made to provide tanker services for them.

The Corporation continued to provide quality water supply to its customers in line with internationally acceptable standards. However, deviations were recorded in some areas, most of which were inherited under the WSRP without chlorination infrastructure.

Chief Executive's Statement [continued]

To address the situation the Corporation manually chlorinated the water to make it compliant. Chlorination infrastructure was constructed in some areas and the project to cover all areas will continue into the next year.

Wastewater was also a major challenge in some wastewater treatment plants, especially the Mambo Wastewater Treatment Plant, which was not designed to treat industrial effluent. The indiscriminate discharge of untreatable waste into the Corporation's network by some industries had an adverse impact on the operation of the treatment plants. To mitigate the situation, workshops were held for industry to create awareness. The Corporation also carried out factory sites inspections to ensure businesses' compliance to the set effluent standards.

The vandalism of the Corporation's infrastructure continued to be a major hurdle in the Corporation's efforts to provide an uninterrupted water supply. Vandalising pipelines for purposes of watering livestock was rampant in some areas. Increased incidents of diesel theft from boreholes were recorded during the year. All these incidents resulted in water shortages during the time that the Corporation was still sourcing replacement spares and diesel respectively. Public kgotla meetings were held in the affected areas to warn residents against such practices and educate them on the wider implications of such acts.

Since the commencement of the WSRP, the Corporation has not been able to adequately sustain employee welfare. Due to this development, the Corporation continued to experience low staff morale which has translated into a high staff turnover.

Looking Ahead

As the Corporation forges ahead into the future, uppermost in its plans is to have enough water resources to supply its customers and live up to its motto, *"to keep it flowing".* Despite the reduced rains and ever-changing rainfall patterns which have had an adverse impact on both the Corporation's surface and groundwater sources' performance over the years, the Corporation will continue undertaking projects to mitigate the effects of climate change. In the medium-term, the Corporation will deliver the 100km pipeline from Masama West Wellfield project to Mmamashia Water Treatment Plant. A project to rehabilitate the Mmamashia Treatment Plant to increase its capacity to accommodate the water which will be coming in from the Masama Wellfields is underway. A bypass from Mmamashia Treatment plant to Gaborone waterworks is also amongst our priorities in the coming year. This is meant to provide an alternative for treatment works at Mmamashia in order to ensure water security in the Greater Gaborone area. To boost the performance of the NSCI, Pump Station 3 (PS3) in Palapye will be rehabilitated and an additional pump station (PS4) will be constructed along the pipeline, near Palla Road.

To remain relevant and continue to meet its varied customer needs, the Corporation will maintain regular consultations with both internal and external stakeholders and continue to implement other emergency projects countrywide. The Corporation values all its stakeholders' feedback and utilises it to inform its planning to improve its services.

Conclusion

It is with a deep sense of appreciation that I would like to acknowledge my predecessor, Godfrey Mudanga for the ground work he did in restoring the Corporation to its former financial standing and a water authority of repute, which had taken a knock from the WSRP. With the dedication of Management and staff, supported by the guidance of the Board, I undertake to direct and anchor the Corporation tothe shores of success where it will take up its former place amongst the best water authorities in the world.

Leonard Nxumalo
Chief Executive Officer

An alvenius pipe taking water over long distances in difficult terrain

Corporate
Management Team

1. Leonard Bongani Nxumalo
Chief Executive Officer

Masters in Public Management (Carnegie Mellon University, USA), BA Public Administration & Economics (University of Swaziland)

Responsibilities
- The overall management of the Corporation, development and implementation of strategic plans and achievement of the organizational mission, vision, business objectives and goals established by the Board
- Responsible for the broad policy objectives of the Corporation and general advice to the Board

2. Nginani Mbayi
Deputy Chief Executive Officer

BSc (Hons) Civil Engineering (University of Aberdeen), MICE (UK)

Responsibilities
- Water Supply
- Wastewater Services
- Maintenance
- Commercial Services
- Customer Services
- Fleet Services
- Water Resources Management (Dams and Boreholes)

8. Evelyn Disele
Acting Human Resources and Administration Director

BA Social Science (University of Botswana). MSc Human Resource Management (University of Salford, UK)

Responsibilities
- Organisational development
- Personnel & Training
- Staffing
- Employee relations
- Employee wellbeing
- Administration
- Payroll
- Information Technology (IT) including business systems

Olebile Matswiri (not in picture)
Acting Regional Operations Director

BEng (Hons) Civil Engineering (Liverpool John Moores University, United Kingdom)

Responsibilities
- Water supply
- Water distribution
- Water sector reforms co-ordination
- Commercial and customer services
- Wastewater services

4. Amos Keabetswe
Acting Technical Services Director

Bachelor of Civil Engineering (Ryerson University, Canada)

Responsibilities
- Capacity planning
- Design
- Major projects implementation
- Water quality
- Geographical Information Systems (GIS)

6. Enelys Shamakumba
Corporation Secretary

LLB (University of Botswana)

Responsibilities
- Logistics & materials management
- Legal Services
- Corporate and Board Secretarial Services
- Records Management
- Asset Management

7. Gaselemogwe Senai
Infrastructure Director

BSc Chemistry and Environmental Science (University of Botswana)

Responsibilities
- Sustainable water resources management
- Dams management
- Groundwater management
- Bulk water transfers
- Maintenance
- Fleet management

3. Taboka Muke
Finance Director

BA Accounting (UB), FCCA - UK (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 & procedures formulation

5. Tsholofelo Bogosi
Internal Audit Director

Bachelor of Commerce (Accounting) - (University of the Witwatersrand - RSA), CIMA - UK (Botswana Accountancy College) ACMA, CGMA, ACPA (Botswana)

Responsibilities
- Assurance and Consulting
- Risk Management Evaluation
- Controls Evaluation
- Corporate Governance
- Appraise compliance with Statute, Policies and Procedures
- Whistle blowing, Fraud and Ethics Policies

Corporate Governance

The Water Utilities Corporation subscribes to and is committed to the accepted practices of good governance and international best practice.

Bokaa Dam	Nnywane Dam	Dikgatlhong Dam
18.5 MCM capacity	**2.3 MCM** capacity	**400 MCM** capacity

As an establishment created by statute, the Corporation is compelled to ensure that its processes and practices comply with the requirements of the Water Utilities Corporation Act (Cap 74:02) of the Laws of Botswana and its amendments and directives.

Ownership of the Corporation

The Corporation is a parastatal body wholly owned by the Botswana Government. The Water Utilities Corporation Act defines the ***raison d'etre*** for the Corporation as well as the limits within which it can operate, including the roles for the Minister of Minerals, Energy and Water Resources, the Board, and the Executive Management.

The Board

The Board of the Corporation is appointed by the Minister of Minerals, Energy and Water Resources. 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 at any one time does not exceed nine members, including the Chairman.

The present Board comprises a fair balance of skills, knowledge and experience to meet this objective.

The role of the WUC Board is to determine corporate policy and provide strategic direction. In carrying out this mandate, it is expected to bring to bear the highest standards of ethical conduct and good governance, in line with both statutes and generally accepted practice.

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

Matome T. Malema
Chairman

Dr Obolokile T. Obakeng
Vice Chairman

Rachel Nekati
Chairperson of the Human Resources Committee

Z. Chengeta
Chairperson of the Operations & Technical Committee

Godfrey B. Molefe
Chairperson of the Audit Committee

M. Makgalemela
Chairperson of the Board Tender Committee

J. Phatshwe
Member

N. Katse
Member

G. Ramokapane
Member

Registered Office

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

Independent Auditors

Deloitte & Touche

Board Meetings

The Board meets at least quarterly. It follows a structured approach of delegation, reporting and accountability. This includes reliance on four Board Committees to carry out delegated duties, namely the Audit Committee, Tender Committee, Human Resources Committee and Operations & Technical Committee.

During the year under review, the Board convened four ordinary meetings and nine special meetings.

Members' Declaration of Interest

Members declare their interest on an annual basis and at every meeting in relation to the matters before them for their decision.

Board Remuneration

Board remuneration rates are determined by the Government of Botswana. Fees for members from Government Departments are paid directly to the Government. The applicable rates per sitting during the year were as follows;

Chairman	P1050
Vice Chairman	P 840
Member	P 840

Chairmen of the Committees were also remunerated at P1050 for committee meetings.

Board Committees

Audit Committee

The Audit Committee comprises three members of the Board; G. Molefe, R. Nekati and N. Katse. Its activities are governed by the Audit Charter which is approved by the Board. The Charter empowers the Audit Committee to provide its oversight responsibilities to the Board for the financial reporting process; internal control systems, the audit process and the Corporation's process for monitoring compliance with the laws and regulations. The Committee also provides advice on Corporate Risk Management.

In addition, the Water Utilities Corporation has an Internal Audit function charged with providing independent assurance to the Audit Committee on the existence and effectiveness of internal controls, the efficiency and effectiveness of governance processes and that the Corporation's goals are being met.

The Committee is scheduled to meet at least three times annually, and during the reporting period it satisfied the requirement as it held its three scheduled meetings and four extra-ordinary meetings.

Tender Committee

The Tender Committee comprises four members of the Board, M. Makgalemele, G. Molefe, Z. Chengeta and J. Phatshwe. It is responsible for the implementation of the 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 the principles of economy and efficiency prevail, including the need to encourage and support local businesses in the spirit of the Government local preference policy and citizen empowerment. The Committee operates within the limits of the Corporation's Tender Regulations and Procurement procedures. These procedures are revised from time to time to align them with best practice.

The Committee is scheduled to meet eight times per year, and in the year under review it met four times.

Corporate Governance [continued]

Human Resources Committee

The Human Resources Committee comprises four members of the Board, R. Nekati, B. Makgalemele, J. Phatshwe and Z. Chengeta. It deals with policies relating to the management of human resources, including the organisation structure, terms and conditions of service, remuneration, the appointment and dismissal of senior staff other than those appointed by the Board, pensions and any other matters delegated to it by the Board.

The Committee meets at least quarterly. During the year under review it met once .

Operations & Technical Committee (OPTEC)

The Operations & Technical Committee assists the Board in monitoring and reviewing any matters of significance affecting the 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 and corporate social responsibility matters. The Committee consists of five members, Z. Chengeta , T. Malema, Dr O. Obakeng, G. Molefe and G. Ramokapane. Constituted late in the financial year, the committee only met once.

Reporting to the Botswana Government

The Board of the Corporation also reports to the Minister of Minerals, Energy and Water Resources regularly on proceedings at Board meetings. An update is presented to the Minister after each Board meeting, in addition to continuous consultative meetings as deemed necessary. Management also sends quarterly reports on the Corporation's progress to the Office of the President.

Going Concern

The financial statements for the year ending 31st March 2015 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 will continue to operate into the foreseeable future.

Statutory Reporting Requirements

The Water Utilities Corporation Act requires that all Corporation business be conducted along sound commercial lines and that a reasonable return is generated on the equity provided by the Government of Botswana. The Act further requires that the Audited Financial Statements be presented to the Minister by the 30th of September each year.

The Board is satisfied that the Corporation has complied with this and other statutory requirements for the year ended 31st March 2015.

A statement by the 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 at page 46 of this Report.

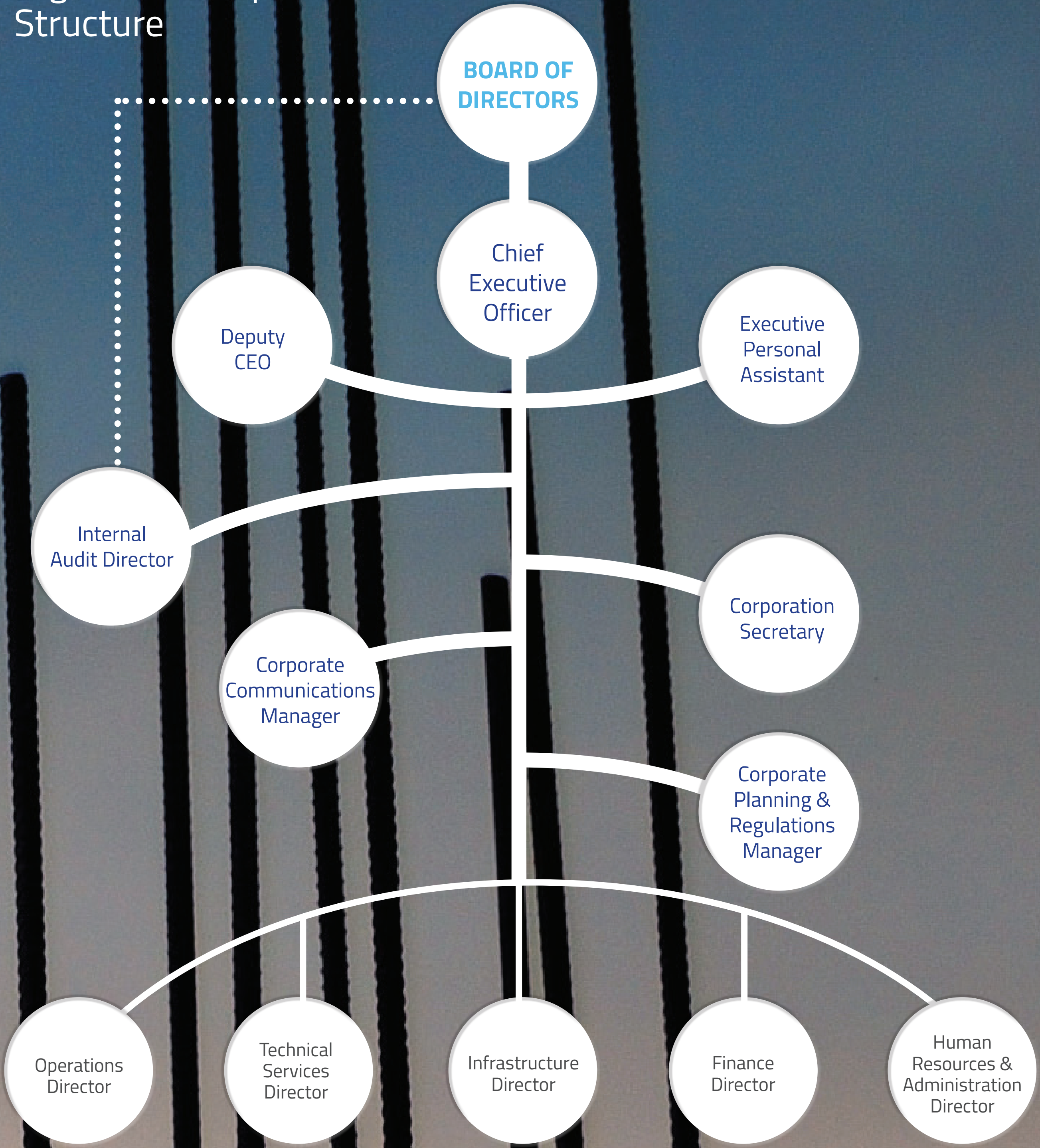
Ministerial Directives

There were no Ministerial Directives during the year.

Executive Management

The management and daily running of the Corporation is the responsibility of the Chief Executive Officer with the assistance of the Corporate Management Team (CMT). The role of the CMT, with the help of Section Heads, is to implement the strategic direction and objectives as set out by the Board within the confines of the corporate vision, mission and values.

High-Level Corporate Structure



In keeping with its vision **"We aspire to be a leader in utility services"** the Water Utilities Corporation needs to be able to satisfy an increasingly discerning customer and ensure compliance with internationally accepted corporate governance practices. To this end the Water Utilities Corporation identified key strategic objectives to guide its activities, business focus and the allocation of resources for its planning period 2015-2018.

Water losses at a post-paid public standpipe. Pre-paid public standpipes replaced post-paid public standpipes to manage water usage

A pipe burst on the NSC I

Operational Highlights

SURFACE WATER SUPPLY SITUATION

Insignificant inflows were experienced in the Corporation's dams as a result of low rains during the reporting period rainy season which officially ended on the 31st of March 2015.

By the end of the rainy season, only two of the Corporation's nine dams, the Shashe and Nnywane Dams had filled to capacity. By the close of the reporting period the Gaborone Dam was at its lowest level ever, 3.0% compared to 15% at the same time the previous year. The dam had operationally failed in December 2014 when it reached 5%.

The failure of the Gaborone Dam rendered the Greater Gaborone area heavily reliant on the Letsibogo Dam via the North South Carrier Scheme I (NSCI). This had a significant impact on the levels of the Letsibogo Dam as the levels dropped to 61%, compared to 98% at the same time during the previous reporting period.

Groundwater

Botswana's groundwater supplies are limited due to low groundwater recharge over the years, mainly as a result of poor rains. This has led to groundwater mining in an effort to meet demand. Even though the country's groundwater resources are limited they still account for over 60 % of the country's water supply. As our groundwater resources are limited and susceptible to depletion and depreciation in quality as a result of over-abstraction it is necessary that efforts are made to monitor trends in both water quantity and quality. Groundwater depletion and quality deterioration is in most cases accompanied by the decline in borehole efficiencies and the subsequent drying-up of boreholes. To address this situation, during the reporting period the Corporation emphasized the principles of its groundwater Monitoring Framework in using its groundwater sources. The framework is a tool that guides the management and sustainable utilization of groundwater resources in accordance with the laws of Botswana.

Operational Highlights [continued]

The status of the dams as at 31st March 2015 compared to the same period in the previous reporting period:

DAM F.S.L F.S.C	GABORONE 141.4 MCM (998.05 m)		NNYWANE 2.3 MCM (1134.03m)		SHASHE 85.3 MCM (971.46m)		BOKAA 18.5 MCM (954.00m)		LETSIBOGO 100 MCM (848.8m)		NTIMBALE 26.5MCM (1103.50m)		LOTSANE 42.5MCM (853.00M)	
Financial Year	13/14	14/15	13/14	14/15	13/14	14/15	13/14	14/15	13/14	14/15	13/14	14/15	13/14	14/15
Cumulative Rainfall (mm)	466	272	344	419	668	458	377	218	483	381	714	317	500	64
Impoundment (MCM)	22.2	2.96	1.7	1.98	84.1	78.2	11.0	2.96	98	61.6	26.4	24.6	42.0	28.4
Percentage Full (%)	15.7	2.9	74.3	86	98.9	92	59.7	16.1	98	61.6	99.6	93	99.1	70.9

Groundwater Monitoring

During the review period, the Corporation strove to meet the requirements of the Water Resources Manager who is the Department of Water Affairs (DWA) by producing regular groundwater monitoring reports. The monitoring reports were based on abstraction data as well as water level data from monitoring boreholes.

During the reporting period the Corporation analyzed data and produced groundwater monitoring reports for Ramotswa and Kanye Wellfields. The key conclusions drawn from the analysis were that;

- Recommended hours of pumping were not observed as WUC struggled to meet the ever-increasing water demand.
- Recommended abstraction rates were also not observed in a quest to meet water demand.
- Groundwater levels were not monitored in most production boreholes due to malfunctioning telemetry and or the absence of dipper access tubing installations.

The Corporation has since come up with a Countrywide Comprehensive Assessment of the water and wastewater situation as well as the cost estimates for addressing the identified challenges. Funds permitting, the Corporation will identify and implement mitigating factors in the next review period.

Groundwater Resource Development

In a bid to augment water supply to the Greater Gaborone area and address the precarious water supply situation in the region, the Corporation embarked on a project to drill thirty-two boreholes in the Masama area during the year. The borehole drilling, test pumping and resource quantification components of the project are due for completion during the first quarter of the next review period. Once complete the project will inject 30 million litres of water a day into the NSCI to augment supply to the Greater Gaborone area.

Borehole Rehabilitation

During the review period the Corporation continued to engage the Department of Geological Survey and private contractors to clean boreholes experiencing a decline in output. Seven boreholes were rehabilitated in the Maun area and a borehole each in Ramotlabaki and Mahotshwane villages. By the close of the review period, the Corporation was in the process of setting up a borehole rehabilitation unit. A complete rig and support vehicles had already been acquired and the recruitment of staff was ongoing. The availability of the borehole rehabilitation unit in the Corporation will cut down on borehole management costs significantly.

NorthSouth Carrier Scheme I (NSC I)

Since the commissioning of the North South Carrier Scheme I (NSC I) in 2000, the scheme has been invaluable in augmenting water supply to the Greater Gaborone area. With regular droughts in this area over the years, the scheme has always been a lifeline for the Greater Gaborone area.

During the period under review the NSC I had reduced downtimes compared to the previous year. Equipment failure incidents were significantly reduced following the replacement of the 26 km Glass Reinforced Plastic (GRP) pipeline upstream of Palapye with steel. This is the section of the pipeline which in the past was susceptible to intermittent bursts resulting in increased downtimes of the pipeline.

Increased incidents of fibre optic cable vandalism on the pipeline's associated infrastructure were experienced during the year. The Corporation addressed public meetings in the affected areas on the dangers of tampering with the NSCI (as the water flows at high pressure which has a potential to cause fatalities). Over and above seeking support from community leadership and the general public on this, support was also sought from law enforcement agencies.

Water Losses

During the year under review, water losses as a percentage of system input volume went down from an average 30% the previous year to 28%. However the Corporation still considers this too high and continues to find ways to reduce the losses. Some initiatives which had been started in the previous reporting period to reduce the water losses were continued during the year. New initiateves were also introduced in a quest to reduce the losses to the internationally accepted 15% or below. These initiatives include the conversion of post-paid public standpipes to pre-paid standpipes. The introduction of pre-paid public standpipes will address the rampant wastage of water at these standpipes. Research has revealed that a large percentage of unaccounted for water is lost from public standpipes. By the end of the reporting period, the project to replace post-paid public standpipes with pre-paid public standpipes was 100% complete nationally. The Corporation also developed a Non-Revenue Water (NRW) framework. Through the framework, the Corporation was able to classify losses into apparent and real losses. The framework will also assist the Corporation in driving the leakage control strategy and inform the development of relevant interventions to curb the problem. Public education on water conservation and the need to report pipe bursts to WUC quickly were the subject of a campaign that ran during the year.

The tripartite project between the First National Bank of Botswana Foundation (FNBB), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the Water Utilities Corporation (WUC) which intends to reduce water losses in the Greater Gaborone area also commenced during the year under review. By the end of the project in December 2015, it is expected that 3.1 million litres of water would have been saved.

Wastewater Services

The optimisation of WUC wastewater treatment facilities to improve compliance to the BOS: 93 standard bore fruit in the preceding review period as the effluent discharged into the environment complied with the standard more often than not. However, isolated incidents of non-compliance were recorded during the year.

Operational Highlights [continued]

To control and monitor pollution by industries through the indiscriminate discharge of trade effluent into the sewer network, the Corporation continued to engage the relevant industries, workshop them and thereafter enter into Trade Effluent Agreements (TEA) with them. However, the companies' response was low, something that is attributable to the fact that most do not meet the set standards for effluent disposal. To identify those that do not meet the set standards for effluent disposal, the Corporation continued with its door-to-door inspections, advising them as to what corrective measures they could take.

The Corporation also embarked on a project to refurbish pump stations and incorporate the telemetry system to improve its pump stations' performance as well as its efforts to monitor all parameters as recommended by effluent standards. The project will be completed within the next review period. The Corporation will continue to educate and create awareness in these industries and regularly monitor their activities.

During the year, the Corporation embarked upon a project sponsored by the European Union to enhance capacity in the operation of wastewater infrastructure in Botswana. The project was borne out of a twinning arrangement between the City of Francistown and Genk in Belgium. Through this initiative, Aquafin Consultants from Belgium were engaged to implement the capacity building project. The project will be completed in May 2015.The Corporation intends to further continue the partnership with Aquafin to offer technical and organisational support in the operation and maintenance of wastewater treatment plants and associated infrastructure.

Customer Services

By the close of the reporting period the Corporation's customer base stood at 355 000, an 8 % increase from 330 000 during the previous reporting period. Billing for many areas improved during the year, with a significant number of areas having been billed up to March 2015 by the end of the review period. Billing efficiency stood at 93% against a targeted 98%. Most of the gaps in billing were attributable to data migration challenges. Some customers did not reflect on the Corporation's database due to the fact that their accounts had not yet been migrated from the former water authorities to WUC. Incomplete data for other customers also played a major role in bringing about these deviations in billing.

To address the problem, WUC intensified its data clean-up exercise and embarked on a campaign to encourage customers to sign water supply agreements with WUC or update their details regularly if they already have an agreement.

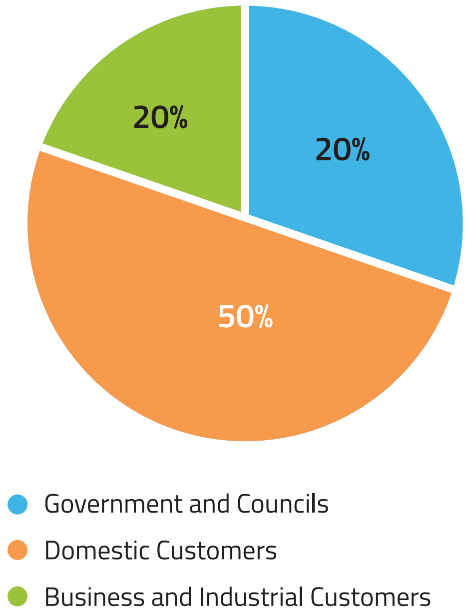
During the year, there was an insignificant decrease in the consumer debtors with money owed to the Corporation remaining around P300 million. Aggressive disconnection and collection campaigns were launched during the year in an effort to address this problem. All the 2478 plots that WUC discovered to never have been metered in the Nhabe area upon takeover were metered under a targeted initiative. These plots have now joined other plots and are paying the applicable water tariff in the area.

To target government debt, which remains one of the highest areas, the Corporation resolved to closely monitor government departments through their ministries and ensure relevant steps are taken to ensure they pay for their water consumption.

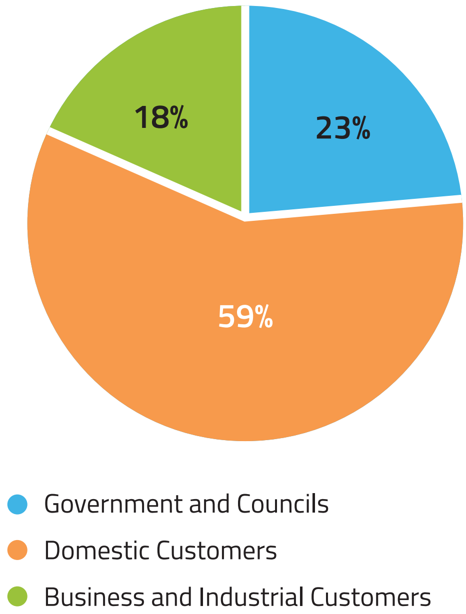
In addition to the Customer Service Centres opened in areas taken over under the reforms programme, the Corporation continued to explore other ways of making WUC services accessible to its customers.

Total Debt by Customer Category

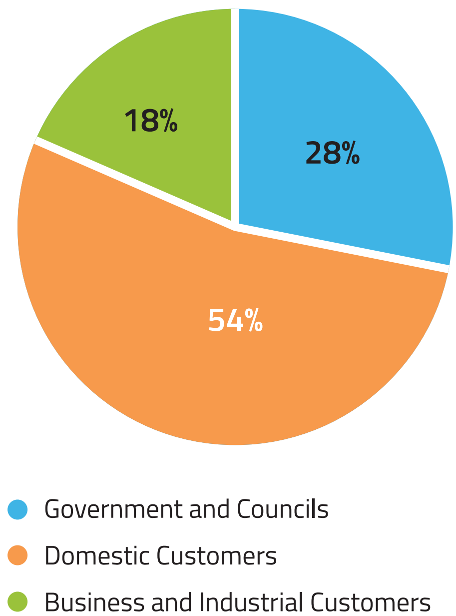
Q1 | 1ST APRIL 2014 - 30TH JUNE 2014



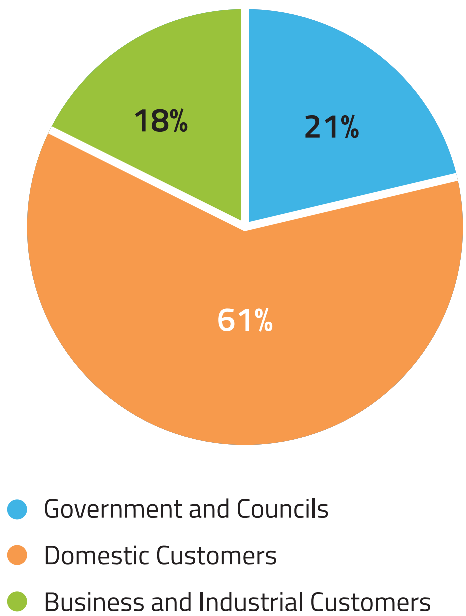
Q2 | 1ST JULY 2014 - 30TH SEPT 2014



Q3 | 1ST OCT 2014 - 31ST DEC 2014



Q4 | 1ST JAN 2015 - 31ST MARCH 2015



Operational Highlights [continued]

Alternative payment methods were increased from just post offices and a few banks to include electronic transfers, and additional banks offering WUC services. Mobile units also serviced remote areas. These initiatives helped reduce queues at WUC service centres and offered convenience to the customer. The methods also improved customer payments as significant collections were made through them.

During the previous review period the construction of sewer networks in several areas, including Gaborone's Self Help Housing Areas (SHAA), were completed and opened for customers to start connecting to the sewer network. The Corporation aims to use these projects to phase out pit latrines and septic tanks (especially in towns and cities), and promote accessibility to good sanitation for all. However, customer response to the Corporation's calls to connect to the sewer network has been disappointing. This has affected the operation of the sewer network as it is self-cleansing and hence needs significant numbers of connections to effectively do this.

Guided by its Communication and Stakeholder Management Strategy, during the review period WUC continued to use its Communication and Stakeholder Management Strategy to help it stay in touch with, and effectively manage its various stakeholders. Targeted initiatives were embarked upon to engage stakeholders at various levels: parliamentary, Ntlo ya Dikgosi, community leaders, government, the business community and general public, on issues of interest to them. Feedback received from these and other interactions were used to improve the service the Corporation offers to the various interest groups. The Corporation's website and Facebook page also continued to play a pivotal role in keeping WUC's customers abreast of developments in the Corporation.

Alternative Payment Methods: Payments Received – April 2014 - March 2015

Institution	Q1	Q2	Q3	Q4	Totals
Botswana Post	717,721.11	768,257.78	685,376.91	774,444	2,945,799
First National Bank of Botswana	12,822,819.20	12,904,344.38	13,612,250.04	12,194,470	51,533,883
Barclays Bank	199,993.34	306,355.74	801,376.71	911,666	2,219,391
Standard Chartered Bank	12,526.00	17,234.00	101,044.23	161,044	291,848
Electronic Funds Transfer	212,329,868.86	233,192,383.62	95,507,015.43	222,444,096	763,473,363
Quarter Totals	**226,082,928.51**	**247,188,575.52**	**110,707,063.32**	**236,485,722**	**820,464,289**

Safety Health Environment (SHE)

The Corporation is affiliated to the National Occupational Safety Association (NOSA) which emphasizes workplace safety. The system aims to reduce employee injury and illnesses and their related costs, including medical care, sick leave, disability benefit costs and other related aspects.During the review period, the Corporation carried out its activities in line with the NOSA 5 Star Integrated System.

Incidents

For the year under review, the Corporation obtained four stars under the NOSA rating. Sixty-seven (67) theft, property damage, insect and dog bites, chemical spillages, fire, near misses and off -the-job incidents were recorded during the reporting period. There were also one hundred and three (103) vehicle related accidents and sixty one (61) occupational safety incidents. The fatality rate for the year was 0.340. A disabling injury frequency rate (DIFR) of 1.02 was recorded from 24 disabling incidents.

Internal Audits

Two SHE Internal audits were conducted and an External audit in all the Corporation's operational areas nationwide. Each Management Centre was audited separately. Only one management centre, Selibe Phikwe, earned four stars. Overall the Corporation earned three stars.

Summary of the SHE External Audit Results

MANAGEMENT CENTRES	2013 EFFORT (%)	2014 EFFORT (%)	2013 (DIFR)	2014 (DIFR)	2013 NOSA STAR RATING	2014 NOSA STAR RATING
1. Lobatse	54.67	63.56	0.80	0.00	2	3
2. Kanye	61.87	68.75	2.34	0.91	2	3
3. Gaborone	62.93	65.94	2.16	1.15	3	3
4. Head office	73.92	67.63	1.05	0.00	3	3
5. Francistown	66.71	51.95	1.06	1.75	3	2
6. Masunga	63.29	66.10	1.34	1.01	3	3
7. Mochudi	60.17	72.90	1.18	1.96	2	3
8. Kasane	71.01	70.65	0.93	0.82	3	3
9. Selebi Phikwe	68.09	76.68	1.10	0.85	3	4
10. Palapye	68.25	69.87	0.48	0.00	3	3
11. Mahalapye	68.69	67.63	0.0	0.00	3	3
12. Serowe	55.17	70.39	2.23	0.75	2	3
13. Letlhakane	36.87	64.39	0	1.80	0	3
14. Molepolole	53.87	72.52	0.54	0.94	2	3
15. Tsabong	53.34	71.25	0.0	2.23	2	2
16. Ghanzi	66.88	70.39	8.14	2.35	0	2
17. Maun	Baseline	65.96	-	1.50	3	3
18. Mmamashia Main Laboratory	72.29	-	6.72	-	0	
19. North South Carrier Scheme	-	59.77	-	0.00	-	2
CORPORATION STAR RATING AVERAGE	61.67	67.83	1.34	1.03	3 Star	3 Star

Operational Highlights [continued]

ENVIRONMENT

Trade Effluent Agreements (TEA)

The failure by some industries to discharge acceptable quality water into the sewer network continued to affect the Corporation's performance in wastewater treatment. The quality of water discharged into the network by these industries made the Corporation fail to comply with the wastewater discharge limits of BOS 93:2012 as their water could not be effectively treated by the conventional wastewater facilities. To address this, the Corporation stepped up its efforts to ensure the business community signs Trade Effluent Agreements with the Corporation. These agreements bind the signatories to pre-treat their effluent before discharging it into the Corporation sewer system.

The Corporation held consultative workshops with the businesses, in conjunction with the Botswana Confederation of Commerce Industry and Manpower (BOCCIM) on this matter. The Corporation also engaged other stakeholders such as the Department of Environmental Affairs and the Department of Industrial Affairs to lobby them to make it a requirement for businesses to sign Trade Effluent Agreements at the time of inception of projects or renewal of trading licenses.

Cleaning of Service Boreholes

The project to clean oils and grease from boreholes as a preventative measure from groundwater sources pollution continued during the reporting period. Boreholes in four Management Centres, namely Mahalapye, Palapye, Mochudi and Selebi Phikwe, were cleaned under this project. Boreholes in Kanye, Ghanzi, Molepolole and Tsabong Management Centres were cleaned during the previous reporting period. The rest of the service boreholes will be cleaned in the next review period.

Training

To equip its staff with the necessary skills and knowledge to remain effective in the discharge of their duties, various SHE and other industry-related courses courses were conducted during the year.

The Corporation bowsing some communities without water.

Corporate Social Responsibility and Stakeholder Management

Stakeholder Management

In keeping with its Corporate Social Responsibility policy, the Corporation remained committed to cushioning the effects of its operations in the communities in which it operates. This was done through minimizing the Corporation's environmental footprint for all its projects, regardless of size.

The Corporation maintained a significant community presence guided by its Stakeholder Management Strategy. Customer consultations were undertaken at every level, through briefings to Parliament, Ntlo ya Dikgosi, community leaders, general kgotla meetings and various interest groups. The consultations were undertaken to promote and safe-guard the reputation of the Corporation.

The Corporation's water conservation campaign was taken to all corners of the country with door-to-door addresses, customer days, exhibitions, radio programmes, media conferences and information literature distribution amongst other initiatives. These interactions included tips and or demonstrations on how every water user can save water at individual, household and even community level.

Corporate Social Responsibility

In maintaining community presence in the areas in which it operates and in its quest to give back to the community WUC provides support to various cultural, environmental, charity and community organisations and events. During the review period a number of significant initiatives were undertaken, amongst them;

- Donation of a house to a destitute family in Letlhakane
- Donation of house user friendly house suitable for use by the disabled to a destitute family with a wheel chair bound son in Jackalas 2


WUC donating a house in Letlhakane

- Environmental clean-up exercises in several villages around the country
- Donation of clothes, groceries and toiletries to several families in Molepolole, Mochudi, Francistown and Lobatse

Anonymous Tip-Off Service

Introduced in the previous reporting period, staff used the service satisfactorily and some of the issues raised through this forum were further investigated by the Corporation and corrective action was taken where relevant. By the end of the reporting period, the Corporation was still working on the modalities of opening up the service to its suppliers and other stakeholders. This is to ensure that malpractices within all aspects of the Corporation's operations are reported. For transparency, objectivity and independence, the programme administration remained in the hands of an external firm.

Schools Programme

The Corporation's schools programme continued during the review period with over 100 schools hosted. The ever-popular Corporation mascot Thothi went a long way in engaging, educating and entertaining schoold children to disseminate the various Corporation messages, with emphasis on water conservation. The students were taken on dam and treatment plant and other WUC infrastructure tours, given lectures and allowed to explore the sites and interact with staff in the different professions. The Corporation conducted school visits to give water talks, promote water conservation and the need to look after the environment so as to safeguard our water sources. Following the takeover of wastewater management services by WUC, the Corporation has since introduced the wastewater mascot Kgopo. He was used to teach students the correct use of the sewer network as well as to drum up support for the move from pit latrines to waterborne toilets where services are available.

Our Employees

The Corporation is an equal opportunity organisation and the balance of male and female employees in the various professions in the Corporation is testimony to this. WUC's reward philosophy takes into cognisance that employment is not solely about competitive pay and benefits but also has to offer job satisfaction, individual growth and development as well as career progression opportunities.

There are various initiatives in the organisation aimed at achieving this for employees, amongst them a robust training strategy. Through its Employee Health and Total Wellness programme, the Corporation pays gym membership for employees in the interest of ensuring physical fitness and wellness for its employees. During the year, the Corporation developed an ill-health management policy and implemented it. The policy assisted in addressing cases of ill and incapacitated employees.

Through the policy, six employees were assessed and retired on medical grounds. Periodic job specific medical examinations were also conducted during the review period to ensure employees work in conducive environments as well as to mitigate any health problems that may be detected.

Some of the billboards used in the national water conservation campaign


BB96/0264/1
taps


CONTINENTAL
Water SAVING Tip
If its yellow let it mellow
If its brown flush it down
Flush the toilet ONLY when necessary

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 for the Corporation is to provide potable water supply and wastewater services in the whole country. The mandate was expanded in accordance with the 5 year Water Sector Reforms project that was implemented in May 2009 and was completed in April 2013.

MEMBERS OF THE BOARD

Matome T. Malema	
Obolokile T. Obakeng	
Godfrey B. Molefe	
Rachel Nekati	Resigned 24 March 2015
Zuma Chengeta	
Mercia B. Makgalemele	
John P. D. Phatshwe	
Galeitsiwe Ramokopane	
Noble Katse	

EXECUTIVE DIRECTORS

Godfrey Mudanga	Chief Executive Officer, Resigned 31 August 2014
Leonard B. Nxumalo	Chief Executive Officer, Appointed 01 December 2014
Nginani Mbayi	Resigned 30 June 2015
Taboka Muke	Finance Director
Harry B. Pheko	Resigned 30 June 2014
Matlhogonolo L. Mponang	Resigned 31 December 2014
Tsholofelo Bogosi	Internal Audit Director
Gaselemogwe Senai	Infrastructure Director
Meshack Balebetse	Resigned 30 June 2014
Enelys Shamakumba	Corporation Secretary

REGISTERED OFFICE

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

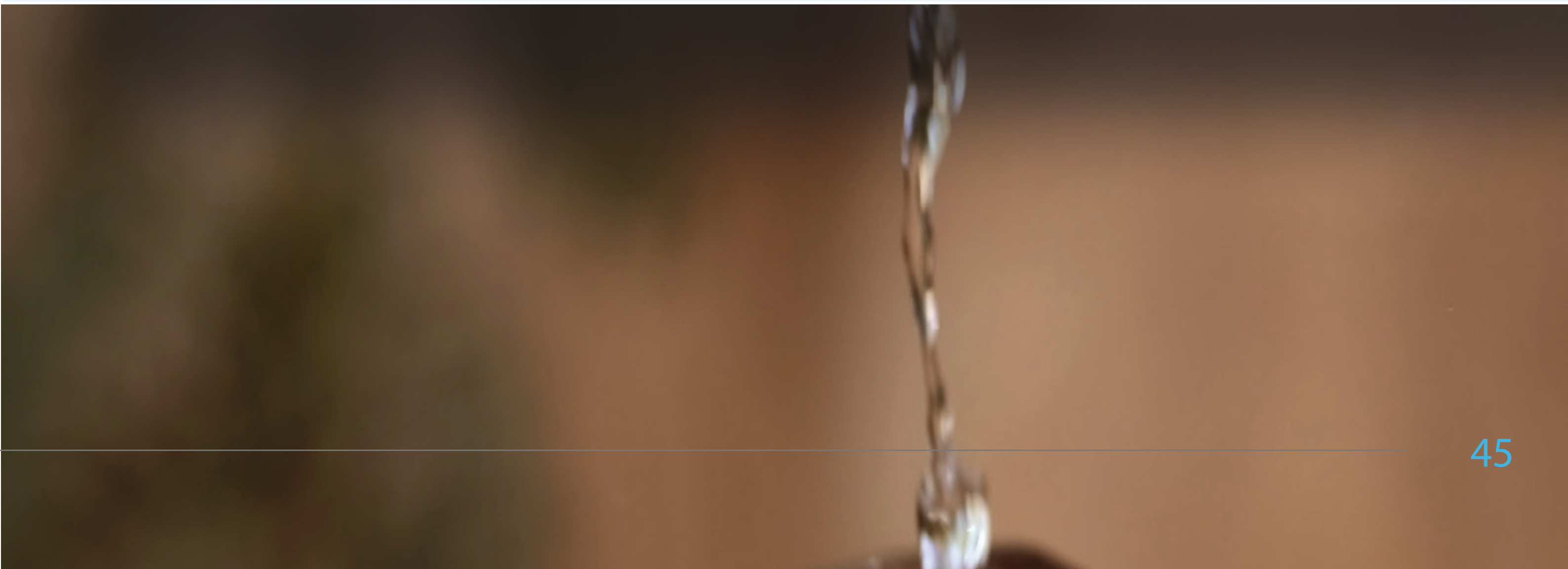
INDEPENDENT AUDITORS

Deloitte & Touche

INDEX TO THE
Annual Financial Statements

for the year ended 31 March 2015

The following statements are presented in compliance with the requirements of the Water Utilities Corporation Act (Chapter 74.02).



Statement of Responsibility by the Members of the Board

for the year ended 31 March 2015

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 2015, 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 external auditors are engaged to express an independent opinion on the financial statements.

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.

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 directors 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 reviewing and reporting on the Corporation's financial statements and their modified report is presented on pages 48 to 49.

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 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 50 to 83 which were approved on 25 September 2015 and signed on its behalf by:

....
Director

....
Director

PO Box 778
Gaborone
Bitswana

Deloitte & Touche
Assurance & Advisory Services
Chartered Accountants
Deloitte House
Plot 64518
Fairgrounds
Gaborone
Botswana

Tel: +267 395 1611
Fax: +267 397 3137
www.deloitte.com

Independent Auditor's Report

For the year ended 31 March 2015

TO THE MINISTER OF MINERALS, ENERGY AND WATER RESOURCES AND BOARD MEMBERS PURSUANT TO SECTION 25 OF THE WATER UTILITIES CORPORATION ACT (CHAPTER 74:02)

Report on the Financial Statements

We have audited the financial statements of Water Utilities Corporation, as set out on pages 50 to 83 which comprise the statement of financial position as at 31 March 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Corporation's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Water Utilities Corporation Act (Cap 74:02), and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conduct our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Water Utilities Corporation as at 31 March 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Water Utilities Corporation Act (Cap 74:02).

Emphasis of Matters

Without qualifying our opinion, we draw attention to the following matters:

Going Concern

The Corporation has incurred a loss for the year of P370 282 000 (2014:P346 559 000). This condition indicates the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. As indicated in Note 25 of these financial statements, the Government of the Republic of Botswana has committed to provide ongoing financial support in the future.

Property without Title Deeds

We draw attention to note 4 of the financial statements, which states that title to the land and buildings acquired by the Corporation from the Department of Water Affairs and the Ministry of Local Government under the Water Sector Reforms Project has not yet been transferred to the Corporation. The Corporation anticipates the title to the assets to be transferred in due course.

Supplementary information

Without qualifying our opinion we report the following:

Report on Other Legal and Regulatory Requirements

In accordance with Section 25 of the Water Utilities Corporation Act (Chapter 74:02), we confirm that:

- The Corporation has kept proper books of account with which the financial statements are in agreement.
- We have received all the information and explanations necessary for the performance of our audit.
- The Corporation has complied with all the financial provisions of the Water Utilities Corporation Act (Chapter 74:02) except for the matter referred to below.

As set out in Note 26 to the financial statements, the Corporation has not 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 P370 282 000 (2014: P346 559 000) for the year was incurred.

Deloitte + Touche

Deloitte & Touche
Certified Auditors

25 September 2015
Gaborone

Practicing Member:
P. Naik (19900296)

Deloitte.

Statement of Comprehensive Income

for the year ended 31 March 2015

	Notes	2015 P'000	2014 P'000
Revenue		1,006,744	948,061
Other income		14,648	25,297
Revenue grant amortisation	13	1,188	-
		15,836	25,297
Operating expenses			
Water treatment and distribution expenses		(764,894)	(740,840)
Administration and other expenses		(357,301)	(335,560)
Depreciation and amortisation		(220,211)	(224,276)
Total operating expenses		(1,342,406)	(1,300,676)
Operating loss	1	(319,826)	(327,318)
Finance income	3	3,218	16,764
Finance costs	3	(50,418)	(50,467)
Loss for the year		(367,026)	(361,021)
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit and loss:			
Net actuarial (loss)/gain recognised on the defined benefit plan		(3,256)	14,462
Total comprehensive loss for the year		(370,282)	(346,559)

Statement of Financial Position

as at 31 March 2015

	Notes	2015 P'000	2014 P'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	5,432,677	5,032,246
Intangible assets	5	8,215	8,559
Development expenditure	6	632,679	771,755
		6,073,571	5,812,560
Current assets			
Inventories	7	40,502	39,545
Trade and other receivables	8	134,220	265,256
Cash and cash equivalents	10	96,775	173,575
		271,497	478,376
Total assets		6,345,068	6,290,936
EQUITY AND LIABILITIES			
Capital and reserves			
Irredeemable capital	11	752,738	752,738
Government contribution - Water Sector Reforms	12	4,111,103	4,109,124
Revenue grant	13	-	1,188
Capital grant - Emergency/drought projects	14	476,441	112,000
Interest subsidy reserve	23	13,789	12,493
Retained earnings		76,568	448,146
		5,430,639	5,435,689
Non-current liabilities			
Borrowings	15	400,874	480,494
Consumer deposits		20,543	23,163
Retirement benefit obligation	21	-	1,351
		421,417	505,008
Current liabilities			
Borrowings	15	89,822	29,954
Trade and other payables	16	403,190	320,285
		493,012	350,239
Total liabilities		914,429	855,247
Total equity and liabilities		6,345,068	6,290,936

Statement of Changes in Equity

for the year ended 31 March 2015

	Notes	Irredeemable capital P'000	Government contribution P'000	Revenue grant P'000	Capital grant P'000	Interest Subsidy Reserve P'000	Retained earnings P'000	Total P'000
Balance at 31 March 2013		752,738	3,621,559	-	-	10,984	796,214	5,181,495
Government contributions received	12,13,14	-	487,565	1,188	112,000	-	-	600,753
Total comprehensive loss for the year	28	-	-	-	-	-	(346,559)	(346,559)
Transfer to interest subsidy reserve	23	-	-	-	-	1,509	(1,509)	-
Balance at 31 March 2014		752,738	4,109,124	1,188	112,000	12,493	448,146	5,435,689
Government contributions received	12,14	-	1,979	-	374,307	-	-	376,286
Amortisation of revenue grant	13	-	-	(1,188)	-	-	-	(1,188)
Amortisation of capital grant	14	-	-		(9,866)	-	-	(9,866)
Total comprehensive loss for the year		-	-		-	-	(370,282)	(370,282)
Transfer to interest subsidy reserve	22	-	-	-	-	1,296	(1,296)	-
Balance at 31 March 2015		752,738	4,111,103	-	476,441	13,789	76,568	5,430,639

Statement of Cash Flows

For the year ended 31 March 2015

	Notes	2015 P'000	2014 P'000
Cash flows from operating activities	18	114,134	21,636
Cash flows used in investing activities			
Development expenditure incurred	6	(434,702)	(260,916)
Proceeds on sale of property, plant and equipment		10,059	1,596
Purchase of property, plant and equipment and intangible assets	4,5	(68,269)	(46,496)
Interest received	3	3,218	16,764
Net cash used in investing activities		(489,694)	(289,052)
Cash flows from financing activities			
Interest paid	3	(50,418)	(50,467)
Repayment of long-term borrowings	15	(21,015)	(33,473)
(Decrease)/increase in consumer deposits		(2,620)	1,342
(Decrease)/increase in retirement benefit liability		(1,351)	(20,260)
Cash grants received from Government - Revenue grant	13	-	1,188
Cash grants received from Government - Capital grant	14	374,307	112,000
Assets transferred in terms of Water Sector Reforms		(143)	2,246
Net cash from financing activities		298,760	12,576
Net decrease in cash and cash equivalents		(76,800)	(254,840)
Cash and cash equivalents at beginning of the year		173,575	428,415
Cash and cash equivalents at end of the year	10	96,775	173,575

Significant Accounting Policies

For the year ended 31 March 2015

1. General Information

The Corporation has been established under the Water Utilities Corporation Act (CAP 74:02). The Corporation provides water supply and waste water services throughout Botswana.

2. Summary of principal accounting policies

The principal accounting policies applied by the Corporation in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 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 with the exception of certain property, plant and equipment that are carried at their fair values and are presented in Pula (P). Historical cost is generally based on the fair value of the consideration given in exchange of the assets.

Adoption of new and revised standards

(a) Standards adopted

New/Revised International Financial Reporting Standard	Effective date
IFRS 10 - Consolidated Financial Statements	1 January 2014
IFRS 12 - Disclosure of Interests in Other Entities	1 January 2014
IAS 27 - Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011)	1 January 2014
IAS 32 - Financial Instruments: Presentation	1 January 2014
IAS 36 - Impairment of Assets	1 January 2014
IFRIC 21 - Levies (recognition of liability for levies imposed by a Government in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets)	1 January 2014

The above new and revised standards were adopted during the year ended 31 March 2015.

Adoption of these standards and interpretations has not had any impact on the financial statements of the Corporation.

(b) Standards and Interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the following standards and interpretation were issued but not yet effective:

New/Revised International Financial Reporting Standards	Effective date
IFRS 7 - Financial Instruments: Disclosures (Government loans)	1 January 2015
IFRS 7 - Financial Instruments: Disclosures (initial application of IFRS 9)	1 January 2015
IFRS 9 - Financial Instruments: Classification and measurement	1 January 2015
IFRS 9 - Financial Instruments: Financial liabilities and derecognition	1 January 2015

New/Revised International Financial Reporting Standards	Effective date
IFRS 9 - Financial Instruments : Disclosure (amendment to transition)	1 January 2015
IFRS 11 - Joint Arrangements	1 January 2016
IFRS 14 - Regulatory Deferral Accounts	1 January 2016
IFRS 15 - Revenue from Contracts with Customers	1 January 2018
IAS 16 (amended) - Property, Plant and Equipment	1 January 2016

The Corporation will evaluate the effect of all the new standards, amendments and interpretations that are in issue for adoption in the applicable periods.

2.2 Property, plant and equipment

Property, plant and equipment comprises mainly land, dams and buildings, distribution systems, plant and machinery, vehicles and equipment. 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.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Property plant and equipment transferred to the Corporation in terms of the Water Sector Reforms is accounted for at valuation on the depreciated replacement cost basis.

Freehold land is not depreciated and leasehold land is depreciated over the lease period. Depreciation on other assets is calculated on the straight-line method to write off the depreciable cost (acquisition cost less residual value) of each asset over their estimated useful lives (in years) as follows:

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within 'Other Income' in the statement of comprehensive income.

Development expenditure is depreciated from the date of commissioning.

The amount of the cost of property, plant and equipment financed by Government is set off against the advances from Government on these projects and depreciation is charged on the net amount. The amount of the cost of property, plant and equipment financed by private consumers is capitalised and depreciated over the expected useful lives of these assets. The amount received from consumers is recognised as deferred income and amortised over the expected useful life of the related assets.

Significant Accounting Policies [continued]

For the year ended 31 March 2015

2.3 Computer software development costs

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (five years).

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

However, costs that are directly associated with identifiable and unique software products controlled by the Corporation and have probable economic benefit exceeding the cost beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Computer software development costs recognised as intangible assets are amortised using the straight-line method over their useful lives, not exceeding a period of five years. Amortisation is recognised in the statement of comprehensive income.

2.4 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 are reviewed for possible reversal of impairment at each reporting date.

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

2.5 Leases

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 statement of comprehensive income 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.

2.5 Leases [continued]

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

2.6 Dividend distribution

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.

2.7 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. Cost includes the purchase price and all of the direct costs incurred in bringing the products to their present location and condition. Provision is made for obsolete, slow moving and defective inventories.

2.8 Revenue recognition

Revenue comprises invoiced value of water sales to customers, customers' new connection and reconnection fees net of value added tax. Revenue from sale of water is recognised when consumers' water consumption has been metered and the consumer accounts billed on an accrual basis.

Connection and reconnection fees are recognised when service is provided.

Interest income is recognised on a time proportion basis using the effective interest method.

2.9 Trade receivables

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

A provision for impairment of trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowable account, and the amount of the loss is recognised in the statement of comprehensive income within 'administration and other expenses'. When a trade receivable is uncollectible, it is written off against the allowable account for trade receivables. Subsequent recoveries of the amounts previously written off are credited against 'administration and other expenses' in the statement of comprehensive income.

Significant Accounting Policies [continued]

For the year ended 31 March 2015

2.10 Foreign currency translation

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, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2.11 Employee benefits

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income.
- Remeasurement.

The Corporation presents the first two components of defined benefit costs in profit or loss in the line item administration and other expenses. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the Corporation's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans. A liability for a termination benefit is recognised at the earlier of when the Corporation can no longer withdraw the offer of the termination benefit and when the Corporation recognises any related restructuring costs.

2.12 Borrowings

Borrowings are recognised initially at proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method.

Borrowings obtained from the Debt Participation Capital Funding Limited (DPCFL) and Government borrowings at rates below the ruling market rates are originally recorded at amortised cost, 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 difference between the borrowing received and the amortised cost is recognised as income when the borrowing is received, and unwinds to interest expense over the period of the loan based on the effective interest rate yield curve.

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. Development expenditure is depreciated from the date of commissioning.

2.13 Assets financed by consumer capital contributions

Contributions by Government in respect of capital works on extensions to the reticulation systems are set off against the related expenditure upon completion of the work. While such work is in progress, the costs incurred are carried forward under development expenditure and the respective contributions from the government are shown as a liability. The contributions by consumers other than government are classified as deferred income and amortised over the expected useful lives of the related assets.

2.14 Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Employee entitlements to annual leave and contractual gratuities are recognised when they accrue to employees as a result of services rendered by employees up to the statement of financial position date.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Significant Accounting Policies [continued]

For the year ended 31 March 2015

2.15 Financial Instruments

Initial recognition

The Corporation classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

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

(a) Financial assets

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables 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.

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at current and call accounts with banks and other short term highly liquid investments net of bank overdrafts.

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 cash 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.

Impairment of financial assets

'Loans and receivables' are assessed for indicator of impairment at each statement of financial date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For 'Loans and receivables' objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the consumer will enter bankruptcy or financial re-organisation.

Impairment of financial assets [continued]

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience of collecting payments, and increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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.

De-recognition of financial assets

The Corporation de-recognises a financial asset only when the contractual right to the cash flows from the asset expire; or it transfers the financial asset 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.

Significant Accounting Policies [continued]

For the year ended 31 March 2015

2.15 Financial Instruments [continued]

(b) Financial liabilities and equity instruments

Classification as debt or equity

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

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.

Cash contribution received from the Government of Botswana are recorded at the proceeds received and assets transferred in terms of the Water Sector Reforms are recorded at fair value at transfer date. The fair value of property, plant and equipment is determined on the depreciated replacement cost basis.

Financial liabilities

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities 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.

De-recognition of financial liabilities

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

2.16 Trade payables

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

2.17 Related party transactions

Related parties comprise Executive Management and Members of the Board.

Transactions with related parties are in the normal course of business and are conducted on an arm's length basis.

2.18 Government grants

Government grants are not recognised until there is reasonable assurance that the Corporation will comply with conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Corporation should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of related assets.

2.18 Government grants [continued]

Government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Corporation with no future related costs are recognised in profit or loss in the period in which they become receivable.

2.19 Critical accounting estimates and assumptions

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

Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of events that are believed to be reasonable under the circumstances.

a) Determination of useful lives and residual values of property, plant and equipment

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

b) Impairment loss on trade receivables

The Corporation reviews its debtors to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Corporation makes judgements as to whether there is any observable data indicating that there is a measurable decrease in estimated cash flows from a portfolio of debtors. Management uses estimates based on historical loss experience of assets. The assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

c) Retirement benefit asset

The amounts recognised in the statement of financial position have been determined based on a valuation performed at 31 March 2015 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 21 to the financial statements.

d) Provision for slow moving or obsolete inventory

Management's estimate of slow moving or obsolete inventory is based on the movement of inventory and general condition of inventory items as the Corporation does not hold inventory for resale, but for use in its operations. The provision for obsolescence is based on the physical review of inventory items by management.

Significant Accounting Policies [continued]

For the year ended 31 March 2015

2.19 Critical accounting estimates and assumptions [continued]

e) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Corporation takes into account the characteristics of the asset or liability if the market participants would take those characteristics into account when pricing that asset or liability at the measurement date.

Fair value measurement and/or disclosure purposes in these financial statements is determined on such basis, except for leasing transactions within the scope of IAS 17-Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2-Inventories or value in use in IAS 36-Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and significance of the inputs to the fair value measurements in its entirety which are described as follows:

Level 1: Inputs are quoted prices (unadjusted) in active market for identical assets or liabilities that the Corporation can access at the measurement date;

Level 2: Inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (that is, derived from prices); and

Level 3: Inputs for are unobservable inputs for the asset or liability.

Notes to the Financial Statements

For the year ended 31 March 2015

		2015 P'000	2014 P'000
1. Operating deficit			
The following items have been included in arriving at the operating deficit:			
Auditor`s remuneration	- current year	1,200	2,050
	- prior year	-	1,045
Depreciation of property, plant and equipment (note 4)		229,733	221,161
Amortisation of capital grant (note 14)		(9,866)	-
Amortisation of intangible assets (note 5)		344	3,115
Increase in accounts receivable impairment provision (note 8)		38,020	2,948
Board members' fees (note 22)		233	249
Operating lease rentals - property		9,049	8,018
Remuneration - executive management		10,752	9,670
Foreign exchange gains		(2,190)	(4,241)
2. Staff Costs			
Salaries and wages		563,702	586,169
Pension costs	- defined benefit scheme (note 21)	780	1,222
	- defined contribution scheme	40,381	40,697
Terminal benefits		2,879	2,766
Medical aid		34,009	32,730
Other (leave travel concession, recruitment)		1,439	2,456
		643,190	666,040
3. Finance income/costs			
Finance income			
Interest on deposits and short term investments		3,218	16,764
Finance costs			
▪ Government of Botswana loans		5,038	7,663
▪ DPCFL borrowings		2,366	3,417
▪ Foreign bank loans		516	2,082
▪ Bank overdraft		-	3
▪ DMTN Bond		42,498	42,498
Foreign exchange transaction gains		-	(5,196)
		50,418	50,467

Notes to the Financial Statements [continued]

For the year ended 31 March 2015

	Land, dams and buildings P'000	Distribution systems, plant and machinery P'000	Vehicles and equipment P'000	Total P'000
4. Property, plant and equipment				
COST OR VALUATION				
Balance as at 1 April 2013	1,663,554	3,804,190	283,307	5,751,051
Additions	7,919	4,958	33,349	46,226
Transfer from development expenditure (note 6)	67,429	42,871	4,727	115,027
Acquired in terms of Water Sector Reforms (note 12)	132,604	357,254	7,786	497,644
Grant adjustment	-	-	(12,325)	(12,325)
Disposals	-	-	(3,678)	(3,678)
Balance as at 31 March 2014	1,871,506	4,209,273	313,166	6,393,945
Additions	3,523	7,435	57,311	68,269
Transfer from development expenditure (note 6)	4,075	556,771	12,932	573,778
Acquired in terms of Water Sector Reforms (note 12)	-	-	2,122	2,122
Disposals	(138)	-	(28,501)	(28,639)
Re-classification	512,372	(608,635)	96,263	-
Balance at 31 March 2015	2,391,338	4,164,844	453,293	7,009,475
ACCUMULATED DEPRECIATION				
Balance at 1 April 2013	302,091	744,128	95,975	1,142,194
Depreciation charge	63,962	122,091	35,108	221,161
Disposals	-	-	(1,656)	(1,656)
Balance at 31 March 2014	366,053	866,219	129,427	1,361,699
Depreciation charge	65,314	121,183	43,236	229,733
Disposals	(26)	-	(14,608)	(14,634)
Re-classification	36,465	(57,030)	20,565	-
Balance at 31 March 2015	467,806	930,372	178,620	1,576,798
Carrying amount at 31 March 2014	1,505,453	3,343,054	183,739	5,032,246
Carrying amount at 31 March 2015	1,923,532	3,234,472	274,673	5,432,677

4. Property, plant and equipment [continued]

In terms of the Water Sector Reforms the Corporation acquired property, plant and equipment and other assets from the Department of Water Affairs and Ministry of Local Government.

The value of the land, dams, buildings, distribution systems, plant, machinery, vehicles and equipment includes assets relating to Phase I to VI of the Water Sector Reforms transferred to the Corporation between May 2010 and 31 March 2014. These assets were independently valued by professionally qualified valuers namely CB RealReach, who are members of the Real Estate Institute of Botswana.

The fair value of land was determined based on the open market value approach that reflects recent transaction prices of similar transactions. The fair values of dams, buildings, distribution systems, plant, machinery, vehicles and equipment assets was determined using the replacement cost approach which reflects the cost to the market participant to construct assets of a comparable utility and age, adjusted for obsolescence.

Details of the Corporation's land, dams, buildings, distribution systems, plant, machinery, vehicles and equipment and information about the fair value as at 31 March 2015 is as follows:

	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
Land, dams and buildings	-	-	1,292,621	1,292,621
Distribution systems, plant and machinery	-	-	1,852,543	1,852,543
Vehicles and equipment			96,687	96,687

The title to all the land and buildings taken over under the Water Sector Reforms has not yet been transferred to the Corporation. The Corporation anticipates the title to the assets to be transferred in due course.

Notes to the Financial Statements [continued]

For the year ended 31 March 2015

	2015 P'000	2014 P'000
5. Intangible assets		
Computer software development costs		
COST		
Balance at beginning of the year	26,527	26,257
Additions	–	270
Balance at end of the year	26,527	26,527
AMORTISATION		
Balance at beginning of the year	17,968	14,853
Amortisation	344	3,115
Balance at end of the year	18,312	17,968
Carrying amount at 31 March 2015	8,215	8,559
6. Development expenditure		
Balance at beginning of the year	771,755	625,866
Contract costs incurred during the year	434,702	260,916
Contract costs capitalised during the year (note 4)	(573,778)	(115,027)
Balance at end of the year	632,679	771,755
7. Inventories		
Chemicals	314	431
Spares and consumables	42,604	40,344
Provision for obsolete inventories	(2,416)	(1,230)
Balance at end of the year	40,502	39,545

The cost of inventories recognised as an expense during the year was P57 266 000 (2014: P57 291 000).

Movement in the provision for obsolete inventories	2015 P'000	2014 P'000
Balance at beginning of the year	1,230	410
Utilised during the year	(25)	(160)
Allowance made during the year	1,211	980
Balance at end of the year	2,416	1,230

	2015 P'000	2014 P'000
8. Trade and other receivables		
Trade receivables	307,559	402,690
Less provision for impairment of receivables	(185,294)	(157,576)
	122,265	245,114
Prepayment	7,470	9,197
Other receivables	4,485	10,945
Balance at end of the year	134,220	265,256
All receivables were reviewed for impairment. As at 31 March 2015, trade receivables of P54 617 000 (2014: P164 533 000) were past due but not impaired. The age analysis of these trade receivables is as follows:		
Up to 3 months	41,432	134,228
3 - 6 months	13,185	30,305
	54,617	164,533
As at 31 March 2015, trade receivables of P185 294 000 (2014: P157 576 000) were impaired and provided for. The movements on the provision for impairment of trade receivables are as follows:		
Balance at beginning of the year	157,576	151,112
Bad debts written off	(10,302)	-
Increase in impairment provision - statement of comprehensive income	38,020	2,948
Net increase in impairment provision - grant account (note 12)	-	3,516
Balance at end of the year	185,294	157,576

The raising and release of provision for impaired receivables have been included in the 'trade receivables - impairment charge for bad and doubtful debts' in the statement of comprehensive income. Amounts charged to the allowable account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Corporation does not hold any collateral as security except for connection deposits.

Except for the total amount owed by the Government of the Republic of Botswana (note 22), there are no individual customers with a balance representing 5% or more of the total receivable balance as at year end.

Notes to the Financial Statements [continued]

For the year ended 31 March 2015

		2015 P'000	2014 P'000
9. Analysis of financial instruments			
Financial instruments by category			
Receivables			
Trade and other receivables (excluding prepayments)		126,149	254,764
Cash and cash equivalents		96,775	173,575
		222,924	428,339
Other financial liabilities			
Borrowings		490,696	510,448
Trade and other payables (excluding VAT and payroll accruals)		323,570	244,596
		814,266	755,044

There were no liabilities at fair value through the profit and loss, derivatives used for hedging, or available-for-sale financial instruments as at year end.

	Interest rate	2015 P'000	2014 P'000
10. Cash and cash equivalents			
Cash and cash equivalents comprise:	Interest rate		
Current and call accounts		95,491	86,235
Short-term investments			
▪ Pula	4.50%	1,284	51,226
▪ Rand	5.40%	-	21,104
▪ US dollar	2.00%	-	15,010
		96,775	173,575
Comprising:			
▪ Pula		96,775	137,461
▪ Rand		-	21,104
▪ US dollar		-	15,010
Money Market Fund		96,775	173,575

Cash and cash equivalents includes an amount of P13 789 000 (2014: P12 493 000) relating to European Investment Bank "(EIB)" interest subsidy reserve, the use of which is restricted to "Water Sector Building" projects as set out in note 23.

		2015 P'000	2014 P'000
11. Irredeemable capital			
Balance at beginning and end of the year		752,738	752,738
12. Government contribution - Water Sector Reforms			
Balance at beginning of the year		4,109,124	3,621,559
Received during the year:	Property, plant and equipment (note 4)	2,122	497,644
	Other assets	-	5,762
	Grant adjustment	(143)	(12,325)
	Provision for bad debts	-	(3,516)
Balance at end of the year		4,111,103	4,109,124
13. Revenue grant			
Balance at beginning of the year		1,188	-
Cash grant received during the year		-	1,188
Amortisation		(1,188)	-
Balance at end of the year		-	1,188
14. Capital grant - Emergency/drought projects			
Balance at the beginning of the year		112,000	-
Received during the year		374,307	112,000
Amortisation of grant		(9,866)	-
Balance at the end of year		476,441	112,000

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.

Notes to the Financial Statements [continued]

For the year ended 31 March 2015

	2015 P'000	2014 P'000
15. Borrowings		
Current borrowings		
Foreign borrowings	53,691	6,832
Government borrowings	33,669	19,713
DPCFL borrowings	2,462	3,409
	89,822	29,954
Non current borrowings		
Foreign borrowings	-	54,585
Government borrowings	-	22,571
DPCFL borrowings	874	3,338
DMTN Bond	400,000	400,000
	400,874	480,494
Total Borrowings	490,696	510,448

Foreign borrowings are secured by guarantees issued by Government. Government borrowings and Debt Participation and Capital Funding Limited (DPCFL) borrowings are unsecured. The Domestic Medium Term Note (DMTN) Bond is unsecured.

Total balance for loan 45 of P53 691 000 obtained from the European Investment Bank (EIB) is disclosed as current borrowings. The Corporation did not maintain a debt service coverage ratio which is above 1.5:1 as required by EIB. This is a breach of the loan agreement and could result in the loan being recalled.

Maturity of non current borrowings	2015 P'000	2014 P'000
Between 1 and 2 years	874	13,287
Between 2 and 5 years	195,000	277,487
Over 5 years	205,000	189,720
	400,874	480,494

Foreign borrowings	Denomination	2015 P'000	2014 P'000
Loan 45 EIB	ZAR	63,747	71,716

15. Borrowings [continued]

Loan Number	% rates of interest p.a.	Period of repayment	Balance at 1 April 2014 P'000	Interest unwinding for the year P'000	Adjustments for currency variations P'000	Repaid during the year P'000	Balance at 31 March 2015 P'000
Foreign Loans direct to the Corporation							
45-EIB	8-12	2008-2023	61,417	-	(1,103)	(6,623)	53,691
Foreign loans on-lent by Government							
42-EIB	8	1997-2022	42,284	2,055	-	(10,670)	33,669
DPCFL Loans							
35	7.5	1992-2014	635	21	-	(656)	-
36	8	1993-2015	2,158	119	-	(1,504)	773
37	9.5	1993-2016	3,954	171	-	(1,562)	2,563
			6,747	311	-	(3,722)	3,336
DMTN Bond							
WUC001	10.65	2008-2018	195,000	-	-	-	195,000
WUC002	10.6	2008-2026	205,000	-	-	-	205,000
			400,000	-	-	-	400,000
TOTAL LOANS			510,448	2,366	(1,103)	(21,015)	490,696

Notes to the Financial Statements [continued]

For the year ended 31 March 2015

	2015 P'000	2014 P'000
16. Trade and other payables		
Trade creditors	224,553	164,477
Interest accrued on borrowings	12,434	12,363
Value added tax	(7,702)	(5,625)
Payroll accruals	80,330	76,261
Other payables and accruals	93,575	72,809
	403,190	320,285

17. Dividend payable

Section 19 of the Water Utilities Corporation Act (Chapter 74:02), requires the Corporation to pay annually, a dividend of 25% of the surplus for the year, excluding revenue grant. No dividend has been declared for the year ended 31 March 2015 (2014: PNil) as the Corporation reported a loss for the year of P370 282 000 (2014: P346 559 000).

18. Cash flows from operating activities

	2015 P'000	2014 P'000
Total comprehensive loss for the year	(370,282)	(346,559)
Adjustment for		
Amortisation of Water Sector Reforms revenue grant (note 13)	(1,188)	-
Depreciation and amortisation expense	230,077	224,276
Amortisation of grant	(9,866)	-
Finance income	(3,218)	(16,764)
Finance costs	50,418	50,467
Loss on sale of assets	3,946	426
Foreign exchange translation profit and interest unwind	1,263	(1,779)
	(98,850)	(89,933)
Changes in working capital		
Increase in inventories	(957)	(6,047)
Decrease in trade and other receivables	131,036	27,549
Increase in trade and other payables	82,905	90,067
	212,984	111,569
Cash from operating activities	114,134	21,636

	2015 P'000	2014 P'000
19. Commitments		
Operating lease commitments		
The future minimum lease payments under non-cancellable operating leases are as follows:		
Due within one year	8,794	9,393
Due after one year	5,874	13,213
	14,668	22,606
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	694,953	817,182
Approved but not yet contracted for	43,637	137,085
	738,590	954,267

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.

20. Contingent liabilities

a) The Corporation has guaranteed the obligations of its employees under the motor vehicle, motor cycle and bicycle guarantee scheme up to a total of P25 million (2014: P25 million). The scheme is operated through Wesbank (a Division of First National Bank of Botswana Limited).

b) The Corporation has guaranteed the obligations of its employees under the residential property and personal loans scheme up to a total of P15 million (2014: P15 million). The schemes are operated through Barclays Bank of Botswana Limited and First National Bank of Botswana Limited respectively.

c) The Corporation has no material obligations (2014: PNil) in respect of litigation matters, which existed at the financial year end.

Notes to the Financial Statements [continued]

For the year ended 31 March 2015

21.Retirement benefit liability

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 P40 381 000 (2014: P40 697 000) 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 most recent actuarial valuation of the defined benefit plan was performed at 31 March 2015 by AON Hewitt South Africa. The results of the valuation are as follows:

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

	2015 P'000	2014 P'000
Present value of defined benefit obligation	(43,477)	(60,942)
Fair value of plan assets	49,610	59,591
Paragraph 64 limit	(6,133)	-
Net liability arising from defined benefit obligation	-	(1,351)

	2015 P'000	2014 P'000
21. Retirement benefit assets [continued]		
Amounts recognised in profit or loss in respect of the defined benefit plan are as follows:		
Current service cost	1,186	2,275
Gain on settlement	(5,290)	(7,500)
Interest on obligation	3,573	5,947
Interest income on plan assets	(3,296)	(5,298)
	(3,827)	(4,576)
Amounts recognised in other comprehensive income in respect of the defined benefit plan are as follows:		
Net actuarial loss/(gain) recognised in the year	3,256	(14,462)
Movements in the present value of the defined benefit obligations in the current period were as follows:		
Opening defined benefit obligation	60,942	79,640
Current service cost	1,186	2,275
Interest cost	3,573	5,947
Benefits paid	(2,519)	(3,538)
Actuarial losses	(6,669)	(11,457)
Liabilities extinguished on settlements	(13,036)	(11,925)
Closing defined benefit obligation	43,477	60,942
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	59,591	58,029
Expected return on assets	3,296	5,298
Contributions	780	1,222
Benefits paid	(2,519)	(3,538)
Actuarial gains	1,498	10,505
Assets distributed on settlement	(13,036)	(11,925)
Closing fair value of plan assets	49,610	59,591
Asset/(obligation)	6,133	(1,351)
Asset not recognised	(6,133)	-
Obligation in the statement of financial position	-	(1,351)

Notes to the Financial Statements [continued]

For the year ended 31 March 2015

	2015 P'000	2014 P'000
21. Retirement benefit assets [continued]		
The principal actuarial assumptions used are as follows:		
Discount rate	6.2%	6.3%
Expected return on plan assets	6.2%	6.3%
Future salary increases	5.8%	5.9%
Future pension increases	4.0%	4.1%
The major categories of plan assets, and the expected rate of return at reporting date for each category, are as follows:		
Equity	419,421	346,645
Bonds	114,901	109,050
Cash	33,486	20,400
Property	8,624	6,387
Other	7,635	6,630
Net current assets	2,983	3,229
Total assets	587,050	492,341
The assets in respect of the defined benefit portion were estimated by deducting the total liabilities of the defined contribution portion from the total assets of the fund as shown below		
Total fund assets as at 31 March 2015	587,049	492,341
Liabilities in respect of defined contribution portion		
▪ Active members` fund credits	(459,712)	(363,017)
▪ Deferred members` benefits	(76,985)	(69,082)
▪ Outstanding benefits	(742)	(651)
Estimated assets in respect of defined benefits portion	49,610	59,591

22. Related party transactions

Related parties comprise the Government of the Republic of Botswana, Key Management and Board members. Transactions with related parties are disclosed in the related notes.

Refer to note 15 for borrowings and the amounts outstanding in loans at 31 March 2015 to the Government of the Republic of Botswana.

Refer to note 17 for dividend matters.

A list of members of the Board is disclosed on the front page of the report. In 2015, the total Director's fees paid amounted to P233 000 (2014: P249 000) (note 1).

Water sales to the Government of the Republic of Botswana during the year ended 31 March 2015 (included in revenue) amounted to P445 million (2014: P412 million)

Accounts receivable from the Government of Republic of Botswana at 31 March 2015 (included in trade receivables) amounted to P43 million (2014: P146 million). No provision for doubtful debts has been made against this amount.

A list of the Executive Management is 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:

	2015 P'000	2014 P'000
Short-term benefits	7,238	7,807
Terminal benefits	3,514	1,863
	10,752	9,670

23. Interest subsidy reserve

	2015 P'000	2014 P'000
Balance at the 1 April 2014	12,493	10,984
Interest subsidy income - transfer	1,296	1,509
Balance at the 31 March 2015	13,789	12,493

The interest subsidy reserve relates to a subsidy on the EIB loan 45 (Note 15). In accordance with the agreement with the EIB, the Corporation shall pay net interest on the daily balance of the loan balance at the interest rate applicable reduced by an interest rate subsidy of 1.82%, provided that the interest payable shall at no time fall below 3%. The Corporation can use the cash equivalent of the difference between the subsidised interest rate and unsubsidised interest rate (the interest subsidy) for the financing of measures to enhance operational efficiency, capacity building and other "Water Sector Building" measures as agreed with the EIB.

Notes to the Financial Statements [continued]

For the year ended 31 March 2015

24. Taxation

The Corporation is exempt from paying tax on income as per Income Tax Act Schedule II – Part 1.

25. Going concern

The Corporation has incurred a loss for the year of P370 282 000 (2014: P346 559 000). This condition, indicates the existence of a material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. The Government of the Republic of Botswana has committed to provide ongoing financial support in the future aimed at sustaining the Corporation in the medium to long term through the following:

- Approval of implementation of the 2nd step of the tariff rationalisation plan and adjustment of tariffs with effect from 1 April 2015.

- Operational subsidies - P300 million for tariff support and P495 million for emergency capital projects in 2015/2016 financial year

26. Compliance with the Water Utilities Corporation Act (Chapter 74:02)

The Corporation has not 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 P370 282 000 for the year (2014: P346 559 000) was incurred.

27. Events after reporting date

There have been no material events between the reporting date and the date of approval of these financial statements that may require adjustment or disclosure in the financial statements.

28. Financial risk management

The Corporation's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash and price 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, use of derivative financial instruments and non derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Corporation is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the American Dollar (USD) and South African Rand (ZAR). Foreign exchange risk arises from borrowings, investments 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 2015, the Corporation's foreign exchange exposure was to ZAR borrowings of R63 747 000 (2014: R71 716 000). If the Botswana Pula (BWP) had moved 1% against foreign currencies, the effect would have resulted in an exchange loss or gain of P827 000 (2014: P2.2 million).This would be as a result of foreign exchange loss or gain on the translation of foreign currency-denominated financial assets and liabilities.

(ii) 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 variable rates expose the Corporation to fair value interest rate risk. The Corporation maintains its borrowings and short-term deposit investments at variable interest rates agreed with the counterparties. During the 2014/2015 financial year, the Corporation's borrowings and short-term deposit investments at variable rates were denominated in Pula (BWP), US Dollar (USD) and Rand (ZAR).

A 1% movement in interest rate in borrowings and short-term deposit investments would increase/decrease the Corporation's net interest charge by P4.9 million (2014: P4.2 million).

ii) Price risk

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

(iv) Cash flow and fair value interest rate risk

The Corporation manages interest rate risk by ensuring that excess funds are invested in high interest earning bank and investment accounts.

Notes to the Financial Statements [continued]

For the year ended 31 March 2015

28. Financial risk management [continued]

(b) Credit risk

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.

Deposits are payable by consumers before water is connected. Accounts receivable are settled in cash, cheques or electronic transfer. Accounts receivable outstanding were reviewed and considered for impairment provision in accordance with IAS 39 — Financial Instruments: Recognition and Measurement.

(c) Liquidity risk

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 10) 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:

	Less than 1 year P'000	Between 1 and 2 years P'000	Between 3 and 5 years P'000	Over 5 years P'000
At 31 March 2015				
Borrowings	136,457	43,459	286,032	253,639
Consumer deposits	-	-	-	20,543
Accounts payable	403,190	-	-	-
At 31 March 2014				
Borrowings	79,035	77,526	324,618	392,273
Consumer deposits	-	-	-	23,163
Accounts payable	320,285	-	-	-

(d) 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.

	2015 P'000	2014 P'000
(d) Capital Risk [continued]		
Total long - term debt (note 15)	490,696	510,448
Total capital and reserves	5,430,639	5,435,689
Debt : equity ratio	0.09	0.09
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:		
Total interest bearing borrowings (note 15)	490,696	510,448
Property, plant and equipment (note 4)	5,432,677	5,032,246
Ratio of interest bearing debt to property, plant and equipment	9.03%	10.14%

(e) Fair value estimates

The fair value of financial instruments that are not traded in an active market is based on quoted bid prices. The Corporation uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Corporation for similar financial instruments.

Acronyms

BIUST	BOTSWANA INTERNATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY
CMT	CORPORATE MANAGEMENT TEAM
DCE	DEPUTY CHIEF EXECUTIVE
DWA	DEPARTMENT OF WATER AFFAIRS
FSC	FULL SUPPLY CAPACITY
FSL	FULL SUPPLY LEVEL
GIS	GEOGRAPHICAL INFORMATION SYSTEMS
GRP	GLASS REINFORCED PLASTIC
IT	INFORMATION SYSTEMS
LAs	LOCAL AUTHORITIES
MCM	MILLION CUBIC METRES
ML	MEGALITRES
MM	MILLIMETRES
MMEWR	MINISTRY OF MINERALS, ENERGY AND WATER RESOURCES
NSCI	NORTH SOUTH CARRIER SCHEME I
NSCII	NORTH SOUTH CARRIER SCHEME II
SHEQ	SAFETY, HEALTH, QUALITY
TCM	TRILLION CUBIC METRES
WSRP	WATER SECTOR REFORMS PROGRAMME
WUC	WATER UTILITIES CORPORATION