



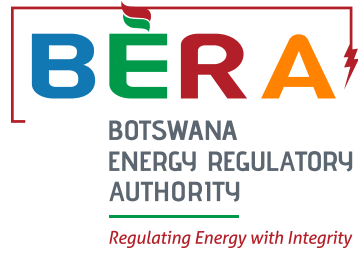
**BOTSWANA  
ENERGY REGULATORY  
AUTHORITY**

*Regulating Energy with Integrity*



**ANNUAL REPORT 2019**





# We enable energy sector growth and competitiveness





## VISION

To be a transparent, responsive and impartial Regulator.

## MISSION

BERA exists to regulate the energy sector by ensuring a competitive environment in accordance with international best practice.

## VALUES



### Excellence

*We perform every activity to a high level of distinction and quality*



### Integrity

*All our actions are above Board and beyond reproach*



### Team Spirit

*We work together in everything we do.*



### Transparency

*We commit to conduct our business in an open manner*



### Accountability

*We own up and take responsibility for our actions.*



### Courteousness

*We commit to be polite and well-mannered in our dealing with each other and our stakeholders.*



### Team Spirit

*Our actions and decisions are free from any external influence.*



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### About Us

*BERA exists to regulate the energy sector to ensure a competitive environment in accordance with international best practice.*

*Our **core responsibility** is to provide an efficient energy regulatory framework for regulated sector with the **primary mandate** of providing the economic regulation of the sector.*

*Economic regulation will enable the private sector to play an active role in asset formation that will enable delivery of services that will be reliable, affordable and of good quality, not losing sight of the need to protect the environment. In addition to the primary mandate of economic Regulation, BERA also provides technical advisory role by prescribing standard operating procedures that licensees must comply with. As an independent energy Regulator of Botswana, we are also working to protect the interests of current and future energy consumers, customers and licensees.*

*The Botswana Energy Regulatory Act has a multi-sector focus and has tasked BERA with oversight over the electricity, petroleum products, coal, natural gas, bio-energy, solar energy and renewable energy resources. In terms of the Act, BERA shall be responsible for setting and maintaining service standards; ensuring sustainable and secure supplies in the energy sector; protecting and preserving the environment; and maintaining best international regulatory practice.*

*The Authority was established by the Botswana Energy Regulatory Act 2016 and started its operations on the 1st September, 2017. This is the second year in operation and also the first year of implementing our five - year strategic plan.*

## At a glance

# Delivering continued growth and competitiveness of Botswana's energy sector

Our overall strategic intent is to stimulate sector growth and competitiveness in a manner that will create a positive difference for all energy consumers, now and in the future and go a long way towards improving the welfare of Botswana and achieving the National Vision of prosperity for all.

### Highlights on Botswana Energy Sector Structure

Electricity Sub - Sector	Petroleum Sub – Sector	
	Liquid Fuels	Liquified Petroleum Gas
<p><b>Transmission And Distribution</b> <b>BPC</b></p> <p><b>GENERATION</b></p> <ul style="list-style-type: none"> <li>One Public Utility – Botswana Power Corporation (BPC)</li> <li>2 Photo voltaic / solar licenses</li> <li>234 Standby Generators licenses</li> </ul>	<p><b>Retailers</b> <b>230 petroleum retail sites</b></p> <p><b>WHOLESALE</b></p> <ul style="list-style-type: none"> <li>Five International Oil Companies ( Puma, Shell, Total, Caltex and Engen)</li> <li>Local Companies (Botswana Oil Company and Kwanokeng Oil Limited)</li> </ul>	<p><b>Retailers</b> <b>250 LPG vendors</b></p> <p><b>WHOLESALE</b></p> <ul style="list-style-type: none"> <li>International Companies (Air Liquide, Easi Gas and Afrox)</li> <li>Local Companies (Quick Gases and Tswana Gas)</li> </ul>

### Highlights on National Energy Outcomes

Socio Economic Benefits	Sustainable and Secure Energy Supplies	Green energy supplies
<p><b>Welfare Outcomes</b> Contribution to GDP by Electricity and Water increased by 21% in 2018.</p>	<p><b>Electricity Demand and Supply</b> Average Demand @ approx. 600 MW Installed base load capacity @ 732 MW Local generation @73</p>	<p><b>Contribution of Solar to Energy Mix @ approx. 2%</b></p>
<p><b>Electricity Access</b> Household Connections @ 60.5% Rural Electrification at 81.7%</p>	<p><b>Fuel stocks days cover</b> Strategic stocks - 10 days against the preferred 18 Commercial buffer stocks - 5 days against the preferred 14</p>	<p><b>Green energy emissions @ 9310.7 Gg of CO2</b></p>
<p><b>Fuel consumption per annum</b> Ground Fuel @ 1.2 billion Aviation Fuel @ 20 million litres Liquefied petroleum gas (LPG) @ approx. 15000 metric tonnes</p>		

## Highlights on Operational Outcomes

**▲ 165%** increase of licenses issued to 33 in March 2019 from 20 in March 2018

### Delivering Operational Excellence and Exceptional Consumer experience

BERA's commitment is to effectively regulate the energy sector and ensure its long-term efficiency and sustainability by establishing sound and robust regulatory framework. The Authority also pledges to transform and meet changing demographics of its stakeholders and customers by delivering faster and better services.

Compliance level of Petroleum Retail Sites increased by **▲ 49%**  
**2019: 77% of 150 facilities** inspected were fully compliant  
**2018: 25% of 16 facilities** inspected were fully compliant

Compliance level of Standby Generators Sites increased by **▲ 62%**  
**2019: 100% of 10 facilities** inspected were fully compliant  
**2018: 38% of 21 facilities** inspected were fully compliant

A new initiative in 2019 | **310 000 litres of fuel worth P2.945 million** impounded from illegal trade.

## Financial Highlights

### Delivering Financial sustainability

BERA aspires to attain financial and budgetary independence by establishing stable and adequate funding sources from a combination of fees levied on utilities and licensees. This conforms to international best practice and helps ensure regulator independence.

	2019	2018
	BWP	8 months Period ending 31 March 2018
	BWP	BWP
<b>Statement of Comprehensive Income</b>		
Grants and Subventions	51,054,357	18,238,997
Other Income	3,128,444	677,105
Operating Expense	(55,559,285)	(18,252,185)
<b>Operating Income</b>	<b>(1,376,484)</b>	<b>663,917</b>
Finance Income	98,295	13,267
Income tax expense	-	-
<b>Net (deficit) / surplus for the year</b>	<b>(1,278,189)</b>	<b>667,184</b>
<b>Statement of Financial Position</b>		
Total Assets	<b>26,198,869</b>	<b>16,811,782</b>
Funds (Equity) – Accumulated (loss)/surplus	(601,005)	667,184
Total Liabilities	26,799,874	16,134,589
Total Equity and Liabilities	<b>26,198,869</b>	<b>16,811,782</b>
<b>Financial Ratios</b>		
Subvention to income ratio	99.97%	100%

# Strategic Report

**This strategic report is presented in the following sections:**

- The Board
- Chief Executive Officer's Statement – overview of the year ended 31 March 2019 and future prospects especially in the upcoming year (2019/20)
- Executive Management
- Our Strategy – overview of our strategy and business model; highlights of our key priorities and performance measures;
- Operational review – presentation on the overview of the business operations and analysis of the performance and future prospects for improved performance;
- Our Top risks – highlights of the key business risks and the mitigation measures put in place to reduce the impact and likelihood of those risks.





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# THE BOARD

**BERA** ⚡

BOTSWANA  
ENERGY REGULATORY  
AUTHORITY

*Regulating Energy with Integrity*

**We protect and preserve the  
environment from the impact  
of energy operations**



## BOARD MEMBERS

### Profiles



**Bernard Ndove**  
Chairman



**Omphile Madimabe**  
Deputy Chairman



**Raza Chitita**  
Part-Time Board Member



**Jonathan Moseki**  
Part-Time Board Member



**Matsapa Motswetla**  
Fulltime Board Member



**Kenneth Kerekang**  
Fulltime Board Member



**Sydney Mogapi**  
Fulltime Board Member



**Kelebogile Moremi**  
Fulltime Board Member



## BOARD MEMBERS

### Profiles

#### **Bernard Ndove** **Chairman**

Mr. Bernard Ndove possesses various qualifications including Master in Business Administration (MBA) from University of Botswana, Master of Commerce Programme and Project Management and Post Graduate Diploma in Project Management. In addition, he holds Advance Diploma in Project Management, Diploma in Project Management and Diploma in Information Systems. He has professional membership in several bodies including Association of Project Management SA (APMSA), International Project Management Association (EU) and Member of Institute Management Information Systems (UK). He has more than 30 years' experience in the ICT industry, which started at Botswana Diamond Valuing Company as Systems Administrator in 1985. Mr. Bernard Ndove has also worked as Divisional Manager IT at BMS and Business Development Manager Designate General Manager at ICCL. Mr. Bernard Ndove started ICT Dynamix in 2001 and the company has grown over the years to be a reputable ISO - 9001-2015 Certified. The company has collaborated in provision of professional ICT service with global companies such as Cisco, Ericson, Huawei and Bombardier. Mr. Ndove has served in numerous Boards in Botswana including BOCCRA. His wealth of experience in the different boards coupled with his academic qualifications equipped him for the mammoth task of establishing an energy regulatory body in the country upon his appointment in May 2017.

#### **Omphile Madimabe** **Deputy Chairman**

Omphile Madimabe is a Fellow Chartered Institute of Certified Accountants and also Fellow member of the Botswana Institute

of Chartered Accountants. His carrier started in an Audit Firm (Coopers and Lybrand now PWC) as an Audit Trainee. He has extensive experience in Auditing, Governance, Accounting and Financial Management from various companies including Debswana at Orapa Mine, Tati Nickel Mining Company, Morupule Coal Mine, and Barloworld Equipment. Omphile has successfully completed an Executive Development Program (EDP) with University of Stellenbosch business School and a Board Leadership Program with University of Pretoria Business School (GIBS).

#### **Raza Chitita** **Part-Time Board Member**

Mr. Raza Chitita is a Chartered Quantity Surveyor with professional experience spanning over seventeen (17) years amassed from working in London (UK), Zambia, South Africa and Botswana. He is currently the Managing Director of a consulting quantity surveying firm, Cavort Ventures. Mr. Chitita's expertise is in project cost advise, construction contract administration and dispute resolution. He holds a BSc (Hons) Quantity Surveying and is about to complete a Diploma in Construction Arbitration with RICS (UK) and has acquired professional qualifications with RICS (MRICS), SACQSP (PrQS) and CIArb (MCIArb) among others.

#### **Jonathan Moseki** **Part-Time Board Member**

Jonathan Moseki graduated with Bachelor of Arts in Social Science from the University of Botswana. He holds other professional qualifications like ACI Certificate in Dealing, Certificate of Proficiency (Long Term) and Corporate Governance. Mr. Moseki is a career banker whose vast experience spans over twenty – three (23) years in the financial services sector. Mr. Jonathan Moseki is

currently a Retail Product Manager with Barclays Bank, having previously been with the Treasury division for eighteen (17) years. His experience included working for Standard Chartered Bank, Bank of Botswana, and First National Bank, where he served in different roles in sales. Mr. Moseki has international exposure, having been assigned to work in Barclays Bank Kenya for a short stint on a job swap. He has also attended cash management solutions training in London and the Money and Fixed Income Portfolio Management training in Swaziland.

#### **Matsapa Motswetla** **Fulltime Board Member**

Mr. Matsapa Justice Motswetla is a Fulltime Board Member. Mr. Motswetla has a Bachelor of Engineering (Civil) from UB. He has over 15 years of industry practice, both as an Engineering Consultant, Project Manager and Contractor. Previously he was with ADPKukama Consulting, an International Project Management firm and he was seconded to Debswana Jwaneng Mine where he was Project Manager in the Project Management Office (PMO). He also gained International experience after taking up employment with South Africa's biggest construction Firm Group 5 in Johannesburg as Site Engineer. There he was involved in the construction of multi-disciplinary infrastructure including the iconic Sandhurst Towers in the Central Sandton. Mr. Motswetla was also Group Projects Manager at Cresta hotels Group for a period of 2 years where he established and led the Projects Management department and the group's growth strategy.

#### **Sydney Mogapi** **Fulltime Board Member**

Mr. Sydney Motseothata Mogapi is a Fulltime Board Member. Mr. Mogapi has



## BOARD MEMBERS

### Profiles

a Master of Commerce (Economics) from the University of Cape Town and Bachelor of Arts in Social Sciences majoring in Economics from the University of Botswana. He also has a certificate in Econometrics from University of Pretoria, and is a certified SAS practitioner. Mr. Mogapi has over twenty (20) years of industry experience, both as a Public Policy Practitioner and as a member of the private sector. His initial experience was as an Economic Planner with the Ministry of Finance and Development Planning. He then joined Genesis Analytics, as an Economic Analyst. He then joined Standard Bank of South Africa (SBSA) as Head of Strategy and Analytics for the retail banking sector. He managed the implementation of a number of strategies aimed at customer acquisition and appropriate tariff setting for targeted consumer segments. He also gained international experience after taking up employment with one of South Africa's biggest banks Absa in Johannesburg as a Specialist in Lending Risk. Mr. Mogapi was then employed as an Economist and partner at Tsebo BLK Consulting also based in Johannesburg with a focus on regulatory and competition economics, and particular emphasis on regulatory impact assessment and tariff determination.

#### **Kelebogile Moremi**

##### **Full Time Board Member**

Ms. Kelebogile Moremi is a Fulltime Board member. She holds a Bachelor of Laws Degree from University of Botswana and a Master's Degree in Advanced Legislative Studies from IALS, University of London. Ms. Kelebogile Moremi is an attorney admitted and enrolled in the Courts of Botswana. Prior to this role, she was a Senior Legislative Drafter at Attorney General's Chambers (AGC) and has over twelve (12) years of experience in legislative drafting, regulation and policy formulation. She has drafted legislation across the full spectrum of the Laws of Botswana. As a member of the BEWRA Task Force (consisting of MMEWR, BPC, WUC and AGC senior officials, working in close collaboration with the World Bank), she was involved in the reform of the Botswana energy and water sector legislative framework. She is well-acquainted with different forms of regulation, in particular energy regulation and the different energy licensing frameworks. Her other professional qualifications include, among others, IAEA training on radiation safety for lawyers and several courses on leadership. She is a member of the Commonwealth Association of Legislative Counsel (CALC) and SADC Lawyers Association.

# CHIEF EXECUTIVE OFFICER'S STATEMENT

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**Rose Seretse**  
Chief Executive Officer





## CHIEF EXECUTIVE OFFICER'S STATEMENT

**I am delighted to present Botswana Energy Regulatory Authority's (BERA) 2018 - 19 annual report, which charts a year of notable achievements for the Authority in the light of strengthening the energy regulatory framework. This year is also a landmark year for BERA especially that it is the first year of its five-year Strategic Plan implementation. The Authority has recorded notable achievements as a build-up on its performance reported during its inaugural year, particularly in the following:**

- Resourcing of the Authority
- Finalising the development of regulatory tools
- Licensing of regulated activities
- Compliance monitoring of regulated entities

### **Our Promise to Government and Stakeholders**

This report also confirms our Government's pledge in transforming the energy sector to meet the changing demographics of those we serve and to deliver a faster and better service that they deserve. This time last year we promised our stakeholders that BERA at its core, as an economic regulator will improve competition through liberalisation of the energy sector and stimulate new investments by attracting new players and investors. I am really pleased to say that we were right to that confident prediction. Our efforts this year were directed to finalising and implementing some regulatory tools to ensure among others: consumer protection; sector competitiveness; cost reflective tariffs or pricing; and operational efficacy of operators in the sector. These tools included: Petroleum Regulations, Liquefied Petroleum Gas Regulations, Petroleum Products Bill, Complaints Settlement Procedure Regulations and service quality guidelines, key performance indicators for Electricity and Petroleum subsectors.

### **Licensing and Compliance Monitoring**

The Authority commenced its licensing and compliance monitoring activities this financial year. BERA also started monitoring fuel smuggling, illegal importation and exportation of fuel for the first time in Botswana this year. These illegal activities continue to rob the country of its much-needed revenue in the form of customs duty and value added tax revenue and deprive Botswana of employment opportunities. The Authority has intensified its operations and public education to ensure that these activities are brought to an end. We also continue to engage with various stakeholders to seek

ways through which Botswana could play a greater role in the energy industry.

### **Handing over of Licensing powers from Councils to BERA**

The Authority is committed to assume its full responsibilities of licensing of petroleum activities. It is however acknowledged that such is going to require that all Councils hive off to the Authority all Petroleum licensing activities that they have been undertaking. This is an enormous task that the Authority is going to assume to ensure a smooth transition of such without impacting negatively on the industry.

Once the handing over exercise is completed, BERA will set up of procedures and processes that would enable our licensee to access our full services through ICT. Preparations are underway to fully implement the One Stop Shop initiative of providing our services online with the lessened need for physical interactions irrespective of the geographical position of our clients. Also anticipated is the need for Partnerships and Memorandum of Understanding with Councils and Districts administrative leaderships to facilitate efficient delivery of the petroleum licensing services.

In the coming year, the Authority will set up a Public register where its stakeholders will be able to view all the licensees and types of licences issued for the year and those suspended or revoked if any.

### **Our Strategic Positioning and Partnerships**

It is with great pleasure to announce that BERA joined the Regional Energy Regulatory Association (RERA). This membership will not only meet the SADC



## CHIEF EXECUTIVE OFFICER'S STATEMENT

objective of harmonising regulatory tools, but will also improve the strategic positioning of BERA in the region and subsequently in the global landscape. BERA also had the opportunity to be peer reviewed by the member states against the regulatory index focusing on regulatory governance, substance and outcomes in October 2018, when it hosted RERA annual meetings.

### Funding of the Authority

The Authority is currently dependent on the subvention from Government to fund its operations. There is however a need for the Authority to find ways of self-funding its activities without depending on the Government subvention. One way of doing such is for the Authority to commence levying fees on the licensees. The Authority in this financial year submitted a fee structure to the Minister for his approval. In the meantime, the Authority is doing more with less and identifying partnerships to leverage on in order to successfully deliver on its mandate.

### Stakeholder Management and Public Education

The Authority recognizes that energy is a key enabler of economic development and that regulatory decisions on energy have an implication on individuals, communities, businesses and organisations. As an independent regulator, the Authority strives to serve each stakeholder with the utmost respect and sincerity. Each stakeholder's contribution is valued as it adds to the betterment and robustness of the energy sector for the ultimate benefit of the economy. During the financial year 2018/2019, BERA conducted 65 stakeholder management activities against the targeted 44 activities.

Stakeholders are also given opportunity to participate in developing sound regulations for the energy sector. The process of engagement inculcates trust and confidence between and among stakeholders in how energy is regulated in the country. A comprehensive Stakeholder Engagement survey will be administered in the coming financial year and its findings thereof will guide changes in the existing stakeholder management framework.

### Our Challenges

The major challenges that we faced during the 2018/19 period was lack of sufficient resources. The Authority was engaged in a recruitment drive and capacity building whilst at the same time it had to deal with the industry demands for service provision. Budgetary constraints to implement all of its planned initiatives was another challenge due to the fact that the Authority relies solely on Government funding. Inability to recover certain costs for services offered such as testing of petroleum products from the beneficiaries was another impediment to the Authority's optimal performance.

The location of the BERA office has not made it easy for the customers to access our services at their convenience. Since the Authority is still in its formative years there is lack of role clarity between those authorities that were tasked with doing what BERA is mandated to do and what BERA is doing in terms of the Act. Duplication of efforts and clients moving from one authority to the other were some of the unpleasant experiences caused by this challenge. Some of the major challenges that have been identified by Management and the Board that impedes delivery of the mandate are organisational

structure and the functions of the Board as embodied in the Botswana Energy Regulatory Authority Act, 2016. It is our desire that the Act will be amended to clarify the roles of the Board and the Authority.

Finally, I would like to profoundly thank my team members, BERA employees who during such a challenging period have been the key contributors to the Authority's success. It has been their spirit of teamwork, commitment to our strategic agenda and the implementation of the strategic plan that has led to these notable achievements. I am looking forward for the same spirit of teamwork and commitment to prevail in the 2019/20 financial year.

### The future as we see it

We are all conscious of the challenges we face, but very excited about the opportunities that lie ahead. The message we are conveying to our stakeholders, consumers, customers and licensees, is that even with the current and future challenges, we remain resolute to forge ahead and deliver on our mandate and retain current record of success.

The coming year will see BERA stamping its authority and implements programmes that will ensure that Batswana play a major role in the energy sector and make meaningful investments.

A handwritten signature in blue ink, appearing to read 'Rose Seretse'. The signature is stylized and fluid.

**Rose Seretse**  
Chief Executive Officer

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**EXECUTIVE  
MANAGEMENT**







## EXECUTIVE MANAGEMENT

### Profiles



**Rose Seretse**  
Chief Executive Officer

**Mrs. Rose Nunu Seretse** graduated with a Bachelor of Science in Construction Engineering and Management from Ferris State University in Michigan USA. Mrs Seretse also possesses a Master of Public Administration from the University of Botswana. She is a Certified Ethics Officer. Mrs. Seretse was the first woman to head the Botswana Anti-Corruption Agency called the Directorate on Corruption and Economic Crime where she was the Director General for eight years. Prior to working for the Anti-Corruption Agency, Mrs Seretse served in the Local Authorities in the Building and Engineering Units at Kgatleng District Council and Lobatse Town Council as Technical and Senior Technical Officer respectively. Seretse has been awarded many honours and awards throughout her career including Sigma Lambda Chi – Ferris State University, Africa's most Influential Woman – CEO Global; Certificate of Recognition – Commonwealth Secretariat and Certificate of Appreciation – International Law Enforcement Academy. Mrs. Seretse is one of the recipients of Presidential Order of Honour of 2018.



**Duncan Morotsi**  
Chief Operations Officer

**Duncan Morotsi** graduated from the University of Botswana, Lesotho and Swaziland with an LLB Degree in 1984. Mr Morotsi joined the Attorney General Chambers as State Counsel from 1984 to 1986. He started a Law Firm in Francistown operating as Duncan Morotsi and Partners until 2006 when he joined CEDA as Company Secretary and Legal Advisor until 2008. In 2009 he rejoined the Public Service as Chief State Counsel in the Ministry of Home Affairs advising on Labour, marriage, citizenship and Trade Union Laws. In 2011, he joined the newly formed Competition Authority as Director of Legal and Enforcement during which he gained an in-depth knowledge of competition law and economic regulation. Currently he serves as a Board Member of the National Environmental Fund and Chairman of its Project Assessment Committee. He is also Patron of Mokibe Primary School in Shoshong. Moreover, Mr Morotsi is involved in Charity Projects in Shoshong Village.



**Chawada Machacha**  
Director Finance and Procurement

**Chawada Machacha** is ACCA qualified with a Master's in Business Administration from The University of Derby. She has over twenty-three (23) years of extensive experience spanning across Audit, Financial and Administrative Management, Training and development, Management consultancy, Corporate Performance Management Strategic Planning and Internal Controls Assessment. Chawada is also an accredited Human Resource practitioner. Prior to joining BERA, she worked for Clearlit group of companies as its Managing Director where she was responsible for the organizations entire operations. Before Clearlit she worked at Botswana Examination Council as its Finance Manager where she spearheaded the successful establishment of the Councils Finance and procurement department. Prior to BEC she lectured at the Botswana Accountancy College for over seven years with a subject portfolio spanning: Information Systems and Organizational Management, Financial Accounting and Management, Business and Analysis with an emphasis on Strategy and People Management on the CIMA and ACCA programs respectively. Chawada has been consulted by many organizations and individuals in Botswana assisting them in various capacities. In her social capacity Chawada serves as a Pastor and a Board member of the Healing Jesus International.



## EXECUTIVE MANAGEMENT

### Profiles



**Nnosang Mhutsiwa**  
Director Human Resource and Administration

**Nnosang Mhutsiwa** holds a Master's in Public Administration and Bachelor of Social Science majoring in Public Administration and Economics both from the University of Botswana. Nnosang has attended several strategic management short courses and Executive Leadership Programs. She is a professional member of Botswana Institute of Human Resource Management and Society for Human Resource Management. Nnosang has previously served in the Public Service for almost two decades in different ministries, including Agriculture, Office of the President, Youth, Sports and Culture and Ministry of Education and Skills Development. She started her career as a Personnel Officer in the Department of Local Government Services Management for a short stint before joining the Central Government as an Administration Officer under the Ministry of Agriculture. She progressed over the years to the posts of Director Ministry Management, Senior Manager Corporate Services and Director of Youth prior to her appointment as Deputy Permanent Secretary – Corporate Services in April 2014 until August 2017 when she resigned from the Public Service to join BERA. She has served in different Boards including Public Service Bargaining Council on the Employer side (Botswana Government) whereby she once acted as Chief Negotiator, Botswana National Productivity Centre, Sir Ketumile Masire Teaching Hospital and Botswana National Gender Commission. At international level, she has served as the Secretary General of the Botswana National Commission for United Nations Educational, Scientific and Cultural Organisation (UNESCO). She is currently serving as a member of the University of Botswana Governing Council.



**Yamikani Patson**  
Board Secretary

**Yamikani Patson** is an admitted attorney of the High Courts of Botswana with 16 years' experience in the legal profession having graduated with an LL.B at the University of Botswana. He has served as a legal advisor for body corporate s including among others Local Authorities (Councils) and Land Boards advising the Councils and committees that he served in. He has also previously served under the Attorney General of Botswana under civil litigation as a State Counsel. Mr. Patson had also served in the private practices as a Legal Practitioner of both Mr. Maphakwane & Partners and Lerumo Mogobe Legal Practitioners. Before serving at BERA he was head of Legal Education and Public Relations at Legal Aid Botswana. Mr. Patson is also currently serving in the Board of Directors as a non-executive member of Get Bucks Botswana a company registered on the Botswana Stock Exchange. He is also chairperson of its subsidiary, Get Sure



## OUR STRATEGIC FOUNDATIONS



### Vision

To be an independent, transparent, responsive and impartial regulator



### Mission

BERA exists to regulate the energy environment in accordance with best international practice



## Core Values

#### COURTEOUSNESS

We commit to be polite and well-mannered in our dealing with each other and our stakeholders

#### EXCELLENCE

We perform every activity to a high level of distinction and quality.

#### INTEGRITY

All our actions are above board and beyond reproach

#### TEAMWORK

We work together in everything we do

#### FAIRNESS

Our actions and decisions are free from any external influence.

#### TRANSPARENCY

We commit to conduct our business in an open manner

#### ACCOUNTABILITY

We own up and take responsibility for our actions

## Our Strategic Agenda is Aligned to:

### Ministry Priorities

- To improve the security of supply of energy products
- To increase access in energy services
- Increase citizen participation in the energy sector
- To create a policy and framework that promotes renewable energy technology
- To increase the beneficiation of energy resources
- To increase the contribution of renewable energy as part of energy mix
- To enable the use of clean energy solutions that help mitigate climate change

### Government Manifesto

- Employment Creation
- Citizen Economic Empowerment
- Poverty Eradication

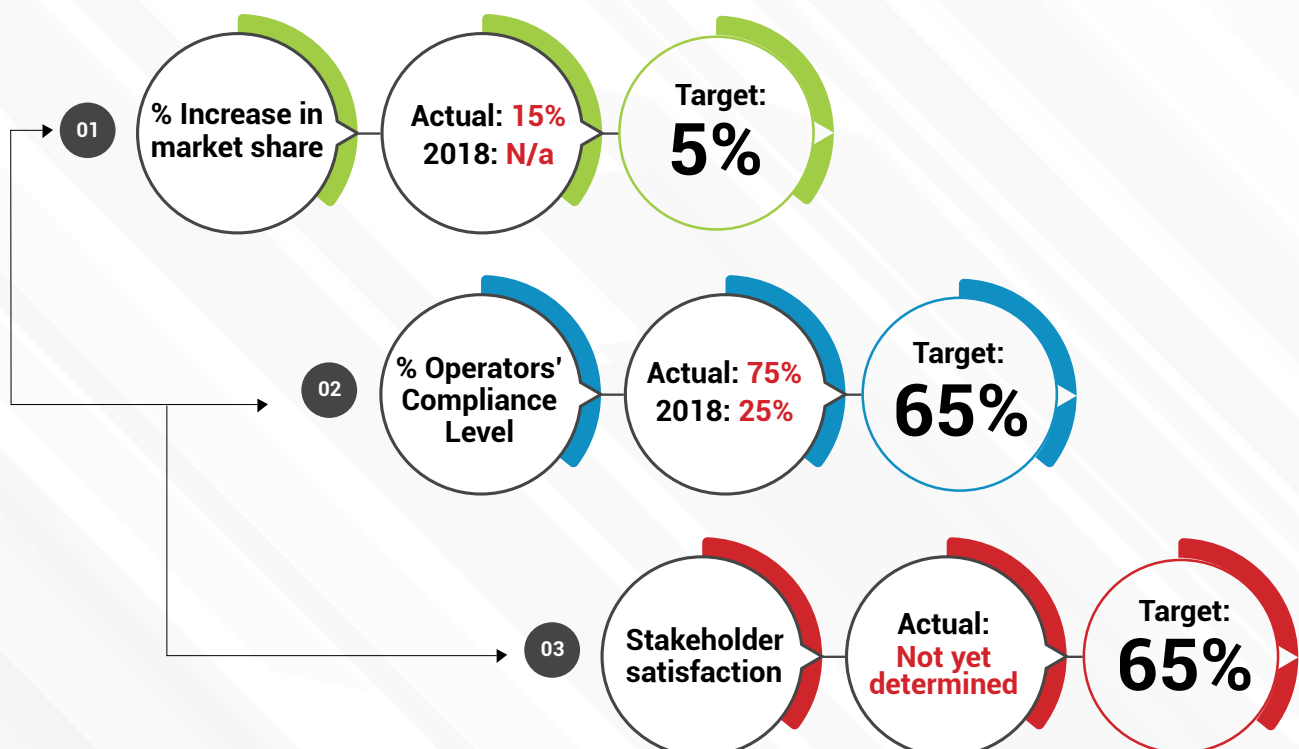


## OUR STRATEGY, KEY PRIORITIES AND PERFORMANCE INDICATORS

Our strategy to stimulate the growth and competitiveness of the energy sector as outlined in the five - year strategic plan, which commenced in April 2018 has been summarized below.

Stakeholder Engagement and Satisfaction		
We achieve this by:	Our Activity in 2018/19	2019/20 Priorities and Outlook
<ul style="list-style-type: none"> <li>Improving competitiveness of the energy sector by strengthening the regulatory governance and substance</li> <li>Ensuring Sustainability &amp; Security of Supply in the Energy Sector by establishing a robust project oversight system in facilitating the development of energy infrastructure</li> <li>Ensuring consumer protection</li> <li>Creating an excellent experience for the energy consumers, customers and licensees consequently satisfying the shareholder – Botswana Government.</li> </ul>	<ul style="list-style-type: none"> <li>The Authority developed some of the tools both to strengthen its regulatory framework and establish robust tools for operationalising the regulatory practices and processes. These tools included the following: Petroleum Regulations, Liquefied Petroleum Gas (LPG) Regulations, Petroleum Products Bill, Complaints Settlement Procedure Regulations, Tariff Methodologies for Electricity, Key Performance Indicators (KPIs) for the National Utility BPC. BERA also adopted twenty (20) Botswana Petroleum Products related Standards developed by Botswana Bureau of Standards (BOBS).</li> <li>The Authority commenced its licensing and compliance monitoring activities this financial year.</li> <li>BERA continues to receive customer complaints as a way of protecting consumers within the regulated sector.</li> </ul>	<ul style="list-style-type: none"> <li>Continue developing other regulatory tools such as: service quality guidelines; key performance indicators for Electricity and Petroleum subsectors; Cost of service study, Grid codes etc.</li> <li>Come up with a Customer DNA strategy targeting creation of excellent stakeholder/ customer experience</li> <li>Migrations of Licensing activities from Councils to BERA</li> </ul>

### Key Performance Indicators or Industry Performance

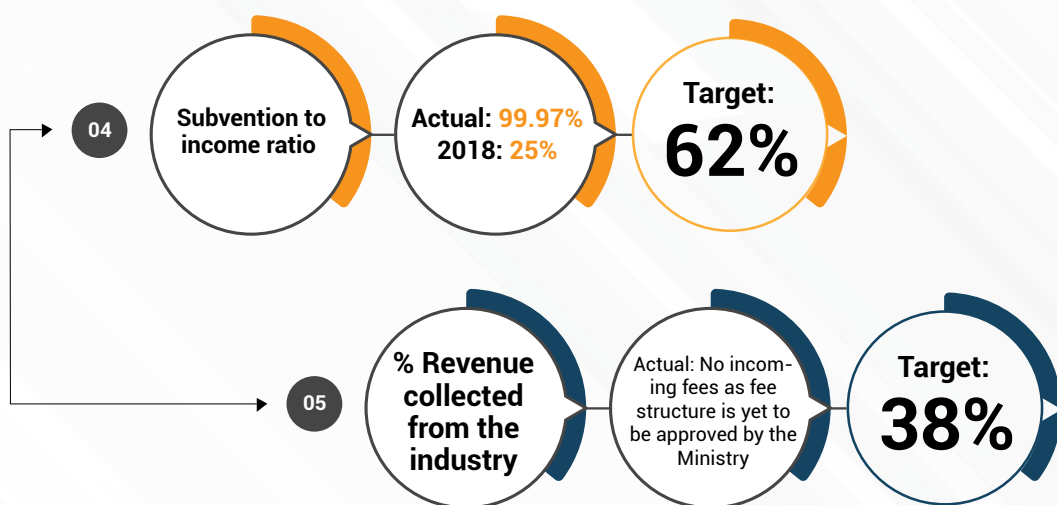




## OUR STRATEGY, KEY PRIORITIES AND PERFORMANCE INDICATORS (Continued)

Financial Sustainability		
We achieve this by:	Our Activity in 2018/19	2019/20 Priorities and Outlook
<ul style="list-style-type: none"> <li>Strengthening the Organizational Financial Position by finding ways of self-funding its activities without depending on the Government Subvention. One way of doing such is for the Authority to commence levying fees on the licensees. Furthermore, the Authority will also embrace a "profitability mindset" ensuring the necessary productivity whilst containing costs. It is of critical importance that BERA achieve financial and budgetary independence. This is further enhanced if the Authority has control of its input resources such as through stable and adequate source of funding.</li> <li>Effective monitoring of Financial performance of Licensees in order to determine their financial position and sustainability. This will facilitate the determination of cost reflective tariffs or pricing; this refers to total tariff revenue adequate enough to cover the total operation and maintenance costs as well as debt service obligations.</li> </ul>	<ul style="list-style-type: none"> <li>The Authority in this financial year submitted a fee structure to the Minister for his approval and is awaiting feedback. In the meantime, the Authority is doing more with less and identifying partnerships to leverage on in order to successfully deliver on its mandate.</li> </ul>	<ul style="list-style-type: none"> <li>Establishing the Authority's stable and sustainable funding model to ensure its financial and budgetary independence.</li> </ul>

### Key Performance Indicators or Industry Performance

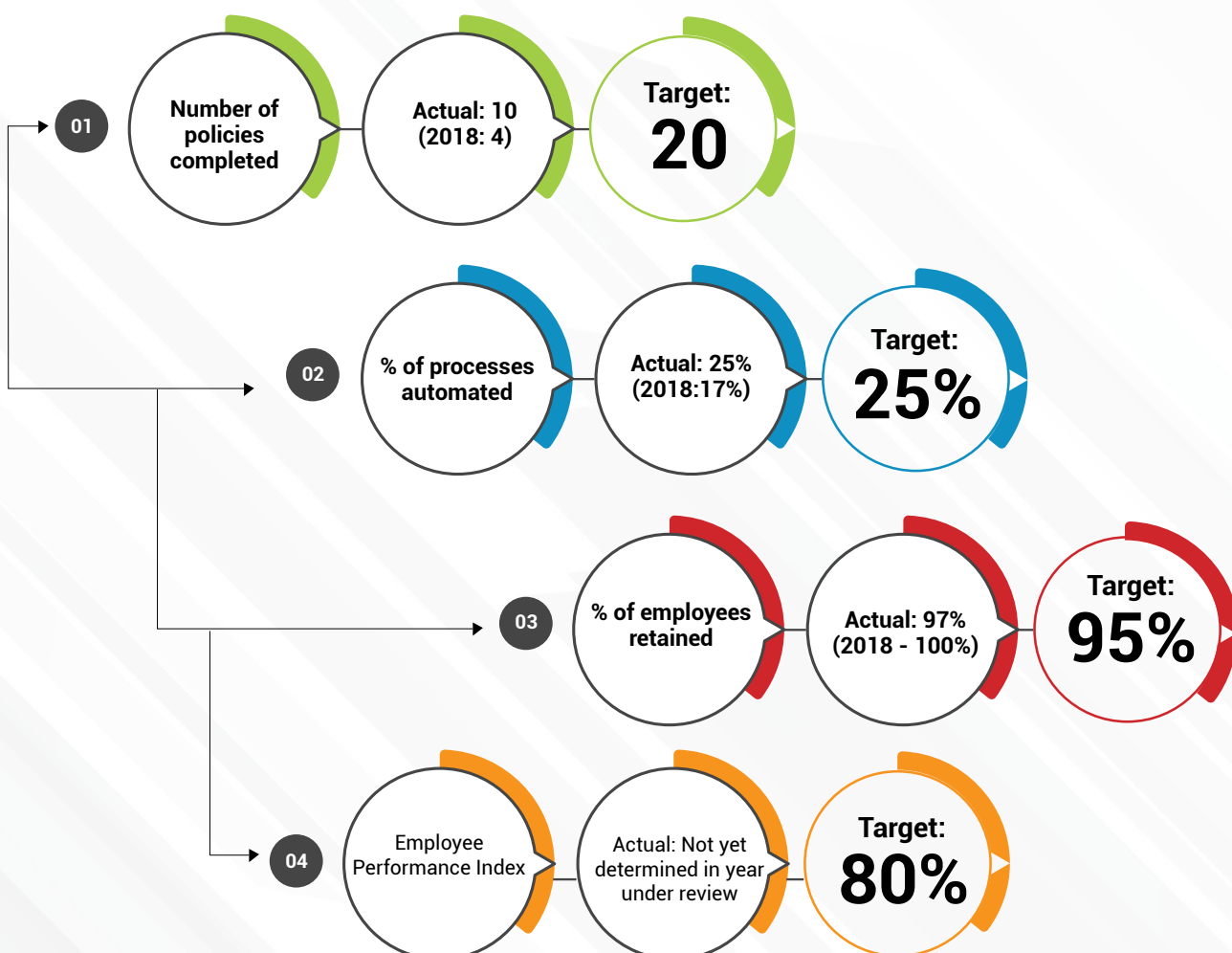




## OUR STRATEGY, KEY PRIORITIES AND PERFORMANCE INDICATORS (Continued)

Operational Excellence		
We achieve this by:	Our Activity in 2018/19	2019/20 Priorities & Outlook
<ul style="list-style-type: none"> <li>Improving Authority's operational Efficacy by establishing a robust corporate governance framework including enterprise risk management. Furthermore, automation and continuous improvement/re-engineering of processes will be done where possible.</li> <li>Improve Employee attraction and Retention by developing and implementing Employee Value Proposition</li> <li>Enhance Employee Performance by inculcating a high-performance culture and ensuring that right leadership traits are enhanced and nurtured by the Authority. Furthermore, adherence to the Performance management and rewards policies will be promoted. Other approaches will be adopted such as talent management strategy, succession planning as well as targeted training and development</li> </ul>	<ul style="list-style-type: none"> <li>The Authority developed 10 policies to govern and guide internal operations.</li> <li>12 key processes have been identified for automation. During the period under review, three (3) were automated.</li> <li>A recruitment drive which commenced in 2017/18 continued and resulted in thirty employees assuming duty at the beginning of 2018/19 financial year.</li> </ul>	<ul style="list-style-type: none"> <li>Finalise development of the remaining critical Policies</li> <li>Automation of three processes</li> </ul>

### Key Performance Indicators or Industry Performance



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# **BUSINESS AND OPERATIONAL REVIEW**





## BUSINESS AND OPERATIONAL REVIEW

**Botswana Energy Regulatory Authority business operations report provides progress on matters relating to the regulated sector activities. These are divided into the specific sub sectors being; Electricity, Petroleum and Gas. In order to adequately regulate the sector, the following have been achieved;**

- Setting up of Regulatory Framework
- Setting and Review of Tariffs
- Licensing of regulated activities
- Overseeing Project Development
- Consumer Protection and Dispute Resolution
- Supervision and Compliance Monitoring

### ELECTRICITY

#### *Setting and Review of Tariffs and Tariff Methodology*

The Authority has developed the Electricity Tariff Methodology using the Weight Average Cost of Capital model. BERA has also developed Net Metering Rules that shall govern the feed in tariff determination. Finalisation of these is on-going as the Authority is awaiting approval from the Ministry. This is also critical for facilitating the Independent Power Producers (IPPs). Further to these the Authority developed Power Purchase Agreement Guidelines in order to assist both prospective IPPs and Botswana Power Corporation (BPC). The Power Purchase Agreement guidelines are also awaiting approval from the Ministry.

During this period the Authority has also actively participated in the development of the Integrated Energy Resource Plan (IERP) and the Solar Rooftop Policy formulation. In light of the IERP development the Authority has also come up with an Electricity Demand Forecasting Model using econometric analysis, specifically the Error Correction Method (ECM).

Moreover, the Authority has reviewed the BPC tariff application for 2019/20. A USAID funded consultant was used to assist the Authority due to lack of capacity during this project. Whilst BPC has requested a 12% tariff increase across all customer categories with a P600m subsidy, the Authority recommended a 6% tariff increase across all customer categories with a P245m subsidy.

#### *Electricity Licensing and Project Development*

Whilst there are no IPPs currently licensed for Electricity generation, transmission and distribution, the Authority has been able to assess and issue licenses to generate for own use. The Authority received few applications for Solar Photovoltaic plants for own use. However, numerous applications for standby generators were received and assessed by the Authority. No application was received in the categories of transmission and distribution.

To this end, a single application for Electricity generation using natural gas being Coal Bed Methane (CBM) at 10MW aggregate generation has been received and is currently being assessed by the Authority. Two Solar PV licenses were issued for own generation.

The following statistics represent the total number of licenses issued by the Authority under the Electricity sector;

- Standby Generators	29
Photo voltaic / solar	2

#### *Consumer Protection and Dispute Resolution under Electricity*

The Authority continues to receive customer complaints as a way of protecting consumers within the regulated sector. To date, the Authority has received a complaint from a consumer whose equipment was destroyed by power due to lack of proper maintenance of distribution lines by BPC during the period under review. The Authority advised that in terms of the Electricity Supply Act, it is BPC's responsibility to ensure proper maintenance of its transmission and distribution infrastructure. In addition, two





## BUSINESS AND OPERATIONAL REVIEW (Continued)

complaints relating to equipment damage as a result of power cuts have been received and are still being investigated by the Authority.

### **Supervision and Compliance Monitoring**

The Authority has been in constant contact with BPC in order to monitor the situation and challenges that may lead to Electricity supply constraints. To this end, the Authority conducted a study tour of the Morupule B plant in order to assess the status of the generation units that are down and how BPC is organizing itself to ensure that the situation does not negatively impact on consumers and the environment.

## **PETROLEUM**

### **Regulatory Framework**

The Authority reviewed the Petroleum Products Draft Bill and submitted its comments. The Authority has also developed comprehensive regulations for the industry and market operations of Petroleum Products and Liquefied Petroleum Gas (LPG). During the development of these regulations the Authority benchmarked with countries such as Tanzania, Zambia, Zimbabwe and South Africa. Furthermore, the Authority has conducted nationwide consultative workshops covering various categories of stakeholders such as; Government departments and agencies, industry players (businesses), civil and independent organisations and the public. These regulations have now been reviewed by the Board and will be passed to the Honourable Minister within the month of April 2019.

### **etting of Petroleum Prices by the Petroleum Slate**

The Authority continues to review petroleum products prices on a monthly basis providing recommendations to the Honourable Minister for consideration and approval. This is a critical exercise that is necessary for price stabilisation.

The Authority has also initiated a study to understand the current LPG pricing structure which at completion shall give guidance as to what pricing model the Authority should employ for LPG price regulation.

### **Licensing and Project Development**

The Authority has developed a licensing process map which gives the consumers and customers details about all the process and timelines involved from the time an application is lodged to the time a license is issued. This process map has been shared with the public through the use of the Authority's website and social media platforms.

The Authority received, assessed and issued various licenses for; construction of petroleum infrastructure, operation of storage facilities, operation of retail service stations and for importation and exportation of petroleum products. Whilst this is the case, the Authority has engaged with the Ministry of Investment, Trade and Industry as well as the Ministry of Local Government and Rural Development with a view to migrate licensing of regulated activities from the two ministries to the Authority pursuant to the BERA Act. To this end, a taskforce team to manage and implement the transitional arrangements has been set up. The Authority has also

been engaging with the Department of Energy in order to find out the progress of the Government Petroleum Products storage facilities projects at Tshele and Ghanzi in its quest to oversee project development in the regulated sector.

The Authority continues to experience low numbers of licensees coming up to it for licensing. This is due to the prevailing setup of parallel licensing between the Authority and District Councils. The setup is however acknowledged to continue for some time until the Minister approves and publishes the regulations of the Botswana Energy Regulatory Authority, Act, 2016, a draft of which has been submitted to his office. There is, however some good working relations between the Councils and the Authority in that information about the licensees is shared and preparations for the handing over of licensing powers to the Authority is planned for by the Ministry of International Trade and Industry, Ministry of Minerals Resources, Green Technology and Energy and Local Government as represented by Councils. The below statistics represent the total number of licenses received by the Authority under the Petroleum sector;-

<b>Retail Service Stations</b>	<b>17</b>
<b>Depot Construction</b>	<b>2</b>
<b>Import and Export</b>	<b>4</b>



## BUSINESS AND OPERATIONAL REVIEW (Continued)

### Consumer Protection and Dispute Resolution under Petroleum Sector

The Authority has received five (5) consumer complaints of which two (2) have been resolved whilst the other three (3) are still being investigated. Those resolved are matters where a consumer's vehicle had been fuelled with a wrong fuel, while another was for a customer who was complaining about being unfairly treated by a supplier. In both cases the Authority managed to assist the consumers to

reach an amicable resolution with the disputants.

In addition, the Authority has also developed Complaints Settlement Procedures Regulations in order to ensure customer and consumer protection. These have been approved by the Board and were passed to the Honourable Minister for approval during the month of April 2019.

### Supervision and Compliance Monitoring

The Authority has adopted twenty (20) Botswana Petroleum Products related Standards developed by Botswana Bureau of Standards (BOBS). These standards have been shared with the industry and public through the Authority's website and social media. These are meant to set the minimum compliance level for the licensees.

STANDARD	TITLE	DESCRIPTION	PRODUCT
BOS 576: 2014	Automotive Diesel fuel – specification	Specifies the requirements for two grades of automotive diesel fuel (low sulphur and standard grade)	Diesel
BOS 578: 2014	Kerosene for domestic heating and illuminating - specifications	Specifies the requirements for a hydrocarbon fuel for use in wick-fed pressure vaporising and for space heating, cooking and illuminating.	Kerosene/Paraffin
BOS 629: 2015	High performance oil for petrol engine (for API service category SL)	Covers one type of engine lubricating oil suitable for crack case lubrication of spare-ignition engines of passenger cars (naturally aspirated or turbo charged) Light duty trucks and heavy-duty trucks that operated under API service category SL.	Lubricating oil
BOS 628: 2015	High performance oil for petrol engine (for API service category SL)	Covers one type of engine lubricating oil suitable for crack case lubrication of spare-ignition engines of passenger cars (naturally aspirated or turbo charged) Light duty trucks and heavy-duty trucks that operated under API service category SL.	Lubricating oil
BOS 705: 2016	Steel tanks for flammable and combustible liquids - specification	Specifies requirements for design and construction of steel tanks for the storage of flammable and combustible liquids. It sets out requirements for tank joints and accessories and specifies testing requirements.	Storage tanks
BOS ISO 11014 – 1: 1994	SDS for chemical products - Part 1: Content and order of sections.	Presents information for the compilation and completion of - safety data sheet. Defines specifically the general layout of the SDS, the 16 standard headings, the numbering and the sequence of these 16 standard headings, the items necessary to fill in an SDS and the conditions of their applicability or utilization.	All



## BUSINESS AND OPERATIONAL REVIEW (Continued)

STANDARD	TITLE	DESCRIPTION	PRODUCT
BOS 255: 2007	Metallic hose assemblies for liquified natural gases - specification	Specifies requirements and test methods for metallic hose assemblies used for the loading and unloading of liquefied petroleum gases under pressure. The metallic hose assemblies are suitable for use at a pressure of 25 bar and temperatures from -200 °C to 70 °C.	Gases
BOS 256: 2007	Automotive Diesel fuel – specification	Specifies the requirements for two grades of automotive diesel fuel (low sulphur and standard grade)	Diesel
BOS 256: 2007	Appliances operating on liquified petroleum gas-safety aspects	Covers the safety aspects of appliances that operate on liquefied petroleum gas at a consumption rate not exceeding 10 kg/h and used in conjunction with refillable petroleum gas (LPG) cylinders. It also covers the safety aspects where applicable of appliances that operate on natural gas.	
LPG	Appliances operating on liquified petroleum gas-safety aspects	Covers the safety aspects of appliances that operate on liquefied petroleum gas at a consumption rate not exceeding 10 kg/h and used in conjunction with refillable petroleum gas (LPG) cylinders. It also covers the safety aspects where applicable of appliances that operate on natural gas.	LPG
BOS ISO 2928: 2003	Rubber hoses and hose assemblies for liquified petroleum gas in liquid or gaseous phase and natural gas up to 25 bar - specification	Specifies requirements for rubber hoses and rubber hose assemblies used for the transfer of liquefied petroleum gas (LPG) in the liquid or gaseous phase and natural gas and designed for use at working pressures ranging from vacuum to a maximum of 25 bar (2,5 MPa) within the temperature range -30 °C to +70 °C or, for low-temperature hoses (designated -LT), within the temperature range -50 °C to +70 °C.	Gases
BOS 580 – 3: 2015	Steel tanks for flammable and combustible liquids - specification	Specifies requirements for design and construction of steel tanks for the storage of flammable and combustible liquids. It sets out requirements for tank joints and accessories and specifies testing requirements.	Petroleum Products
BOS 580 -2: 2015	Petroleum Industry – part 2 electrical and other installations in the distribution and marketing sector – code of practice	1.1 This part of BOS 580 covers the recommended safe practices in the design, construction, installation and maintenance of electrical, earthing and bonding systems intended to be used in flammable and combustible liquid storage, pumping, distribution and marketing facilities. 1.2 This part of BOS 580 does not cover the requirements for flammable dust. This standard also does not apply to refineries or exploration facilities, unless if any of these installations are similar to facilities listed in clause 1.1 above.	Petroleum Products



## BUSINESS AND OPERATIONAL REVIEW (Continued)

STANDARD	TITLE	DESCRIPTION	PRODUCT
BOS 580 -1: 2015	Petroleum Industry - Part 1. Storage and Distribution of Petroleum products in above ground bulk installations – code of practice	This standard covers the layout and design of petroleum bulk depots, and the installation of equipment of the types normally used for the handling, storage and distribution of petroleum products and their derivatives, other than equipment that is used for storage and dispensing on consumer premises (including service stations) and for which relevant standards exist.	Petroleum Products
BOS 6 – 1: 2016	Symbolic Safety Signs – Part 1 Standard Signs and general requirements	This part of BOS 6 specifies requirements for standard ordinary (non- reflective) symbolic safety signs, including signs applied on mirrors or on vinyl sheets (decals).	All
BOS 3 – 1: 2002	The handling, storage, distribution and maintenance of liquefied petroleum gas in domestic, commercial and industrial installations - Part 1: LPG Installations involving storage cylinders of individual capacity not exceeding 500l and combined capacity not exceeding 3000L	This part of Botswana Standard gives recommendations of the materials, the methods of construction and installation of equipment used in the handling, storage or distribution of liquefied petroleum gas in domestic, commercial and industrial installations that involve gas storage containers of individual water capacity not exceeding 500 l and of a combined water capacity not exceeding 3 000 l. It also gives recommendations regarding the installation of appliances, piping, fittings and other components. It covers the maintenance, inspection and testing of the various components of equipment. It does not cover any installation to caravans or mobile homes.	LPG
BOS 3 – 7: 2011	The handling, storage, distribution and maintenance of liquefied petroleum gas in domestic, commercial and industrial installations - Part 7: Storage and filling sites for refillable liquefied petroleum gas (LPG) containers of capacity not exceeding 9kg and the storage of individual gas containers not exceeding 48kg – Code of practice	"This part of BOS 3 specifies the minimum requirements for the location and installation of and operations at the storage and filling sites for refillable liquefied petroleum gas (LPG) containers of capacity not exceeding 9kg and the storage of individual gas containers of capacity not exceeding 48kg. It identifies safe methods of filling and storing refillable containers and makes recommendations towards safe working procedures that cover all aspects of the storage and filling of refillable containers. This standard also covers the storage of non-refillable containers."	LPG
BOS 3 – 4: 2005	The handling, storage & distribution of liquefied petroleum gas in domestic, commercial & industrial installations - Part 4: Transportation of LPG in bulk by road – Code of practice	This part of the code of practice contains recommendations for the design, construction, inspection, fittings and filling ratio of tanks used in transportation of LPG in bulk by road, the design of vehicles and ancillary equipment, and operating practice.	LPG



## BUSINESS AND OPERATIONAL REVIEW (Continued)

STANDARD	TITLE	DESCRIPTION	PRODUCT
BOS 3 – 3: 2011	The handling, storage and distribution and maintenance of liquefied petroleum gas in domestic, commercial and industrial	This part of Botswana Standard specifies requirements for the layout, design and installation of liquefied petroleum gas equipment and of storage vessels of individual water capacity exceeding 500 l and associated vaporizers, pipe work and fittings up the outlet of the first pressure reduction stage in the line. Recommendations are also given in regard to the fitting of automatic and other devices (operative in the event of physical damage to the installation) for the purpose of ensuring maximum security, for the storage of the gas from a design point of view, and for limiting the escape of liquid through normal pressure-relief fittings. It also covers provisions for underground and above ground liquefied petroleum gas (LPG) storage tanks and associated equipment such as pumps, dispensers and pipework at service stations, container filling sites and consumer installations. It also covers dedicated LPG dispensing stations. It does not cover refrigerated LPG storage.	LPG
BOS 118: 2005	Single stage low pressure regulators for liquefied petroleum gas (LPG) – Specification	This standard specifies performance, safety and constructional requirements for low-pressure regulators of the single stage type intended for use with liquefied petroleum gas mixtures in the vapour phase and designed for a set outlet pressure of 2.8 kPa and a flow not exceeding 10kg/h. Unless otherwise stated, all pressures given in the standard are gauge pressures.	LPG
BOS ISO 4706: 1989	Refillable welded steel gas cylinders	This International Standard gives minimum requirements for certain aspects concerning material, design, construction and workmanship, procedure and test at manufacture of refillable welded steel gas cylinders at a test pressure not greater than 75 bar 1), and of water capacities from 1 L up to and including 150L for compressed, liquefied or dissolved gases, exposed to ambient temperatures.	LPG
BOS 577:2014	Unleaded petrol - Specification	This standard specifies requirements and tests methods for marketed and delivered metal-free unleaded petrol grades suitable for use in spark-ignition internal combustion engines excluding aviation piston engines	Petrol



**BERA Staff Inspecting Seronga Sub Station**



**Investigation of Illegal Importation and Exportation of Fuel**



## BUSINESS AND OPERATIONAL REVIEW (Continued)

**The Authority has developed a database of all Petroleum Products licensees with a view to provide ease of inspections and monitoring especially on matters relating to public safety and environmental protection. Two hundred and thirty (230) petroleum retail sites and two hundred and fifty (250) LPG vendors were registered in this database.**

Furthermore, the Authority engaged with the industry and other law enforcement agencies in order to curb illegal activities in the Petroleum products industry. These efforts included meetings with the various stakeholders as well as operations such as border patrols and road blocks. A total of five (5) trucks loaded with products amounting to about 300 000 litres were impounded for illegal importation whilst 4500 litres of petroleum was recovered from illegal exportation and smuggling. The Authority has also been involved in accident investigations and safe recovery to ensure public safety and environmental protection. Six (6) border patrols were conducted during this period to curb illegal activities. Three (3) tip offs on irregularities of illegal trading with liquid fuels were investigated in the villages of Phitshane, Hatsalatladi and Medie.

The Authority also collected twenty-seven (27) petroleum products samples and conducted one hundred and thirty-five (135) tests. Three (3) samples were from trucks jointly impounded by the Authority and Botswana Unified Revenue Service (BURS) whilst two (2) were voluntary testing requests (Lesedi Motors and Botswana Oil).

A total of one hundred and thirty (130) inspections of petroleum facilities and twenty (20) liquefied petroleum gas (LPG) facilities were conducted country wide during the year and 34 were not compliant with regulatory requirements. Corrective measures for the non-compliant were put in place and are being implemented. A single inspection was conducted at Seronga diesel fired substation. Five (5) Solar PV plants and twelve (12) standby generators were inspected.

On ensuring environmental protection and public safety, the Authority investigated and ensured safe recovery during two (2) accidents which involved a petrol tanker and another LPG tanker. The Authority also investigated two (2) diesel spills at local depots and ensured that safe procedures were employed in recovering the product and ensuring that there was no environmental harm or contamination of sewers, soil or water.

### STAKEHOLDER MANAGEMENT AND PUBLIC EDUCATION

The authority recognises that stakeholder engagement as well as public education is pivotal to its core mandate. During the period under review 65 stakeholder activities against the planned 44 activities were contacted, both locally and regionally.

#### Local Engagements

BERA has adopted various communication channels to reach out to the stakeholder with the view to enhance their service delivery. These include among others the following; educational outreach programs, twelve (12) countrywide consultative meetings with stakeholders, forty (40)

media coverage activities, participation in ten (10) exhibitions, one (1) public hearing and social media.

#### Regional Engagements

The Authority successfully subscribed and joined the Regional Electricity Regulators Association (RERA), an association for regulators in the SADC region. The Authority also participated in other international meetings and conferences such as; the SADC meetings to review the SADC protocol on energy, regional gas master plan terms of reference, SACU meetings on petroleum products pricing, World Trade Organisation (WTO) conference on technical barriers to trade, National Association of Utility Regulatory Commissioners (NARUC) conference, world training on energy markets wholesaling and retailing and Southern African Centre on Renewable Energy and Energy Efficiency (SACREEE) inauguration conference.

Due to the above co-operations, the Authority has been receiving a lot of assistance from international organisations to help it establish all the required tools for effectively executing its mandate. These include technical support from organisations such as RERA, USAID, COMESA and regional regulators.

#### Corporate Social Responsibility Events

BERA as a public owned entity plays a role in empowering and developing the community. This is achieved by implementing various community based CSR activities.



## BUSINESS AND OPERATIONAL REVIEW (Continued)



BERA CEO Donating blankets



BERA Staff donating food hampers



BERA staff engaging with members of the public



Media Engagement (BTV)



Stakeholder Engagement Workshop



Career Fair, Mogobane CJSS



## BUSINESS AND OPERATIONAL REVIEW (Continued)



### Employees Performance, Human Resource and Administration Perspective

The departmental performance reviews and individual performances of our people indicates that we are on the right trajectory of success and that we have the right combination of people talent to take us there. The Authority invested heavily in the training of staff in readiness for the full delivery of our mandate.

Our members of staff have also undertaken some learning studies from established regional energy regulators with a view to acclimatize them to the work environment and to learn from our peers. In order to continuously close the developmental gaps identified in the interviews, the Authority developed a Training Plan that focused mainly on core business related programmes. The available staff were also trained in Corporate Governance, World Bank International Training Program







## BUSINESS AND OPERATIONAL REVIEW (Continued)

on Utility Regulation, Key Performance Indicator. These courses were prioritised since they provided a foundation for the Authority to formulate critical and necessary tools in executing BERA mandate.

The department embarked on developing human resource and administration policies to enable the Authority to have a strong legislative framework. To this end, the following policies and procedures were developed and approved by the Board;

- Amendment of the General Conditions of Service
- Schedule of Benefits
- Competency Framework
- Grievance Policy and Procedure
- Motor Vehicle Utilisation Guidelines

On the other hand, the Department of Human Resource and Administration developed and facilitated the approval of the File Classification Scheme at Management level and Employee Engagement Framework.

In an endeavour to maintain adequate staffing levels within the Authority, the department embarked on a recruitment drive in 2017/18, which resulted in thirty employees assuming duty at the beginning of 2018/19 financial year. The rigorous recruitment process enabled the Authority to attract competent employees across all level for effective delivery of the BERA mandate. Due diligence was also exercised throughout the year in filling the other prioritised posts given the limited financial resources.

Moreover, several benchmarking trips to other energy regulatory bodies within the region were undertaken. This initiative provided employees with an opportunity to appreciate their mandate more prior to development of policies and guidelines required for the regulation of the energy sector.

The Authority will continue to provide support services and programs to enable employees to succeed in executing the mandate of the Authority. The department commits to attract a more diverse pool of top talented candidates and develop policies and procedures that will enhance service delivery, and retention of competent employees. As such more leadership development, team building and employee engagement programs are planned in the next financial year as a way of enhancing the quality and caliber of employees in the Authority





## OUR TOP RISKS

Risk management plays a pivotal part as one of the instrumental elements of corporate governance. The risk management process entails a risk assessment of strategic priorities, ranking of the risks and identifying fitting risk responses, to manage the identified risks. In this case, the risks have been categorised as high, medium and low risks, and their rating based on the 10\*10 rating scale, in terms of probability of occurrence and impact should the risk event materialise.

NO.	Risk	Probability	Impact	Risk Factor	Risk Factor
1	Failure to effectively implement mandate	2	9	18	<ul style="list-style-type: none"> <li>Develop and implement strategic plan</li> <li>Effective monitoring and evaluation of strategy implementation</li> </ul>
2	Stakeholder Dissatisfaction	3	9	27	<ul style="list-style-type: none"> <li>Develop and implement a stakeholder engagement plan</li> <li>Continued monitoring of changing stakeholder needs and expectations</li> </ul>
3	Inadequate energy supply	5	9	45	<ul style="list-style-type: none"> <li>Develop and implement a partnership engagement plan</li> </ul>
4	Failure to establish Resource Plan	6	9	54	<ul style="list-style-type: none"> <li>Facilitate the development of an integrated resource plan</li> </ul>
5	Failure to establish supply networks	6	9	54	<ul style="list-style-type: none"> <li>Facilitate development of energy infrastructure</li> <li>Closely monitor development for these initiatives</li> </ul>
6	Inadequate Funding	3	9	27	<ul style="list-style-type: none"> <li>Develop and implement a financial sustainability strategy</li> </ul>
7	Failure to effectively monitor compliance within the sector	5	9	45	<ul style="list-style-type: none"> <li>Develop and implement a sector compliance monitoring programme</li> <li>Develop environmental management programme</li> <li>Continued appraisal of the programmes</li> </ul>
8	Failure to promote awareness on BERA mandate	2	9	18	<ul style="list-style-type: none"> <li>Develop and implement a comprehensive communication strategy</li> <li>Continued appraisal of the effectiveness of the communications strategy</li> </ul>
9	Failure to adequately attract competent human resource	2	9	18	<ul style="list-style-type: none"> <li>Develop and implement an effective Talent Attraction Strategy</li> </ul>
10	Lack of buy-in by staff	2	9	18	<ul style="list-style-type: none"> <li>Effective strategy communication and employee alignment</li> <li>Employee welfare and engagement programmes</li> </ul>

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# GOVERNANCE REPORT

**BERA**

BOTSWANA  
ENERGY REGULATORY  
AUTHORITY

*Regulating Energy with Integrity*

**We ensure reliable affordable and  
good quality energy services**



# GOVERNANCE REPORT

## 1. The Board

In line with section 8 of the BERA Act, the Minister of Mineral Resources, Green Technology and Energy Security has appointed eight members to the Board. There are four (4) Full Time Board Members and four (4) Part-time Board Members.

In the year under review, the following were members of the Board of BERA as appointed by the Minister;

NO.	MEMBER NAME	STATUS
1	Bernard Ndove	Part-time- Board Member (Chairperson)
2	Omphile Madimabe	Part-time Board Member (Deputy Chairperson)
3	Raza Chitita	Part-time Board Member
4	Jonathan Moseki	Part-time Board Member
5	Matsapa Motswetla	Full Time Board Member
6	Kelebogile Moremi	Full Time Board Member
7	Sydney Mogapi	Full Time Board Member
8	Kenneth Kerekang	Full Time Board Member*

**\*In the year under review, The Minister of Mineral Resources, Green Technology and Energy Security suspended Mr. Kenneth Kerekang on the 1st August 2018.**

## 2. The Committees

Pursuant to Section 20 of the BERA Act, 2016, the Board established committees that are intended to ensure efficiency in the delivery of its responsibility and mandate.

There are two sets of Committees that have been established by the Board i.e. sectorial/regulatory committees and organizational/management committees.

### Sectorial/Regulatory Committees

Sectorial/regulatory committees consist of four (4) full time Board Members and two (2) Part-time Board members. These committees are chaired by a Full Time

Board member responsible for the sector. The functions of the sectorial/regulatory committees are guided by the BERA regulatory mandate.

The following are sectorial/regulatory committees and their members;

**Electricity Committee**, chaired by Mr. Sydney K. Mogapi, a Fulltime Board member responsible for Electricity.

The Committee is responsible for economic regulation of the Electricity Sector. The Committee coordinates tariff regulation and tariff methodologies, including allowed revenue for regulated entities in terms of section 9(2)(d) of

the BERA Act. It thus develops tariff objectives, tariff setting principles and methodologies, tariff structure and key variables. The committee also develops and monitors a spreadsheet for licensees and is responsible for analysing data which informs BERA's fee structure, licence fees and a fees schedule for the electricity sector.

The Committee further oversees project development in the electricity sector in terms of section 6(2) of the BERA Act. In exercising its delegated functions, the Committee ensures compliance with the BERA Act.



## GOVERNANCE REPORT (Continued)

Committee Name	Membership	status	Date of Membership
			January 2018
<b>Electricity Committee</b>	Sydney Mogapi	Full Time Board Member (Chairperson)	January 2018
	January 2018	Part-time Board Member	January 2018
	Kelebogile Moremi	Full time Board Member	January 2018
	Matsapa Motswetla	Full Time Board Member	January 2018
	Jonathan Moseki	Part Time Board Member	January 2018
	Raza Chitita	Part Time Board Member	January 2018
	Kenneth Kerekang	Full Time Board Member*	January 2018

**Petroleum and Gas Committee**, chaired by Mr. Kenneth Kerekang, a Fulltime Board member responsible for Petroleum and Gas.

The Committee is responsible for the economic regulation of the petroleum and gas sector. The Committee coordinates price regulation and the development

of pricing methodologies, including determination of allowed revenue for regulated entities in terms of section 9(2)(d) of the BERA Act, as well as the development and monitoring of spreadsheet for licensees and a fee structure and schedule for the petroleum and gas sectors.

The Committee also oversees project development in the petroleum and gas sectors in terms of section 6(2)(i) of the BERA Act. In exercising its delegated functions, the Committee ensures compliance with the requirements of BERA Act.

Committee Name	Membership	status	Date of Membership
<b>Electricity Committee</b>	Sydney Mogapi	Full Time Board Member (Chairperson)	January 2018
	Kelebogile Moremi	Full time Board Member	January 2018
	Matsapa Motswetla	Full Time Board Member	January 2018
	Jonathan Moseki	Part Time Board Member	January 2018
	Raza Chitita	Part Time Board Member	January 2018

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### 2. The Committees

Pursuant to Section 20 of the BERA Act, 2016, the Board established committees that are intended to ensure efficiency

in the delivery of its responsibility and mandate.

There are two sets of Committees that have been established by the Board i.e. sectorial/regulatory committees and organizational/management committees.

#### Sectorial/Regulatory Committees

Sectorial/regulatory committees consist of four (4) full time Board Members and two (2) Part-time Board members. These committees are chaired by a Full Time

Board member responsible for the sector. The functions of the sectorial/regulatory committees are guided by the BERA regulatory mandate.

The following are sectorial/regulatory committees and their members;

**Electricity Committee**, chaired by Mr. Sydney K. Mogapi, a Fulltime Board member responsible for Electricity. The Committee is responsible for



## GOVERNANCE REPORT (Continued)

economic regulation of the Electricity Sector. The Committee coordinates tariff regulation and tariff methodologies, including allowed revenue for regulated entities in terms of section 9(2)(d) of the BERA Act. It thus develops tariff objectives, tariff setting principles and methodologies, tariff structure and key

variables. The committee also develops and monitors a spreadsheet for licensees and is responsible for analysing data which informs BERA's fee structure, licence fees and a fees schedule for the electricity sector.

The Committee further oversees project

development in the electricity sector in terms of section 6(2) of the BERA Act. In exercising its delegated functions, the Committee ensures compliance with the BERA Act.

Committee Name	Membership	status	Date of Membership
<b>Electricity Committee</b>	Sydney Mogapi	Full Time Board Member (Chairperson)	January 2018
	Kelebogile Moremi	Full time Board Member	January 2018
	Matsapa Motswetla	Full Time Board Member	January 2018
	Jonathan Moseki	Part Time Board Member	January 2018
	Raza Chitita	Part Time Board Member	January 2018

**Petroleum and Gas Committee**, chaired by Mr. Kenneth Kerekang, a Fulltime Board member responsible for Petroleum and Gas.

The Committee is responsible for the economic regulation of the petroleum and gas sector. The Committee coordinates price regulation and the development

of pricing methodologies, including determination of allowed revenue for regulated entities in terms of section 9(2)(d) of the BERA Act, as well as the development and monitoring of spreadsheet for licensees and a fee structure and schedule for the petroleum and gas sectors.

The Committee also oversees project development in the petroleum and gas sectors in terms of section 6(2)(i) of the BERA Act. In exercising its delegated functions, the Committee ensures compliance with the requirements of BERA Act.

Committee Name	Membership	status	Date of Membership
<b>Petroleum Committee</b>	Matsapa Motswetla	Full Time Board Member (Chairperson)	January 2018
	Kelebogile Moremi	Full time Board Member	January 2018
	Sydney Mogapi	Full Time Board Member	January 2018
	Jonathan Moseki	Part Time Board Member	January 2018
	Raza Chitita	Part Time Board Member	January 2018

**Legal and Licensing Committee**, chaired by Ms. Kelebogile Moremi, a Fulltime Board member responsible for Legal and Licensing.

The Committee is responsible for processing applications for and issue

licences, permits and authorisations for all regulated sectors in accordance of section 9(2)(g) of the BERA Act. The Committee further considers and adjudicates all consumer and customer complaints and disputes relating to services provided by regulated entities.

The Committee also oversees the development of secondary legislation in so far as it relates to the development of the energy regulatory framework and other legal issues concerning the Authority as may be necessary for the Authority's operations.



## GOVERNANCE REPORT (Continued)

Committee Name	Membership	Status	Date of Membership
<b>Legal &amp; Licensing Committee</b>	Kelebogile Moremi	Full Time Board Member (Chairperson)	January 2018
	<b>Matsapa Motswetla</b>	Full time Board Member	January 2018
	Sydney Mogapi	Full Time Board Member	January 2018
	Jonathan Moseki	Part Time Board Member	January 2018
	Raza Chitita	Part Time Board Member	January 2018

**Compliance and Monitoring Committee**, chaired by Mr. Matsapa Motswetla, a Fulltime Board member responsible for Inspections, Supervision and Environmental Compliance.

The Committee, in terms of section 9(2)(h) issues compliance notices and follows up enforcement procedures to ensure compliance with conditions of licences, permits and authorizations.

Committee Name	Membership	Status	Date of Membership
<b>Compliance &amp; Monitoring Committee</b>	Kelebogile Moremi	Full Time Board Member (Chairperson)	January 2018
	Matsapa Motswetla	Full Time Board Member	January 2018
	Kelebogile Moremi	Full time Board Member	January 2018
	Sydney Mogapi	Full Time Board Member	January 2018
	Jonathan Moseki	Part Time Board Member	January 2018
	Raza Chitita	Part Time Board Member	

### NON-SECTORIAL COMMITTEES & MEMBERSHIP

The Board also has Organizational/ Management Committees which are responsible for allocation of all resources, personnel and other operational issues of the Authority. The committees comprise of two Full time Board Members and Two

Part-time Board Members and external/ co-opted members as may be necessary. Organizational/management committees are chaired by Part-time Board members and they are:

**Human Resources Committee**, chaired by Mr. Jonathan Moseki, a Part-time Board member.

The Committee's mandate is to ensure that the organization attracts and retains the right human capital and to ensure that the Authority leverages on the skill of the human capital it has for the fulfilment of the mandate.

<b>Human Resource Committee</b>	Jonathan Moseki	Part Time Board Member (Chairperson)	January 2018
	Kelebogile Moremi	Full time Board Member	December 2018
	Matsapa Motswetla	Full Time Board Member	December 2018



## GOVERNANCE REPORT (Continued)

**Audit and Risk Committee**, chaired by Mr. Omphile Madimabe, a Part-time Board Member.

The committee's mandate is to ensure that the organization's financials are optimally used for the purpose they have been budgeted for and to identify the risks that the organization is open to with a view to provide mitigating measures

Committee Name	Membership	Status	Date of Membership
Risk & Audit Committee	Omphile Madimabe	Part Time Board Member (Chairperson)	December 2018
	Kelebogile Moremi	Part Time Board Member	December 2018
	Sydney Mogapi	Full time Board Member	December 2018

**Procurement Committee**, chaired by Mr. Raza Chitita, a Part-time Board member.

Its mandate is to ensure that procurement for the organization is undertaken in an accordance with existing procurements policies and procedures. This committee also adjudicates on tenders falling within its limit.

Risk & Audit Committee	Membership	Status	Date of Membership
	Omphile Madimabe	Part Time Board Member (Chairperson)	December 2018
	Kelebogile Moremi	Full time Board Member	December 2018
	Sydney Mogapi	Full Time Board Member	December 2018

### 3. The Board Charter & Code of Ethics

The Board adopted its Board Charter in January 2018 for the regulations of its proceedings and its relationship with management.

The Board Charter defines the governance parameters within which the Board exists and sets out the Board's role and responsibilities as well as the requirements for its committees' composition and meeting procedures, taking into consideration the legal responsibilities of the Members of the

Board as set out in section 9 of the BERA Act.

The Board also adopted an employee's Code of Conduct in February 2018 and is expected to adopt Board Member's Code of Conduct in the 2019/2020 reporting period. The Code supports the Authority's commitment to honest, transparent and ethical conduct and compliance with all laws, rules, and regulations, and the Authority's policies, standards and procedures.

### 4. Meetings of the Board and Committees

The sectorial committees of the Board where scheduled to meet at least twice a month while organizational committees met once every three months. The Full Board is required by law to meet at least twelve times annually. The number of meetings held in the reporting period are tabulated below:





## GOVERNANCE REPORT (Continued)

Name of Committee Meetings	No of meetings
Full Board	6
Electricity	1
Petroleum & Gas	1
Legal & Licensing	1
Compliance & Monitoring	1
Human Resource	0
Finance Audit and Risk	0
Procurement	2

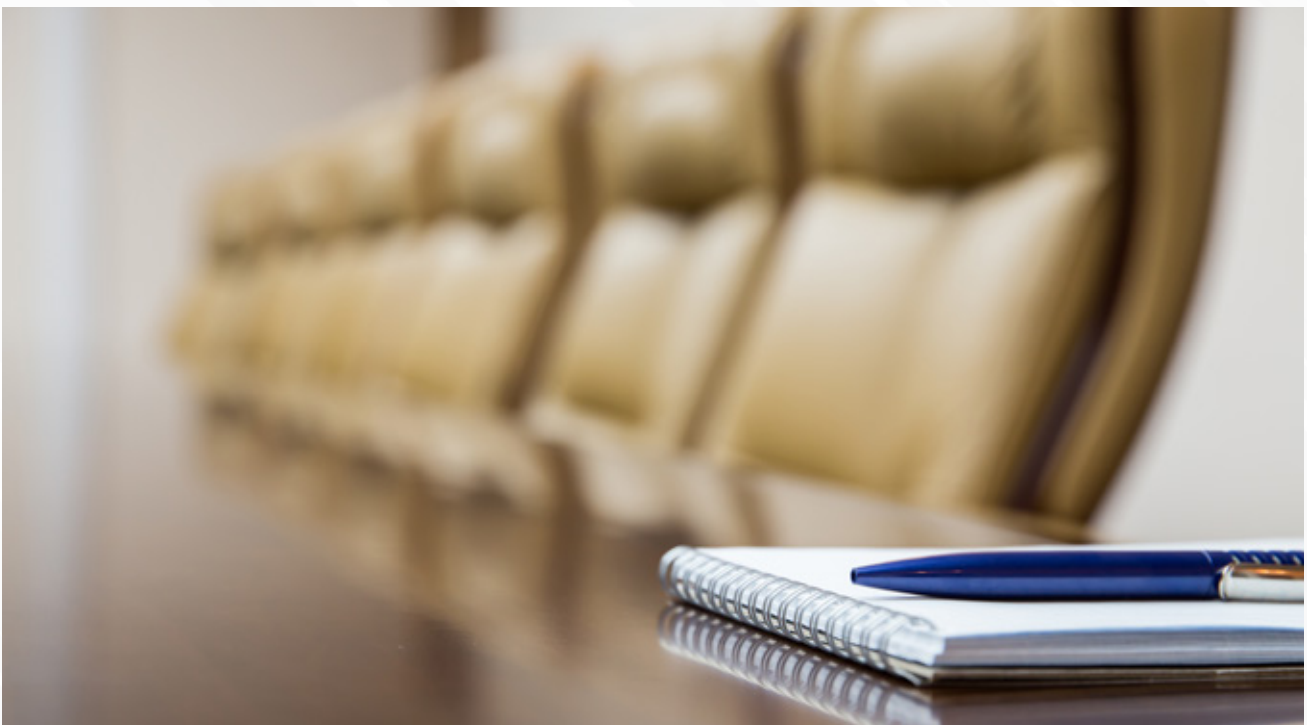
### 5. Allowances for Board Members

The BERA Board is graded as an A Class Board, and has its members drawing a sitting allowance for each committee meeting at the rates below;

- a. Chairperson of the Board P2250
- b. Part-time Board Member P1800

### 6. Training of Board Members

In its quest to empower the Board for robust and informed decision making, the Authority has trained members of the Board on Corporate Governance and Energy Regulation issues





# ANNUAL FINANCIAL STATEMENTS

For the year ending  
31 March 2019

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## AUTHORITY INFORMATION

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Botswana Energy Regulatory Authority (BERA) is a Government Parastatal formed to regulate the energy sector including Petroleum, Gas and Electricity. The address of the Authority is Plot 8842, Extension Town Centre, Lobatse, Botswana.

Botswana Energy Regulatory Authority was established under the Botswana Energy Regulatory Authority Act, 2016 to regulate energy in Botswana

Registered address:

Plot 8842  
Extension Town Centre  
Lobatse

Board of Directors:

Bernard Ndove (Chairman)  
Omphile Madimabe  
Raza Chitita  
Jonathan Moseki  
Kenneth Kerekang  
Matsapa Motswetla  
Kelebogile Moremi  
Sydney Mogapi  
Rose Nunu Seretse

Secretary:

Yamikani Patson

Postal address:

Private Bag 111, Lobatse  
Botswana

Auditors:

PricewaterhouseCoopers

Bankers:

Barclays Bank of Botswana  
Capital Bank of Botswana



## STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS FOR THE YEAR ENDING 31 MARCH 2019

The Board of Directors of Botswana Energy Regulatory Authority ("Authority"), is responsible for the annual financial statements and all other information presented therewith (Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Funds and Statement of Cashflows). Their responsibility includes the maintenance of true and fair financial records and the preparation of the annual financial statements in accordance with International Financial Reporting Standards and in the manner required by the Botswana Energy Regulation Authority Act, 2016.

The Authority maintains systems of internal control, which are designed to provide reasonable assurance that the records accurately reflect its transactions and to provide protection against serious misuse or loss of Authority's assets. The Board of Directors is also responsible for the design, implementation, maintenance and monitoring of these systems of internal financial control. Nothing has come to the attention of the Board of Directors to indicate that any significant breakdown in the functioning of these systems has occurred during the period under review.

The going concern basis has been adopted in preparing the annual financial statements. The Board of Directors have no reason to believe that the Authority will not be a going concern in the foreseeable future, based on the continuous support by the Government of Botswana through the Ministry of Mineral Resources, Green Technology and Energy Security.

Our external auditors conduct an examination of the annual financial statements in conformity with International Standards on Auditing, which include tests of transactions and selective tests of internal accounting controls. Regular meetings are held between management and our external auditors to review matters relating to internal controls and financial reporting. The external auditors have unrestricted access to the Board of Directors.

The annual financial statements on pages 45 to 68 were authorised for issue by the Board of Directors and are signed on its behalf by:

A handwritten signature in blue ink, appearing to be 'S. O. O.', written over a horizontal line.

Chairperson

A handwritten signature in blue ink, appearing to be 'M. M. M.', written over a horizontal line.

Chief Executive Officer



## **INDEPENDENT AUDITOR'S REPORT**

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

---

#### *Our opinion*

In our opinion, financial statements give a true and fair view of the financial position of Botswana Energy Regulatory Authority (the "Authority") as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

#### **What we have audited**

Botswana Energy Regulatory Authority's financial statements set out on pages 8 to 32, which comprise:

- the statement of financial position as at 31 March 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in funds for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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#### *Basis for opinion*

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

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

#### **Independence**

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

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#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We communicate the key audit matter that relates to the audit of the financial statements of the current period in the table below.

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*PricewaterhouseCoopers, Plot 50371, Fairground Office Park, Gaborone, P O Box 294, Gaborone, Botswana  
T: (267) 395 2011, F: (267) 397 3901, [www.pwc.com/bw](http://www.pwc.com/bw)*

Country Senior Partner: B D Phirie  
Partners: R Binedell, A S Edirisinghe, L Mahesan, S K K Wijesena



## INDEPENDENT AUDITOR'S REPORT

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

#### *Our opinion*

In our opinion, financial statements give a true and fair view of the financial position of Botswana Energy Regulatory Authority (the "Authority") as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

#### **What we have audited**

Botswana Energy Regulatory Authority's financial statements set out on pages 45 to 68, which comprise:

- the statement of financial position as at 31 March 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in funds for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

#### *Basis for opinion*

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

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

#### **Independence**

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

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We communicate the key audit matter that relates to the audit of the financial statements of the current period in the table below.

PricewaterhouseCoopers, Plot 50371, Fairground Office Park, Gaborone, P O Box 294, Gaborone, Botswana  
T: (267) 395 2011, F: (267) 397 3901, [www.pwc.com/bw](http://www.pwc.com/bw)



### Key audit matter

### How our audit addressed the key audit matter

#### **Accounting for Subvention received from Government and Capital Grants**

*The Subvention from Government is the most significant portion of income received by the Authority on an annual basis. The amount is awarded to the Authority to defray operating costs.*

*Capital Grants are received from Government for the acquisition of items of property, plant and equipment. The Authority must spend such money on the assets budgeted and approved for purchase. Capital Grants are amortised to income in the same amounts and at the same time as when the underlying assets are depreciated.*

*The accounting for Subvention received and Capital Grant received from Government were determined to be matters of most significance to our audit, due to the significance of the amounts and balances to the annual financial statements and the specific considerations to be applied in determining the correct accounting for these in accordance with the Authority's accounting policies.*

*The disclosures associated with Subvention received and Capital Grants are set out in the financial statements in the following notes:*

*Accounting policy 2.11 – Government Grants (page 56)*

*Note 4 - Critical accounting and judgments. Treatment of grants received (page 60)*

*Notes 5 - Grants and Subventions (page 61)*

*Note 6 - Other income (page 61)*

*Note 16 - Capital grants (page 66)*

*Our audit of the Subvention and Capital Grants from Government included the following procedures:*

- *We agreed subvention and capital grants received from Government to deposits recorded in the Authority's bank accounts.*
- *We obtained a confirmation from the Ministry of Mineral Resources, Green Technology and Energy Security confirming the subvention and capital grants amounts that were paid to the Authority.*
- *We tested the acquisition of a sample of property, plant and equipment financed through the Capital Grant to supporting documentation, including supplier invoices.*
- *We recalculated the depreciation expense of all property, plant and equipment financed through the Capital Grants using the approved depreciation rates.*
- *We agreed amortisation of Capital Grant to the depreciation as per the fixed asset register, calculated on those assets that were acquired through funds received as part of the Capital Grant.*

*Our testing did not reveal any exceptions.*



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### *Other information*

The Board of Directors is responsible for the other information. The other information comprises the information included in the document titled “Botswana Energy Regulatory Authority’s Annual Financial Statements for the year ended 31 March 2019”. Other information does not include the financial statements and our auditor’s report thereon.

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

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

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

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### *Responsibilities of the Board of Directors for the financial statements*

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

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

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### *Auditor’s responsibilities for the audit of the financial statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



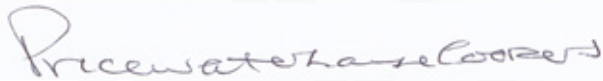


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*Report on Other Legal and Regulatory Requirements (continued)*

Pursuant to Section 31 (1) of the Botswana Energy Regulatory Authority Act, 2016, we report that:

The audited financial statements of the Authority were not submitted to Minister within six months after the Authority's financial period end.



**Individual practicing member: Butler Phirie**  
**Registration number: 19900312**

**Gaborone**  
**20-01-2020**



## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 31 MARCH 2019

	Note	2019 P	2018 P 8 month period ending 31 March 2018
Grants and subventions	5	51,054,357	18,238,997
Other income	6	3,132,741	677,105
Operating expenses	7	(55,715,793)	(18,252,185)
<b>Operating surplus</b>		<b>(1,528,695)</b>	<b>663,917</b>
Finance income	9	98,295	13,267
<b>(Deficit) / surplus before tax</b>		<b>(1,430,400)</b>	<b>677,184</b>
Income tax expense	10	-	-
<b>(Deficit) / surplus for the year</b>		<b>(1,430,400)</b>	<b>677,184</b>
Other comprehensive income		-	-
<b>Total comprehensive (deficit) / surplus for the year</b>		<b>(1,430,400)</b>	<b>677,184</b>



## STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDING 31 MARCH 2019

	Note	2019 P	2018 P
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	15,926,412	13,125,051
Intangible assets	13	224,123	348,521
		<b>16,150,535</b>	13,473,572
<b>Current assets</b>			
Trade and other receivables	14	588,034	1,057,656
Cash and cash equivalents	15	9,460,300	2,280,554
		<b>10,048,334</b>	3,338,210
<b>Total assets</b>		<b>26,198,869</b>	16,811,782
<b>FUNDS AND LIABILITIES</b>			
<b>Funds</b>			
Accumulated surpluses		(753,216)	677,184
		<b>(753,216)</b>	677,184
<b>Non-current liabilities</b>			
Capital grants	16	16,199,565	13,473,572
		<b>16,199,565</b>	13,473,572
<b>Current liabilities</b>			
Trade and other payables	18	10,752,520	2,661,026
		<b>10,752,520</b>	2,661,026
<b>Total funds and liabilities</b>		<b>26,198,869</b>	16,811,782



## STATEMENT OF CHANGES IN FUNDS FOR THE YEAR ENDING 31 MARCH 2019

### For the 8 month period ending 31 March 2018

#### Comprehensive income

1 August 2017

Surplus for the 8 month period ending 31 March 2018

Balance at 31 March 2018

### For the year ending 31 March 2019

#### Comprehensive income

1 April 2018

Deficit for the year

Balance at 31 March 2019

	Accumulated surplus P	Total funds P
	-	-
	677,184	677,184
	<b>677,184</b>	677,184
	677,184	677,184
	(1,430,400)	(1,430,400)
	<b>(753,216)</b>	<b>(753,216)</b>



## STATEMENT OF CASH FLOWS FOR THE YEAR ENDING 31 MARCH 2019

	Note	2019 P	2018 P 8 month period ending 31 March 2018
<b>Cash flows from operating activities</b>			
Operating (deficit) / surplus for the period		(1,528,695)	663,917
Adjusted for:			
Non cash items:			
Amortisation of intangible assets	13	124,398	24,711
Depreciation on property, plant and equipment	12	2,955,689	647,894
Amortisation of capital grants	16	(3,080,087)	(672,605)
Loss from disposal of fixed assets		4,297	-
Changes in working capital:			
Decrease / (increase) in trade and other receivables		469,622	(1,057,656)
Increase in trade and other payables		8,091,494	2,661,026
<b>Net cash generated from operating activities</b>		<b>7,036,718</b>	<b>2,267,287</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	12	(5,806,083)	(13,772,945)
Acquisition of intangible assets	13	-	(373,232)
Proceeds from disposal of fixed assets		44,733	-
Interest received	9	98,295	13,267
<b>Net cash used in from investing activities</b>		<b>(5,663,055)</b>	<b>(14,132,910)</b>
<b>Cash flows from financing activities</b>			
Capital grant received during the period	5	5,806,083	14,146,177
<b>Net cash generated from financing activities</b>		<b>5,806,083</b>	<b>14,146,177</b>
<b>Net increase in cash and cash equivalents</b>		<b>7,179,746</b>	<b>2,280,554</b>
Cash and cash equivalents at beginning of the period		2,280,554	-
<b>Cash and cash equivalents at the end of the period</b>	15	<b>9,460,300</b>	<b>2,280,554</b>



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2019

## 1 General information

Botswana Energy Regulatory Authority ("Authority") is a governmental organisation which was established under the Botswana Energy Regulatory Authority Act, 2016 to regulate energy in Botswana. The address of its registered office is Plot 8842, Extension Town Centre, Lobatse, Botswana.

The annual financial statements set out on pages 45 to 68 were approved by the Board of Directors on 5th December 2019.

## 2 Principal accounting policies

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

### 2.1 Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The annual financial statements have been prepared under the historical cost convention.

The preparation of annual financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the annual financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on the Board of Directors' best knowledge of the current events and actions, actual results may ultimately differ from those estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the Organisation's accounting policies.

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in Note 4.

#### 2.1.1 Adoption of standards in the current financial year

##### (a) New and amended standards applicable to the current period

The following new standards, amendments and interpretations to existing standards are mandatory for the Authority's accounting periods beginning on or after 1 January 2018. These have been adopted by the Authority during the year.

- IFRS 9 – Financial Instruments (2009 & 2010), Financial liabilities, Derecognition of financial instruments, Financial assets, General hedge accounting - This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

This amendment had no material impact on the Authority as it does not have financial assets other than staff debtors which are assessed for impairment individually.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDING 31 MARCH 2019

### 2.1.1 Adoption of standards in the current financial year (continued)

#### (a) New and amended standards applicable to the current period (continued)

- IFRS 15 – Revenue from contracts with customers - The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer (Effective 1 January 2018).

The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

This amendment had no impact on the Authority. The main source of revenue for the Authority is grant income which is considered in accordance with IAS – 20, Accounting for Government Grant and Disclosure for Government Assistance. There are no sources of revenue that fall within the scope of IFRS 15.

- IFRIC 22, 'Foreign currency transactions and advance consideration' - This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice.

This amendment had no impact on the Authority.

The following new standards, amendments and interpretations to existing standards are mandatory for the Authority. These are not yet effective and have not been early adopted by the Authority.

- Amendment to IAS 1, 'Presentation of annual financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:

- use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immaterial information.

The amended definition is:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose annual financial statements make on the basis of those annual financial statements, which provide financial information about a specific reporting entity."



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDING 31 MARCH 2019

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

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard.

At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

Management has concluded the assessment of the impact of adopting IFRS 16. However, the implementation of the standard will be done in the following year.

- IAS 19 Employee benefits – These amendments require an entity to: Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus (recognised or unrecognised). This reflects the substance of the transaction, because a surplus that has been used to settle an obligation or provide additional benefits is recovered. The impact on the asset ceiling is recognised in other comprehensive income, and it is not reclassified to profit or loss. The impact of the amendments is to confirm that these effects are not offset.

The Authority is in the process of considering the impact of above standards

### 2.2 Foreign currency translation

#### 2.2.1 Functional and presentation currency

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

#### 2.2.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. 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.





## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDING 31 MARCH 2019

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement within 'Other gains/(losses) – net'.

### 2.3 Property, plant and equipment

Property, plant and equipment are included at historical cost less depreciation. 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 Authority 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.

Depreciation is calculated using the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives as follows:

- Office Furniture	6-7 years
- Fixtures and Fittings	6-7 years
- Motor Vehicles	5 years
- Household Furniture	5 years
- Office Equipment	4 years
- Computer Equipment	4 years
- Cellphones	2 years
- Ipads	2 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

### 2.4 Intangible assets

#### Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Purchase costs that are directly attributable to software products controlled by Authority are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- there is an ability to use the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDING 31 MARCH 2019

Directly attributable costs that are capitalised as part of the software product include the software purchase costs. Other development expenditure that do not meet these criteria are recognised as an expense as incurred. Computer software costs recognised as assets are amortised over their estimated useful lives from the time its ready for the intended use, which do not exceed five years.

### 2.5 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life, such as goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

### 2.6 Financial instruments

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

Broadly, the classification possibilities, which are adopted by the Authority as applicable, are as follows:

Financial instruments which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial instruments which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise to, on specified dates, to cash flows that are solely payments of principal and interest on principal outstanding, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal outstanding, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces accounting mismatch).

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDING 31 MARCH 2019

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 3 presents the financial instruments held by the Authority based on their specific classifications.

### **Impairment**

The Authority recognizes a loss allowance for expected credit losses as per IFRS 9 on trade and other receivables. The amount of expected credit losses is updated at each reporting date.

The Authority measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivables.

### **Impairment and recognition of expected credit losses**

The Authority makes use of a provisional matrix as a practical expedient to determine expected credit losses on trade and other receivables. The provisional matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general conditions and an assessment of both the current and forecast direction of conditions at the reporting date.

The customer base is widespread and does not show significant different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality.

An impairment loss is recognised in profit or loss with a corresponding adjustment in the carrying amount of trade and other receivables, through use of a loss account.

### **Write off policy**

The Authority writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Authority recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

### **De-recognition**

### **Financial assets**

The Authority derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Authority neither



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDING 31 MARCH 2019

transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Authority recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Authority retains substantially all the risks and rewards of ownership of a transferred financial asset, the Authority continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### Financial liabilities

The Authority de-recognises financial liabilities when, and only when, the Authority obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability de-recognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### Reclassification

#### Financial assets

The Authority only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

#### Financial liabilities

Financial liabilities are not reclassified.

## 2.7 Trade receivables

### Classification

Trade and other receivables, excluding, when applicable, prepayments, are classified as financial assets and subsequently measured at amortized cost.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Authority's business model is to collect the contractual cash flows on trade and other receivables.

### Recognition and measurement

Trade and other receivables are recognized when the Authority becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any. Subsequently they are measured at amortized cost.

The amortized cost is the amount recognized on the receivables initially, minus principal repayments, plus cumulative amortization (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDING 31 MARCH 2019

### 2.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

### 2.9 Trade and other payables

Classification

Trade and other payables, excluding, amounts received in advance, are classified as financial liabilities subsequently measured at amortized cost.

#### Recognition and Measurement

Trade and other payables are recognized when the Authority becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any. Trade and other payables are subsequently measured at amortised cost using the effective interest method.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs.

### 2.10 Provisions

Provisions claims are recognised when the Authority 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 the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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 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.

Provisions are reviewed at the end of each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

### 2.11 Government Grants

Government grants are assistance by government in the form of transfers of resources to the Authority in return for past or future compliance with certain conditions relating to the operating activities of the Authority.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDING 31 MARCH 2019

Government subventions relating to a particular period are recognised in the respective period at their cost where there is a reasonable assurance that the subventions will be received and the Authority has complied with the conditions attached to them.

Grants relating to the acquisition of property, plant and equipment ("capital assets") are recognised as capital grants in the statement of financial position in the period in which the underlying asset is bought. Grants, for which the underlying asset has been bought, is subsequently recognised in the statement of comprehensive income to match the depreciation of the related assets, as other income.

When an asset financed through capital grants is disposed of, the total unamortised portion of the capital grant relating to the asset is recognised in the statement of comprehensive income, as other income.

Operating grants are recognised in the statement of comprehensive income in the period in which the related expenditure is incurred. Grants received for which the related project have not commenced are included in current liabilities as deferred income.

### 2.12 Employee benefits

The Authority contributes to a defined contribution pension plan for its permanent citizen employees. The Authority's contributions are charged to income statement in the year in which they accrue and the Authority has no further liability.

A defined contribution plan is a pension plan under which the Authority pays fixed contributions into a separate fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The Authority pays gratuity to contracted staff in accordance with their respective contracts of employment.

Employees' entitlements to annual leave are recognised when they accrue to employees and a provision is made for the estimated liability as a result of services rendered by employees up to the reporting date.

### 2.13 Revenue from contracts with customers

The major source of revenue of the Authority is government grants. At the moment the Authority does not have contracts with customers hence IFRS 15 is not applicable.

#### Government grants

Please refer to accounting policy number 2.11.

#### Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Authority reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDING 31 MARCH 2019

### 2.14 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made 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.

### 2.15 Related parties

A party is deemed related to the Authority if it is a director, member or entity under common control. Related party transactions are disclosed in Note 19 to the annual financial statements.

## 3 Financial risk management

### 3.1 Financial risk factors

The Authority's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and other price risk), credit risk and liquidity risk. The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Authority's financial performance. Risk management is carried out under policies approved by the board of directors.

#### (a) Market risk

##### (i) Foreign currency risk

In the normal course of business, the Authority may enter into transactions denominated in foreign currencies. Foreign exchange risks arise when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The Authority had no assets and liabilities or significant committed future transactions denominated in foreign currencies at year end.

##### (ii) Cash flow and fair value interest rate risk

Fluctuation in interest rates impact on the value of short-term cash investment and financing activities, giving rise to interest rate risk. The cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risk.

The Authority has no long-term significant interest-bearing assets. The cash is deposited in short-term deposits until it is used for its purpose.

##### (iii) Price risk

The Authority is not exposed to price risks such as equity price risk, prepayment risk, and residual value risk.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDING 31 MARCH 2019

### (b) Credit risk

Financial assets of the Authority, which are subject to credit risk, consist mainly of cash and cash equivalents, deposits with banks and financial institutions and receivables from customers. Cash deposits are held with high-credit-quality financial institutions. The credit quality of the customers is assessed by credit control, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings. The utilisation of credit limits is regularly monitored.

The credit quality of financial assets is disclosed in Note 11.2

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Authority manages its liquidity risk by maintaining adequate cash resources and through the effective management of working capital in order to meet its commitments as they fall due.

The Authority's financial liabilities as given in the table below consist of trade and other payables with a maturity period of less than 12 months from the reporting date. The analyses of financial liabilities into relevant maturity groupings are based on the remaining period at the reporting date to the contractual maturity date. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>P</b>	<b>P</b>
Financial liabilities falling due within 12 months	8,869,527	2,587,285

### 3.2 Capital risk management

The Authority is a parastatal body with the main object being to regulate energy in Botswana. As such all operations of the Authority are funded by Government and therefore not subject to capital risk.

### 3.3 Fair value estimation of financial instruments

Financial instruments consist of trade receivables, bank and cash balances and other accounts payable resulting from normal business operations. The nominal value less impairment provision of trade receivables and accounts payable are assumed to approximate their fair values. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. At the reporting date there are no assets that are either carried at fair value or where the fair value has been disclosed.





## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDING 31 MARCH 2019

#### 4. Critical accounting estimates and judgments

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

The Authority makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within financial year are discussed below.

The Authority determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on projections about the continued existence of a market for its services and the ability of the Authority to penetrate a sufficient portion of that market in order to operate profitably. The Authority increases the depreciation charge where the useful lives are less than previously estimated, or it will appropriately impair, technically obsolete or non-strategic assets that have been abandoned or identified for sale.

Residual values are based on current estimates of the value of these assets at the end of their useful lives.

#### Treatment of grants received

Taking into account its nature and substance, the Authority considers amounts that it receives from the Government to fall within the scope of *IAS 20 Accounting for Government Grants and Disclosure of Government Assistance*. In reaching this conclusion, the Authority considers the terms attached to each of the grants received and the current practice adopted by other parastatals in Botswana. Accordingly, the Authority recognises the amounts received in accordance with the accounting policy as included in note 2.11.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDING 31 MARCH 2019

	Note	2019 P	2018 P 8 month period ending 31 March 2018
<b>5 Grants and subventions</b>			
Botswana Government		51,054,357	18,238,997
<b>Total grants received during the year</b>	<b>51,054,357</b>	18,238,997	
Capital grants received during the year (Note 16)		5,806,083	14,146,177
Government subvention towards the recurrent budget		51,054,357	18,238,997
	<b>56,860,440</b>	32,385,174	
<b>6 Other income</b>			
Amortisation of capital grants (Note 16)		3,080,087	672,605
Tender fees		30,000	4,500
Other income		22,654	-
	<b>3,132,741</b>	677,105	
<b>7 Expenses by nature</b>			
The following items have been charged in arriving at the (deficit) / surplus for the period:			
<b>Expenses by nature</b>			
Advertising		1,413,789	221,487
Amortisation of intangible assets		124,398	24,711
Auditor's remuneration		93,694	118,384
Bank charges		73,966	24,207
Board expenses		387,875	486,892
Computer expenses		2,147,701	896,732
Consultancy		503,555	93,519
Consumables		-	260,399
Depreciation on property, plant and equipment		2,955,689	647,894
Donations		30,002	30,000
Employee costs		33,323,040	8,811,194
Insurance		345,745	103,432
Motor vehicle expenses		253,474	39,686
Office expenses		492,016	26,535
Operating lease rentals		1,688,099	713,440
Printing and stationery		111,681	9,442
Recruitment		354,995	428,585
Repairs and maintenance		39,319	77,963
Security		441,552	153,448
Staff welfare		42,152	146,650
Telephone and fax		1,318,251	250,545
Training		1,644,844	1,455,225
Accommodation and travel expenses		5,972,429	2,466,176
Workshops, seminars, retreats and conferences		958,987	246,525
Other expenses		998,540	519,114
<b>Total administrative expenses</b>		<b>55,715,793</b>	18,252,185



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDING 31 MARCH 2019

Note	2019 P	2018 P 8 month period ending 31 March 2018
<b>8 Staff costs</b>		
Salaries and wages	<b>25,387,752</b>	6,449,581
Leave pay	<b>2,008,786</b>	574,117
Gratuity	<b>3,587,736</b>	1,719,453
Pension	<b>1,908,638</b>	53,768
Medical expenses	<b>430,128</b>	14,275
	<b>33,323,040</b>	8,811,194
Average number of employees	<b>43</b>	16
<b>9 Finance income</b>		
Interest from banks	<b>98,295</b>	13,267
	<b>98,295</b>	13,267
Finance income represents interest earned from Barclays Call Account.		
<b>10 Income tax expense</b>		
Income tax @ 22% (2018: 22%)	-	-
Deferred income tax (Note 17)	-	-
	-	-
No provision has been made for current tax in light of the tax loss for the year. The tax loss of P4,139,348 (2018: P1,612,142) is available to be utilised in future financial periods before its expiry in 2024.		
<b>11 Analyses of financial instruments</b>		
<b>11.1 Financial instruments by category</b>		
The accounting policies for financial instruments have been applied to the line items below:		
	2019 P	2018 P
<b>Assets as per the statement of financial position</b>		
<b>-Loans and receivables:</b>		
Other receivables (Note 14)	<b>588,034</b>	1,057,656
Cash and cash equivalents (Note 15)	<b>9,460,300</b>	2,280,554
	<b>10,048,334</b>	3,338,210
<b>Liabilities as per the statement of financial position</b>		
<b>- Other financial liabilities at amortised cost:</b>		
Other payables (Note 17)	<b>10,752,520</b>	2,661,026



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDING 31 MARCH 2019

### 11 Analyses of financial instruments (continued)

#### 11.2 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	Ratings	2019 P	2018 P
<b>Staff debtors</b>	Not rated	<b>124,786</b>	76,616
<b>Cash at bank</b>			
Capital Bank of Botswana	Not rated	<b>9,432,741</b>	2,300,000
Barclays Bank of Botswana	Not rated	<b>25,719</b>	(19,446)
		<b>9,458,460</b>	2,280,554

There are no credit ratings available in Botswana. The above banks have reported sound financial results and continued compliance with minimum capital adequacy requirements set by the regulator. None of the financial assets that are fully performing have been renegotiated during year ending 31 March 2019.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDING 31 MARCH 2019

### 12 Property, plant and equipment

	Fixtures and Fittings P	Motor Vehicles P	Office Furniture P	Office Equipment P	Computer Equipment P	Cellphones iPads P	Household Furniture P	Total P
<b>Year ended 31 March 2018</b>								
Net book amount at 1 August 2017	-	-	-	-	-	-	-	-
Additions	5,870,154	5,543,535	451,769	498,310	529,447	279,860	599,870	13,772,945
Depreciation charge	(149,167)	(302,422)	(36,445)	(32,619)	(40,576)	(66,773)	(19,892)	(647,894)
<b>Net book amount at 31 March 2018</b>	<b>5,720,987</b>	<b>5,241,113</b>	<b>415,324</b>	<b>465,691</b>	<b>488,871</b>	<b>213,087</b>	<b>579,978</b>	<b>13,125,051</b>
<b>As at 31 March 2018</b>								
Cost	5,870,154	5,543,535	451,769	498,310	529,447	279,860	599,870	13,772,945
Accumulated depreciation	(149,167)	(302,422)	(36,445)	(32,619)	(40,576)	(66,773)	(19,892)	(647,894)
<b>Net book amount at 31 March 2018</b>	<b>5,720,987</b>	<b>5,241,113</b>	<b>415,324</b>	<b>465,691</b>	<b>488,871</b>	<b>213,087</b>	<b>579,978</b>	<b>13,125,051</b>
<b>Year ended 31 March 2019</b>								
Net book amount at 1 April 2018	5,720,987	5,241,113	415,324	465,691	488,871	213,087	579,978	13,125,051
Additions	4,755,807	-	554,380	186,323	214,757	94,816	-	5,806,083
Disposals	-	-	-	-	(23,888)	(56,067)	-	(79,955)
Depreciation on disposals	-	-	-	-	7,372	23,550	-	30,922
Depreciation charge	(1,094,331)	(1,108,707)	(136,025)	(157,640)	(177,499)	(160,300)	(121,187)	(2,955,689)
<b>Net book amount at 31 March 2019</b>	<b>9,382,463</b>	<b>4,132,406</b>	<b>833,679</b>	<b>494,374</b>	<b>509,613</b>	<b>115,086</b>	<b>458,791</b>	<b>15,926,412</b>
<b>As at 31 March 2019</b>								
Cost	10,625,961	5,543,535	1,006,149	684,633	720,316	318,609	599,870	19,499,073
Accumulated depreciation	(1,243,498)	(1,411,129)	(172,470)	(190,259)	(210,703)	(203,523)	(141,079)	(3,572,661)
<b>Net book amount at 31 March 2019</b>	<b>9,382,463</b>	<b>4,132,406</b>	<b>833,679</b>	<b>494,374</b>	<b>509,613</b>	<b>115,086</b>	<b>458,791</b>	<b>15,926,412</b>



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDING 31 MARCH 2019

### 13 Intangible assets

#### Year ended 31 March 2018

Net book amount at beginning of the period  
Additions  
Amortisation charge

#### Net book amount at end of the period

#### As at 31 March 2018

Cost  
Accumulated amortisation

#### Net book amount at 31 March 2018

#### Year ended 31 March 2019

Net book amount at beginning of the period  
Amortisation charge

#### Net book amount at end of the period

#### As at 31 March 2019

Cost  
Accumulated amortisation

#### Net book amount at 31 March 2019

Intangible assets include Sage 300 (Accpac), VIP Payroll software and Microsoft Office 365

	Intangible assets P	Total P
	-	-
	373,232	373,232
	(24,711)	(24,711)
	<b>348,521</b>	<b>348,521</b>
	373,232	373,232
	(24,711)	(24,711)
	<b>348,521</b>	<b>348,521</b>
	348,521	348,521
	(124,398)	(124,398)
	<b>224,123</b>	<b>224,123</b>
	373,232	373,232
	(149,109)	(149,109)
	<b>224,123</b>	<b>224,123</b>

### 14 Other receivables

Staff debtors  
Deposits and prepayments  
Other debtors

The carrying amount of receivables are denominated in Botswana Pula and approximates the fair value due to their short term nature. All receivables are unsecured and do not attract interest.

### 15 Cash and cash equivalents

Cash on hand  
Cash at bank

For the purpose of the statement of cash flows the period-end cash and cash equivalents comprise of following:

Cash on hand  
Cash at bank

	2019 P	2018 P
	<b>124,786</b>	76,616
	<b>444,063</b>	733,238
	<b>19,185</b>	247,802
	<b>588,034</b>	1,057,656
	<b>1,840</b>	-
	<b>9,458,460</b>	2,280,554
	<b>9,460,300</b>	2,280,554
	<b>1,840</b>	-
	<b>9,458,460</b>	2,280,554
	<b>9,460,300</b>	2,280,554



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDING 31 MARCH 2019

### 16 Capital grants

	2019 P	2018 P
Balance at beginning of the period	13,473,572	-
Capital grant received during the period	5,806,083	14,146,177
Transfer to statement of comprehensive income	(3,080,087)	(672,605)
Balance at end of the period	16,199,565	13,473,572

Capital grants represent government grants given to the Authority to finance the purchase of property, plant and equipment. Capital grants are transferred to the statement of comprehensive income in a manner that represents the economic benefits generated through the usage of the related assets.

### 17 Deferred income taxes

Deferred income taxes are calculated on all temporary differences using a principal tax rate of 22% (2018: 22%). However, the Authority's revenue is significantly Government grant which is based on the expenditure budget. Thus the Authority is not profit oriented and it is very unlikely that the Authority will make surpluses in the future against which the asset can be utilised hence deferred tax asset has not recognised in the financial statements.

### 18 Trade and other payables

#### 18.1 Other payables

	2019 P	2018 P
Provisions (note 18.2)	7,229,676	2,293,570
Accruals	1,639,851	293,715
Pension payable	1,880,090	53,768
PAYE payable	2,903	19,973
	10,752,520	2,661,026

The carrying value of trade and other payables approximate the fair value due to their short-term nature.

#### 18.2 Provisions

	Leave pay P	Gratuity P	Total P
<b>31 March 2018</b>			
Balance at beginning of the period	-	-	-
Provision for the period	574,117	1,719,453	2,293,570
<b>Balance at end of the period</b>	574,117	1,719,453	2,293,570
<b>31 March 2019</b>			
Balance at beginning of the year	574,117	1,719,453	2,293,570
Provision for the year	2,008,786	3,587,736	5,596,522
Payments made during the year	(207,359)	(453,057)	(660,416)
<b>Balance at end of the year</b>	2,375,544	4,854,132	7,229,676



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDING 31 MARCH 2019

### 18 Trade and other payables (continued)

#### 18.2 Provisions (continued)

##### Gratuity

Employees receive terminal gratuities in accordance with their contracts of employment. An accrual is made for the estimated liability towards such employees up to the end of the reporting date.

##### Leave pay

Paid absences are accounted for on an accrual basis over the period in which employees have provided services.

### 19 Related party transactions

The following transactions were carried out with related parties.

Government grants  
Ministry of Mineral Resources, Energy Security and Green Technology  
Revenue and development subvention (gross of deferred income)

Botswana Oil Limited  
Transportation costs for impounded products

#### Remuneration of board members and other key management

Salaries and other benefits  
Gratuity  
Leave pay

	2019 P	2018 P
Government grants Ministry of Mineral Resources, Energy Security and Green Technology Revenue and development subvention (gross of deferred income)	56,860,440	32,385,174
Botswana Oil Limited Transportation costs for impounded products	14,679	108,099
<b>Remuneration of board members and other key management</b>		
Salaries and other benefits	8,338,625	4,408,803
Gratuity	2,754,111	1,719,454
Leave pay	872,803	537,596
	11,965,539	6,665,853

### 20 Contingencies

The board members confirm that there were no other contingent liabilities at year end.

### 21 Events after the reporting period

There were no material events that occurred after the reporting period which require adjustments to or disclosure in the financial statements.

### 21 Commitments

Operating lease commitments

No later than 1 year  
Later than 1 year and no later than 5 years

	2019 P	2018 P
No later than 1 year	1,180,289	1,276,548
Later than 1 year and no later than 5 years	4,865,450	6,869,739
	6,045,739	8,146,287

The operating lease relate to lease commitment for the leased office space used for Botswana Energy Regulatory Authority Head Office. Under the terms of the lease either party can give a 2 months notice to terminate the lease.

#### Capital commitments

The Authority had capital commitments of P989,388 outstanding as at 31 March 2019 (2018: nil).

### 22 Going concern

The Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the funds will be available to finance future operations and that the realisation of assets and settlement of liabilities and commitments will occur in the ordinary course of the business.





## DETAILED INCOME STATEMENT FOR THE YEAR ENDING 31 MARCH 2019

	2019 P	2018 P 8 month period ending 31 March 201
<b>Grant and subventions</b>	<b>51,054,357</b>	18,238,997
<b>Other income</b>		
Sundry income	<b>3,132,741</b>	677,105
<b>Administrative expenses</b>		
Advertising	<b>1,413,789</b>	221,487
Amortisation of intangible assets	<b>124,398</b>	24,711
Auditor's remuneration		
Current year	<b>93,694</b>	118,384
Bank charges	<b>73,966</b>	24,207
Board expenses	<b>387,875</b>	486,892
Computer expenses	<b>2,147,701</b>	896,732
Consulting fees	<b>503,555</b>	93,519
Consumables	-	260,399
Depreciation on property, plant and equipment	<b>2,955,689</b>	647,894
Donations	<b>30,002</b>	30,000
Employee costs	<b>33,323,040</b>	8,811,194
Entertainment	<b>54,357</b>	2,305
Electricity and water	<b>175,560</b>	800
Insurance	<b>345,745</b>	103,432
Magazines, books and periodicals	<b>126,928</b>	7,660
Motor vehicle expenses	<b>253,474</b>	39,686
Office expenses	<b>492,016</b>	26,535
Operating lease rentals	<b>1,688,099</b>	713,440
Other expenses	<b>37,733</b>	108,099
Postage	<b>6,681</b>	4,191
Printing and stationery	<b>111,681</b>	9,442
Recruitment	<b>354,995</b>	428,585
Repairs and maintenance	<b>39,319</b>	77,963
Security	<b>441,552</b>	153,448
Staff welfare	<b>42,152</b>	146,650
Subscriptions	<b>592,984</b>	396,059
Telephone and fax	<b>1,318,251</b>	250,545
Training	<b>1,644,844</b>	1,455,225
Accommodation and travel expenses	<b>5,972,429</b>	2,466,176
Workshops, seminars, retreats and conferences	<b>958,987</b>	246,525
Loss on disposal of fixed assets	<b>4,297</b>	-
Total expenses	<b>55,715,793</b>	18,252,185
Total surplus	<b>(1,528,695)</b>	663,917

"This detailed income statement does not form part of the audited financial statements covered by the audit opinion on pages 45 to 49."

