BOTSWANA ENERGY
REGULATORY AUTHORITY

Annual Report 2018

BERA
BOTSWANA
ENERGY REGULATORY
AUTHORITY

Regulating Energy with Integrity

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.
Fairness	- Our actions and decisions are free from any external influence.

Introduction

Botswana Energy Regulatory Authority was established by the Botswana Energy Regulatory Act of 2016 and commenced its operations on the 1st September 2017. The authority is responsible for providing an efficient regulatory framework for the regulated energy sector being electricity, petroleum products, coal, natural gas, bio energy, solar, renewable energy resources and other energy resources. The functions of BERA are stated in Section 6 of the BERA Act and include:

- regulate tariffs, including allowed revenue, for regulated entities in the regulated sector;
- regulate coal supply agreements between collieries, coal suppliers and price-regulated generators;
- subject to the regulated sector legislation, to license activities in the regulated sector;
- regulate networks access for independent power producers, privately financed projects in the regulated sector;
- provide advisory technical expertise on tender procedures to the Public Procurement and Public Asset Disposal Board established under the Public Procurement and Asset Disposal Act;
- regulate network access and storage systems access in natural gas network, gas storage, oil pipelines, petroleum pipelines and storage of oil and petroleum products including third party access to energy, transport and storage infrastructure;
- monitor and inspect licensees and enforce license obligations;
- implement policy in relation to the generation of electricity from renewable energy resources, as may be advised by the Minister; and
- oversee project development in the regulated sector.

BERA has been established to carry out economic, safety and technical regulation in the energy sectors in a manner that will improve the welfare of Batswana and towards the national vision of achieving prosperity for all.

The theme of our inaugural year "Establishing the Authority" has challenged the BERA Board, Management team and employees to embrace the reality and need to quickly establish an Authority that is dynamic and able to deliver excellent results. To this end the organization has invested in several strategic benchmarking exercises and training that saw the board and executive management attending the world renown Public Utility Research Centre training.

Highlights

Aquired Assets worth

P14,146,176

About **this Report**

This report summarizes the activities, achievements and challenges experienced by the Authority at the close of its first year. It also examines the broader performance of the Authority in impacting on the nation's energy sector.

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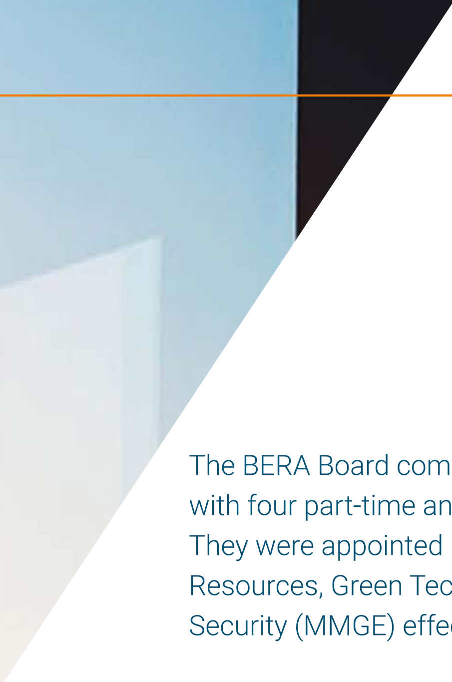
for the year ended 31 June 2018

Chairman's

Statement

It is with great pride that I present the inaugural Annual Report for Botswana Energy Regulatory Authority (BERA) for the period up to 31 March 2018.



The BERA Board comprises of eight members with four part-time and four full-time members. They were appointed by the Minister of Mineral Resources, Green Technology and Energy Security (MMGE) effective 1st August 2018.

The Authority is tasked with the following responsibilities as outlined in Section 5 of the BERA Act;

(a) Ensuring sustainable and secure supplies in the regulated sector;
(b) Setting and maintaining service standards;
(c) Ensuring that tariffs in the regulated sector are fixed on the basis of a tariff methodology that has been set up in a transparent manner taking into account Government policy on cross subsidies between classes of consumers;
(d) Ensuring that interests between consumer, customer and licensee are adequately balanced;
(e) Protecting and preserving the environment the environment; and
(f) Ensuring that the regulation of the energy sector is done in accordance with the best international regulatory practice.

While our mandate is clear as laid out by the BERA Act, regulation of the energy sector is subject to the requirements under regulated sector legislation. Regulated sector legislation includes, among others, the Electricity Supply Act, Mines and Minerals Act, Petroleum (Exploration and Production) Act, Botswana Power Corporation Act and the Control of Goods, Prices and Other Charges Act. In addition to these, the Petroleum Products and Supply Bill is still under consideration by our parent Ministry, MMGE. The enactment of this legislative instrument will enable BERA to fully and effectively regulate the energy sector.

We remain highly indebted to our parent Ministry MMGE, and in particular the Department of Energy, for the tireless work in facilitating the operationalization of BERA.

In the maiden year, BERA's focus was on the establishment of the corporate structures of the Authority. During this period, the Board set up Sectorial and Management Subcommittees. These were Petroleum, Electricity, Legal & Licensing, Supervision, Inspections & Environmental, Human Resource, Procurement and Audit & Risk.

A substantial part of the functions of the Board as specified in section 9, is therefore exercised by the Board through Subcommittees of the Board established in terms of section 20 of the BERA Act. Priority for the Board in the first year was to consider and approve rules, policies and procedures necessary for the operationalization of the Authority.

As is required in section 5 (f) of the BERA Act that the Authority the regulates of the energy sector in accordance with the best international regulatory practice, upon commencement of operations, the Authority undertook benchmarking exercises within the SADC region and internationally. Through these learnings, we were able to develop policies and procedures necessary for our operations and for executing our mandate.

As an economic regulator, our role is to create competitive market forces and push the companies to cut costs to efficient levels over an appropriate time period, steer tarrifs to cost reflective levels and improve service quality. Protecting consumers from exploitation and providing investors with the confidence and incentives to invest and maintain the infrastructure needed to provide service is therefore key in executing our mandate. It is our endeavor to fully engage with our stakeholders to ensure that they appreciate the true value of an economic regulator, and more importantly to gain their trust and confidence.

In conclusion, despite the challenges we have faced collectively as a Board and also as an Authority in our first year, I remain excited and optimistic about the years ahead. As our structures crystalize, the energy industry and consumers will begin to appreciate the value and worth of having an energy regulator. We remain committed to promoting a healthy energy sector and look forward to the continued engagement and support of all our stakeholders.

Bernard Ndove
Chairman

Board of Directors

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

Kelebogile Moremi
Fulltime Board Member

Sydney Mogapi
Fulltime Board Member

Board of Directors 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 Dimond 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 – two (22) 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 seventeen (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 ADP-Kukama 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.

Kenneth Kerekang
Fulltime Board Member
Mr. Kenneth Kerekang is a Fulltime Board Member. Mr. Kerekang is an accomplished Petroleum Economist who has worked in the energy industry for over twenty - three (23) years, having started his career at the Department of Energy in 1995 until he retired as a Director in August 2017. As the Director of Energy, he acted as chief advisor to the Government of Botswana on energy matters. And was also charged with developing and implementing policies.

He graduated with a Bachelor of Arts in Social Sciences majoring in Economics from the University of Botswana in 1995. He also possesses Master of Science in Energy Management from New York Institute of Technology. Mr. Kerekang has served in a number of Boards including Botswana Oil.

Kelebogile Moremi
Fulltime 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.

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

Chief Executive Officer's Statement

It gives me great pleasure to present to you the 1st Annual Report for the Botswana Energy Regulatory Authority (BERA).

This report summarizes the activities, achievements and challenges experienced by the Authority at the close of its first year. It also examines the broader performance of the Authority in impacting the nation's energy sector.

The Theme of our inaugural year is "Establishing the Authority" as such our priorities for the first operational year included:

(i) the leasing and refurbishment of office space in Lobatse
(ii) recruitment of key staff;
(iii) capacity building of staff and exchange programmes.
(iv) resourcing of the Authority
(vi) developing regulations and other tools in line with the BERA Act
(vii) public education and awareness

During the period under review, BERA has made significant progress in achieving these priorities including:

- Completion and occupation of our rented space.
- Capacity building of officers through regulatory training.
- Purchase of physical assets including motor vehicles, office furniture as well as hardware and software.
- Conducting two Stakeholders Conferences and a Media Brief.

It was also during the formative stage that BERA embarked on the training of the Executive Management team and the Board in courses relevant for an energy regulator.

These included, Wold Bank International Training on Utility Regulation and Strategy, International Monetary Fund/World Bank Public Private Partnership Certification, Practicing leadership in a political Environment and Corporate Governance.

Inspite of these achievements, there has been a number of challenges. The major one being the limited budget which contributed towards the staggered recruitment of staff. The development of regulations has also not progressed as anticipated. The intention is to have them completed in the next financial year as they are critical to the operation of the Authority. These include Electricity, Petroleum, Liquefied Petroleum Gas and Dispute Resolution Regulations

Other challenges included:

(a) Delay in the enactment of sector legislations supporting recent economic reforms in the energy sector.
(b) Inadequate availability of baseline information necessary to effectively regulate; and
(c) Inadequate capacity and experience in handling regulatory matters.

I wish to thank the Ministry of Minerals, Energy and Green Technology, BERA Board of Directors, Regulated Entities, Management and all Staff members for their support and cooperation they offered in the course of Establishing the Authority.

I also wish to thank the Management and staff of BGI for having provided BERA with office space when we relocated to Lobatse.

I wish to conclude by stating that this has been a short reporting period for the Authority and I am confident that more will be achieved in the following year.

Rose Seretse
Chief Executive Officer

Executive Management
Team

Rose Seretse
Chief Executive Officer

Duncan Morotsi
Chief Operations Officer

Chawada Machacha
Director Finance and Procurement

Nnosang Mhutsiwa
Director Human Resource and Administration

Yamikani Patson
Board Secretary

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 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.

Nnosang Mhutsiwa
Director Human Resource and Administration

Ms. 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).

Yamikani Patson
Board Secretary

Mr. Yamikani Patson is an admitted attorney of the High Courts of Botswana with 14 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 statutory bodies including Local Authorities 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.

Corporate
Governance

BERA was established by the Botswana Energy Regulatory Act of 2016 and commenced its operations on the 1st September 2017. The Authority is responsible for providing an efficient regulatory framework for the regulated energy sector being electricity, petroleum products, coal, natural gas, bio energy, solar, renewable energy resources and other energy resources.

The functions of BERA as stated in Section 6 of the BERA Act include:

- regulate tariffs, including allowed revenue, for regulated entities in the regulated sector;
- regulate coal supply agreements between collieries, coal suppliers and price-regulated generators;
- subject to the regulated sector legislation, to license activities in the regulated sector;
- regulate networks access for independent power producers, privately financed projects in the regulated sector;
- provide advisory technical expertise on tender procedures to the Public Procurement and Public Asset Disposal Board established under the Public Procurement and Asset Disposal Act;
- regulate network access and storage systems access in natural gas network, gas storage, oil pipelines, petroleum pipelines and storage of oil and petroleum products including third party access to energy, transport and storage infrastructure;
- monitor and inspect licensees and enforce license obligations;
- implement policy in relation to the generation of electricity from renewable energy resources, as may be advised by the Minister; and
- oversee project development in the regulated sector.

BERA has been established to carry out economic, safety and technical regulation in the energy sectors in a manner that will improve the welfare of Batswana and go a long way towards achieving the National Vision of “achieving prosperity for all”.

The theme of our inaugural year, “Establishing the Authority”, has challenged the BERA Board, Management team and employees to embrace the reality and need to quickly establish an Authority that is dynamic and able to deliver excellent results.

Corporate Governance (continued)

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;

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

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;

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.

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.

Corporate Governance (continued)

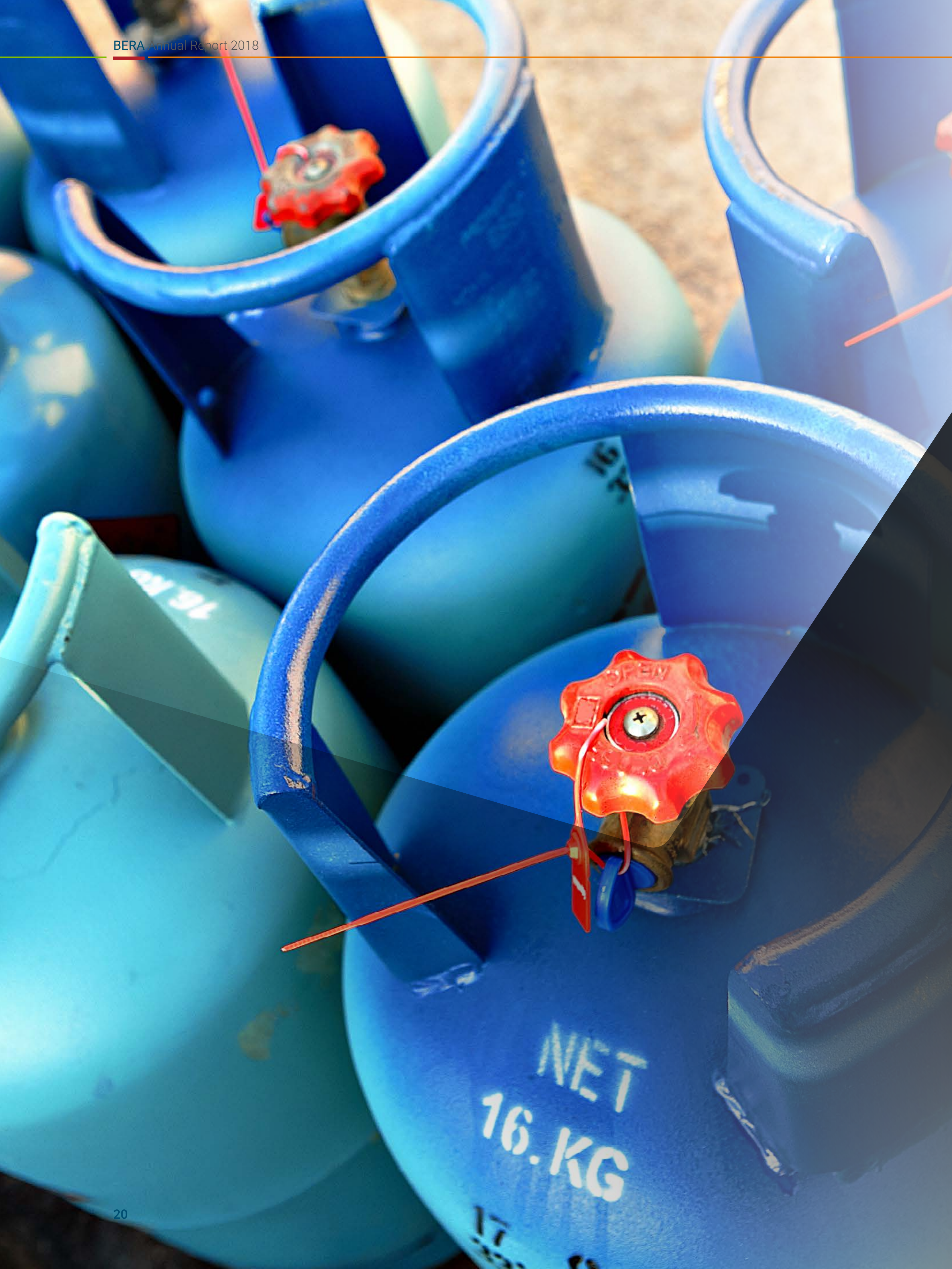
Legal and Licensing Committee, chaired by Ms. Kelebogile Moremi, a Fulltime Board member responsible for Legal and Licensing.

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 insofar 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.

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 follow up enforcement procedures to ensure compliance with conditions of licences, permits and authorisations.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Corporate Governance (continued)

Organizational/Management Committees

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.

Finance 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.

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.

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 a Code of Conduct in February 2018. 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.

Meetings of the Board and Committees

The sectorial committees of the Board are scheduled to meet at least twice a month while organizational committees meet once every three months. The Full Board meets once every month. The number of meetings held in the reporting period are tabulated below

Name of Committee	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

Allowances for Board Members

The BERA Board which is graded as an A Class Board has its members drawing a sitting allowance for meetings as follows;

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

Operational
Overview

Following the commencement of the BERA Act on 1st September 2017 the board approved an organizational structure with seven (7) departments. These are the Electricity, Petroleum & Gas, Legal & Licensing, Supervisions, Inspections & Environmental Compliance, Finance & Procurement and Human Resource & Administration. The different departments have the following broad responsibilities;

Office of the Ceo

The office of the CEO houses the Strategy, Risk & Compliance and the Communications & Public Relations Units.

The Strategy Unit coordinates the development and implementation of the corporate strategy, as well as promoting the achievement of corporate objectives.

The Risk and Compliance unit is responsible for the co-ordination and facilitation of specialised operational risk management processes, including business continuity management, occupational health and safety management as well as compliance risk management.

The Communications and Public Relations unit is responsible for managing and directing the Authority's internal and external communications. The Unit manages the flow of information between the Authority and its stakeholders.

Petroleum & Gas Department

The department is responsible for planning, developing and implementing strategies, policies and procedures, which ensure the sustainable, reliable, quality and affordable supply of petroleum and petroleum products through an enabling regulatory set up. It is also imperative that all these activities are carried out. The department is also mandated to recommend technologies, licensing, and pricing levels which will facilitate the achievement of these objectives.

Electricity Department

The Electricity department is mandated to initiate, plan, develop and implement strategies, policies and procedures, which will ensure the development of an orderly electricity supply sector in Botswana characterized by affordable, reliable, sustainable, diverse and environmentally sound supplies and services through an enabling regulatory environment.

The department also oversees project development within the electricity sector, procurement of power projects, Power Purchase Agreements (PPA), tariff setting and operations and infrastructure of regulated entities to ensure quality and reliability of services.

Supervision, Inspections & Environmental Compliance Department

The activities of the department cut across all regulated sectors falling under the Authority's mandate especially in addressing technical and compliance issues. This department ensures adherence to all the Regulatory Instruments and Technical Standard developed by the Authority.

The department is also responsible for setting, monitoring and auditing of Key Performance Indicators (KPIs) for the regulated entities, including fuel quality monitoring.

Operational Overview (continued)

Legal & Licensing Department

The Legal and Licensing department provides legal advice in the formulation and implementation of the Regulatory Instruments, Technical standards and Guidelines. It further ensures that these are compliant with the various statutes that fall within the ambit of the Authority's regulated sectors. These statutes include the BERA Act and regulated sector legislation such as the Electricity Supply Act, the Mines and Mineral Act, the Petroleum Act, the Botswana Power Corporation Act, the Control of Goods, Prices and Other Charges Act. In addition, the department is responsible for development of all regulations, rules, directives, and policies.

The department is also mandated to plan, develop and implement licensing processes and procedures that ensure that any license issued in terms of the BERA Act complies with the regulatory requirements established by the Authority in the form of Regulatory Instruments, Technical Standards and Guidelines.

The department is thus tasked with developing and/or reviewing from time to time, policies, principles, procedures and rules for licensing, internal processes and external legal procedures as well as considering all issues in connection with licence applications.

Finance & Procurement Department

The Finance and Procurement department is mandated to manage the finance, procurement and information technology (IT) functions of the organization. The Finance aspect of its mandate entails and include planning, organizing, auditing, accounting for and controlling for the Authority's finances. The department also coordinates production of the annual budget, monthly management accounts and the Authority's financial statements ready for the annual Audit.

The Procurement Unit is responsible for the acquisition of supplies, services, and construction in support of the Authority's business. The Procurement unit issues Invitations To Tender (ITTs), Requests for Proposal, Requests for Quotation and issue contracts. The Procurement Unit issues purchase orders, develops term contracts, and acquires supplies and services. The Procurement Unit also disposes of all surplus property and equipment.

The role of an IT Unit within the Finance and Procurement Department is to design, maintain, and support the Authority's information technology infrastructure, thus enabling the Authority to leverage both information and technology in an efficient, productive and secure manner. The department also provides support to enable employees to make the most effective use of IT resources, the unit also provides ongoing support to users through a helpdesk.

In addition to these, the department provides professional financial advice relating to the financial status of companies and organisations falling within the mandate of the Authority for the purpose of issuing licences. The department is also offers financial advice in and determining tariffs, levies and fees.

Human Resource & Administration Department

The Human Resource and Administration department is mandated to manage the employees of the Authority, from recruitment to retirement, as well as perform day to day office administration duties.

The Human Resource unit is responsible for ensuring that the Authority is staffed with suitably qualified, experienced, productive and motivated employees. It is further tasked with the equitable implementation of the organisation's terms and conditions of employment, policies and practices, industrial relations and staff welfare matters. The unit also proactively promote a positive working environment through the development and implementation of a wide range of HR management activities, advice and assistance to other departments to facilitate the development and retention of a productive labour force and thereby contribute to the achievement of strategic and operational objectives and establish BERA as an employer of choice.

The Administration unit is responsible for the efficient provision of administrative support services including records management, facilities and fleet management.

The year in Review

It is worth noting that at the time of review the Authority had only been in operation for eight (8) months. The Authority's activities during the period under review are summarized per the sectors and functions as follows:

PETROLEUM & GAS

Transitional arrangements

The development of transitional arrangements started with the commencement of the BERA Act on 1st September 2017 and is ongoing.

The Ministries of Investment, Trade and Industry and Ministry of Local Government continue to issue trading licences for Petrol Filling Stations, Petroleum Wholesale and other industrial licences related to petroleum products as Trade Regulations and regulations under the Control of Goods, Prices and other Charges Act continue to be in operation.

The process of developing a migration plan for all licences currently being issued under these pieces of legislation is ongoing. A migration plan which will form the basis on which the transitional arrangements are done is being developed.

Regulatory Framework

The development of a regulatory framework for Petroleum and Gas is ongoing. The Authority adopted a phased approach on the development of the regulatory framework. Priority has since been given to the development of licensing guidelines for petroleum and gas activities.

The guidelines are being developed simultaneously with the transitional arrangements. These will guide both the internal and external licensing processes and also pave way for the development of secondary legislation in the petroleum and gas sector.

Consumer Service Standards

Customer Service Standards for the petroleum sector are also being developed and are expected to be completed in the next financial year.

Licensing

In order to ensure that all licences issued by the Authority are issued using a fair and transparent process, and in a consistent and coordinated manner using best international practice, the Authority took a decision to only issue provisional licences.

This is also intended to ensure service delivery to members of the public and the energy industry without comprising the integrity of the licensing framework.

The Authority received two applications for licences to import petroleum products from Botswana Oil Limited and Kwanokeng Oil Limited.

Kwanokeng Oil Limited, a citizen owned company, was issued a provisional licence to import petroleum products with a combined capacity of 1 285 000 litres above ground diesel tanks at Pandamatenga, Francistown, Maun, Tlokweng, Gaborone and Martins Drift as they had been operational before the BERA Act came into force.

The Authority as at the year end was yet to decide on the Botswana Oil application.

Inspections of Petroleum Retail Sites

The Department created Safety Health and Environment guidelines and Inspection lists and Standards.

The department has, upon receipt of licence requests, carried out a total of sixteen (16) inspections at retail sites (Filling Stations) in various locations around the country.

The inspections focused on workplaces' management of hazardous petroleum chemical safety and compliance to the regulations that are applicable to the retail service stations.

The year in Review (continued)

Inspections of Petroleum Retail Sites (continued)

Of the inspected sixteen (16) filling stations between September 2017 and March 2018, only four (4) or 25% were found to be fully compliant with the SHE requirements and the remaining twelve (12) of the inspected filling stations were found to have a compliance range of 60% - 80%. The compliance rate was rather low, and the Authority is working with these Filling stations to help them comply.

ELECTRICITY

Regulatory Framework

The development of a regulatory framework commenced in the year under review and is ongoing. The Authority adopted a phased approach in the development of the regulatory framework. Priority has been given to the development of licensing guidelines for electricity activities. These will guide both the internal and external licensing processes and also pave way for the development of secondary legislation in the electricity sector.

Tariff review

In line with section 6 (2) of the BERA Act, 2016, the authority regulates tariffs, including allowed revenue, for regulated entities in the regulated sector and ensures that ensuring that tariffs in the regulated sector are fixed on the basis of a tariff methodology that has been set up in transparent manner considering Government policy on cross subsidies between classes of consumers. Tariffs for the Botswana Power Corporation were increased by 10% in the year under review

Consumer Service Standards

Development of a standardised code is yet to commence and is planned for in the forthcoming financial year.

A strategy on the engagement of other Government agencies dealing with consumer issues and the engagement of the industry is still being developed.

The Authority received one (1) consumer complaint, which was referred to BERA by the Consumers Affairs Department. The matter is still under investigation.

A Memorandum of Understanding and Service Level Agreement are being developed to foster close collaboration with the Consumer Affairs department on complaints relating to regulated services and to guide the referral process.

Licensing

BERA received six (6) new applications for standby generator licences. All six (6) applicants have been issued with provisional licences. BERA took a decision to only issue provisional licences while the regulatory framework is being developed.

In addition, two hundred and ninety-four (294) standby generator licensees with a combined capacity of approximately 600MW from the Department of Energy were also transitioned to the BERA licensing Framework.

Unsolicited Proposals

The Authority received five (5) unsolicited electricity generation proposals. As the Integrated Resource Plan (IRP) is still being developed; the Authority took a decision not to consider any unsolicited proposal until the IRP for the energy sector is completed.

The decision was made so as to avoid a grid lock, which could frustrate stakeholders and could potentially have a negative impact on the country's economy, and also damage BERA's reputation. The Authority actively participates in the IRP Ministerial committees and continues to provide dedicated support to development of the IRP.

The year in Review (continued)

Inspection of Stand-by Generators Sites

On the electricity subsector, a total of twenty-one (21) inspections were carried out for stand-by generators with the generating capacities above 100kW.

These inspections were mainly for the purpose establishing if electrical and environmental safety requirements needed for licensing were in place.

These inspections were guided by the Factories Act (Cap 44:01), which ensures safety with regards to generation of electrical energy of all kinds of supply. Only Eight (8) out of the twenty-one (21) or 38% of the inspected sites were found to be fully compliant. The remaining thirteen (13) or 72%, which were non-compliant were given either fourteen (14) or twenty-one (21) days to comply before they were licensed. The number of days given to a site to carry out remedial action and comply were dependent on the magnitude of the risk imminent. Where the risk was high the remedial action was required immediately whereas where the risk was intermediate twenty-one (21) days were allowed for remedial action.

OPERATIONAL & CROSSCUTTING HIGHLIGHTS

Rules and Regulations

As part of the process of setting up, BERA had to develop rules and regulations as well as procedures and processes immediately upon its inception. The following were therefore developed and are used in regulating internal processes:

- Board Charter
- Establishment of Committees of the Board and their Terms of References
- Employee Code of Conduct
- Conflict of Interest Policy

The following are still being developed:

- Decision-Making Process Chart
- Order of Activity/Process Map
- BERA Operations Manual

The development of BERA Licensing (Funding) Regulations for the regulated sectors, which will provide for the BERA fee structure and payment of licensing fees is ongoing.

FINANCE & PROCUREMENT

Subvention

BERA was awarded a seed capital of P33,329,504 to set up the Authority in 2017/18. Twenty Million Pula (P20,000,000) was disbursed in August 2017 following the decision to operationalise the BERA act from 1st September 2017. Of the P33,329,504 Subvention only P32,023,119 was disbursed.

Resourcing the operations

Given the limited seed capital, a decision was taken by the Board to focus on resourcing the operations. As such recruitment was delayed so that funds could be channelled towards the acquisition of Fixed Assets.

The Ministry further donated two (2) Motor vehicles valued at P362,055 and this was accounted for as part of the subvention.

The acquisition of assets and establishment of the Authority was successfully done. What remains undone in terms of office refurbishments and furniture has been budgeted for, and will be completed, in the next financial period.

Policies and procedures

The Authority adopted the PPADB Financial regulations to enable it to carry out procurements and payments in an orderly manner and in accordance with public procurement laws. The Authority will customise these for the Authority in the next Financial year.

The Authority also developed a Cellphone Policy to govern and guide the use of mobile phones.

IT Systems

The department acquired and implemented SAGE ACCPAC and VIP software for transaction and salary processing respectively.

The year in Review (continued)

HUMAN RESOURCE & ADMINISTRATION

Recruitment

The Authority had recruited forty -three (43) out ninety (90) employees for the various departments by 31st March 2018 as shown below:

Of these sixteen (16) were in place, while the remaining thirty (30) employees were to report for duty between April and June 2018

Policies and Procedures

The department has developed Terms and Conditions of Employment that will enhance service delivery, as well as retention of competent employees

Training and Development

The department identified three training priority areas and sent staff for the following training programmes

- Corporate Governance - The Board together with Executive Management attended a two (2) day Corporate Governance Workshop
- World Bank International Training Program on Utility Regulation - Four employees also attended this training
- Balanced Scorecard Institute Boot camp - Six (6) employees attended this training.

The Human Resources department will continue to aggressively develop skills in the area of regulation so as to capacitate the employees to carry out regulatory functions to a high degree excellence given the limited expertise in the country in the energy sector.

Stakeholder Engagement

The Authority is still developing public consultation and notification guidelines. The guidelines are to be completed by end of 2019. Nonetheless the Authority held its first media press conference to outline its mandate to the press in September 2017. The press conference, which was held at Avani Hotel in Gaborone, was attended by almost all media houses. The objective of this media conference was to share the mandate of BERA and detail how regulation will improve competition through the liberalization of the energy sector and stimulate new investments by attracting new players and investors into this sector which will ultimately benefit the consumer.

The Authority further then held two (2) stakeholder consultative meeting with its stakeholders in November 2017 to engage them on the proposed fee structure. Stakeholders were at this workshop given time to comment on the fees and were further given time to make their written submission on the proposed fees. The fees that have been proposed to the Minister are fully reflective of the stakeholders concerned.

Press Conference in Pictures

Stakeholder Consultative Meeting in Pictures

Annual Financial Statements

for the 8 months period ending 31 March 2018

Authority Information

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

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 Members:	Bernard Ndove 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 8 months period ending 31 March 2018

The Board Members of Botswana Energy Regulatory Authority ("Authority"), are responsible for the 8 months 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 8 months 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 Members are 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 Members 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 8 months financial statements. The Board Members 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, Energy Security and Green Technology.

Our external auditors conduct an examination of the 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 Members.

The annual financial statements on pages 42 to 66 were authorised for issue by the Board Members and are signed on its behalf by:

Chairperson

Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

TO THE MINISTRY OF MINISTRY OF MINERAL RESOURCES, ENERGY SECURITY AND GREEN TECHNOLOGY

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 2018, and its financial performance and cash flows for the 8 month period 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 42 to 66, which comprise:

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income for the 8 month period then ended;
- the statement of changes in funds for the 8 month period then ended;
- the statement of cash flows for the 8 month period then ended; and
- 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 Botswana Institute of Chartered Accountants Code of Ethics (the "BICA Code") and the ethical requirements that are relevant to our audit of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with these requirements and the BICA Code. The BICA Code is consistent with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (Parts A and B).

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

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

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 was 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 requirements to be applied 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 55)* *Notes 5 - Grants and Subvention (page 59)* *Note 16 - Capital grants (page 65)*	*Our audit of the Subvention and Capital Grants from Government included the following procedures:* • *We agreed subvention receipts from Government to deposit recorded in the Authority's bank statements.* • *We obtained a confirmation from the Ministry of Ministry of Mineral Resources, Energy Security and Green Technology confirming the subvention amount that was 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 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 members are responsible for the other information. The other information comprises the statement of responsibilities by the board members and the detailed statement of comprehensive income for the 8 month period ending 31 March 2018. 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.

Responsibilities of the board members for the financial statements

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

In preparing the financial statements, the members are responsible for assessing the 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 members either intend to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

pwc

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members.

- Conclude on the appropriateness of the members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

In accordance with Section 30 (3) of the Botswana Energy Regulatory Authority Act, 2016 we confirm that:

- We have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the performance of our duties as auditors;
- In our opinion the accounts and related records of the Authority have been properly maintained;
- The Authority has complied with the financial provisions of the Botswana Energy Regulatory Authority Act, 2016; and
- This is the first year of operation, accordingly no prior year financial statements are available for assessing consistency with previous year.

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.

PricewaterhouseCoopers

Individual practicing member: Butler Phirie
Gaborone
Registration number: 19900312

Statement of Comprehensive Income

for the 8 months period ending 31 March 2018

	Note	2018 P
Grants and subventions	5	18,238,997
Other income	6	677,105
Operating expenses	7	(18,252,185)
Operating surplus		**663,917**
Finance income	9	13,267
Net surplus for the period		**677,184**
Other comprehensive income for the period		–
Total comprehensive surplus for the period		**677,184**

Statement of Financial Position

as at 31 March 2018

	Note	2018 P
ASSETS		
Non-current assets		
Property, plant and equipment	12	13,125,051
Intangible assets	13	348,521
		13,473,572
Current assets		
Trade and other receivables	14	1,057,656
Cash and cash equivalents	15	2,280,554
		3,338,210
Total assets		**16,811,782**
FUNDS AND LIABILITIES		
Funds		
Accumulated surpluses		677,184
		677,184
Non-current liabilities		
Capital grants	16	13,473,572
		13,473,572
Current liabilities		
Trade and other payables	17.1	2,661,026
		2,661,026
Total funds and liabilities		**16,811,782**

Statement of Changes In Funds

for the 8 month period ending 31 March 2018

	Accumulated surplus P	Total funds P
For the 8 months period ending 31 March 2018		
Comprehensive income		
1 August 2017	—	—
Surplus for the period ending 31 March 2018	677,184	677,184
Balance at 31 March 2018	**677,184**	**677,184**

Statement of Cash Flows

for the 8 month period ending 31 March 2018

	Note	2018 P
Cash flows from operating activities		
Operating surplus for the period		677,184
Adjusted for:		
Non cash items:		
Amortisation of intangible assets	13	24,711
Depreciation on property, plant and equipment	12	647,894
Amortisation of capital grants		(672,605)
Changes in working capital:		
Increase in trade and other receivables		(1,057,656)
Increase in trade and other payables		2,661,026
Net cash generated from operating activities		**2,280,554**
Cash flows from investing activities		
Acquisition of property, plant and equipment	12	(13,772,945)
Acquisition of intangible assets	13	(373,232)
Net cash used in from investing activities		**(14,146,177)**
Cash flows from financing activities		
Capital grant received during the period	5	14,146,177
Net cash generated from financing activities		**14,146,177**
Net decrease in cash and cash equivalents		**2,280,554**
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at the end of the period	15	**2,280,554**

Summary of Significant Accounting Policies

for the 8 month period ending 31 March 2018

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 Authority started its operations on 1 August 2017 and accordingly there are no comparatives to the financial statements.

The financial statements set out on pages 42 to 66 have been approved by the Board Members on 4 October 2018.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

2.1.1 Compliance with IFRS

The Authority's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the International Financial Reporting Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and the requirements of the Botswana Companies Act, 2003.

2.1.2 Historical cost convention

The financial statements have been prepared on a historical cost basis.

2.1.3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2.1.4 Changes in accounting policy and disclosures

a) New and amended standards and interpretations, effective for the first time for 31 March 2018 year ends and relevant to the Authority

- Amendments to IFRS 9 – Financial Instruments (2011) - The IASB has published an amendment to IFRS 9, 'Financial instruments' that delays the effective date to annual periods beginning on or after 1 January 2018. The original effective date was for annual periods beginning on or after from 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified (effective from 1 January 2018).

Summary of Significant Accounting Policies *(continued)*

for the 8 month period ending 31 March 2018

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

b) New and amended standards and interpretation issued but not effective for 31 March 2018 year ends that are relevant to the Authority but have not been early adopted

- IFRS 9 – Financial Instruments (2009 &2010), 'Financial liabilities', 'Derecognition of financial instruments', 'Financial assets' and '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 (effective from 1 January 2018).

- Amendment to IFRS 9 – Financial instruments', 'on general hedge accounting'. The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following: the own credit risk requirements for financial liabilities, classification and measurement (C&M) requirements for financial assets and C&M requirements for financial assets and financial liabilities (effective from 1 January 2018).

- Amendment to IFRS 9 – 'Financial instruments', 'Prepayment features with negative compensation and Modification of financial liabilities'. The narrow-scope amendment covers two issues: the amendments allow companies to measure particular prepaid financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities and how to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings (effective from 1 January 2018).

- 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 from 1 January 2018).

- Amendment to IFRS 15 – Revenue from contracts with customers. 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 (effective from 1 January 2018).

Summary of Significant Accounting Policies *(continued)*

for the 8 month period ending 31 March 2018

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

b) New and amended standards and interpretation issued but not effective for 31 March 2018 year ends that are relevant to the Authority but have not been early adopted

- 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' (effective from 1 January 2019).

- 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 (effective from 1 January 2019).

c) New and amended standards and interpretations issued but not effective for 31 March 2018 year ends and are not relevant to the Authority

- Amendment to IAS 12 – Income taxes 'Recognition of deferred tax assets for unrealised losses'. The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets.The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets (effective from 1 January 2017).

- Annual improvements 2014 - 2016 (part). These amendments impact 3 standards, one being effective from 1 January 2017. IFRS 12,'Disclosure of interests in other entities' regarding clarification of the scope of the standard. The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.

Summary of Significant Accounting Policies *(continued)*

for the 8 month period ending 31 March 2018

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

c) New and amended standards and interpretations issued but not effective for 31 March 2018 year ends and are not relevant to the Authority *(continued)*

- IFRIC 23 – 'Uncertainty over income tax treatments'. IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting (effective from 1 January 2019).

- Amendments to IFRS 2 – 'Share-based payments' clarifying how to account for certain types of share-based payment transactions. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority (effective from 1 January 2018).

- Amendment to IFRS 4, 'Insurance contracts' Regarding the implementation of IFRS 9, 'Financial instruments'. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will: give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and give companies whose activities are predominantly connected with insurance an optional exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39 (effective from 1 January 2018).

- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,' Investments in associates and joint ventures' on sale or contribution of assets The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures. The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures (effective date postponed-initially 1 January 2016).

- Amendments to IAS 28, 'Investments in associates and joint ventures' Long-term interests in associates and joint ventures. The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9. The amendments are effective from 1 January 2019, with early application permitted (effective from 1 January 2019).

Summary of Significant Accounting Policies *(continued)*

for the 8 month period ending 31 March 2018

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

c) New and amended standards and interpretations issued but not effective for 31 March 2018 year ends and are not relevant to the Authority *(continued)*

- Amendment to IAS 40, 'Investment property' Transfers of investment property. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence (effective from 1 January 2018).

- IFRS 17, 'Insurance contracts' The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract (effective from 1 January 2021. Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17).

d) Annual improvements 2014 – 2016

Annual improvements 2014-2016 These amendments impact 2 standards at the end of 2018:

- IFRS 1,' First-time adoption of IFRS', regarding the deletion of shortterm exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 (effective 1 January 2018).
- IAS 28,' Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). The Board clarified that this election should be made separately for each associate or joint venture at initial recognition (effective 1 January 2018).

Annual improvements cycle 2015-2017. These amendments include minor changes to:

- IFRS 3, 'Business combination' - a Authority re-measures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, 'Joint arrangements', - a Authority does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

Summary of Significant Accounting Policies *(continued)*

for the 8 month period ending 31 March 2018

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

d) Annual improvements 2014 – 2016 *(continued)*

- IAS 12,' Income taxes' - The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- IAS 23,' Borrowing costs' - a Authority treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

2.2 Foreign currency translation

2.2.1 Functional and presentation currency

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

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:

Summary of Significant Accounting Policies *(continued)*

for the 8 month period ending 31 March 2018

2 Summary of significant accounting policies *(continued)*

2.3 Property, plant and equipment *(continued)*

- 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;

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.

Summary of Significant Accounting Policies *(continued)*

for the 8 month period ending 31 March 2018

2 Summary of significant accounting policies *(continued)*

2.6 Financial assets

2.6.1 Classification

The Authority classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

The Authority's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the reporting date.

2.6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Authority commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or losses are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Authority has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'other income' in the period in which they arise. Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

There were no financial assets categorised as fair value through profit or loss or available-for-sale assets at the reporting date.

Summary of Significant Accounting Policies *(continued)*

for the 8 month period ending 31 March 2018

2 Summary of significant accounting policies *(continued)*

2.6 Financial assets *(continued)*

2.6.3 Off-setting financial instruments

Financial assets and liabilities are off-set and the net amount reported in the statement of financial position when there is a legally enforceable right to off-set the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.6.4 Impairment of financial assets

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in accounting policy number 2.7

2.7 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reAuthority, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

When a trade receivable is uncollectible, it is written-off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written-off are credited as other income in the statement of comprehensive income.

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

Summary of Significant Accounting Policies *(continued)*

for the 8 month period ending 31 March 2018

2 Summary of significant accounting policies *(continued)*

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 an entity in return for past or future compliance with certain conditions relating to the operating activities of the Authority.

Grants relating to the acquisition of property, plant and equipment are credited to the other comprehensive income on a straight-line basis over the expected useful lives of the related assets. The related assets are shown at cost less accumulated depreciation.

When an asset financed through capital grants is disposed of, the total unamortised portion of the capital grant relating to the asset is credited to other comprehensive income in the year of disposal.

Operating grants are recognised in the income statement 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.

Summary of Significant Accounting Policies *(continued)*

for the 8 month period ending 31 March 2018

2 Summary of significant accounting policies *(continued)*

2.13 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Authority's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

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.

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 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.

Summary of Significant Accounting Policies *(continued)*

for the 8 month period ending 31 March 2018

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(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.

(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.

	31 March 2018 P
Financial liabilities falling due within 12 months	–

Summary of Significant Accounting Policies *(continued)*

for the 8 month period ending 31 March 2018

3 Financial risk management *(continued)*

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.

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.

Impairment loss on debtors

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

Residual value and useful lives of property, plant and equipment

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.

Notes to the Financial Statements

for the 8 month period ending 31 March 2018

		2018 P
5	**Grants and subventions**	
	Botswana Government	18,238,997
		18,238,997
	Movement in grants	
	Capital grants received during the period	14,146,177
	Amortisation of capital grant	672,605
	Government subvention towards the recurrent budget	18,238,997
		33,057,779
6	**Other income**	
	Amortisation of capital grants	672,605
	Tender fees	4,500
		677,105

Notes to the Financial Statements *(continued)*

for the 8 month period ending 31 March 2018

	2018 P
7 Expenses by nature	
The following items have been charged in arriving at the surplus for the period:	
Expenses by nature	
Advertising	221,487
Amortisation of intangible assets	24,711
Auditor's remuneration	118,384
Bank charges	24,207
Board expenses	486,892
Software licenses	896,732
Consultancy	93,519
Consumables	260,399
Depreciation on property, plant and equipment	647,894
Donations	30,000
Employee costs	8,811,194
Entertainment	2,305
Insurance	103,432
Magazines, books and periodicals	7,660
Motor vehicle expenses	39,686
Office expenses	26,535
Operating lease rentals	713,440
Other expenses	108,899
Postage	4,191
Printing and stationery	9,442
Recruitment	428,585
Repairs and maintenance	77,963
Security	153,448
Staff welfare	146,650
Subscriptions	396,059
Telephone and fax	250,545
Training	1,455,225
Travel expense	2,466,176
Workshops, seminars, retreats and conferences	246,525
Total administrative expenses	**18,252,185**

Notes to the Financial Statements *(continued)*

for the 8 month period ending 31 March 2018

		2018 P
8	**Staff costs**	
	Salaries and wages	2,882,663
	Leave pay	574,117
	Gratuity	1,719,453
	Pension	53,768
	Medical expenses	14,275
	Other staff costs	3,566,918
		8,811,194
	Average number of employees	16

		2018 P
9	**Finance income**	
	Interest from banks	13,267
		13,267

Finance income represents interest earned from Barclays Call Account.

10 Income tax

No provision for income tax is required as the Authority is exempt from taxation in terms of Section Schedule, Part 1 of the Income Tax Act (Cap 52:01).

Notes to the Financial Statements *(continued)*

for the 8 month period ending 31 March 2018

11 Analysis of financial instruments

11.1 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	2018 P
Assets as per the statement of financial position	
- Loans and receivables:	
Trade and other receivables (Note 14)	1,057,656
Cash and cash equivalents (Note 15)	2,280,554
	3,338,210
Liabilities as per the statement of financial position	
- Other financial liabilities at amortised cost:	
Trade and other payables	**2,661,026**

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 P	2018 P
Staff debtors	Not rated	**76,616**
Cash at bank		
Capital Bank of Botswana	Not rated	2,300,000
Barclays Bank of Botswana	Not rated	(19,446)
		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 the 8 month period ending 31 March 2018.

Notes to the Financial Statements *(continued)*

for the 8 month period ending 31 March 2018

12 Property, plant and equipment

	Fixtures and fittings P	Motor vehicles P	Office furniture P	Office equipment P	Computer equipment P	Cellphones P	Ipads P	Household Furniture P	Total P
Year ended 31 March 2018									
Net book amount at 1 August 2017	–	–	–	–	–	–	–	–	–
Additions	5,870,154	5,543,535	451,769	498,310	529,447	137,920	141,940	599,870	13,772,945
Depreciation charge	(149,167)	(302,422)	(36,445)	(32,619)	(40,576)	(26,793)	(39,980)	(19,892)	(647,894)
Net book amount at 31 March 2018	**5,720,987**	**5,241,113**	**415,324**	**465,691**	**488,871**	**111,127**	**101,960**	**579,978**	**13,125,051**
As at 31 March 2018									
Cost	5,870,154	5,543,535	451,769	498,310	529,447	137,920	141,940	599,870	13,772,945
Accumulated depreciation	(149,167)	(302,422)	(36,445)	(32,619)	(40,576)	(26,793)	(39,980)	(19,892)	(647,894)
Net book amount at 31 March 2018	**5,720,987**	**5,241,113**	**415,324**	**465,691**	**488,871**	**111,127**	**101,960**	**579,978**	**13,125,051**

Notes to the Financial Statements *(continued)*

for the 8 month period ending 31 March 2018

		Intangible asset P	Total P
13	**Intangible asset**		
	Year ended 31 March 2018		
	Net book amount at beginning of the period	–	–
	Additions	373,232	373,232
	Amortisation for the period	(24,711)	(24,711)
	Net book amount at end of the period	**348,521**	**348,521**
	As at 31 March 2018		
	Cost	373,232	373,232
	Accumulated amortisation	(24,711)	(24,711)
	Net book amount at 31 March 2018	**348,521**	**348,521**

Details of intangible assets include the following softwares:
Sage 300 (Accpac)
VIP Payroll software
Microsoft Office 365

		2018 P
14	**Other receivables**	
	Staff debtors	76,616
	Deposits and prepayments	733,238
	Other debtors	247,802
		1,057,656

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	2,280,554
		2,280,554

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	2,280,554
	2,280,554

Notes to the Financial Statements *(continued)*

for the 8 month period ending 31 March 2018

		2018 P
16	**Capital grants**	
	Balance at beginning of the period	–
	Capital grant received during the period	14,146,177
	Transfer to statement of comprehensive income	(672,605)
	Balance at end of the period	**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.

		2018 P
17	**Trade and other payables**	
17.1	Other payables	
	Provisions (note 17.2)	2,293,570
	Accruals	293,715
	Pension payable	53,768
	PAYE payable	19,973
		2,661,026

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

17.2 Provisions

	Leave pay P	Gratuity P	Total P
31 March 2018			
Balance at beginning of the period	–	–	–
Provision for the period	574,117	1,719,453	2,293,570
Balance at end of the period	**574,117**	**1,719,453**	**2,293,570**

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.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2018

		2018 P
18	**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)	**31,712,569**
	Botswana Oil Limited	
	Transportation costs for impounded products	**108,099**
	Remuneration of board members and other key management	
	Salaries and other benefits	4,408,803
	Gratuity	1,719,454
	Leave pay	537,596
		6,665,853

19 Contingencies

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

20 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.

		2018 P
21	**Commitments**	
	Operating lease commitments	
	No later than 1 year	713,440
	Later than 1 year and no later than 5 years	4,892,160
		5,605,600

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

There were no capital commitments outstanding at the statement of financial position date.

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 8 months period ending 31 March 2018

	2018 P
Grant and subventions	
Grant and subventions	18,238,997
Other income	
Sundry income	677,105
Administrative expenses	
Advertising	221,487
Amortisation of intangible assets	24,711
Auditor's remuneration	
Current year	118,384
Bank charges	24,207
Board expenses	486,892
Computer expenses	896,732
Consulting fees	93,519
Consumables	260,399
Depreciation on property, plant and equipment	647,894
Donations	30,000
Employee costs	8,811,194
Entertainment	2,305
Insurance	103,432
Magazines, books and periodicals	7,660
Motor vehicle expenses	39,686
Office expenses	26,535
Operating lease rentals	713,440
Other expenses	108,899
Postage	4,191
Printing and stationery	9,442
Recruitment	428,585
Repairs and maintenance	77,963
Security	153,448
Staff welfare	146,650
Subscriptions	396,059
Telephone and fax	250,545
Training	1,455,225
Travel expense	2,466,176
Workshops, seminars, retreats and conferences	246,525
Total expenses	**18,252,185**
Total surplus	**663,917**

This detailed income statement does not form part of the audited financial statements covered by the audit opinion on pages 38 to 41.

Notes

BERA

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AUTHORITY

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