WATER UTILITIES CORPORATION

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

WATER UTILITIES CORPORATION

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

BUSINESS

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

MEMBERS OF THE BOARD

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

CORPORATE MANAGEMENT TEAM

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

REGISTERED OFFICE

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

POSTAL ADDRESS

Private Bag 00276
Gaborone

BANKERS

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

INVESTMENT BANKERS

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

INDEPENDENT AUDITORS

PricewaterhouseCoopers

FUNCTIONAL CURRENCY

Botswana Pula "P"

MINISTRY

Ministry of Lands and Water Affairs

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INDEX TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2022

The following financial statements are presented in compliance with the requirements of the Water Utilities Corporation Act (Chapter 74:02)

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Statement of Responsibility by the Members of the Board

The Members of the Board are responsible for the preparation and fair presentation of the financial statements of Water Utilities Corporation ("the Corporation"), comprising the statement of financial position as at 31 March 2022, and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Water Utilities Corporation Act (Chapter 74:02).

The Members of the Board are required by the Water Utilities Corporation Act (Chapter 74:02), to maintain adequate accounting records and are responsible for the content and integrity of and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Corporation at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with IFRS.

The Members of the Board are responsible for such internal controls as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. It is also the responsibility of the Board to incorporate controls that prevent and detect material fraud.

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

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

The Members of the board are of the opinion, based on the information and explanations given by Management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The external auditors are responsible for independently reporting on the Corporation's financial statements and their report is presented on pages 2 to 7.

Going Concern

The Members of the Board have made an assessment of the Corporation's ability to continue as a going concern and believe that continued financial support from the Government of the Republic of Botswana, and the revision of the tariffs, together with the ongoing operational efficiency initiatives will ensure that the Corporation continues as a going concern for the foreseeable future.

Members of the Board's approval of the financial statements

Against this background, the Members of the Board accept responsibility for the financial statements on pages 8 to 45 which were approved and authorised for issue on 16 August 2022 and signed on its behalf by:

....
Director

....
Director

Independent auditor's report

To the Honourable Minister of Lands and Water Affairs of Water Utilities Corporation

Our opinion

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

What we have audited

Water Utilities Corporation's financial statements set out on pages 8 to 45 comprise:

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

Basis for opinion

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

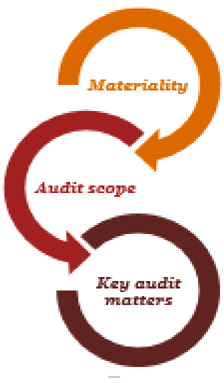
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



Overall materiality

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

Key Audit Matters

- *Impairment of trade receivables.*

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

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

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	***How our audit addressed the key audit matter***
Impairment loss of trade receivables **(All amounts in Pula '000)** At 31 March 2022 the Corporation recognised net trade receivables of P 309 931 (2021: P 320 372) after deducting expected credit losses ("ECL") of P 721 254 (2021: P 697 606).	We performed the following audit procedures on the ECL provision for impairment on trade receivables: • We obtained an understanding of relevant internal controls by: ○ enquiring from management as to whether any significant changes

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

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

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

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

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

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

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

have been made to the internal control system; and

- reading through the Corporation's process manuals.

- We evaluated the design and implementation of relevant controls applicable to customer registration and creation and tested their operating effectiveness through inspection of a sample of new connection application forms;

- We assessed the application of the accounting policies and management's ECL impairment model against the requirements of IFRS 9 and no material inconsistencies;

- We agreed the amount of the ECL as per the output of management's ECL impairment model to the provision for impairment as per the general ledger. No material differences were noted;

- We reconciled the receivable balances used in the model to the relevant accounting records and reviewed the segments of receivables for appropriate segmentation. No material differences were noted;

- Utilising our actuarial, risk and quants expertise, the following procedures were performed in order to assess the reasonability of the ECL as determined by management as at 31 March 2022:

  - Independently calculated the ECL by using the simplified approach method and compared the result to management's ECL calculation result. No material differences were noted;

  - For trade receivables related to business and domestic groups, PD and LGD assumptions made in management's calculations were stressed to arrive at an impairment range. We noted that the Corporation's calculated ECL was within a reasonable range of our independent expected range of ECL calculated;

  - For Government trade receivables, a benchmark probability of default (" PD") and Loss Given Default (" LGD") was used to independently assess the impairment to be held for this segment. Given the short-term nature of the trade receivables, a 12 month PD was used. A range of benchmarked LGDs was used to calculate a possible range for the impairment. We noted that the Corporation's ECL provisions were within a reasonable range of our independent expectations;

- Independently assessed the COVID 19 impact on the ECL by building an independent model using historic benchmark data and determining a link between Gross Domestic Product (GDP) and the relative increase in the loss rates for various base loss rates. In this regard, we used a forecasted GDP figure for Botswana to infer an increase in counterparty risk arising due to COVID 19. We noted that the Corporation's ECL provisions were within a reasonable range of our independent expectations overall.

Other information

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

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

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

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

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Corporation or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on other legal and regulatory requirements

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

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

- The financial statements prepared by the Corporation were prepared on a basis consistent with that of the preceding year, except as explained in the Summary of Significant Accounting Policies (Standards and Interpretations effective in the current year).

PricewaterhouseCoopers

PricewaterhouseCoopers
Firm of Certified Auditors
Practising member: Sheyan Edirisinghe (CAP 004 2022)

23 August 2022
Gaborone

WATER UTILITIES CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2022

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

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

WATER UTILITIES CORPORATION
STATEMENT OF FINANCIAL POSITION
as at 31 March 2022

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

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

WATER UTILITIES CORPORATION
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2022

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

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

WATER UTILITIES CORPORATION
STATEMENT OF CASH FLOWS
for the year ended 31 March 2022

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

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

SIGNIFICANT ACCOUNTING POLICIES

PRESENTATION OF FINANCIAL STATEMENTS

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

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

BASIS OF PREPARATION

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

STATEMENT OF COMPLIANCE

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

Changes in accounting policies

(a) New and amended standards adopted by the Corporation

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

Standard/Interpretation	Confirmed or Proposed Effective date: Years beginning on or after	Summary of changes and Management's Rationale for Impact
Covid-19-related Rent Concessions – Amendments to IFRS 16	1 Apr 2021	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Based on Management's assessment the amendment is applicable but does not have an impact on the financial statements of the Corporation.
Interest Rate Benchmark Reform – Phase 2 introduces amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 Jan 2021	In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide the following reliefs: • When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, as a direct consequence of interbank offered rate (IBOR) reform, will not result in an immediate gain or loss in the income statement. • The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded. The Corporation does not undertake hedging activities nor does it have financial assets or liabilities which use IBOR in determining contractual cash flows, hence no material impact has been noted based on Management's assessment.

SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies (continued)

(b) Standards issued but not effective

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

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

Changes in accounting policies (continued)

(b) Standards issued but not effective (continued)

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

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

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

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

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

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition (continued)

Potable water and wastewater services (continued)

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

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

Connection fees

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

Property, plant and equipment

Recognition

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

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

Initial and subsequent measurement

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

Property, plant and equipment (continued)

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

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

Depreciation is recognised in the statement of comprehensive income.

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

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

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

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

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

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

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

Leases under IFRS 16
The Corporation assesses whether a contract is, or contains a lease, at the date of inception of contract after transition date and date of legal or deemed renewal of contract, whichever is applicable. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases under IFRS 16 (continued)

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

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

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

Right-of-use asset

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

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

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

Right-of-use assets are depreciated over the shorter period of the lease term and useful life (2-5 years) of the underlying asset on a straight line basis. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Corporation expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation charge is included in the statement of comprehensive income unless it is included in the carrying amount of another asset. Depreciation starts at the commencement date of a lease.

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

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

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

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

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

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

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

Lease liability

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

SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases under IFRS 16 (continued)

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

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

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

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

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

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

Inventory
Inventories comprise maintenance spares and stores, water treatment chemicals and consumables. Maintenance spares and consumable stores are expensed to the statement of comprehensive income as they are utilised unless they satisfy the recognition criteria as critical spares, which are capitalised as property, plant and equipment. Inventories are measured at the lower of cost, determined on a weighted average cost basis and net realisable value (NVR). The weighted average cost includes costs attributable to purchase price including non-refundable taxes, transportation and duties required to avail the inventory to usable and saleable condition. The net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and variable selling expenses. The Corporation reviews the net realisable value of inventory on a periodic basis in order to determine whether inventory is being held in the books at the lower of its cost and NRV. A provision for obsolete inventory is processed to write down inventory to NRV, where there are indications that the cost is more than the NRV. Write-downs to net realisable value and inventory losses are expensed within cost of sales in the statement of comprehensive income in the period in which the write-downs or losses occur.

FINANCIAL INSTRUMENTS: IFRS 9
Financial assets and liabilities are recognised on the Corporation's statement of financial position when the Corporation becomes party to the contractual provisions of the instruments.

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets

Classification and measurement
The Corporation classifies its financial assets in the following measurement categories:
- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

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

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

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

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

All recognised financial assets are subsequently measured at amortised cost or fair value on the basis of the Corporation's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost.
Financial assets that are held within a business model whose objective is both to collect the contractual cash flows and to sell the financial assets, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost. All other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

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

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Fair value measurements
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Corporation takes into account the characteristics of the asset or liability if the market participants would take those characteristics into account when pricing that asset or liability at the measurement date. Fair value measurement and/or disclosure purposes in these financial statements is determined on such basis and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36. In addition, for financial reporting purposes, fair value measurements are categorised into levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and significance of the inputs to the fair value measurements in its entirety which are described as follows:
• Level 1: Inputs are quoted prices (unadjusted)in the active market for identical assets or liabilities that the Corporation can access at the measurement date;
• Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly(prices) or indirectly (that is, derived from prices); and
• Level 3: Inputs are unobservable inputs for the asset or liability.

Financial liabilities and equity instruments

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

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Corporation are recorded at the fair value received, net of direct issue costs. In the Corporation's case, there is no equity issued, however the Government of Botswana, which is the owner through the Water Utilities Corporation Act of 1970 - (Laws of Botswana Chapter 74:02) has a residual interest in the assets of the entity after deducting all of its liabilities.

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

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

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

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

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

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

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

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

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

Provisions
Provisions are recognised when the Corporation has a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation
Income tax expense represents the sum of the current tax payable and the movement in deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items that are non-taxable and non-deductible. The Corporation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by reporting period end.

Deferred tax
Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the reporting date, to recover or settle the carrying amounts

Deferred tax assets and liabilities are offset where there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Corporation intends to settle its current assets and current liabilities on a net basis. There are no restrictions in offsetting the tax assets and liabilities.

Trade and other payables
Trade and other payables represent liabilities for goods and services provided to the Corporation prior to the end of the financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

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

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

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

(i) Defined contribution plans
Contributions are recognised as an expense to the Corporation, included in staff costs, as membership to the pension fund is a condition of employment.

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are expensed in the period in which they are incurred.

Foreign currency translation

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

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

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

Joint arrangements

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies, prior period errors and changes in accounting estimates
Changes in accounting policies are adopted either due to new IFRS or amendments of existing standards or voluntarily. Voluntary changes in accounting policies relate to instances when Management considers that a change in accounting policy will better inform the users of the financial statements in regard to new circumstances and the underlying impact of such changes on the relevance and reliability of the financial statements. Where the change in accounting policy is triggered by new IFRS or amendments of existing standards, the Corporation adopts transitional guidance issued by IFRS. Prior period errors that are identified during the reporting period relate to deviations from IFRS, omissions or misstatements in financial information reported in prior periods. Material prior period errors are retrospectively adjusted on comparative periods to which the error occurred. The cumulative net effect, including tax consequences of changes in accounting policies and prior period errors that impact financial reporting periods earlier than the recent comparatives are adjusted in opening retained earnings for the earliest comparative financial statements with corresponding adjustments to the respective assets, liabilities or other components of equity. Changes in accounting estimates are prospectively accounted for in the financial statements during the year of the change in estimate and subsequent reporting periods.

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

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and assumptions (continued)

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

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

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

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

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

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

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

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

e) Revenue recognised from sale of potable and wastewater

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

f) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Corporation recognises assets and liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due or there will be a refund or assessed loss. Where the final tax outcome of these matters is different from the amounts initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made. Tax uncertainties can arise due to changes in legislation within the Botswana jurisdiction.

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

Disaggregation of revenue

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

2022

Revenue	Service transferred overtime	Service transferred at point in time	Total
Potable water	1,884,296	-	1,884,296
Wastewater	145,627	-	145,627
Connection fees	-	36,774	36,774

2021

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

2 Other income

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

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

3 Operating Profit / (loss) before Tariff subsidy

The operating profit / (loss) before tariff subsidy includes the following items:

	2022 P'000	2021 P'000 (Restated)*
Depreciation of Property, Plant and equipment (note 7)	374,457	352,636
Depreciation - Right of use (note 8)	14,423	11,249
Amortisation of capital grants (note 16)	(116,796)	(88,155)
Amortisation of revenue grants (note 16)*	-	(172,194)
Amortisation of intangible assets (note 9)	472	2,856
Increase/(decrease) in accounts receivable impairment provision (note 11)	26,462	236,097
Board member's fees (note 23)	381	233
Lease rentals & rates - property	1,277	1,466
Remuneration - Key management (note 23)	26,851	17,290
Foreign exchange gain (note 2)	2,035	2,253

4 Expenses by nature

	2022 P'000	2021 P'000 (Restated)*
Expenses to be apportioned		
Salary and wage expenses	936,270	778,095
Terminal benefits	93,252	66,133
Pension contribution	78,986	54,248
Total salaries and wages expenses	**1,108,508**	**898,476**
Spares and consumables	**167,768**	**143,830**

Basis of apportionment

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

Water treatment and distribution expenses

	2022 P'000	2021 P'000
Building maintenance	679	343
Pumping power, repairs and chemicals*	414,183	363,871
Apportioned: Direct salaries and wages	886,806	718,781
Apportioned: Spare and consumables	134,214	115,064
Total Water treatment and distribution expenses	**1,435,882**	**1,198,059**

Administration and other expenses

	2022 P'000	2021 P'000
Security	80,566	74,065
Travelling	20,434	20,907
Professional and consultancy*	33,768	37,384
Legal fees	275	3,860
Settlement fees	-	112,000
Auditor's remuneration	3,248	2,500
IT expenses	55,875	41,894
Telephone, postage, printing and stationery	26,842	25,849
Repairs and maintenance	12,000	9,098
Staff expenses	12,735	13,392
Public relations & advertising	10,382	6,116
Insurance	1,186	12,618
Bank charges	10,127	6,125
Office rental, electricity and water	9,102	8,664
Foreign exchange loss	6,289	2,586
State of emergency reconnections	-	27,301
Apportioned: Indirect salaries and wages	221,702	179,695
Apportioned: Spare and consumables	33,554	28,766
	538,085	**612,820**

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

5 Finance income/costs

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

6 Taxation

	2022 P'000	2021 (Restated)* P'000
Current tax:		
Basic tax at 22 % (2021: 22%)	-	-
Over statement of prior year tax (note 20)	-	(5,126)
Restatement impact*		(2,382)
Write off	251,947	
Current year estimate (note 20)	(67,569)	(71,715)
Income tax expense	**184,378**	**(79,223)**

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

	2022	2021
Loss before income tax	**(207,982)**	**(253,714)**
Tax calculated at applicable tax rates of 22% (2021: 22%)	(45,756)	(55,817)
Tax effects of:		
- Write off	251,947	-
- Expenses not deductible for tax purposes	4,413	1,127
- Income not subject to income tax	(26,225)	(19,407)
- Prior year overstatement	-	(5,126)
Income tax expense	**184,378**	**(79,223)**
Effective tax rate	**-89%**	**31%**

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

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

7 Property, plant and equipment

	Land, dams and buildings	Development expenditure	Distribution systems, plant and machinery	Vehicles and equipment	Total
COST	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Balance at 1 April 2020 (Originally stated)	**3,410,413**	**710,378**	**5,345,299**	**577,685**	**10,043,775**
Reclassification (note 24)*	651,166	-	(544,935)	(106,231)	-
WIP Non qualifying costs transferred to SoCI (note 24)*	-	(2,569)	-	-	(2,569)
Late transfer of available for use assets (note 24)*	326	(2,760)	2,434	-	-
Balance at 1 April 2020 (Restated, note 24)*	**4,061,905**	**705,049**	**4,802,798**	**471,454**	**10,041,206**
Additions	1,097	-	64,693	89,289	155,079
Additions to development expenditure	-	1,694,196	-	-	1,694,196
Disposal	-	-	-	(1,010)	(1,010)
Transfer from development expenditure to PPE	69,442	(228,124)	158,682	-	-
Transfer from development expenditure to Intangible assets (note 9)	-	(2,153)	-	-	(2,153)
WIP Non qualifying costs transferred to SoCI (note 24)*	-	(15,735)	-	-	(15,735)
Late transfer of available for use assets (note 24)*	6,456	(8,416)	1,960	-	-
Balance at 31 March 2021 (Restated, note 24)*	**4,138,900**	**2,144,817**	**5,028,133**	**559,733**	**11,871,583**
Balance at 1 April 2021	**4,138,900**	**2,144,817**	**5,028,133**	**559,733**	**11,871,583**
Additions	214,278	-	245,046	78,203	537,527
Additions to development expenditure	-	2,984,515	-	-	2,984,515
Disposal	-	-	(56)	(16,807)	(16,863)
Transfer from development expenditure to PPE	644,704	(1,557,733)	913,029	-	-
Adjustment	-	-	9,255	-	9,255
Impairment	-	(15,815)	-	-	(15,815)
Balance at 31 March 2022	**4,997,882**	**3,555,784**	**6,195,407**	**621,129**	**15,370,202**
ACCUMULATED DEPRECIATION					
Balance at 1 April 2020 (Originally stated)	**994,850**	-	**1,571,660**	**321,460**	**2,887,970**
Reclassification (note 24)*	(17,192)	-	54,924	(37,732)	-
Balance at 1 April 2020 (Restated, note 24)*	**977,658**	**-**	**1,626,584**	**283,728**	**2,887,970**
Depreciation charge	118,939	-	189,140	44,557	352,636
Disposals	-	-	-	(683)	(683)
Balance at 31 March 2021	**1,096,597**	**-**	**1,815,724**	**327,602**	**3,239,923**
Balance at 1 April 2021	**1,096,597**	**-**	**1,815,724**	**327,602**	**3,239,923**
Depreciation charge	130,242	-	189,618	54,597	374,457
Adjustment	-	-	9,255	-	9,255
Disposals	-	-	(20)	(14,138)	(14,158)
Balance at 31 March 2022	**1,226,839**	**-**	**2,014,577**	**368,061**	**3,609,477**
Carrying amount at 31 March 2020 (Restated note 24)*	**3,084,247**	**705,049**	**3,176,214**	**187,726**	**7,153,236**
Carrying amount at 31 March 2021 (Restated note 24)*	**3,042,303**	**2,144,817**	**3,212,409**	**232,131**	**8,631,660**
Carrying amount at 31 March 2022	**3,771,043**	**3,555,784**	**4,180,830**	**253,068**	**11,760,725**

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

7 Property, plant and equipment (Continued)

Impairment assessment of non-financial assets

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

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

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

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

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

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

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

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

Reassessment of useful lives and residual values

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

Impairment of development expenditure

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

8 Leases (Corporation as lessee)

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

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

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

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

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

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

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

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

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

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

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

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

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

10 Inventories

	2022	2021
Chemicals	1,085	896
Spares and consumables	62,321	55,875
Provision for obsolete inventories	(2,867)	(2,060)
	60,539	**54,711**
Provision for obsolete inventories		
Opening balance	(2,060)	(1,171)
Charge to profit or loss	(807)	(889)
Closing balance	**(2,867)**	**(2,060)**

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

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

11 Trade and other receivables

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

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

Loss allowance reconciliation for financial assets under IFRS 9

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

12 Cash and cash equivalents

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

Restricted cash

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

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

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

13 Investments carried at amortised cost

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

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

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

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

14 Irredeemable capital

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

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

15 Government contribution - Water Sector Reforms

	2022 P'000	2021 P'000
Balance at beginning of the year	4,104,627	4,104,627
Balance at end of the year	**4,104,627**	**4,104,627**

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

16 Government grants

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

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

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

16 Government grants (continued)

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

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

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

17 Borrowings and Interest reserve

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

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

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

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

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

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

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

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

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

17 Borrowings and Interest reserve (continued)

Fair value of borrowings

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

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

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

Reconciliation of liabilities arising from financing activities

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

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

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

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

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

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

Reclassification of non-current portion of contract retention

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

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

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

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

20 Taxation Balances

	2022 P'000	2021 (Restated)* P'000
Deferred Taxation		
Liability / (asset) at beginning of the year	(11,215)	68,008
Prior year overstatement	-	(5,126)
Restatement impact*	-	(2,382)
Current year estimate	(67,569)	(71,715)
Write off of deferred tax asset from tax losses	251,947	(71,715)
Taxation recognised in profit or loss	184,378	(79,223)
Balance at end of the year liability / (asset)	**173,163**	**(11,215)**
Analysed as follows;		
Differences in tax and accounting depreciation	302,170	234,559
Accruals and provision for credit losses	(127,410)	(125,480)
Tax loss	(251,947)	(119,133)
IFRS 16 Leases	(1,597)	(1,161)
Write off of deferred tax asset from tax losses	251,947	-
Liability / (asset) at end of the year	**173,163**	**(11,215)**

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

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

	2022 P'000	2021 P'000
Tax (payable)/refund		
Balance at beginning of the year	22,922	22,922
Other tax adjustments	(6,741)	-
Closing balance	**16,181**	**22,922**

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

21 Cash flows from operating activities

	2022 P'000	2021 (Restated)* P'000
Operating income after interest and tax*	(392,360)	(174,491)
Adjustment for		
Depreciation and amortisation expense (notes 3, 7, 8 ,9)	384,675	366,741
Development expenditure impairment adjustment	15,815	-
Amortisation of revenue and capital grants (note 16)	(116,796)	(260,349)
Finance income (note 5)	(62,706)	(81,321)
Finance costs (note 5)	23,877	22,273
Finance costs on leases (note 8)	4,242	3,297
Foreign exchange gain/loss (note 2, 4)	4,254	333
Loss / (profit) on sale of assets	(3,178)	(470)
Tax refund written off	6,812	-
Income tax charged in profit or loss	184,378	(79,223)
	49,013	**(203,210)**
Adjusted for working capital movements		
Movement in inventories	(5,828)	(4,321)
Movement in trade and other receivables	(636,835)	(330,331)
Movement in consumer deposits	6,268	4,710
Movement in trade and other payables	(52,403)	488,891
	(688,798)	**158,949**
Net cash flow from operating activities*	**(639,785)**	**(44,261)**

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

22 Commitments and contingent liabilities

Lease commitments
Lease commitments have been disclosed in note 8.

Capital commitments

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

	2022 P'000	2021 P'000
Approved and contracted for	4,903,620	8,077,056

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

23 Related party transactions

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

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

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

Key management includes the Corporate Management Team as disclosed under the General Information section on the first page of the financial statements. In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Corporation and related parties:

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

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

24 Correction of material errors

(a) Correction of material error in recognition of project costs

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

Project costs incurred are related to mainly consultancy fees on feasibility studies for projects that have not yet been initiated and it is unclear if the projects will be subsequently carried out considering the time when the study was done, current strategic plans and financing. Other costs related to vehicle tracking devices installation costs and related monthly subscription fees for use of the vehicle tracking systems and, consultancy fees on critical spare parts management plan, where the end product was a report and a process improvement plan. This meant that the costs were not directly part of the larger projects where assets were constructed, or the end product was an item of property, plant and equipment, and therefore not capital in nature. Consequently, these costs did not meet the asset recognition criteria under IAS 16 and therefore, should not have been capitalised and classified as Development Expenditure (Capital WIP) reported within property, plant and equipment but rather expensed in the period incurred. Grants received for the same were reclassified to revenue grants instead of capital grants as the costs were expensed.

24 Correction of material errors (continued)

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

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

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

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

Statement of Financial Position (extract)	**01 April 2020**	**Increase/ (Decrease)**	**01 April 2020(Restated)**
	P'000	**P'000**	**P'000**
Property, plant and equipment (Dev. Expenditure)	7,155,805	(2,569)	7,153,236
Deferred tax liability	(68,573)	565	(68,008)
Government grants	(3,185,589)	1	(3,185,588)
Net assets	**5,654,700**	**(2,003)**	**5,652,697**
Retained Earnings	(781,872)	2,003	(779,869)
Total equity	**5,654,700**	**2,003**	**5,656,703**

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

	01 April 2020	**Increase/ (Decrease)**	**01 April 2020(Restated)**
	P'000	**P'000**	**P'000**
Statement of Changes In Equity (extract)			
Retained earnings	**781,872**	**(2,003)**	**779,869**

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

(b) Prior year misclassification of asset classes

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

24 Correction of material errors (continued)

(b) Prior year misclassification of asset classes (continued)

This error only resulted in a reallocation between asset classes in the same asset line. Therefore, the statement of financial position is not impacted but just the disclosure in the PPE note. The cumulative effect was the same because these corrected balances were simply rolled over to the following period without any further changes.

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

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

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

(c) Late transfer of available for use assets

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

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

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

	31 March 2021	Increase/ (Decrease)	31 March 2021 (Restated)
COST	**P'000**	**P'000**	**P'000**
Land, dams and buildings	3,480,952	6,456	3,487,408
Development expenditure	710,378	(8,416)	701,962
Distribution systems, plant and machinery	5,568,674	1,960	5,570,634
Total Cost	**9,760,004**	**-**	**9,760,004**

(d) Restatement of Note 19

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

24 Correction of material errors (continued)

(d) Restatement of Note 19 (continued)

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

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

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

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

26 Going concern considerations

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

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

27 Events after the reporting date

Botswana Stock Exchange has notified the Corporation that its listed bond has been transferred to the Default Board following the failure by the Corporation to file the audited financial statements by 30 June 2022. The BSE regulations provides that the Corporation has up to 31 October 2021 to have submitted the financial statements.

28 Financial risk management

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

a) Market risk

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

(i) Foreign exchange risk

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

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

(ii) Interest rate risk and cash flow risk

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

28 Financial risk management (continued)
a) Market risk (continued)

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

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

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

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

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

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

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

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

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

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

28 Financial risk management (continued)

d) Credit risk

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

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

Deposits are payable by consumers before water is connected and overdue accounts are disconnected. Accounts receivable are settled in cash, cheques or electronic transfer. Accounts receivable outstanding were reviewed and considered for impairment provision in accordance with IFRS 9- Financial Instruments. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. On-going credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, customers are disconnected until they settle.

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

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

Key assumptions used in determination of expected credit losses

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

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

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

28 Financial risk management (continued)

d) Credit risk (continued)

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

2022

	Domestic debtors			Business debtors			
	Loss rate	Loss allowance (P'000)	Balance as at 31/03/2022 (P'000)	Loss rate	Loss allowance (P'000)	Balance as at 31/03/2022 (P'000)	Total loss allowance
Performing							
0 - 30 days	56.80%	25,610	45,091	32.09%	7,294	22,728	32,904
Non-Performing							
31 - 60 days	86.23%	48,382	56,106	65.61%	13,645	20,796	62,027
61 - 90 days	94.73%	34,105	36,002	89.62%	6,018	6,715	40,123
Credit impaired							
Over 90 days	99.29%	518,760	522,491	99.29%	67,440	67,925	586,201
		626,857	**659,690**		**94,397**	**118,164**	**721,254**

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

2021

	Domestic debtors			Business debtors			
	Loss rate	Loss allowance (P'000)	Balance as at 31/03/2021 (P'000)	Loss rate	Loss allowance (P'000)	Balance as at 31/03/2021 (P'000)	Total loss allowance
Performing							
0 - 30 days	44.50%	22,797	51,224	32.24%	5,869	18,203	28,666
Non-Performing							
31 - 60 days	66.41%	35,605	53,610	56.30%	12,897	22,908	48,502
61 - 90 days	78.91%	29,667	37,595	65.82%	6,662	10,122	36,329
Credit impaired							
Over 90 days	99.95%	502,307	502,567	100.00%	81,802	81,802	584,109
		590,376	**644,996**		**107,230**	**133,035**	**697,606**

2022

Government debtors

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

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

2021

Government debtors

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

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

28 Financial risk management (continued)

d) Credit risk (continued)

(ii) Impairment of Other Financial Assets

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

Financial instruments by category	**2022**	**2021 (Restated)***
	P'000	**P'000**
Financial assets at amortised cost		
Trade and other receivables	1,031,185	1,017,978
Investments carried at amortised cost	1,192,793	34,328
Cash and cash equivalents	283,256	1,534,154
	2,507,234	**2,586,460**
Financial liabilities at amortised cost		
Borrowings	216,738	222,252
Consumer deposits	61,414	55,146
Lease liabilities	53,079	43,016
Trade and other payables*	670,911	829,002
	1,002,142	**1,149,416**

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

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

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