

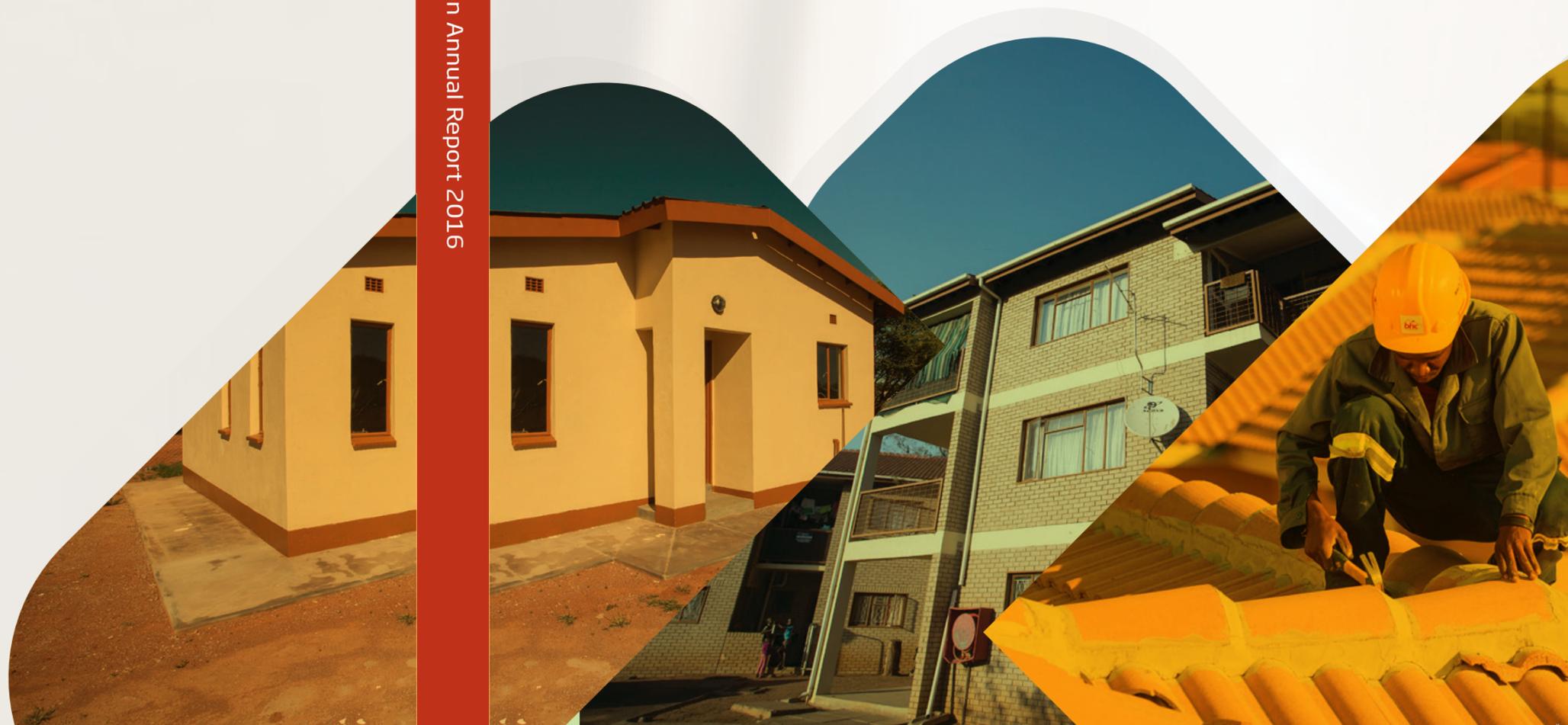


ANNUAL REPORT 2016

Housing today for tomorrow



Botswana Housing Corporation Annual Report 2016

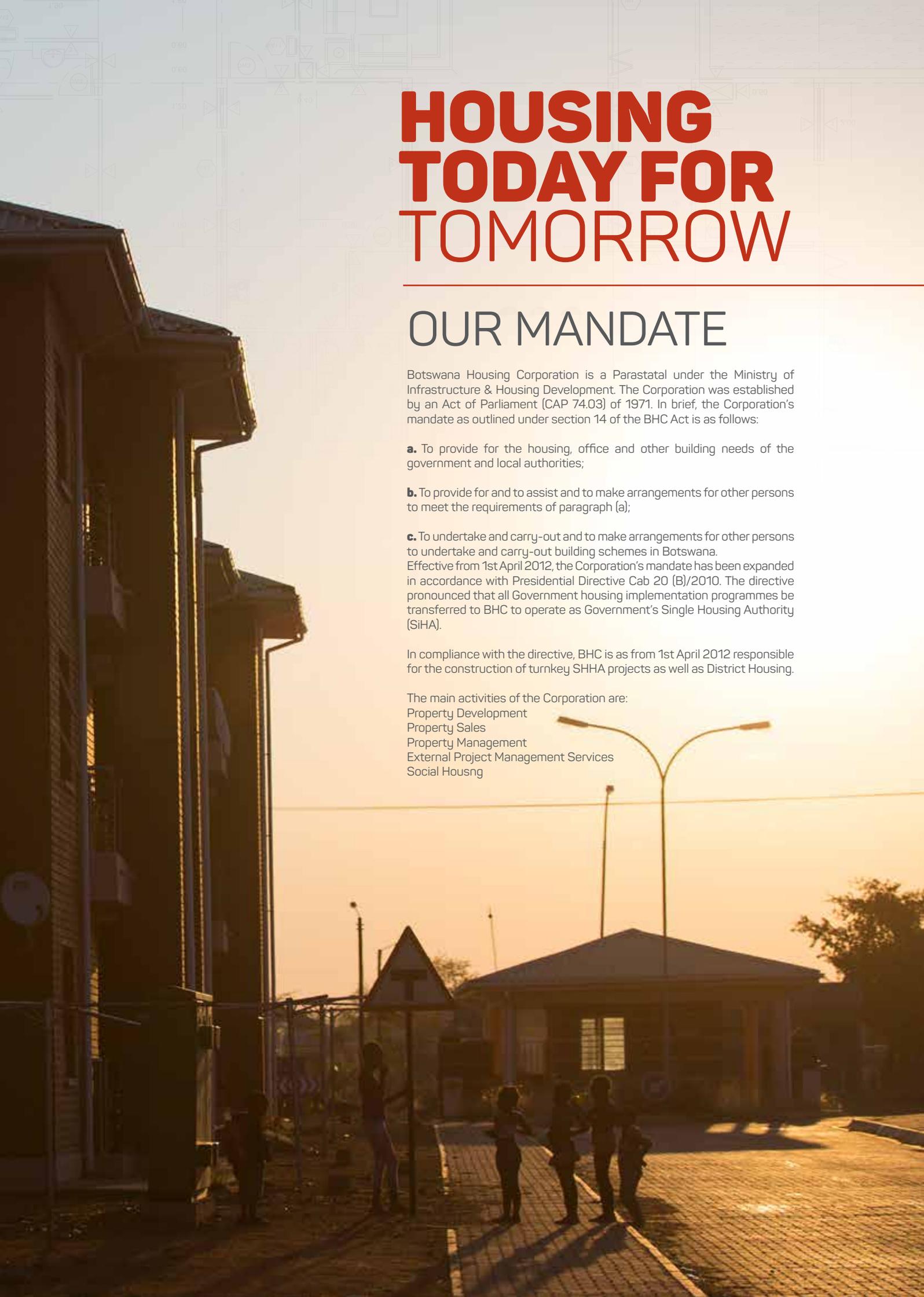


A faint architectural drawing overlay is visible in the top left corner of the image, showing various geometric shapes and lines, including circles, triangles, and rectangles, with some numerical values like 0.80, 0.90, 1.20, and 1.40.

HOUSING TODAY FOR TOMORROW







HOUSING TODAY FOR TOMORROW

OUR MANDATE

Botswana Housing Corporation is a Parastatal under the Ministry of Infrastructure & Housing Development. The Corporation was established by an Act of Parliament (CAP 74:03) of 1971. In brief, the Corporation's mandate as outlined under section 14 of the BHC Act is as follows:

- a.** To provide for the housing, office and other building needs of the government and local authorities;
- b.** To provide for and to assist and to make arrangements for other persons to meet the requirements of paragraph (a);
- c.** To undertake and carry-out and to make arrangements for other persons to undertake and carry-out building schemes in Botswana. Effective from 1st April 2012, the Corporation's mandate has been expanded in accordance with Presidential Directive Cab 20 (B)/2010. The directive pronounced that all Government housing implementation programmes be transferred to BHC to operate as Government's Single Housing Authority (SiHA).

In compliance with the directive, BHC is as from 1st April 2012 responsible for the construction of turnkey SHHA projects as well as District Housing.

The main activities of the Corporation are:

- Property Development
- Property Sales
- Property Management
- External Project Management Services
- Social Housing

VISION

To be the choice provider of housing solutions in Botswana.

MISSION

To provide affordable housing to the nation through appropriate solutions.

VALUES

BOTHO

Restoring dignity through the provision of affordable housing and other corporate social responsibility initiatives.

TEAMWORK

Pulling together for a common purpose.

INNOVATION

Constantly delivering innovative solutions.

EXCELLENCE

Serving with distinction.

TRANSPARENCY

Operating in an honest and accountable manner.





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2016 ANNUAL REPORT

BOARD MEMBERS



- 01. Dr. Bolelang C. Phoko (Board Chairperson)
- 02. Reginald Ketshabile (Deputy Chairperson)
- 03. Baemedi K. Mmopi (Member)
- 04. Oteng S. Mamparanyane (Member)

- 05. Stephen B. Tiroyakgosi (Member)
- 06. Benjamin T. Mokgolodi (Member)
- 07. Helen Chilisa (Member)
- 08. Joseph B. Mosimane (Member)

- 09. Sebele Molalapata (Member)
- 10. Barend Malatsi (Member)

SENIOR LEADERSHIP



01. Reginald Motswaiso (Chief Executive Officer)
02. Nkaelang Matenge (Deputy CEO Operations)
03. Pascaline Sefawe (Deputy CEO Support Services [AG])
04. Yagan Mukonde (Internal Audit Manager)
05. Elizabeth Galeforolwe (Legal Services Manager)
06. Kesebonye Khimbele (Property Manager)
07. Gaothobogwe Baleseng (Property Sales Manager)
08. Olefile Segokgo (Senior Estates Manager - North Region)

09. Octavian Seitshiro (Maintenance Manager)
10. Sekgele Ramahobo (Human Resource Manager)
11. Samantha Molefe (IT Manager)
12. Mookodi Seisa (Marketing and Research Manager)
13. Gomolemo Zimona (Public and Corporate Affairs Manager)
14. Bridgette Mtonga (Property Development Manager [AG])
15. Botho Bayendi (Corporate Planning Manager)

A woman with her hair styled in braids, wearing a dark grey blazer over a white lace-trimmed top and a dark skirt. She is standing in a modern office environment with blue chairs and tables in the background. A large yellow circle is overlaid on the right side of the image, containing the title and text.

CHAIRPERSON'S REPORT

Houses were started and delivered across the country to cater for the needs of various stakeholders, especially government, corporates and individuals. On the social housing space 1,837 houses were started, with 1000 or 54% being SHHA housing.

CHAIRPERSON'S REPORT

On behalf of the Board it gives me great pleasure to present the financial statements of the Botswana Housing Corporation for the financial year ended 31 March 2016.

Delivery on the mandate

The 2015/16 financial year was a busy period for the Corporation, especially on the social housing space. The Board and Management continued to successfully deliver on the mandate of the provision of housing to the nation, with more focus now being geared towards social housing through the Self Help Housing Agency (SHHA), Public Officers Housing Initiative (POHI), Instalment Purchase Scheme (IPS) and Youth Housing.

Houses were started and delivered across the country to cater for the needs of various stakeholders, especially government, corporates and individuals. On the social housing space 1,837 houses were started, with 1000 or 54% being SHHA housing. These houses are for the lower income groups and BHC is proud to have been able to house this segment of the market on behalf of the government. In terms of deliveries 785 SHHA houses were delivered at various locations across the country.

The Corporation also started 465 POHI houses throughout the country, of which 8 units were delivered. This scheme is intended to provide housing for civil servants in rural areas and will indeed will go a long way into reducing accommodation shortage in these areas.

The Corporation was tasked with the development and delivery of housing for the Youth and low income groups earning salaries between P3000 and P7000 on a monthly basis. The project started in earnest in this financial year and 372 high density houses were started under this scheme.

The first batch of these houses will be delivered in December 2018 while the second batch of 300 houses will start in financial year 2016/17. The scheme is welcome as it caters for income groups not falling under the SHHA criteria as well as those not qualifying for mortgages at the commercial banks. The houses will be sold by BHC through the instalment purchase scheme.

On the commercial housing space 369 houses were started while 155 were delivered in Palapye and Jwaneng. The delivered houses were successfully sold to individual buyers, corporates and government. The demand for accommodation in Gaborone, Palapye and Jwaneng continue to exceed supply and the Corporation will continue to build in these areas to reduce accommodation shortage. The BHC commercial mandate is very important as it ensures the financial sustainability and these projects are financed by funds sourced from the market.

Financial Performance

In terms of financial performance the Corporation has done very well in financial year 2015/16. It recorded a growth in surpluses of 184% on the back of an increase in the sale of investment properties. The growth positions the organisation positively in the market and this allows it to be able to borrow to build and deliver more houses to fulfil its mandate. The financial results reflect a strong balance sheet, strong cash flow position and increased shareholder value. The strong cash flow position allows BHC to build more houses to house Batswana.



CHAIRPERSON'S REPORT (CONT'D)

Strategy

On the strategy front, the Corporation's seven year strategic plan is nearing its completion and majority of the milestones have been achieved. Throughout this plan houses were delivered in various parts of Botswana and it was during the implementation of this plan that houses were delivered in peri-urban areas of Serowe, Mahalapye and Ghanzi. The planned 29 000 units was hampered by water challenges in some parts of the country as well as budgetary constraints from some of our major customers. The Corporation has not been able to start most projects in the Southern part of the country, in particular Gaborone Kgale, Molepolole, Kanye and Pilane due to shortage of water. Water in these areas is expected to be available after year 2018 and once it is availed the developments would start.

As part of its strategy the Board and Management embarked on the review of the operating model and this project is nearing completion. It is expected that the implementation of the revised operating model will be started during the financial year 2017/18. The review of the model was brought about by the need to accommodate all aspects of the BHC mandate, especially social housing which was previously done by the local authorities. The revised operating model is expected to strategically position BHC as a single provider of housing solutions for government and government entities.

Outlook

The Corporation will embark on a new six year strategic plan which will commence on 1 April 2017. The plan will be aligned with government's NDP 11 to ensure that BHC fully takes into consideration all aspects of the wider government plan.

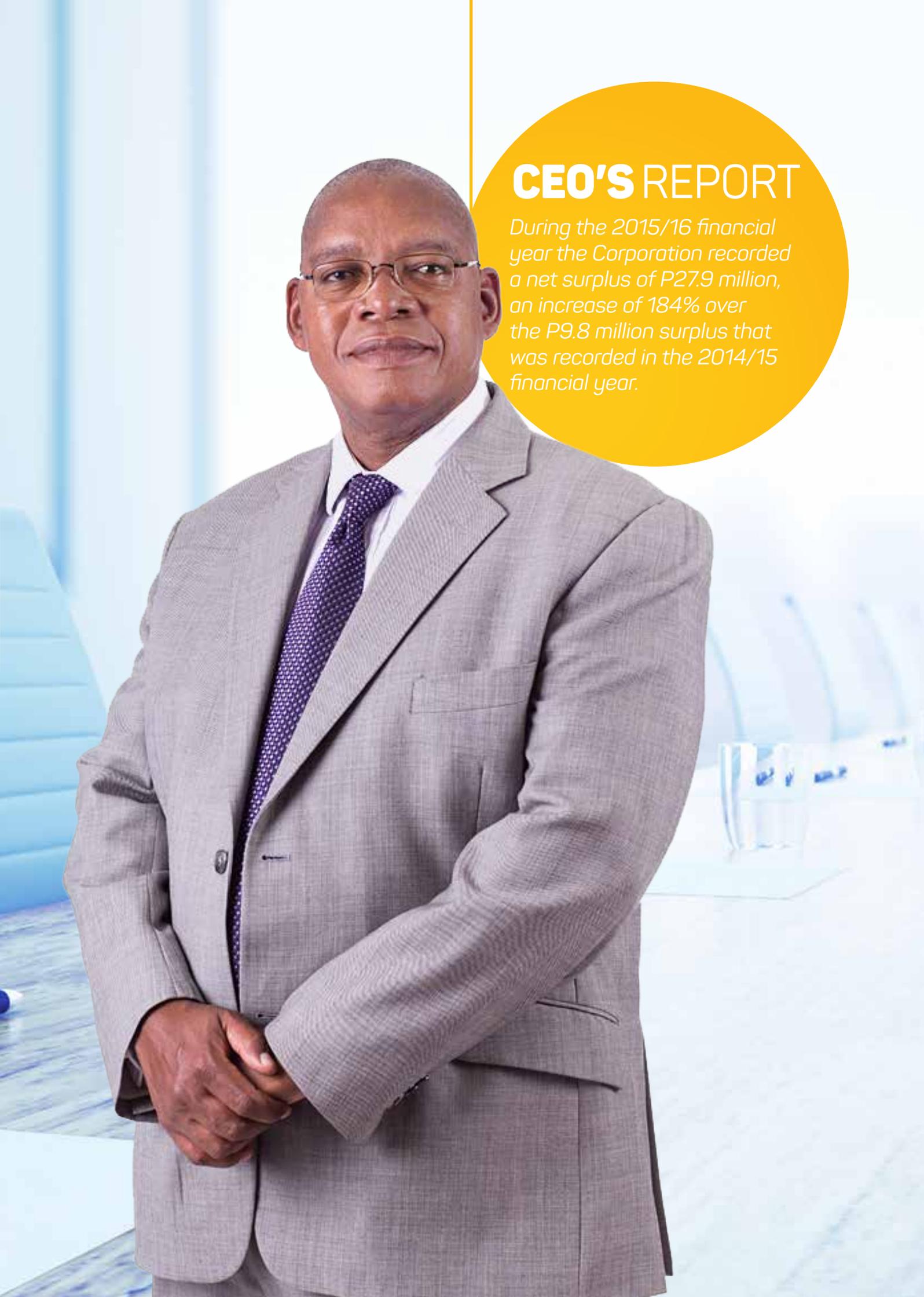
The strategic plan is expected to continue on the following pillars which are considered to be central to the delivery of the mandate:

- Shareholder relationship management
- Customer service
- High performance culture
- Financial sustainability.

Acknowledgements

Let me conclude by thanking the Board for its stewardship during this financial year. We wouldn't have achieved what we have achieved had it not been for their strong leadership. Let me also thank Management for their commitment and ensuring delivery of the objectives of Botswana Housing Corporation.

Dr. Bolelang C. Pheko
Board Chairperson

A man with glasses, wearing a grey suit jacket, a white shirt, and a patterned tie, stands in a modern office environment. He has his hands clasped in front of him. The background is a bright, blue-toned office space with a desk and a chair visible.

CEO'S REPORT

During the 2015/16 financial year the Corporation recorded a net surplus of P27.9 million, an increase of 184% over the P9.8 million surplus that was recorded in the 2014/15 financial year.

CHIEF EXECUTIVE OFFICER'S REPORT

It gives me great pleasure to present to you, our various stakeholders, the Corporation's 2015/16 Annual Report and Financial Statements. In presenting the Annual Report and Financial Statements I would like to highlight the following:

Delivery of housing properties

In my job, as the Chief Executive Officer of Botswana Housing Corporation, what makes me happier than anything else is to see people's faces light up with big smiles as they take possession of houses which are newly constructed by the Corporation, whether as tenants or homeowners. I am, therefore, delighted to note that during the financial year under review the Corporation managed to provide shelter to some 1, 001 families through the completion and handing over of a total of 1, 001 housing units, broken down as follows:

a)	The Corporation's own projects	155
b)	SHHA turnkey projects	785
c)	Public Officers' Housing Initiative (POHI) projects	8
d)	Projects undertaken on behalf of third parties	53

Housing units under construction

Before houses can be completed and handed over they have to be started on the ground. Therefore, the number of houses started in a financial year is a key metric which the Corporation monitors. Among other projects that were in progress as at the year-end was the 156 housing units project, referred to as Youth Housing, at Tsholofelo, in Gaborone. These units are targeted at young people who are just entering the job market, as this segment of the population has been identified as being among those that are challenged in terms of being able to get their feet onto the first rung of the property ownership ladder due to their relatively meagre incomes. The units being built for them are designed such that they will be more affordable.

Also under construction as at 31 March 2016, were some 369 housing units comprising of the Corporation's own projects, 45 of them being located in Palapye whilst the rest are located in Gaborone, including some 60 units that are being constructed on high density plots whereby the Corporation considers that the existing developments have not optimised land usage.

All these units are expected to be completed in the 2016/17 financial year.

The biggest challenge the Corporation experienced in terms of being able to start new projects on the ground was the lack of water in most of the locations in which the Corporation has been allocated land for development. In the 2016/17 financial year the Corporation will focus its attention in those areas whereby water is already available

or is expected to be available in that year. Among the units to be started will be 245 densification units in Gaborone, 372 units under the Instalment Purchase Scheme and 50 units in Tutume, among other locations.

Empowerment through homeownership

Although I am happy to accommodate Batswana by renting houses to them, I am happiest when I empower them through homeownership, as the owned property would remain a family property which could even be passed on from one generation to another. I am, therefore, pleased to report that during the year under review a total of 695 housing units were sold of which 475 units were newly constructed whilst the balance of 220 were from the rented portfolio.

The majority of houses sold from the rented portfolio were sold to individual Batswana who responded positively to the Corporation's Sitting Tenants' Campaign. A total of 144 housing units were sold through the Sitting Tenants' Campaign in the 2015/16 financial year alone. The Campaign ran for a period of two years during which the Corporation managed to empower a total of 275 individual Batswana through homeownership. The Campaign came to an end on 31 March 2016.

Tenant Purchase Scheme

The end of the Sitting Tenants' Campaign does not, however, signal an end of the Corporation's homeownership drive, as sitting tenants will still be able to buy their rented properties in the 2016/17 financial year and beyond. To make the houses even more affordable, the Corporation intends to re-introduce the popular Tenant Purchase Scheme in the 2016/17 financial year.

The Corporation has come to the realisation that some potential homeowners struggle to raise the initial deposit which mortgage financiers often require. For properties located outside the two cities of Gaborone and Francistown the required deposits are often quite substantial.

Additionally, some potential homeowners also struggle when it comes to raising the money required to enable them to transfer purchased property into their own names, so as to facilitate the registering of a bond.

The Tenant Purchase Scheme will address these challenges by not requiring any upfront payment of a deposit and also deferring the payment of property transfer costs until the purchase price has been fully paid off through monthly instalments.

Although I am happy to accommodate Batswana by renting houses to them, I am happiest when I empower them through homeownership, as the owned property would remain a family property which could even be passed on from one generation to another.

Customer engagement

The Corporation recognises the importance of engaging its customers on an on-going basis, so as to keep itself up - to - date with customers' ever changing needs as they respond to various forces of change, such as emerging global trends, environmental considerations and cultural changes etc.

To this end, the Corporation conducts post - occupation surveys for newly completed housing projects, in an effort to establish to what extent the new developments satisfy customer needs and identify unmet needs which could then be addressed on future developments. During the year under review, post - occupation surveys were conducted in Ghanzi and Phakalane.

Furthermore, tenants' meetings were held in Gaborone, Lobatse, Jwaneng and Francistown, as an effort to obtain feedback on tenancy matters, lease management and the maintenance of properties.

Additionally, the Corporation recognised the need for embracing technology in the way in which it interacts with its current and potential customers, especially the younger generation. In this regard, at the beginning of the 2015/16 financial year, it launched its revamped website and social media pages, namely; Facebook, Twitter and LinkedIn. The objective was to improve communication, solicit feedback and engage various stakeholders and members of the public by increasing the platforms available for such interactions.

Customer care

The Corporation launched a Customer Care Charter in the 2015/16 financial year. The Charter is a statement of the Corporation's commitment to delivering a consistent level of customer service to all its customers wherever they may be located in the country, in addition to committing to provide customers with certain services within pre-determined timescales.

Financial performance

The Corporation's founding document, the Botswana Housing Corporation Act, requires that, whilst carrying out its mandate, the Corporation must do so in such a manner that it is able to break even taking one year with another. It is therefore, pleasing to note that despite the challenging economic environment which has been prevailing in the country for quite some time now, which even compelled the Government to implement the Economic Stimulus Programme (ESP) to stimulate economic activity, the Corporation has remained compliant to this provision of the BHC Act.

During the 2015/16 financial year the Corporation recorded a net surplus of P27.9 million, an increase of 184% over the P9.8 million surplus that was recorded in the 2014/15 financial year.

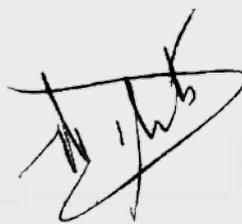
Although the net surplus increased by 184%, the surplus attributable to the Corporation's core activities, referred to as the operating surplus, decreased by 4% to P21.8 million, from P22.6 million in the previous financial year on the back of an increase in the impairment expense from P10.2 million in the 2014/15 financial year to P24.1 million.

Restructuring exercise

The Corporation was designated a Single Housing Authority (SiHA) by Presidential Directive with effect from 2012. This designation necessitated a redesign of the Corporation's operating model so as to align it to its new mandate. The Corporation has developed a new operating model which will be implementing during the course of the 2016/17 financial year. With the re-designed operating model and the continued support of all the various stakeholders, the Corporation will be fully geared to deliver on its SiHA mandate.

Gratitude

In conclusion, I would like to thank the Board for its wise counsel, members of the Senior Leadership Team and, indeed, all of the Corporation's employees for their dedication to duty even under difficult circumstances.

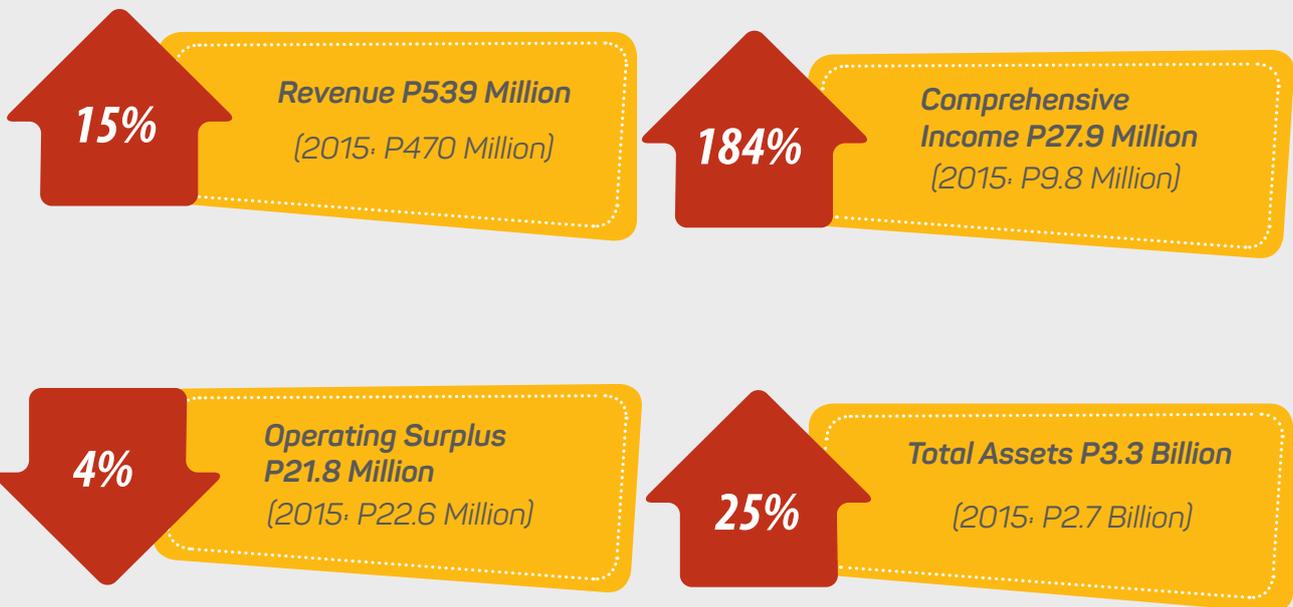


Reginald Motswaiso
Chief Executive Officer



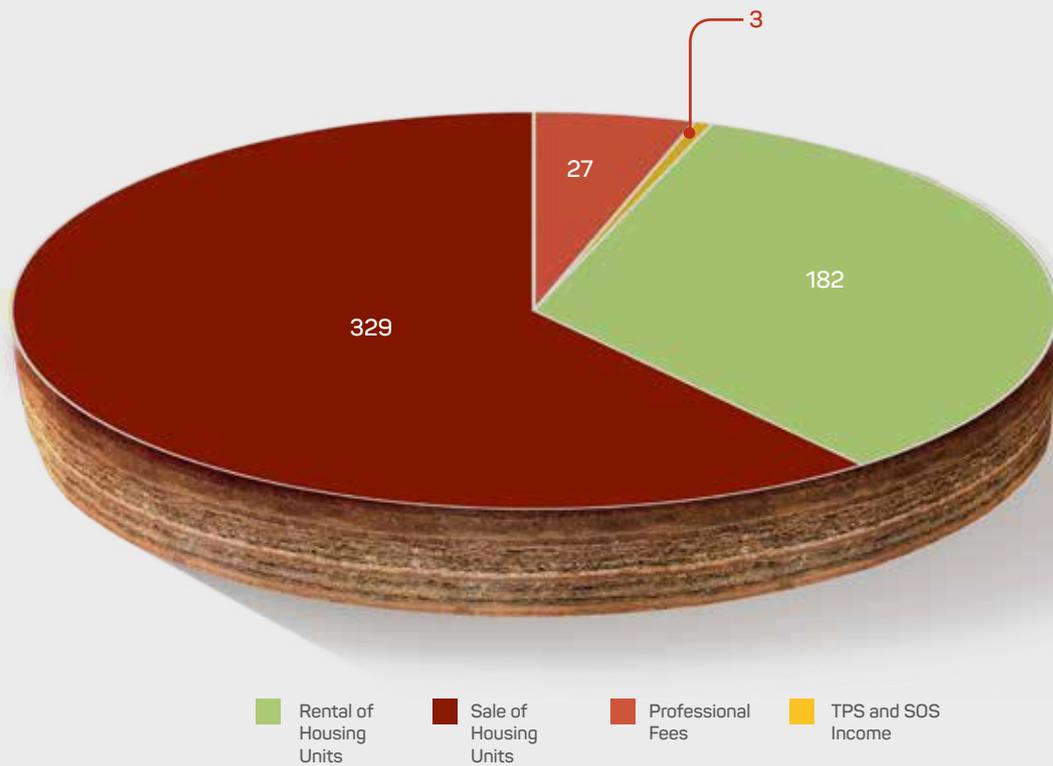
FINANCIAL HIGHLIGHTS

Financial Highlights



Financial Review

REVENUE (BWP MILLIONS)

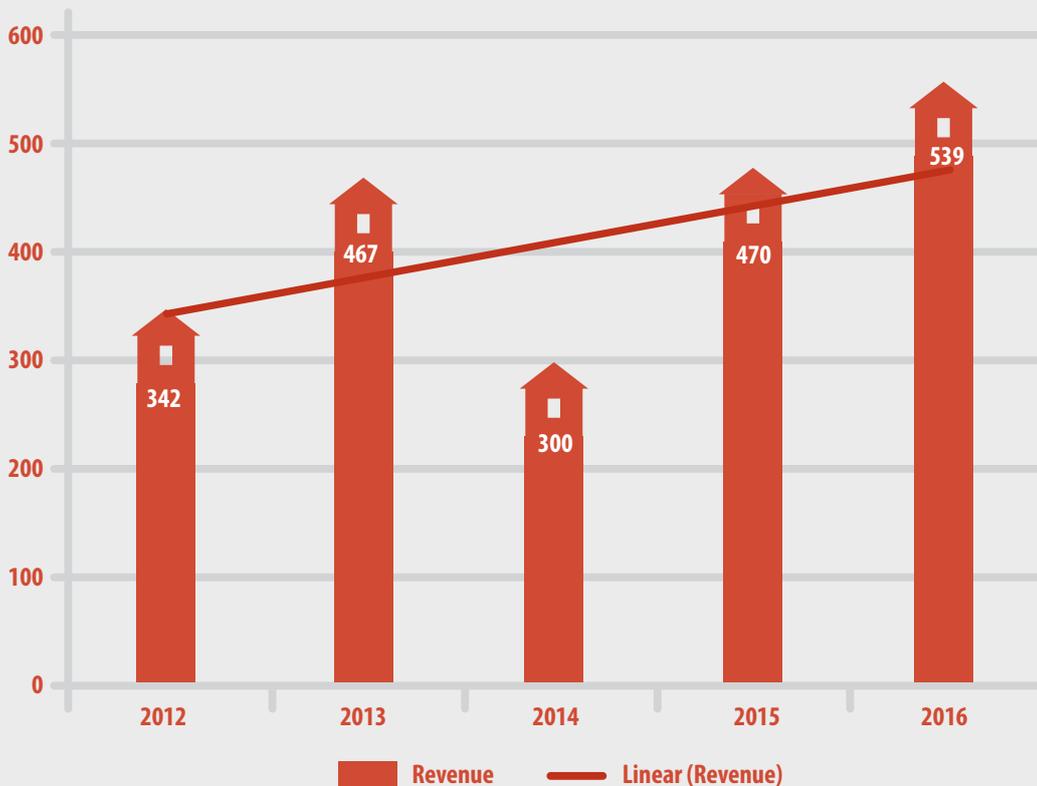


The Corporation recorded revenue of P539 million for the financial year ended March 2016 an increase of 15% compared to P470 million in 2015. Rental income went down to P182 million, year on year, as the Corporation focuses on selling new properties instead of renting them. During the period under review, 460 new properties were sold and 239 houses were sold to existing tenants under sitting tenant campaign. The campaign came to an end at the end of the financial year. The total rental stock is 10101 and the houses are rented to Batswana across the country. The Corporation also prides itself in its wide coverage throughout Botswana, with properties in Gaborone, Lobatse, Ghantsi, Maun, Jwaneng, Francistown, Selebi Phikwe, Sowa, Palapye, Mahalapye and Serowe.

The Corporation's major revenue stream, sales revenue increased by 26% and the major sales were from Palapye and Phakalane housing projects as well as the sale of old stock. The Phakalane project was delivered in August 2014 after completion of the upgrading of the sewage infrastructure. The Phakalane project attracted a lot of interest among Batswana and more than 90% of the houses were sold to individual buyers.

Income from professional fees increased by 119% on prior year as the Corporation undertook more projects from third parties during the year under review. The professional fees relates to management of projects from inception to delivery, including governance processes. These services are offered mainly to government departments, local authorities and parastatals.

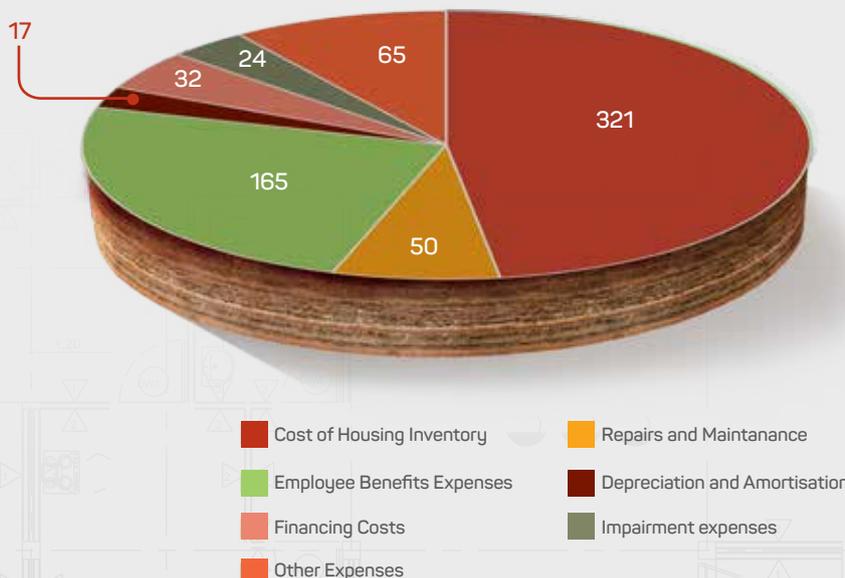
5 YEAR REVENUE



BHC's revenue has continued to grow over the years as shown in the above bar chart, having grown significantly from P342 million in March 2012, and even though it levelled to P300 million in March 2014 due to the delayed Phakalane project delivery.

The revenue rose to P539 million in March 2016 and the P69 million increase in revenue is mainly attributed to the sale of Phakalane project and the sale of old stock during the financial year under review. The sale of old stock was boosted by sale of a large estate to one of the Corporation's major customers. This single sale resulted in the sale of 88 housing units to the customer.

ANALYSIS OF TOTAL EXPENSES



The cost of sale housing inventories went up by 22% as a result of sale of housing inventory. These costs went up at a rate almost equal to the increase rate in sales revenue. 35% of the cost of sales includes the costs of putting together the infrastructure, which is a major challenge for the Corporation.

Repairs and maintenance costs continue to be a challenge for the Corporation, and in 2016 the costs increased by 28% year on year. The bulk of the rental units are low cost units which attract high maintenance costs because of the age of the properties. On the other hand these properties earn low rentals and it is becoming more and more expensive to maintain houses with low rentals. A mitigation put in place by Management is cycle maintenance program and this has proven to work and houses are regularly inspected and maintained. Cycle maintenance ensures that properties are kept in a good state and maintain their value. Another intervention in place to manage the high cost of maintenance is the enforcement of the lease agreement, which ensures that tenants pay for maintenance which comes about as a result of their negligence. This year alone the Corporation has recovered close to P2.8 million as maintenance costs charged to tenants.

Employee expenses increased by 42% year on year even though the focus for this financial year was also on cost saving. The costs have escalated due to provision for retrenchment costs for the on-going restructuring exercise. This once off expense of P42 million contributed 36% to the increase in employee expenses.

Other expenses grew by 10% year on year as costs containment initiatives put in place by Management continue to bear fruits. The higher than inflation increase in expenses was due mainly to impairment expenses which went up by 136% year on year, as a result of impairment provision on rental due to dispute with one of our major

customers. BHC Management is actively engaging the customer to resolve the impasse.

OPERATING SURPLUS

Operating surplus declined 4% compared to the prior year mainly as a result of increase in repairs and maintenance costs and other expenses. Despite the slight decline, high construction costs are still a cause of concern since they result in an increase in cost of sales, leading to challenged profit margins. BHC Board and Management is engaging several stakeholders in order to collaborate and share costs of infrastructure, in particular the utility services providers. The Corporation is also engaging Government, as our shareholder to allocate developed land to the Corporation. The provision of serviced land will benefit the nation as houses will be sold at affordable prices. The cost of servicing the land accounts for almost 35% of the building costs of BHC properties.

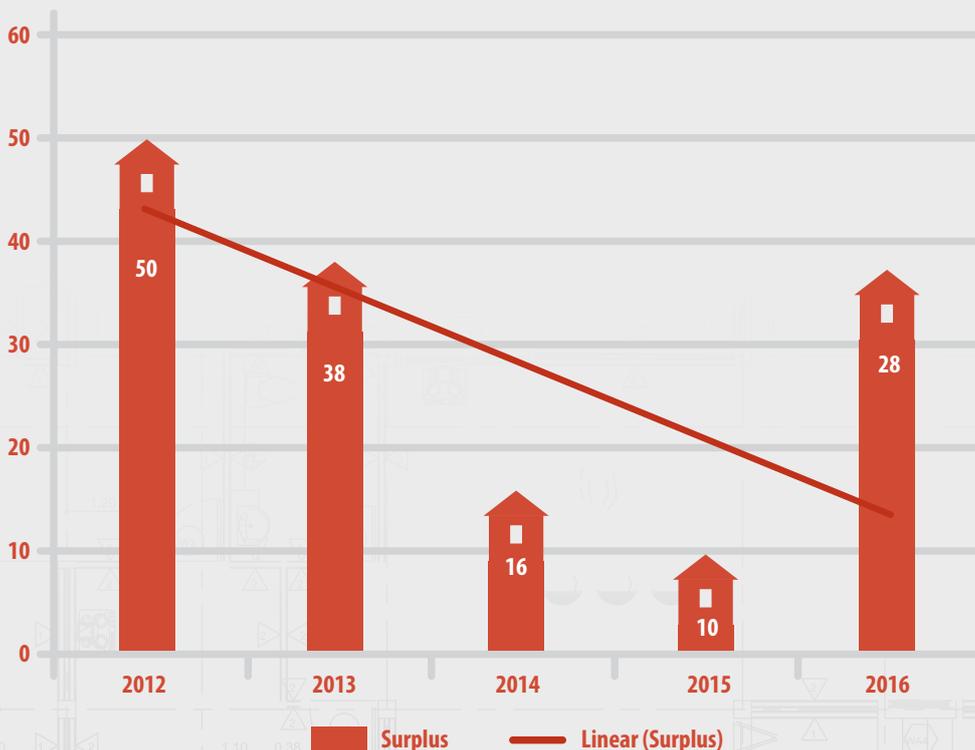
COMPREHENSIVE INCOME

Total comprehensive income for the year is P27.9 million, an increase of 184% when compared to the prior year, this increase is mainly due to the marked increase in gains on sales of old stock and investment income which went up 174% and 210% year on year in that order.

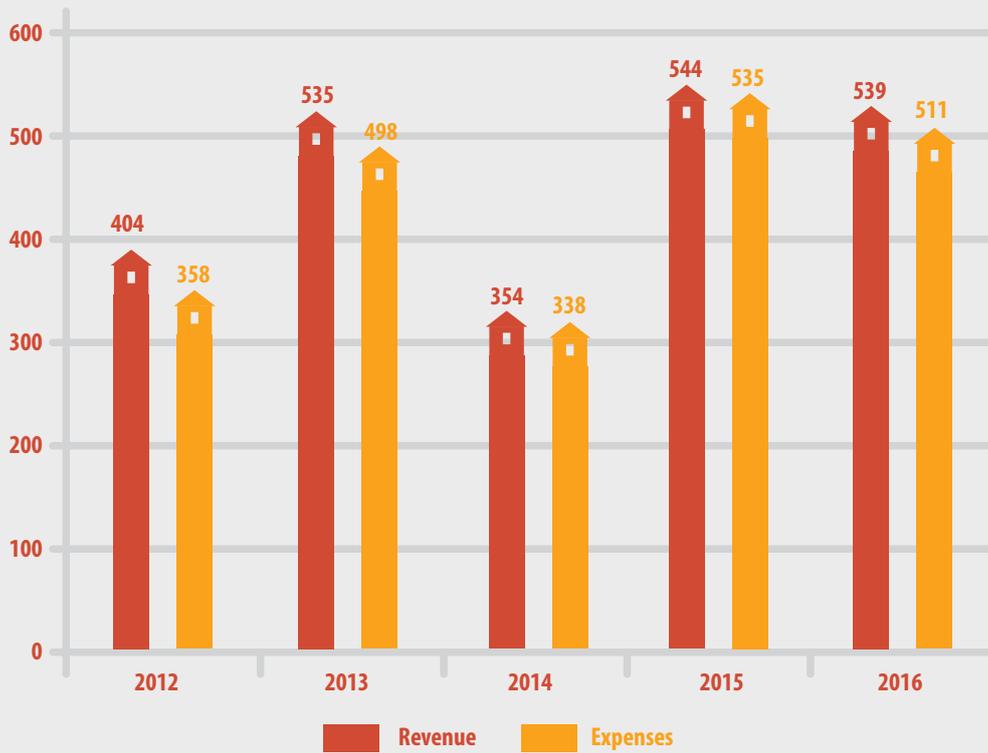
Joint venture income has consistently grown over the years, with the current growth being 5%. BHC currently has a joint venture in commercial property and this investment is performing very well.

The Corporation recorded cost to income ratio of 96% compared to 95% in the prior year. The increase in cost to income ratio compared to the prior year is as a result

5 YEAR SURPLUS

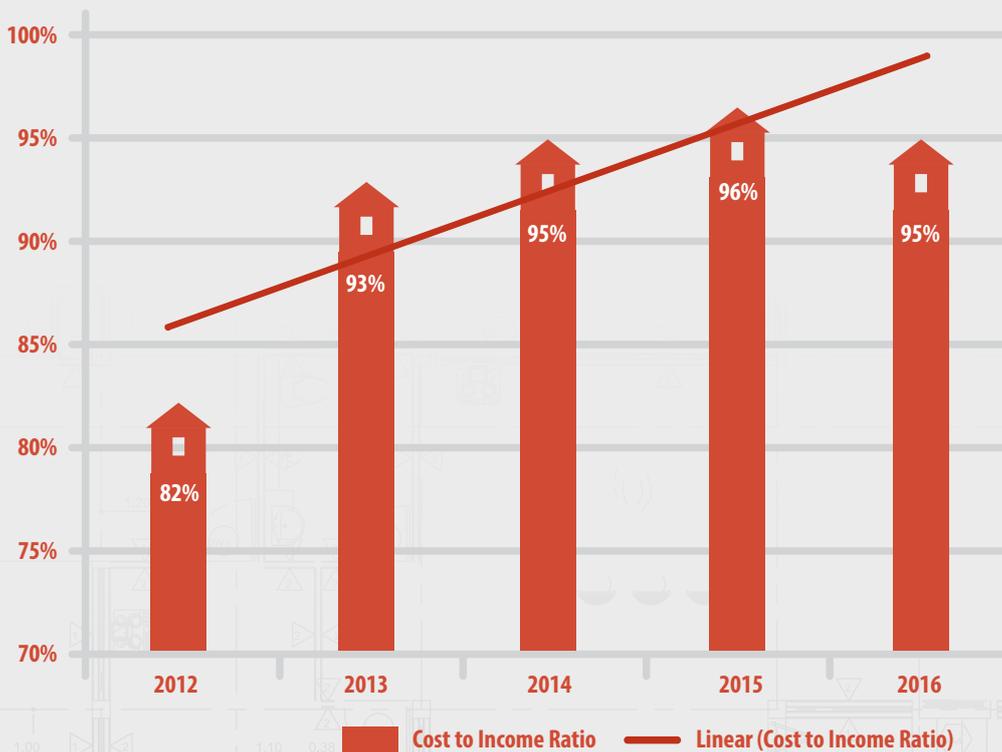


5 YEAR TOTAL INCOME VS EXPENSES

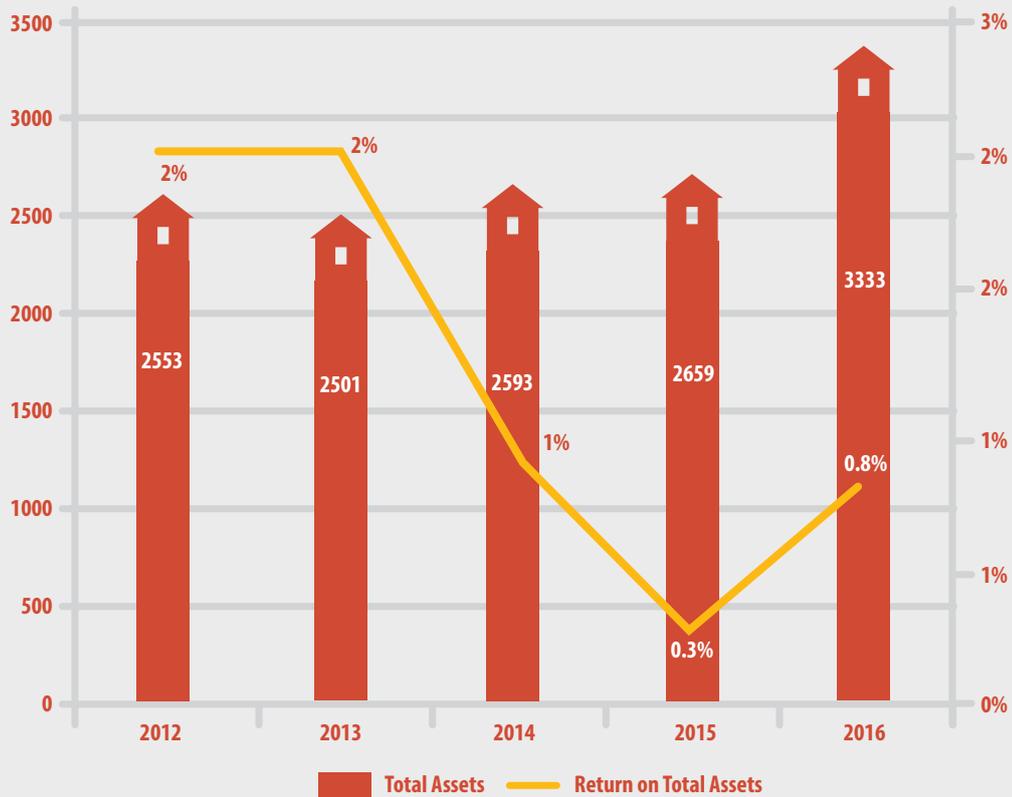


of low margins on our housing properties and an increase in the operating expenses, especially maintenance costs and employee expenses. The Corporation has however been able to cover all its costs over the years. Without the bad debt provisions the cost to income ratio is 93%.

5 YEAR COST TO INCOME RATIO



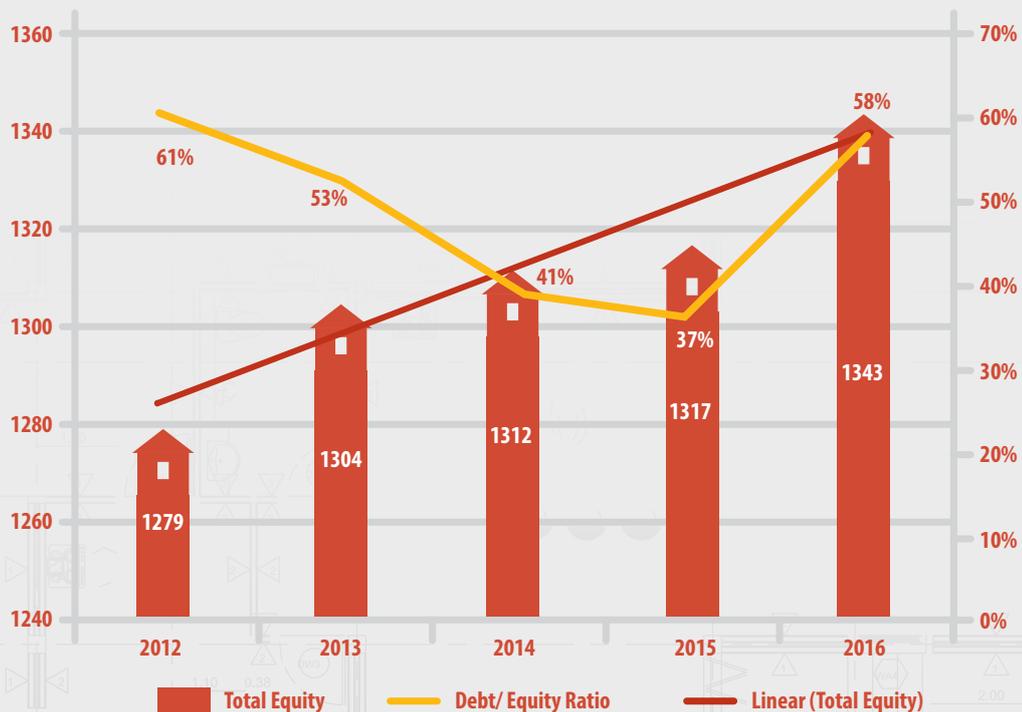
5 YEAR TOTAL ASSETS TREND VS RETURN ON TOTAL ASSETS



ASSETS GROWTH

The Corporation's Statement of Financial Position remains strong with total assets now over BWP 3.3 billion, an increase of 25% from P2.7 billion recorded in the prior year. Return on assets is declining over the years as a result of declining revenues and increasing costs. The stagnant rental income for the past 12 years and increasing repairs and maintenance costs has significantly contributed to the declining profitability.

TOTAL EQUITY VS DEBT EQUITY RATIO



SUSTAINABILITY REPORT

The rentals for the Corporation are regulated by the shareholder, which is solely Botswana Government. The rental review for rented properties is sanctioned by the Government. There has been no rental review for the past 12 years despite increasing cost of repairs and maintenance of these properties. Despite this, the Corporation has been making surplus over these years as a result of cost containment initiatives. The Corporation has set aside over 10,000 houses as rental portfolio to cover operating costs and financing costs. As the rented properties are been sold, the rental threshold is replaced by new houses and the rental for these properties are at market rental.

The Employees

As Botswana Housing Corporation, we are responsible and committed to a safe working environment. The Corporation believes that a healthy employee will create a healthy organisation. The Health and Safety Policy has been developed with the intention to ensure that safety at the workplace is a priority for all employees. Every year, the Corporation arranges welfare programs for all employees and encourages them to undergo tests for life threatening ailments. The Corporation aims to have qualified and skilled manpower for it to efficiently and effectively execute its mandate and therefore encourages its employees to undertake courses relevant to their jobs through educational assistance.

The Environment

The Corporation, before undertaking any project, engages consultants to undertake the Environmental Impact Assessment (EIA) to ensure that its operations do not affect local communities and the environment where it operates.

The Community

Organisations are becoming aware that they are not only looking at increasing the wealth of their shareholders but also the wealth of the society. As the Corporation, we are not only committed to increase shareholders wealth but also make contribution to the wealth of the citizen. The Corporation, as part of empowerment, engages local contractors, who in turn buy building material from local suppliers, to undertake some of its projects, especially the social housing projects hence contributing to the wealth of citizen contractors and the local community.

The Future Ahead

The Corporation is charged with responsibility to provide Batswana all over the country with houses at affordable prices. As a way of promoting home ownership, for every project that the Corporation undertakes at least 80% of the project is reserved for sale to Batswana while the remaining 20% put on rental portfolio. The Corporation has planned to build 1,074 houses in Gaborone, Mahalapye, Tatitown, Tutume, Tonota, Palapye and Jwaneng during the financial year 2016/17. These are areas where effective demand has been established and the houses will be within affordable limits of the Corporation's customers.

The Corporation's focus is now placed on social and affordable housing to Batswana. The Corporation has been tasked with delivering 1,000 SHHA houses every year across the country and the plan is to increase its presence in most remote areas of Botswana. During the year under review, 1,099 houses for SHHA and POHI were delivered. At the end of the financial year 1,995 houses for SHHA, Instalment Purchase Scheme (IPS), Youth Housing and Public Officers Housing Initiative (POHI) were at different stages of construction. During the 2016/17 financial year, more houses will be built under these schemes across different constituencies gearing towards putting a roof over every Motswana.

The Corporation's long term success is based on good relations with individuals, companies and other government institutions. Our success in business is based on a conducive business environment such as social, environmental and political issues. As a Government entity, the public expect us to display responsible behaviour in terms of how we carry out our business. Our customers expect us to provide and satisfy their housing needs at affordable prices. Our shareholder and investors are looking for good financial performance, taking advantage of opportunities and managing risks. The Corporation aims at balancing all these in order to prosper into the future.

A construction site at sunset, featuring a large tower crane in the center. The crane has a horizontal jib with a hook and a counterweight. In the foreground, there are numerous stacks of rolled-up materials, likely steel or concrete. The background shows various construction structures and equipment. The entire scene is bathed in a warm, orange-red light from the setting sun.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The Board is the governing body of the Corporation and is appointed by the Minister of Lands and Housing. In terms of the BHC Act, the Board shall consist of not less than seven or more than ten members. All Board members are non-executive members and are drawn from diverse backgrounds in the private and public sector to maintain the skills mix. In order to ensure continuity, the appointments of members are staggered such that not more than one third of the appointments expire in any one year. The Corporation is responsive to other governing directives from Government such as the Shareholder oversight guidelines.

The Board is scheduled to meet at least once every quarter and further meetings can be scheduled as the need arise. As part of the Shareholder relationship management and maintaining focus on Government priorities, the Board meets the Minister of Lands and Housing quarterly. The Chairperson of the Board is also part of the Ministry Leadership forum, a structure set up to discuss and create an enabling policy and operational framework for the Ministry of Lands and Housing to deliver on its mandate.

The Board meets to review performance of the Corporation, approve policies, approve significant transactions, give direction and ensure management pursue the best interest of all stakeholders. The Board has balanced experience members who provide sound, independent and objective judgement in decision making. Members of the Board are jointly accountable for the Board decisions. Members contribute to strategy formulation, monitoring and measuring the Corporation's performance and its executive members against key performance indicators.

MEMBERS OF THE BOARD



Dr. Bolelang C. Pheko (Board Chairperson)

Mr. Reginald Ketshabile (Deputy Chairperson)

Mr. Oteng S Mamparanyane

Mr. Baemedi K Mmopi

Mr. Sebele Molalapata

Mr. Steven Tiroyakgosi

Mr. Benjamin T. Mokgolodi

Mr. Joseph B Mosimane

Ms. Helen C Chilisa

Mr. Bareng Malatsi **

Mr. Felix Monggae***

** Appointed on 26 August 2015

*** Term ended on 31 July 2015

Attendance Register for the Board meetings



Dr. Bolelang C. Pheko	4/4	Mr. Steven Tiroyakgosi	3/4
Mr. Reginald Ketshabile	4/4	Ms. Helen C. Chilisa	2/4
Mr. Benjamin T. Mokgolodi	3/4	Mr. Sebele Molalapata	4/4
Mr. Joseph B. Mosimane	4/4	Mr. Oteng S. Mamparanyane	2/4
Mr. Felix Monngae	1/1	Mr. Bareng Malatsi	3/3
Mr. Baemedi K. Mmopi	4/4		

BOARD COMMITTEES

In terms of Section 12 of the ACT, the Board may appoint Board Committees and may delegate to such committees such powers or functions as it may specify in each case.

For the year under review, there were three Board committees; The Finance and Audit Committee; the Human Resources Committee and the Tender committee. These committees directly report to the Board.

FINANCE AND AUDIT COMMITTEE

The Committee consists of not less than four or more than five members of the Board and it comprises of the following members;



Mr. Joseph B. Mosimane (Chairperson)	Mr. Sebele Molalapata
Mr. Oteng S. Mamparanyane	Ms. Helen C Chilisa
Mr. Baemedi K. Mmopi	



The Committee meets every quarter. It considers the viability of projects to be undertaken by the Corporation, reviews the Corporation's internal and external audit reports and agrees on the scope of the audits. The Committee also reviews and considers Financial, Accounting and Audit reporting issues and ensures there is effective internal controls in place. The Committee reports at every Board meeting.

Attendance Register for the Committee meetings



Mr. Joseph B. Mosimane (Chairperson)	3/4	Ms. Helen C. Chilisa	2/4
Mr. Felix Monngae **	1/1	Mr. Sebele Molalapata***	1/4
Mr. Baemedi K. Mmopi	4/4	Mr. Oteng S. Mamparanyane	2/4

** Term ended 31 July 2015

*** Appointed 26 August 2015

THE HUMAN RESOURCES COMMITTEE

The Committee consists of not less than four or more than five members of the Board and it comprises of the following members;



Mr. Joseph B. Mosimane (Chairperson)	Ms. Helen C. Chilisa
Mr. Benjamin T. Monkgolodi	Mr. Steven Tiroyakgosi
Mr. Sebele Molalapata	

The Committee ensure that Human Resource in the Corporation is both adequate and capable to deliver on the strategic objectives of BHC therefore it considers the appointment of senior staff, reviews the Human Resources needs of the Corporation and determines that there is efficient and effective management of such resources.

Attendance Register for the Committee meetings



Mr. Reginald Ketshabile	5/5	Ms. Helen C. Chilisa	3/5
Mr. Benjamin T. Monkgolodi	4/5	Mr. Steven Tiroyakgosi	4/5
Mr. Sebele Molalapata	1/5		

THE TENDER COMMITTEE

The Committee consists of not less than four or more than five members of the Board and it comprises of the following members;



Mr. Oteng S. Mamparanyane	Mr. Reginald Ketshabile
Mr. Benjamin T. Monkgolodi (Chairperson)	Mr. Sebele Molalapata
Mr. Steven Tiroyakgosi	

The Committee ensures that there is fairness and efficiency in the process of procurement of Works, Services as well as to ensure there is transparency in the award of contracts.

Attendance Register for the Committee meetings



Mr. Reginald Ketshabile	3/4	Mr. Sebele Molalapata	4/4
Mr. Benjamin T. Monkgolodi	4/4	Ms. Helen C. Chilisa	2/4
Mr. Steven Tiroyakgosi	4/4	Mr. Oteng S. Mamparanyane	4/4



BOARD FEES

The remuneration of members of the Board is a fixed allowance per sitting determined by the Minister of Finance and Development Planning from time to time.

The sitting allowance is paid for all meetings and any other BHC activity that the Board attends. The communication allowance is paid for both the Board Chairperson and Deputy Chairperson per month.

CORPORATE GOVERNANCE FRAMEWORK

The Corporation aligned itself to the Corporate Governance Instruments and practices which includes;

- Board Charter
- Shareholder Compact
- Merit Board Nomination process
- Board Evaluation

INTERNAL AUDIT FUNCTION

The Risk Department function falls under Internal Audit. The function keeps the Board and Management fully apprised of the activities of the Corporation as regards to protection of assets, both tangible and intangible, the efficiency and effectiveness of the operations and alerts them of the potential risks and how Management is responding to those risks. Internal audit performs periodic independent evaluation of the adequacy and effectiveness of internal controls, information systems and records. Internal Audit has a three year audit plan, which sets out priority areas but also carries out random audits on operations or at the request of management or the Board.

Internal Audit reports directly to the Board on a quarterly basis.



INTERNAL AUDIT

In line with international best practice, Internal Audit reports to the Corporation's Board through the Board's Finance and Audit Committee and, administratively, to the Corporation's Chief Executive Officer. There are two sections under the Internal Audit Department. These are:

- Internal Audit Section and;
- Risk & Compliance Section.

Internal Audit Section

This section is responsible for:

- Providing assurance to both the Board and management;
- Providing consultancy services to both the Board and management
- Carrying out investigations.

Assurance Service

The Internal Audit Section provides independent assurance to the Board and management on the design, effectiveness and efficiency of the Corporation's internal controls. The Section follows a risk – based audit approach whereby the three (3) year audit plan is focused on identifying and testing key controls that are aimed at increasing the likelihood of the Corporation achieving its objectives.

Consultancy service

In addition to the provision of the assurance service, the section provides consultancy services to the Board and management. Such consultancy services usually involve reviewing and advising on proposed controls in a new activity or system.

Investigations

Furthermore, the section carries out investigations into alleged improprieties. Such allegations usually come through the Corporation's twenty – four (24) hour anonymous reporting line administered by an outside party. Internal Audit provides Executive management and the Board with updates on any issues arising from these investigations.

Risk & Compliance Section

This section is responsible for:

Enterprise-wide Risk Management (ERM);
Safety, Health, Environment and Quality (SHEQ) and;
Managing contracts with security service providers.

Risk management at BHC

The section facilitates the implementation of Enterprise Risk Management (ERM). This includes, among other things:

- The development of a risk policy and procedures;
 - The development of tools and methodologies such as the format of a risk register;
 - Facilitating the identification of risks and opportunities, their assessment and the crafting of responses thereto;
 - Reviewing the effectiveness of mitigation strategies and;
 - Compiling a report to the Board on a quarterly basis.
- The Corporation uses the COSO Enterprise Risk Management standard as its risk management standard for the management of both strategic and operational risks within the Corporation. The Corporation identified the following as its top ten (10) risks, as their potential impact on the Corporation's ability to deliver on its mandate is significant.

Approach to risk identification

Risks are identified by the Board and management by means of brainstorming sessions. During such sessions, events are identified, which, if they were to happen, have the likelihood of affecting the achievement of the Corporation's objectives, either positively or negatively.



Top ten (10) strategic risks

Shortage of Serviced Land

Serviced land is a key input into the delivery of a housing project. As such, its unavailability could have a serious impact on the Corporation's ability to deliver on its mandate. Scarcity of serviced land is especially a problem in urban and peri urban areas where there is effective demand for housing.

Among other strategies which the Corporation has adopted to mitigate against the impact of this risk is the densification of existing estates. Pursuant to this strategy, a number of existing high density developments in Gaborone are being re-developed through the construction of additional units or the partial or complete demolition of existing units followed by re-development of the land with highly densified units.

Poor House Sales

An inability to sell its housing products could impact adversely the Corporation's ability to deliver on its mandate as:

- The Corporation relies mostly on internally generated funds to finance further developments;
- The real empowerment of the Corporation's customers lies in them owning properties, as opposed to renting.

During the year under review a number of financial institutions experienced liquidity challenges, which resulted in them tightening their lending criteria. This affected the Corporation's prospective customers' ability to access mortgage finance.

The Corporation responded by engaging the financial institutions concerned urging them to loosen their lending criteria. Furthermore, the Corporation allowed prospective buyers more time than usual to organize their finances prior to concluding their purchases.

Lack of Title Deeds

An unavailability of title deeds could result in the delayed processing of property sales. This threat manifests itself in instances whereby individuals or organisations seek finance from financial institutions.

Before a financial institution is able to release funds, the property concerned must be registered in the purchaser's name and a bond registered in favour of the institution. In the absence of a title deed, the property transfer and registration of a bond cannot take place. To mitigate against this risk, the Corporation applies for title deeds and tribal leases well in advance of projects starting on the ground.

Lack of Innovation in Product Design

Innovation is one of the values of the Corporation. The Corporation has recognised that without innovation an organisation would, in no time, lose its customers as its products are likely to be viewed by customers as stale and irrelevant to their evolving needs. Concerted effort is, therefore, made to ensure that the Corporation's products are varied and are responsive to customer needs as they evolve. Feedback from customers is continually obtained through various surveys. Survey results are incorporated into house designs. Furthermore, the Corporation outsources some property designs, in order to bring new ideas from the market.

Failure to start Housing Projects

The Corporation can only deliver those housing projects which it actually starts on the ground. Therefore, the Corporation considers it critical that housing projects start on the ground at scheduled times. To mitigate against the risk of projects not starting at scheduled times, the Corporation prepares land intended for development well in advance of the project start date. The implementation of a new building code during the year under review affected the Corporation's ability to start some of its projects as planned, due to the fact that some previously approved plans had to be re-submitted to the approving authorities.

Affordability

To ensure that houses are actually occupied once they have been delivered, they need to be affordable to the target market. To minimize the possibility of housing products remaining unoccupied for extended periods of time, due to affordability challenges, the Corporation



undertakes periodic surveys, which informs it about affordability levels in various parts of the country. The Corporation then comes up with appropriate house designs that could be constructed at such costs as to make them affordable to the target market.

Time management

The delayed completion of a project could result in that project's costs escalating well beyond initial estimates. Furthermore, economic forces could change the market dynamics such that a demand for a product which existed at the commencement of a project might no longer be there when the product is finally delivered. To ensure that delays in project completion are minimised, contractors are required to submit their construction programmes for scrutiny and approval. Once approved, contractors are obliged to follow the programmes. Scrutinising the programmes, to satisfy itself that the proposed programmes are both comprehensive and realistic and then monitoring contractors' adherence thereto is an integral part of the Corporation's approach to project management.

Performance by contractors

Contractor performance is monitored to ensure that projects are delivered according to schedule and specification. Where a contractor fails to perform despite the Corporation's interventions, contract termination is invoked as a last resort.

Failure to Service Financial Obligations

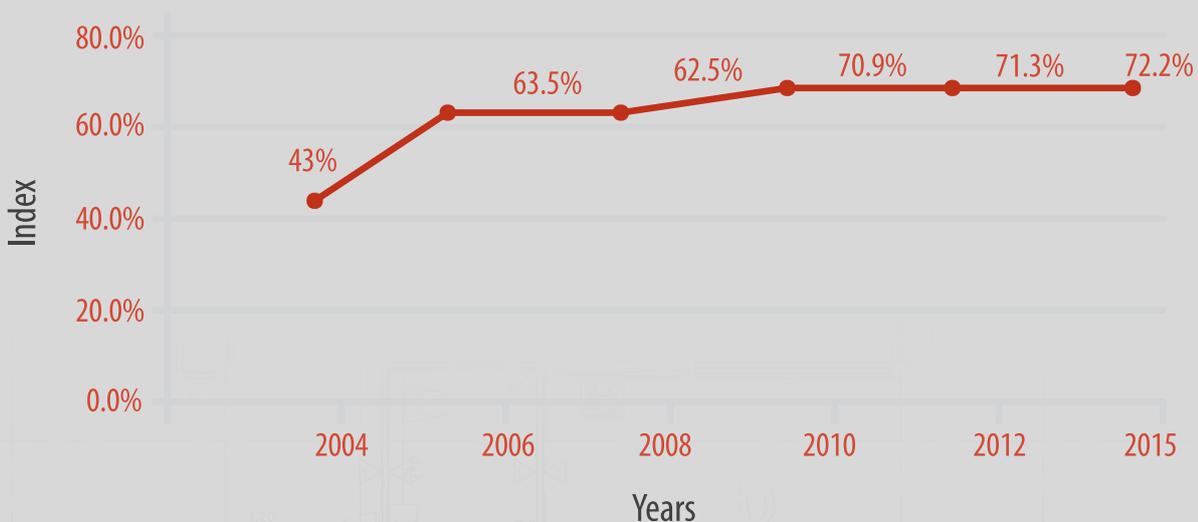
To ensure that the Corporation is able to meet its financial obligations as they fall due, it prepares weekly cash flow forecasts, in addition to annual and monthly forecasts. Cash resources not immediately required to meet operational needs are invested in short term highly liquid investment instruments.

Poor Customer Service

Following the declaration of the Corporation as a Single Housing Authority, its customer base of the Corporation is heavily skewed towards the social housing side. The Corporation is alive to the risk that the new customer base has different expectations from the commercial customer. As such, the Corporation continually comes up with ways to engage its customers and other stakeholders such as local authorities.

The graph below shows the trend in the Customer Satisfaction Index since 2004

Customer Satisfaction Index since 2004



OPERATIONS



PROPERTY DEVELOPMENT

As a result of this mandate various housing schemes being; Social Housing, SHHA Turnkey, Public Officers' Housing Initiative and Instalment Purchase Scheme (IPS)/Youth Housing are housed under the Corporation and are driven by the property development function.

The Botswana Government through Presidential Directive Cab 20(B)/20 mandated the Botswana Housing Corporations as Single Housing Authority (SiHA) effective 1st April 2012. The directive pronounced that all Government housing implementation programmes be transferred to the Corporation.

As a result of this mandate various housing schemes being; Social Housing, SHHA Turnkey, Public Officers' Housing Initiative and Instalment Purchase Scheme (IPS)/Youth Housing are housed under the Corporation and are driven by the property development function. This section plays a pivotal role in the delivery of development projects for the Corporation.

The section is responsible for:

- Acquisition and preparation of land to be ready for construction.
- Development of project proposals/appraisals to assist in the assessment of projects' viability.
- Preparation of property development schemes with design briefs and costs.
- Ensuring product quality through supervision and monitoring progress of the projects during construction phase.

In order to achieve the above mentioned activities the Department employs various skills in the areas of Land Management, Architecture, Engineering, Quantity Surveying and Building Inspection. The section also plays a key role in the provision of housing units on a commercial basis to Government departments, Parastatals, private companies and to individual Batswana.

Land Preparation

The Corporation continues to strive for improvements in its land preparation processes to facilitate speedy delivery of houses to Batswana. In this regard the Corporation undertakes land preparation

activities such as; land surveying, environmental impact assessment, architectural designs and plot layouts and infrastructure layout a year in advance to reduce delays encountered upon project take off.

Delivery for other Institutions

The Corporation undertakes projects on behalf of third parties and facilitates private sector participation mainly in Government projects. The major beneficiaries are Government Institutions, Parastatals and Land Boards.

A total of 35 staff houses were delivered for Botswana Prisons in various locations namely, Gaborone-10, Mahalapye-9, Francistown-8 and Baines Drift-8. Another 18 units were delivered through the District Housing programme at Tati Siding-8, Tonota-5 and Kazungula-5.

Projects Starts and Delivery

Facilitating home ownership for Batswana continues to be a priority for the Corporation. The Corporation continues to develop housing for the general public through its internal projects and the houses are available to both citizen owned companies and individuals on rental or outright purchase.

During the course of the 2015/16 Financial Year, the Corporation in addition to its internal projects also focussed its attention on implementation of three government social housing schemes namely SHHA Turnkey, Public Officers Housing Initiative (POHI) and Instalment Purchase Scheme (IPS)/Youth Housing.

LOCATION	NO.OF HOUSES	TYPE OF HOUSE	DELIVERY STATISTICS
Palapye	104	Detached	104
Jwaneng	75	Detached	51
SHHA	1000	Detached	785
POHI	465	detached	8
IPS/Youth	372		-
District Housing	18	Detached	18
Botswana Prisons	35	Detached	35
TOTAL	1801		1001

PROPERTY MANAGEMENT

The property Management Function oversees the management of the Corporation's rental portfolio. The function involves preparations and upkeep of the property asset register, leasing and collection of revenue. At the beginning of the 2015/16 financial year, the Corporation's rental portfolio stood at 10, 178 and then decreased through the year to close at 9,928 as at 31st March 2016. This represents a decrease by 250 units demonstrating a 2.46% attributed to sale of rented units and some demolition of some units. The units demolished or earmarked to be demolished are in Gaborone and Francistown.

These are single quarter properties earmarked for redevelopment. Most decrease due to sale was noted in Gaborone mainly due to the sale of rented portfolio to the armed forces in Gaborone. The decrease in Portfolio was matched by a corresponding decrease in rent receivable which totalled P182.3 million for the year 2015/16 representing a decrease of about P1.1 million from the 2014/15 financial year which stood at P183.4 million. This represents a decrease in percentage of 0.6%.

Despite the decrease in rental portfolio, the operational costs continue to increase at an alarming rate. In order to mitigate this, the Corporation has decided to review the current portfolio threshold of 10,000 to a level and mix that can sustain its operational costs. This review exercise is on-going and upon completion the recommended portfolio level and mix must be able to generate rentals which can cover all operational costs. The sustainability model of BHC is centred on the rental income which is a regular cash flow to the organisation.

For the achievement of a higher threshold than the current set level of 10, 000, there is need to develop more units and lease them out at a rent which is affordable and cost effective. The majority of the BHC market falls within the P2, 000 to the P4, 000 rental category, hence the organisation is looking at delivering units in that rental range so that they can be absorbed by the market. In cost optimization, the Department has a target to keep rental portfolio to an occupancy level of at least 99% representing a vacancy rate of utmost 1%. The vacancy rate has averaged 1.52% throughout the financial year.





PROPERTY SALES

The Corporation continues to focus on its strategic objective of maximizing stakeholders' satisfaction by promoting homeownership and increasing revenue. This is attained by selling of housing units.

In the financial year 2015/16, the Corporation sold a total of 695 housing units. Revenue raised from the sales was BWP461.2 Million. The sales were distributed as follows:

Purchaser Class	Number of units	Revenue (BWP)
Individuals	241	141.8 Million
Corporates	454	319.4 Million

Stock category	Number of units	Revenue (BWP)
Old Stock	219	119.4 Million
New Stock	476	341.8 Million

House types	Number of units	Revenue (BWP)
Low Cost	300	131.0 Million
Medium Cost	235	170.4 Million
High Cost	61	69.2 Million
Flats/Townhouses	99	90.6 Million

* **Sitting tenants purchased 129 houses at BWP44.2 Million.**

Challenges and Mitigations

Shortage of developments in strategic areas which adversely affect sales. The Corporation is in the process of demolishing underutilized high density estates in prime locations of Gaborone and Francistown and re-developing such that the plots are optimally utilized for sale purpose. The plots shall yield over 200 housing units.

The existing TPS portfolio has been dwindling and stood at only 331 active accounts by 31st March 2016 with netbook value of BWP14.6 Million. Meanwhile, sales to sitting tenants have been slow mainly due to liquidity squeeze faced by banks and other mortgage related factors such as unfavourable loan to value ratios in peri urban areas like Serowe. Tenant Purchase Scheme (TPS) has been re-introduced to address the slow sales to sitting tenants and to increase the TPS portfolio which shall boost the Corporation's revenues and customers' satisfaction. The TPS allows customers to avoid or defer costs like surveying fees, mortgage bonds fees and title deed transfer fees hence addressing issues of affordability.

In areas other than Gaborone, there is apparently slow uptake of projects by individuals. The Government continues to be pivotal by being a major customer purchasing over 60% of the housing units in those areas. BWP300.1 Million of revenue was raised through bulk sales to Ministries, Government Departments, Parastatals and other institutions in the financial year ending 31st March 2016.

PROPERTY MAINTENANCE

The Property Maintenance function is to maintain all the housing units under rental which currently stands at approximately 10 000 in 11 different areas across the country. It has also been charged with generation of income from chargeable maintenance that it charges tenants for maintenance which is considered to be as a result of negligence on the side of the tenant. The other income stream is the third party maintenance where the department does maintenance works for Government departments.

Planned Maintenance

Cycle Maintenance is the refurbishment of the housing portfolio, which principally requires that each housing unit shall be refurbished once in a period of not less than five (5) years. Whereas most work is initiated by a query to the Call Centre by tenants of BHC houses, all Planned Maintenance Works are initiated by the Maintenance Inspectors following a given plan for any particular financial year in a specific maintenance zone. This type of work is intended to keep the BHC portfolio of units in a habitable state thereby saving costs that would otherwise be incurred if such maintenance works were not carried out periodically.

For the period under consideration the plan was to cycle maintain 1100 housing units and the target was exceeded since the department managed to maintain 1217 units thereby surpassing by a total of 117 units. For the same period in 2014/15 the target was 1200 units and the actual was 1270 units. This is considered to be a great achievement since planned maintenance is very important as properties have to be properly upkeep in order to preserve their value.

Recoverable Maintenance

The department's target was to collect P4.2 million during the financial year ended 31st March 2016 and only P2.8 million was recovered. For the previous year, the target was P3.85 million and only P2.38 million was collected.

As can be seen from the foregoing, for two consecutive financial years, the target was not met and the non-performance was mainly due to the following factors;

- Low volume of chargeable items on cycle and COT maintenance.
- No recovery on maintenance of sold houses.
- Resistance from tenants to pay chargeable.

Reactive Maintenance

The department's target is to do 98% of all the queries reported. The department managed to do 90% of the reports received. In the just past financial year the department recorded 22,587 maintenance reports compared to 23,678 request in the 2014/15 representing 4.6% reduction in the number of request made by customers. Part of the reasons the department did not reach its target were as a result of the following;

- Most contractors employed don't have enough resources and frequently experience financial challenges which affects their performance.
- The introduction of government maintenance (ESP) has stretched the available resources resulting in some challenges on the supervision of contractors.

To counter the above, the action plan includes the following:

- Need to look at the rising cost of maintaining BHC houses
- Cut down on the interior decoration.
- Enforcement of the Lease Agreement terms.

Maintenance as a source of income going forward

The Corporation has embarked on a campaign to have the property maintenance to carryout maintenance works for third parties. Currently the unit is working on some ESP maintenance works for different government departments, and this has already yielded some positive results in that fees charged for work done contribute to the corporation's income stream. Over time the intension is to get as much work as possible to ensure consistency of output.







STAKEHOLDER ENGAGEMENT

Stakeholder management is a critical component by which the Corporation nurtures relationships with various stakeholders to manage their expectations in line with the mandate of housing Batswana.

Stakeholder Engagement

The Corporation has participated in a number of stakeholder engagement initiatives with a view to manage relationships, provide information on the Corporation's products and services and most importantly, Government Housing Initiatives. Among the top stakeholder management priorities was ensuring that local authorities i.e. Councils are engaged to provide updates on progress of SHHA turnkey projects and to this end several engagements were held successfully during the year under review as part of stakeholder engagement.

Official handover of SHHA Turnkey and External Projects

In addition to engaging key stakeholders to provide updates on the development of projects, the Corporation held several SHHA turnkey handover ceremonies as a way to further build relations and reassure stakeholders of its commitment towards delivery of projects in various constituencies in Botswana. To this end the Corporation has successfully delivered and handed over several SHHA Turnkey and third party projects in various areas across the country.

Public Education Campaigns

Public education is one of the critical activities through which the Corporation interacts with various stakeholders with a view to share information on the BHC Mandate, products and services as well as Government Housing Initiatives. The Public and Corporate Affairs Department in conjunction with Marketing and Research Department have participated in several public education activities aimed at sharing information to empower Batswana with homeownership opportunities.

Digital and Social Media

In April 2015 the Corporation launched its revamped website, intranet and social media pages (Facebook, Twitter and LinkedIn) as part of its effort to reach out to more stakeholders outside the normal traditional platforms. The Corporation is aware of the many benefits associated with engaging stakeholders through social media platforms as a way of improving communication, soliciting feedback and answering questions from various stakeholders and members of the public.

The Corporation basically shares information on products and services, activities and events as well as issues of national importance through these platforms and most importantly engages with members of the public on issues of mutual interest. The BHC website also offers an opportunity for the Corporation to share information, latest news, tender notices and other useful information. Updates are done on a regular basis to provide fresh and new content to increase traffic to the website.



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42B

MARKETING AND RESEARCH

The Department held various activities during the course of the year in the execution of its mandate.

Marketing

The unit is responsible for promoting the corporation's products and services. A stakeholder cocktail was held in Francistown to show appreciation for the support from the business community as well as to get feedback on how the sitting tenants campaign could be improved going forward. The unit also continued to push the sitting tenants campaign whose aim was to give those individuals who were renting BHC properties (old stock) the opportunity to purchase houses they were leasing. Each quarter was characterised by promotional draws that culminated in a draw for the grand prize.

The draws were supported by neighbourhood activations where consultations with tenants regarding homeownership took place. In addition to the grand prize, one of the financial partners had pledged a P450 000 prize towards one of the home owners who had purchased their BHC house through them.

The unit also continued to promote BHC products and services at fairs and exhibitions like Builders Warehouse Expo, Consumer Fair, BOCCIM Northern trade fair, Serowe Agricultural Show and Ghanzi Agricultural Show.

Customer Care

The Customer Care Function is responsible for handling and addressing customer queries and complaints and to build customer relations. In line with this, the unit launched a Customer Care Charter that would ensure that a consistent level of customer service is provided throughout the corporation. It also reaffirms the corporation's promise to deal with queries and enquiries promptly and efficiently. Following the launch of the charter, customer service champions were introduced as a cross functional team from all internal departments.

The unit also held a series of tenant meetings across all areas of operation (Gaborone, Lobatse, Jwaneng, and Francistown). The purpose of these meetings was to obtain feedback on tenancy matters, lease management and maintenance of properties. Some of these meetings were held specifically in plots that were due for densification. The call centre continues to do well within the agreed service level targets. The average service level achieved for the whole year was at 99.81%.

Research and Development

The Research and Development Function offers in-house qualitative and quantitative research. Research analysis is based on customer service, product development and demand. For the period under review demand surveys were carried out in Mahalapye and Selebi Phikwe, to establish the willingness of consumers (demand) to buy BHC houses and their ability to pay (purchasing power) for the products. Post occupation surveys were conducted in Ghanzi and Phakalane to obtain feedback from customers on the products and services provided by BHC.

A Customer Satisfaction Index Survey was also undertaken to solicit feedback from customers on general service delivery from the Corporation and in the process identify opportunities for improved products and service delivery. Within the study the corporation also sought to identify opportunities for employee retention as well as improved levels of productivity. The result for the survey are to be considered in the coming financial year.

A woman with short dark hair, wearing a light-colored blazer over a patterned shirt, is shown from the chest up. She is looking slightly to her right with a thoughtful expression. Her right hand is resting on a door handle. The entire image is overlaid with a semi-transparent red color. The text 'SUPPORT SERVICES' is centered in white, bold, sans-serif font.

SUPPORT SERVICES

HUMAN RESOURCE

The Corporation always ensures that it is effectively organized to facilitate the smooth flow of its processes in delivering on the mandate. The effective organisation includes ensuring that proper systems are in place and are creating an enabling business environment.

Organisational Review and Restructuring Exercise

The Botswana Housing Corporation was declared a Single Housing Authority by the Botswana Government in 2010. The declaration meant that the mandate of Government to deliver housing to Botswana was centralized to Botswana Housing Corporation. This is consistent with the BHC Act, which provides for the Corporation that is responsible for the provision of housing and matters incidental thereto and connected therewith.

The mandate of the Corporation has been expanded to include social housing programmes alongside its commercial operations. In June 2015 the Corporation commenced an exercise to review the BHC organisation and develop a business model and related structures that would adequately accommodate the expanded operational business scope.

The review exercise has delivered a revised Business Operating Model with supporting structures. The restructuring exercise has re-organised the functioning, and further improved on the operations of the Corporation. The completion of the restructuring exercise and its implementation therefore is coinciding with the development and implementation of the Corporation's Long-Term Strategy for the period 2017-2023. Therefore the organisational structure is aimed at enabling the rolling out of the new long-term strategy.

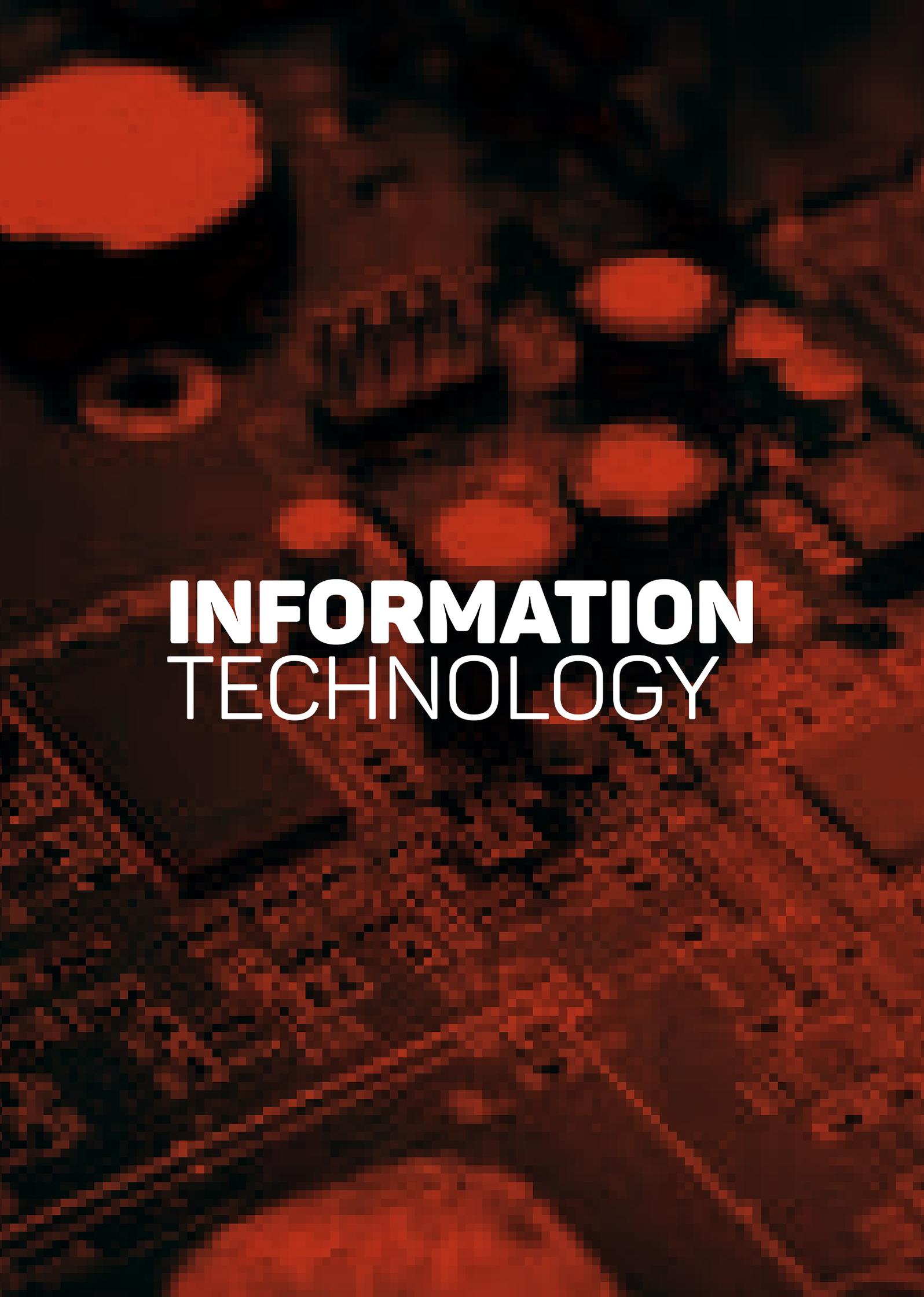
TRAINING AND DEVELOPMENT

Training Budget

The total budget for Training and Development for the financial year 2015/16 was P3, 846,408.40. Training and Development activities for the financial year were however limited due to the ongoing restructuring exercise. The total expenditure for the period from the 1st April 2015 to 31st December 2016 is P552, 632.18 which translates to 14% of the overall budget.

Internship Programme

The Corporation is actively participating in the Government's programme that facilitates for graduate students to acquire work experience while exploring opportunities for permanent employment. The Corporation has enrolled some students in the programme for a period of twenty four (24) months across its offices.



INFORMATION TECHNOLOGY

Information Technology

Implementation of BHC IT Strategy that was conceived in 2007 is completed, and the Corporation is continuously fine tuning its systems to ensure that they improve business turnaround times and increase customer satisfaction. The Corporation has a robust disaster recovery policy and plan in place to reduce any impact should there be a disaster.

The security and integrity of data is ensured by using up to date security software and data processing procedures. The implementation of an Enterprise Records Management Strategy is ongoing, and will culminate in an electronic records environment that will ensure the Corporation adheres to Governance and legislative requirements that pertain to Records Management.



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2016 ANNUAL REPORT

BOTSWANA HOUSING CORPORATION

(Incorporated in Botswana in terms of the Botswana Housing Corporation Act of 1970 - Laws of Botswana Cap 74:03 (as amended)).

BUSINESS

Property Development and Estate Management Services.

MEMBERS OF THE BOARD

B C Pheko	Chairperson
R Ketshabile	Deputy Chairperson
O S Mamparanyane	
B K Mmopi	
S Molalapata	
S Tiroyakgosi	
B Mokgolodi	
J Mosimane	
H Chilisa	
B Malatsi	(Appointed on 26 August 2015)
F Monggae	(Term ended on 31 July 2015)

SENIOR LEADERSHIP TEAM

R Motswaiso	Chief Executive Officer
N Matenge	Deputy Chief Executive Officer (Operations)
S Leburu	Deputy Chief Executive Officer (Support Services)
P Sefawe	Finance Manager
B Mtonga	Acting Property Development Manager
E Galeforolwe	Legal Services Manager
S Molefe	Information Technology Manager
Y Mukonde	Internal Audit Manager
S Ramahobo	Human Resource Manager
M Seisa	Research and Marketing Manager
G Zimona	Public and Corporate Affairs Manager
K Khimbele	Property Manager
O Segokgo	Senior Estates Manager - North
O Seitshiro	Maintenance Manager
G Baleseng	Property Sales Manager
B Bayendi	Corporate Planning Manager and Board Secretary

REGISTERED OFFICE

Botswana Housing Corporation Head Office
Corner, Mmaraka & Station Roads
P O Box 412
GABORONE

INDEPENDENT AUDITORS

PricewaterhouseCoopers BOTSWANA HOUSING CORPORATION

STATEMENT OF RESPONSIBILITY BY THE MEMBERS OF THE BOARD for the year ended 31 March 2016

The Corporation's members of the Board are responsible for the preparation and fair presentation of the financial statements, comprising the statement of financial position at 31 March 2016, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and accounting policies and the notes to the financial statements in accordance with International Financial Reporting Standards and in the manner required by the Botswana Housing Corporation Act (Chapter 74:03) (as amended).

The Board's responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The Board's responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as supplementary schedules included in these financial statements.

The going concern basis has been adopted in preparing the annual financial statements. The members of the Board have no reason to believe that the Corporation will not be a going concern in the foreseeable future, based on forecasts and available cash resources.

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

Approval of the annual financial statements:

The annual financial statements set out on pages 4 to 47 were approved by the members of the Board on 28 July 2016 and are signed on their behalf by:



B C Pheko
Chairperson



R Motswaiso
Chief Executive Officer



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOTSWANA HOUSING CORPORATION

Report on the Financial Statements

We have audited the annual financial statements of Botswana Housing Corporation (the "Corporation"), which comprise the statement of financial position as at 31 March 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 47.

Members of the Board' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Housing Corporation as at 31 March 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BOTSWANA HOUSING CORPORATION (continued)

Other matters

In accordance with Section 24(4) of the Botswana Housing Corporation Act (Chapter 764:03) (the "Act") as amended, we confirm 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; and
- The financial statements prepared by the Corporation were prepared on a basis consistent with that of the preceding year unless otherwise stated.

Individual practicing member: Rudi Binedell
Membership number: 20040091

Gaborone
27 August 2016

**STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2016**

	Note	2016	2015
		P'000	P'000
Revenue	6.	539,297	470,190
Cost of sale of housing inventories	7.	(321,375)	(262,324)
Repairs and maintenance		(49,585)	(38,689)
Employee benefit expenses	8.	(165,107)	(116,156)
Depreciation and amortisation	9.	(16,842)	(15,463)
Other expenses	10.	(65,299)	(57,945)
Impairment expenses	10.	(24,083)	(10,190)
Gains on sale of investment properties	11.	106,550	39,172
Other income	10.	18,197	13,965
Operating surplus		21,753	22,560
Finance income	12.	24,133	7,777
Finance costs	13.	(31,845)	(33,750)
Finance costs -net		(7,712)	(25,973)
Share of surplus of joint ventures	18.	13,918	13,252
Total comprehensive income for the year		27,959	9,839

STATEMENT OF FINANCIAL POSITION
as at 31 March 2016

	Note	2016 P'000	2015 P'000
Assets			
Non-current assets			
Investment property	14.	1,107,561	1,110,746
Property, plant and equipment	16.	20,985	19,913
Intangible assets	17.	24,815	26,445
Investments in joint ventures	18.	21,745	26,618
Loans to related parties	19.	-	4,040
Trade and other receivables	20.	11,228	15,078
Total non-current assets		1,186,334	1,202,840
Current assets			
Housing inventories	15.	443,923	630,949
Loans to related parties	19.	-	2,880
Trade and other receivables	20.	19,870	32,059
Cash and cash equivalents	21.	1,682,953	790,688
Total current assets		2,146,746	1,456,576
Total assets		3,333,080	2,659,416
Equity and liabilities			
Capital and reserves			
Irredeemable capital	22.	250,000	250,000
Retained earnings		1,086,604	1,058,874
Earnings reserve	23.	6,426	8,657
Total equity		1,343,030	1,317,531
Non-current liabilities			
Agency funds	26.	258,865	194,103
Deferred income		5,153	6,214
Deferred government revenue grant	24.	63,035	-
Borrowings	24.	743,258	440,873
Total non-current liabilities		1,070,311	641,190
Current liabilities			
Trade and other payables	25.	213,253	198,155
Provision for restructuring cost	33.	42,298	-
Agency funds	26.	550,088	412,468
Deferred income		3,139	167
Deferred government revenue grant	24.	7,957	-
Borrowings	24.	35,630	49,013
Customer deposits	27.	67,374	40,892
Total current liabilities		919,739	700,695
Total equity and liabilities		3,333,080	2,659,416

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2016

	Capital	Retained earnings	Earnings reserve	Total
	P'000	P'000	P'000	P'000
At April 2014	250,000	1,050,059	11,697	1,311,756
Comprehensive income				
Comprehensive income for the year	-	9,839	-	9,839
Transfer to retained earnings	-	3,040	(3,040)	-
Total comprehensive income	-	12,879	(3,040)	9,839
Transaction with owners				
Dividend (note 28)	-	(4,064)	-	(4,064)
Total transactions with owners	-	(4,064)	-	(4,064)
Balance at 31 March 2015	250,000	1,058,874	8,657	1,317,531
At April 2015	250,000	1,058,874	8,657	1,317,531
Comprehensive income				
Comprehensive income for the year	-	27,959	-	27,959
Transfer to retained earnings	-	2,231	(2,231)	-
Total comprehensive income	-	30,190	(2,231)	27,959
Transaction with owners				
Dividend (note 28)	-	(2,460)	-	(2,460)
Total transactions with owners	-	(2,460)	-	(2,460)
Balance at 31 March 2016	250,000	1,086,604	6,426	1,343,030

Note 1 : Earnings reserve

Net gains realised on disposal of investment properties through Tenant Purchase Scheme (TPS) and Step Ownership Scheme (SOS) for which payment have not been received are transferred to earnings reserve. Transfers are then made annually to retained earnings at the rate which the individual TPS and SOS balances are repaid.

STATEMENT OF CASH FLOWS
for the year ended 31 March 2016

	Note	2016 P'000	2015 P'000
Cash flows from operating activities			
Net cash generated from operating activities	29	254,735	79,356
Cash flows from investing activities			
Purchases of property, plant and equipment	16.	(4,898)	(3,147)
Additions to intangible assets	17.	(1,656)	(1,745)
Additions to investment properties	14.	(36,092)	-
Proceeds from sale of investment properties	11.	136,009	96,197
Proceeds from sale of property, plant and equipment		50	1
Dividends from joint ventures	18.	14,605	8,905
Loan capital repayments received from related parties	19.	2,198	2,012
Interest received	12.	24,133	7,777
Net cash generated from from investing activities		134,349	110,000
Cash flows from financing activities			
Repayment of borrowings	24.	(44,691)	(48,738)
Proceeds from borrowings	24.	400,000	-
Dividends paid		(22,665)	(4,064)
Interest paid (net of capitalised interest)	13.	(31,845)	(33,750)
Net cash generated from / (used in) financing activities		300,799	(86,552)
Net increase in cash and cash equivalents		689,883	102,804
Cash and cash equivalents at beginning of year		184,117	81,313
Cash and cash equivalents at end of year	21.	874,000	184,117

ACCOUNTING POLICIES for the year ended 31 March 2016

1. General information

Botswana Housing Corporation (BHC) is a parastatal corporation solely owned by Botswana Government. It was established by an Act of Parliament being Botswana Housing Corporation Act (CAP 74:03) of 1970 and started operations on February 1971. The mandate of BHC as stipulated by the Act and its subsequent amendments is as follows:

- (a) to provide for the housing, office and other building needs of the Government and local authorities;
- (b) to provide for, and to assist and to make arrangements for other persons to meet the requirements of paragraph (a) above and;
- (c) to undertake and carry out, and to make arrangements for other persons to undertake and carry out building schemes in Botswana.

The affairs of the Corporation are controlled by a ten member Board whose Chairman and members are appointed by the Minister of Lands and Housing.

The financial statements for the year ended 31 March 2016 have been approved for issue by the members of the Board on 28 July 2016. Neither the members of the Board nor anyone has the power to amend financial statements after issue.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements of Botswana Housing Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

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. The 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 under critical estimates and judgements section.

(a) Standards, amendments and interpretations not yet effective, but early adopted by the Corporation

"In 2016, the Corporation did not early adopt any new or revised standard or interpretation.

(b) Standards, amendments, improvements and interpretations effective first time in the current year and relevant for the Corporation's operations.

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 April 2015 that had a material impact on the Corporation's financial statements.

(1) Amendment to IAS 19 'Employee benefits', regarding defined benefit plans. (Effective date - 1 July 2014)

These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service.

Basis of preparation (continued)

(2) Amendment to IFRS 8, 'Operating segments' (Effective date- 1 July 2014).

"The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics.

(3) Amendment to IFRS 13, 'Fair value measurement' (Effective date - 1 July 2014).

The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.

(4) Amendment to IAS 40, 'Investment property' (Effective date - 1 July 2014).

The standard is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

(c) Standards, amendments, improvements and interpretations effective first time in the current year but not relevant for the Corporation's operations.

(1) Amendment to IAS 16, 'Property, plant and equipment', and IAS 38, 'Intangible assets' (Effective date - 1 July 2014).

Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

(2) Amendment to IAS 24, 'Related party disclosures' (Effective date - 1 July 2014).

The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity').

(3) Amendment to the Basis of Conclusion to IFRS 1, (Effective date - 1 July 2014).

The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.

(4) Amendment to IFRS 13, 'Fair value measurement'(Effective date - 1 July 2014).

The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis.

(5)Amendment to IFRS 3, 'Business combinations'(Effective date - 1 July 2014).

The standard is amended to clarify that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

(d) New standards, amendments, improvements and interpretations issued but not effective for the financial year 31 March 2016 and not yet adopted by the Corporation

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 April 2015, and have not been early adopted in preparing these financial statements. At this time, the adoption of these standards and interpretations is not expected to have a significant impact on the Corporation's financial statements.

Basis of preparation (continued)

(1) Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation. (Effective date - 1 January 2016)

This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

(2) Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative. Effective date - 1 January 2016)

In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

(3) Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation. (Effective date - 1 January 2016)

In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

(4) Amendments to IAS 27, 'Separate financial statements' on equity accounting. (Effective date - 1 January 2016)

In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

(5) Amendment to IAS 7 – Cash flow statements (Effective 1 January 2017)

In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

(6) IFRS 15 – Revenue from contracts with customers. (Effective date 1 January 2018)

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

(7) IFRS 9 – Financial Instruments (2009 & 2010). (Effective date 1 January 2018)

This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments.

(8) IFRS 16 – Leases (Effective date 1 January 2019)

IASB and FASB decided that lessees should be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right.

2.2 Revenue recognition

"The Corporation recognises revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Corporation's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Corporation bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Rental income

"Rental income from the letting of investment properties is recognised in the statement of comprehensive income on a straight line basis over the term of the lease."

(b) Outright sales

Revenue is recognised when the risks and rewards have been transferred and the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the units sold. Surpluses or deficits arising on sale are recognised as income or loss in the year in which they arise.

(c) Tenant purchase scheme (TPS)

Net gain or loss arising on the sale of investment properties through the tenant purchase scheme are recognised as income in the year in which they arise. Interest and administration charges are levied monthly on the effective yield method, on tenant purchase scheme accounts at the rates specified in the original sale agreements. These amounts are taken to income as they fall due, save that where an account falls into arrears, an impairment provision is made to the extent that such charges are not considered to be recoverable through the repossession and sale of the subject property.

"Title of property sold under the tenant purchase scheme and responsibility for major defects, excluding routine maintenance, is retained by the Corporation until the full outstanding balance is repaid. In case of default, an impairment provision is made against the principal amount only to the extent that the principal amount would not be recovered through the repossession and sale of the subject property.

(d) Step ownership scheme (SOS)

"Net gain or loss arising on the sale of investment properties through the step ownership scheme are recognised as income in the year in which they arise.

Step ownership scheme purchasers initially acquire a one-third or one-fourth ownership of a property (referred to as a "step") and pay rent on the balance retained by the Corporation. Purchasers are required to acquire the remaining two or three steps over successive intervals of not more than five years.

In line with the generally accepted accounting principle of 'substance over form', which seeks to reflect in the financial statements the substance of a transaction rather than its legal form, the disposal of a property through the step ownership scheme is recognised as a whole in the year in which the first step is sold. When the first step is sold the carrying value of the property is eliminated from investment properties and the whole of the gain or loss arising on the disposal is taken to the statement of comprehensive income in that financial year.

Revenue recognition (continued)

Interest and administration charges are levied monthly on step ownership scheme accounts at the rates specified in the original sale agreements. These amounts are taken to income as they fall due, save that where an account falls into arrears, an impairment provision is made to the extent that such charges are not considered recoverable through the repossession and sale of the subject property.

"In terms of the sale agreement, a purchaser pays rent on the share of the property still held by the Corporation. For financial reporting purposes, this rent is shown as part of the interest receivable on step ownership scheme sales.

"Title of property sold under the step ownership scheme and responsibility for major defects and routine maintenance are retained by the Corporation until the purchaser has acquired each of the steps and the full outstanding balance is repaid. In case of default, an impairment provision is made against the principal amount only to extent that the Corporation would not be able to recover the principal amount through repossession and sale of the subject property.

(e) Professional fees

The Corporation provides project management services to third parties. These services are provided on a time and material basis or as a fixed-price contract, with contract terms ranging from less than one year to two years. Fee notes are only raised and the related income recognised in the Corporation's books of account when services have been rendered and the project concerned has reached a certain stage of completion.

(f) Capacitation fees

Capacitation fees received from Government agencies are recognised at fair value where there is a reasonable assurance that the capacitation fee will be received and the Corporation will comply with all attached conditions.

Capacitation fees relating to costs are deferred and recognised in the income statement over the period necessary to match with the costs that they are intended to compensate.

Capacitation fees relating to property, plant and equipment are included in non-current liabilities as deferred income and credited to the income statement on a straight line basis over the expected lives of the related assets.

(g) Interest income

Interest income and interest expense are recognised in the statement of comprehensive income for all interest bearing financial instruments on an accruals basis using the effective yield method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Corporation estimates cash flows considering all contractual terms of the financial instrument.

2.3 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Corporation, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs are incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

Investment property is subsequently stated at historical cost less accumulated depreciation and impairment losses.

The actual depreciation charge is determined by spreading the depreciable amount of individual properties' over their remaining useful lives. The depreciable amount is calculated as the cost of a property less its residual value. The residual value is the estimated amount that the Corporation could currently obtain from the disposal of the property if the property were already of the age and in the condition expected at the end of its useful life. Useful life is determined as lower of lease period or 40 years.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories.

2.4 Inventories

Inventories arise with the commencement of development with a view to sale and on completion the properties are classified as inventories at cost. They are subsequently carried at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less costs to complete redevelopment and selling expenses. The operating cycle of the Corporation is the time between the acquisition of land for development and their realisation in cash or cash equivalents. This is determined as two years.

2.5 Land held for development

Land held for development is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, development cost and borrowing cost during development.

2.6 Borrowing costs

Borrowings costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Qualifying assets to which the Corporation currently capitalises borrowing costs include investment properties and inventories that are under construction which are assets that necessarily take a substantial period of time to get ready their intended use or sale. In the statement of cash flows, capitalised borrowing costs relating to housing inventories and investment properties are considered as operating cash flows and investing cash flows respectively.

Other borrowing costs are expensed.

2.7 Capitalisation of development costs

The Corporation capitalises direct expenses incurred by the Property Development Department in respect of its own housing projects until the project is substantially complete.

2.8 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items concerned.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Freehold land is not depreciated. Leasehold land is depreciated over the lease period. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold offices, staff houses and depots	Lower of lease period and 40 years
Furniture and office equipment	10 years
Computer equipment	5 years
Motor vehicles	5 years
Depot plant and equipment	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

"An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as other reserves in Capital and reserves. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset is charged to the statement of comprehensive income, and depreciation based on the asset's original cost is transferred from 'other reserves' to 'retained earnings'.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income or administrative expenses' in the statement of comprehensive income.

2.9 Intangible assets

Intangible assets comprise of computer software. Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (5 to 10 years).

Intangible assets (continue)

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Corporation, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

2.10 Loans to related parties

The loans to related parties are initially recognised at fair value plus transaction costs. Subsequent to the initial recognition, the loan is measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest method.

2.11 Joint arrangements

Investments in joint ventures are accounted for by the equity method of accounting. Joint ventures are those entities over whose activities the Corporation has joint control, established by contractual agreement.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Corporation's share post acquisition profits or losses and movements in other comprehensive income. When the Corporation share of losses in joint venture equals or exceeds its interests in the joint ventures, the Corporation does not recognise further losses unless it has incurred obligations or made payments on behalf of the joint ventures.

2.12 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment for trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial re-organisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

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

2.13 Cash and cash equivalents

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

2.14 Irredeemable capital

Irredeemable capital represents irredeemable capital contributions made by the Government of Botswana into the Corporation since its establishment by the Botswana Housing Corporation Act (Chapter 74:03) (as amended).

2.15 Earnings reserve

Surpluses recognised in the statement of comprehensive income in respect of the disposal of investment properties through the tenant purchase scheme and step ownership scheme are transferred from retained earnings to earnings reserve; deficits are not transferred to the earnings reserve. Transfers are then made annually from the earnings reserve to retained earnings at the rate at which the individual tenant purchase scheme and step ownership scheme balances are repaid.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

2.17 Trade payables

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

2.18 Provisions

Provisions for incentive bonus, restructuring costs and legal claims are recognised when: the Corporation has a present legal or constructive obligation; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease terminal penalties and employee termination payments.

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

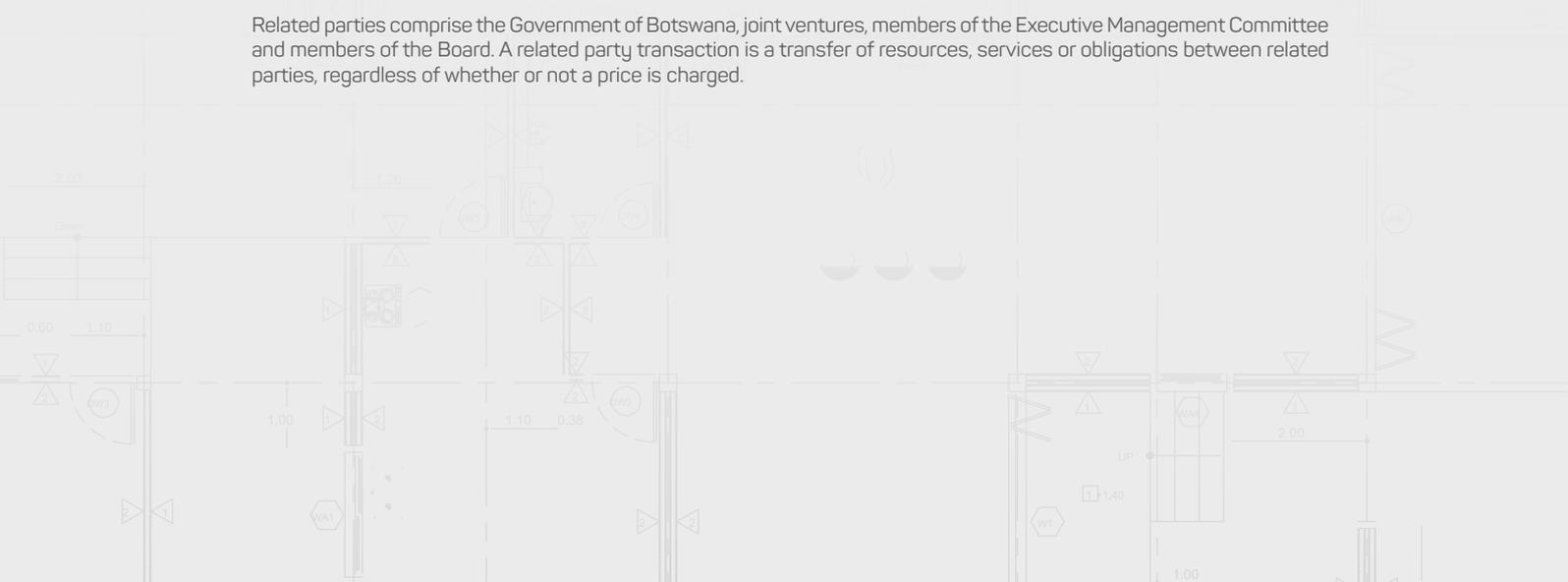
Provisions are made at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the obligation due to the passage of time is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

2.19 Leases

Leases of property, plant and equipment where the Corporation assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in interest bearing borrowings. The interest element of the leasing charges is charged to the statement of comprehensive income over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the useful lives of the assets. Leasing of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.20 Related party transactions

Related parties comprise the Government of Botswana, joint ventures, members of the Executive Management Committee and members of the Board. A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether or not a price is charged.



2.21 Agency funds

"The Corporation constructs infrastructure and housing for the Government of Botswana and other institutions on an agency basis. The accounting for these projects is on a trust fund basis, whereby money is received and spent on the projects involved. The Corporation charges a fee for the technical and financial expertise applied to these projects. Any interest earned on the temporary investment of trust funds accrues to the benefit of the client, thus such interest is not recognised in the statement of comprehensive income statement of the Corporation.

2.22 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

2.23 Employee benefits

(a) Pension obligations

The Corporation operates a defined contribution pension scheme for all its employees, excluding contract employees. The scheme is funded through payments to a fund manager, who administers the fund. A defined contribution plan is a pension plan under which the Corporation pays fixed contributions into a separate entity. The Corporation has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Terminal benefits

Terminal benefits are payable when employment is terminated by the Corporation before the normal retirement date, or whenever an employee accepts voluntary redundancy or is declared redundant in exchange of these benefits. The Corporation recognises termination benefits when it is demonstrably committed to either; terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing terminal benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the statement of financial position date are discounted to their present value.

(c) Incentive bonus scheme

The Corporation has an incentive pay policy in place, which was approved by the Board under which the Corporation makes payments to employees in the form of an annual incentive pay. Computation of the pool of funds available for distribution to employees as incentive pay is based on a formula that takes into account the Corporation's actual performance during a given financial year as compared to targets set at the beginning of that financial year.

2.24 Financial assets

Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets. For purposes of these financial statements short term is defined as twelve months from the statement of financial position date.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the comprehensive statement of comprehensive income within 'net income from financial instruments designated at fair value' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the comprehensive statement of comprehensive income as part of other income when the Corporation's right to receive payment is established.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the statement of financial position date. These are classified as non-current assets. The Corporation's loans and receivables comprise 'trade and other receivables', 'loan to joint ventures' and 'cash and cash equivalents' in the statement of financial position.

(c) Available for sale

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

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date-the date on which the Corporation commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as 'gains and losses from investment securities'. Interest on available for sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as other income when the Corporation's right to receive payment is established.

Impairment of financial assets

The Corporation assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative

loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. Impairment testing of trade receivables is described under credit risk of Financial Risk Management Section.

2.25 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is legally binding enforceable right to offset the recognised and there an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.26 Impairment of non-financial assets

Assets that are subject to amortisation and assets under construction or development (including intangible assets) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.27 Dividend distribution

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

2.28 Current and deferred income tax

In terms of Part 1 (ii) of the Second Schedule to the Income Tax, Act 12 of 1995, (Chapter 50:01), the Corporation is exempt from income tax.

2.29 Customer deposits

When prospective tenants, other than Government and parastatals, are approved for allocation of a property from the Corporation they are required to pay a maintenance deposit equivalent to one month's rental. On vacation, this deposit is applied towards restoring the property to a tenantable condition and clearing any rental arrears. Any remaining balance is paid back to the customer. This deposit is termed 'refundable deposit'.

Prospective purchasers wishing to purchase property from the Corporation often opt to make a down payment, to show commitment, while they source finance for the balance of the purchase price. This down-payment is sale of properties, as the intention at the point of payment is for the amount to be applied towards the purchase. Sale of property is effected only when all the contingencies relating to the sale have been resolved. Both types of deposit are recognised as liabilities in the Corporation's statement of financial position.

2.30 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of the Corporation that makes strategic decisions.

2.31 Financial liabilities

Financial liabilities other than trading liabilities are initially recognised at fair value and subsequently carried at amortised cost using effective interest rate method. Financial liabilities are derecognised when they are extinguished.

2.32 Government grant

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and BHC will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. The benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan is measured at amortised cost. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan, which is measured at amortised cost, and the actual proceeds received. The benefit is accounted for in accordance with our accounting policy for government grants described above.

FINANCIAL RISK MANAGEMENT for the year ended 31 March 2016

1. Financial risk factors

The Corporation's activities expose it to a variety of risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit 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 interest rate risk, credit risk, use of non derivative financial instruments, and investment of excess liquidity. Risk management is carried out under policies approved by the Board. The Board provides written

1.1 Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and loans to related parties, as well as credit exposures to customers, including outstanding receivables. For banks and other financial institutions, the Board makes assessment of the balance sheet of the institution before a decision to do business is made. These assessments are done annually through the review of audited financial statements of banks. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. Credit risk attached to the Corporation's cash and cash equivalents is minimised by only investing cash resources with reputable financial institutions. There are no credit ratings available in Botswana for financial institutions. The above banks are reputed banks and have reported sound financial results and continued compliance with minimum capital adequacy requirement.

The Credit Control Section, under the Property Management Department, assesses the credit quality of the customer, taking into account the customer's financial position, past experience and other factors. Individual risk limits are set based on internal or external information and in accordance with the Credit Control Policy, which was approved by the Board.

Rental customers are required to pay deposits before they are allowed to occupy the Corporation's property. The Corporation also minimises the risk of payment from defaults by ensuring that deductions for Rental, Tenant Purchase Scheme and Step Ownership Scheme are done directly from the customers salary and remitted to the Corporation. Where there is no arrangement for salary deduction, the Corporation receives the money through direct debits and only on exceptional cases does the Corporation allow cash payments. For Tenant Purchase Scheme and Step Ownership Scheme the Corporation retains title to the property until the whole of the purchase price has been paid.

The Corporation manages the credit risk of loans to related parties through security which has been put in place in the form of the land on which the property has been constructed. The title to this land is registered in the name of the Corporation. The Corporation provides for impairment of debtors based on the aging analysis. Rental arrears are aged in to amount owing less than 90 days and amount owing more than 90 days. Arrears less than 90 days are classified as past due but not impaired, and are not provided for, while arrears which are more than 91 days are classified as fully impaired and provided for. The Corporation provides 100% for arrears which are more than 91 days for all customer classes after deducting rental security deposits.

The basis for full provision is because private customers are required to pay 1 month rental in advance while Government and Parastatals pay 3 months rental in advance which means that any outstanding balance from the Government or Parastatal will normally be disputed amount. The Tenant Purchase Scheme and Step Ownership Scheme debtors are also aged as described above, but only those debtors whose arrears exceed the amount which cannot be recovered from the sale of the property are provided for. If the market value of the property exceeds the amount owing, the Corporation does not provide even if they are more than 3 months.

1.1 Credit risk (continued)

Maximum exposure to credit risk before collateral held or other credit enhancement		
Credit risk exposures relating to on-balance sheet assets are as follows:	2016	2015
	P'000	P'000
Loans to related parties	-	6,920
Trade and other receivables	31,098	47,137
Cash and cash equivalents	1,682,953	790,688
	1,714,051	844,745

The above table represents the worst case scenario of credit risk exposure for the Corporation as at 31st March 2016 and 2015 without taking account of any collateral held or other credit enhancements attached. For on statement of financial position assets the exposure set out above is based on net carrying amounts as reported in the statement of financial position.

Trade Receivables

Credit risk exposure in relation to trade receivables is analysed below.

At March 2016	Rental debtors	TPS	SOS	Other	Total
	P'000	P'000	P'000	P'000	P'000
Neither past due nor impaired	-	14,193	116	3,728	18,037
Past due but not impaired	3,687	372	-	-	4,059
Individually impaired	29,034	25	-	1,558	30,617
Gross	32,721	14,590	116	5,286	52,713
Less: Provision for impairment	(29,034)	(25)	-	(1,558)	(30,617)
Net	3,687	14,565	116	3,728	22,096
Value of collateral held against trade receivables that are neither past due nor impaired	-	133,621	1,659	-	135,280
At March 2015	Rental debtors	TPS	SOS	Other	Total
	P'000	P'000	P'000	P'000	P'000
Neither past due nor impaired	-	19,281	202	1,162	20,645
Past due but not impaired	16,668	519	62	-	17,249
Individually impaired	15,328	44	-	1,559	16,931
Gross	31,996	19,844	264	2,721	54,825
Less: Provision for impairment	(15,328)	(44)	-	(1,559)	(16,931)
Net	16,668	19,800	264	1,162	37,894
Value of collateral held against trade receivables that are neither past due nor impaired	-	151,762	1,826	-	153,588

1.1 Credit risk (continued)				
Trade receivables, past due but not impaired				
At March 2016	Rental debtors	TPS	SOS	Total
	P'000	P'000	P'000	P'000
Past due up to 30 days	1,218	92	-	1,310
Past due 30 - 60 days	734	57	-	791
Past due 60 - 90 days	1,735	223	-	1,958
Total	3,687	372	-	4,059
Value of collateral	-	58,201	1,431	59,632
At March 2015	Rental debtors	TPS	SOS	Total
	P'000	P'000	P'000	P'000
Past due up to 30 days	3,225	109	-	3,334
Past due 30 - 60 days	2,327	63	-	2,390
Past due 60 - 90 days	11,116	347	62	11,525
Total	16,668	519	62	17,249
Value of collateral	-	75,137	671	75,808

1.2 Market risk

(i) Foreign exchange risk

The Corporation's exposure to foreign exchange risk is minimal as the Corporation conducts most of its transactions using its functional currency. Nevertheless, management has set up a policy to require the Corporation to manage its foreign exchange risk against functional currency. To manage foreign exchange risk arising from those transactions and recognised assets and liabilities, the Corporation ensures that it enters into appropriate arrangements with service providers, including banks, such that its exposure to foreign exchange risk is minimised. 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.

There were no assets or liabilities denominated in foreign currencies as at 31 March 2016 (nil -2015).

(ii) Cash flow and fair value interest rate risk

The Corporation's interest rate risk primarily arises from borrowings. Borrowings issued at variable rates expose the Corporation to cash flow interest rate risk.

Borrowings issued at fixed rates expose the Corporation to fair value interest rate risk. The Corporation maintains its borrowings at fixed interest rates agreed with the lenders save for Bond issued at both floating and fixed rates. During financial years ended 31 March 2016 and 2015, the Corporation's borrowings at fixed rate were denominated in the functional currency.

1.2 Market risk (continued)

The table below summarise the Corporation's exposure to interest rate risk. Included therein are the Corporation's assets and liabilities at carrying amounts categorised by earlier of contractual re-pricing or maturity dates.

At March 2016	Less than 2 years	2 - 5 years	Over 5 years	Non interest bearing	Total
	P'000	P'000	P'000	P'000	P'000
Financial assets					
Trade and other receivables	553	1,174	13,731	15,640	31,098
Cash and cash equivalents	1,682,953	-	-	-	1,682,953
	1,683,506	1,174	13,731	15,640	1,714,051
Financial liabilities					
Debt securities in issue	286,471	106,192	-	-	392,663
Loans	21,914	31,573	332,738	-	386,225
	308,385	137,765	332,738	-	778,888
At March 2015	Less than 2 years	2 - 5 years	Over 5 years	Non interest bearing	Total
	P'000	P'000	P'000	P'000	P'000
Financial assets					
Loans to related parties	-	6,920	-	-	6,920
Trade and other receivables	553	1,174	18,099	27,311	47,137
Cash and cash equivalents	790,688	-	-	-	790,688
	791,241	8,094	18,099	27,311	844,745
Financial liabilities					
Debt securities in issue	-	286,798	106,164	-	392,962
Loans	43,108	53,603	212	-	96,924
	43,108	340,401	106,376	-	489,886

Interest rate sensitivity

At 31 March 2016, if interest rates had been 50 basis points higher/lower with all other variables held constant, total comprehensive income for the year would have been P1,749,000 (2015: P1,215,000) lower /higher as a result of higher/ lower interest expense on the P286,000,000 (2015: P286,000,000) floating rate borrowings and average fixed deposit of P635,864,000 (2015: P58,067,000).

1.3 Liquidity risk

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	1 - 2 years	2 - 5 years	Over 5 years	Total
	P'000	P'000	P'000	P'000	P'000
At 31 March 2016					
Borrowings	62,108	359,448	270,431	319,258	1,011,245
Trade and other payables	213,253	-	-	-	213,253
Agency funds	550,088	258,865	-	-	808,953
Customer deposits	67,374	-	-	-	67,374
Liabilities(contractual maturity)	892,823	618,313	270,431	319,258	2,100,825

	Less than 1 year P'000	1 - 2 years P'000	2 - 5 years P'000	Over 5 years P'000	Total P'000
At 31 March 2015					
Borrowings	74,803	53,025	357,036	113,112	597,977
Trade and other payables	198,155	-	-	-	198,155
Agency funds	412,468	194,103	-	-	606,571
Customer deposits	40,892	-	-	-	40,892
Liabilities (contractual maturity)	726,318	247,128	357,036	113,112	1,443,595

1.4 Financial instruments by category

	Loans and receivables	
	2016 P'000	2015 P'000
Assets as per statement of financial position:		
Trade and other receivables	31,098	47,137
Cash and cash equivalent	1,682,953	790,688
Loans to related parties	-	6,920
	1,714,051	844,745

Financial liabilities at amortised cost

	2016 P'000	2015 P'000
Liabilities as per statement of financial position:		
Borrowings	778,888	489,886
Agency funds	808,953	606,571
Trade and other payables	170,168	162,032
Customer deposits	67,374	40,892
	1,825,383	1,299,381

2 Capital risk management

The Corporation is a parastatal established by an Act of Parliament. The Corporation is supported by its owner, 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.

	2016 P'000	2015 P'000
Total long term debt	778,888	489,886
Total capital and reserves	1,343,030	1,317,531
Debt : equity ratio	0.58	0.37

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS for the year ended 31 March 2016

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

(a) Useful lives and residual values of investment property and property, plant and equipment

The Corporation tests annually whether, the useful life and residual value estimates were appropriate and in accordance with its accounting policy. Useful lives and residual values of investment properties (note 14) and administrative buildings are assessed annually by professionally qualified staff from the Estates Management Department of the Corporation and the assessments are approved by the Board. Periodically the assessment is outsourced to independent professionally qualified consultants.

The useful lives of plant and equipment (note 16) are assessed annually by staff in the Procurement Office, who are the custodians of the plant and equipment.

(b) Useful lives and amortisation of intangible assets

The Corporation carries out annual assessments regarding the appropriateness of the useful lives of intangible assets (note 17). Management exercises judgement to come up with appropriate useful lives.

(c) Impairment of TPS, SOS and rental debtors

The Corporation reviews its debtors (note 20) to assess impairment on a monthly basis. In determining whether an impairment loss should be recognised, the Corporation makes judgments as to whether there is any observable data indicating that there is a measurable decrease in estimated cash flows from a portfolio of accounts receivables. Management uses estimates based on historical loss experience of assets. The assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

OPERATING SEGMENTS for the year ended 31 March 2016

The Corporation adopted IFRS 8, "Operating Segments". This has resulted in a number of reportable segments presented. In addition, segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Corporation has determined that its chief decision maker is the Board of the Corporation.

Management has determined the operating segments based on the reports reviewed by the Board in making strategic decisions

- “Sales of housing inventories”
- Outright sale of properties
- “Rental ” - Letting of properties
- “Others” -includes provision of consultancy and other activities not included in other segments

No operating segments have been aggregated.
The segment information provided to the Board for the reportable segments for the year ended 31 March 2016 is as follows:

	Sale of Housing Inventories	Rental	Others	Total
	P'000	P'000	P'000	P'000
Revenue	329,484	182,317	27,496	539,297
Operating surplus	63,281	58,608	(100,137)	21,753
Included in operating surplus				
Depreciation and amortisation	(358)	(10,490)	(5,994)	(16,842)
Not included in operating surplus				
Finance income	-	-	24,133	24,133
Finance costs	(25,476)	(6,369)	-	(31,845)
Share of surplus of joint ventures			13,918	13,918
Total comprehensive income	37,805	52,239	(62,086)	27,959
Total segment results above include:				
Revenue from Government and Government related entities	300,104	83,057	27,496	410,657
Segment assets	418,114	1,162,538	22,915	1,603,567
Reconciliation to total assets as reported in the statement of financial position				
Investment in joint ventures			21,745	21,745
Intangible assets			24,815	24,815
Cash and cash equivalents			1,682,953	1,682,953
Total assets as reported in the statement of financial position	418,114	1,162,538	1,752,428	3,333,080
Total liabilities	720,660	209,829	1,010,844	1,941,333

OPERATING SEGMENTS for the year ended 31 March 2016

The segment information provided to the Board for the reportable segments for the year ended 31 March 2015 is as follows:

	Sale of Housing Inventories P'000	Rental P'000	Others P'000	Total P'000
Revenue	272,070	185,577	12,543	470,190
Operating surplus	8,956	79,176	(65,572)	22,560
Included in operating surplus				
Depreciation and amortisation	(521)	(9,760)	(5,182)	(15,463)
Not included in the operating surplus				
Finance income	-	-	7,777	7,777
Finance costs	(27,000)	(6,750)	-	(33,750)
Share of surplus of joint ventures			13,252	13,252
Total comprehensive income	(18,044)	72,426	(44,543)	9,839
Total segment results above include:				
Revenue from Government and Government related entities	109,552	86,512	11,715	207,779
Segment assets	597,519	1,191,669	19,557	1,808,745
Reconciliation to total assets as reported in the statement of financial position:				
Investment in joint ventures	-	-	26,618	26,618
Intangible assets	-	-	26,445	26,445
Loans to related parties	-	-	6,920	6,920
Cash and cash equivalents	-	-	790,688	790,688
Total assets as reported in the statement of financial position	597,519	1,191,669	870,228	2,659,416
Total liabilities	457,594	145,690	738,602	1,341,885

	2016 P'000	2015 P'000
6. Revenue		
Rental income	182,317	185,577
Sale of housing inventories	326,486	267,909
Professional fees	27,496	12,543
Tenant purchase scheme income	2,982	4,116
Step ownership scheme income	16	45
	539,297	470,190
7. Cost of sale of housing inventories		
At beginning of the year		
Land held for development	12,741	11,242
Housing under construction	265,845	615,187
Completed houses - Inventories	352,364	156,342
"Additions / transfers during the year"		
Acquisition of land	13,012	1,685
Payments to contractors	102,171	91,861
Capitalised development costs	9,321	9,627
Capitalised borrowing costs	6,065	7,229
Transfer from investment properties	4,733	-
Movement in the impairment provision	(954)	101
"At end of year (note 15)"		
Land held for development	(25,753)	(12,741)
Housing under construction	(190,188)	(265,845)
Completed houses - Inventories (net of impairment provision)	(227,982)	(352,364)
	321,375	262,324
8. Employee benefit expenses		
Salaries, wages and other benefits	118,261	112,304
Restructuring expenses	42,298	-
Pension contributions	9,551	9,005
Gratuities	4,318	4,474
Less : capitalised during the year (note 7)	(9,321)	(9,627)
	165,107	116,156
Average number of employees	352	357

	2016	2015
	P'000	P'000
9. Depreciation and amortisation		
Depreciation - investment properties (note 14)	8,511	7,744
Depreciation - property, plant and equipment (note 16)	3,893	3,490
Amortisation - leasehold land (note 14)	1,152	1,170
Amortisation - intangible assets (note 17)	3,286	3,059
	16,842	15,463
10. Other expenses		
Audit fees - prior year under / (over) provision	209	(62)
Audit fees - current year	1,019	952
Board members remuneration	142	126
Operating lease rentals - motor vehicles	4,837	4,216
Consultancy fees	2,507	1,380
Rates	5,472	6,811
Non capitalisable expenses	267	-
Security expenses	5,617	5,402
Telephone expenses	4,514	4,453
Training expenses	2,229	2,473
Insurance	3,252	2,370
Travelling and accommodation	4,413	4,019
IT expenses	7,203	3,721
Advertising and marketing	7,009	7,391
Call centre expenses	2,052	1,939
Administration expenses	11,735	10,342
Training levy	882	1,079
Utilities	1,940	1,334
	65,299	57,945
Impairment expenses		
Rental debtors	15,986	10,175
Tenant purchase scheme debtors	4	15
Housing inventories	8,055	-
Other debtors	38	-
	24,083	10,190
Other income		
Recoverable maintenance	2,814	2,724
Recoverable maintenance - Government houses	3,418	-
Sundry income	4,286	2,630
Commercial income	1,583	-
Capacitation fee	6,019	8,563
Release of impairment provision - inventory	-	101
Gain / (loss) on sale property, plant and equipment	77	(53)
	18,197	13,965

11. Gains from sale of investment properties		
Proceeds from sale of investment properties	136,009	96,197
Cost	(35,884)	(61,567)
Accumulated depreciation	6,425	4,542
	106,550	39,172
	2016	2015
	P'000	P'000
12. Finance income		
Interest income on loans to related parties (note 19)	566	1,028
Interest income on short term bank deposits	23,567	6,749
	24,133	7,777
13. Finance costs		
Interest expense on loans	17,809	15,660
Interest expense on debt securities in issue	19,968	24,383
Interest expense on bank overdraft / other financing costs	133	936
Less: capitalised during the year	(6,065)	(7,229)
	31,845	33,750
A capitalisation rate of 5.73% (2015: 7.45%) was used for projects whose development was financed out of long term debt. (note 24).		
14. Investment properties		
Opening net book amount	1,110,746	1,176,860
Transfer from property, plant and equipment	69	-
Transfer to property, plant and equipment	(224)	-
Additions to investment properties	36,092	-
Disposals	(35,884)	(61,567)
Depreciation on disposals	6,425	4,542
Depreciation - housing properties	(8,511)	(7,744)
Amortisation - leasehold land	(1,152)	(1,170)
Others (adjustments to property register)	-	(174)
Closing net book amount	1,107,561	1,110,746
Cost	1,401,622	1,401,570
Accumulated depreciation	(294,061)	(290,824)
Net book amount	1,107,561	1,110,746

The Corporation leases out properties under operating leases. The leases typically run for a period of 3 years. None of the leases include contingent rentals where portion of the lease payments that is not fixed in amount but based on the future amount of a factor that changes other than with the passage of time.

14. Investment properties (continued)

Rental income earned and direct operating expenses incurred in relation to investment properties are shown below.

	2016	2015
	P'000	P'000
Rental income		
Rental income	182,317	185,577
	182,317	185,577
Direct operating expenses		
Repairs and maintenance	49,585	38,689
Employee benefits	23,021	23,399
	72,606	62,088

"Investment properties were valued as at March 31, 2016 by estate management professionals, for disclosure purposes based on the latest prevailing market prices. The value of the investment properties was estimated at P4,928 million on 31 March 2016 (2015: P4,862 million).

"Certain housing properties are built on leasehold land which are held for 99 years under Deeds of Fixed Period State Grant. In the opinion of the members of the Board, providing detailed information on leasehold and freehold properties will not add significant value to the users of the financial statements. Full details of these properties are available at the Head Office of the Corporation.

The value of housing properties which the Corporation has not received title deed amount to P9.2 million (2015: P18.4 million). The members of the Board believe that title deeds for these properties will be received in due course.

	2016	2015
	P'000	P'000
Housing inventories		
Land for development (note 7)	25,753	12,741
Housing under construction (note 7)	190,188	265,845
Completed houses (note 7)	237,224	353,551
Less: Provision for impairment (note 7)	(9,242)	(1,187)
	443,923	630,949
Detailed analysis of the inventories at the end of the year is shown below.		
Land for development	25,753	12,741
Housing under construction	190,188	265,845
Completed houses	227,982	352,364
	443,923	630,949

16. Property, plant and equipment

	Land & buildings	Computer equipment	Furniture & office equipment	Motor vehicles	Plant & equipment	Total
	P'000	P'000	P'000	P'000	P'000	P'000
At 31 March 2016						
Opening net book amount	8,327	3,199	5,036	2,164	1,187	19,913
Additions	96	706	1,006	3,090	-	4,898
Disposals	-	-	(6)	-	-	(6)
Accumulated depreciation on disposal	-	-	4	-	-	4
Transfer to investment property	(69)	-	-	-	-	(69)
Transfer from investment property	224	-	-	-	-	224
Accumulated depreciation on transfers	(86)	-	-	-	-	(86)
Depreciation charge	(17)	(1,379)	(797)	(1,210)	(490)	(3,893)
Closing net book amount	8,475	2,526	5,243	4,044	697	20,985
Cost	15,056	14,210	10,612	8,813	2,310	51,001
Accumulated depreciation	(6,581)	(11,684)	(5,369)	(4,769)	(1,613)	(30,016)
Net book amount	8,475	2,526	5,243	4,044	697	20,985
At 31 March 2015						
Opening net book amount	8,082	4,343	4,276	2,239	1,383	20,323
Additions	257	404	1,483	750	253	3,147
Disposals	-	-	-	(448)	-	(448)
Accumulated depreciation on disposal	-	-	-	381	-	381
Depreciation charge	(12)	(1,548)	(723)	(758)	(449)	(3,490)
Closing net book amount	8,327	3,199	5,036	2,164	1,187	19,913
Cost	14,805	13,504	9,612	5,722	2,310	45,953
Accumulated depreciation	(6,478)	(10,305)	(4,576)	(3,558)	(1,123)	(26,040)
Net book amount	8,327	3,199	5,036	2,164	1,187	19,913

17. Intangible assets

	ERP System	Computer software	Total
	P'000	P'000	P'000
At 31 March 2016			
Opening net book amount	26,445	-	26,445
Additions	1,656	-	1,656
Amortisation charge	(3,286)	-	(3,286)
Closing net book amount	24,815	-	24,815
At 31 March 2015			
Opening net book amount	27,759	-	27,759
Additions	1,745	-	1,745
Amortisation charge	(3,059)	-	(3,059)
Closing net book amount	26,445	-	26,445
At 31 March 2015 (continued)			
Cost	33,793	5,367	39,160
Accumulated amortisation	(8,978)	(5,367)	(14,345)
Net book amount	24,815	-	24,815
At 31 March 2015 (continued)			
Cost	32,137	5,367	37,504
Accumulated amortisation	(5,692)	(5,367)	(11,059)
Net book amount	26,445	-	26,445

Remaining amortisation period for ERP system is 7 years (2015: 8 years).

	Apr-16	Apr-15	Apr-16	Apr-15	Dec-15	Dec-14	Dec-15	Dec-14	2016	2015
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
	Plot 7 (Plaza Centre)		Plot 1471/2 (Galo Complex)		Boiketlo (Phakalane)		Plot 5129 (Bank Gaborone Building)		Total	
Assets:										
Non-current assets										
Investment property	2,256	2,327	43,062	44,602	-	-	-	57,700	45,318	104,629
Other non-current assets	-	-	5,130	3,650	-	-	-	-	5,130	3,650
	2,256	2,327	48,192	48,252	-	-	-	57,700	50,448	108,279
Current assets										
Cash and cash equivalents	1,102	1,042	6,429	11,546	-	-	-	538	7,531	13,126
Other current assets excluding cash	414	201	372	495	90	90	-	41	876	827
	1,516	1,243	6,801	12,041	90	90	-	579	8,407	13,953
	3,772	3,570	54,993	60,293	90	90	-	58,279	58,855	122,232
Liabilities:										
Non-current liabilities										
Long term loan	-	-	-	-	-	-	-	4,723	-	4,723
Deferred income	-	-	887	957	-	-	-	-	887	957
	-	-	887	957	-	-	-	4,723	887	5,680
Current liabilities										
Other financial liabilities	-	-	-	-	-	-	-	2,521	-	2,521
Trade and other payables	392	194	2,461	3,209	-	-	-	87	2,853	3,490
	392	194	2,461	3,209	-	-	-	2,608	2,853	6,011
	392	194	3,348	4,166	-	-	-	7,331	3,740	11,691
Net assets	3,380	3,376	51,645	56,127	90	90	-	50,948	55,115	110,541
Income										
Revenue	1,818	1,360	32,683	30,548	-	-	-	5,984	34,501	37,892
Fair value adjustment	-	-	-	-	-	-	-	4,860	-	4,860
Other income	(37)	96	1,203	982	-	-	-	-	1,166	1,078
Finance income	2	1	80	147	-	-	-	36	82	184
	1,783	1,457	33,966	31,677	-	-	-	10,880	35,749	44,014
Expense										
Operating expenses	379	268	10,949	10,038	-	-	-	295	11,328	10,601
Finance expenses	-	7	-	-	-	-	-	1,101	-	1,108
	379	275	10,949	10,038	-	-	-	1,396	11,328	11,709
Surplus for the year	1,404	1,182	23,017	21,639	-	-	-	9,484	24,421	32,305

18.2 Reconciliation of net assets to carrying amount

	Apr-16	Apr-15	Apr-16	Apr-15	Dec-15	Dec-14	Dec-15	Dec-14	2016	2015
	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000	P'000
	Plot 7		Plot 1471/2		Boiketlo		Plot 5129		Total	
	(Plaza Centre)		(Galo Complex)		(Phakalane)		(Bank Gaborone Building)			
Closing net assets	3,380	3,376	51,645	56,127	90	90	-	50,948	55,115	110,541
Fair value of land contributed as equity	(1,271)	(1,271)	(10,720)	(10,720)	-	-	-	(5,702)	(11,991)	(17,693)
Re-stating properties at fair value to cost	-	-	-	-	-	-	-	(34,132)	-	(34,132)
Accumulated depreciation on investment property	-	-	-	-	-	-	-	(4,714)	-	(4,714)
Adjustment to align financial year end	283	(99)	82	(1,803)	-	-	-	1,135	365	(767)
	2,392	2,006	41,007	43,604	90	90	-	7,535	43,489	53,235
Interest in Joint Venture at 50%	1,196	1,003	20,504	21,802	45	45	-	3,768	21,745	26,618

There are no contingent liabilities relating to the Corporation's interest in the joint venture and no contingent liability of the joint venture itself.

	2016	2015
	P'000	P'000
19. Loans to related parties		
At the beginning of the year	6,920	8,932
Interest charged (note 12)	566	1,028
Loans repayments received	(2,764)	(3,040)
Adjustment to loans	(4,722)	-
At the end of the year	-	6,920
Less: current portion	-	(2,880)
Non-current portion	-	4,040

The Corporation entered into a loan agreement with Plot 5129 Partnership, in which the Corporation has a 50% interest, to provide the partnership with a loan amounting to P18.5 million. The loan funds were used for the construction of an office complex on Plot 5129.

The loan carries an interest rate of 13% per annum and is repayable over a period of ten years, commencing 1 August 2007.

As security for the loan, the land on which the office complex has been constructed is registered in the name of the Corporation.

No impairment provision has been made in respect of the loans to related parties as the debtor has no history of defaults and the security held is considered to be adequate; fair value of the loans to related parties approximate its carrying value.

20. Trade and other receivables		
Trade receivables	52,713	54,825
Less: provision for impairment of trade receivables	(30,617)	(16,931)
Trade receivables - net	22,096	37,894
Sundry debtors	9,002	9,243
	31,098	47,137
Less: non-current portion	(11,228)	(15,078)
Current portion	19,870	32,059
The fair value of trade and other receivables approximate their carrying values.		
Movements in the accumulated impairment losses on trade receivables were as follows:		
Accumulated impairment losses at beginning of the year	16,931	6,741
Provision for impairment	16,028	10,190
Amount written off during the year as uncollectable	(2,342)	-
Accumulated impairment losses at end of the year	30,617	16,931
	2016	2015
	P'000	P'000
21. Cash and cash equivalents		
Cash at bank and on hand	710,576	338,773
Short term bank deposits	972,377	451,915
	1,682,953	790,688

Cash and cash equivalents include P800.9 million (2015: P606.5 million) received from government entities to carry out its housing projects. These balances have been excluded from cash and cash equivalents for the purpose of statement of cash flows. These balances relate to the project management services provided to above projects. The corresponding liability has been raised in note 26.

Cash and cash equivalents include the following for the purpose of the statement of cash flows.

Cash and cash equivalents	874,000	184,117
	874,000	184,117

22. Irredeemable capital		
Irredeemable capital contribution	250,000	250,000
23. Earnings reserve		
At beginning of the year	8,657	11,697
Net transfer to retained earnings	(2,231)	(3,040)
At end of the year	6,426	8,657

Earnings Reserve is a reserve accounted in terms of accounting policy 2.15

	2016	2015
	P'000	P'000
24. Borrowings		
Irredeemable loan	212	212
Foreign loans on-lent by the Government of Botswana	33,265	45,407
Government of Botswana loans	332,526	-
Debt Participation Capital Funding Limited loans	20,222	51,305
	386,225	96,924
Debt securities in issue	392,663	392,962
	778,888	489,886
Less: current portion	(35,630)	(49,013)
Non-current portion	743,258	440,873

Debt securities in issue include an accrued interest of P3.663 million.

All borrowings are denominated in Pula.

Government revenue grant

Additions during the year	72,515	-
Amortisation during the year	(1,523)	-
Deferred Government Revenue Grant	70,992	-
Less: current portion	(7,957)	-
Non-current portion	63,035	-

24.1 Irredeemable loan

In accordance with the agreement with the Government of Botswana, the principal amount of the irredeemable loan is not repayable and only interest at 8% is payable bi-annually.

24.2 Foreign loans on-lent by the Government of Botswana

Foreign loans on-lent by the Government of Botswana are from the Peoples' Republic of China to the Government of Botswana, which the Government of Botswana has on-lent to the Botswana Housing Corporation. These loans are repayable in 8 years and carry interest rates ranging from 8.40% to 8.50%. The Government of Botswana bears the risk of any foreign exchange rate fluctuations.

24.3 Government of Botswana loans

The Government of Botswana loan is repayable in 15 years and bear interest at a rate of 3% per annum.

24.5 Deferred Government Grant

The deferred government grant relates to Government loan which was given to the Corporation at a rate of 3% per annum which is below the current market interest rate. The loan was specifically to fund the Instalment Purchase Scheme and Youth Housing projects. The grant is recognised in the financial statements in terms of accounting policy 2.32 as deferred revenue grant and will be recognised as income to be matched with interest expenses of this loan on a systematic basis over a 15 year loan period.

24.5 Debt Participation Capital Funding Limited loans

The Debt Participation Capital Funding Limited loans are repayable between 22 and 23 years and bear interest at rates varying between 7.50% and 12.00% per annum.

24. Borrowings (continued)

24.6 Debt securities in issue

Floating rate notes

The Corporation privately placed floating rate notes (unsecured) amounting to P286 million in December 2010, which are maturing on 10 December 2017. These notes carry interest at the 91 days Bank of Botswana Certificates rate plus 1.7% and interest is paid quarterly on 10 March, 10 June, 10 September and 10 December.

Fixed rate notes

The Corporation also privately placed fixed rate notes (unsecured) amounting to P103 million in December 2010, which are maturing on 10 December 2020. These notes carry interest of 10.1% and interest is paid on half yearly on 10 June and 10 December.



Lender	Contractual interest rate	Period of repayment	Balance at 01/04/15	Addition	Interest unwinding during the year	Repayment during the year	Balance at 31/03/16
	(%)		P'000		P'000	P'000	P'000
Irredeemable loan							
Government of Botswana	8.00%	Irredeemable	212	-	-	-	212
Foreign loans on-lent by the Government of Botswana							
63 Government of the Peoples' Republic of China	8.50%	2007-2014	1,051	-	7	(1,056)	2
64 Government of the Peoples' Republic of China	8.50%	2008-2016	4,717	-	157	(3,184)	1,690
65 Government of the Peoples' Republic of China	8.40%	2011-2019	39,639	-	1,074	(9,140)	31,573
			45,407	-	1,238	(13,380)	33,265
Government of Botswana loans							
Government of Botswana	3.00%	2015-2029	-	327,485	5,041	-	332,526
			-	327,485	5,041	-	332,526
Debt Participation Capital Funding Limited loans							
49 Debt Participation Capital Funding Limited	8.00%	1992-2015	758	-	(19)	(739)	-
50 Debt Participation Capital Funding Limited	8.00%	1993-2015	4,730	-	17	(4,747)	-
52 Debt Participation Capital Funding Limited	9.50%	1993-2016	31,855	-	167	(20,754)	11,268
53 Debt Participation Capital Funding Limited	12.00%	1994-2017	13,962	-	63	(5,071)	8,954
			51,305	-	228	(31,311)	20,222
			96,924	327,485	6,507	(44,691)	386,225

	2,016 P'000	2015 P'000
25. Trade and other payables		
Trade payables	62,100	54,173
Advance payment by customers	17,327	15,188
Accrued expenses	43,085	36,123
Dividend payable	60,616	80,821
Sundry creditors	30,125	11,850
	213,253	198,155
26. Agency funds		
Agency funds liability		
At the beginning of the year	606,571	360,252
Funds received during the year	374,556	347,193
Expenditure on projects during the year	(201,119)	(120,455)
Interest earned on temporary investment of funds	28,945	19,581
At the end of the year	808,953	606,571
Non-current portion	(258,865)	(194,103)
Current portion	550,088	412,468
Balances relating to related parties are as follows		
Botswana Defence Force	431,057	342,346
Botswana Unified Revenue Services	16,721	2,479
Department of Housing	42,638	47,507
Self Help Housing Agency	258,770	158,091
Tlokweng Land Board	734	802
Malete Land Board	336	729
Directorate of Corruption and Economic Crime	443	74
Independent Electoral Commission	291	289
Kgatleng Land Board	2,130	-
Administration of Justice	2,681	-
Botswana Prisons Services	53,152	54,254
	808,953	606,571
27. Customer deposits		
Rental deposits	11,066	11,551
Sale of properties deposits	56,308	29,341
	67,374	40,892
28. Dividend		
Dividend	2,460	4,064

The board approved a dividend payable of P 2,460,000 for the financial year 2014/2015 (2013/2014 : P4,064,000) which is calculated in accordance with the Government of Botswana's directive, as 25% of the surplus reported in that financial year.

	2016 P'000	2015 P'000
29 Net cash generated from operating activities		
Total comprehensive income for the year	27,959	9,839
Adjustments for:		
(Gain) / loss on sale of property, plant and equipment	(50)	68
Gains from sale of investment property (note 11)	(106,550)	(39,172)
Depreciation - investment property (note 14)	8,511	7,744
Depreciation - property, plant and equipment (note 16)	3,893	3,490
Adjustment - Accumulated depreciation on transfers (note 16)	86	-
Amortisation - leasehold land (note 9)	1,152	1,170
Amortisation - intangible assets (note 17)	3,286	3,059
Impairment expenses (note 10)	24,083	10,190
Adjustment on investment property (note 14)	-	174
Partnership liquidation adjustment (note 18)	4,186	-
Provision for restructuring expenses (note 33)	42,298	-
Partnership loan adjustment (note 19)	4,722	-
Interest unwinding on loans	3,188	4,304
Movement in bond and loan accrued interest	1,499	(687)
Share of retained earnings of joint ventures (note 18)	(13,918)	(13,252)
Finance income (note 12)	(24,133)	(7,777)
Finance cost (note 13)	31,845	33,750
	12,057	12,901
Changes in working capital:		
Trade and other receivables (note 20)	(8,044)	(2,115)
Net movement in agency funds assets and liabilities (note 26)	-	-
Trade and other payables (excluding dividend payable) (note 25)	35,303	5,368
Deferred income	1,911	6,381
Customer deposits (note 27)	26,482	(95,001)
Housing inventories (note 15)	187,026	151,822
Net cash used in operating activities	254,735	79,356

30. Commitments

(a) Capital commitments

The Corporation has following commitments in respect of capital expenditures contracted for at the statement of financial position date but not yet incurred.

Investment properties and housing inventories	40,793	97,459
Intangible assets	3,576	5,730
	44,369	103,189

(b) Operating lease commitments

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

	2016 P'000	2015 P'000
Not later than 1 year	3,966	4,087
Later than 1 year but not later than 5 years	2,826	6,836
	6,792	10,923

31. Contingencies**Guarantee of staff loans**

The Corporation has guaranteed the repayment of certain loans granted by financial institutions to its employees to develop houses and acquire motor vehicles which at March 31, 2016 amounted to nil (2015: nil).

32. Related party transactions

The Botswana Housing Corporation is a parastatal, wholly owned by the Government of the Republic of Botswana. Accordingly, Government of Botswana line ministries, departments and related parastatals are related parties. In the course of its day to day operation the Corporation enter in to transactions of letting properties, sale of properties and undertakes certain projects on behalf of Government of Botswana on an agency basis.

32.1 Loans from government

Details of these loans are disclosed in note 24 to these financial statements.

32.2 Dividend

During the year the Corporation declared a dividend of P2.5 million (2015: P4.1 million). The basis for the payment of this dividend is disclosed in note 28 to these financial statements.

	2016 P'000	2015 P'000
32.3 Transactions with board members		
Board sitting fees	140	126
32. Related party transactions (continued)		
32.4 Key management compensation		
Salaries and other short-term benefits	3,384	3,405

Additionally, members of the Executive Management Committee are entitled to rent-free accommodation or housing allowance, personal-to-holder motor vehicles and subsidised water and electricity.

32.5 Advances to key management personnel

Advance against gratuity

	2016 P'000	2015 P'000
	1,276	1,111

Like any other employee of the Corporation, key management personnel become eligible for an advance against gratuity when they have served a minimum of one year on their current employment contract. The advance against gratuities is recovered from the officer's gratuities at the end of their contract.

32.7 Bad and doubtful debts

As at 31 March 2016 doubtful debt provisions in respect of rental debts owed by the Government of Botswana amounted to P 265,767 (2015: P 164,743).

32. Related party transactions (continued)**32.8 Joint ventures**

Refer to notes 18 and 19 on the Corporation's interest and transactions with various joint ventures.

32.9 Revenue

Significant income amounts the Corporation earned from related parties in respect of professional services carried out, rental income and sale of housing inventories for the year ended 31 March 2016.

	Sales of housing inventories P'000	Rental income P'000	Professional fees P'000
Botswana Defence Force	88,706	10,213	17,457
Botswana Prison Services	5,551	4,211	886
Botswana Unified Revenue Services	-	-	5,244
Ministry of Lands and Housing	-	52,431	-
Botswana Police Service	-	14,493	-
Self Help Housing Agency	-	-	3,053
Directorate on Crime and Economic Crime	-	-	90
Kgatleng Land Board	-	-	367
Administration of Justice	-	-	399
Office of the President	24,598	1,576	-
Ministry of Education & Skills Development	7,302	-	-
Water Utilities Corporation	2,659	133	-
Accountant General	13,841	-	-
Bank of Botswana	2,953	-	-
Botswana Power Corporation	89,680	-	-
Department of Roads	4,921	-	-
Financial Intelligence Agency	10,116	-	-
Botswana International University of Science and Technology	17,052	-	-
Ministry of Health	22,215	-	-
Ministry of Finance & Development Planning	2,066	-	-
Jwaneng Town Council	8,444	-	-
	300,104	83,057	27,496

Significant income amounts the Corporation earned from related parties in respect of professional services carried out, rental income and sale of housing inventories for the year ended 31 March 2015.

	Sales of housing inventories	Rental income	Professional fees
	P'000	P'000	P'000
Botswana Defence Force	-	10,194	4,478
Botswana Prison Services	-	4,224	3,275
Ministry of Lands and Housing	-	53,536	3,962
Botswana Police Service	48,965	16,770	-
Office of the President	23,473	1,551	-
Water Utilities Corporation	4,553	237	-
Botswana International University of Science and Technology	8,865	-	-
Botswana Public Officers Pension Fund	15,664	-	-
Directorate on Corruption and Economic Crime	5,611	-	-
Jwaneng Town Council	2,421	-	-
	109,552	86,512	11,715

32 Related Party transactions (continued)

32.10 Trade receivables

Included in trade receivables are the balances due from related parties in respect of the professional services.

	2016	2015
	P'000	P'000
Botswana Defence Force	1,519	-
Administration of Justice	51	-
Directorate on Corruption and Economic Crime	187	-
Department of Housing	-	390
Self Help Housing Agency	906	-
Tlokweng Land Board	-	72
Malete Land Board	-	81
Botswana Prison Services	605	1,093
	3,268	1,636

32.11 Agency funds

Details of agency funds are disclosed in note 26 to these financial statements.

33. Provision for restructuring expenses

	2016	2015
	P'000	P'000
At beginning of the year	-	-
Charge for the year	42,298	-
Balance at end of year	42,298	-

As a part of a strategic restructuring programme, the BHC Board approved a new establishment which will result in retrenchment of certain employees of the Corporation. The estimated number employees subject to retrenchment is 105. BHC has signed an agreement with the Workers Union on 30 March 2016 detailing the proposed compensation package for employees who are to be retrenched as a result of the proposed restructuring. These costs were fully provided for in the current reporting period and provision is expected to be fully utilised over the next 12 months.

34. Events after the reporting period

There were no material events between the reporting date and the date of approval of the financial statements.

35. Fair value hierarchy

Non- financial instruments- fair value hierarchy

This analysis categorises the non-financial instruments carried at fair value into different levels based on the level of subjectivity applied in determining the inputs used in the determination of fair value. This assessment is determined based on the lowest level of input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input into the fair value measurement in its entirety requires judgement, considering the factors specific to the asset or liability. If a fair value uses observable inputs that require significant adjustment based on unobservable inputs or any other significant unobservable inputs, that measurement is a level 3 measurement.

The fair value hierarchy is measure as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability , either directly or indirectly.

Level 3: inputs for the asset or liability that are not based on observable market date, that is unobservable inputs.

35. Fair value hierarchy (continued)

	Level 1	Level 2	Level 3
2016			
Investment property (P'000)	-	-	4,928,000
2015			
Investment property (P'000)	-	-	4,862,000

There have been no transfers between any of the hierarchy levels during the year (2015: nil)

Valuation techniques underlying management’s estimation of fair value

For all properties with a total carrying amount of P1,107 million (2015: P1,110 million), the valuation was determined using cost approach (also known contractor’s method) based on significant unobservable inputs. The Corporation determine inputs with regard to the development rates and land rates from property experts such as Quantity Surveyors, Estate Agents, Property Valuers and Developers.

Unobservable inputs:

Development rates	the current market cost of reproduction or replacement of an asset specific to the nature of the property, components and structure of the property.
Land rates	based on the data on recently transacted properties duly adjusted to reflect the subject asset’s uniqueness.



