



2015

# ANNUAL REPORT

INSTILLING DIGNITY THROUGH HOMEOWNERSHIP





# OUR MANDATE



## INSTILLING DIGNITY THROUGH HOMEOWNERSHIP

Botswana Housing Corporation is a Parastatal under the Ministry of Lands & Housing. 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**

## 2015 ANNUAL REPORT







# VISION • MISSION • VALUES



INSTILLING DIGNITY THROUGH HOMEOWNERSHIP

## 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.



### EXCELLENCE

Serving with distinction.



### INNOVATION

Constantly delivering innovative solutions.



### TRANSPARENCY

Operating in an honest and accountable manner.



### TEAMWORK

Pulling together for a common purpose.

# 2015 ANNUAL REPORT





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**2015** ANNUAL REPORT



## BOARD MEMBER

01. **Dr. Bolelang C. Pheko** (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. Felix Monggae (Member)
09. Joseph B. Mosimane (Member)
10. Sebele Molalapata (Member)

## BOARD MEMBER





## SENIOR LEADERSHIP TEAM

01. **Reginald Motswaiso** (Chief Executive Officer)
02. **Serty Leburu** (Deputy CEO Support Services)
03. **Nkaelang Matenge** (Deputy CEO Operations)
04. **Yagan Mukonde** (Internal Audit Manager)
05. **Elizabeth Galeforolwe** (Legal Services Manager)
06. **Kesebonye Khimbele** (Property Manager)
07. **Gaotlhobogwe Baleseng** (Property Sales Manager)
08. **Nathaniel Rakhudu** (Acting Property Development Manager)





09. **Olefile Segokgo** (Senior Estates Manager - North Region)
10. **Botho Bayendi** (Corporate Planning Manager and Board Secretary)
11. **Octavian Seitshiro** (Maintenance Manager)
12. **Sekgele Ramahobo** (Human Resource Manager)
13. **Pascaline Sefawe** (Finance Manager)
14. **Samantha Molefe** (IT Manager)
15. **Mookodi Seisa** (Marketing and Research Manager)
16. **Gomolemo Zimona** (Public and Corporate Affairs Manager)

## SENIOR LEADERSHIP TEAM



## CHAIRPERSON'S REPORT

IN ADDITION TO THE SHHA TURNKEY SCHEME, THE CORPORATION HAS BEEN READYING ITSELF TO START ON YET ANOTHER GOVERNMENT HOUSING SCHEME, THE PUBLIC OFFICERS HOUSING INITIATIVE (POHI).







## CHAIRPERSON'S REPORT

It is my pleasure once again to present to you the Botswana Housing Corporation's 2014/15 annual report and audited financial statements.

The Corporation is mandated by the Botswana Government to deliver one of the most basic of human needs, shelter. As most of our stakeholders are aware, the Corporation has been operating as a Single Housing Authority (SiHA) for some time now. Under the SiHA mandate, the Corporation has, effectively, a dual mandate whereby it is, on one hand, expected to deliver commercially viable housing projects and, on the other hand, deliver social housing projects such as the SHHA Turnkey housing scheme.

On the social housing front, the Corporation does not make any return on the project management services it renders to Government. It simply seeks to recover actual costs incurred from Government.

In terms of the commercially viable projects, the Corporation is required to ensure that its products are affordable, so that they are accessible to the majority of the country's citizenry across a range of income levels. What a number of our stakeholders don't appreciate, however, is the fact that in the provision of this type of housing the Corporation is not subsidised at all. The Corporation is, instead, required to conduct its business in such a way that taking one year with another, its revenue is able to cover all its costs. In other words, the Corporation is expected to conduct its business in such a way that it remains financially sustainable, so that it continues to be relevant to execute its mandate into perpetuity.

In order to balance the need for affordability of its housing products

and promoting home ownership, the Corporation has come up with initiatives such as the Sitting tenants campaign. During the 2014/15 financial year the Corporation experienced reduced margins mainly due to the delayed delivery of the 516 houses in Phakalane as a result of the sewer capacity problem, which took a long time to resolve.

It is for this reason that the increase in revenue from P300 million in 2013/14 to P470 million has not translated into a corresponding increase in operating surplus. On the contrary, the operating surplus decreased from P43.9 million to P22.6 million.

The effects of the shortfall in sales at Phakalane were, to a large extent, offset by house sales that came through the Sitting Tenants' Campaign. The campaign was launched in April 2014 as a driver of sitting tenants' economic empowerment through homeownership. It is pleasing to note that a number of our tenants decided to take advantage of the incentives which the Corporation offered to those who chose to buy the properties they were renting through the Sitting Tenants' Campaign. During the year under review, some 144 houses were sold to sitting tenants, realising some P43.4 million in turnover. Furthermore, a number of leads were established during the campaign, which had not yet translated into completed sales as at the year end. The Corporation has taken cognisance of prospective customers who had expressed interest in buying rented properties but had not yet concluded the sales process by year end, as well those who came to know about the promotion very late in the financial year. Therefore, in order to afford such customers the opportunity to benefit from the promotion, the Board made a decision to extend the campaign for another financial year.



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## CHAIRPERSON'S REPORT

The Corporation's ability to start new housing projects has, of late, been adversely affected by the unavailability of water in some of the areas in which the Corporation has land for development and in which there is sufficient demand to warrant development. Such areas include Kgale, Molepolole, Kanye and Pilane. As a result of the water supply constraint, the Corporation was only able to start on the development of some 287 housing units spread as follows: Phakalane (108), Palapye (104), Gaborone 60, and Jwaneng (75).

In pursuit of its SiHA mandate, in addition to running with its own projects, the Corporation runs with Government projects, the main one being the SHHA Turnkey Project. As at the year end, the Corporation had started a cumulative total of 926 housing units spread across all the 57 constituencies. As at the year - end, some 289 of the houses had been handed over to beneficiaries, some 77 were complete but could not be handed over as they were awaiting sewer connection while the remainder were at various stages of completion, while 560 were at stages of completion.

Although the Corporation has been in the business of constructing houses for a number of years, the SHHA Turnkey Scheme presented a number of challenges, which were not anticipated. The Corporation was thus put through a learning curve. I am happy to report that valuable lessons have, indeed, been learnt which are being applied going forward. As a result, the Corporation is now delivering SHHA Turnkey houses at a relatively faster pace than was the case initially.

In addition to the SHHA Turnkey Scheme, the Corporation has been readying itself to start on yet another Government housing scheme, the Public Officers Housing Initiative (POHI). Under

this scheme, the Corporation is required to develop an initial number of 540 housing units countrywide. In connection thereto, as at the year end, the Corporation had acquired some 387 plots, out of the required 540. The plots are in the process of being made ready for construction. Lastly, but not least, the Corporation manages the development of housing properties on behalf of state organs on an agency basis. Such state organs include; the Botswana Unified Revenue Service (BURS), the Botswana Prison Service, the Botswana Defence Force, the Administration of Justice, Land Boards and District Housing. In respect of such third party projects, the Corporation managed to start some 276 housing units and hand over some 140 completed units during the course of the financial year.

Furthermore, the Board came to the realisation that the Corporation's organisational structure was less than ideal for delivering houses under the dual mandate. This realisation led the Board to institute a restructuring exercise which will, when completed, ensure that the Corporation's organisational structure and the human resources at its disposal were attuned to the delivery of the dual mandate. A new, enabling, organisational structure is expected to be in place by 1 April 2016.

In conclusion, I would like to commend my fellow Board members, the management team and the entire workforce of BHC for their tireless efforts in trying to ensure that every Motswana has a decent roof over their head. I would also like to take the opportunity to bid farewell to Mr. B. S. Tsayang, whose term of office as a Board member expired during the year and, in his place, welcome Mr. S. Molalapata who joined the Board on 1 August 2014.

## CEO'S STATEMENT

FINANCIAL YEAR 2014/15 WAS THE BUSIEST FOR THE CORPORATION AS THE SOCIAL HOUSING PROJECTS WERE ROLLED OUT TO THE AREAS WHERE WE HAD NOT BUILT HOUSES BEFORE.



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## CEO'S STATEMENT

### CEO'S STATEMENT

Financial year 2014/15 was the busiest for the corporation as the social housing projects were rolled out to the areas where we had not built houses before. This challenge was met with enthusiasm by both the management and the board and this meant that we quickly adapt to the new norm of being a 'single housing authority'.

The Corporation recorded revenue of P470 million, an impressive revenue growth of 56% compared with the previous financial year. This revenue growth was mainly driven by the delivery of the much awaited 516 housing units in Phakalane. The estate was ready for customer occupation in September 2014 after the sewage upgrade project was completed. A high number of our customers had eagerly awaited the delivery of this project and by the end of the financial year 263 houses had been transferred to the customers. We are confident that the remaining houses will be fully sold by the end of the next financial year as the interest from customers on this estate is still very high. Revenue growth for the Corporation is very important as it ensures roll over of funds into other projects.

Though the revenue growth was impressive the operating surplus declined by 49% mainly due to the squeezed profit margins realised on the sale of our housing stock. The delayed delivery of Phakalane meant that the Corporation incurred additional costs while the prices with the customers were locked in 2012. The Corporation's objective is to provide affordable housing and as a result of that the margins are usually minimal so as to appeal to a wider population. On the costs side we did very well and other expenses went up by a marginal 4% despite the business expansion brought about by the expanded mandate which now includes social housing. The

Corporation has been very prudent on the cost side, this resulting in an increase of 10% over a five year period. This indeed shows Management's response to the operating environment, especially the squeezed margin on sales which calls for prudent spending.

The statement of financial position remains very strong with total assets amounting to P2.7 billion. The Corporation's statement of financial position reflects strong net assets, low debt to equity ratios, comfortable liquidity position and sustained shareholder wealth. Management and the Board continue to explore ways of increasing returns on these assets. One of the areas explored is the review of the rental revenue which is being done through engagement of our shareholder as the BHC rental revenue is regulated.

### STRATEGIC PLAN

The Corporation's seven year strategic plan is due to come to an end in the next financial year. The strategic plan has been challenged, as it had to be reviewed along the way to align it to the changes in the operating environment. The strategy was put together in 2009, a year of great turbulence in the financial markets. This meant that BHC had to review the plan, especially construction of new estates as the economic downturn lead to customers prioritising other basic needs over housing. The challenges relating to water also contributed to BHC having to pause and review its plan. A lot of houses intended for areas in and around Gaborone like Pilane, Kgale, Molepolole and Kanye could not be started because of challenges related to availability of water and the sewerage infrastructure. The envisaged review of the plan would grant us an opportunity to come up with a new strategy that takes into account the current challenges, especially those related to utilities.



## CEO'S STATEMENT

### PEOPLE

BHC continues to value its people, recognising that human resource is the most important resource for any organisation. We put the growth of our people in the forefront through targeted training and development. The performance management system is used to identify the training and development needs which are then adequately budgeted for and implemented. The Corporation continues to run a wellness program for its employees and this program ensures the employees are empowered to deal with life issues, get assistance from professionals on issues of work-life balance and are provided with tools to choose a healthy lifestyle.

### CUSTOMERS

At BHC we value our customers as they are the reason for our existence. We continue to engage our customers through various forums, the most effective being the tenant forums. Our people are continuously trained to be customer centric. Through our Marketing function this year we saw our tenants being engaged through house to house campaigns. This initiative was meant to encourage them to buy the houses they are occupying. Through this initiative an impressive 144 houses were sold to sitting tenants.

### STAKEHOLDERS

The expanded mandate of the Single Housing Authority has increased the Corporation's footprint across Botswana. This means the Corporation has started building houses in areas it has not accessed before. The expanded mandate calls for renewed strategies on stakeholder engagement. This year a total of 926 Self Help Housing Agency (SHHA) were under construction in various constituencies across the country. The SHHA projects challenges us to work closely with the local

authorities as we depend on them to connect us with the beneficiaries of the houses. BHC has attended several council meetings to communicate the progress as well as challenges regarding the on-going projects. Through these engagements 289 houses were delivered throughout the country. It will be remiss of me not to acknowledge that SHHA came with its own challenges to BHC, especially those related to the geographical location of the projects and the capabilities of local contractors engaged by the Corporation. The positive outcome from challenges is that we have learned from them and we will use the information to ensure that the upcoming projects are properly planned for. We continue to see great improvement in the recently started projects and this gives us confidence that delivery of projects going forward will improve.

### CORPORATE SOCIAL RESPONSIBILITY

The Corporation through its Corporate Social Responsibility initiative support various local projects aimed at improving lives of ordinary Batswana. Several organisations benefited from this initiative during the year under review. These included Deborah Retief Memorial Hospital, Gamodubu Child Care Trust, Kalahari Conservation Society and the University of Botswana Foundation.

### ACKNOWLEDGEMENT

I would like to thank the BHC Board for its valuable guidance to the Corporation during the financial year. The Board has greatly shown its wisdom in taking this organisation to another level, especially in times of the increased footprint. I would also like to extend my gratitude to the BHC Team, which has shown great commitment in the delivery of our mandate. Finally I wish to thank our customers and shareholder for their continued support to the corporation.







# FINANCIAL HIGHLIGHTS

*Revenue up by 56%, from P300 million to P470 million.*

*Comprehensive income down by 40%, from P16.3 million to P9.8 million.*

*Total assets up 2.5%, from 2.6 billion to 2.7 billion.*

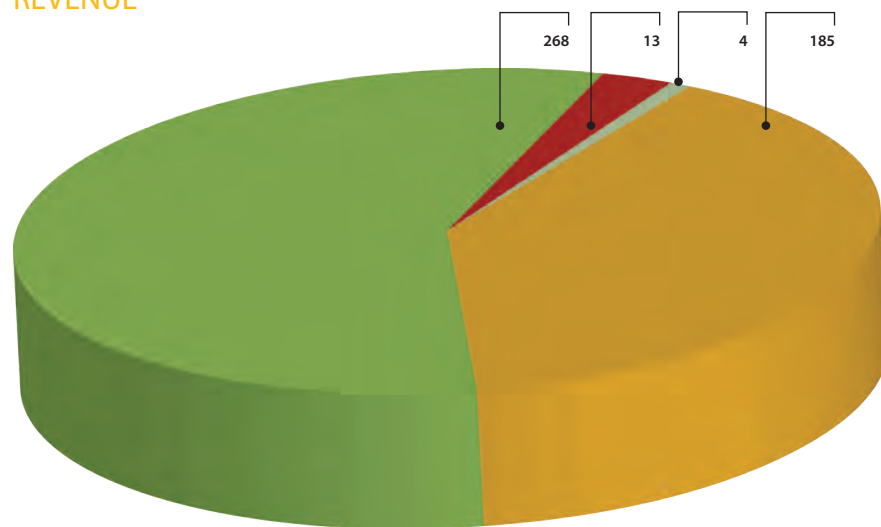
*Debt to equity ratio down from 41% to 37%.*



# FINANCIAL HIGHLIGHTS

## STATEMENT OF COMPREHENSIVE INCOME

### REVENUE



- Rental Revenue (185)
- Sales revenue (268)
- Professional fee income (13)
- Tenant Purchase Scheme and Step Ownership Scheme Income (4)

### ANALYSIS OF REVENUE

The Corporation recorded revenue of P470 million for the financial year ended March 2015; last year the Corporation recorded P300 million. Rental income remained flat at P186 million, year on year, as the Corporation focuses on selling new properties instead of leasing them. The rental stock is standing at 10 400 units and the stock has been declining as a result of selling old stock units to the sitting tenants. The main strategy of selling and renting less is meant to empower Batswana through home ownership.

The Corporation's major revenue stream, sales revenue increased by 193% due to the sale of Phakalane project. This project was delivered in August 2014 after completion of the upgrading of the sewage infrastructure. Despite the low profit margins generated from this project, the project has boosted the cash flow position of the Corporation and also contributed to the empowerment of Batswana through the provision of housing.

Income from professional fees decreased 28% as the Corporation took fewer projects for third parties. The professional fees relates mainly to management of the project from inception to delivery, including governance processes.

### FIVE YEAR REVENUE TREND

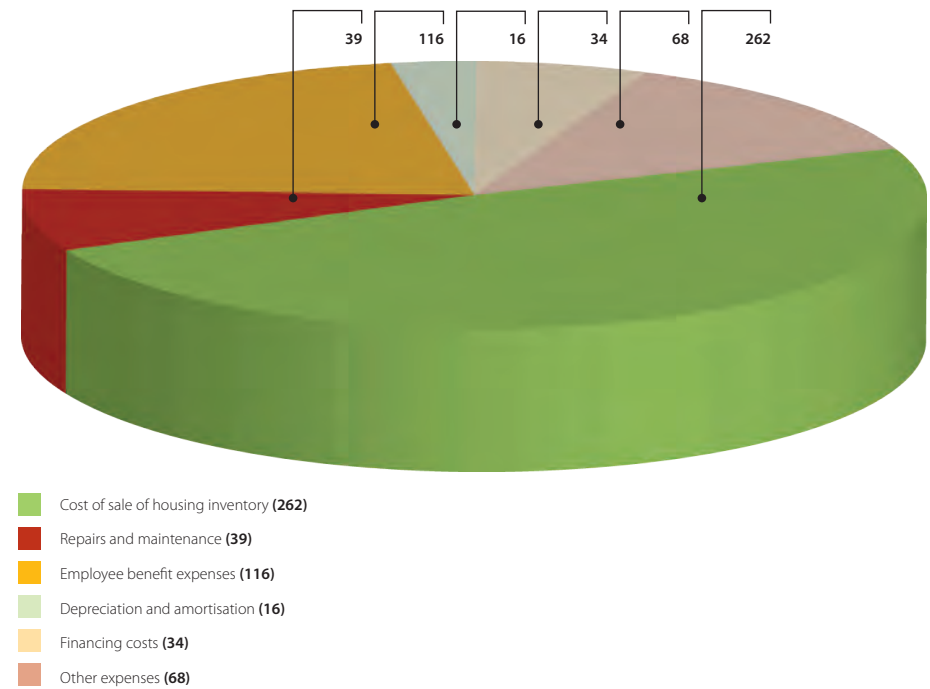
BHC's revenue has continued to grow over the years as shown in the above bar chart, having grown significantly from P312 million in March 2011, and even though it levelled to P300 million in March 2014. The revenue rose to P470 million in March 2015 and the P170 million increase in revenue is mainly attributed to sale of Phakalane project during financial 2014/15.

## FINANCIAL HIGHLIGHTS



### ANALYSIS OF OPERATING EXPENSES

#### SUMMARY OF TOTAL EXPENSES





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## FINANCIAL HIGHLIGHTS

**The cost of sale housing inventories went up** 206% as a result of sale of housing inventories. These costs went up at the rate almost the same as the rate of the increase 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. The high cost of sales resulted in average profit margins of 5% on sales of new stock as the Corporation strives to make its houses attractive to prospective buyers.

**Repairs and maintenance costs** continue to be a challenge for the Corporation; however, in 2015 the costs reduced by 2% year on year. The reduction in maintenance costs is mainly due to Management efforts aimed at cost control in view of the challenged profitability. The bulk of the BHC rental units are low cost units which are fairly old, earn low rentals and therefore attract higher maintenance expenses. This means that it is becoming more and more expensive to maintain houses with low rentals. Even though Management has put in place a planned maintenance program, there is still need for reactive maintenance for some of properties. Maintenance is also very important for BHC as it ensures that properties are kept in a good state and maintain their value. In order to mitigate the high maintenance costs the Corporation is encouraging existing tenants to buy their properties, especially old properties which are expensive to maintain. The other strategies include enforcement of the lease agreement which ensures that tenants pay for maintenance which comes about as a result of their negligence. This year alone we have recovered close to P2 million as maintenance costs charged to tenants and this shows that cost recovery is very important to the sustainability of the Corporation. .

**Employee expenses increased** by 23% year on year even though the focus for this financial year was also on cost saving. A deliberate decision was made by Management to recruit for all vacant positions in Property Development to address the expanded mandate of BHC being a Single Housing Authority. The Corporation has to increase capacity in the areas of building inspectorate in order to ensure that the delivery of social housing projects, which are spread across the country is fast tracked and monitoring enhanced.

**Other expenses increased** by 17% on account of bad debts expense in respect of one of BHC's

major tenants which owed a substantial amount of rent during the year. The BHC Management has actively engaged the customer to resolve the impasse and it is expected that the matter will be resolved in the next financial year. Priority is given to spending only on items which will bring value to the business and therefore the cost saving measures have resulted in other expenses remaining flat without the bad debt expense.

### OPERATING PROFIT

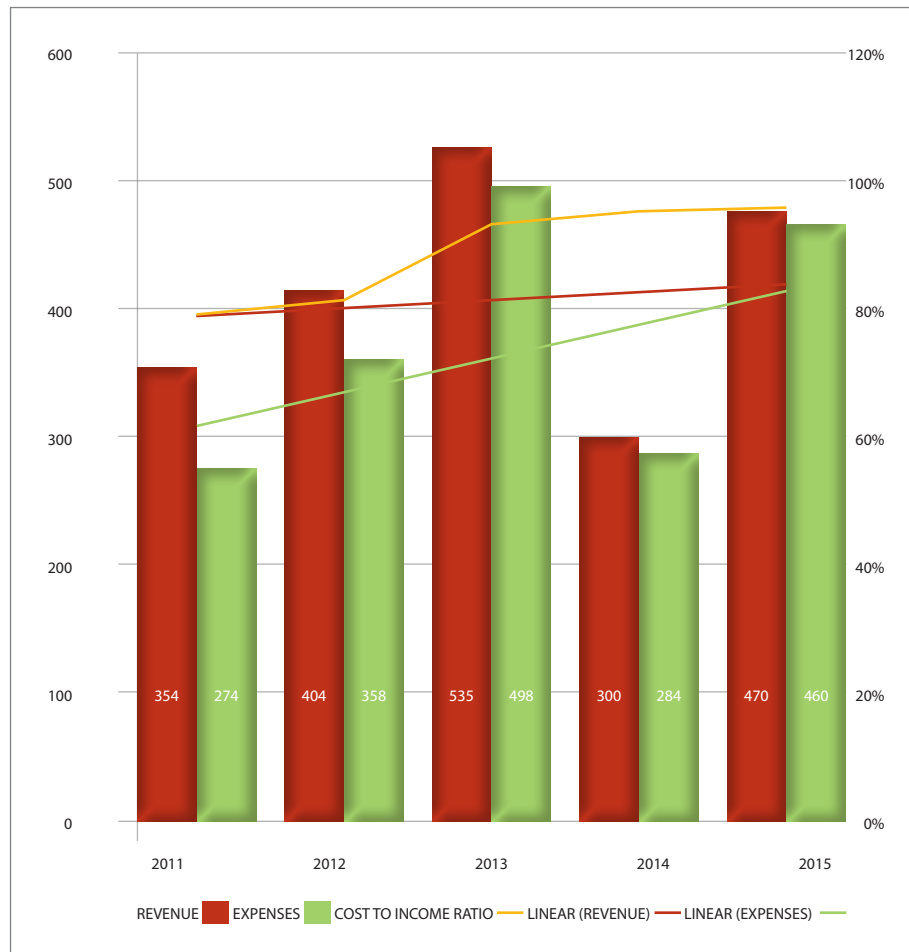
Operating surplus declined 49% compared to the prior year mainly as a result of low margins realised in the sale of new housing stock as well as the stagnant rentals charged by the Corporation. The low margins on housing inventories are a result of increasing costs of construction and servicing the land. The Corporation 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 serviced land to the Corporation. The provision of serviced land will not only benefit BHC in terms of better returns, but will also benefit the nation and houses will be sold at affordable prices. The cost of servicing the land accounts for almost 35% of the building costs of the BHC properties. Despite the lower profitability the Corporation prides itself in revenue growth which has enabled it to roll over the funds into other projects and minimise borrowings.

### SURPLUS FOR THE YEAR

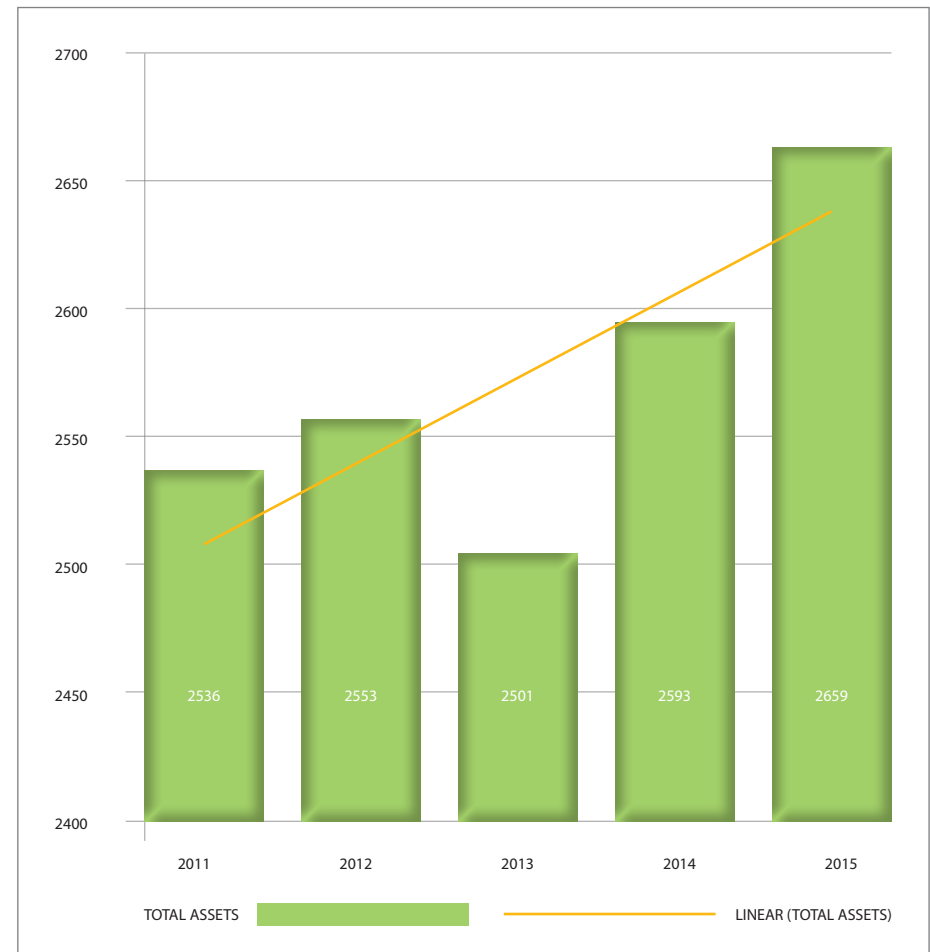
Total comprehensive income for the year is P9.8 million, a decline of 39% when compared to prior year mainly due to the bad debts expenses which have been brought about by a dispute with one of BHC's major tenants. Management is engaging with the tenant and it is expected that this issue will be resolved amicably in the next financial year. The joint venture income has consistently grown over the years, with the current growth being 27%. However due to the insignificant nature of this income it has not had a big impact on the overall profitability of BHC. BHC has joint ventures with Time projects in Gaborone and Cash Bazaar Holdings in Gaborone and Francistown and these are for commercial properties. This is an area which the Corporations intends on exploring going forward in order to diversify its revenue streams.

# FINANCIAL HIGHLIGHTS

5 YEAR TOTAL INCOME VS EXPENSES



TOTAL ASSETS 5 YEAR TREND VS RETURN ON TOTAL ASSETS







## FINANCIAL HIGHLIGHTS

### ASSETS GROWTH

The Corporation's Statement of Financial Position remains strong with total assets now over BWP 2.60 billion, an increase of 1% from P2.59 billion recorded in the prior year. Return on assets is declining over the years as a result of declining revenues and increasing costs. Stagnant rental income for the past 10 years and increasing repairs and maintenance costs has significantly contributed to the declining profitability. The Corporation is engaging the shareholder on ways in which the rental revenue can be reviewed without it putting the tenants in a difficult financial positions. If approved this will go a long way into improving the amount of revenue generated by our investment properties.

### TOTAL EQUITY VS DEBT EQUITY RATIO

#### TOTAL EQUITY

The Corporation total equity has been steadily increasing in the past years. The growth reflects sustained shareholder wealth and the ability to sustain the Corporation through the strong asset base. The reduction in long term loans has resulted in low debt/equity ratio, with majority of long term loans maturing in 2016. This gives the Corporation an opportunity to review its balance sheet and use it to borrow and build more houses for the nation.











# CORPORATE GOVERNANCE

**The Board is the governing body of the Corporation and is appointed by the Minister of Lands and Housing.**

## THE BOARD

In terms of the Botswana Housing Corporation 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 sectors to maintain the required 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 direction 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.

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## CORPORATE GOVERNANCE

The Board meets to review performance, approve policies, approve significant transactions, give direction and ensure that management pursue the best interests of all stakeholders. The balanced experience of Members enables the Board to provide sound, independent and objective judgement in decision making. Members are jointly accountable for decisions of the Board.

Members contribute to strategy formulation as well as monitoring and measuring the Corporation's performance and its executive management against key performance indicators.

### MEMBERS OF THE BOARD

The Board Chairperson is Dr. Bolelang C. Pheko and the Deputy Chairperson who was elected amongst them is Mr. Reginald Ketshabile.

The other members are:

- Mr. Oteng S. Mamparanyane
- Mr. Felix Monggae
- Ms. Helen C. Chilisa
- Mr. Joseph B. Mosimane
- Mr. Baemedi K. Mmopi
- Mr. Benjamin T. Mokgolodi
- Mr. Sebele Molalapata
- Mr. Stephen B. Tiroyakgosi

### BOARD COMMITTEES

In terms of Section 12 of the Act, the Board may appoint Board Committees and may delegate to such committees such of its 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 Resource Committee and the Tender Committee.

The committees are directly responsible 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. Baemedi K. Mmopi (Chairperson)
- Mr. Oteng S. Mamparanyane
- Mr. J. B. Mosimane
- Mr. Felix Monggae
- Ms. Helen C. Chilisa

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 that there are effective internal control measures in place.

The Committee reports at every Board meeting.

The committee met seven (7) times during the year.

### 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. Reginald Ketshabile (Chairperson)
- Ms. Helen C. Chilisa
- Mr. Stephen B. Tiroyakgosi
- Mr. Benjamin T. Mokgolodi



## CORPORATE GOVERNANCE

The committee ensures that the 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 Resource needs of the Corporation and determines that there is efficient and effective management of such resources.

The Committee met four (4) times during the year.

### THE TENDER COMMITTEE

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

- Mr. Oteng S. Mamparanyane
- Mr. Benjamin T. Mokgolodi (Chairperson)
- Mr. Baemedi K. Mmopi
- Mr. Stephen Tiroyakgosi

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

The committee met five (5) times during the year to discharge its responsibility.

### 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 current fees are:

SITTING ALLOWANCE	ALLOWANCE	COMMUNICATION
Board Chairperson	- P1050.00	P500 per month
Deputy Chairperson	- P840.00	P350 per month
Member	- P840.00	Nil

The sitting allowance is paid for all meetings and any other BHC activity that the Board attends. Corporate Governance Framework.

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

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

### INTERNAL AUDIT

The Risk Department function falls under the 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 non-tangible, the efficiency and effectiveness of the operations and alerts them of 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 to the Board on quarterly basis.





# OPERATIONS

*The Property Development Department undertakes housing and commercial property development projects services for the entire Corporation. The property development services include; Project Initiation, Project Definition, Project Design, Project Procurement, and Project Construction Contract Administration.*

*Having adopted the Single Housing Authority (SiHA) mandate, the Corporation now has in its portfolio SHHA Turn-key houses, and the Public Officers Housing Initiative (POHI) programmes.*



## OPERATIONS

### PROPERTY DEVELOPMENT

Out of a total projects portfolio of 2633, a total of 1980 housing units were planned for delivery in the 2014/2015 financial year comprising of 802 housing units for the general public, 164 units for

third parties, and 1000 SHHA houses. The balance is to be delivered over the next financial years. A total of 1221 projects were delivered during the financial year comprising of; 802 housing units for the general public, 136 units for third parties, and 289 for SHHA houses.

### 2014/2015 PROJECTS PORTFOLIO

The 2014/15 financial year project portfolio comprised of the following:

LOCATION	NO. OF HOUSES	TYPE OF HOUSE	DELIVERY STATISTICS
Palapye	196	Detached	196
Ghanzi	82	Detached	-
Phakalane	516	Detached	516
Lobatse	8	Flats	-
Phakalane	108	Flats	-
Palapye	104	Detached	-
Jwaneng	75	Detached	-
Gaborone	60	Flats	-
SHHA	1000	Detached	289
District Housing	66	Detached	33
Botswana Defence Force	279	Flats	87
Botswana Defence Force	4	Detached	-
Land Boards	4	Detached	4
Botswana Unified Revenue Service	72	Flats	-
Botswana Prisons Services	59	Detached	12
<b>TOTAL</b>	<b>2633</b>		<b>1131</b>

## OPERATIONS

### HOUSING DELIVERY FOR OTHER INSTITUTIONS

To ensure self-sufficiency, the Corporation markets and delivers housing and office accommodation facilities to various stakeholders including Government Departments and Institutions such as the; Botswana Defence Force, Botswana Prisons, Botswana Power Corporation, and Botswana Unified Revenue Services. These services are provided on a Property Development Consultancy Basis, which saw a rise in the BHC portfolio during the current period.

### PUBLIC JOINT VENTURES

The general public is encouraged to initiate private joint ventures with the Corporation for both housing and commercial ventures.

Typical ventures that the Corporation has had in the recent past are;

- a. Boiketlo Estate (Phakalane, Gaborone)
- b. Gallo Shopping Mall (Francistown)
- c. Plot 5129 Commercial Development (Gaborone)

### DELIVERY OF THE CORPORATION'S HOUSES IN PHAKALANE

The Phakalane Estates 516 project was delivered in September 2014 after a protracted sewer infrastructure upgrading impasse and were able to enhance the Corporations project portfolio as well as the Corporations property sales.

### SELF HELP HOUSING AGENCY (SHHA) TURN-KEY HOUSES

The Corporation continues to drive implementation of SHHA turnkey projects across the country

with an expected annual target of 1000 units. Various challenges were encountered in the implementation of the SHHA Turnkey Programme which resulted in contractors abandoning sites due to poor contract administration challenges and some citing low labour rates. The Corporation has since intervened by assisting contractors with ways to improve their contract administration which has resulted in significant progress.

While the basic contract for SHHA Turnkey has been a labour only contract, Category B contractors engaged at areas where material supplies present challenges were engaged on a full labour and material supply contract at a higher rate than the rest of the country. An improved delivery has been realised on the Category B contractors though some contractors are delayed citing labour supply challenges.

### UP-COMING PROJECTS

The Ministry of Lands and Housing has engaged the Corporation to undertake the following new programmes which will be started in the 2015/2016 financial year;

- a. Youth Housing Programme (1000 units per annum); this programme specifically targets the Youth at various places in the country and shall be made available on rental.
- b. Instalment Purchase Scheme (IPS, 1000 units per annum); this programme is geared towards the general public who may not have easy access to commercial financial institutions lending due to stringent vetting and shall be made available on direct sales.
- c. Public Officers Housing Initiative (540 units); this programme will develop housing units country-wide per the needs assessment by the Ministry and shall make available units to Public Officers within these localities.

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## OPERATIONS

### PROPERTY SALES

Property Sales Department remains the main source of revenue for Botswana Housing Corporation (BHC) through property sales. While maximizing revenue for the Corporation the Department corollary drives the Single Housing Authority (SiHA) mandate through responding to current and future housing needs in selling houses to Batswana. The Department also manages in-house instalment schemes portfolio.

Property Sales Department remains the main source of revenue for Botswana Housing Corporation (BHC) through property sales. While maximizing revenue for the Corporation the Department corollary drives the Single Housing Authority (SiHA) mandate through responding to current and future housing needs in selling houses to Batswana. The Department also manages in-house instalment schemes portfolio.

The sales for the financial year were 256 housing units at revenue of P268 million. The sales composed of 124 housing units to individual Batswana at P42 million, 30 housing units to Companies at P24.6 million and 102 housing units to Botswana Government at P65.6 million. Meanwhile, 24 housing units were sold through Sectional Titles at P24.4 million, and 232 housing units through Conventional Titles at P107.8 million.

The in-house instalment schemes' portfolio had reduced to 830 active accounts (houses) with Net Book Value of P21 million. The arrears stood at 1.02% of the Net Book Value. Therefore, the Corporation continues to perform satisfactorily on this key performance area.

The Department continues to collaborate with Marketing and Research, Property Development, Property Management and other Departments to gear itself to drive the SiHA mandate through selling of BHC property to individual Batswana, Corporates, Government Departments and other Institutions. In the financial year 2015/16, additional to selling houses from new projects, the Department continues to sell houses through sitting tenants' campaign.

### PROPERTY MANAGEMENT

The Property Management department oversees the management of the Corporation's rental portfolio. The function involves preparation and upkeep of the property asset register, leasing and collection of revenue.

At the beginning of the 2014/15 financial year, the Corporation's rental portfolio stood at 10,322 and then decreased through the year to close at 10,178 as at 31st March 2015. This represents a decrease by 144 units demonstrating a percentage of 1.4 attributed to sale of the rented units. Most of the decrease is noted in Gaborone, Francistown and Selebi Phikwe. The decrease in portfolio was matched by a corresponding decrease in rent receivable which totaled P183.4 million for the year 2014/15 representing a decrease of about P0.5 million from the 2013/14 financial year which stood at P183.9 million. This represents a decrease in percentage of 0.3%.

In cost optimization, the Department has a target to keep the rental portfolio to an occupancy level of at least 99% representing a vacancy rate of utmost 1%. As at April 2014, the vacancy stood at 2.06% then and averaged 1.59 for the financial year. As at March 2015, the vacancy rate was 1.1% and it is expected to go down as letting of the units occurs during the year.

### MARKETING AND RESEARCH

The Marketing and Research Department held a number of Customer interactions, Marketing and Research activities during the course of the financial year in the execution of its mandate.

#### MARKETING

The Marketing Unit continued to push the Sitting Tenants campaign with four (4) draws held at the end of each quarter. The third draw was conducted at Lobatse on 7th February 2015. Two winners received P10,000 and P5,000 respectively. The final Draw was conducted in Selebi Phikwe where the grand prize winner of P40,000 was announced. The purpose of the Draws is to create believability about the campaign and to entice tenants to buy. Draws offer an activation platform where BHC in collaboration with financing partners creates a consumer education environment.



## OPERATIONS

### CUSTOMER CARE

The Customer Care Unit developed customer service standards and charter which would be launched in the next financial year. The purpose of the service standards and indeed the charter is to reaffirm our commitment to continuously exceed customers' expectations. It outlines how our customers may exercise their right to superior service.

Corporate customer meetings were held with several Government Departments and Institutions to enhance relationship building. The customers were amongst other things informed about new projects and were invited to buy or rent from these projects. The interactions were also meant to encourage the Corporates to consider allowing their staff members to buy their BHC rented properties as a way of empowering them through home-ownership.

Tenant meetings were held at four (sites) in Gaborone with a view to inform tenants in the target areas about the starts of the Densification projects. Tenants were not only made aware of the starts of the projects but were also advised on a number of issues and procedures that they will have to observe during the construction period in order to minimise the inconvenience that will come with the construction commotion.

The Call centre performance has been consistent and exceptionally good with all targets exceeded for the period under review, and the staff turnover at the facility has stabilised significantly over the period with only one staff member leaving the hive in December 2014.

### RESEARCH

The Research Unit carried out demand surveys in Jwaneng, Francistown, Kasane and Tati Siding to establish demand for BHC products, income patterns and the consumer product preference. The Unit also carried out post occupation surveys in Jwaneng and Serowe in order to get

feedback from customers on the BHC product performance. It also carried out an internal survey to determine the effectiveness and efficiency of the newly commissioned ERP System.

### PROPERTY MAINTENANCE

The department is tasked with maintaining the corporation's leased houses which are around 10 000. It has also been challenged to generate income from the chargeable maintenance that it charges tenants for misuse of the properties.

### RECOVERABLE MAINTENANCE

The department was tasked to recover P4.2 million during the just ended financial year and only P2.7 million was recovered and this was mainly due to;

- Late submission of invoices by the contractors causing delay in invoicing customers for chargeable items
- Low volume of chargeable items on cycle and COT maintenance

### REACTIVE MAINTENANCE

The department's target is to do 98% of all the queries reported. Although the department did not achieve the said target as it only achieved 80% there was however a decline in the number of reports received as on average about 23 000 reports are received per year but this year only 18 000 reports were recorded.

### PLANNED MAINTENANCE

The task was to cycle maintain 1200 units and this was surpassed as the department managed to do 1270 units during the said period. The above numbers were achieved due to the change in the house mix, i.e. more low costs units were done as opposed to the high cost units which resulted in the savings and more units maintained.

## OPERATIONS

### SHAREHOLDER ENGAGEMENT

Shareholder engagement forms a critical element of the Corporation's strategic objectives to ensure that there is alignment between the shareholder's expectations and execution of the mandate. The Board and Management continued to engage the shareholder through various platforms such as the Leadership Forum, which is aimed at bringing stakeholders in the Ministry of Lands and Housing together to discuss issues of mutual concern. During the year under review, the Corporation and the Shareholder signed a Shareholder Compact, which is an instrument designed to monitor the Corporation's performance through clarification of responsibilities by spelling out undertakings for the Ministry and BHC for the successful execution of the mandate.

### STAKEHOLDER ENGAGEMENT

In the year under review, the Corporation held several engagement with both internal and external stakeholders to provide updates on various operational issues. There were a number of engagements with several councils such as the Southern District and the Goodhope Sub-District Councils to discuss among others progress with regards to SHHA turnkey projects. The Chief Executive Officer also held the annual CEO's Consultative meetings with members of staff to discuss issues relating to the strategy, performance and human resource issues.

### CORPORATE SOCIAL RESPONSIBILITY

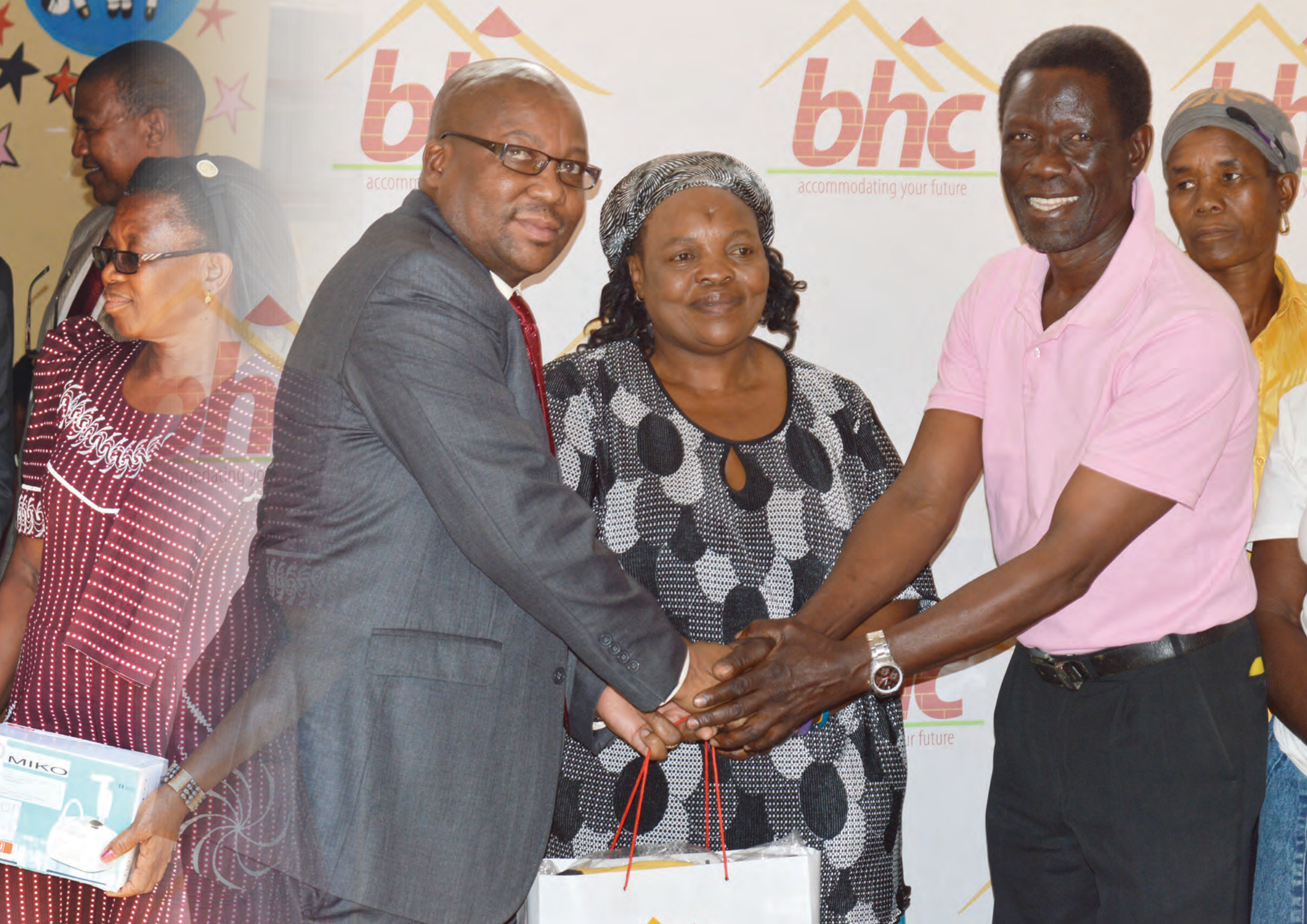
The Corporation through its Corporate Social Responsibility initiative continued to support various local projects aimed at improving lives of ordinary Batswana. During the year under review the Corporation donated items worth P12,000.00 to the Gamodubu Child Care Trust at Gamodubu Village. Other donations we made to various community initiatives such as Tshwaane Primary School, Deborah Retief Memorial Hospital, Kalahari Conservation Society and the University of Botswana Foundation.

### MARKETING REPORT

The Marketing and Research Department held a number of Customer interactions, Marketing and Research activities during the course of the financial year in the execution of its mandate.







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# SUPPORT SERVICES

## HUMAN RESOURCE

*The Corporation ensures that its human resources management systems and processes are continuously reviewed so that they are in step with the latest developments practice in the Human Resources Management profession. It strives to ensure that its employees are adequately resourced and inspired to positively contribute towards the attainment of the Corporation's Vision.*



## SUPPORT SERVICES

### EMPLOYEE COMPETENCIES DEVELOPMENT

Effective human resource management remains one of the Corporation's critical success factors. The Corporation invests in developing the requisite competencies that are intended to build the desired behaviours for achieving performance excellence. Employees are also encouraged and supported to enrol on their own, with reputable training institutions, to further their capabilities. For the year 2014/15, the Corporation invested a total of about P2,486,775.37 on training and development of its workforce. A total of 320 employees attended skills development short courses. Some of the courses attended covered areas of Risk Management, Emotional Intelligence, Construction Safety, Project Management, Investment Appraisal, Maintenance Management and Human Resource Audit.

### PERFORMANCE MANAGEMENT SYSTEM

An audit on the Corporation's Performance Management System (PMS) was carried out in the financial year. The purpose of the audit was to identify areas of the system that would require improvement in the system to ensure that the system operates efficiently and meets the Corporation's requirements in terms of managing employee performance.

### EMPLOYEE WELLNESS

As part of the Wellness Implementation Programme, the Corporation carried out a number of activities in an effort to promote wellness in the work place. This was achieved through partnering with professionals from different wellness practices operating in Botswana.

Employees are continually encouraged to use the wellness facilities provided by the Corporation that includes massage chairs, blood pressure and weigh scale machines as well as counselling and fitness facilities.

### MEDICAL INSURANCE SCHEME

The Corporation offers medical insurance cover for all its employees. In response to employee feedback on medical insurance, the Corporation made improvements on the provision of medical cover for the employees by offering them a wider choice of service providers. An

agreement has been entered into with two additional reputable medical aid service providers. The arrangement facilitates for employees to select a service provider of their choice to assist them access medical assistance. As at 31st March 2015, the membership under these facilities was Three Hundred and Nineteen (319). This represented 90.62% of the Corporation's total strength.

### INFORMATION TECHNOLOGY

In 2007, BHC conceived the BHC IT Strategy which resulted in the successful implementation of the major milestone, the ERP system. The system was implemented in 2012/2013. The implementation was followed by efforts to fine tune and stabilize the implemented platform. In the year 2014, the corporation focused its efforts on applying system and infrastructure enhancements to ensure maximum benefits of the system. One of the key enhancements was the delivery of adequate and flexible reports for operational and strategic decision making.

In 2015, following the Presidential Directive issued on 1st April 2012 pronouncing that the Botswana Housing Corporation mandate shall be expanded to become a Single Housing Authority (SiHA), the corporation has been doing the groundwork to implement the Loans Management module which shall ensure that all loan processes relating to the housing programmes transferred to BHC are managed properly. These programmes include the Tenant Purchase Scheme, Public Officers Housing Initiative, Instalment Purchase Scheme, and Youth Housing Program.

In addition, the Corporation is also implementing an Electronic Records Management System. The objective of this implementation is to make the keeping, management, and disposal of the corporation's records easier. The ERMS and Loans module are integrated to existing ERP system.











# ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015



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**2015** 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	
F. Monggae	
S. Tiroyakgosi	
B. Mokgolodi	
J. Mosimane	
H. Chilisa	
S. Molalapata	(Appointed on 1 August 2014)
B. S. Tsayang	(Term ended on 31 July 2014)

## SENIOR LEADERSHIP TEAM

Reginald Motswaiso	(Chief Executive Officer)
Serty Leburu	(Deputy CEO Support Services)
Nkaelang Matenge	(Deputy CEO Operations)
Yagan Mukonde	(Internal Audit Manager)
Elizabeth Galeforolwe	(Legal Services Manager)
Kesebonye Khimbele	(Property Manager)
Gaotlhobogwe Baleseng	(Property Sales Manager)
Nathaniel Rakhudu	(Acting Property Development Manager)
Olefile Segokgo	(Senior Estates Manager - North Region)
Botho Bayendi	(Corporate Planning Manager and Board Secretary)
Octavian Seitshiro	(Maintenance Manager)
Sekgele Ramahobo	(Human Resource Manager)
Pascaline Sefawe	(Finance Manager)
Samantha Molefe	(IT Manager)
Mookodi Seisa	(Marketing and Research Manager)
Gomolemo Zimona	(Public and Corporate Affairs Manager)

## REGISTERED OFFICE

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

## INDEPENDENT AUDITORS

PricewaterhouseCoopers



## STATEMENT OF RESPONSIBILITY BY THE MEMBERS OF THE BOARD

FOR THE YEAR ENDED 31 MARCH 2015

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 2015, 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 46 were approved by the members of the Board on 24 July 2015 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 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 4 to 46.

### 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.

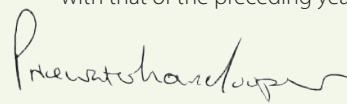
### OPINION

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Housing Corporation as at 31 March 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### 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 with which it is duty of the Corporation to comply 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  
8 August 2015

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

Country Senior Partner: B. D. Phirre

Partners: R. Binedell | R. P. De Silva | A. S. Edirisinghe | S. K. K. Wijesena



## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2015

	Note	2015 P'000	2014 P'000
Revenue	6.	470,190	300,446
Cost of sale of housing inventories	7.	(262,324)	(85,821)
Repairs and maintenance		(38,689)	(39,506)
Employee benefit expenses	8.	(116,156)	(94,102)
Depreciation and amortisation	9.	(15,463)	(16,350)
Other expenses	10.	(57,945)	(55,813)
Bad debts expenses	10.	(10,190)	(2,560)
Gains on sale of investment properties	11.	39,172	28,145
Other income	10.	13,965	9,442
<b>Operating surplus</b>		<b>22,560</b>	<b>43,881</b>
Finance income	12.	7,777	5,979
Finance costs	13.	(33,750)	(44,015)
<b>Finance costs-net</b>		<b>(25,973)</b>	<b>(38,036)</b>
Share of surplus of joint ventures	18.	13,252	10,411
<b>Total comprehensive income for the year</b>		<b>9,839</b>	<b>16,256</b>

# STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2015

	Note	2015 P'000	2014 P'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment property	14.	1,110,746	1,176,860
Property, plant and equipment	16.	19,913	20,323
Intangible assets	17.	26,445	27,759
Investments in joint ventures	18.	26,618	22,271
Loans to related parties	19.	4,040	6,644
Trade and other receivables	20.	15,078	19,438
<b>Total non-current assets</b>		<b>1,202,840</b>	<b>1,273,295</b>
<b>Current assets</b>			
Housing inventories	15.	630,949	782,772
Loans to related parties	19.	2,880	2,288
Trade and other receivables	20.	32,059	35,774
Cash and cash equivalents	21.	790,688	499,160
<b>Total current assets</b>		<b>1,456,576</b>	<b>1,319,994</b>
<b>Total assets</b>		<b>2,659,416</b>	<b>2,593,289</b>



## STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2015

	Note	2015 P'000	2014 P'000
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Irredeemable capital	22.	250,000	250,000
Retained earnings		1,058,874	1,050,059
Earnings reserve	23.	8,657	11,697
<b>Total equity</b>		<b>1,317,531</b>	<b>1,311,756</b>
<b>Non-current liabilities</b>			
Agency funds	26.	194,103	115,281
Deferred income		6,214	-
Borrowings	24.	440,873	481,347
<b>Total non-current liabilities</b>		<b>641,190</b>	<b>596,628</b>
<b>Current liabilities</b>			
Trade and other payables	25.	198,155	192,787
Agency funds	26.	412,468	244,971
Deferred income		167	-
Borrowings	24.	49,013	111,254
Customer deposits	27.	40,892	135,893
<b>Total current liabilities</b>		<b>700,695</b>	<b>684,905</b>
<b>Total equity and liabilities</b>		<b>2,659,416</b>	<b>2,593,289</b>

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2015

	Capital	Retained earnings	Earnings reserve	Investment properties insurance reserve	Total
	P'000	P'000	P'000	P'000	P'000
At April 2013	250,000	1,035,790	15,851	2,590	1,304,231
<b>Comprehensive income</b>					
Comprehensive income for the year	-	16,256	-	-	16,256
Transfer to retained earnings	-	6,744	(4,154)	(2,590)	-
<b>Total comprehensive income</b>	-	<b>23,000</b>	<b>(4,154)</b>	<b>(2,590)</b>	<b>16,256</b>
<b>Transaction with owners</b>					
Dividend (note 30)	-	(8,731)	-	-	(8,731)
<b>Total transactions with owners</b>	-	<b>(8,731)</b>	-	-	<b>(8,731)</b>
<b>Balance at 31 March 2014</b>	<b>250,000</b>	<b>1,050,059</b>	<b>11,697</b>	<b>-</b>	<b>1,311,756</b>
Balance at 1 April 2014	250,000	1,050,059	11,697	-	1,311,756

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2015

	Capital	Retained earnings	Earnings reserve	Investment properties insurance reserve	Total
	P'000	P'000	P'000	P'000	P'000
At April 2014	250,000	1,050,059	11,697	-	1,311,756
<b>Comprehensive income</b>					
Comprehensive income for the year	-	9,839	-	-	9,839
Transfer to retained earnings	-	3,040	(3,040)	-	-
<b>Total comprehensive income</b>	-	<b>12,879</b>	<b>(3,040)</b>	-	<b>9,839</b>
<b>Transaction with owners</b>					
Dividend (note 30)	-	(4,064)	-	-	(4,064)
<b>Total transactions with owners</b>	-	<b>(4,064)</b>	-	-	<b>(4,064)</b>
<b>Balance at 31 March 2015</b>	<b>250,000</b>	<b>1,058,874</b>	<b>8,657</b>	-	<b>1,317,531</b>

### 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 2015

	Note	2015 P'000	2014 P'000
<b>Cash flows from operating activities</b>			
Net cash generated from operating activities	29.	325,675	152,239
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	16.	(3,147)	(1,810)
Additions to intangible assets	17.	(1,745)	(5,855)
Proceeds from sale of investment properties	11.	96,197	40,718
Proceeds from sale of property, plant and equipment		2	308
Drawings from joint ventures	18.	8,905	6,990
Loan capital repayments received from related parties	19.	2,012	2,011
Interest received	12.	7,777	5,979
<b>Net cash generated from/(used) in investing activities</b>		<b>110,000</b>	<b>48,342</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	24.	(48,738)	(58,334)
Dividends paid		(4,064)	-
Interest paid (net of capitalised interest)	13.	(33,750)	(44,015)
<b>Net cash used in financing activities</b>		<b>(86,552)</b>	<b>(102,349)</b>
Net increase in cash and cash equivalents		349,123	98,231
Cash and cash equivalents at beginning of year		441,565	343,334
<b>Cash and cash equivalents at end of year</b>	<b>21.</b>	<b>790,688</b>	<b>441,565</b>

# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2015

## 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 2015 have been approved for issue by the members of the Board on 16 July 2015. 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 2015, 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 2014 that had a material impact on the Corporation's financial statements.

#### *Amendments to IAS 32 - Financial Instruments: Presentation', on financial instruments asset and liability offsetting (effective 1 January 2014)*

The IASB has issued amendments to the application guidance in IAS 32, 'Financial instruments: Presentation', that clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. However, the clarified offsetting requirements for amounts presented in the statement of financial position continue to be different from US GAAP.

# ACCOUNTING POLICIES

## FOR THE YEAR ENDED 31 MARCH 2015

### *IASB issues narrow - scope amendments to IAS 36, 'Impairment of assets' on recoverable amount disclosures (effective 1 January 2014)*

The amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

### *IFRIC 21, 'Levies' (effective 1 January 2014)*

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation could result in recognition of a liability later than today, particularly in connection with levies that are triggered by circumstances on a specific date. The IASB has issued IFRIC 21, 'Levies', an interpretation on the accounting for levies imposed by governments. IFRIC 21 is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Management has assessed the impact of the application of these new standards, amendments and interpretations on the Corporation's financial statements in the period of initial application, and have determined there to be no significant impact on the current financial statements.

### **c. STANDARDS, AMENDMENTS, IMPROVEMENTS AND INTERPRETATIONS EFFECTIVE FIRST TIME IN THE CURRENT YEAR BUT NOT RELEVANT FOR THE CORPORATION'S OPERATIONS.**

#### ***Amendments to IFRS 10, 'Consolidated financial statements', IFRS 12 and IAS 27 for investment entities (effective 1 January 2014)***

The amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an

'investment entity' definition and which display particular characteristics.

Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make. A subsequent amendment was issued on the application of the consolidation exception for investment entities and their subsidiaries. (Effective 1 January 2016 referred to below)

Amendment to IAS 39 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting. (effective 1 January 2014)

The IASB has amended IAS 39 to provide relief from discontinuing hedge accounting when novation of a hedging instrument to a CCP meets specified criteria. Similar relief will be included in IFRS 9, 'Financial Instruments'.

### **d. NEW STANDARDS, AMENDMENTS, IMPROVEMENTS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE FOR THE FINANCIAL YEAR 31 MARCH 2014 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 2014, 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.

#### ***Amendment to IAS 19, 'Employee benefits', on defined benefit plans (effective 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, for example, employee contributions that are calculated according to a fixed percentage of salary.



## ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2015

***Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on sale or contribution of assets (effective 1 January 2016)***

The IASB has issued this amendment to eliminate the inconsistency between IFRS 10 and IAS 28. If the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business', then the full gain or loss will be recognised by the investor. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

***Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation. (effective 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.

***IFRS 14 - Regulatory deferral accounts (effective 1 January 2016)***

The IASB has issued IFRS 14, 'Regulatory deferral accounts' specific to first time adopters ('IFRS 14'), an interim standard on the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body.

***Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative (effective 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.

***Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation. (effective 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. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

***Amendments to IAS 27, 'Separate financial statements' on equity accounting (effective 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.

***IFRS 15 - Revenue from contracts with customers (effective 1 January 2017)***

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.

***IFRS 9 - Financial Instruments (2009 & 2010) - (effective 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. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss.

# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2015

## *Amendment to IFRS 9 - 'Financial instruments', on general hedge accounting (effective 1 January 2018)*

The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.

Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following:

- The own credit risk requirements for financial liabilities.
- Classification and measurement (C&M) requirements for financial assets.
- C&M requirements for financial assets and financial liabilities.
- The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting).

The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9.

## 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.

## ACCOUNTING POLICIES

### FOR THE YEAR ENDED 31 MARCH 2015

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.

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, in accordance with generally accepted practice in the property development industry.

#### 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 (for example, prepayment options) but does not consider future credit losses.



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# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2015

## 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. In the statement of cash flows, capitalised borrowing costs relating to housing inventories and investment properties are considered as operating cash flows and investing cashflows respectively.

Other borrowing costs are expensed.

## 2.7 CAPITALISATION OF DEVELOPMENT COSTS

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

## ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2015

### 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).

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.

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# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2015

## 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 'administrative 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.



## ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2015

### 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.

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# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2015

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

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.

# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2015

**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.



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# ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2015

## 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.

# FINANCIAL RISK MANAGEMENT

FOR THE YEAR ENDED 31 MARCH 2015

## 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 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 allows 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.

Maximum exposure to credit risk before collateral held or other credit enhancement

# FINANCIAL RISK MANAGEMENT

## FOR THE YEAR ENDED 31 MARCH 2015

Credit risk exposures relating to on-balance sheet assets are as follows:

	2015 P'000	2014 P'000
Loans to related parties	6,920	8,932
Trade and other receivables	47,137	55,212
Cash and cash equivalents	790,688	499,160
	<b>844,745</b>	<b>563,304</b>

The above table represents the worst case scenario of credit risk exposure for the Corporation as at 31st March 2014 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 2015	Rental debtors P'000	TPS P'000	SOS P'000	Other P'000	Total 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	2,722	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



## FINANCIAL RISK MANAGEMENT

FOR THE YEAR ENDED 31 MARCH 2015

At March 2014	Rental debtors P'000	TPS P'000	SOS P'000	Other P'000	Total P'000
Neither past due nor impaired	-	25,312	281	14,703	40,296
Past due but not impaired	9,627	929	14	-	10,570
Individually impaired	5,153	30	-	1,558	6,741
<b>Gross</b>	<b>14,780</b>	<b>26,271</b>	<b>295</b>	<b>16,261</b>	<b>57,607</b>
Less: Provision for impairment	(5,153)	(30)	-	(1,558)	(6,741)
<b>Net</b>	<b>9,627</b>	<b>26,241</b>	<b>295</b>	<b>14,703</b>	<b>50,866</b>
<b>Value of collateral held against trade receivables that are neither past due nor impaired</b>	<b>-</b>	<b>168,910</b>	<b>2,971</b>	<b>-</b>	<b>171,881</b>

Trade receivables, past due but not impaired

At March 2015	Rental debtors P'000	TPS P'000	SOS P'000	Total 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
<b>Total</b>	<b>16,668</b>	<b>519</b>	<b>62</b>	<b>17,249</b>
<b>Value of collateral</b>	<b>-</b>	<b>75,137</b>	<b>671</b>	<b>75,808</b>

# FINANCIAL RISK MANAGEMENT

FOR THE YEAR ENDED 31 MARCH 2015

At March 2014	Rental debtors P'000	TPS P'000	SOS P'000	Total P'000
Past due up to 30 days	3,507	206	4	3,717
Past due 30 - 60 days	2,713	130	1	2,844
Past due 60 - 90 days	3,407	593	9	4,009
<b>Total</b>	<b>9,627</b>	<b>929</b>	<b>14</b>	<b>10,570</b>
<b>Value of collateral</b>	-	<b>116,349</b>	<b>143</b>	<b>116,492</b>

## 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 2015 (ni - 2014).

### 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 2015 and 2014, the Corporation's borrowings at fixed rate were denominated in the functional currency.

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. Assets and liabilities carrying variable interest rates are classified under the less than 1 year bracket.

## FINANCIAL RISK MANAGEMENT

FOR THE YEAR ENDED 31 MARCH 2015

At March 2015	Less than 2 years P'000	2 - 5 years P'000	Over 5 years P'000	Non interest bearing P'000	Total P'000
<b>Financial assets</b>					
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
	<b>791,241</b>	<b>8,094</b>	<b>18,099</b>	<b>27,311</b>	<b>844,745</b>
<b>Financial liabilities</b>					
Bank overdraft	-	-	-	-	-
Debt securities in issue	-	286,798	106,164	-	392,962
Loans	43,108	53,603	212	-	96,924
	<b>43,108</b>	<b>340,401</b>	<b>106,376</b>	<b>-</b>	<b>489,886</b>



# FINANCIAL RISK MANAGEMENT

FOR THE YEAR ENDED 31 MARCH 2015

At March 2014	Less than 2 years P'000	2 - 5 years P'000	Over 5 years P'000	Non interest bearing P'000	Total P'000
<b>Financial assets</b>					
Loans to related parties	-	8,932		-	8,932
Trade and other receivables	215	1,685	24,371	28,941	55,212
Cash and cash equivalents	499,160	-	-	-	499,160
	<b>499,375</b>	<b>10,617</b>	<b>24,371</b>	<b>28,941</b>	<b>563,304</b>
<b>Financial liabilities</b>					
Bank overdraft	57,595	-	-	-	57,595
Debt securities in issue	-	286,816	106,165	-	392,981
Loans	22,380	75,755	43,890	-	142,025
	<b>79,975</b>	<b>362,571</b>	<b>150,055</b>	<b>-</b>	<b>592,601</b>

## Interest rate sensitivity

At 31 March 2015, 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 P1,215,000 lower/higher as a result of higher/lower interest expense on the P286,000,000 floating rate borrowings and average fixed deposit of P58,067,000.

## FINANCIAL RISK MANAGEMENT

FOR THE YEAR ENDED 31 MARCH 2015

### 1.3 LIQUIDITY RISK

The table below analyses the Corporation's financial assets and 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.

At 31 March 2015	Less than 1 year P'000	1 - 2 years P'000	2 - 5 years P'000	Over 5 years P'000	Total P'000
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
<b>Liabilities (contractual maturity)</b>	<b>726,318</b>	<b>247,128</b>	<b>357,036</b>	<b>113,112</b>	<b>1,443,595</b>
At 31 March 2014	Less than 1 year P'000	1 - 2 years P'000	2 - 5 years P'000	Over 5 years P'000	Total P'000
Borrowings	145,254	77,110	401,246	129,829	753,439
Trade and other payables	192,787	-	-	-	192,787
Agency funds	331,798	156,140	-	-	487,938
Customer deposits	135,893	-	-	-	135,893
<b>Liabilities (contractual maturity)</b>	<b>805,733</b>	<b>233,250</b>	<b>401,246</b>	<b>129,829</b>	<b>1,570,057</b>

# FINANCIAL RISK MANAGEMENT

FOR THE YEAR ENDED 31 MARCH 2015

## 1.4 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables	
	2015 P'000	2014 P'000
Assets as per statement of financial position:		
Trade and other receivables	47,137	55,212
Cash and cash equivalent	790,688	499,160
Loans to related parties	6,920	8,932
	<b>844,745</b>	<b>563,304</b>
	Financial liabilities at amortised cost	
	2015 P'000	2014 P'000
Liabilities as per statement of financial position:		
Borrowings	489,886	592,601
Agency funds	606,571	360,252
Trade and other payables	162,032	154,751
Customer deposits	40,892	135,893
	<b>1,299,381</b>	<b>1,243,497</b>



## FINANCIAL RISK MANAGEMENT

FOR THE YEAR ENDED 31 MARCH 2015

### 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.

	2015 P'000	2014 P'000
Total long term debt	489,886	535,006
Total capital and reserves	1,317,531	1,311,756
Debt: equity ratio	0.37	0.41

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.

# FINANCIAL RISK MANAGEMENT

FOR THE YEAR ENDED 31 MARCH 2015

## 2.3 FAIR VALUE ESTIMATION

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

31 March 2012	Carrying Amount financial liabilities P'000	financial Assets P'000	Fair Values financial Assets P'000
<b>Assets and liabilities as per balance sheet</b>			
Loans to related parties	-	6,920	6,920
Trade and other receivables	-	47,137	47,137
Cash and cash equivalents	-	790,688	790,688
Trade and other payables	198,155	-	-
Customer deposits	-	-	-
Borrowings	489,886	-	-
Agency funds	194,103	-	-
	882,143	844,745	844,745
<b>31 March 2009</b>			
<b>Assets and liabilities as per balance sheet</b>			
Loans to related parties	-	17,102	17,102
Trade and other receivables	-	156,574	156,574
Cash and cash equivalents	-	447,050	447,050
Trade and other payables	87,245	-	-
Customer deposits	8,190	-	-
Borrowings	349,618	-	-
Agency funds	285,180	-	-
	730,233	620,726	620,726

## FINANCIAL RISK MANAGEMENT

### FOR THE YEAR ENDED 31 MARCH 2015

The fair value of financial instruments that are not traded in an active market is based on quoted bid prices. The Corporation uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

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

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# CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

## FOR THE YEAR ENDED 31 MARCH 2015

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 judgements 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 2015

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 and the Board considers the business on the following operating decisions.

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

## OPERATING SEGMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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
<b>Included in operating surplus</b>				
Depreciation and amortisation	(521)	(9,760)	(5,182)	(15,463)
<b>Not included in operating surplus</b>				
Finance income	-	-	7,777	7,777
Finance costs	(27,000)	(6,750)	-	(33,750)
Share of surplus of joint ventures			13,252	13,252
<b>Total comprehensive income</b>	<b>(18,044)</b>	<b>72,426</b>	<b>(44,544)</b>	<b>9,839</b>
<b>Total segment results above include:</b>				
Revenue from Government and Government related entities	109,552	86,512	11,715	207,779
<b>Segment assets</b>	<b>597,519</b>	<b>1,191,669</b>	<b>19,557</b>	<b>1,808,745</b>
<b>Reconciliation to total assets as reported in the statement of financial position</b>				
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
<b>Total assets as reported in the statement of financial position</b>	<b>597,519</b>	<b>1,191,669</b>	<b>870,228</b>	<b>2,659,416</b>
<b>Total liabilities</b>	<b>457,594</b>	<b>145,690</b>	<b>738,602</b>	<b>1,341,885</b>

## OPERATING SEGMENTS

FOR THE YEAR ENDED 31 MARCH 2015

The segment information provided to the Board for the reportable segments for the year ended 31 March 2014 is as follows:

	Sale of Housing Inventories P'000	Rental P'000	Others P'000	Total P'000
Revenue	96,399	186,583	17,464	300,446
Operating surplus	13,210	78,379	(47,708)	43,881
<b>Included in operating surplus</b>				
Depreciation and amortisation	(262)	(11,096)	(4,992)	(16,350)
<b>Not included in the operating surplus</b>				
Finance income	-	-	5,979	5,979
Finance costs	(35,212)	(8,803)	-	(44,015)
Share of surplus of joint ventures			10,411	10,411
<b>Total comprehensive income</b>	<b>(22,002)</b>	<b>69,576</b>	<b>(31,318)</b>	<b>16,256</b>
<b>Total segment results above include:</b>				
Revenue from Government and Government related entities	64,405	86,208	17,464	168,077
<b>Segment assets</b>	<b>685,819</b>	<b>1,321,602</b>	<b>27,747</b>	<b>2,035,167</b>
Reconciliation to total assets as reported in the statement of financial position:				
Investment in joint ventures	-	-	22,271	22,271
Intangible assets	-	-	27,759	27,759
Loans to related parties	-	-	8,932	8,932
Cash and cash equivalents	-	-	499,160	499,160
<b>Total assets as reported in the statement of financial position</b>	<b>685,819</b>	<b>1,321,602</b>	<b>585,868</b>	<b>2,593,289</b>
<b>Total liabilities</b>	<b>639,043</b>	<b>169,898</b>	<b>472,591</b>	<b>1,281,532</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	2015 P'000	2014 P'000
<b>6. REVENUE</b>		
Rental income	185,577	186,583
Sale of housing inventories	267,909	91,452
Professional fees	12,543	17,464
Tenant purchase scheme income	4,116	4,900
Step ownership scheme income	45	47
	<b>470,190</b>	<b>300,446</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	2015 P'000	2014 P'000
<b>7. COST OF SALE OF HOUSING INVENTORIES</b>		
<b>At beginning of the year</b>		
Land held for development	11,242	10,716
Housing under construction	615,187	550,065
Completed houses - Inventories	156,342	163,508
<b>Additions / transfers during the year</b>		
Acquisition of land	1,685	526
Payments to contractors	91,861	113,214
Capitalised development costs	9,627	22,152
Capitalised borrowing costs	7,229	7,484
Movement in the impairment provision	101	927
<b>At end of year (note 15)</b>		
Land for development	(12,741)	(11,242)
Housing under construction	(265,845)	(615,187)
Completed houses - Inventories (net impairment provision)	(352,364)	(156,342)
	<b>262,324</b>	<b>85,821</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	2015 P'000	2014 P'000
<b>8. EMPLOYEE BENEFIT EXPENSES</b>		
Salaries, wages and other benefits	112,304	103,907
Pension contributions	9,005	8,183
Gratuities	4,474	4,164
Less: capitalised during the year (note 7)	(9,627)	(22,152)
	<b>116,156</b>	<b>94,102</b>
Average number of employees	357	341
<b>9. DEPRECIATION AND AMORTISATION</b>		
Depreciation - investment properties (note 14)	7,744	8,446
Depreciation - property, plant and equipment (note 16)	3,490	4,119
Amortisation - leasehold land (note 14)	1,170	1,152
Amortisation - intangible assets (note 17)	3,059	2,633
	<b>15,463</b>	<b>16,350</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	2015 P'000	2014 P'000
<b>10. OTHER EXPENSES</b>		
Audit fees - Prior year over/(under) provision	(62)	143
Audit fees - Current year	952	821
Board members remuneration	126	190
Operating lease rentals - motor vehicles	4,216	3,881
Consultancy fees	1,380	242
Rates	6,811	6,131
Security expenses	5,402	5,558
Telephone expenses	4,453	5,250
Training expenses	2,473	3,738
Insurance	2,370	2,302
Travelling and accommodation	4,019	3,379
IT expenses	3,721	4,341
Advertising and marketing	7,391	4,005
Call centre expenses	1,939	2,010
Administration expenses	10,342	11,281
Training levy	1,079	910
Utilities	1,334	1,632
	<b>57,945</b>	<b>55,813</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	2015 P'000	2014 P'000
<b>10. OTHER EXPENSES</b>		
<b>Bad Debts Expenses</b>		
Rental debtors	10,175	2,535
Tenant purchase scheme debtors	15	25
	<b>10,190</b>	<b>2,560</b>
<b>Other income</b>		
Recoverable maintenance	2,724	1,838
Sundry income	2,630	1,800
Capacitation fee	8,563	-
Proceeds of sale of land not in the register	-	2,373
Reversal of contract accrual	-	1,899
Release of impairment provision - inventory	101	927
Gain/(loss) on sale property, plant and equipment	(53)	605
	13,965	9,442
<b>11. GAINS FROM SALE OF INVESTMENT PROPERTIES</b>		
Proceeds from sale of investment properties	96,197	40,718
Cost	(61,567)	(14,636)
Accumulated depreciation	4,542	2,063
	<b>39,172</b>	<b>28,145</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	2015 P'000	2014 P'000
<b>12. FINANCE INCOME</b>		
Interest income on loans to related parties (note 19)	1,028	1,306
Interest income on short term bank deposits	6,749	4,673
	<b>7,777</b>	<b>5,979</b>
<b>13. FINANCE COSTS</b>		
Interest expense on loans	15,660	21,693
Interest expense on debt securities in issue	24,383	27,228
Interest expense on bank overdraft	936	2,578
Less: capitalised during the year	(7,229)	(7,484)
	<b>33,750</b>	<b>44,015</b>
A capitalisation rate of 7.45% (2014: 7.77%) was used for projects whose development was financed out of long term debt. (note 24).		

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	2015 P'000	2014 P'000
<b>14. INVESTMENT PROPERTIES</b>		
Opening net book amount	1,176,860	1,199,031
Disposals	(61,567)	(14,636)
Depreciation on disposals	4,542	2,063
Depreciation - housing properties	(7,918)	(8,446)
Amortisation - leasehold land	(1,170)	(1,152)
<b>Closing net book amount</b>	<b>1,110,746</b>	<b>1,176,860</b>
Cost	1,401,570	1,463,311
Accumulated depreciation	(290,824)	(286,451)
<b>Net book amount</b>	<b>1,110,746</b>	<b>1,176,860</b>
<p>The Corporation leases out properties under operating leases. The leases typically run for a period of 3. None of the leases include contingent rentals. Rental income earned and direct operating expenses incurred in relation to investment properties are shown below.</p>		
<b>Rental income</b>		
Rental income	185,577	186,583
	<b>185,577</b>	<b>186,583</b>
<b>Direct operating expenses</b>		
Repairs and maintenance	38,689	39,506
Employee benefits	23,399	23,058
	<b>62,088</b>	<b>62,564</b>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2015

Investment properties were valued as at March 31, 2015 by estate management professionals, for disclosure purposes based on the latest prevailing market prices derived from recently sold properties by the Corporation. The value of the investment properties was estimated at P4,862 million on 31 March 2015 (2014: P4,704 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 P18.4 million (2014: P54.8 million). The members of the Board believe that title deeds for these properties will be received in due course.

	2015 P'000	2014 P'000
<b>15. HOUSING INVENTORIES</b>		
Land for development (note 7)	12,741	11,242
Housing under construction (note 7)	265,845	615,187
Completed houses (note 7)	353,551	157,630
Less: Provision for impairment (note 7)	(1,187)	(1,288)
	<b>630,949</b>	<b>782,772</b>
Detailed analysis of the inventories at the end of the is shown below.		
Land for development	12,741	11,242
Housing under construction	265,845	615,187
Completed houses	352,364	156,342
	<b>630,949</b>	<b>782,772</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	Land & buildings	Computer equipment	Furniture & office equipment	Motor vehicles	Plant & equipment	Total
	P'000	P'000	P'000	P'000	P'000	P'000
<b>16. PROPERTY, PLANT AND EQUIPMENT</b>						
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)
<b>Closing net book amount</b>	<b>8,327</b>	<b>3,199</b>	<b>5,036</b>	<b>2,164</b>	<b>1,187</b>	<b>19,913</b>
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)
<b>Net book amount</b>	<b>8,327</b>	<b>3,199</b>	<b>5,036</b>	<b>2,164</b>	<b>1,187</b>	<b>19,913</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	Land & buildings	Computer equipment	Furniture & office equipment	Motor vehicles	Plant & equipment	Total
	P'000	P'000	P'000	P'000	P'000	P'000
<b>16. PROPERTY, PLANT AND EQUIPMENT</b>						
<b>At 31 March 2014</b>						
Opening net book amount	8,089	3,478	4,722	2,037	1,794	20,120
Additions	-	472	231	1,087	20	1,810
Transfer from Intangible assets	-	2,578	21	-	-	2,599
Disposals	-	(5)	(242)	(306)	-	(553)
Accumulated depreciation on disposal	-	-	206	260	-	466
Depreciation charge	(7)	(2,180)	(662)	(839)	(431)	(4,119)
<b>Closing net book amount</b>	<b>8,082</b>	<b>4,343</b>	<b>4,276</b>	<b>2,239</b>	<b>1,383</b>	<b>20,323</b>
Cost	14,548	13,100	8,127	5,420	2,062	43,257
Accumulated depreciation	(6,466)	(8,757)	(3,851)	(3,181)	(679)	(22,934)
<b>Net book amount</b>	<b>8,082</b>	<b>4,343</b>	<b>4,276</b>	<b>2,239</b>	<b>1,383</b>	<b>20,323</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	ERP System P'000	Computer software P'000	Total P'000
<b>17. INTANGIBLE ASSETS</b>			
<b>At 31 March 2015</b>			
Opening net book amount	27,759	-	27,759
Additions	1,745	-	1,745
Amortisation charge	(3,059)	-	(3,059)
<b>Closing net book amount</b>	<b>26,445</b>	<b>-</b>	<b>26,445</b>
Cost	32,137	5,367	37,504
Accumulated amortisation	(5,692)	(5,367)	(11,059)
<b>Net book amount</b>	<b>26,445</b>	<b>-</b>	<b>26,445</b>
<b>At 31 March 2014</b>			
Opening net book amount	27,136	-	27,136
Additions	5,855	-	5,855
Transfer to property, plant and equipment	(2,599)	-	(2,599)
Amortisation charge	(2,633)	-	(2,633)
<b>Closing net book amount</b>	<b>27,759</b>	<b>-</b>	<b>27,759</b>
Cost	30,392	5,367	35,759
Accumulated amortisation	(2,633)	(5,367)	(8,000)
<b>Net book amount</b>	<b>27,759</b>	<b>-</b>	<b>27,759</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	2015 P'000	2014 P'000	2015 P'000	2014 P'000	2015 P'000	2014 P'000	2015 P'000	2014 P'000	2015 P'000	2014 P'000
<b>18. INVESTMENTS IN JOINT VENTURES</b>										
	Plot 7 (Plaza Centre)		Plot 1471/2 (Galo Complex)		Boiketlo (Phakalane)		Plot 5129 (Bank Gaborone Building)		Total	
At the beginning of the year	646	762	18,734	15,983	45	45	2,846	2060	22,271	18,850
Share of surplus for the year	607	784	10,568	7,751	-	-	2,077	1876	13,252	10,411
Drawings during the year	(250)	(900)	(7,500)	(5,000)	-	-	(1,155)	(1,090)	(8,905)	(6,990)
<b>At the end of the year</b>	<b>1,003</b>	<b>646</b>	<b>21,802</b>	<b>18,734</b>	<b>45</b>	<b>45</b>	<b>3,768</b>	<b>2,846</b>	<b>26,618</b>	<b>22,271</b>

The Corporation's interest in the joint ventures are as follows:

**a. PLOT 7 PARTNERSHIP (PLAZA CENTRE)**

The Corporation has a 50% interest in a partnership, Plot 7 Partnership, which owns and operates a shopping complex in Station, Gaborone.

**b. BOIKETLO ESTATES PARTNERSHIP (PHAKALANE)**

The Corporation has a 50% interest in a partnership, Boiketlo Estates Partnership established in December 2002 for the specific purpose of constructing, marketing and selling 147 residential housing units on Plots 42785 and 42787, Gaborone. The construction of these residential units was completed in August 2009.

**c. PLOT 1471/2 PARTNERSHIP (GALO COMPLEX)**

The Corporation has a 50% interest in a partnership, Plot 1471/2 Partnership, which owns and operates a shopping complex in Francistown.

**d. PLOT 5129 PARTNERSHIP (BANK GABORONE BUILDING)**

The Corporation has a 50% interest in a partnership, Plot 5129 Partnership, which owns and operates an office complex in Main Mall, Gaborone.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

## 18.1 SUMMARISED FINANCIAL STATEMENTS OF JOINT VENTURE PARTNERSHIP

Set out below are the financial information of above joint ventures, which are accounted for using equity method.

	Apr-15 P'000	Apr-14 P'000	Apr-15 P'000	Apr-14 P'000	Dec-14 P'000	Dec-13 P'000	Dec-14 P'000	Dec-13 P'000	2015 P'000	2014 P'000
	Plot 7 (Plaza Centre)		Plot 1471/2 (Galo Complex)		Boiketlo (Phakalane)		Plot 5129 (Bank Gaborone Building)		Total	
<b>Assets:</b>										
<b>Non-current assets</b>										
Investment property	2,327	2,393	44,602	46,142	-	-	57,700	52,840	104,629	101,375
Other non-current assets	-	-	3,650	1,387	-	-	-	-	3,650	1,387
	<b>2,327</b>	<b>2,393</b>	<b>48,252</b>	<b>47,529</b>	<b>-</b>	<b>-</b>	<b>57,700</b>	<b>52,840</b>	<b>108,279</b>	<b>102,762</b>
<b>Current assets</b>										
Cash and cash equivalents	1,042	350	11,546	4,887	-	-	538	459	13,126	5,696
Other current assets excluding cash	201	269	495	958	90	90	41	14	827	1,331
	<b>1,243</b>	<b>619</b>	<b>12,041</b>	<b>5,845</b>	<b>90</b>	<b>90</b>	<b>579</b>	<b>473</b>	<b>13,953</b>	<b>7,027</b>
	<b>3,570</b>	<b>3,012</b>	<b>60,293</b>	<b>53,374</b>	<b>90</b>	<b>90</b>	<b>58,279</b>	<b>53,313</b>	<b>122,232</b>	<b>109,789</b>
<b>Liabilities:</b>										
<b>Non-current liabilities</b>										
Long term loan	-	-	-	-	-	-	4,723	7,244	4,723	7,244
Deferred income	-	-	957	1,027	-	-	-	-	957	1,027
	<b>-</b>	<b>-</b>	<b>957</b>	<b>1,027</b>	<b>-</b>	<b>-</b>	<b>4,723</b>	<b>7,244</b>	<b>5,680</b>	<b>8,271</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	Apr-15 P'000	Apr-14 P'000	Apr-15 P'000	Apr-14 P'000	Dec-14 P'000	Dec-13 P'000	Dec-14 P'000	Dec-13 P'000	2015 P'000	2014 P'000
	Plot 7 (Plaza Centre)		Plot 1471/2 (Galo Complex)		Boiketlo (Phakalane)		Plot 5129 (Bank Gaborone Building)		Total	
<b>Current liabilities</b>										-
Other financial liabilities	-	238	-	-	-	-	2,521	2,216	2,521	2,454
Trade and other payables	194	80	3,209	2,859	-	-	87	79	3,490	3,018
	<b>194</b>	<b>318</b>	<b>3,209</b>	<b>2,859</b>	<b>-</b>	<b>-</b>	<b>2,608</b>	<b>2,295</b>	<b>6,011</b>	<b>5,472</b>
	194	318	4,166	3,886	-	-	7,331	9,539	11,691	13,743
<b>Net assets</b>	<b>3,376</b>	<b>2,694</b>	<b>56,127</b>	<b>49,488</b>	<b>90</b>	<b>90</b>	<b>50,948</b>	<b>43,774</b>	<b>110,541</b>	<b>96,046</b>
<b>Income</b>										
Revenue	1,360	1,866	30,548	24,339	-	-	5,984	5,690	37,892	31,895
Fair value adjustment							4,860	4,394	4,860	4,394
Other income	96	36	982	1,793	-	-	-	-	1,078	1,829
Finance income	1	2	147	72	-	-	36	31	184	105
	<b>1,457</b>	<b>1,904</b>	<b>31,677</b>	<b>26,204</b>	<b>-</b>	<b>-</b>	<b>10,880</b>	<b>10,115</b>	<b>44,014</b>	<b>38,223</b>
<b>Expense</b>										
Operating expenses	268	265	10,038	10,189	-	-	295	210	10,601	10,664
Finance expenses	7	65	-	403	-	-	1,101	1,370	1,108	1,838
	<b>275</b>	<b>330</b>	<b>10,038</b>	<b>10,592</b>	<b>-</b>	<b>-</b>	<b>1,396</b>	<b>1,580</b>	<b>11,709</b>	<b>12,502</b>
<b>Surplus for the year</b>	<b>1,182</b>	<b>1,574</b>	<b>21,639</b>	<b>15,612</b>	<b>-</b>	<b>-</b>	<b>9,484</b>	<b>8,535</b>	<b>32,305</b>	<b>25,721</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

## 18.2 RECONCILIATION OF NET ASSETS TO CARRYING AMOUNT

	Apr-15 P'000	Apr-14 P'000	Apr-15 P'000	Apr-14 P'000	Dec-14 P'000	Dec-13 P'000	Dec-14 P'000	Dec-13 P'000	2015 P'000	2014 P'000
	Plot 7 (Plaza Centre)		Plot 1471/2 (Galo Complex)		Boiketlo (Phakalane)		Plot 5129 (Bank Gaborone Building)		Total	
Closing net assets	3,376	2,694	56,127	49,488	90	90	50,948	43,774	110,541	96,046
Fair value of land contributed as equity	(1,271)	(1,271)	(10,720)	(10,720)	-	-	(5,702)	(5,702)	(17,693)	(17,693)
Restating properties at fair value to cost	-	-	-	-	-	-	(34,132)	(29,272)	(34,132)	(29,272)
Accumulated depreciation on investment property	-	-	-	-	-	-	(4,714)	(4,272)	(4,714)	(4,272)
Adjustment to align financial year end	(99)	(131)	(1,803)	(1,301)	-	-	1,135	1,164	(767)	(268)
	2,006	1,292	43,604	37,467	90	90	7,535	5,692	53,235	44,541
Interest in Joint Venture at 50%	1,003	646	21,802	18,734	45	45	3,768	2,846	26,618	22,271

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	2015 P'000	2014 P'000
<b>19. LOANS TO RELATED PARTIES</b>		
At the beginning of the year	8,932	10,943
Interest charged (note 12)	1,028	1,306
Loans repayments received	(3,040)	(3,317)
<b>At the end of the year</b>	<b>6,920</b>	<b>8,932</b>
Less: current portion	(2,880)	(2,288)
<b>Non-current portion</b>	<b>4,040</b>	<b>6,644</b>

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	2015 P'000	2014 P'000
<b>20. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	54,825	57,607
Less: provision for impairment of trade receivables	(16,931)	(6,741)
<b>Trade receivables-net</b>	<b>37,894</b>	<b>50,866</b>
Sundry debtors	9,243	4,346
	<b>47,137</b>	<b>55,212</b>
Less: non-current portion	(15,078)	(19,438)
<b>Current portion</b>	<b>32,059</b>	<b>35,774</b>
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	6,741	4,543
Provision for impairment	10,190	2,486
Unused amount reversed	-	(288)
<b>Accumulated impairment losses at end of the year</b>	<b>16,931</b>	<b>6,741</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	2015 P'000	2014 P'000
<b>21. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and on hand	338,773	135,482
Short term bank deposits	451,916	363,678
	<b>790,688</b>	<b>499,160</b>
Cash, cash equivalents and bank overdraft include the following for the purpose of the purpose of the statement of cash flows		
Cash and cash equivalents	790,688	499,160
Bank overdrafts (note 24)	-	(57,595)
	<b>790,688</b>	<b>441,565</b>
<b>22. IRREDEEMABLE CAPITAL</b>		
Irredeemable capital contribution	250,000	250,000
<b>23. EARNINGS RESERVE</b>		
At beginning of the year	11,697	15,851
Net transfer to retained earnings	(3,040)	(4,154)
<b>At end of the year</b>	<b>8,657</b>	<b>11,697</b>

Earnings reserve is a reserve accounted in terms of accounting policy note number 2.16.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	2015 P'000	2014 P'000
<b>24. BORROWINGS</b>		
Irredeemable loan	212	212
Foreign loans on-lent by the Government of Botswana	45,407	53,929
Government of Botswana loans	-	1,327
Debt Participation Capital Funding Limited loans	51,305	86,557
	<b>96,924</b>	<b>142,025</b>
Debt securities in issue	392,962	392,981
Bank overdraft	-	57,595
	<b>489,886</b>	<b>592,601</b>
Less: current portion	(49,013)	(111,254)
<b>Non-current portion</b>	<b>440,873</b>	<b>481,347</b>

Debt securities in issue include an accrued interest of P3.96 million.

All borrowings are denominated in Pula.

## 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 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 of 8.40% to 8.50%. The Government of Botswana bears the risk of any foreign exchange rate fluctuations.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MARCH 2015

#### 24.3 GOVERNMENT OF BOTSWANA LOANS

The Government of Botswana loans are repayable between 21 and 22 years and bear interest at rates varying between 7.50% and 10.00% per annum.

#### 24.4 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.

#### 24.5 BANK OVERDRAFT

The bank overdraft has been obtained from the Stanbic Bank Botswana Limited. The limits of the facility is P200 million. The facilities are reviewed within 12 months of the initial draw down. The facility expired and was cleared in September 2014. Interest is charged at 3% below the Bank's prime lending rate.

All borrowings are unsecured.

The carrying amounts of borrowings approximate their fair value.

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	Contractual interest rate (%)	Period of repayment	Balance at 01/04/14 P'000	Interest unwinding during the year P'000	Repayment during the year P'000	Balance at 31/03/15 P'000
<b>Lender</b>						
<b>Irredeemable loan</b>						
Government of Botswana	8.00%	Irredeemable	212	-	-	212
<b>Foreign loans on-lent by the Government of Botswana</b>						
Government of the Peoples' Republic of China	8.50%	2007-2014	2,927	109	(1,985)	1,051
Government of the Peoples' Republic of China	8.50%	2008-2016	7,324	323	(2,930)	4,717
Government of the Peoples' Republic of China	8.40%	2011-2019	43,678	2,400	(6,439)	39,639
			<b>53,929</b>	<b>2,832</b>	<b>(11,354)</b>	<b>45,407</b>
<b>Government of Botswana loans</b>						
Government of Botswana	10.00%	1992-2014	1,327	(19)	(1,308)	-
			<b>1,327</b>	<b>(19)</b>	<b>(1,308)</b>	<b>-</b>
<b>Debt Participation Capital Funding Limited loans</b>						
Debt Participation Capital Funding Limited	7.50%	1991-2014	2,359	(58)	(2,301)	-
Debt Participation Capital Funding Limited	8.00%	1992-2015	2,178	(26)	(1,394)	758
Debt Participation Capital Funding Limited	8.00%	1993-2015	13,589	94	(8,953)	4,730
Debt Participation Capital Funding Limited	9.50%	1993-2016	50,108	662	(18,915)	31,855
Debt Participation Capital Funding Limited	12.00%	1994-2017	18,323	152	(4,513)	13,962
			<b>86,557</b>	<b>824</b>	<b>(36,076)</b>	<b>51,305</b>
			<b>142,025</b>	<b>3,637</b>	<b>(48,738)</b>	<b>96,924</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	2015 P'000	2014 P'000
<b>25. TRADE AND OTHER PAYABLES</b>		
Trade payables	54,173	57,670
Advance payment by customers	15,188	11,336
Accrued expenses	36,123	38,036
Dividend payable	80,821	80,821
Sundry creditors	11,850	4,924
	<b>198,155</b>	<b>192,787</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	2015 P'000	2014 P'000
<b>26. AGENCY FUNDS</b>		
At the beginning of the year	360,252	232,566
Funds received during the year	347,193	272,294
Expenditure on projects during the year	(120,455)	(156,751)
Interest earned on temporary investment of funds	19,581	12,143
<b>At the end of the year</b>	<b>606,571</b>	<b>360,252</b>
Non-current portion	(194,103)	(115,281)
<b>Current portion</b>	<b>412,468</b>	<b>244,971</b>
Balances relating to related parties are as follows		
Botswana Defence Force	342,346	166,948
Botswana Unified Revenue Services	2,479	(465)
Department of Housing	47,507	70,815
Self Help Housing Agency	158,091	96,043
Tlokweng Land Board	802	1,195
Malete Land Board	729	1,866
Directorate of Corruption and Economic Crime	74	74
Independent Electoral Commission	289	290
<b>Botswana Prisons Services</b>	<b>54,254</b>	<b>23,486</b>
	606,571	360,252

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	2015 P'000	2014 P'000
<b>27. CUSTOMER DEPOSITS</b>		
Rental deposits	11,551	11,369
Sale of properties deposits	29,341	124,524
	<b>40,892</b>	<b>135,893</b>
<b>28. DIVIDEND</b>		
Dividend	4,064	8,731

The board approved a dividend payable of P4,064,000 for the financial year 2013/2014 (2013 : P8,731,000) which is calculated in accordance with the Government of Botswana's directive, as 25% of the surplus reported in that financial year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	2015 P'000	2014 P'000
<b>29. NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		
Total comprehensive income for the year	9,839	16,256
Adjustments for:		
Gain/loss on sale of property, plant and equipment	68	(223)
Gains from sale of investment property (note 11)	(39,172)	(28,145)
Depreciation - investment property (note 14)	7,744	8,446
Depreciation - property, plant and equipment (note 16)	3,490	4,119
Amortisation - leasehold land (note 7)	1,170	1,152
Amortisation - intangible assets (note 17)	3,059	2,633
Bad debt expenses	10,190	2,560
Adjustment on investment property (note 14)	174	-
Interest unwinding on loans	4,304	5,448
Movement in bond and loan accrued interest	(687)	(1,704)
Share of retained earnings of joint ventures (note 18)	(13,252)	(10,411)
Finance income (note 12)	(7,777)	(5,979)
Finance cost (note 13)	33,750	44,015
	<b>12,901</b>	<b>38,168</b>
Changes in working capital:		
Trade and other receivables (note 20)	(2,115)	(7,929)
Agency funds (note 26)	246,319	127,686
Trade and other payables (excluding dividend payable) (note 25)	5,368	(2,276)
Deferred income	6,381	-
Customer deposits (note 27)	(95,001)	55,073
Housing inventories (note 15)	151,822	(58,483)
<b>Net cash used in operating activities</b>	<b>325,675</b>	<b>152,239</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	2015 P'000	2014 P'000
<b>30. COMMITMENTS</b>		
<b>a. CAPITAL COMMITMENTS</b>		
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	97,459	42,302
Intangible assets	5,730	2,590
	<b>103,189</b>	<b>44,892</b>
<b>b. OPERATING LEASE COMMITMENTS</b>		
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
Not later than 1 year	4,087	985
Later than 1 year but not later than 5 years	6,836	136
	<b>10,923</b>	<b>1,121</b>

## 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, 2015 amounted to nil (2014: P0.150 million).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

## 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 P4.1 million (2014: P8.7 million). The basis for the payment of this dividend is disclosed in note 28 to these financial statements.

	2015 P'000	2014 P'000
<b>32.3 TRANSACTIONS WITH BOARD MEMBERS</b>		
Board sitting fees	126	190
<b>32.4 KEY MANAGEMENT COMPENSATION</b>		
Salaries and other short-term benefits	3,405	3,209

Additionally, members of the Executive Management Committee are entitled to rent-free accommodation or housing allowance (during the current financial year all the executive committee members have opted for housing allowance), personal-to-holder motor vehicles and subsidised water and electricity.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	2015 P'000	2014 P'000
<b>32.5 ADVANCES TO KEY MANAGEMENT PERSONNEL</b>		
Advance against gratuity	1,111	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 2015 doubtful debt provisions in respect of rental debts owed by the Government of Botswana amounted to P164,743 (2014: P546,229).

### 32.8 JOINT VENTURES

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

## 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 2015.

	Sales of housing inventories P'000	Rental income P'000	Professional fees P'000
Botswana Defence Force	-	10,194	4,478
Botswana Prisons 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 Crime and Economic Crime	5,611	-	-
Jwaneng Town Council	2,421	-	-
	<b>109,552</b>	<b>86,512</b>	<b>11,715</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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 2014.

	Sales of housing inventories	Rental income	Professional fees
	P'000	P'000	P'000
Botswana Defence Force	-	10,118	5,846
Botswana Prisons Services	-	4,181	973
Department of Housing	-	52,671	4,495
Botswana Police Service	-	17,300	-
Self Help Housing Agency	-	-	5,823
Office of the President	15,335	1,938	-
Ministry of Education	42,010	-	-
Accountant General	2,897	-	-
Botswana Unified Revenue Services	1,361	-	-
Water Utilities Corporation	1,460	-	-
Ghanzi Land Board	1,342	-	-
	<b>64,405</b>	<b>86,208</b>	<b>17,137</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

## 32.10 TRADE RECEIVABLES

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

	2015 P'000	2014 P'000
Botswana Defence Force	-	2,499
Botswana Unified Revenue Service	-	-
Department of Housing	390	5,035
Ministry of Lands and Housing	-	5,823
Tlokweng Land Board	72	179
Malete Land Board	81	187
Botswana Prisons Services	1,093	1,090
	<b>1,636</b>	<b>14,813</b>





