bhc annual report 2013

Through Prudent and Efficient Management of Resources

bhc
accommodating your future

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OUR MANDATE

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.

Business
Property Development
Property Sales
Property Management
External Project Management Services

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.

CONTENTS

BOARD MEMBERS

Batlhatswi S. Tsayang - Deputy Chairperson

Duduzile B. Khupe - Member

Oteng S. Mamparanyane - Member

Baemedi K. Mmopi - Member

BOARD MEMBERS


Benjamin T. Mokgolodi - Member


Reginald Ketshabile - Member


Stephen B. Tiroyakgosi - Member


Marina Bathuleng-Mookodi - Member


Felix Monggae - Member

SENIOR **LEADERSHIP** TEAM

Milidzani Majingo - Deputy CEO
Operations (Ret)

Serty Leburu
Deputy CEO - Support Services

Yagan Mukonde
Risk Manager

Elizabeth Galeforolwe
Legal Services Manager

SENIOR **LEADERSHIP** TEAM


Octavian Seitshiro
Maintenance Manager


Gaotlhobogwe Baleseng
Property Sales Manager


Sekgele Ramahobo
Human Resource Manager


Paul More
Property Development Manager


Olefile Segokgo
Senior Estate Manager - North Region


Kesebonye Khimbele
Property Manager


Pascaline Sefawe
Finance Manager


Botho Bayendi - Corporate Planning
Manager & Board Secretary


Samantha Molefe
IT Manager


Mookodi Seisa
Public & Corporate Affairs Manager

CHAIRPERSON'S **REPORT**

It is with great pleasure that I present to you the Botswana Housing Corporation's annual report and financial statements for the financial year ended 31st March 2013. The Government of Botswana has entrusted the mandate of delivering housing accommodation to the Corporation. It is a mandate which the Board, management and the entire staff of the Corporation take very seriously.

The BHC Board and management meet periodically to review and re-align its strategy to its mandate. This is done in view of challenges and opportunities that are constantly emerging in the business environment in which the Corporation operates.

During the 2012/13 financial year, the Board and management carried out a mid-term review of the Corporation's seven (7) year strategic plan whose implementation started in April 2009 and will continue up to March 2016.

STRATEGY REVIEW

The strategic review process recognised a number of opportunities which the Corporation aimed to pursue. These included; the declaration of the Corporation as a Single Housing Authority, through which Government will support and facilitate the Corporation's access to remote areas; the potential release of development capital currently locked up in properties that are rented to Government as part of the Government's Housing Pool; the establishment of strategic partnerships with financial institutions and the high demand that exists for the Corporation's products.

CHAIRPERSON'S **REPORT**

The review recognised a number of challenges that needed to be mitigated such as the continued economic recession and individuals' generally depleting disposable incomes coupled with inflationary cost of production which tended to put the Corporation's products beyond customers affordability. Lack of serviced land and the small declining market trend were pointed out as real threats to the BHC business.

THE CORPORATION'S VISION AND MISSION

During the strategic review process the Corporation's Board and management also took the opportunity of reviewing the Corporation's Vision and Mission Statements. The results of this review were the following revised statements for Vision and Mission:

Vision: "To be the choice provider of housing solutions in Botswana".
Mission: "To provide affordable housing to the nation through appropriate solutions".

By striving to be 'the choice provider of housing solutions' the Corporation is not seeking to compete with private developers operating in the Botswana market. But, rather, the Corporation is committing itself to a programme of action which will institute product and service standards that will enable the Corporation to be comparable to any other developer in the country.

Additionally, in seeking to provide appropriate solutions' the Corporation is endeavouring to develop innovative products which will address the property needs of various market segments while, at the same time, ensuring that its products remain affordable to various market segments.

THE CORPORATION AS A SINGLE HOUSING AUTHORITY (SiHA)

From 1st April 2012 the Corporation became a Single Housing Authority (SiHA). What this means in practice is that the Government of Botswana will henceforth channel all its housing development initiatives through the Corporation, including houses to be developed under the Self-Help Housing Agency (SHHA) and the District Housing programmes. The declaration of the Corporation as SiHA represents an opportunity for the Corporation to render its technical expertise to people who hitherto have not been part of the Corporation's market. It is an opportunity which the Board and management are looking forward to with renewed vigour.

As part of SiHA mandate the Corporation was charged by the Botswana Government with the task of constructing some one thousand (1,000) SHHA houses across the length and breadth of the country on a turnkey basis. As at 31st March 2013 some one hundred and thirty-one (131) SHHA houses were already under construction and were at various stages of completion.

Notwithstanding the significant milestones above, the Botswana Housing Corporation continues to experience a variety of challenges of varying magnitudes in delivery of its mandate. In its pursuit of its 2012/13 delivery targets the Corporation faced a major challenge, which affected the Corporation's ability to meet its targets. The Corporation recently completed the construction of some five hundred and sixteen (516) housing properties at Phakalane in Gaborone. Some of these properties were completed before 31st March 2012. These properties were all earmarked for sale and, indeed, the majority of them were actually sold prior to their completion.

However, the Corporation has been unable to hand these properties over to the purchasers as the properties have not yet been connected to the supply of fresh water. The reason for this is that the sewage system in Phakalane is already operating beyond its design capacity and, therefore, the occupation of these properties could lead to the sewage system being overloaded which, in turn, could lead to an environmental disaster. The Corporation is working closely with all the parties involved in this matter, being: Phakalane Estates, Water Utilities Corporation and the Botswana Government, so as to bring about a speedy resolution to this matter.

The Corporation also experienced sluggish demand for its newly constructed properties. The slow demand is attributable, mainly, to two (2) factors. Firstly, the properties that were available for sale were located mostly in rural areas where the demand for the Corporation's products is traditionally low. Secondly, the on-going global economic recession has continued to affect income levels in Botswana resulting in both companies and individuals struggling to afford to purchase property.

CHAIRPERSON'S **REPORT**

To address these challenges, the Board resolved to re-introduce the Tenant Purchase Scheme (TPS) for the disposal of properties in selected areas. The areas in which the TPS option will be made available are those in which the Corporation is struggling to sell on an outright basis. Purchasing property through the TPS scheme allows purchasers to defer or completely avoid some of the upfront expenses they usually have to incur when they finance their purchases through financial institutions. Such costs include the cost of transferring title, bond registration fees and mortgage negotiation fees, among others. Furthermore, the Corporation has developed a marketing strategy, which will be implemented in the coming financial year. The implementation of this strategy will ensure that there is an appropriate level of focus on researching customers' tastes and their effective demand, educate potential customers and the public at large to appreciate the value of investing in residential property as opposed to being tenants throughout their lives. To give the research and marketing function the attention it deserves, the Board decided to create a fully-fledged Research and Marketing Department. The new department will become operational from 1st April 2013.

The Corporation's ability to develop houses in the strategic area of Gaborone, where there is a high demand for the Corporation's products, continues to be adversely affected by the lack of land for development in this area. The Board is trying to address this challenge in two (2) ways. Firstly, the Corporation is re-looking at existing high density developments in Gaborone with a view to re-developing them such that the land they occupy is more optimally utilised than is currently the case. This exercise is expected to result in some two hundred and fifty (250) additional housing units being made available to the market. The Corporation is also looking at acquiring land in villages on the outskirts of Gaborone, in recognition of the fact that a number of people are willing to live in such places and commute to Gaborone on a daily basis. To this end, the Corporation applied for and has been allocated land in such places as Mochudi, Molepolole and Kanye. However, the lack of availability of fresh water as well as sewage infrastructure in these places has led to the Corporation deferring the development of such land.

The Corporation has not reviewed its rentals since April 2004. Therefore, rentals on housing properties that were part of the Corporation's rental portfolio in 2004 have remained unchanged since then. On the other hand, the cost of managing these properties, which includes the cost of maintaining them, has increased year on year as a result of inflationary pressures. This is posing a serious challenge as, in some cases; the cost of managing such properties exceeds the income which the Corporation derives from them.

A large number of these properties are being rented by the Government of Botswana. In an effort to mitigate the adverse effects of the financial under-performance of such properties, the Corporation is engaging the Government to purchase these properties.

In conclusion, I would like to take this opportunity to thank my fellow Board members for their relentless efforts in steering the Corporation forward, despite the many challenges the Corporation faces. I would also like to extend my gratitude to the Chief Executive Officer and his management team, as well as the entire staff of the Corporation for the good work they have continued to do in implementing the Corporation's strategy. Without the level of devotion to duty which these team members have demonstrated the Corporation's performance could have been much worse than what has been reported.

CEO'S **STATEMENT**

The Corporation has experienced difficult trading conditions in the last three years due to the challenging business environment. The customer's affordability of housing properties has been negatively impacted, in particular the BHC target market, which is the low to medium income earners. Despite these challenging trading conditions we have continued to achieve results as set out in the Corporation's financial plan.

A CHALLENGING YEAR

The Corporation has been faced with a number of challenges in the recent past, amongst them the delayed delivery of our housing properties at Phakalane and the low uptake of our properties in the peri-urban areas. I am however pleased to report that we were able to put interventions in place to ensure that our business remains financially sustainable. We have continued to record notable business growth through revenue growth, good control of operating expenditure and have maintained a very strong balance sheet. The plan going forward is to remain prudent in our spending in an effort to preserve shareholder value and channel our limited resources towards building more houses for the nation of Botswana.

CEO'S STATEMENT

STRATEGIC PLAN

We recently reviewed our 2016 strategic plan in an effort to reflect on achievements made and the shortfalls and coming up with interventions to address the shortfalls. After this review we came up with a revised strategic plan for the remaining three years of the longer term plan. This plan has taken into consideration the challenges we are currently facing of land availability in prime areas, shareholder relationship management, stagnant rentals charged and affordability levels of our customers. The revised strategy has clearly pronounced shareholder engagement as key to the success in the Corporation executing its mandate. In partnership with our shareholder, the government, we are confident that we will deliver appropriate housing solutions to Batswana.

OUR PEOPLE

At BHC our employees are our most important resource. Without our employees we would not be able to deliver outstanding service to our customers and house Batswana at large. Training is an integral part of our yearly plan and this is meant to equip our employees with the requisite skills to enable them to excel in everything they do. Individual employee performance collectively leads to organisational performance. Though the trading conditions have been difficult funding has always been set aside for employee training. The Corporation also has a wellness program in place which is meant to assist employees deal with life challenges, this programme encompasses healthy living through encouraging them to keep fit at all times.

OUR CUSTOMERS

Our customers are a critical component of our business as we rely on their patronage for our existence. A lot of focus on customer service was done this year through our dedicated Customer Care Department. The year saw training of our front line staff on customer service as they deal with customer on a daily basis. This training will be rolled over to the rest of the Corporation in the next financial year. Tenants' consultation meetings continued in this financial year and the main objective of these meetings is to get customer feedback and provide the information which is deemed to benefit our customers. Our customers views are critical and we always incorporate them in our new house designs.

CORPORATE SOCIAL RESPONSIBILITY

The Corporation continues to be a caring corporate citizen through CSR initiatives which reach out to less fortunate members of the community. During the year under review, the Corporation contributed to several initiatives in line with our CSR policy and guidelines. The focus areas, which we made contributions towards included education, health care, environment, generation of employment, sports and culture. Furthermore the Corporation continues to support other reputable NGO's which are involved in upliftment of the standard of our local communities. We recognise the effort played by these organisations in bettering lives of ordinary citizens in Botswana and hence our support from time to time.

ENTERPRISE RESOURCE PLANNING SYSTEM

The Corporation implemented a new ERP system this financial year and the system went live on the 1st April 2013 in accordance with plan. This system will go a long way into bringing efficiencies into the business through automation of processes. This is expected to greatly benefit customers and improve the overall customer impression of BHC.

CONCLUSION

I would like to take this opportunity to thank BHC Board members for their support and guidance during this financial year. I would also like to express my gratitude to employees of the Corporation, who have remained very faithful during these turbulent times. Finally I thank BHC customers, for without our customers we would not have a business.

FINANCIAL HIGHLIGHTS

REVENUE

The Corporation recorded revenue growth of 36% from P342.5 million to P465.4 million. The increase in revenue was mainly driven by the sales of housing properties, which recorded a growth of 87%. Rental income increased by a small margin of 3% from P179 million to P184 as the Corporation's strategy is now geared towards selling instead of leasing out properties. The strategy to sell is driven by the decision to encourage home ownership amongst Batswana. Professional fees, which is the one of the major revenue streams for the Corporation declined by 18%. The decline was due to the cut in government Capital Expenditure, which meant fewer projects were done for government and government owned entities in this financial year. As the economic conditions improve and government starts new projects this income is expected to turnaround.

- Revenue increased by 36%, from P342 million to P465 million.
- Operating surplus increased by 0.1%, from P71 million to P71.1 million.
- Comprehensive income decreased by 31%, from P50.4 million to P34.9 million.
- Total assets decreased by 2%, from P2.62 billion to P2.56 billion.

FINANCIAL HIGHLIGHTS

Despite the growth in revenue by 36%, the surplus for the year went down by 31%, from P50.4 million to P34.9 million on the back of increasing construction costs and low margins from sales revenue. The low margins are brought about by the sensitiveness of our customers to the price of our properties. The Corporation is looking at strategies on alternative methods of construction with a view of reducing construction costs. Consultations with government are also ongoing to advocate for sharing of infrastructure development costs, which make up almost 25% of construction costs. Should this initiative succeed, BHC will realise up to 10% savings on construction related costs. This year alone cost of sales went up by 70%, with net profit margins on sales revenue averaging 11%.

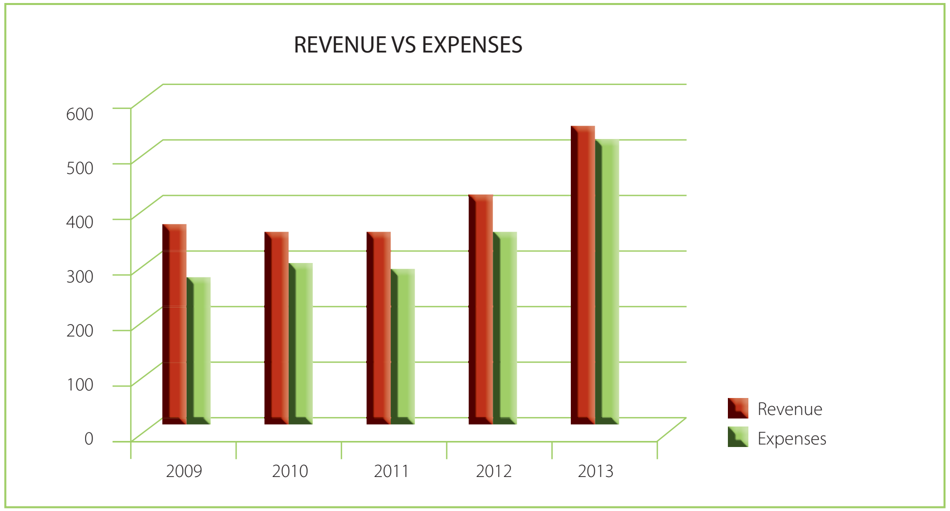
OPERATING EXPENSES

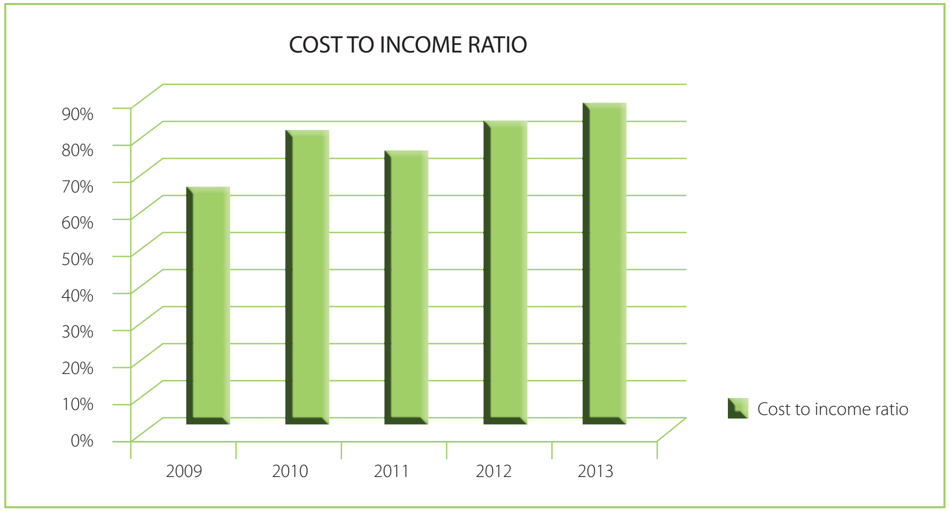
Operating expenses went up by 16% as a result of the increase in other expenses by 35% and an increase in pay costs by 17%. The Corporation recognizes that its employees are very key to the delivery of its strategy and continues to offer competitive employee benefits. During this financial year the Corporation picked up a once of additional tax assessment of P15.6 million, which drove up other expenses and lead to the increase of 35%. There is a once off tax related expense which also had a negative impact on the financial results for this year. The management strategy of cost optimisation continued in this financial year and this led to the decrease in the costs of maintenance of housing properties of 10%. The decision made in 2009 to do cycle maintenance is yielding results, as maintenance costs are going down in light of this pro-active approach.

TOTAL COMPREHENSIVE INCOME

Total comprehensive income decreased by 31% mainly due an increase in financing costs. Financing costs went up by 62% as a result of lower project starts in this financial year, which led to less capitalisation of the interest expense. A decision was made by Management to slow down construction of new projects owing to the accumulation of stocks brought about by the Phakalane impasse and slow uptake of the BHC properties in peri-urban areas.

FINANCIAL HIGHLIGHTS



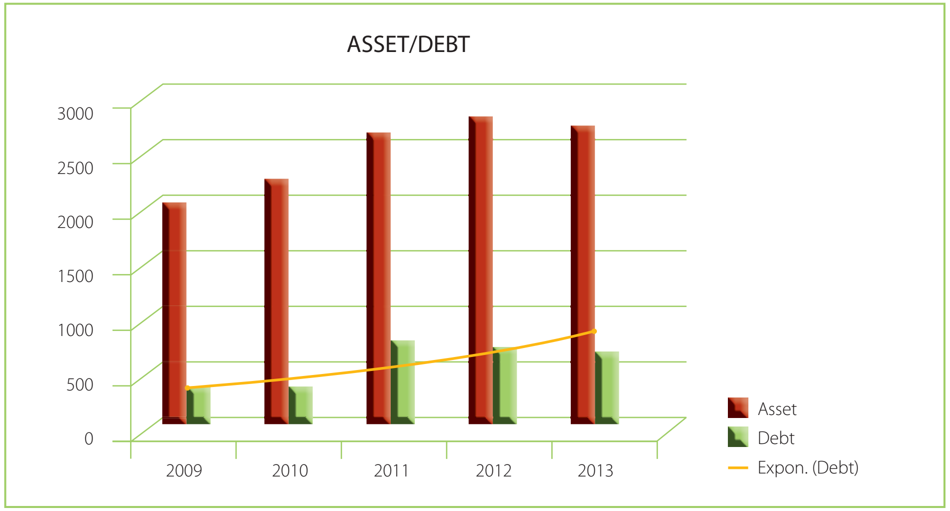


COST TO INCOME RATIO

The Corporation recorded cost to income ratio of 84% excluding financing costs compared to 81% in the prior year. The increase in cost to income ratio compared to the prior year is as a result of low margins on our housing properties and an increase in operating expenses and financing costs.

STATEMENT OF FINANCIAL POSITION

The Corporation's Statement of Financial Position remains strong with total assets now over BWP 2.5 billion, a decrease of 2% from P2.62 billion to P2.56 billion from the previous year. Investment properties decreased by 4% as the marketing initiatives to encourage our tenants to buy the properties intensify. The Corporation has been very successful in this mission of encouraging home ownership, which saw a gain of P49.4 million realised from the sale of houses to sitting tenants.



CORPORATE **GOVERNANCE**

CORPORATE **GOVERNANCE**

THE BOARD

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

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 had started to implement the Shareholder oversight guidelines which stipulate that Board members shall not serve more than two terms.

The Board meets quarterly and further meetings may be scheduled as the need arise.

Their collective experience enables them to provide sound, independent and objective judgment in decision making. Members are jointly accountable for decisions of the Board.

The Board meets to review performance, approve policies, approve significant transactions, give direction and ensure that management pursue the best interests of stakeholders at all times.

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

CORPORATE **GOVERNANCE**

MEMBERS OF THE BOARD

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

The other members are:

Mr. Oteng S. Mamparanyane; Mr. Felix Monggae; Mrs. Duduzile B. Khupe; Mr. Reginald Ketshabile; Mr. Baemedi K. Mmopi; Ms. Marina Bathuleng-Mookodi; Mr. Benjamin T. Mokgolodi and 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; Mrs. Duduzile B. Khupe; Mr. Felix Monggae and Ms. Marina Bathuleng-Mookodi.

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. Batlhatswi S. Tsayang (Chairperson); Mr. Reginald Ketshabile; Mrs. Duduzile B. Khupe; Mr. Stephen B. Tiroyakgosi and Mr. Benjamin T. Mokgolodi.

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 (Chairperson); Mr. Baemedi K. Mmopi; and Mr. Benjamin T. Mokgolodi Ms. Marina Bathuleng-Mookodi and 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.

CORPORATE **GOVERNANCE**

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:

Board Chairperson	- P1050.00
Deputy Chairperson	- P840.00
Member	- P840.00

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 Internal Audit function falls under the Risk Department. The function keeps the Board and Management fully appraised 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 through the Finance and Audit Committee on quarterly basis.

OPERATIONS DIVISION

OPERATIONS **DIVISION**

PROPERTY DEVELOPMENT

For this financial year, the Corporation had planned to start a total of 690 units in different locations in Botswana. Out of these, 440 units could not be started. A total of 114 units planned for Phakalane could not be started due to sewer challenges affecting the Corporation's estate of 516 detached residential units. Some of the units could not be started largely due to failure to acquire land in time. The land in question had been identified, but the process of availing land to the Corporation was inordinately protracted and consequently affected housing starts planned for the financial year. This affected 75 units planned for Jwaneng, 100 units planned for Tsholofelo and 140 units planned for Francistown. A further 11 units planned for Tonota could not be started due to the location's proximity to Francistown, where the Corporation met some challenges in disposing part of its 545 - unit estate.

For the year under review, the Corporation delivered 378 housing units for sale and leasing to the public, and 71 properties, mainly residential were delivered for the Botswana Defence Force.

OPERATIONS **DIVISION**

HOUSING STARTS

For the year under review, the following projects were started:

a. Lobatse - 24 flats
b. Lobatse - 8 medium income housing units
c. Palapye - 196 low, medium and high income housing units

The huge estate of 196 houses under construction in Palapye was started at the tail end of the financial year. This was a direct consequence of the Corporation's decision to halt speculative development of residential property. The Board of Directors of the Corporation has decided that all housing starts should be supported by a demonstrable 50% commitment by prospective buyers to purchase upon completion of construction. The Corporation embarked on an aggressive sales strategy that eventually bore fruit as the Botswana Power Corporation responded favourably to efforts expended by BHC's External Projects Team to pre-sell housing units planned for Palapye. Botswana Power Corporation committed to purchasing a total of 138 units in Palapye and this paved the way for the development of the planned 196 units.

HOUSING DELIVERY FOR THE PUBLIC

For the year under review 378 residential units were delivered in the following locations:

a. Maun - 111 detached units
b. Ghanzi - 124 detached units
c. Gaborone - 17 Town houses
d. Jwaneng - 126 detached units

A total of 82 units planned for Ghanzi could not be delivered mainly owing to issues related with the appointed Contractor's administration capacity and resource management challenges. Corrective measures have been put in place to address these challenges and delivery is expected in the second quarter of 2013 - 2014.

HOUSING DELIVERY FOR OTHER INSTITUTIONS

As part of its revenue generation strategy, the Corporation from time to time targets external parties, such as the Botswana Defence Force and Parastatals to deliver projects for them. Contractors are engaged for these projects, with the Corporation offering project management services through its broad spectrum of its in-house professionals.

OPERATIONS **DIVISION**

Through this intervention, the Corporation delivered 70 housing units and one kitchen facility for the Botswana Defence Force. There has been a strategic shift in the Government National Development Plan regarding starting of new capital development projects. The Government's policy has moved from development of new projects to maintenance of existing ones; and as such, capital development projects were drastically reduced for this financial year. For Parastatals and other quasi-government entities that fully depend on Government subventions for capital development projects, this meant that most of the planned capital development projects had to be shelved. Unfortunately, this adversely affected the planned number of project commencements for external clients. For the year under review, 30 housing units were started for the Botswana Defence Force and 24 units were started for the Prisons Services Department.

DELIVERY OF THE CORPORATION'S HOUSES IN PHAKALANE

BHC has constructed a large scale estate comprising 516 houses in Phakalane, Gaborone. However, the houses cannot be occupied as Water Utilities Corporation (WUC) has rejected the Corporation's application to connect water to the said houses. This was caused by the fact that the existing sewer infrastructure in Phakalane does not have the capacity to accommodate more houses. The Government has directed WUC and Phakalane Estates (PE) to work on a technical solution to this problem, the cost of which would be met by PE and the Government. The Corporation is working with all related entities to resolve this problem with a view to unlocking about P500 million capital locked in the 516 houses.

DENSIFICATION

The process of creating value out of existing high density developments in Gaborone started this financial year. The prime objective is to optimise on available land for developed multi-family estates in Gaborone. For some of these estates, there is space that could be utilised for construction of additional units, while there will be a need to go for wholesale redevelopment for some. Most of the groundwork was done during the year under review, such as appointment of consortium to lead in the process, working on designs for planned projects and securing the required planning permissions. Development is planned to start in the next financial year.

SELF HELP HOUSING AGENCY (SHHA) HOUSES

In July 2010, the government through Presidential Directive CAB 20(B)/2010 directed that all government's housing implementation programmes should be transferred to Botswana Housing Corporation (BHC). This meant that the Corporation would serve as the government's single housing authority. Hitherto this appointment, all SHHA developments were controlled by district councils. However, under the new arrangement, all residential developments for the Government are centralised at BHC. This includes all new district and SHHA housing schemes to be undertaken countrywide. Over 600 units were planned for construction during the 2012/13 financial year. Construction was planned to start in batches, with the first batch of 133 housing units having already started in a number of constituencies.

PROPERTY MANAGEMENT

The Property Management arm oversees the BHC rented portfolio. The function involves preparation and upkeep of the property asset register, allocation of units and management of the tenant-landlord relationship. The section also ensures the units are let to good tenants through the rigorous credit control policy to minimise default rates.

As at the 1st April 2012, the number of rented properties stood at 10794. The current year closed at 10611 units, a reduction of 183 units which is attributed to the sale of rented stock which surpassed the rate of replenishment. Although there has been a reduction in the portfolio, there has been growth in the rent income due to an improved tenant mix that includes newly developed units charging rentals at higher prices. The rent income has increased by 3%.

Occupancy has dipped slightly to 97.9% against the targeted 99%. As at the 31st March 2013, arrears stood at P4.8 million representing 2.6% of the annual turnover. This is within the industry norm and a result of very tight credit control interventions put in place by the Corporation.

OPERATIONS **DIVISION**

PROPERTY SALES

Property Sales constitutes an integral part of the Corporation's revenue streams. The Corporation continues to empower Batswana through home ownership opportunities available in various parts of the country where effective demand has been identified. The Corporation embarked on several initiatives aimed at generating revenue through this important stream.

Sale of sectional titles for new high density developments was achieved as a total of 151 flats were sold to qualifying Batswana, citizen controlled companies and the Government. The challenge however still remains with old sectional title properties which are still proving difficult to sell due to conflict between the BHC Act and the Sectional Title Act. The Sectional Title Act demands that we sell first to sitting tenants, some of whom are foreigners, on the other hand the BHC policy does not allow sale of properties to foreigners. The issue has been escalated to the Ministry of Lands and Housing to assist in finding a resolution. Pre-selling of several Townhouse properties in Gaborone Village proved very successful as individuals and Government took up offers and made commitments to buy.

Eight hundred and fifty three (853) houses were sold during the year to qualifying Batswana, generating a total revenue of P385 million. Disposing off properties through sales still remains a major challenge for the Corporation in a number of peri-urban areas which include Serowe, Ghanzi and Mahalapye. This is in part due to high input costs associated with construction making the prices unattractive to consumers. The other challenge is that financiers exercise caution when it comes to investing in these areas making it difficult for customers to secure loans to purchase properties.

The Corporation however remain optimistic in its efforts to empower Batswana through home ownership through sales. A robust Marketing Strategy has been adopted to deal with future challenges and it is hoped that sales will improve significantly in the near future. TPS will also be introduced where the Corporation is struggling to sell.

PROPERTY MAINTENANCE

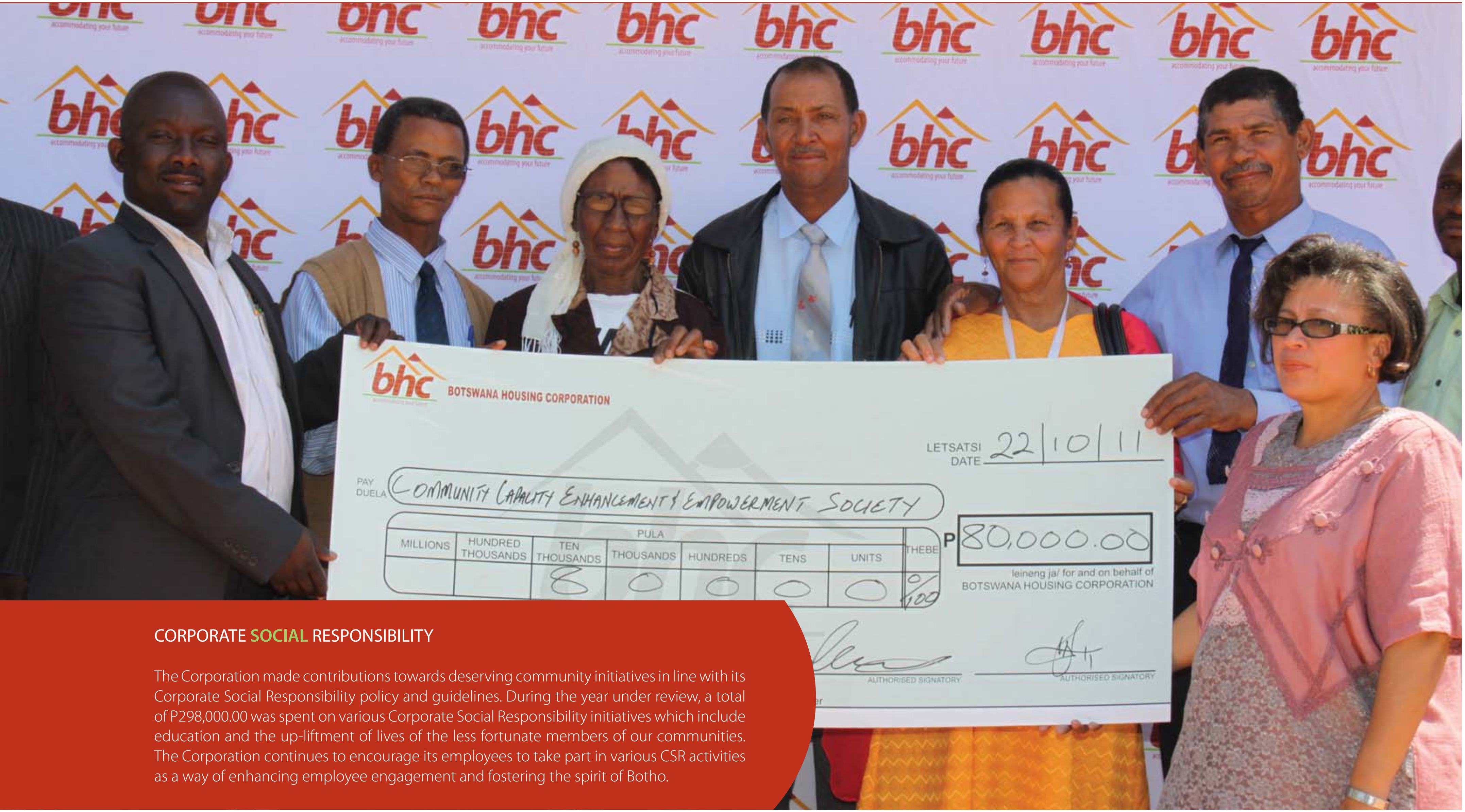
In financial year 2008 the Corporation decided to outsource its property maintenance works and this was mainly outsourced to former employees. Around the same time a decision was also made to carry out planned maintenance, which is a pro-active approach to the maintenance of our properties. The planned maintenance is carried out in a cycle of five years. The introduction of the planned maintenance has led to a significant reduction in customer queries, re-active maintenance requests and overall property maintenance costs. Since this is properly planned for the Corporation is able to source materials at competitive prices which in turn lead to reduced costs and improved condition of the properties. In financial year 2012/13 alone a total of 1369 properties were cycle maintained against a plan of 1209 units, this surpassing the plan by 160 units.

INTERNAL CUSTOMER SATISFACTION

The Corporation participated in the Deloitte "Best Company to Work For" survey during the year and achieved position 3 in the Botswana participants' category. The results of the survey assists the Corporation to focus on employee related issues that are of major concern. Additionally, the Corporation carried out an internal customer satisfaction survey during the year to gauge the level of employee satisfaction. To address the issues identified by these surveys Management has engaged a number of consultancies to guide the Corporation in implementing relevant interventions.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is one of the key objectives towards successful delivery of the Corporation's mandate. The Corporation held various internal and external stakeholder engagement initiatives during the year under review. These initiatives include CEO's consultative meetings for employees, exhibitions and shows, corporate meetings and tenants meetings. The initiatives are meant to foster discussions on issues of mutual concern as well as those relating to the mandate, products and services.



CORPORATE SOCIAL RESPONSIBILITY

The Corporation made contributions towards deserving community initiatives in line with its Corporate Social Responsibility policy and guidelines. During the year under review, a total of P298,000.00 was spent on various Corporate Social Responsibility initiatives which include education and the up-liftment of lives of the less fortunate members of our communities. The Corporation continues to encourage its employees to take part in various CSR activities as a way of enhancing employee engagement and fostering the spirit of Botho.

SUPPORT SERVICES

HUMAN RESOURCE REPORT

The Corporation is continuously reviewing its human capital management systems, policies and other interventions which have an impact on employees' motivation to deliver value. A number of initiatives were undertaken during the year under review, as a means of addressing employees' needs as well as meeting operational requirements in the administration of some of the facilities by the Corporation and third parties. The Corporation strives to ensure that its employees are adequately resourced and inspired to positively deliver on the Corporation's Mandate.

EMPLOYEE COMPETENCIES DEVELOPMENT

The Corporation recognises that in the process of strategy execution, effective human resource management is a critical success factor. Every organisation's competitive advantage lies with the individual employees as they differentiate their products and services through service delivery. The critical driver for performance in the Corporation is its ability to timely develop and place the right people with the requisite competencies in the right positions of responsibility.

The Corporation is continuously investing in initiatives that are aimed at building the right behaviours for a productive work environment. Employees are also encouraged and supported to enroll with reputable training institutions to further their capabilities. For the year 2012/13, the Corporation invested about P3,477,033.00 on developing the employees. A total of 179 employees attended skills development short courses. Six (6) employees completed their courses on-line through the Corporation's education assistance scheme.

SUPPORT SERVICES

BHC STAFF PENSION FUND

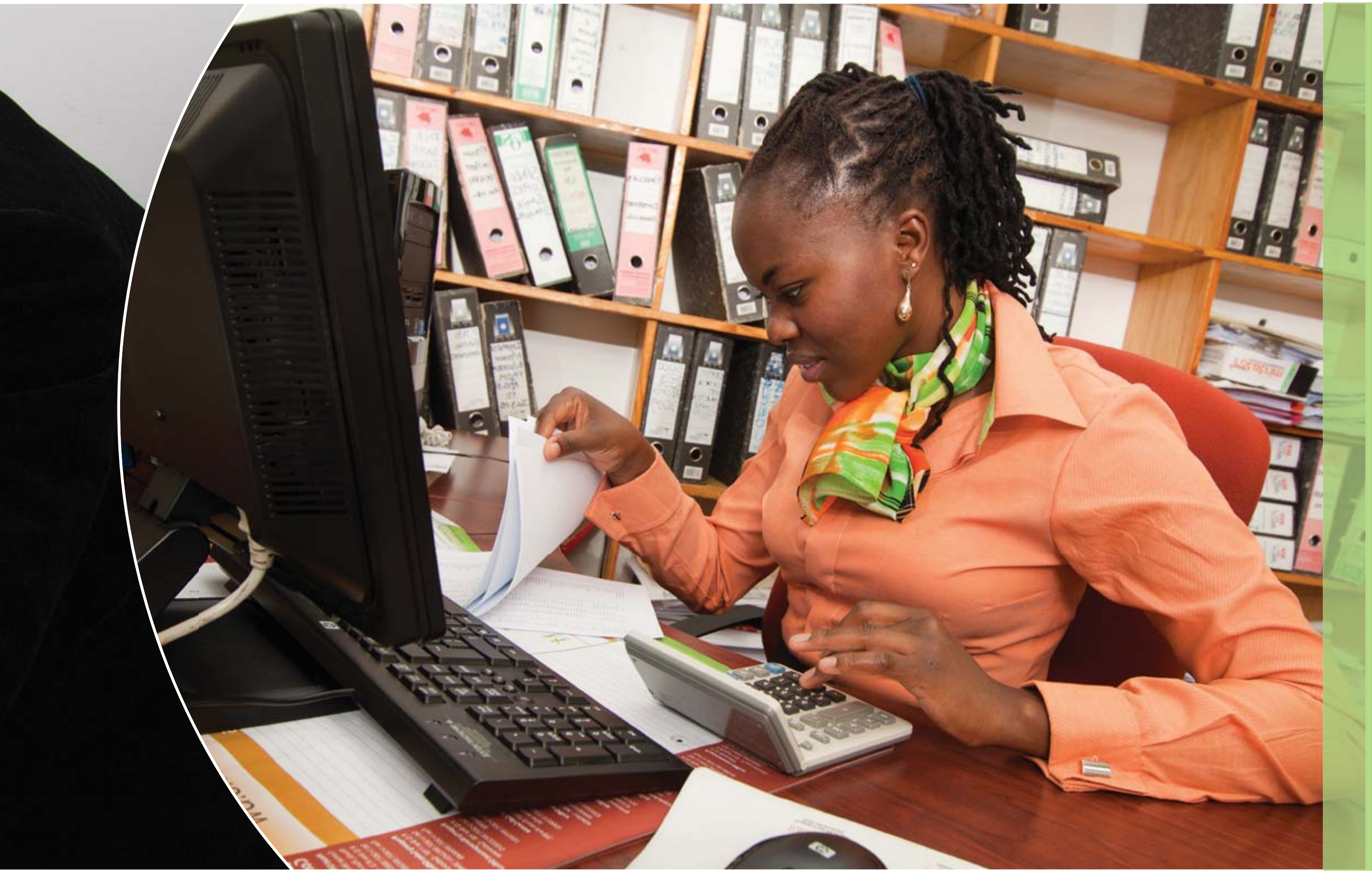
As at 31st March 2013 the BHC Staff Pension Fund had a total membership of 290 active members and 141 deferred members, a growth in membership of 5 and 3, respectively from the 2011/12 financial year.

The fund is administered by Alexander Forbes Financial Services (Botswana) (Propriety) Limited and the fund's Investment Manager is African Alliance Asset Management.

The fund has a total investment of P83, 140,326.00 and this was a growth from P62, 134,462.00 in the 2011/12 financial year, made up of total investment.

The fund annually carries out a series of workshops across the country for members. The workshops are aimed at giving members an appreciation of fund management issues and how their funds are invested. The workshops also assist in addressing members queries concerning their benefit statements and other pension or retirement matters. The workshops are conducted bi-annually and have become a standing item in the fund's calendar.

SUPPORT SERVICES



WELLNESS PROGRAMME IMPLEMENTATION

The Corporation conducted a number of wellness activities across its offices in an effort to promote the concept of "well at work". One hundred and sixty-two (162) employees attended wellness sessions which covered the following areas: Relationship Management (group counseling), Management of Lifestyle conditions, Financial Wellness, Sexually transmitted infections, condom use and Health screenings (blood pressure, diabetes, BMI, etc). The Corporation acquired ten (10) massage chairs for stress relief. The chairs have been distributed amongst the various offices for use by employees. Employees are continually being encouraged to use wellness facilities provided by the Corporation, including personal/family counseling and fitness facilities.

MEDICAL INSURANCE SCHEME

The Corporation has in place a Medical Aid Insurance Scheme for all its employees. The objective of the scheme is to facilitate for employees to access medical assistance at the time of need. The scheme is non-contributory for employees at lower income levels and contributory for the rest of the employees. As at 31st March 2013, the membership of the scheme was two hundred and ninety three (293). This represented 90.43% of the total strength.

ANNUAL FINANCIAL STATEMENTS

CONTENTS

ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2013

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
B. S. Tsayang	Deputy Chairperson
D. Khupe	
O. S. Mamparanyane	
B. K. Mmopi	(Re-appointed on 1 August 2012)
F. Monggae	(Appointed on 1 August 2012)
R. Ketshabile	(Appointed on 1 August 2012)
S. Tiroyakgosi	
B. Mokgolodi	
M. Bathuleng-Mookodi	
O. Maruapula	(Term ended on 31 May 2012)
A. W. Siwawa	(Term ended on 31 May 2012)

SENIOR LEADERSHIP TEAM

R. Motswaiso	Chief Executive Officer
M. Majingo	Deputy Chief Executive Officer (Operations)
S. Leburu	Deputy Chief Executive Officer (Support Services)
P. Sefawe	Finance Manager
P. More	Property Development Manager
E. Galeforolwe	Legal Services Manager
S. Molefe	Information Technology Manager
Y. Mukonde	Risk Manager
S. Ramahobo	Human Resource Manager
M. Seisa	Public and Corporate Affairs Manager
K. Khimbele	Property Manager
S. Segokgo	Senior Estates Manager - North
O. Seitshiro	Maintenance Manager
G. Baleseng	Sales Manager
B. Modisawakgomo	Corporate Planning 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

MEMBERS OF THE BOARD'S APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

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 2013, 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 37 to 97 were approved by the members of the Board on 28 June 2013 and are signed on their behalf by:

....	....
B. C. Pheko	R. Motswaiso
Chairperson	Chief Executive Officer

INDEPENDENT **AUDITOR'S** REPORT

TO THE MEMBERS OF BOTSWANA HOUSING CORPORATION

We have audited the annual financial statements of Botswana Housing Corporation (the "Corporation"), which comprise the statement of financial position as at 31 March 2013, the statement of comprehensive income, the statement of changes in equity, the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 37 to 97.

MEMBERS OF THE BOARD'S 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 directors determine 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 gives a true and fair view of the financial position of Botswana Housing Corporation as at 31 March 2013, and its financial performance and 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 74:03) (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.

PricewaterhouseCoopers

Individual practicing member: Butler Phirie
Membership number: 19900312

Gaborone
02 August 2013

PricewaterhouseCoopers, Plot 50371, Fairground Office Park, Gaborone, P. O Box 294, Gaborone, Botswana
T: (267) 395 2011, F: (267) 397 3901, www.pwc.com/bw
Country Senior Partner: B D Phirie
Partners: R. Binedell, R. P. De Silva, A. S. Edirisinghe

STATEMENT OF **COMPREHENSIVE** INCOME

For the year ended 31 March 2013

	Note	2013 P'000	2012 P'000
Revenue	6.	465,357	342,488
Cost of sale of housing inventories	7.	(234,988)	(137,874)
Repairs and maintenance		(35,552)	(39,656)
Employee benefit expenses	8.	(86,989)	(74,547)
Depreciation and amortisation	9.	(18,789)	(16,792)
Other expenses	10.	(72,859)	(54,158)
Gains on sale of investment properties	11.	49,447	38,646
Other income	10.	5,437	12,872
Operating surplus		**71,064**	**70,979**
Finance income	12.	3,752	2,625
Finance costs	13.	(49,124)	(30,332)
Finance costs -net		**(45,372)**	**(27,707)**
Share of surplus of joint ventures	18.	9,231	7,134
Total comprehensive income for the year		**34,923**	**50,407**

STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Note	2013 P'000	2012 P'000
Assets			
Non-current assets			
Investment property	14.	1,199,031	1,249,343
Property, plant and equipment	16.	20,120	21,410
Intangible assets	17.	27,136	10,945
Investments in joint ventures	18.	18,850	15,097
Loans to related parties	19.	8,932	10,943
Operating lease asset	20.	55,862	59,598
Trade and other receivables	21.	28,873	41,368
Total non-current assets		**1,358,804**	**1,408,704**
Current assets			
Housing inventories	15.	724,289	872,208
Loans to related parties	19.	2,011	1,767
Operating lease asset	20.	3,735	2,641
Trade and other receivables	21.	20,970	29,460
Cash and cash equivalents	22.	450,546	300,531
Total current assets		**1,201,551**	**1,206,607**
Total assets		**2,560,355**	**2,615,311**

STATEMENT OF **FINANCIAL** POSITION

As at 31 March 2013

	Note	2013 P'000	2012 P'000
Equity and liabilities			
Capital and reserves			
Irredeemable capital	23.	250,000	250,000
Retained earnings		1,095,386	1,065,755
Earnings reserve	24.	15,851	23,161
Investment properties insurance reserve	25.	2,590	2,590
Total equity		**1,363,827**	**1,341,506**
Non-current liabilities			
Agency funds	28.	74,509	55,937
Borrowings	26.	526,814	579,698
Total non-current liabilities		**601,323**	**635,635**
Current liabilities			
Trade and other payables	27.	186,331	194,330
Agency funds	28.	158,057	174,806
Borrowings	26.	169,997	200,153
Customer deposits	29.	80,820	68,881
Total current liabilities		**595,205**	**638,170**
Total equity and liabilities		**2,560,355**	**2,615,311**

STATEMENT OF **CHANGES** IN EQUITY

For the year ended 31 March 2013

	Capital P'000	Retained earnings P'000	Earnings reserve P'000	Investment properties insurance reserve P'000	Total P'000
Balance at 1 April 2011	250,000	1,028,169	30,198	2,590	1,310,957
Comprehensive income	**250,000**	**1,028,169**	**30,198**	**2,590**	**1,310,957**
Comprehensive income for the year	-	50,407	-	-	50,407
Transfer to retained earnings	-	7,037	(7,037)	-	-
Total comprehensive income	**-**	**57,444**	**(7,037)**	**-**	**50,407**
Transaction with owners					
Dividend (note 30)	-	(19,858)	-	-	(19,858)
Total transactions with owners	**-**	**(19,858)**	**-**	**-**	**(19,858)**
Balance at 31 March 2012	**250,000**	**1,065,755**	**23,161**	**2,590**	**1,341,506**
Balance at 1 April 2012	250,000	1,065,755	23,161	2,590	1,341,506
Comprehensive income					
Comprehensive income for the year	-	34,923	-	-	34,923
Transfer to retained earnings	-	7,310	(7,310)	-	-
Total comprehensive income	-	42,233	(7,310)	-	34,923

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	Capital	Retained earnings	Earnings reserve	Investment properties insurance reserve	Total
	P'000	P'000	P'000	P'000	P'000
Transaction with owners					
Dividend (note 30)	-	(12,602)	-	-	(12,602)
Total transactions with owners	**-**	**(12,602)**	**-**	**-**	**(12,602)**
Balance at 31 March 2013	**250,000**	**1,095,386**	**15,851**	**2,590**	**1,363,827**

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.

Note 2: Investment property insurance reserve

The Corporation maintains this reserve to meet claims in respect of maintenance of investment properties in excess of P100,000.

STATEMENT OF **CASH** FLOWS

For the year ended 31 March 2013

	Note	2013 P'000	2012 P'000
Cash flows from operating activities			
Net cash generated from operating activities	31.	209,789	152,786
Cash flows from investing activities			
Purchases of property, plant and equipment	16.	(2,976)	(3,063)
Additions to intangible assets	17.	(16,228)	(8,308)
Proceeds from sale of investment properties	11.	106,362	58,838
Additions to investment properties	14.	(21,453)	(230,722)
Drawings from joint ventures	18.	5,478	6,680
Loan capital repayments received from related parties	19.	1,767	1,553
Interest received	12.	3,752	2,625
Net cash generated (from/used) in investing activities		**76,702**	**(172,397)**
Cash flows from financing activities			
Repayment of borrowings	26.	(43,574)	(41,744)
Interest paid (net of capitalised interest)	13.	(49,124)	(29,862)
Net cash used in financing activities		**(92,698)**	**(71,606)**
Net increase in cash and cash equivalents		193,793	(91,218)
Cash and cash equivalents at beginning of year		149,541	240,759
Cash and cash equivalents at end of year	**22.**	**343,334**	**149,541**

ACCOUNTING POLICIES

For the year ended 31 March 2013

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 2013 have been approved for issue by the members of the Board on 28 June 2013. Neither the members of the Board nor others have 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 Accounting Estimates and Judgements Section.

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

In 2013, the Corporation did not early adopt any new or revised standard or interpretation.

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

IFRS 7 Financial Instruments: Disclosures - (effective 1 July 2011).

New disclosures intended to facilitate comparison between entities preparing IFRS and US GAAP financials statements.

IAS 1 Presentation of Financial Statements of items of other comprehensive income OCI - (effective 1 July 2012).

Preserving the amendments made to IAS 1 in 2007.

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

IFRS 7 Financial Instruments: Disclosures - (effective 1 July 2011).

Amendments introduce additional disclosures to allow users of financial statement to improve their understanding of transfer transactions of financial assets.

ACCOUNTING **POLICIES**

For the year ended 31 March 2013

IAS 12 amendments -recovery of underlying assets - (effective 1 January 2012).

Provides presumption that recovery of carrying amount of asset measured using fair value model in IAS 40 will be through sale.

Amends IFRS 1 First time adoption of IFRSs - (effective 1 July 2011)

Replace references to fixed date of 1 January 2004 with the date of transition to IFRSs thus eliminate need for companies adopting IFRSs for the first time to restate derecognition transactions before transition date to IFRSs.

d. New standards, amendments and interpretations issued but not effective for the financial year beginning on or after 1 April 2011 and not yet adopted by the Corporation.

Amendments to IAS 1, 'Presentation of Financial Statements', on presentation of items of OCI - (effective annual periods starting on or after 1 July 2012).

The IASB has issued an amendment to IAS 1, 'Presentation of financial statements'. The amendment changes the disclosure of items presented in other comprehensive income (OCI) in the statement of comprehensive income. The IASB originally proposed that all entities should present profit or loss and OCI together in a single statement of comprehensive income. The proposal has been withdrawn and IAS 1 will still permit profit or loss and OCI to be presented in either a single statement or in two consecutive statements. The amendment does not address which items should be presented in OCI and the option to present items of OCI either before tax or net of tax has been retained.

IFRS 9 - Financial Instruments (2009) - (effective 1 January 2013)

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.

IFRS 9 - Financial Instruments (2010) - (effective 1 January 2015)

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. The new 2015 requirements apply where an entity chooses to measure liability at fair value through profit and loss. the portion of the change in fair value related to changes in entity's own credit risk is presented in other comprehensive income rather than within profit and loss.

Amendments to IFRS 9 - Financial Instruments (2011) - (effective 1 January 2015)

The IASB has published an amendment to IFRS 9, 'Financial instruments', that delays the effective date to annual periods beginning on or after 1 January 2015. The original effective date was for annual periods beginning on or after from 1 January 2013. This amendment is a result of the board extending its timeline for completing the remaining phases of its project to replace IAS 39 (for example, impairment and hedge accounting) beyond June 2011, as well as the delay in the insurance project. The amendment confirms the importance of allowing entities to apply the requirements of all the phases of the project to replace IAS 39 at the same time. The requirement to restate comparatives and the disclosures required on transition have also been modified.

IFRS 11 - Joint arrangements - (effective 1 January 2013)

This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

IFRS 12 - Disclosures of interests in other entities - (effecitve 1 January 2013)

This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

ACCOUNTING POLICIES

For the year ended 31 March 2013

IFRS 13 - Fair value measurement - (effective 1 January 2013)

This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

IAS 27 (revised 2011) - Separate financial statements - (effective 1 January 2013)

This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

IAS 28 (revised 2011) - Associates and joint ventures - (effective 1 January 2013)

This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

IAS 19 (revised 2011) - Employee Benefits - (effective 1 January 2013)

Key amendments include requiring recognition of changes in the net defined benefit liability (asset) including immediate recognition of benefit cost, disaggregation of defined benefit cost into components. Introducing enhanced disclosures about defined benefit plans. modifying accounting for termination benefits including distinguishing benefits provided in exchange for service and benefits in exchange for termination of employment and affect recognition and measurement of termination benefits.

IFRS 1 Government Loans (amendments) - (effective 1 January 2013)

First time adopters of IFRSs are permitted to apply requirements in paragraph 10A of IAS 20 only to new loans entered into after the date of transition to IFRSs. If entity did not under GAAP recognise and measure government loans at below market rate of interest on basis consistent with IFRS requirements, it would be permitted to apply GAAP carrying amount of the loan at the date of transition as the carrying amount of the loan in the opening IFRS statement of financial position. An entity would then apply IAS 39 or IFRS 9 in measuring the loan after the transition date.

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.

ACCOUNTING **POLICIES**

For the year ended 31 March 2013

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

d. Step ownership scheme (SOS)

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

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

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

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. 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.

ACCOUNTING **POLICIES**

For the year ended 31 March 2013

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 2013

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 (3 to 5 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.

2.11 INVESTMENTS IN JOINT VENTURES

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.

ACCOUNTING **POLICIES**

For the year ended 31 March 2013

Equity accounting involves recognising in the statement of comprehensive income the Corporation's share of the joint ventures' surplus or deficit for the year. The Corporation's interest in the joint venture is carried in the statement of financial position at an amount that reflects the Corporation's share of the net assets 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 INVESTMENT PROPERTIES INSURANCE RESERVE

The Corporation provides for insurance on investment properties (excluding flats and staff houses, which are insured through third parties) by maintaining an investment properties insurance reserve, the adequacy of which is reviewed annually. Claims in excess of P100,000 are met from this reserve, claims for amounts below P100,000 are charged directly to the statement of comprehensive income.

2.17 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.

ACCOUNTING **POLICIES**

For the year ended 31 March 2013

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

2.18 TRADE PAYABLES

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

2.19 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.

2.20 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.

2.21 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.

2.22 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.

2.23 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.

ACCOUNTING POLICIES

For the year ended 31 March 2013

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.

2.24 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 Corporation pays contributions to a privately administered pension fund on a contractual basis. The Corporation has no further payment obligations once the contributions have been paid. 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. As the Corporation has been paying the incentive bonus ever since the policy was approved by the Board, a constructive obligation has been created, which makes it necessary for the Corporation's to make annual provisions for incentive pay.

The actual incentive pool available for distribution is approved on an annual basis by both the Board and the Minister of Lands & Housing.

2.25 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 2013

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.

ACCOUNTING **POLICIES**

For the year ended 31 March 2013

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.

2.26 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.

2.27 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.

2.28 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.

2.29 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.

2.30 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.

2.31 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 2013

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.

a. 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.

The Credit Control Section, under the Estates 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 analyses. 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.

FINANCIAL RISK MANAGEMENT

For the year ended 31 March 2013

a. Credit risk (continued)

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

Credit risk exposures relating to on-balance sheet assets are as follows:	2013 P'000	2012 P'000
Loans to related parties	10,943	12,710
Trade and other receivables	49,843	70,828
Cash and cash equivalents	450,546	300,531
	511,332	**384,069**
Credit risk exposures relating to off-balance sheet assets are as follows:		
Financial guarantee (note 33)	782	1,013

The above table represents the worst case scenario of credit risk exposure for the Corporation as at 31st March 2012 and 2013 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.

FINANCIAL RISK **MANAGEMENT**

For the year ended 31 March 2013

Trade Receivables

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

At March 2013	**Rental debtors P'000**	**TPS P'000**	**SOS P'000**	**Other P'000**	**Total P'000**
Neither past due nor impaired	-	33,871	3,077	8,152	45,100
Past due but not impaired	2,212	343	34	-	2,589
Individually impaired	2,692	5	-	1,846	4,543
Gross	**4,904**	**34,219**	**3,111**	**9,998**	**52,232**
Less: Provision for impairment	(2,692)	(5)	-	(1,846)	(4,543)
Net	**2,212**	**34,214**	**3,111**	**8,152**	**47,689**
Value of collateral held against trade receivables that are neither past due nor impaired	-	274,965	20,682	-	295,647

At March 2012	**Rental debtors P'000**	**TPS P'000**	**SOS P'000**	**Other P'000**	**Total P'000**
Neither past due nor impaired	-	48,098	4,192	12,563	64,853
Past due but not impaired	1,963	424	36	-	2,423
Individually impaired	4,145	2,958	996	2,119	10,218
Gross	**6,108**	**51,480**	**5,224**	**14,682**	**77,494**
Less: Provision for impairment	(4,145)	(2,958)	(996)	(2,119)	(10,218)
Net	**1,963**	**48,522**	**4,228**	**12,563**	**67,276**
Value of collateral held against trade receivables that are neither past due nor impaired	-	272,978	13,750	-	286,728

FINANCIAL RISK **MANAGEMENT**

For the year ended 31 March 2013

a. Credit risk (continued)

Trade receivables, past due but not impaired

At March 2013	**Rental debtors P'000**	**TPS P'000**	**SOS P'000**	**Total P'000**
Past due up to 30 days	1,469	78	15	1,562
Past due 30 - 60 days	442	56	10	508
Past due 60 - 90 days	301	209	9	519
Total	**2,212**	**343**	**34**	**2,589**
Value of collateral	-	44,507	12,328	56,835

At March 2012	**Rental debtors P'000**	**TPS P'000**	**SOS P'000**	**Total P'000**
Past due up to 30 days	1,046	91	13	1,150
Past due 30 - 60 days	338	51	7	396
Past due 60 - 90 days	579	282	16	877
Total	**1,963**	**424**	**36**	**2,423**
Value of collateral	-	53,464	10,681	64,145

FINANCIAL RISK MANAGEMENT

For the year ended 31 March 2013

b. 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 2013 (nil -2012)

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 2013 and 2012, the Corporation's borrowings at fixed rate were denominated in the functional currency.

FINANCIAL RISK MANAGEMENT

For the year ended 31 March 2013

b. Market risk (continued)

The table below summarise the Corporation's exposure to interest rate risk. Included therein are the Corporation's assets and liabilities at carrying amounts categorised by earlier of contractual re-pricing or maturity dates. Assets and liabilities carrying variable interest rates are classified under the less than 1 year bracket.

At March 2013	Less than 2 years	2 - 5 years	Over 5 years	Non interest bearing	Total
	P'000	P'000	P'000	P'000	P'000
Financial assets					
Loans to related parties	-	10,943	-	-	10,943
Trade and other receivables	1,392	5,099	30,839	12,513	49,843
Cash and cash equivalents	450,546	-	-	-	450,546
	451,938	**16,042**	**30,839**	**12,513**	**511,332**
Financial liabilities					
Bank overdraft	107,212	-	-	-	107,212
Debt securities in issue	-	287,147	106,163	-	393,310
Loans	27,834	119,679	48,776	-	196,288
	135,046	**406,826**	**154,939**	**-**	**696,810**

FINANCIAL RISK MANAGEMENT

For the year ended 31 March 2013

At March 2012	Less than 2 years P'000	2 - 5 years P'000	Over 5 years P'000	Non interest bearing P'000	Total P'000
Financial assets					
Loans to related parties	-	-	12,710	-	12,710
Trade and other receivables	1,255	6,482	45,014	18,077	70,828
Cash and cash equivalents	300,531	-	-	-	300,531
	301,786	**6,482**	**57,724**	**18,077**	**384,069**
Financial liabilities					
Bank overdraft	150,989	-	-	-	150,989
Debt securities in issue	286,000	-	103,000	-	389,000
Loans	18,460	145,231	76,171	-	239,862
	455,449	**145,231**	**179,171**	**-**	**779,851**

Interest rate sensitivity

At 31 March 2013, 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 P1,430,000 lower/higher as a result of higher/lower interest expense on the P286,000,000 floating rate borrowings.

FINANCIAL RISK **MANAGEMENT**

For the year ended 31 March 2013

c. 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.

	Less than 1 year P'000	1 - 2 years P'000	2 - 5 years P'000	Over 5 years P'000	Total P'000
At 31 March 2013					
Borrowings	213,501	92,653	470,090	151,735	927,980
Trade and other payables	186,331	-	-	-	186,331
Agency funds	158,057	74,509	-	-	232,566
Customer deposits	80,820	-	-	-	80,820
Liabilities (contractual maturity)	**638,710**	**167,162**	**470,090**	**151,735**	**1,427,697**
Cash and cash equivalents	376,037	74,509	-	-	450,546
Loan repayments from related parties	3,316	3,316	7,738	-	14,371
Cash inflows from sale of inventories	163,508	448,625	112,156	-	724,289
Trade and other receivables	20,619	7,313	16,528	5,404	49,864
Assets (managing liquidity risk)	**563,480**	**533,763**	**136,422**	**5,404**	**1,239,070**

FINANCIAL RISK MANAGEMENT
For the year ended 31 March 2013

	Less than 1 year P'000	1 - 2 years P'000	2 - 5 years P'000	Over 5 years P'000	Total P'000
At 31 March 2012					
Borrowings	259,360	106,290	236,643	480,485	1,082,778
Trade and other payables	194,330	-	-	-	194,330
Agency funds	174,806	55,937	-	-	230,743
Customer deposits	68,881	-	-	-	68,881
Liabilities (contractual maturity)	**697,377**	**162,227**	**236,643**	**480,485**	**1,576,732**
Cash and cash equivalents	244,594	55,937	-	-	300,531
Loan repayments from related parties	3,316	3,316	9,949	1,105	17,686
Cash inflows from sale of inventories	279,533	472,478	-	-	752,011
Trade and other receivables	30,599	12,241	27,145	4,798	74,783
Assets (managing liquidity risk)	**558,042**	**543,972**	**37,094**	**5,903**	**1,145,011**

FINANCIAL RISK **MANAGEMENT**

For the year ended 31 March 2013

3.2 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.

	2013 P'000	2012 P'000
Total long term debt	589,600	628,862
Total capital and reserves	1,363,827	1,341,506
Debt: equity ratio	0.43	0.47

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

For the year ended 31 March 2013

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. Every two years 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 21) to assess impairment on a monthly basis. In determining whether an impairment loss should be recognised, the Corporation makes judgments as to whether there is any observable data indicating that there is a measurable decrease in estimated cash flows from a portfolio of accounts receivables. Management uses estimates based on historical loss experience of assets. The assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

d. Fair value of borrowings

The Corporation has a number of borrowings on its balance sheet that carry off-market interest rates (note 26). The Corporation uses discounted cash flow analysis to determine the fair value of these borrowings. Management uses its best judgement to estimate an appropriate discount factor, in the initial measurement of such borrowings.

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OPERATING SEGMENTS

For the year ended 31 March 2013

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 more 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" - Outright sale of properties
- "Rental" - Letting of properties
- "Others" - Includes provision of consultancy and other activities not included in other segments

The segment information provided to the Board for the reportable segments for the year ended 31 March 2013 is as follows:

OPERATING SEGMENTS

For the year ended 31 March 2013

	Sale of Housing Inventories P'000	Rental P'000	Others P'000	Total P'000
Revenue	270,752	184,034	10,571	465,357
Operating surplus	47,928	86,268	(63,132)	71,064
Included in operating surplus				
Depreciation and amortisation	(129)	(16,659)	(2,001)	(18,789)
Not included in operating surplus				
Finance income	-	-	3,752	3,752
Finance costs	(39,299)	(9,825)	-	(49,124)
Share of surplus of joint ventures			9,231	9,231
Total comprehensive income	**8,629**	**76,443**	**(50,149)**	**34,923**
Total segment results above include:				
Revenue from Government and Government related entities	288,301	85,365	10,570	384,236
Segment assets	**654,825**	**1,376,922**	**21,134**	**2,052,880**
Reconciliation to total assets as reported in the statement of financial position				
Investment in joint ventures			18,850	18,850
Intangible assets			27,136	27,136
Loans to related parties			10,943	10,943
Cash and cash equivalents			450,546	450,546
Total assets as reported in the statement of financial position	**654,825**	**1,376,922**	**528,609**	**2,560,355**
Total liabilities	**661,264**	**185,100**	**350,164**	**1,196,528**

OPERATING SEGMENTS

For the year ended 31 March 2013

The segment information provided to the Board for the reportable segments for the year ended 31 March 2012 is as follows:

	Sale of Housing Inventories P'000	Rental P'000	Others P'000	Total P'000
Revenue	150,744	178,811	12,933	342,488
Operating surplus	22,467	79,272	(30,760)	70,979
Included in operating surplus				
Depreciation and amortisation	(200)	(14,550)	(2,042)	(16,792)
Not included in the operating surplus				
Finance income	-	-	2,625	2,625
Finance costs	(24,265)	(6,066)	-	(30,331)
Share of surplus of joint ventures	-	-	7,134	7,134
Total comprehensive income	**(1,798)**	**73,206**	**(21,001)**	**50,407**
Total segment results above include:				
Revenue from Government and Government related entities	115,845	81,805	10,775	208,425
Segment assets	**809,266**	**1,436,201**	**30,560**	**2,276,027**
Reconciliation to total assets as reported in the statement of financial position:				
Investment in joint ventures			15,097	15,097
Intangible assets			10,946	10,946
Loans to related parties			12,710	12,710
Cash and cash equivalents			300,531	300,531
Total assets as reported in the statement of financial position	**809,266**	**1,436,201**	**369,844**	**2,615,311**
Total liabilities	**747,948**	**209,309**	**316,550**	**1,273,807**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

	2013 P'000	2012 P'000
6. Revenue		
Rental income	184,034	178,811
Sale of housing inventories	263,473	140,786
Professional fees	10,571	12,933
Tenant purchase scheme income	6,727	9,100
Step ownership scheme income	552	858
	465,357	**342,488**
7. Cost of sale of housing inventories		
At beginning of the year		
Land held for development	10,386	10,234
Housing under construction	582,289	780,212
Completed houses - Inventories	279,533	259,830
Additions/transfers during the year		
Acquisition of land	330	154
Payments to contractors	72,101	199,483
Capitalised development costs	18,908	16,238
Capitalised borrowing costs	17,183	46,772
Transfer to investment properties	(24,432)	(230,722)
Transfer of accumulated leasehold land amortisation	2,979	-
Transfer to investment properties from opening housing inventories	-	(72,119)

NOTES TO THE **FINANCIAL** STATEMENTS

For the year ended 31 March 2013

	2013 P'000	2012 P'000
At end of year (note 15)		
Land for development	(10,716)	(10,386)
Housing under construction	(550,065)	(582,289)
Completed houses - Inventories	(163,508)	(279,533)
	234,988	**137,874**
8. Employee benefit expenses		
Salaries, wages and other benefits	94,832	81,131
Pension contributions	7,888	6,960
Gratuities	3,177	2,694
Less: capitalised during the year (note 7)	(18,908)	(16,238)
	86,989	74,547
Average number of employees	322	323
9. Depreciation and amortisation		
Depreciation - investment properties (note 14)	14,594	12,817
Depreciation - property, plant and equipment (note 16)	2,831	2,569
Amortisation - leasehold land (note 14)	1,327	1,237
Amortisation - intangible assets (note 17)	37	169
	18,789	**16,792**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

	2013 P'000	2012 P'000
10. Other expenses		
Audit fees - Prior year under provision	-	972
- Current year	1,109	1,008
Board members remuneration	196	157
Operating lease rentals - motor vehicles	3,577	3,502
Impairment loss on property, plant and equipment	76	-
Consultancy fees	2,650	3,803
Rates	5,710	5,398
Non capitalisable expenses	2,803	692
Bad debts provision	560	-
Security expenses	6,280	4,361
Telephone expenses	5,121	5,371
Training expenses	3,729	3,104
Insurance	2,438	1,934
Travelling and accommodation	2,769	1,986
IT expenses	2,716	2,056
Advertising and marketing	4,189	6,608
Call centre expenses	1,895	1,886
Administration expenses	10,210	10,115
Utilities	1,176	1,205
Penalty charges - Tax	15,656	-
	72,859	**54,158**

NOTES TO THE **FINANCIAL** STATEMENTS

For the year ended 31 March 2013

	2013 P'000	2012 P'000
Other income		
Recoverable maintenance	2,127	1,272
Bad debts provision reversal	-	1,747
Sundry income	358	1,320
Liquidated ascertained damages	-	7,085
Valuation and lease fees	346	688
Income from repossessed properties	274	678
Reversal of incentive pay accrual	2,333	-
Profit on sale of property, plant and equipment	-	82
	5,437	**12,872**
11. Gains from sale of investment properties		
Proceeds from sale of investment properties	106,362	58,838
Cost	(63,311)	(23,481)
Accumulated depreciation	6,396	3,289
	49,447	**38,646**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

	2013 P'000	2012 P'000
12. Finance income		
Interest income on loans to related parties (note 19)	1,549	1,764
Interest income on short term bank deposits	2,203	861
	3,752	**2,625**
13. Finance costs		
Interest expense on loans	27,585	34,337
Interest expense on debt securities in issue	30,237	31,510
Interest expense on bank overdraft	8,485	11,255
Less: capitalised during the year	(17,183)	(46,772)
	49,124	**30,332**

A capitalisation rate of 9.05% (2012: 9.02%) was used for projects whose development was financed out of a long term debt. (note 26).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

	2013 P'000	2012 P'000
14. Investment properties		
Opening net book amount	1,249,343	978,782
Transfer from housing inventories (note 15)	24,432	230,722
Transfer of accumulated leasehold land amortisation	(2,979)	-
Transfer from opening housing inventories (note 7)	-	72,119
Transfer from property, plant and equipment	1,360	-
Disposals	(63,311)	(23,481)
Depreciation on disposals	6,396	3,289
Depreciation - housing properties	(14,594)	(12,817)
Amortisation - leasehold land	(1,327)	(1,237)
Amortisation - leasehold land in work in progress	2	35
Impairment loss	(291)	-
Others (adjustments to property register)	-	1,930
Closing net book amount	**1,199,031**	**1,249,343**
Cost	1,478,911	1,516,303
Accumulated depreciation	(279,880)	(266,960)
Net book amount	**1,199,031**	**1,249,343**

The Corporation leases out properties under operating leases. The leases typically run for an initial period of 3 to 25 years. None of the leases include contingent rentals.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

	2013 P'000	2012 P'000
14. Investment properties (continued)		
Rental income earned and direct operating expenses incurred in relation to investment properties are shown below:		
Rental income		
Rental income	184,034	178,811
	184,034	**178,811**
Direct operating expenses		
Repairs and maintenance	35,552	39,656
Employee benefits	22,362	19,230
	57,914	**58,886**

Investment properties were valued as at March 31, 2013 by estate management professionals. The fair value of the investments properties were valued based on the latest prevailing market prices derived from recently sold properties by the Corporation. The value of the investment properties was estimated at P4,927 million on 31 March 2013 (2012: P4,322 million).

Certain housing properties are built on leasehold land which is 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 P55.5 million. The members of the Board believe that title deeds for these properties will be received in due course.

NOTES TO THE **FINANCIAL** STATEMENTS

For the year ended 31 March 2013

	2013 P'000	2012 P'000
15. Housing inventories		
Land for development (note 7)	10,716	10,386
Housing under construction (note 7)	550,065	582,289
Completed houses (note 7)	190,156	512,497
Less: Transferred to investment properties (note 14)	(24,432)	(230,722)
Less: Provision for impairment	(2,216)	(2,242)
	724,289	**872,208**

Detailed analysis of the inventories at the end of the is shown below:

	2013 P'000	2012 P'000
Land for development	10,716	10,386
Housing under construction	550,065	582,289
Completed houses	163,508	279,533
	724,289	**872,208**

NOTES TO THE **FINANCIAL** STATEMENTS

For the year ended 31 March 2013

	Land & buildings P'000	Computer equipment P'000	Furniture & office equipment P'000	Motor vehicles P'000	Plant & equipment P'000	Total P'000
16. Property, plant and equipment						
At 31 March 2013						
Opening net book amount	9,377	4,171	4,964	2,868	30	21,410
Additions	75	634	483	-	1,784	2,976
Transfer to investment property	(1,360)					(1,360)
Impairment loss		(53)	(23)			(76)
Depreciation charge	(4)	(1,274)	(702)	(831)	(20)	(2,831)
Closing net book amount	**8,089**	**3,478**	**4,722**	**2,037**	**1,794**	**20,120**
At 31 March 2013						
Cost	14,548	10,055	8,117	4,639	2,042	39,401
Accumulated depreciation	(6,459)	(6,577)	(3,395)	(2,602)	(248)	(19,281)
Net book amount	**8,089**	**3,478**	**4,722**	**2,037**	**1,794**	**20,120**
At 31 March 2012						
Opening net book amount	9,380	4,949	4,575	2,037	19	20,960
Additions	-	625	1,023	1,399	16	3,063
Disposals	-	(382)	(67)	-	-	(449)
Depreciation on disposal	-	354	51	-	-	405
Depreciation charge	(3)	(1,375)	(618)	(568)	(5)	(2,569)
Closing net book amount	**9,377**	**4,171**	**4,964**	**2,868**	**30**	**21,410**

NOTES TO THE **FINANCIAL** STATEMENTS

For the year ended 31 March 2013

	Land & buildings P'000	Computer equipment P'000	Furniture & office equipment P'000	Motor vehicles P'000	Plant & equipment P'000	Total P'000
16. Property, plant and equipment (continued)						
At 31 March 2012						
Cost	16,251	10,553	8,142	4,639	258	39,843
Accumulated depreciation	(6,874)	(6,381)	(3,179)	(1,771)	(228)	(18,433)
Net book amount	**9,377**	**4,172**	**4,963**	**2,868**	**30**	**21,410**

17. Intangible assets

At 31 March 2013

	Work in progress P'000	Computer software P'000	Total P'000
Opening net book amount	10,908	37	10,945
Additions	16,228	-	16,228
Amortisation charge	-	(37)	(37)
Closing net book amount	**27,136**	**-**	**27,136**
At 31 March 2013			
Cost	27,136	5,367	32,503
Accumulated amortisation	-	(5,367)	(5,367)
Net book amount	**27,136**	**-**	**27,136**

NOTES TO THE **FINANCIAL** STATEMENTS

For the year ended 31 March 2013

	Work in progress P'000	Computer software P'000	Total P'000
17. Intangible assets (continued)			
At 31 March 2012			
Opening net book amount	2,600	206	2,806
Additions	8,308	-	8,308
Disposals	-		-
Amortisation charge	-	(169)	(169)
Closing net book amount	**10,908**	**37**	**10,945**
Cost	10,908	5,367	16,275
Accumulated amortisation	-	(5,330)	(5,330)
Net book amount	**10,908**	**37**	**10,945**

Above work in progress balance relates to costs incurred on the Enterprise Resource Planning (ERP) system, the Corporation is in the process of implementing.

NOTES TO THE **FINANCIAL** STATEMENTS

For the year ended 31 March 2013

	2013 P'000	2012 P'000
18. Investments in joint ventures		
At the beginning of the year	15,097	14,643
Share of surplus for the year	9,231	7,134
Drawings during the year	(5,478)	(6,680)
At the end of the year	**18,850**	**15,097**

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

a. Plot 7 Partnership

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

18. Investments in joint ventures (continued)

d. Plot 5129 Partnership

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

Proportionate share in joint ventures' assets and liabilities and income and expenses are shown below:

	2013 P'000	2012 P'000
Assets:		
Non-current assets	36,386	37,708
Current assets	3,749	3,503
	40,135	41,211
Liabilities:		
Non-current liabilities	6,331	11,320
Current liabilities	6,108	5,763
	12,439	17,084
Net assets	**27,696**	**24,128**
Income	15,266	14,379
Expense	(6,035)	(7,245)
Surplus for the year	**9,231**	**7,134**

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 2013

	2013 P'000	2012 P'000
19. Loans to related parties		
At the beginning of the year	12,710	14,263
Interest charged (note 12)	1,549	1,764
Loans repayments received	(3,316)	(3,317)
At the end of the year	**10,943**	**12,710**
Less: current portion	(2,011)	(1,767)
Non-current portion	**8,932**	**10,943**

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.

	2013	2012
20. Operating lease asset		
At the beginning of the year	62,239	63,861
Recognised in the statement of comprehensive income for the year	(2,643)	(1,622)
At the end of the year	**59,596**	**62,239**
Less: current portion	(3,735)	(2,641)
Non-current portion	**55,862**	**59,598**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

	2013 P'000	2012 P'000
21. Trade and other receivables		
Trade receivables	52,232	77,495
Less: provision for impairment of trade receivables	(4,543)	(10,218)
Trade receivables - net	**47,689**	**67,277**
Sundry debtors	2,154	3,551
	49,843	70,828
Less: non-current portion	(28,873)	(41,368)
Current portion	**20,970**	**29,460**

The fair value of trade and other receivables approximate their carrying values.

Movements in the accumulated impairment losses on trade receivables were as follows:

	2013 P'000	2012 P'000
Accumulated impairment losses at beginning of the year	10,218	18,264
Provision for impairment (reversal)	1,372	3,357
Unused amount reversed	(879)	(5,104)
Amounts written off	(6,168)	(6,299)
Accumulated impairment losses at end of the year	**4,543**	**10,218**

NOTES TO THE **FINANCIAL** STATEMENTS

For the year ended 31 March 2013

	2013 P'000	2012 P'000
22. Cash and cash equivalents		
Cash at bank and on hand	251,761	81,617
Short term bank deposits	198,785	218,914
	450,546	**300,531**

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

	2013 P'000	2012 P'000
Cash and cash equivalents	450,546	300,531
Bank overdrafts (note 26)	(107,212)	(150,989)
	343,334	**149,542**
23. Irredeemable capital		
Irredeemable capital contribution	250,000	250,000
24. Earnings reserve		
At beginning of the year	23,161	30,198
Net transfer to retained earnings	(7,310)	(7,037)
At end of the year	**15,851**	**23,161**

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 2013

	2013 P'000	2012 P'000
25. Investment properties insurance reserve		
At beginning and end of the year	2,590	2,590

Investment properties insurance reserve is a reserve accounted in terms of accounting policy note number 2.17.

	2013 P'000	2012 P'000
26. Borrowings		
Irredeemable loan	212	204
Foreign loans on-lent by the Government of Botswana	67,043	77,257
Government of Botswana loans	6,058	10,040
Debt Participation Capital Funding Limited loans	122,975	152,361
	196,288	**239,862**
Debt securities in issue	393,311	389,000
Bank overdraft	107,212	150,989
	696,811	**779,851**
Less: current portion	(169,997)	(200,153)
Non-current portion	**526,814**	**579,698**

Debts securities in issue includes an accrued interest of P4.3 million.

All borrowings are denominated in Pula.

NOTES TO THE **FINANCIAL** STATEMENTS

For the year ended 31 March 2013

26.1. 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.

26.2. 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.

26.3. 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.

26.4. 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.

26.5. 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 is due for review in September 2013. 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.

26.6. 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 2013

Lender	Contractual interest rate (%)	Period of repayment	Balance at 01/04/12 P'000	Interest unwinding during the year P'000	Repayment during the year P'000	Balance at 31/03/13 P'000
26. Borrowings (continued)						
Irredeemable loan						
Government of Botswana	8.00%	Irredeemable	204	8	-	212
Foreign loans on-lent by the Government of Botswana						
Government of the Peoples' Republic of China	8.50%	2006-2014	8,087	490	(4,210)	4,367
Government of the Peoples' Republic of China	8.50%	2007-2014	5,759	466	(1,681)	4,544
Government of the Peoples' Republic of China	8.50%	2008-2016	11,091	960	(2,480)	9,571
Government of the Peoples' Republic of China	8.40%	2011-2019	52,320	4,131	(7,890)	48,561
			77,257	**6,047**	**(16,261)**	**67,043**
Government of Botswana loans						
Government of Botswana	7.50%	1992-2013	1,952	43	(946)	1,049
Government of Botswana	10.00%	1992-2014	5,746	211	(2,206)	3,751
Government of Botswana	7.50%	1992-2013	2,342	51	(1,135)	1,258
			10,040	**305**	**(4,287)**	**6,058**

NOTES TO THE **FINANCIAL** STATEMENTS

For the year ended 31 March 2013

Lender	Contractual interest rate (%)	Period of repayment	Balance at 01/04/12 P'000	Interest unwinding during the year P'000	Repayment during the year P'000	Balance at 31/03/13 P'000
26. Borrowings (continued)						
Debt Participation Capital Funding Limited loans						
Debt Participation Capital Funding Limited	7.50%	1991-2013	1,470	4	(962)	512
Debt Participation Capital Funding Limited	7.50%	1991-2013	3,860	64	(1,859)	2,065
Debt Participation Capital Funding Limited	7.50%	1991-2014	10,626	228	(4,046)	6,808
Debt Participation Capital Funding Limited	8.00%	1992-2015	4,528	143	(1,191)	3,480
Debt Participation Capital Funding Limited	8.00%	1993-2015	29,092	264	(7,653)	21,703
Debt Participation Capital Funding Limited	9.50%	1993-2016	78,389	3,610	(15,710)	66,289
Debt Participation Capital Funding Limited	12.00%	1994-2017	24,397	1,297	(3,575)	22,119
			152,361	**5,610**	**(34,996)**	**122,975**
			239,863	**11,970**	**(55,544)**	**196,289**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

	2013 P'000	2012 P'000
27. Trade and other payables		
Trade payables	58,364	85,912
Accrued expenses	28,297	41,303
Dividend payable	72,090	59,488
Sundry creditors	27,580	7,627
	186,331	**194,330**
28. Agency funds		
At the beginning of the year	230,743	273,379
Funds received during the year	147,189	6,903
Expenditure on projects during the year	(156,818)	(62,822)
Interest earned on temporary investment of funds	11,452	13,283
At the end of the year	**232,566**	**230,743**
Non-current portion	(74,509)	(55,937)
Current portion	**158,057**	**174,806**
29. Customer deposits		
Rental deposits	11,682	11,265
Sale of properties deposits	69,138	57,616
	80,820	**68,881**

NOTES TO THE **FINANCIAL** STATEMENTS

For the year ended 31 March 2013

	2013 P'000	2012 P'000
30. Dividend		
Dividend	12,602	19,858

The board proposed a dividend payable of P12,602,000 for the financial year 2011/2012 which is calculated in accordance with the Government of Botswana's directive, as 25% of the surplus reported in that financial year.

	2013 P'000	2012 P'000
31. Net cash generated from operating activities		
Total comprehensive income for the year	34,923	50,407
Adjustments for:		
Adjustments to investment properties register (note 14)	-	(1,833)
Loss/(Profit) on sale of property, plant and equipment	-	(82)
Gains from sale of investment property (note 11)	(49,447)	(38,646)
Depreciation - investment property (note 14)	14,594	12,817
Depreciation - property, plant and equipment (note 16)	2,831	2,569
Amortisation leasehold land (note 7)	2	-
Impairment loss on property plant and equipment	76	-
Amortisation - leasehold land (note 7)	1,327	1,237
Operating lease asset (note 20)	2,643	1,622
Amortisation - intangible assets (note 17)	37	169
Impairment loss on investment property (note 14)	291	-
Accrued interest	4,311	-
Share of retained earnings of joint ventures (note 18)	(9,231)	(7,134)

NOTES TO THE **FINANCIAL** STATEMENTS

For the year ended 31 March 2013

	2013 P'000	2012 P'000
31. Net cash generated from operating activities (continued)		
Finance income (note 12)	(3,752)	(2,625)
Finance cost (note 13)	49,124	30,331
	47,727	**48,830**
Changes in working capital:		
Trade and other receivables (note 21)	20,985	30,485
Agency funds (note 28)	1,823	(42,636)
Trade and other payables (note 27)	(8,003)	(11,568)
Dividend payables	(12,602)	(19,858)
Customer deposits (note 29)	11,939	41,583
Housing inventories (note 15)	147,919	178,068
Properties transferred to investment properties from opening inventories (note 7)	-	(72,119)
Net cash used in operating activities	**209,789**	**152,785**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

32. Commitments

a. Capital commitments

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

	2013 P'000	2012 P'000
Investment properties and housing inventories	196,450	105,340
Intangible assets	15,188	24,006
	211,638	**129,346**

b. Operating lease commitments

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

	2013 P'000	2012 P'000
Not later than 1 year	1,943	3,102
Later than 1 year but not later than 5 years	1,121	2,699
	3,064	**5,801**

NOTES TO THE **FINANCIAL** STATEMENTS

For the year ended 31 March 2013

33. 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, 2013 amounted to P0.782 million (2012: P1.0 million).

Based on historical experience and credit worthiness of counterparties, the Corporation considers the fair value of the financial guarantee liability to be not material.

34. Operating leases - Corporation as lessor

In 1995 the Corporation entered into a non-cancellable lease agreement with a mining company for the lease of some 500 housing properties, in Sowa, for a minimum period of 25 years. The lease agreement provides for a 7.5% annual rental escalation (note 20). All other rental lease agreements entered into by the Corporation are cancellable and do not provide for a fixed annual escalation rate.

Minimum future rentals receivable under the lease agreement signed with the mining company are as follows:

	2013	**2012**
	P'000	**P'000**
Not later than 1 year	15,688	14,593
Later than 1 year but not more than 5 years	75,432	70,170
Later than 5 years	57,122	78,073
	148,243	**162,836**

NOTES TO THE **FINANCIAL** STATEMENTS

For the year ended 31 March 2013

35. 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 ministeries, 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.

35.1. Loans from government

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

35.2. Dividend

During the year the Corporation declared a dividend of P12.6 million (2012: P19.9 million). The basis for the payment of this dividend is disclosed in note 30 to these financial statements.

	2013 P'000	2012 P'000
35.3. Transactions with board members		
Board sitting fees	196	157

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

	2013 P'000	2012 P'000
35.4. Key management compensation		
Salaries and other short-term benefits	3,216	2,974

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.

	2013 P'000	2012 P'000
35.5. Advances to key management personnel		
Advance against gratuity	450	350

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

35.6. Purchases and sales of goods and services

Houses that are rented to related parties are let out at rentals applicable to Corporate tenants. The amounts owed by the Government of Botswana and other related parties are unsecured and will be settled in cash.

35.7. Bad and doubtful debts

As at 31 March 2013 doubtful debt provisions in respect of rental debts owed by the Government of Botswana amounted to P421,630 (2012: P421,577).

35.8. 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 2013

35.9. 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 2013.

	Sales of housing inventories	Rental income P'000	Professional fees P'000
Botswana Defence Force	-	9,788	6,639
Botswana Prisons Services	-	4,182	1,459
Department of Housing	2,080	52,193	2,472
Botswana Police Service	12,023	16,849	-
Office of the President	91,764	2,223	-
Ministry of Education	170,764	-	-
Accountant General	5,235	1,30	-
Tawana Land Board	6,800	-	-
	288,301	**85,365**	**10,570**

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 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

	Sales of housing inventories	Rental income P'000	Professional fees P'000
Botswana Defence Force	-	9,483	10,012
Botswana Prisons Services	-	3,482	-
Department of Housing	6,140	61,783	760
Botswana Police Service	-	13,255	-
Office of the President	40,083	1,310	-
Ministry of Education	64,000	-	-
	110,223	**89,313**	**10,772**

35.10. Trade receivables

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

	2013 P'000	2012 P'000
Botswana Defence Force	3,561	11,214
Botswana Unified Revenue Service	1,859	-
Botswana Prisons Services	1,634	-
	7,054	**11,214**

NOTES TO THE **FINANCIAL** STATEMENTS

For the year ended 31 March 2013

35.11. Agency funds

Significant amounts received in advance, in respect of the agency contracts to be carried out by the Corporation to related parties are as follows (note 28).

	2013 P'000	**2012 P'000**
Botswana Defence Force	72,760	191,226
Botswana Unified Revenue Services	6,323	10,367
Department of Housing	70,206	28,411
Self Help Housing Agency	62,476	-
Botswana Prisons Services	20,190	-
	231,955	**230,004**

36. Events after the reporting date

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

BHC **OFFICES** CONTACTS

PROPERTY SALES OFFICE
Molosiwa Road
P. O Box 1197
Gaborone
Tel: [+267] 395 2431/364 6800
Fax: [+267] 395 6649

PROPERTY MANAGEMENT & MAINTENANCE OFFICE
Lejara Road
P. O Box 168
Gaborone
Tel: [+267] 391 2335/364 6800
Fax: [+267] 397 5931

LOBATSE OFFICE
Pitikwe
Ponatshego Mokane Street
P. O Box 284
Lobatse
Tel: [+267] 533 0460
Fax: [+267] 533 3652

JWANENG OFFICE
Pick n' Pay Shopping Complex
Unit 1
P. O Box 25
Jwaneng
Tel: [+267] 588 0214
Fax: [+267] 588 1755

MAHALAPYE OFFICE
Flowertown
Plot 617
P. O Box 1231
Mahalapye
Tel: [+267] 471 1747
Fax: [+267] 471 3925

PALAPYE OFFICE
P. O Box 894
Palapye
Tel: [+267] 492 1075
Fax: [+267] 492 1076

SELEBI PHIKWE OFFICE
Industrial
Ramotswa Drive
P. O Box 133
Selebi Phikwe
Tel: [+267] 261 0569
Fax: [+267] 261 0814

FRANCISTOWN OFFICE
P. O Box 603
Private Bag F120
Francistown
Tel: [+267] 241 5080
Fax: [+267] 261 0814

KASANE OFFICE
Plateau
Plot 1148
P. O Box 337
Kasane
Tel: [+267] 625 0146
Fax: [+267] 625 0146

MAUN OFFICE
Chobe
Lekukara Road
Plot 3064
Private Bag 00124
Maun
Tel: [+267] 686 0637
Fax: [+267] 686 2251

BHC CALL CENTRE
Tel: 1167 (BTC Landline only)
Tel: [+267] 315 9902

Head Office: Corner Mmaraka & Station Roads P.O Box 412 Gaborone Tel: [+267] 360 5100 Fax: [+267] 395 2070