2010

BOTSWANA HOUSING CORPORATION

ANNUAL REPORT

Stemming the tide, to deliver our promise

bhc
accommodating your future

Vision, Mission and Values

Vision

To be the best in Property Development and Estate Management Services.

Mission Statement

To innovatively develop property and provide efficient, related services for guaranteed stakeholder's satisfaction.

Our Corporate Values

- Excellence
- Innovation
- Teamwork
- Transparency
- Social Responsibility

Contents

Excellence
To serve with distinction

Innovation
To constantly find new and better ways of achieving our goals

Teamwork
Pulling together for a common purpose

Transparency
To operate in ways that are open, honest and accountable

Social Responsibility
To be actively conscious of, sensitive and responsive to the environment and needs of the community

Board of Directors


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1. **PROF. BOJOSI OTLHOGILE**
   Chairman
2. **JIMMY O MODISE**
   Deputy Chairman
3. **OGOMODITSE MARUAPULA**
   Member
4. **DR BOLELANG PHEKO**
   Member
5. **OTENG MAMPARANYANE**
   Member
6. **DUDUZILE KHUPE**
   Member
7. **BAEMEDI K MMOPI**
   Member
8. **ANTHONY SIWAWA**
   Member
9. **BATLHATSWI S TSAYANG**
   Member


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Senior Leadership Team


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1. **REGINALD MOTSWAISO**
   Chief Executive Officer

2. **MILIDZANI MAJINGO**
   Deputy Chief Executive Officer (Operations)

3. **LETLHOKWA GALEKHUTLE**
   Deputy Chief Executive Officer (Support Services)

4. **LOAGO JANKIE**
   Finance Manager

5. **ELIZABETH GALEFOROLWE**
   Legal Services Manager

6. **YAGAN MUKONDE**
   Risk Manager

7. **SEKGELE RAMAHOBO**
   Human Resource Manager

8. **MOOKODI SEISA**
   Public and Corporate Affairs Manager

9. **KESEBONYE KHIMBELE**
   Property Manager

10. **OCTAVIAN SEITSHIRO**
    Maintenance Manager

11. **SAMANTHA MOLEFE**
    IT Manager

12. **GAOTLHOBOGWE BALESENG**
    Sales Manager

13. **THATAYAONE SITHOLE**
    Corporate Planning Manager

14. **PAUL MORE**
    Property Development Manager

15. **OLEFILE SEGOKGO**
    Senior Estates Manager Northern Region


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Chairman's Report

I am very proud to present the Botswana Housing Corporation Annual Report for the 2009/10 financial year to our stakeholders. Our mission, "To innovatively develop property and provide efficient related services for guaranteed stakeholders' satisfaction," proved to be quite a challenge due to the effects of the ongoing financial crisis, which affected the demand for the Corporation's products and services, and the ongoing preparations for the FIFA 2010 World Cup in South Africa, which affected both the supply and pricing of construction inputs.

Nevertheless, the Corporation maintained its programme capabilities through strong leadership and the implementation of the various pillars of its Strategic Plan.

Economists have observed that wealth creation can be accelerated through homeownership. The Corporation is doing its part to promote homeownership among Batswana. Activities aimed at promoting homeownership range from experimenting with various alternative methods of construction in the Corporation's drive towards affordable housing units, to sending out promotional messages and participating in various functions, such as the BOCCIM Northern Trade Fair and the Consumer Fair.

During the 2009/10 financial year, the Corporation went one step further by venturing into areas that have never been served by the Corporation before, so as to give people who have chosen to settle in these areas an opportunity to own a BHC house. During the 2009/10 financial year the Corporation started housing construction projects in Ghanzi and Serowe, areas in which the Corporation had not ventured until now. In the coming financial years the Corporation will be venturing into more of such areas.

Like any other organisation, the Corporation continues to face challenges brought about by changes in the environment in which it operates, such as scarcity of resources, economic booms and bursts, changing customer tastes, changing demographics and other social trends. For this reason, the Corporation's Board and management meets on an annual basis to identify emerging trends that may impact on the Corporation's ability to deliver on its mandate. The Board and management then come up with strategies to address the identified challenges, thereby ensuring that the Corporation's housing delivery systems remain relevant to the changing environment.

At its last annual strategic retreat, the Corporation's Board and management came to the realisation that the Corporation rate of delivery of housing units was outpaced by the growth in the demand for its products. The Corporation's Board and management responded by coming up with a strategy that sought to address this imbalance. Consequently, the implementation of the Corporation's NDP 10 aligned 7 year strategic plan, which commenced in the 2009/10 financial year, will see a quantum leap in the rate of delivery of housing units.

The review of the Corporation's strategic direction necessitated a review of the enabling environment, so as to ensure that the resources needed to deliver the increased volumes of houses were in place. The review resulted in the creation of new positions within the Corporation and the recognition of an urgent need to replace the Corporation's information technology system. The implementation of the Corporation's information technology strategy is expected to be completed within the next two financial years.

The construction industry in Botswana is currently dominated by big foreign – owned companies. The Corporation is determined to play its part in nurturing citizen – owned companies, so that they could grow and start competing with the foreign – owned companies. To this end, the Corporation has developed a citizen contractors' empowerment policy, which it will soon start implementing. This policy will ensure a systematic and sustainable effort is made to promote the direct participation of citizen contractors in the corporation's projects.

In line with the Corporation's core value of Social Responsibility, the Corporation's social investment programme remains a central part of the Corporation's deliverables in any given financial year.

To ensure that the Corporation's social investment programme benefits many people over an extended period, the Corporation's social investments are biased towards those projects that would be expected to be of benefit to larger communities and which are deemed to be sustainable in the long run. During the financial year under review the Corporation donated about P342 000.00 to various needy individual and community initiatives.

As already alluded to, our business just like many other businesses in Botswana and the world over, is operating in extremely difficult and challenging times, due to the effects of the ongoing financial crisis. However, I am proud and pleased to thank the organisation's management and staff for a job well done, in trying to contain the effects of the crisis on the Corporation. I urge them to continue looking for innovation in our business and to continue to deliver unprecedented targets and solutions.

Finally, it was also a year for change in the composition of the Board, with some members finishing their terms and new members being roped in. My term of office expires at the end of May 2010 and I shall not seek renewal of my term of office, having served on the BHC Board for eight years. I would therefore like to take this opportunity to thank the Minister for Lands and Housing for having trusted me with the responsibility of being part of a team tasked with providing accommodation for the nation. I would also like to thank the Board, Management and Employees for having made my task much easier by applying themselves diligently in executing their responsibilities.

The success of Botswana Housing Corporation depends on the commitment of the Board, management and staff. With the support of old and new Board members alike, the Chief Executive Officer and staff, I am confident that my successor and his/her team will lead the Corporation to meet the challenges ahead and continue to craft a legacy of success for Botswana Housing Corporation.

PROF. BOJOSI OTLHOGILE
Chairman

Chief Executive Officer's Report

During the year under review the Corporation started the development of housing units in Serowe, an area in which the Corporation has had no presence until now. In the coming years the Corporation will be spreading its wings into even more of such places, in an effort of trying to reach more people with its products and services.

REGINALD MOTSWAISO
Chief Executive Officer

The 2009/10 financial year turned out to be another challenging year, due to the effects of the ongoing financial crisis. The scaling down of mining operations, particularly in the Northern part of the country, continued to affect the Corporation's operations. This situation affected, particularly, the volume of house sales. The Corporation had set itself a target of selling some 638 housing units, but managed to sell only 484 housing units. The situation was compounded further by Government's decision to cut back on its expenditure budget, in response to the financial crisis.

Despite the economic challenges, the Corporation remained focused on its main objective of providing housing for the residents of this country and promoting homeownership amongst its citizens. To this end, the Corporation undertakes housing schemes across the country, aimed at delivering adequate and appropriate housing both for rent and for sale.

During the year under review the Corporation started the development of housing units in Serowe, an area in which the Corporation has had no presence until now. In the coming years the Corporation will be spreading its wings into even more of such places, in an effort of trying to reach more people with its products and services. However, as the provision of the Corporation's products and services has to be carried out on a sustainable basis, the Corporation will only go into such places if there is sufficient evidence that there is adequate and effective demand for its products in those places.

In recognition of the huge unsatisfied demand for houses across the country, the Corporation has stepped up its rate of production of houses. Furthermore, the Corporation has set itself a target of delivering just over 29,000 houses in the seven (7) years between 2009 and 2016.

To try and achieve this target, the Corporation aims to roll – over most its development capital from one project to another. This end, the Corporation will strive to sell at least 80% of houses delivered in any given financial year.

The Corporation realises that some of its potential customers would not afford houses constructed using the traditional brick – and – mortar method of construction. To address this concern, and to try and make the Corporation's products more affordable, the Corporation has continued to search for, and experiment with, various alternative methods of construction. During the 2009/10 financial year seven (7) such methods were identified and had preliminary studies carried out on them. Three (3) of them were found to be worthy of further investigation.

The Corporation continued to engage its stakeholders in an effort of (i) promoting homeownership, (ii) keeping them abreast of the Corporation's new and ongoing development projects, (iii) getting feedback from them on the Corporation's products and services and (iv) sharing information on the Corporation's results, achievements and challenges. In this regard, the Corporation participated in the BOCCIM Northern Trade Fair, in Francistown, the Consumer Fair, in Gaborone, and held tenant and stakeholder meetings in various parts of the country, among other events.

Chief Executive Officer's Report *(continued)*

The Corporation considers its employees to be its most valuable resource, in terms of its ability to deliver on its mandate. Even if the Corporation had access to unlimited amounts of cash, it would fail to deliver on its mandate if it did not have a dedicated, competent, informed and healthy workforce. For this reason, the Corporation is always on the lookout for ways in which it could enhance employees' competencies, enhance the sharing of information within the Corporation, to keep employees informed about developments within the Corporation and encourage them to maintain healthy lifestyles.

During the year under review the Corporation undertook a project to develop a competency framework. Parallel to that exercise, the vast majority of employees took part in a competency assessment exercise. The combination of the two exercises enabled the Corporation to identify competency gaps, which it will be addressing in the coming financial years through a combination of short – term training, on – the – job training, coaching and mentoring and secondments, where it is considered appropriate. Furthermore, the Corporation is working with similar organisations in Lesotho, Swaziland and Namibia to develop and strengthen links between them, which will enable these organisations to benchmark with one another and share information about best practice in the industry.

HIGHLIGHTS

The Corporation had set itself a target of selling some 638 housing units, but managed to sell only

484 housing units

To enhance information sharing, the Corporation developed a Communication Policy and a Communication Strategy. These two documents are meant to guide communication both within the Corporation and between the Corporation and the outside world. During the 2009/10 financial year the Corporation held roll – out sessions in its various offices across the country, in order to sensitise and acquaint employees with the two documents. I am hopeful that the implementation of the policy and strategy will go a long way in terms of enhancing both internal and external communication.

On the wellness front, the Corporation is putting in place strategies aimed at ensuring that employees adopt lifestyles that will help them to reduce their susceptibility to non – communicable diseases and reduce their stress levels, so that they could be at their productive best when performing the Corporation's duties. During the 2009/10 financial year the Corporation finalised its Wellness Policy, which will be implemented during the 2010/11 financial year. Implementation of this policy will lead to the identification and training of Wellness Champions, who will promote healthy lifestyles within their offices and serve as the first point of contact for interventions such as counselling and stress management. Furthermore, through Wellness Expositions and the observance of various designated days, such the World Aids Day, the Corporation will encourage and facilitate the carrying out of testing on various health conditions and disseminate information about them.

In concluding my report, I would like to take the opportunity to thank the Board, for its valuable counsel and direction, my management team and the entire workforce for their dedication and commitment to the realisation of the Corporation's vision: 'To be the best in Property Development and Estates Management Services'.

REGINALD MOTSWAISO
Chief Executive Officer

Financial Analysis

The operating profit for the Corporation has reduced by P29 million which represents a 31% decrease. The main reason for decrease in profits is due to marginal increase in income which increased by 8% from P274,127 million in 2009 to P296,385 million in 2010.

Financial Analysis

CHANGE IN ACCOUNTING POLICY

There were several changes to the Corporations accounting policies, most notably International Financial Reporting Standard (IFRS) 8, Segmental Reporting and International Accounting Standard (IAS) 18, Revenue and IAS 11, Construction Projects as clarified by International Financial Reporting Interpretation Committee (IFRIC) 15, Agreement for construction of real estates. IFRS 8 requires the Corporation to disclose information about its operating segments and also its product and services, geographical areas which it operates and its major customers.

The following classifications are as determined by Management and the Board:

- Sale of housing Units
- Rental
- Others

The main thrust of IFRIC 15 is to address whether the agreement is within the scope of IAS 11 or IAS 18 and to recognise revenue from the construction of real estate's which may be undertaken directly or indirectly through subcontractors. The Corporation has fully complied with the standard as revenue from subcontracted houses is only realised after selling houses to prospective customers.

The Corporation has previously accounted for all its properties in line with International Accounting Standard (IAS) 40, Investment Properties. IAS 2, Inventories, however stipulates that houses for rental and those held for sale should be accounted for as Investment Property and Inventories respectively. This has resulted in re-statement of previous year financial statements.

Reported surplus

The financials for 2009 has been restated to make them comparable with the 2010 financials due to change in accounting policies stated above. The operating profit for the Corporation has reduced by P29 million which represents a 31% decrease. The main reason for decrease in profits is due to marginal increase in income which increased by 8% from P274,127 million in 2009 to P296,385 million in 2010, while operating costs increased by 22% from P158 million in 2009 to P196 million in 2010.

The Corporation experienced significant reduction in finance income which dropped from P30 million to P8 million representing a 73% decrease. The Corporation has been cash awash for a number of years and excess funds invested in short term deposits earned high interest compared to call accounts. The shift in strategic direction which advocated for increase in house delivery meant that internally generated cash is now being used to fund construction projects. Finance costs have reduced by P11 million representing a 38% decrease.

Management is of the view that the increase in revenue will eventually surpass the increase in cost as the reduction in profit can be largely attributable to investment in the human capital to position the Corporation to deliver on its strategic intent.

Corporate Governance

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.

Corporate Governance

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

HIGHLIGHTS OF RESIDENTIAL UNITS

Gaborone – 516 houses in the up market location of Phakalane at a cost of

P403.76 million

Serowe – 266 houses at a cost of

P106.4 million

The Board

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

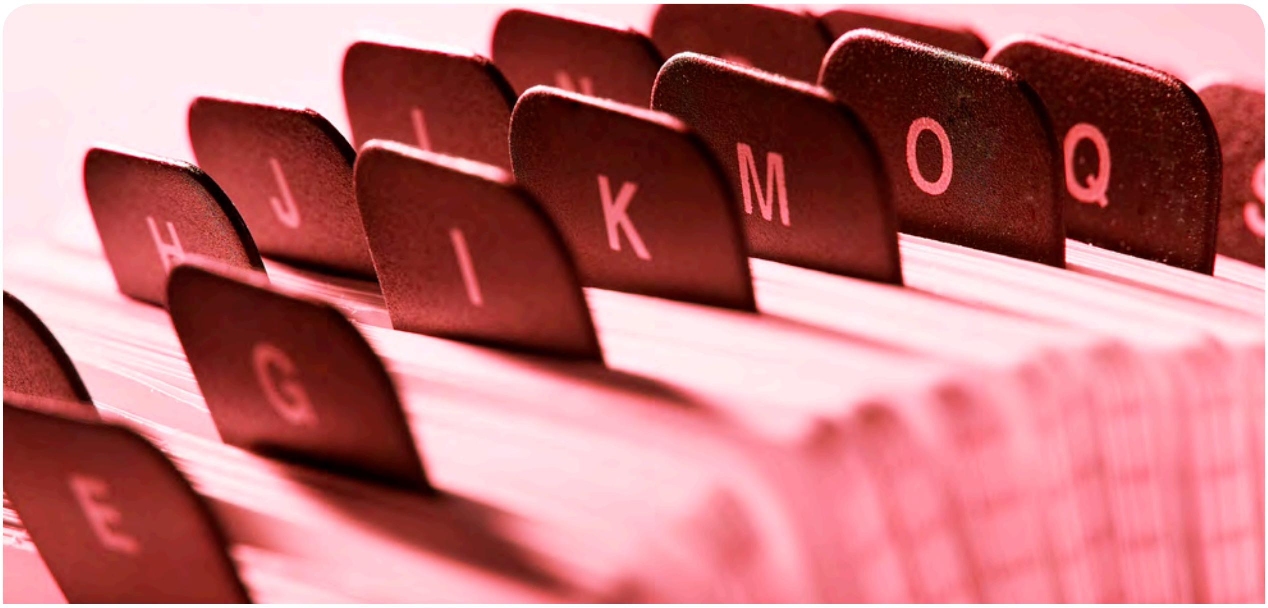
The Board normally meets every quarter and further meetings can be scheduled at short notice should the need arise. The Board meets to review performance, give direction and ensure that Management pursue the best interests of all stakeholders.

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.

Their collective experience enables them to provide sound, independent and objective judgment in decision making.

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



Board members are appointed for a period not exceeding four years but are eligible for re-appointment.

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.

Members are jointly accountable for decisions of the Board. During the year under review the Board Chairman was Professor Bojosi Otlhogile and the Deputy Chairman who is elected by members from amongst their number was Mr Jimmy Modise.

The other members were:-

Mr. Montshwari Mooketsi; Mr Oteng Mamaparanyane; Mr Batlhatswi Tsayang; Mrs Duduzile Khupe; Dr. Bolelang Pheko, Mr Anthony Siwawa and Mr B. Maruapula and Mr B.K Mmopi.

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.

There are three Board Committees: The Finance and Audit Committee; the Human Resources Committee and the Tender Committee.

The Committees are directly responsible to the Board.

Corporate Governance *(continued)*

The Finance and Audit Committee

The committee consists of five members and was made up of the following members:-

Mr M. Mooketsi (Chairman), Mr O. Mamparanyane; Mrs D. Khupe; Mr B. K. Mmopi and Mr A. Siwawa.

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. Additionally, the committee 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 five times during the year.

The Human Resource Committee

This committee also consists of five members.

During the year under consideration, the committee comprised; Mr J. O. Modise (Chairman) Dr B. Pheko, Mr M. Mooketsi; Mr B. Maruapula and Mr B. Tsayang and Mr A. Siwawa.

This committee ensures that the Human Resource in the organisation 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 6 six times during the year.

Tender Committee

This committee comprised of the following members; Dr. B. C. Pheko (Chairperson); Mr O.B. Maruapula, Mr J. Modise; Mr K. Mmopi and Mr Oteng Mamparanyane.

The mandate of this committee is to ensure that there is fairness and efficiency in the process of procurement of Works, Services and Supplies as well as to ensure transparency in the award of contracts.

The committee met three times to discharge its responsibility.

Board Fees

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

The current fees are:-

Board Chairman	—	P1050.00
Deputy Chairman	—	P840.00
Member	—	P840.00

Travel and accommodation costs incurred by Board members in the course of the carrying out their duties are reimbursed or paid for by the Corporation.

Register of Members Interests

This register details each Board member's directorship or shareholding in any company. The register is updated annually.

It is expected that whenever it is felt that there is a conflict of interest the member will, in accordance with the Act, recuse him/herself from discussion at both Board and Committee meetings when the issue giving rise to the conflict of interest is considered.

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 the protection of assets, the efficiency and effectiveness of 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.

Internal Audit reports to the Board on a quarterly basis.

Operational Review

Property Sales Department, under Operations Division, is mandated with accommodating the Nation through selling of the Corporation's housing units.

Operational Review

"For the year under review, the Department had targets of selling 638 housing units and raising P203 million revenue from the sales. 484 housing units were sold at about P150 million."

HIGHLIGHTS OF RESIDENTIAL UNITS

Mahalapye – 235 houses at a cost of

P87.04 million

Gantsi – 206 houses were started at a cost of

P78.83 million

PROPERTY SALES

Property Sales Department, under Operations Division, is mandated with accommodating the Nation through selling of the Corporation's housing units. The selling of housing units is also intended to empower Batswana with homeownership. The Department also manages Tenant Purchase and Step Ownership Schemes (TPS/SOS) which are in-house mortgage schemes though currently suspended

For the year 2009/10, the Department had targets of selling 638 housing units and raising P203 million revenue from the sales. 484 housing units were sold at about P150 million. Sales to individual Batswana were 210 housing units. The other houses were sold to citizen controlled companies as well as some Government Departments and Parastatals.

There were some challenges detrimental to achieving the targets. Our rentals for old stock and sale of same stock are directly competing with each other whereby rentals are substantially lower than mortgage rates, therefore there are no compelling reasons for sitting tenants to buy.

The high demand of building materials, which are mostly, sourced from South Africa, hence increase in prices, hiked cost of construction. Corollary, prices of BHC new houses were severely affected. Surprisingly, the property market in Botswana did not show any symptoms of being affected by the general economic downturn save for the Northern Region, which was directly affected by the closure of mines. The Government also had to cut on its expenditure, thus potential purchasers, including some institutions buying in bulk, suspended purchases of property with intention to constricting their budgets in response to the global economic recession. Moreover, Sectional Titles roll out could not be fully implemented as anticipated because of delays in preliminary preparations.

With regard to TPS/SOS Management, the Department had a target of reducing arrears from P2.1 million to P1 million. The achievement was a reduction to P1.6 million.

The main challenge experienced in TPS/SOS Management was irregular payments of installments by the tenant purchasers.

PROPERTY DEVELOPMENT

The Department's performance is mainly gauged by the number of residential units started during each financial year. Closely riveted to this and quite pivotal to the Department's success is the number of residential units delivered each financial year. For the year under review, the Corporation had planned to start developing 1,372 houses by 31st March 2010. By the end of the financial year the Division had exceeded its target as 1,424 residential units were started, surpassing the target by 52 units.

Operational Review *(continued)*

Highlights of residential units started is given below:

a) **Gaborone** – 516 houses in the up market location of Phakalane at a cost of **P403.76 million.**
b) **Serowe** – 266 houses at a cost of **P106.4 million**
c) **Mahalapye** – 235 houses at a cost of **P87.04 million**
d) **Gantsi** – 206 houses were started at a cost of **P78.83 million**
e) **Jwaneng** – 126 houses at a cost of **P34.6 million**
f) **Selibe-Phikwe** – 74 houses at a cost of **P24.66 million**

For the year under review, the target for delivery of residential units stood at 1,093 and 145 units were delivered in the following locations:

a) **Francistown** – 30 houses were delivered in Selepa
b) **Maun** – 111 houses were delivered in Boseja
c) **Gaborone** – 4 units were delivered in Village

The remaining 948 units were completed later on in the year as a result of a number of challenges which were encountered as follows:

a) **Supply of materials;** for two projects involving development of 396 flats were supposed to be delivered in Gaborone, procurement of precast slabs for the first and second floors posed a challenge. There was only one local supplier and the supplier was not able to meet the demand for the two projects. This caused delays in delivery of the projects.

b) **Resource constraints;** some contractors experienced shortage of manpower during the process of construction; with the following trades affected; bricklaying, painting and carpentry. In order to deal with this challenge, the Division engaged CITF and advised them on scarce trades with a view to motivating for appropriate training. The Corporation held a joint workshop with CITF for the benefit of contractors. Contractors were advised on how they could harness assistance from CITF to ensure that they have sufficient number of tradesmen for their projects.

c) **Contractors' failure to manage multiple projects running concurrently;** One contractor was awarded 3 projects totaling 545 units in Francistown. At that time the Contractor was working on two projects for the Corporation; 116 houses in Palapye and 104 houses in Selibe -Phikwe. To combat this challenge, the Corporation has now taken a deliberate stance of spreading risk by awarding projects to different contractors. At project evaluation stage, critical assessment of work load of contractors is performed with a view to ensuring that performance is not compromised by overstretched contractors.

Over and above the foregoing projects, the Department also started and delivered a number of projects for third parties. These include construction of residential units and office blocks for some ministries, parastatals and the Botswana Defence Force. Such projects generated revenue for the Corporation as professional fees were levied for services rendered. Through this initiative the Department raised P22.98 million in professional fees, exceeding the set target of P21 million by a factor of 33%. The following are some of the projects that were handled by the Corporation:

a) **Ministry of Lands & Housing** – a total of 243 houses were completed in various locations in the country for District Housing.
b) **Botswana Defence Force** – 290 units were started of which 67 were completed.
c) **Botswana Unified Revenue Services** – the Department started a project on the extension to Ramokgwebana border post.
d) **Independent Electoral Commission** – An office block building was commenced in Maun.
e) **Directorate of Corruption and Economic Crime** – the Department commenced construction of an office block in Maun.

For the next financial year, the Department will continue developing residential units in towns and villages in Botswana guided by effective demand. Central to the objective of starting residential units on time would be acquisition and preparation of land in readiness for development. It is for this reason that the Corporation has acquired 260 hectares of land for its land bank.

PROPERTY MANAGEMENT DEPARTMENT

Property Management Department is charged with the duties of leasing and managing of all BHC estates countrywide. This includes the maintenance of the asset register, monitoring of lease compliance and revenue collections.

The rental portfolio did not have any significant growth during the 2009/2010 financial year since the rental share from new projects is limited to a maximum 20% of the new developments. The Corporation took a deliberate decision to offer 80% of houses from new developments for sale. As at March 2010, the total rented portfolio stood at 10380 compared to 10229 of March 2009. Increase in stock was due to delivery of new developments in Palapye, Selebi Phikwe, and Kasane and Gaphatshwa. The monthly rent bill as at March 2010 stood at P13.4 million and the annual rental income amounted to P161.1 million against a target of P155 million. This shows an increase of close to P10 million when compared with the total bill of P150.7 million for the year 2008/2009.

The department has a target vacancy rate of at most 1% and this was not achieved as the actual rate was 1.08%. The 1.08% vacancy rate is slightly higher than the 0.90% experienced in the financial year 2008/2009. New properties delivered in Palapye, Kasane and Gaphatshwa took longer periods to be sold since tribal leases were not ready at completion date. This then delayed the sale and hence occupation of these new houses.

Rental arrears amounted to P5.1million at the beginning of the financial year and the target was to reduce the arrears to P4 million by March 2010. The close of the financial year saw the arrears standing at P4.2 million and most of these arrears were from people who have vacated the corporation's properties with rental amount still outstanding.

Operational Review *(continued)*

"During the year under review, the Corporation engaged its internal and external stakeholders through various forums such as meetings, workshops, fairs and exhibitions".

HIGHLIGHTS OF RESIDENTIAL UNITS

Jwaneng – 126 houses at a cost of

P34.6 million

Selibe-Phikwe – 74 houses at a cost of

P24.66 million

STAKEHOLDER ENGAGEMENT

The Corporation through its Public and Corporate Affairs Department continued to interact with various stakeholders through various forums. The main objective of these interactions was to create awareness and promote its products and services as well as to improve the quality of services to its valued customers. Initiatives covered during the year under review included the following;

Stakeholder Interactions

During the year under review, the Corporation engaged its internal and external stakeholders through various forums such as meetings, workshops, fairs and exhibitions. The Chief Executive Officer visited all of the Corporation's Offices to consult with staff on various issues affecting the Corporation. The Public and Corporate Affairs Department also conducted Communication Strategy and Policy roll out sessions through various offices to sensitize employees about the Corporation's Communication Strategy and Policy, and results of the 2009 Customer Index Survey.

Breakfast meetings with corporate clients in Francistown and Gaborone were held respectively. The purpose of the meetings was to discuss among others, the Corporation's performance, achievements and challenges, as well as to solicit feedback regarding products and services. Tours of the ongoing projects at Gerald Estate Housing Development and Gaborone Block 7 were also conducted as a way of marketing the products to prospective buyers. Customer Days and Tenants meetings were also held in Francistown and Gaborone respectively, where the Corporation interacted with customers to get feedback on products and services. The media was part of all these events as evidenced by the wide coverage received during the year under review.

Marketing Communications

In terms of promotion of the Corporation's products and services, the Corporation continued to promote its products and services through various activities such as fairs and exhibitions. The Corporation participated at the 2009 BOCCIM Northern Trade Fair in Francistown to create awareness about its two projects at Gerald Estate and Selepa.

It also took part in the 2009 Consumer Fair held in Gaborone and the main focus of the fair was to promote the high density properties at Gaborone Block 7. The Corporation also took part in the Vision 2016 Awareness Month activities in Letlhakeng where information on products and services offered by the Corporation was shared with the public. Other promotional efforts included handover of Twenty six District houses to the Department of Housing in Tonota and Customer Day events which were held in Gaborone and Francistown respectively to promote the Corporation's products and services.

Relationship Building Exercise

The 5th Annual Relationship Building Exercise between similar Corporations from SADC countries was held in Gaborone during the year under review. Among the Corporations that took part in the exercise were the Botswana Housing Corporation which was the host, Namibian Housing Enterprise, Lesotho Land and Development Corporation, and Swaziland Housing Corporation. The purpose of these games was to promote interaction between employees of similar corporations through games and to forge working relationships which could enable others to emulate what others are doing to address accommodation needs in their respective countries.

Operational Review *(continued)*

The Executive Management of the participating countries met to review the relationship and to consider taking it to the next level where an area of mutual benefit could be explored. A committee made up of representatives of the respective countries was put in place to come up with recommendations. The committee drafted a Memorandum of Agreement establishing an entity named BOLESWANA Southern African Housing Association and the main objective was to facilitate the Strengthening of Collaboration and Cooperation amongst members through Operational, Recreational and Cultural activities. The MOA was still to be endorsed by the Boards of the respective member countries before implementation.

Corporate Social Responsibility

On the Corporate Social Responsibility front, the Corporation engaged in and donated towards some initiatives such the construction of two houses for the needy in Mopipi and Molapowabojang villages respectively. The total amount of money donated to various individual and community initiatives was P341,366.23.

In terms of employee welfare initiatives, the Corporation hosted end of the year and long service awards ceremonies in the Northern and Southern Regions respectively. A total of 35 employees who have served the Corporation for 10, 15 and 20 years were recognised and awarded with tokens of appreciation.

BHC Website

The BHC website was launched in September 2009 as to enhance delivery of information to some of the Corporation's external stakeholders.

The website features include interactive tools which offer BHC customers an opportunity to interact with the Corporation through the internet without having to physically visit the offices.

Branding

To promote corporate identity and an enhanced corporate image the Corporation through the Customer Care Unit developed branded furniture and ladies uniform. The branded furniture has already been delivered and will continue to be used to replace old furniture as and when necessary. The uniform is still under production and is expected to be launched second quarter of the 2010/11 financial year.

Customer Consultative Forums

In our quest to enhance excellent customer relations, the Corporation through its Customer Care Unit hosted tenant meetings in all the seven area offices in the northern region. The meetings form part of our outreach program which helps reach out and connect with our customers. It is a forum through which we relay important messages as well as solicit feedback from our customers and other interested stakeholders. The feedback from our customers and stakeholders helps us establish and understand customer preferences, and to reflect on our service delivery initiatives.

The tenant meetings were also a build-up to the Customer Day which was held on the 5th of September 2009 at Gallo Shopping Centre in Francistown. A Corporate Breakfast was held on the 4th of September 2009 at the Tati River Lodge Conference Centre. The purpose of the breakfast was to reach out to our Corporate Customers, thank them for their support, sell them our new products and services, as well as solicit feedback from them on how best we might package our future products according to their needs.

Research and Development

The BHC Research and Development unit offers in-house and outsourced qualitative and quantitative research capabilities, providing our internal clients with data accuracy and continuity. The unit is always on the lookout for innovative and cost effective channels of delivering products and services and sustainable service delivery for guaranteed stakeholder satisfaction. Our research analysis is centred on three main attributes; Customer Service, Product Development and Demand.

An Effective Demand Study targeting Phakalane was conducted, the study sought to establish demand patterns of proposed properties in the area.

Post Occupation Surveys were conducted in Lobatse Crescent, Maun Xabara, Selibe Phikwe Phase 1 and Gaphatshwa. The study targets our new properties which are still under the defect liability period, and the objective is to establish tenants' perception on our new products, identify any defects and channel them to the Inspectorate unit for rectification by the contractor, and to also solicit views on improvements BHC may undertake to improve its products and services.

Customer Satisfaction Index (CSI): The study is used to measure both internal and external Customer Satisfaction and its objectives include but not limited to the following; to identify critical customer issues, gain valuable customer feedback, track changes in customer satisfaction and monitor and measure employee satisfaction. The primary target is current BHC tenants, potential customers and BHC employees. It is undertaken every two years.

The 2008 external CSI stands at 62.9% compared to 63.5% in 2006, the decrease is attributed to size of rooms of our houses and affordability. The Internal satisfaction for the study stands at 68.3% compared to 70.5% in 2006 and the overall customer satisfaction index for both internal and external customers was 65.6%, compared to 63.5% for 2006.

Concerted efforts are being undertaken to address concerns raised in the study in order to improve performance and to enhance future ratings.

Alternative Methods of Construction: Housing shortage and cost of building in Botswana and Southern Africa at large could be alleviated if alternative building materials and methods were more readily used.

Many systems have been devised and researched and BHC is on the lookout of cost effective and fast to deploy alternative methods of construction. This year alone, the Corporation through the Research and Development Unit identified and studied 7 methods. Three of the methods were recommended for further assessment. One prototype house developed with a sand bag technology was constructed in Gaborone Phase 1 and it is still under observation, and a report on the performance and market acceptance of the house will be done before end of the 2010/2011 financial year.

Operational Review *(continued)*

HUMAN RESOURCES

The Botswana Housing Corporation is continuously reviewing and/or developing and adopting initiatives that are aimed at enabling the employees to effectively execute their responsibilities. It is through well managed and concerted efforts of the employees that the Corporation is able to deliver on its mandate. The strategic drive is to create a favourable environment that enables and nurtures the culture of performance excellence.

The BHC Competency Framework

During the 2009/10 financial year, the Corporation embarked on a project to develop the Corporate Competency Framework. The framework enables the Corporation to establish the knowledge, skills and capabilities that are required in order to effectively and efficiently execute the various functions making up the organisation. Such competences were captured on, though generic, the BHC specific Job Patterns.

Parallel to the development of the BHC Job Patterns, most of the employees undertook a competency assessment exercise. The assessment allows the Corporation to establish the job match in terms of competences between the employees and their job requirements. The difference would be the competency gap.

In pursuit of the strategic plan, the Corporation is to be guided by the Competency Framework when considering initiatives that are aimed at enhancing the employees' performance. The Training and Development Plans and Budgets would be direct products of the performance gaps.

The Performance Management System

It is the Corporation's goal to increase employees' productivity. This is intended to improve on organisational efficiency. The Corporation has reviewed its Performance Management System (PMS) to promote positive behaviour in the workplace. The system is to foster recognition of performance.

The Corporation is using the Balanced Scorecard to measure corporate performance. The PMS was reviewed to facilitate the cascading of the Corporation's strategy to the individual level and thereafter measure the individual employees' performance. As a result of the alignment, the attainment of the individual targets will be directly contributing to the achievement of the strategy.

Staff Pension Issues

As at 31st March 2010 the BHC Staff Pension Fund had a total membership of 247 active members and 128 deferred members, a growth in membership of 44 and 7, respectively from 2009.

The fund's Administrators are Alexander Forbes Financial Services and the Investment Manager is African Alliance.

The fund had a total investment of P45,778,516 made up of a P33,460,873 Global portfolio and P12,317,643 Domestic portfolio. This was a growth from approximately P34,845,493 in 2009 total investment (P23,370,489 Global portfolio and P11,475,004 Domestic portfolio).

The fund operates an investment instrument through the Alexander Forbes Trust for minor beneficiaries of deceased employees. The trust managed 8 estates for 16 beneficiaries in respect of 8 deceased employees. The value of the Trust was approximately P1,193,704 at the end of the review period.

The fund carried 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 two times in a year and have become a standing item in the fund's calendar.

Staff Turnover

The staff complement as at 31st March 2010 was **317**

1.1 At the beginning of the year there were **52** vacancies that were to be filled during the year.

1.2 The Corporation experienced one of the worst turnovers during this period. There were 15 departures due to various reasons, mostly due to resignations. The majority of those who terminated their services with the Corporation were in supervisory positions (Bands 5 and 6).

1.3 1 employee died during the period under review.

1.4 During the same period 51 positions were filled.

1.5 By the end of the financial year there were 16 vacant positions and most of which the process to have them filled was at an advanced stage.

Wellness Issues

In pursuit of it's commitment to ensuring that it has a healthy workforce the Corporation approved a Wellness Programme for its employees. The programme will be implemented in the 2010/2011 financial year.

For the financial year 2010/2011, the Corporation did not report any serious injury to its workforce.

Operational Review *(continued)*

Industrial Relations

During the financial year 2009/2010, the Corporation experienced very few Industrial Relations issues which were to be resolved from within the Corporation. Four (4) disputes were referred to the Industrial Court for determination. Three (3) of these were decided in favour of the Corporation while the other one was in favour of the applicant. All these disputes were raised by former employees of the Corporation.

LEGAL SERVICES

The Legal Services Department is made up of two Divisions, Legal Services and Procurement.

The Legal Services Division comprises of three professionals and two support staff, while Procurement comprises of six professionals most of whom were recruited in the latter half of 2009.

Legal Services provides comprehensive in-house legal services:-

- Contract Drafting
- Provision of Legal Advise
- Litigation
- Debt Recovery
- Transfer of Property and Acquisition of Title
- Custodians of Title Deeds and other Legal Documents
- Secretariat to the Board Tender Committee, etc.

Procurement is tasked with assisting user departments plan their procurement and buy at fair and reasonable prices at the time they need the goods or services.

They look to continuously improve the Corporation's procurement processes, anticipating changes in the Corporation's needs, with particular attention to improving contract management which, after the outsourcing of maintenance and the phasing out of stores, has become their major area of focus.

During the past year, like many business enterprises the world over, the Corporation had to deal with the effects of the economic recession and one of the ways of doing that was cutting back on expenditure where possible.

In support of this as well as to improve generally on efficiency, the department did most of the debt collection and litigation using internal resources.

Particular attention was paid to the elimination of wasteful spending, in monitoring services, reducing turn-around times between requisition and receipt of goods and improving on customer service generally. To this end Procurement met with suppliers and service providers more often than previously and entered into Service Level Agreements with many of them.

The Department was also engaged in mapping out its work processes. This was part of a corporate wide initiative, where all departments were required to map out their work processes to align them to the operations of the Corporation and ensure that they dovetail with each other. This was in preparation of the acquisition of a new ERP system.

As the financials clearly indicate, most of the Corporation's revenue comes from rentals and sales. In a bid to improve on sales as well as to make more housing units available to the public, BHC has in the past couple of years sold under sectional title. As this is a fairly new initiative and many of those involved in selling under sectional title are still learning the ropes, Legal Services have worked closely with the Sales Department and others to ensure compliance with the Sectional Titles Act as well as other statutes.

Annual Financial Statements

for the year ended 31 March 2010

General Information

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 K Otlhogile	Chairman
D Khupe	
J O Modise	
M Mooketsi	
B C Pheko	
O S Mamparanyane	
B S Tsayang	
O C Kgotlafela	*(Resigned on 31 May 2009)*
O M Ramasedi	*(Resigned on 31 May 2009)*
R Chephethe	*(Resigned on 31 May 2009)*
O Maruapula	*(Appointed on 1 June 2009)*
B K Mmopi	*(Appointed on 1 June 2009)*
A W Siwawa	*(Appointed on 1 June 2009)*

SENIOR LEADERSHIP TEAM

R Motswaiso	Chief Executive Officer
M Majingo	Deputy Chief Executive Officer *(Operations)*
L Galekhutle	Deputy Chief Executive Officer *(Support Services)*
L Jankie	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
T Sithole	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

for the year ended 31 March 2010

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 2010, 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 34 to 82 were approved by the members of the Board on 29 July 2010 and are signed on their behalf by:

B K Otlhogile
Chairman

R Motswaiso
Chief Executive Officer

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Independent Auditor's Report

To the Minister of Lands and Housing and the Members of the Board of Botswana Housing Corporation

Report on the financial statements

We have audited the accompanying financial statements of Botswana Housing Corporation, set out on pages 34 to 82, which comprise the statement of financial position as at 31 March 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Members ofthe Board's responsibility for the financial statements

The members of the Board are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the Botswana Housing Corporation (Chapter 74:03) as amended. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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.

Auditor's responsibility

Our responsibility is to express an oplllon 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 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 judgment, 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 and fair presentation of the financial statements 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 present fairly, in all material respects the financial position of Botswana Housing Corporation as of 31 March 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

In accordance with Section 24(4) of the Botswana Housing Corporation Act (Chapter 74:03) as amended, we confirm that in our opinion:

- 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 and represents a true and fair view of the transactions and financial affairs of the Corporation.

PricewaterhouseCoopers

CERTIFIED PUBLIC ACCOUNTANTS
31 August 2010

Statement of Comphrensive Income

for the year ended 31 March 2010

	Note	2010 P'000	2009 P'000 (restated)
Revenue	6	296,385	274,127
Cost of sale of housing inventories	7	(70,708)	(67,944)
Repairs and maintenance		(47,150)	(41,162)
Employee benefit expenses	8	(69,320)	(55,301)
Depreciation and amortisation	9	(13,121)	(10,122)
Other expenses	10	(64,969)	(51,717)
Gains on sale of investment property	11	26,574	37,139
Other income		6,906	8,623
Operating profit		**64,597**	**93,643**
Finance income	12	8,483	30,392
Finance costs	13	(18,308)	(29,750)
Finance (costs)/income -net		**(9,825)**	**642**
Share of surplus of joint ventures	18	6,087	3,377
Total comprehensive income for the year		**60,859**	**97,662**

Statement of Financial Position

as at 31 March 2010

	Note	2010 P'000	2009 P'000 (restated)	2008 P'000
Assets				
Non-current assets				
Investment property	14	880,118	851,771	777,335
Land for development and housing under construction		—	—	230,755
Property, plant and equipment	16	16,261	14,578	14,061
Intangible assets	17	1,645	546	691
Investments in joint ventures	18	10,027	10,195	8,741
Loans to related parties	19	14,263	15,627	16,825
Operating lease asset	20	64,537	64,332	63,307
Trade and other receivables	21	77,032	117,995	130,385
Total non-current assets		1,063,883	1,075,044	1,242,100
Current assets				
Inventories	15	641,365	359,657	—
Loans to related parties	19	1,364	1,475	1,054
Trade and other receivables	21	32,294	38,305	40,251
Cash and cash equivalents	22	397,470	447,323	544,024
Total current assets		1,072,493	846,760	585,329
Total assets		2,136,376	1,921,804	1,827,429
Equity and liabilities				
Capital and reserves				
Irredeemable capital	23	250,000	250,000	250,000
Retained earnings		935,459	887,300	785,304
Earnings reserve	24	39,965	51,680	64,660
Investment properties insurance reserve	25	2,590	2,590	2,590
Total equity		1,228,014	1,191,570	1,102,554
Non-current liabilities				
Agency funds	28	83,399	70,000	46,111
Borrowings	26	276,300	311,050	342,972
Total non-current liabilities		359,699	381,050	389,083
Current liabilities				
Trade and other payables	27	131,560	87,250	63,428
Agency funds	28	257,770	215,179	221,224
Borrowings	26	133,965	38,565	34,950
Customer deposits	29	25,368	8,190	16,190
Total current liabilities		548,663	349,184	335,792
Total equity and liabilities		2,136,376	1,921,804	1,827,429

Statement of Changes in Equity

for the year ended 31 March 2010

	Capital P'000	Retained earnings P'000	Earnings reserve P'000	Investment properties insurance reserve P'000	Total P'000
Balance at 1 April 2008	250,000	785,304	64,660	2,590	1,102,554
Comprehensive income					
Comprehensive income for the year	—	97,662	—	—	97,662
Transfer to retained earnings	—	12,980	(12,980)	—	—
Total comprehensive income	—	110,642	(12,980)	—	97,662
Transaction with owners					
Dividend (note 30)	—	(8,646)	—	—	(8,646)
Total transactions with owners	—	(8,646)	—	—	(8,646)
Balance at 31 March 2009	250,000	887,300	51,680	2,590	1,191,570
Balance at 1 April 2009	250,000	887,300	51,680	2,590	1,191,570
Comprehensive income					
Comprehensive income for the year	—	60,859	—	—	60,859
Transfer to retained earnings	—	11,715	(11,715)	—	—
Total comprehensive income	—	72,574	(11,715)	—	60,859
Transaction with owners					
Dividend (note 30)	—	(24,415)	—	—	(24,415)
Total transactions with owners	—	(24,415)	—	—	(24,415)
Balance at 31 March 2010	250,000	935,459	39,965	2,590	1,228,014

Note 1: Earnings reserve

Net gains realised on disposal of investment properties through tenant purchase scheme and step ownership scheme 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 maintaining investment properties in excess of P 100,000.

Statement of Cash Flows

for the year ended 31 March 2010

	Note	2010 P'000	2009 P'000 (restated)
Cash flows from operating activities			
Net cash used in operating activities	31	(92,305)	(14,913)
Cash flows from investing activities			
Purchases of property, plant and equipment	16	(3,935)	(2,142)
Intangible assets	17	(1,269)	(154)
Proceeds from sale of investment property	11	46,725	97,026
Additions to investment property	14	(57,751)	(135,555)
Assets written off		—	(7,212)
Proceeds from sale of property, plant and equipment		129	(145)
Capital repaid by joint ventures	18	659	423
Drawings from joint ventures	18	5,596	1,500
Loan repayments received from related parties	19	1,475	777
Interest received	12	8,483	30,392
Net cash generated from / (used in) investing activities		112	(15,090)
Cash flows from financing activities			
Capitalised interest on borrowings	26	5,467	6,238
Repayment of borrowings	26	(38,565)	(34,542)
Interest paid	13	(18,308)	(29,750)
Dividend paid	30	—	(8,646)
Net cash used in financing activities		(51,406)	(66,700)
Net increase in cash and cash equivalents		(143,598)	(96,703)
Cash and cash equivalents at beginning of year		447,321	544,024
Cash and cash equivalents at end of year	22	303,722	447,321

Accounting Policies

for the year ended 31 March 2010

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 its operation 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 2010 have been approved for issue by the members of the Board on 29 July 2010. 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 in note 4.

(a) Standards, amendments and interpretations effective in the current year and relevant for the Corporation's operations.

IAS 1 (Revised), 'Presentation of financial statements'; (Effective 1 January 2009) – details in the presentation of financial statements topic summary. This revised standard promotes the Statement of Comprehensive Income, but with a choice.
IAS 23 (Revised), 'Borrowing costs' (Effective 1 January 2009) details in the property, plant and equipment topic summary. IAS 23 requires borrowing cost to be capitalised into the cost of an asset; previously capitalisation was optional.
IFRS 7 'Financial instruments – Disclosures' (Amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

Accounting Policies *(continued)*

for the year ended 31 March 2010

IFRS 8 replaces IAS 14, 'Segment reporting', and is effective for annual periods beginning on or after 1 January 2009. The new standard requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. The effects of adoption by the Group are disclosed in note 5 to the financial statements.
IFRIC 15 'Agreements for construction of real estates'; (1 January 2009); (1 January 2009).The interpretation clarifies whether IAS 18, 'Revenue' or IAS 11 'Construction contracts' should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. The Corporation expects to apply IAS 18 for such sale agreements;

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

IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (Effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions.
IFRIC 9 'Reassessment of Embedded Derivatives' and IAS 39 'Financial Instruments: Recognition and Measurement' – Amendment (Effective from 1 July 2008).
IFRS 1 'First-Time Adoption of International Financial Reporting Standards' and IAS 27 'Consolidated and Separate Financial Statements' – Amendment (Effective from 1 January 2009).
IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance'; (Effective 1 January 2009).
IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures'); (Effective 1 January 2009).
IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies'; (1 January 2009).
IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7); (1 January 2009).
IAS 38 (Amendment), 'Intangible assets';(1 July 2009).
IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16); (1 January 2009).
IAS 41 (Amendment), 'Agriculture'; (1 January 2009).
IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' (Effective from 1 October 2008).
IAS 34 'Interim financial reporting'; (1 January 2009).
IFRIC 18 'Transfers of assets from customers' (Effective for transfers from 1 July 2009).

Accounting Policies *(continued)*

for the year ended 31 March 2010

2.1 Basis of preparation *(continued)*

c) *New standards, interpretations and amendments to existing standards that are not yet effective, which are not relevant to the Corporation's operations and have not been early adopted by the Corporation.*

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the accounting periods beginning on or after 1 July 2009 or later periods (Effective for the company's 2009 / 2010 financial year). Management are of the view that they are currently not applicable to the Corporation's operations:

IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption'); (Effective from 1 July 2009).
IFRIC 17 'Distribution of non-cash assets to owners' (Effective from 1 July 2009).
IAS 27 (Revised), 'Consolidated and separate financial statements', (Effective from) (Effective from 1 July 2009).
IAS 38 (Amendment), 'Intangible Assets'. (Effective from 1 July 2009).
IAS 39 'Financial Instruments: Recognition and Measurement' – Amendment (Effective from 1 July 2009).
IAS 24 'Related party Disclosures' – Amendment (1 January 2011).
IFRS 9 'Financial Instruments' – 1 January 2013. This IFRS is part of the IASB's project to replace IAS 39.
IFRS 3 'Business Combinations' – Revised (Effective from 1 July 2009).
IFRS 1 'First time Adoption of International Financial Reporting Standards' – Revised (Effective from 1 July 2009).
IFRS 2 'Share-Based Payment' – Amendment (Effective from 1 January 2010).
IFRIC 17 'Distributions of Non-cash Assets to Owners' (Effective from 1 July 2009).
IAS 32 'Classification of Rights Issues' – Amendment (1 February 2010).
IFRS 1 and IFRS 7 'IFRS 1 - Limited exemption from comparative IFRS 7 disclosures for first-time adopters' – Amendment (1 July 2010).
IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' – (1 July 2010).
IFRIC 14 'Pre-payments of a Minimum Funding Requirement' – Amendment (1 January 2011).

Management is currently assessing the impact of the application of aforementioned new standards, amendments and interpretations on the group's financial statements in the period of initial application. At this time, the adoption of these standards and interpretations is only expected to have an impact on the classification and disclosure of items in the Corporation's financial statements.

Comparative Information

The accounting policies have been consistently applied with those used in the previous year except for reclassification of certain financial information (as illustrated below) in order to comply with the change in accounting policy. The previous year's figures and phrases have been re-arranged wherever necessary to conform to the current year presentation.

Accounting Policies *(continued)*

for the year ended 31 March 2010

Restatement of comparative period

The Corporation previously accounted for all completed houses as investment properties carried at cost in accordance with IAS 40 'Investment Properties' and properties under construction as capital work in progress at cost. Profit and loss on the disposal of investment properties were accordingly included in operating income. The Corporation has restated its previous financial statements so as to separately classify housing inventory developed for outright sales as inventories in accordance with IAS 2 'Inventories' from those properties held for rental purposes. Housing inventory is measured at the lower of cost and net realisable value and is included in current assets.

The effect on the balance sheet is shown below.

	31-Mar-09 P '000	31-Mar-08 P '000
Investment properties as previously stated	870,323	777,335
Land for development and housing under construction	341,104	—
Inventories as previously stated	—	—
	1,211,427	777,335
Investment properties (restated)	851,771	777,335
Inventories - housing stock (note 15)	18,552	—
Inventories - land for development (note 15)	22,914	—
Inventories - housing under construction (note 15)	318,191	—
	1,211,428	777,335

The above restatement does not have any impact on the comprehensive income statement except for the change in the presentation of revenue and cost of sales of housing inventory. Previously the net results of the sale of investment properties had been shown under revenue. This has now been reclassified to show the sales proceeds from sale of housing inventories under revenue while the cost of sale of housing inventory is shown as separate line item in the comprehensive income statement. Further, net gain or loss on sale of investment properties has been shown separately in the comprehensive income statement.

As previously stated

	2009 P '000
Revenue	243,977
Direct operating expenses	(108,616)
Administrative expenses	(50,341)
Other income	8,623
Operating profit as previously stated	93,643

Accounting Policies *(continued)*

for the year ended 31 March 2010

Restatement of comparative period *(continued)*

As restated

	2009 P '000
Revenue	274,127
Cost of sale of housing inventories	(67,944)
Repairs and maintenance	(41,162)
Employee benefit expenses	(55,301)
Depreciation	(10,122)
Other expenses	(51,717)
Profit on sale of investment properties	37,139
Other income	8,623
Operating profit	93,643

The above reclassification does not have any implication for the financial year 2008 as the Corporation started construction and selling housing inventories from 2009.

2.2 Revenue recognition

The Corporation recognises revenue when the amount of revenue can be reliably measured, 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 income statement 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.

Accounting Policies *(continued)*

for the year ended 31 March 2010

(c) Tenant purchase scheme (TPS)

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

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

(d) Step ownership scheme (SOS)

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

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

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

Accounting Policies *(continued)*

for the year ended 31 March 2010

2.2 Revenue recognition *(continued)*

(f) Interest income

Interest income and interest expense are recognised in the income statement 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.

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.

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.

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.

Accounting Policies *(continued)*

for the year ended 31 March 2010

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

Borrowing 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. Other borrowing costs are expensed.

2.7 Capitalisation of development costs

The Corporation capitalises direct expenses of the development department in respect of its own housing projects until the project is substantially complete.

2.8 Property, plant and equipment

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

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

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 income statement.

Accounting Policies *(continued)*

for the year ended 31 March 2010

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 the amount actually disbursed to the related parties. 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.

Equity accounting involves recognising in the income statement 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 30 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 income statement 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 income statement.

Accounting Policies *(continued)*

for the year ended 31 March 2010

2.13 Maintenance inventories

Maintenance inventories are valued at the lower of cost and net realisable value. Cost is determined by the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 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.

2.15 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).

2.16 Earnings reserve

Surpluses recognised in the income statement 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.

2.17 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 income statement.

2.18 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 income statement over the period of the borrowings using the effective interest method.

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

2.19 Trade payables

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

Accounting Policies *(continued)*

for the year ended 31 March 2010

2.20 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.

2.21 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 income statement 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 income statement 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.

2.22 Related party transactions

Related parties comprise the Government of Botswana, joint ventures, members of the Executive Management Committee and Members of the Board. Except where specifically stated, all related party transactions are on normal commercial terms and in the ordinary course of business. A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether or not a price is charged.

2.23 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.

Accounting Policies *(continued)*

for the year ended 31 March 2010

2.24 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2.25 Employee benefits

(a) Pension obligations

The Corporation operates a defined contribution pension scheme for all its employees, excluding contract and hourly-paid 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 balance sheet date are discounted to their present value.

Accounting Policies *(continued)*

for the year ended 31 March 2010

2.25 Employee benefits *(continued)*

(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 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.

2.26 Financial assets

Classification

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

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

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

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 balance sheet date.

Accounting Policies *(continued)*

for the year ended 31 March 2010

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 income statement. 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 income statement as 'gains and losses from investment securities'.

Interest on available for sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as other income when the Corporation's right to receive payment is established.

Impairment of financial assets

The Corporation assesses at each balance sheet 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 income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 1.9.

2.27 Offsetting financial instruments

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

Accounting Policies *(continued)*

for the year ended 31 March 2010

2.28 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are 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.

2.29 Impairment of financial assets

The Corporation assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the original recognition of the asset (a 'loss event') and the loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial can be reliably estimated

2.30 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.

2.31 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.

2.32 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 balance sheet.

Financial Risk Management

for the year ended 31 March 2010

3. Financial Risk Factors

The Corporation's activities expose it to a variety of risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit and liquidity risk. The Corporation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Corporation's financial performance.

Risk Management is carried out under policies approved by the Board. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of non derivative financial instruments, and investment of excess liquidity. Risk management is carried out under policies approved by the Board. The Board provides written

(a) Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and other financial institutions, only subsidiaries of multi-national banks are accepted. The parents of these subsidiaries are independently rated and have a minimum rating of 'A'.

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 allow cash payments. For Tenant Purchase Scheme and Step Ownership Scheme the Corporation retains title to the property until the whole of the purchase price has been paid.

The Corporation 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. 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 *(continued)*

for the year ended 31 March 2010

3. Financial risk factors *(continued)*

(a) Credit risk

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

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

	2010 P'000	2009 P'000
Investments in joint ventures	10,027	10,195
Loans to related parties	15,627	17,102
Trade and other receivables	109,326	156,300
Cash and cash equivalents	397,470	447,323
	532,450	630,920

Credit risk exposures relating to off-balance sheet items are as follows:

	2010 P'000	2009 P'000
Financial guarantee (note 33)	6,600	5,500

The above table represents the worst case scenario of credit risk exposure for the Corporation as at 31st March 2009 and 2010 without taking account of any collateral held or other credit enhancements attached. For on balance sheet assets the exposure set out above is based on net carrying amounts as reported in the statement of financial position.

Trade Receivables

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

At March 2010	Rental debtors P'000	TPS P'000	SOS P'000	Other P'000	Total P'000
Neither past due nor impaired	—	85,720	7,285	9,242	102,247
Past due but not impaired	2,929	1,611	66	—	4,606
Individually impaired	4,634	6,568	156	—	11,358
Gross	7,563	93,899	7,507	9,242	118,211
Less: Provision for impairment	4,634	6,568	156	—	11,358
Net	2,929	87,331	7,351	9,242	106,853

Financial Risk Management *(continued)*

for the year ended 31 March 2010

At March 2010	Rental debtors P'000	TPS P'000	SOS P'000	Other P'000	Total P'000
Neither past due nor impaired	895	120,387	11,610	13,373	146,265
Past due but not impaired	1,202	2,065	123	—	3,390
Individually impaired	4,591	6,709	108	—	11,408
Gross	6,688	129,161	11,841	13,373	161,063
Less: Provision for impairment	4,591	7,859	675	—	13,125
Net	2,097	121,302	11,166	13,373	147,938

Trade receivables, past due but not impaired

At March 2010	Rental debtors P'000	TPS P'000	SOS P'000
Past due up to 30 days	2,196	273	16
Past due 30 - 60 days	229	169	9
Past due 60 - 90 days	504	1,169	41
Total	2,929	1,611	66
Value of collateral		104,050	4,344

At March 2009	Rental debtors P'000	TPS P'000	SOS P'000
Past due up to 30 days	634	339	28
Past due 30 - 60 days	349	214	16
Past due 60 - 90 days	219	1,512	79
Total	1,202	2,065	123
Value of collateral		120,403	7,748

Financial Risk Management *(continued)*

for the year ended 31 March 2010

(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 function 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.

At 31 March 2010, the Corporation's foreign exchange exposure was limited to an outstanding US$ denominated invoice for a computer license. If the Botswana Pula (BWP) had moved 1% against the US$, the effect would be insignificant.

(ii) Cash flow and fair value interest rate risk

The Corporation's interest rate risk arises from long-term 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. During financial years ended 31 March 2010 and 2009, the Corporation's borrowings at fixed rate were denominated in the functional currency.

The table below summarise the Corporation's exposure to interest rate risk.

At March 2010	Less than 1 year P'000	1 - 2 years P'000	2 - 5 years P'000	Over 5 years P'000	Total P'000
Financial assets					
Loans to related parties	3,316	3,316	9,949	7,739	24,320
Trade and other receivables	39,677	19,852	45,973	12,710	118,212
Cash and cash equivalents	314,071	83,399	—	—	397,470
	357,064	106,567	55,922	20,449	540,002
Financial liabilities					
Bank overdraft	93,748	—	—	—	93,748
Borrowings	71,253	80,541	213,669	108,555	474,018
	165,001	80,541	213,669	108,555	567,766

Financial Risk Management *(continued)*

for the year ended 31 March 2010

At March 2009	Less than 1 year P'000	1 - 2 years P'000	2 - 5 years P'000	Over 5 years P'000	Total P'000
Financial assets					
Loans to related parties	3,316	3,316	9,949	11,055	27,636
Trade and other receivables	42,933	19,852	45,973	68,845	177,603
Cash and cash equivalents	285,180	162,143	—	—	447,323
	331,429	185,311	55,922	79,900	652,562
Financial assets					
Borrowings	71,253	80,541	213,669	179,808	545,271
	71,253	80,541	213,669	179,808	545,271

Interest rate sensitivity

At 31 March 2010, should interest rates have risen by 1% with all other variables remaining constant, the decrease in net assets for the year would amount to approximately P372 780 arising substantially from the increase in financial liabilities. (2009: P1 623 630 - increase). If interest rates had lowered by 1%, the increase in net assets would amount to approximately P 372 780 (2009: P1 623 630 - decrease).

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash, and the availability of funding through an adequate amount of committed credit facilities.

Management monitors rolling forecasts of the Corporation's liquidity reserves (comprises cash and cash equivalents – note 22) on the basis of expected cash flow.

Forecasted liquidity reserve at 31 March 2010 is as follows;

	2011 P'000
Opening balance for the period	165,229
Operating proceeds	901,453
Cash outflow from operating activities	(218,715)
Investing proceeds	18,124
Cash outflow from investing activities	(1,724,206)
Financing proceeds	1,400,000
Cash outflow from financing activities	(220,871)
Closing balance for the period	321,013

Financial Risk Management *(continued)*

for the year ended 31 March 2010

(c) Liquidity risk (continued)

The table below analyses the Corporation's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet 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 2010					
Borrowings	71,253	80,541	213,669	108,555	474,018
Trade and other payables	131,560	—	—	—	131,560
Agency funds	257,770	83,399	—	—	341,169
Customer deposits	25,368	—	—	—	25,368
Liabilities (contractual maturity)	485,951	163,940	213,669	108,555	972,115
Cash and cash equivalents	314,071	83,399	—	—	397,470
Trade receivables	39,677	19,852	45,973	12,710	118,212
Assets (managing liquidity risk)	353,748	103,251	45,973	12,710	515,682
At 31 March 2009					
Borrowings	71,253	80,541	213,669	179,808	545,271
Trade and other payables	87,245	—	—	—	87,245
Agency funds	215,180	70,000	—	—	285,180
Customer deposits	8,190	—	—	—	8,190
Liabilities (contractual maturity)	381,868	150,541	213,669	179,808	925,886
Cash and cash equivalents	285,180	162,143	—	—	447,323
Trade receivables	42,933	19,852	45,973	68,845	177,603
Assets (managing liquidity risk)	328,113	181,995	45,973	68,845	624,926

Financial Risk Management *(continued)*

for the year ended 31 March 2010

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.

	2010 P'000
Total long term debt	316,517
Total capital and reserves	1,228,014
Debt: equity ratio	0.26

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 2010

4. Critical Accounting Astimates and Judgements

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 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 are assessed annually by staff in the Materials Planning Department, 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. Management exercises judgement to come up with appropriate useful lives.

(c) Impairment of TPS, SOS and rental debtors

The Corporation reviews its debtors 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. 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, as the Corporation has not had a need to raise funds from the open market in a long time.

Operating Segments

for the year ended 31 March 2010

5. Operating Segments

The Corporation adopted IFRS 8, 'Operating segments'. This has resulted in an increase in the 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 operating 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.
— 'Sale of housing inventories' - Outright sale of properties
— 'Rental' - Letting of properties
— 'Others' - Includes provision of consultancy and other activities not included in the other segments

The segment information provided to the Board for the reportable segments for the year ended 31 March 2010 is as follows.

	Sale of housing inventories P'000	Rental P'000	Others P'000	Total P'000
Revenue	111,189	161,101	24,095	296,385
Operating profit	23,783	68,642	(27,828)	64,597
Included in operating profit				
Depreciation and amortisation	639	11,634	848	13,121
Not included in the operating profit				
Finance income	—	—	8,483	8,483
Finance costs	(7,476)	(6,663)	(4,169)	(18,308)
Share of surplus of joint ventures	—	—	6,087	6,087
Total comprehensive income	16,307	61,979	(17,427)	60,859
Segment assets	740,342	953,309	17,955	1,711,607
Reconciliation to total assets as reported in the statement of financial position				
Investments in joint ventures				10,027
Intangible assets				1,645
Loans to related parties				15,627
Cash and cash equivalents				397,470
Total assets as reported in the statement of financial position				2,136,376
Total assets include:				
Additions to non current assets	868	29,303	958	31,129
Total liabilities	228,493	320,116	359,753	908,362

Operating Segments *(continued)*

for the year ended 31 March 2010

5. Operating Segments *(continued)*

The segment information provided to the Board for the reportable segments for the year ended 31 March 2009 is as follows.

	Sale of housing inventories P'000	Rental P'000	Others P'000	Total P'000
Revenue	99,519	150,681	23,927	274,127
Operating profit	19,073	78,003	(3,433)	93,643
Included in operating profit				
Depreciation and amortisation	472	9,024	626	10,122
Not included in the operating profit				
Finance income	—	—	30,392	30,392
Finance costs	(12,148)	(17,602)	—	(29,750)
Share of surplus of joint ventures	—	—	3,377	3,377
Total comprehensive income	6,925	60,402	30,336	97,662
Segment assets	495,981	923,811	26,852	1,446,643
Reconciliation to total assets as reported in the statement of financial position				
Investments in joint ventures				10,195
Intangible assets				546
Loans to related parties				17,102
Cash and cash equivalents				447,323
Total assets as reported in the statement of financial position				1,921,809
Total assets include:				
Additions to non current assets	137	74,533	139	74,809
Total liabilities	176,694	259,899	293,645	730,239

Notes to the Financial Statements

for the year ended 31 March 2010

		2010 P'000	2009 P'000 (restated)
6.	**Revenue**		
	Rental income	161,101	150,681
	Proceeds from sale of housing inventory	93,784	72,995
	Professional fees	22,981	23,927
	Tenant purchase scheme income	17,318	25,340
	Step ownership scheme income	1,201	1,184
		296,385	274,127
7.	**Cost of sale of housing inventories**		
	At beginning of the year		
	Land held for development	22,914	25,559
	Housing under construction	318,190	205,196
	Completed houses	18,552	—
	Additions during the year		
	Acquisition of land	43	2,948
	Payments to contractors	375,219	306,565
	Capitalised development costs	10,554	8,464
	Capitalised borrowing costs	24,352	14,422
	At end of year (note 15)		
	Land for development	(10,014)	(22,914)
	Housing under construction	(603,357)	(318,190)
	Completed houses - Investment properties	(57,751)	(135,554)
	Completed houses - Inventories	(27,994)	(18,552)
		70,708	67,944
8.	**Employee benefit expenses**		
	Salaries, wages and other benefits	71,508	56,890
	Pension contributions	5,766	4,240
	Gratuity	2,600	2,635
	Less: capitalised during the year (note 7)	(10,554)	(8,464)
		69,320	55,301
	Average number of employees	291	268

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2010

		2010 P'000	2009 P'000 (restated)
9.	**Depreciation and amortisation**		
	Depreciation - investment properties (note 14)	9,632	6,873
	Depreciation - property, plant and equipment (note 16)	1,802	1,449
	Amortisation - leasehold land	1,517	1,571
	Amortisation - intangible assets (note 17)	170	229
		13,121	10,122
10.	**Other expenses**		
	Audit fees	874	724
	Directors' fees - board attendance fees	111	93
	Operating lease rentals - motor vehicles	3,581	3,303
	Assets written off	8,031	7,357
	Loss on sale of property, plant and equipment	323	110
	Consultancy fees	9,027	3,404
	Rates	7,778	3,689
	Non capitalisable expenses	5,021	780
	Bad debts provision	2,211	297
	Security expenses	3,044	2,656
	Telephone expenses	3,458	3,101
	Training expenses	1,757	1,956
	Insurance	1,692	1,450
	General expenses	18,061	22,797
		64,969	51,717
11.	**Gains from sale of investment property**		
	Proceeds from sale of investment property	46,725	97,026
	Cost	(23,674)	(64,491)
	Accumulated depreciation	3,523	4,604
		26,574	37,139
12.	**Finance income**		
	Interest income on loans to related parties	2,118	2,263
	Interest income on short term bank deposits	6,365	28,129
		8,483	30,392

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2010

		2010 P'000	2009 P'000
13.	**Finance costs**		
	Interest expense on borrowings	18,308	29,750

Borrowing costs of P24.4 million (2009: P14.4 million) were capitalised during the year and are included in Inventories P6.1 million (2009: P4.3 million) and Investment Property P18.3 million (2009: P10.1 million).

A capitalisation rate of 9.1% (2009: 9.1%) was used for properties whose construction was financed out of a general pool of loans.

		2010 P'000	2009 P'000 (restated)
14.	**Investment property**		
	Year ended 31 March		
	Opening net book amount	851,771	777,335
	Transfer from inventories	57,751	135,555
	Disposals	(23,674)	(64,491)
	Depreciation on disposals	3,523	4,604
	Assets written off	—	7,212
	Depreciation charge	(9,632)	(8,444)
	Others	379	—
	Closing net book amount	880,118	851,771
	Cost	1,126,138	1,092,085
	Accumulated depreciation	(246,020)	(240,314)
	Net book amount	880,118	851,771

The Corporation leases out properties under operating leases. The leases typically run for an initial period 1- 20 years. None of the leases include contingent rentals.

As at March 31, 2010, the total future minimum lease payments in respect of investment properties under non-cancellable operating leases are receivable as follows:

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2010

	2010 P'000	2009 P'000
14. Investment property *(continued)*		
Within one year	12,628	11,747
After one year but within one year	60,720	56,484
After five year	115,691	132,555
	189,039	200,786

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

	2010 P'000	2009 P'000
Rental income		
Rental income	161,101	150,681
	161,101	150,681
Direct operating expenses		
Repairs and maintenance	47,150	44,851
Employee benefits	18,782	17,858
	65,932	62,709

Investment properties were valued as at March 31 2010 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 P3,167 million on 31 March 2010 (2009: P2,645 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 land allocated to the Corporation by the Botswana Government for which title deeds had not been received as at 31 March 2010 was P1.2 million (2009: P7.2 million). The members of the Board believe that title deeds will be received in due course.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2010

	2010 P'000	2009 P'000 (restated)
15. Inventories		
Land for development (note 7)	10,014	22,914
Housing under construction (note 7)	603,357	318,191
Completed houses (note 7)	85,745	135,554
Less: Transferred to investment property	(57,751)	(117,002)
	641,365	359,657
Detailed analysis of the inventories at the end of the is shown below.		
Land for development	10,014	22,914
Housing under construction	603,357	318,191
Completed houses	27,994	18,552
	641,365	359,657

The value of land classified under land for development and housing under construction in respect of which the Corporation has not received title deeds amounts to P3 million (2008: P0.7 million). The members of the Board believe that title deeds will be received in due course.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2010

16. Property, plant and equipment

	Land & buildings P'000	Computer equipment P'000	Furniture & office equipment P'000	Motor vehicles P'000	Plant & equipment P'000	Total P'000
At 31 March 2010						
Opening net book amount	8,595	2,824	2,738	338	83	14,578
Additions	—	1,451	740	1,743	1	3,935
Disposals	—	(54)	(387)	(101)	(39)	(581)
Accumulated depreciation adjustment		69	37	14	9	129
Depreciation charge	(155)	(936)	(428)	(242)	(41)	(1,802)
Closing net book amount	8,440	3,354	2,700	1,752	13	16,259
At 31 March 2010						
Cost	15,296	7,679	4,757	2,681	231	30,644
Accumulated depreciation	(6,856)	(4,325)	(2,057)	(929)	(218)	(14,385)
Net book amount	8,440	3,354	2,700	1,752	13	16,259
At 31 March 2009						
Opening net book amount	8,634	2,172	2,465	617	173	14,061
Additions	—	1,422	720	—	—	2,142
Disposals	—	(6)	(21)	(120)	(29)	(176)
Depreciation charge	(39)	(764)	(426)	(159)	(61)	(1,449)
Closing net book amount	8,595	2,824	2,738	338	83	14,578
At 31 March 2009						
Cost	15,296	9,984	6,579	2,319	820	34,998
Accumulated depreciation	(6,701)	(7,160)	(3,841)	(1,981)	(737)	(20,420)
Net book amount	8,595	2,824	2,738	338	83	14,578

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2010

17. Intangible assets

	Work in progress P'000	Computer software P'000	Total P'000
At 31 March 2010			
Opening net book amount	—	546	546
Additions	1,269	—	1,269
Amortisation charge		(170)	(170)
Closing net book amount	1,269	376	1,645
At 31 March 2010			
Cost	1,269	5,489	6,758
Accumulated amortisation	—	(5,113)	(5,113)
Net book amount	1,269	376	1,645
At 31 March 2009			
Opening net book amount	—	691	691
Additions	—	154	154
Disposals	—	(70)	(70)
Amortisation charge	—	(229)	(229)
Closing net book amount	—	546	546
Cost	—	5,367	5,367
Accumulated amortisation	—	(4,821)	(4,821)
Net book amount	—	546	546

	2010 P'000	2009 P'000
18. Investments in joint ventures		
At the beginning of the year	10,195	8,741
Share of surplus for the year	6,087	3,377
Drawings during the year	(5,596)	(1,500)
Capital repaid	(659)	(423)
At the end of the year	10,027	10,195

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2010

18. Investments in joint ventures *(continued)*

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 the 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.

The partnership is expected to continue operating for a further sixteen months after construction has been completed and thereafter the partnership will be dissolved. The dissolution process is expected to be completed by 31 December 2010.

(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.

(d) Plot 5129 Partnership

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

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

	2010 P'000	2009 P'000
Assets:		
Non-current assets	40,776	34,050
Current assets	3,897	9,652
	44,673	43,702
Liabilities:		
Non-current liabilities	(26,054)	(26,761)
Current liabilities	(8,593)	(6,746)
	(34,646)	(33,507)
Net assets	10,027	10,195
Income	19,839	17,691
Expense	(13,752)	(14,314)
Surplus for the year	6,087	3,377

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2010

	2010 P'000	2009 P'000
19. Loans to related parties		
At the beginning of the year	17,102	17,879
Interest charged	2,118	2,263
Loans repayments received	(3,593)	(3,040)
At the end of the year	15,627	17,102
Less: current portion	(1,364)	(1,475)
Non-current portion	14,263	15,627

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 as no history of defaults and the security held is considered to be adequate.

	2010 P'000	2009 P'000
20. Operating lease asset		
At the beginning of the year	64,332	63,307
Recognised in the income statement for the year	205	1,025
At the end of the year	64,537	64,332

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2010

	2010 P'000	2009 P'000
21. Trade and other receivables		
Trade receivables	118,211	161,063
Less: provision for impairment of trade receivables	(11,358)	(13,125)
Trade receivables - net	106,853	147,938
Sundry debtors	2,473	8,362
	109,326	156,300
Less: non-current portion	(77,032)	(117,995)
Current portion	32,294	38,305

All non-current receivables are due within 19 years from the balance sheet date.

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

	2010 P'000	2009 P'000
Accumulated impairment losses at beginning of the year	13,125	14,002
Reversal of impairment losses recognised during the year	(1,767)	(877)
Accumulated impairment losses at end of the year	11,358	13,125

22. Cash and cash equivalents

	2010 P'000	2009 P'000
Cash at bank and on hand	144,727	82,541
Short term bank deposits	252,743	364,782
	397,470	447,323

Cash and cash equivalents includes P341.1 million (2009: P285.1 million) of funds received from the Government of Botswana and other institutions for which the Corporation constructs infrastructure and housing on an agency basis (note 28).

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

	2010 P'000	2009 P'000
Cash and cash equivalents	397,470	447,323
Bank overdrafts (note 26)	(93,748)	—
	303,722	447,323

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2010

		2010 P'000	2009 P'000
23.	**Irredeemable capital**		
	Irredeemable capital contribution	250,000	250,000
24.	**Earnings reserve**		
	At beginning of the year	51,680	64,660
	Net transfer to retained earnings	(11,715)	(12,980)
	At end of the year	39,965	51,680

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

		2010 P'000	2009 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.

		2010 P'000	2009 P'000
26.	**Borrowings**		
	Irredeemable loan	204	204
	Foreign loans on lent by the Government of Botswana	85,188	86,071
	Government of Botswana loans	17,205	20,289
	Debt Participation Capital Funding Limited loans	213,921	243,051
		316,517	349,615
	Bank overdraft	93,748	—
		410,266	349,615
	Less: current portion	(133,965)	(38,565)
	Non-current portion	276,300	311,050

All borrowings are denominated in Pula.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2010

26. Borrowings *(continued)*

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 have a grace period for repayment of 4 years and are repayable between 7 and 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 and Debt Participation Capital Funding Limited 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. 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.

26.4 Bank overdraft

The bank overdraft has been obtained from the Stanbic Bank Botswana Limited. The limit of the facility is P240,000,000 and repayable within six month of the initial draw down. 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.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2010

26. Borrowings *(continued)*

Loan number	Lender	Contractual interest rate (%)	Period of repayment	Capital 01/04/09 P'000	Added in the year P'000	Capital repaid in the year P'000	Capital balance at 31/03/10 P'000
Irredeemable loan							
4	Government of Botswana	8.00%	Irredeemable	204	—	—	204
Foreign loans on-lent by the Government of Botswana							
1	Government of the Peoples' Republic of China	8.50%	2004-2011	5,440	—	(1,946)	3,494
2	Government of the Peoples' Republic of China	8.50%	2006-2014	16,430	—	(2,372)	14,058
3	Government of the Peoples' Republic of China	8.50%	2007-2014	8,765	—	(855)	7,911
4	Government of the Peoples' Republic of China	8.50%	2008-2016	15,234	—	(1,178)	14,057
5	Government of the Peoples' Republic of China	8.40%	2011-2018	40,202	5,467		45,669
				86,071	5,467	(6,350)	85,188
Government of Botswana loans							
47	Government of Botswana	7.50%	1992-2013	4,361	—	(741)	3,620
51	Government of Botswana	10.00%	1992-2014	10,695	—	(1,454)	9,241
54	Government of Botswana	7.50%	1992-2013	5,233	—	(889)	4,344
				20,289	—	(3,084)	17,205
Debt Participation Capital Funding Limited loans							
41	Debt Participation Capital Funding Limited	10.00%	1987-2009	705	—	(705)	(0)
42	Debt Participation Capital Funding Limited	10.00%	1986-2009	1,414	—	(1,414)	(0)
43	Debt Participation Capital Funding Limited	10.00%	1988-2010	1,377	—	(892)	485
44	Debt Participation Capital Funding Limited	8.50%	1989-2012	7,815	—	(2,355)	5,460
45	Debt Participation Capital Funding Limited	7.50%	1991-2013	3,966	—	(771)	3,194
46	Debt Participation Capital Funding Limited	7.50%	1991-2013	8,682	—	(1,491)	7,192
48	Debt Participation Capital Funding Limited	7.50%	1993-2014	20,910	—	(3,163)	17,747
49	Debt Participation Capital Funding Limited	8.00%	1992-2015	7,441	—	(887)	6,554
50	Debt Participation Capital Funding Limited	8.00%	1993-2015	47,804	—	(5,697)	42,107
52	Debt Participation Capital Funding Limited	9.50%	1993-2016	111,328	—	(9,678)	101,649
53	Debt Participation Capital Funding Limited	12.00%	1994-2017	31,611	—	(2,077)	29,534
				243,052	—	(29,131)	213,921
				349,615	5,467	(38,565)	316,517

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2010

		2010 P'000	2009 P'000
27.	**Trade and other payables**		
	Trade payables	59,634	40,327
	Accrued expenses	36,209	39,938
	Dividend payable	24,416	—
	Sundry creditors	11,301	6,985
		131,560	87,250
28.	**Agency funds**		
	At the beginning of the year	285,179	267,335
	Funds received during the year	237,576	169,712
	Expenditure on projects during the year	(206,768)	(180,045)
	Interest earned on temporary investment of funds	25,182	28,177
	At the end of the year	341,169	285,179
	Non-current portion	(83,399)	(70,000)
	Current portion	257,770	215,179
29.	**Customer deposits**		
	Refundable deposits	6,860	7,126
	Sale of properties deposits	18,508	1,064
		25,368	8,190
30.	**Dividend**		
	Dividend	24,415	8,646

The Board proposed a dividend payable of P24,415,000 for the financial year 2008/2009 which is calculated in accordance with the Government of Botswana's directive, as 25% of the surplus reported in that financial year.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2010

	2010 P'000	2009 P'000
31. Net cash used in operating activities		
Total comprehensive income for the year	60,859	97,662
Adjustments for:		
Loss on sale of property, plant and equipment	323	110
Gains from sale of investment property	(26,574)	(37,139)
Depreciation - investment property (note 14)	9,632	6,873
Depreciation - property, plant and equipment (note 16)	1,802	1,447
Amortisation - leasehold land	1,517	1,571
Operating lease asset (note 20)	(205)	(1,025)
Amortisation - intangible assets (note 17)	170	229
Share of retained earnings of joint ventures (note 18)	(6,087)	(3,377)
Interest received (note 12)	(8,483)	(30,392)
Interest paid (note 13)	18,308	29,750
	51,261	65,709
Changes in working capital:		
Trade and other receivables (note 21)	45,080	14,620
Agency funds (note 28)	55,990	17,844
Trade and other payables (note 27)	19,894	23,822
Customer deposits (note 29)	17,178	(8,000)
Inventories	(281,708)	(128,908)
Net cash used in operating activities	(92,305)	(14,913)

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.

	2010 P'000	2009 P'000
Investment property	814,800	702,900
Intangible assets	31,000	—
	845,800	702,900

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2010

32. Commitments *(continued)*

(b) Operating lease commitments

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

	2010 P'000	2009 P'000
Not later than 1 year	2,892	3,326
Later than 1 year but not later than 5 years	4,527	7,302
	7,420	10,628

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 2010 amounted to P 6.6 million (2009: P5.5 million).

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. 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:

	2010 P'000	2009 P'000
Not later than 1 year	12,628	11,747
Later than 1 year but not more than 5 years	60,720	56,484
Later than 5 years	115,691	132,555
	189,039	200,786

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2010

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 enters into transactions of letting properties, sale of properties and undertakes certain projects on behalf of Government of Botswana on an agency basis. These transactions are carried at arms length 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 P24.4 million (2009: P8.6 million). The basis for the payment of this dividend is disclosed in note 30 to these financial statements.

	2010 P'000	2009 P'000
35.3 Transactions with board members		
Board members' remuneration (sitting allowances)	111	93
35.4 Key management compensation		
Salaries and other short-term benefits	2,769	2,245
Additionally, members of the Executive Management Committee are entitled to rent-free accommodation, personal-to-holder motor vehicles and subsidised water and electricity.		
35.5 Advances to key management personnel		
Advance against gratuity	—	598

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 gratuity is recovered from the officer's gratuity at the end of his/her contract of employment.

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2010

35. Related party transactions *(continued)*

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 2010 doubtful debt provisions in respect of rental debts owed by the Government of Botswana amounted to P1,024,376 (2009: P63 000).

35.8 Joint ventures

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

35.9 Professional fees

The Corporation earned fee income from the following related parties in respect of professional services carried out during the year.

	2010 P'000	2009 P'000
Botswana Defence Force	15,281	12,830
Botswana Unified Revenue Service	4,623	—
Department of Housing	2,869	10,851
Department of Corruption and Economic Crime	208	—
Boiketlo Estates Partnership	—	246
	22,981	23,927

35.10 Trace receivables - professional fees

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

	2010 P'000	2009 P'000
Botswana Defence Force	—	5,585
Botswana Unified Revenue Service	5,104	—
Department of Housing	—	7,788
	5,104	13,373

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2010

35.11 Agency funds

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

	2010 P'000	2009 P'000
Botswana Defence Force	241,897	193,517
Botswana Unified Revenue Services	4,691	2,874
Department of Housing	88,530	88,788
Independent Electoral Commission	4,071	—
Department of Corruption and Economic Crime	1,980	—
	341,169	285,179

35.12 Rental income

Rental income earned by the Corporation from related parties are as follows:

	2010 P'000	2009 P'000
Attorney General	130	130
Botswana Police Service	13,175	11,554
Botswana Prison Service	2,325	1,526
Office of the President	1,376	66
Department of Housing	52,633	50,849
Sowa Township Authority	1,240	1,240
Serowe/Palapye Sub district Council	727	727
Selebi-Phikwe Council	518	356
North East District Council	—	3
Lobatse Town Council	269	84
Jwaneng Town Council	266	266
Gaborone city Council	227	165
Francistown City Council	1,559	1,657
Kweneng District Council	101	—
	74,547	68,622

Notes to the Financial Statements *(continued)*

for the year ended 31 March 2010

35. Related party transactions *(continued)*

35.13 Sale of housing inventories

Properties sales to related parties during the year are as follows.

	2010 P'000	2009 P'000
Department of Supplies	—	1,206
Directorate on Corruption and Economic Crime	—	2,383
Directorate of Intelligence and Security	—	14,364
Office of the President	55,345	1,161
Department of Secondary Education	—	4,612
Accountant General	1,346	—
Botswana Police Service	15,700	—
Independent Electoral Commission	986	1,779
Tawana Land Board	2,492	—
	75,869	25,505

35.14 Trace receivables - rental income

Included in trade receivables are the following balances due from related parties for rental income.

	2010 P'000	2009 P'000
Botswana Police Service	80	85
Department of Architecture	50	50
Francistown City Council	2	2
Gaborone City Council	4	—
Lobatse Town Council	4	4
North East District Council	—	2
Office of the President	4	17
Department of Housing	2,243	1,633
	2,387	1,793

36. Events after the reporting period

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