BOTSWANA HOUSING CORPORATION ANNUAL REPORT 2014

PROMOTING HOME OWNERSHIP & CITIZEN EMPOWERMENT

Our Mandate

Botswana Housing Corporation is a Parastatal under the Ministry of Lands & Housing. The Corporation was established by an Act of Parliament (CAP 74.03) of 1971. In brief, the Corporation's mandate as outlined under section 14 of the BHC Act is as follows:

a. To provide for the housing, office and other building needs of the government and local authorities;

b. To provide for and to assist and to make arrangements for other persons to meet the requirements of paragraph (a);

c. To undertake and carry-out and to make arrangements for other persons to undertake and carry-out building schemes in Botswana.

Effective from 1st April 2012, the Corporation's mandate has been expanded in accordance with Presidential Directive Cab 20 (B)/2010. The directive pronounced that all Government housing implementation programmes be transferred to BHC to operate as Government's Single Housing Authority (SiHA).

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

The main activities of the Corporation are:
Property Development
Property Sales
Property Management
External Project Management Services

VISION
To be the choice provider of housing solutions in Botswana.

MISSION
To provide affordable housing to the nation through appropriate solutions.

VALUES

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

Excellence
Serving with distinction.

Innovation
Constantly delivering innovative solutions.

Transparency
Operating in an honest and accountable manner.

Teamwork
Pulling together for a common purpose.

Contents

Board Members	04
Senior Leadership Team	06
Chairperson's Report	08
Chief Executive Officer's Report	10
Financial Highlights	12
Corporate Governance	19
Operations Division	27
Support Services Division	33
Annual Financial Statements	38

BOARD MEMBERS

1. Dr. Bolelang C. Pheko (Board Chairperson)
2. Reginald Ketshabile (Deputy Chairperson)
3. Batlhatswi S. Tsayang (Member)
4. Oteng S. Mamparanyane (Member)
5. Baemedi K. Mmopi (Member)

BOARD MEMBERS

6. Benjamin T. Mokgolodi (Member)
7. Helen Chilisa (Member)
8. Stephen B. Tiroyakgosi (Member)
9. Joseph B. Mosimane (Member)
10. Felix Monggae (Member)

SENIOR LEADERSHIP TEAM

1. Reginald Motswaiso - Chief Executive Officer
2. Nkaelang Matenge - Deputy CEO Operations
3. Serty Leburu - Deputy CEO - Support Services
4. Yagan Mukonde - Risk Manager
5. Elizabeth Galeforolwe - Legal Services Manager
6. Gomolemo Zimona - Public and Corporate Affairs Manager
7. Gaotlhobogwe Baleseng - Property Sales Manager

SENIOR LEADERSHIP TEAM

8. Octavian Seitshiro - Maintenance Manager
9. Paul More - Property Development Manager
10. Sekgele Ramahobo - Human Resource Manager
11. Botho Bayendi - Corporate Planning Manager & Board Secretary
12. Olefile Segokgo - Senior Estate Manager - North Region
13. Kesebonye Khimbele - Property Manager
14. Samantha Molefe - IT Manager
15. Pascaline Sefawe - Finance Manager
16. Mookodi Seisa - Marketing and Research Manager

CHAIRPERSON's REPORT

I am pleased to present the BHC annual report for financial year 2013/14 to our stakeholders. Botswana Housing Corporation continued 'to provide affordable housing to the nation through appropriate solutions', as we embarked on delivering houses throughout the country, in particular the delivery of houses in accordance with our extended mandate of being a Single Housing Authority.

The signs of recovery from the global financial crisis are creeping in at a slow pace and Botswana is not an exception. The local GDP is expected to grow by 5.9% during 2014. Though this growth is driven by the recovery in the mining sector, especially diamonds. The contribution of mining to GDP is still much less than the pre-2008 levels. This slow recovery has had a negative impact on the Botswana Housing Corporation as Government scaled down on new construction projects, leading to low activity in the construction and infrastructure sector. The prospective BHC customers were also affected as they struggled to afford the houses. In some cases, prospective customers prioritised other basic necessities like food and clothing over home ownership. It is evedent that the BHC customers have not benefited from the low interest rates currently prevailing in the market due to issues of affordability of our houses. It is expected that as the economy recovers and economic activity increases, we will see an increase in demand for our properties, especially in the urban areas where there is shortage of accommodation.

Despite the economic challenges, BHC, through its strong leadership, has continued to be financially sustainable. The Corporation has remained profitable as costs are closely managed to ensure that the revenues are not eroded. Management and the Board recognise that in order for BHC to reach out to as many Batswana as possible our products have to be reasonably priced. This has resulted in the Corporation reducing its profit margins on products in some areas in order to make the houses attractive to buyers. We have however not lost sight of the fact that we have to recover our costs in order to be able to remain sustainable and meet our obligations as they become due.

CHAIRPERSON's REPORT

The strategy of building more and more houses for sale is paramount to our existence as the Corporation, as we are mandated with housing the nation. In order to accelerate the home ownership drive, we will be embarking on the sitting tenants campaign in the next financial year, which is intended to encourage sitting tenants to purchase the properties they are currently leasing in order to realise the value in these properties. This might come with its own challenges, as the affordability levels of our existing customers is challenged compared with the mortgages the banks can offer. Despite these challenges, the campaign is expected to yield very positive results which will see home ownership increasing.

At BHC we continue to review our Corporate Strategy to accommodate changes in the business environment. The additional responsibilities brought in by our shareholder are very much welcome and have been incorporated into our business strategy. These additional responsibilities include housing initiatives for the low income groups through the SHHA turnkey project and the housing initiative for public servants. Through the SHHA turnkey project BHC has started and is expected to deliver 1000 houses on an annual basis. By March 2014, 627 of the planned houses had been started in various parts of the country. It is important to note that SHHA came with its own challenges; plot identification, availability of water and sewerage facilities and contract administration challenges posed by engaging smaller local contractors, which affected the planned delivery of the houses. The Corporation has learnt from these challenges and has come up with mitigating strategies to ensure smooth hand over of plots from the local authorities, as well as management of contractors.

A total of 712 housing units were planned for the 2013/14 financial year, comprising 168 housing units for the general public through its our internal projects arm and 544 for third parties on an Agency basis. At the end of March 2014, a total of 712 housing units were completed; comprising 137 housing units for the general public and 575 for third parties. There are a further 204 housing units that are under construction and nearing completion.

The Corporation delivered an estate of 516 units in Phakalane in 2012. However, the sewer infrastructure could not sustain the estate and had to be upgraded. I am pleased to advise that the process of upgrading the sewerage infrastructure commenced on the 30th January 2014 and is expected to be completed before the end of the second quarter of the next financial year. This will help in unlocking the capital value locked in the houses and will assist in rolling the funds into new developments.

I would like to thank the Chief Executive Officer, Mr. Reginald Motswaiso and his Senior Leadership Team, for having worked so hard in ensuring that the Corporation achieves positive results during these challenging economic conditions. The staff at BHC are also very much appreciated for their hard work and dedication to serving our customers with pride.

Lastly I would like to thank my fellow board directors, for their immense contributions to the success of this business. It will be remiss of me not to acknowledge board directors whose terms came to an end during the year; Ms. Duduzile Khupe and Marina Bathuleng-Mookodi, who have dedicated their time to this organisation for a long period of time, one having served for more than five years.

CEO's REPORT

Botswana Housing Corporation continues to play a significant role in providing affordable shelter and promoting homeownership to individual Batswana. The Corporation's financial performance in the 2013/14 financial year was much lower than expected but has managed to diversify its housing portfolio with a view to remain competitive and sustainable. The main reason for the lower than expected financial performance was that the Corporation could not sell its recently completed 516 housing units at Phakalane due to sewerage infrastructure development in the area.

Furthermore, the Corporation's rental income stream remained virtually unchanged at P186.6 million, compared to P186.7 million in the 2012/13 financial year. The stagnation in the rental income stream is mainly attributable to the fact that the Corporation has not increased its rental charges since 2004. Whilst rentals have remained stagnant, the costs related to the administration and upkeep of the properties making up the rental portfolio keeps on increasing year-after-year due to the upward push exerted by inflationary pressures. As an illustration of this upward push, the cost of maintaining the rental portfolio increased from P35.5 million in 2012/13 to P39.5 million, an increase of 11%.

The combined effect of these factors is that the Corporation's surplus for the 2013/14 financial year declined by 57%, from P37.6 million in the 2012/13 financial year to P16.3 million.

As alluded to by the Board Chairperson in her statement, the sewerage problem at Phakalane is currently being attended to. The expectation is, therefore, that the whole portfolio of 516 houses at Phakalane will be disposed of in the 2014/15 financial year.

For the 2014/15 financial year the Corporation has lined up a number of projects across the country but mostly in the high demand area of Gaborone and the surrounding villages, including a high density development at Phakalane and further densifications of existing high density developments. These and other development projects are expected to boost the Corporation's earnings going forward.

CEO's REPORT

In an effort of trying to empower Batswana with homeownership, the Corporation had targeted to sell some 1,036 housing properties during the 2013/14 financial year. The properties concerned were located in various parts of the country but principally in Phakalane. However, the Corporation only managed to sell some 290 housing units. The main reason for the shortfall in the number of housing units sold was the sewerage capacity problem at the Phakalane Project, which I have already made reference to. The sewerage infrastructure challenge at Phakalane is expected to be resolved by September 2014.

Other than from the Phakalane Project, the second largest number of housing units, of 185, was expected to be sold at the Corporation's Mophane Estates in Francistown. However, only 5 units were sold from this project due to some technical challenges which affected some of the housing units. The technical challenges are expected to be resolved during the course of the 2014/15 financial year. Therefore, these units are also expected to be disposed of in the 2014/15 financial year.

Apart from the unavailability of housing units at Phakalane and Mophane Estates, as mentioned above, the other challenge which the Corporation faced in terms of disposing of housing units was that, due to the recent global economic slowdown, salaries in Botswana had increased only marginally over a number of years while, on the other hand, construction costs had continued to increase at a much faster pace. The net effect of this has been reduced ability by some of the Corporation's potential customers to afford the Corporation's products. In recognition of this affordability challenge, the Corporation adjusted its operating margins on its new developments downwards.

The 2013/14 financial year was the first year in which the Corporation used its newly installed integrated software system, having gone live with the system at the beginning of the financial year in April 2013. The implementation of the new software went so well that the system's suppliers have started using the Corporation as a reference site for other organisations that are considering implementing similar software systems. This is a proud achievement for the Corporation. And, I am so grateful to all the Corporation's employees who worked so tirelessly in an effort of trying to ensure that the software was implemented successfully.

The Corporation recognises its employees as the most valuable resource it deploys in its efforts of trying to create value for its shareholder, Government, and the public at large. The Corporation also recognises that in order for its employees to continue giving their best to the Corporation, it needs to invest in their training and development, so as to keep their knowledge and skills up to date. For this reason, during the 2013/14 financial year the Corporation exposed some 189 of its employees to short-term training and development courses while some 10 employees completed long-term training courses. Exposing so many employees to training and development, at a time when the Corporation's financial performance was challenged, is a clear demonstration of the Corporation's commitment to its employees as a vital resource. Apart from possessing relevant knowledge and skills, employees also need to be healthy, both mentally and physically, in order for them to contribute optimally to the attainment of the Corporation's goals and objectives. To this end, the Corporation held two Employee Wellness Days for its staff members, one in the North and the other in the South. On these two days employees were sensitized about the need for them to adopt and maintain healthy lifestyles, so as to increase the likelihood of them enjoying good health well into their twilight years.

In conclusion, I would like to take the opportunity to thank the Board for its collective wisdom, which it continues to share generously with the Corporation's management, my colleagues in management and the entire BHC family as well as the Corporation's business partners; contractors who build our houses, the various land authorities that allocate us the much needed land and the financial institutions which finance our customers, to mention but a few. Without their collective effort the financial and operational achievements which the Corporation recorded in the 2013/14 financial year would not have been possible.

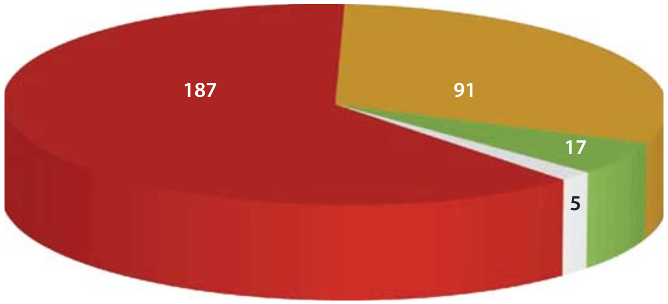
FINANCIAL HIGHLIGHTS

- Total assets up 4%, from P2.50 billion to P2.59 billion.
- Debt Equity ratio down from 45% to 41%.
- Revenue down 36%, from P467 million to P300 million.
- Operating surplus down 41%, from P74 million to P44 million.
- Comprehensive income down 58%, from P38 million to P16 million.
- Cost to income ratio up 3% from 93% to 95%.

FINANCIAL REVIEW

REVENUE (BWP MILLIONS)

- Rental of housing units **(187)**
- Sales of housing units **(91)**
- Professional Fees **(17)**
- TPS and SOS Income **(5)**



ANALYSIS OF REVENUE

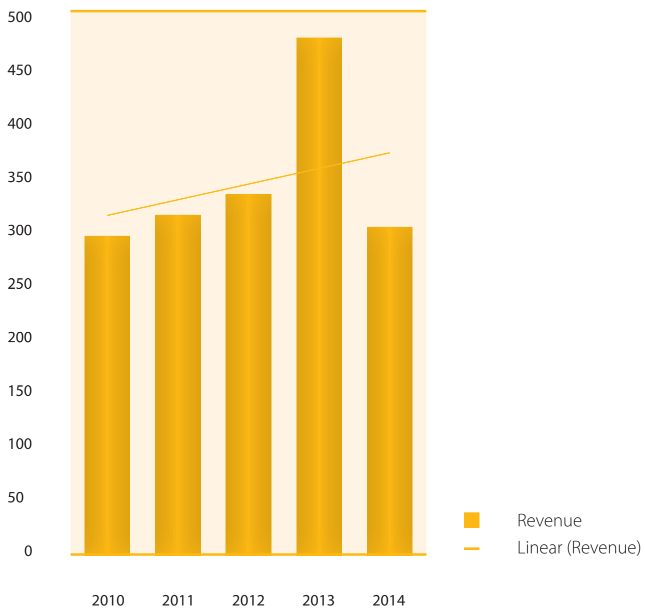
The Corporation recorded revenue of P300 million for the financial year ended 31 March 2014; last year, the corporation recorded P467 million. Rental income remained flat at P187 million, year on year, as the Corporation focuses on selling its new properties instead of leasing them. The threshold rental stock is 11500 and this threshold has been maintained over the last three years. The main strategy of selling more and renting less is meant to empower the Batswana through home ownership.

The Corporation's major revenue stream, sales revenue decreased by 65% due to challenges experienced with the delivery of the Phakalane project. This project was expected to have been sold in this financial year, but owing to delays in the upgrading of the sewage infrastructure the project was not delivered. It is expected that this project will be delivered in August 2014 and this will enable our customers, who had to wait for 2 years for the delivery of the houses to conclude the sales process and take occupation of the houses. Envisaged profit margins have been eroded due to delays experienced in delivering this project. However the sale of this project will go a long way into generating more capital for development of more houses in other areas for the nation.

Income from professional fees increased by 55% as the Corporation took on management of more projects for third parties. The professional fees relates mainly to management of the project from inception to delivery, including governance processes.

FINANCIAL REVIEW

5 YEAR REVENUE TREND

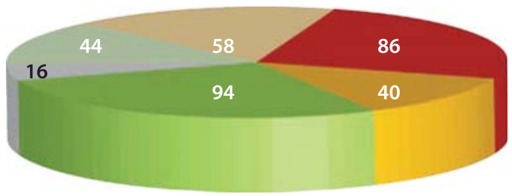


BHC's revenue has continued to grow over the years as shown in the above bar chart, having grown from P296 million in 2010 to P467 million in 2013. The year 2014 was the year in which the Phakalane project was expected to sell, therefore the decline in revenue of P167 million from 2013 - 2014 was mainly due to delays in delivering this project. It is expected that the financial year 2015 will see a big jump in revenue as this project is delivered and sold.

ANALYSIS OF OPERATING EXPENSES

TOTAL EXPENSES SUMMARY

- Cost of sale of housing inventory **(86)**
- Repairs and maintenance **(40)**
- Employee benefit expenses **(94)**
- Depreciation and amortisation **(16)**
- Financing costs **(44)**
- Other expenses **(58)**



The cost of sale of housing inventories went down 63% as a result of the decline in sale of housing inventory. These costs however went down at the rate almost the same as the rate of the decline in sales revenue. 35% of the cost of sales includes the costs of putting together the infrastructure, which is a major challenge for the Corporation. The high cost of sales resulted in average profit margins of 5% on sales of new stock.

FINANCIAL REVIEW

Repairs and maintenance costs continue to be a challenge for the Corporation, having grown by 11% year on year. The cost of maintenance increased as a result of the rise in inflation, while the rental for the houses did not go up. This means that it is becoming more and more expensive to maintain houses with low rentals. Even though Management has put in place a planned maintenance program, there is still need for reactive maintenance for some properties. Maintenance is very important for BHC as it ensures that properties are kept in a good state and maintain their value. The intervention in place to manage this expense is enforcement of the lease agreement, which ensures that tenants pay for maintenance which comes about as a result of their negligence. This year alone we have recovered close to P1 million as maintenance costs charged to tenants.

Employee expenses increased by 8% year on year as the focus for this financial year was on cost saving. A deliberate decision was made by Management to freeze recruitment, except for critical positions in the production department. This resulted in a modest increase in employee expenses.

Other expenses have not risen as the focus is now on cost optimisation and in some instances cost reduction. Priority is given to spending only on items which will bring value to the business. As a result of cost saving initiatives other expenses have remained flat compared to previous year. The 20% reduction is a result of a once off tax liability of P15 million that was incurred in 2013, without this liability the expenses have remained the same.

OPERATING PROFIT

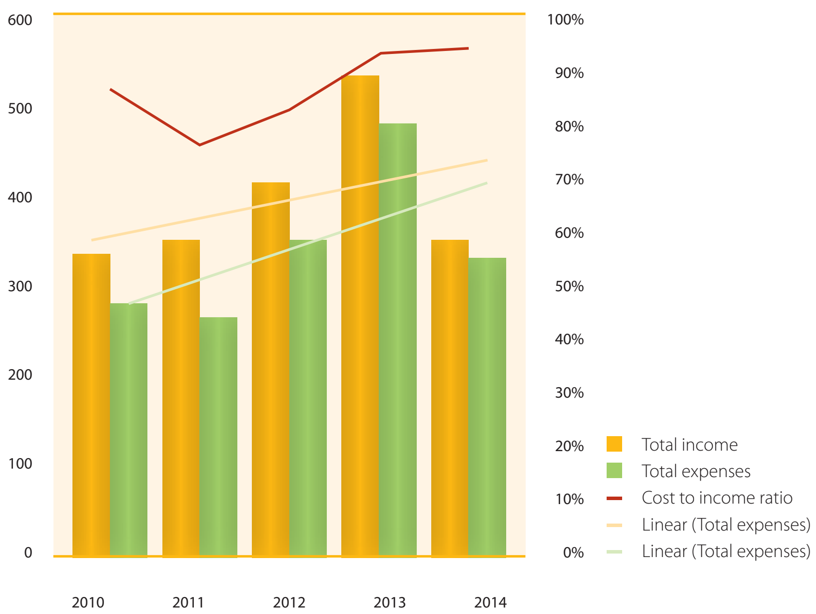
Operating surplus declined by 41% compared to the prior year mainly as a result of under performance in revenue. Lack of growth in operating surplus is also attributable to high construction costs which resulted in an increase in cost of sales, leading to profit margins of 5% on our new properties. BHC Board and management is engaging several stakeholders in order to collaborate and share costs of infrastructure, in particular the utility service providers. The Corporation is also engaging government, as our shareholder to allocate developed land to the Corporation. The provision of serviced land will not only benefit BHC in terms of better returns, but will also benefit the nation and houses will be sold at affordable prices. The cost of servicing the land accounts to almost 35% of the building costs of the BHC properties.

SURPLUS FOR THE YEAR

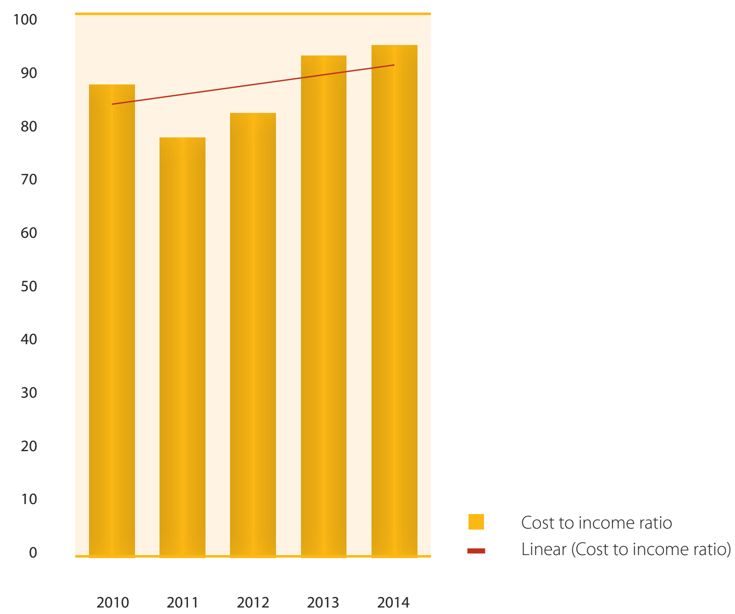
Total comprehensive income for the year is P16.3 million, a decline of 58% when compared to prior year mainly due to the decline in revenue, in particular sales revenue which went down 65% year on year. The joint venture income has consistently grown over the years, with the current year growth being 13%. However due to the insignificant nature of this income it has not had a big impact on the overall profitability of BHC. BHC has joint ventures with Time projects in Gaborone and Cash Bazaar Holdings in Gaborone and Francistown and these are for commercial properties.

FINANCIAL REVIEW

5 YEAR TOTAL INCOME VS EXPENSES

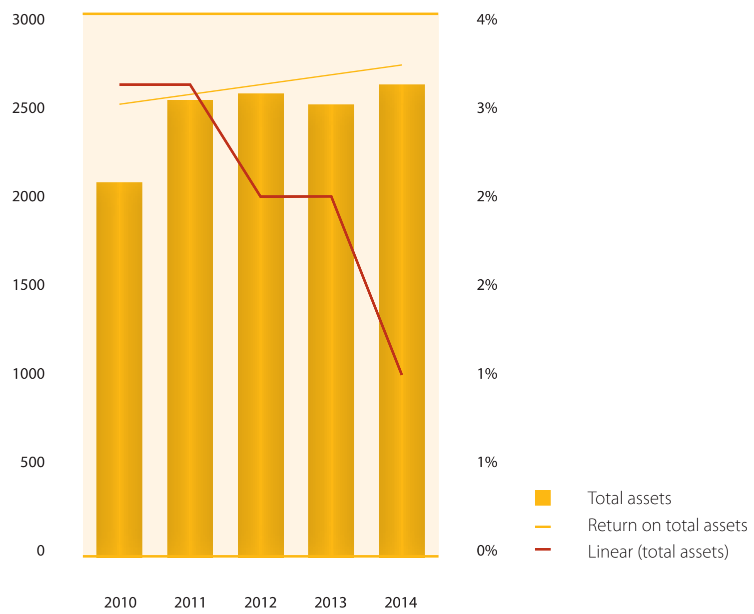


5 YEAR COST TO INCOME RATIO



FINANCIAL REVIEW

TOTAL ASSETS 5 YEAR TREND VS RETURN ON TOTAL ASSETS



COST TO INCOME RATIO

The Corporation recorded cost to income ratio of 95% compared to 93% in the prior year. The increase in cost to income ratio compared to the prior year is as a result of low margins on our housing properties and an increase in the operating expenses, especially repairs and maintenance and employee benefits.

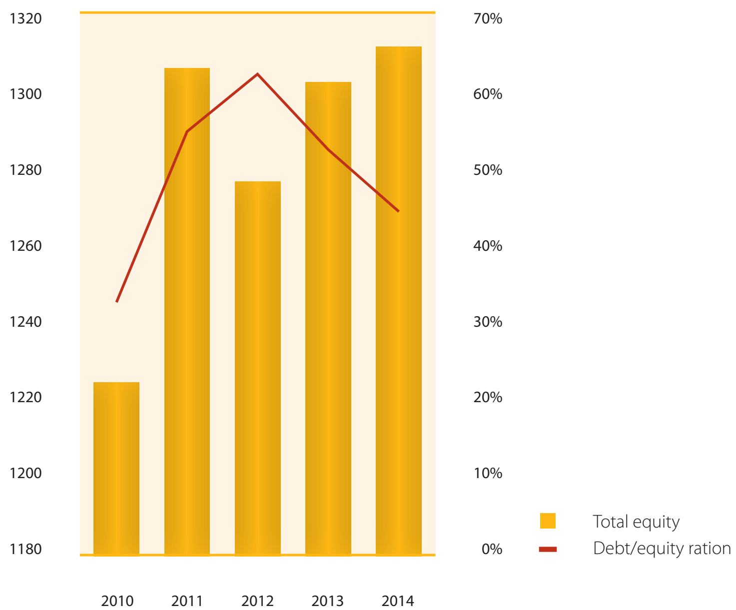
STATEMENT OF FINANCIAL POSITION

ASSETS GROWTH

The Corporation's Statement of Financial Position remains strong with total assets now over BWP 2.59 billion, an increase of 4% from P2.50 billion recorded in the prior year. Return on assets is declining over the years as a result of declining revenues and increasing costs. Stagnant rental income for the past 10 years and increasing repairs and maintenance costs has significantly contributed to the declining profitability.

FINANCIAL REVIEW

TOTAL EQUITY VS DEBT EQUITY RATIO



TOTAL EQUITY

The Corporation total equity has been steadily increasing in the past years. It is expected to remain flat in the coming years as a result of lower surpluses. The reduction in long term loans has resulted in low debt/equity ratio, with majority of the long maturing in 2016.

DEFERRED OPERATING LEASE ASSET PRIOR YEAR ADJUSTMENT

The prior Financial Statements of the Corporation has carried a deferred operating lease asset relating to lease agreement between the Corporation and Botswana Ash. However the agreement signed between the parties in 2005 did not contain an escalation clause requiring deferral of lease rentals in terms of IAS 17 - Leases. The Financial Statements were adjusted to correct this error, with the prior year figures restated.

The accounting impact of the lease agreement entered into in 2005 was to negate the requirements for rental straight lining under the earlier understanding, and the accounting treatment relating to rental straight lining should have been halted at that time. This error was identified during the current financial year when the lease rental with tenant was reviewed, and has been corrected retrospectively in terms of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

CORPORATE GOVERNANCE & SUSTAINABILITY

Effective corporate governance is an essential prerequisite to sustainable business performance. Companies that operate with integrity at all times will maintain the trust of their investors, customers and other important stakeholders.

CORPORATE GOVERNANCE & SUSTAINABILITY

THE BOARD'S GOVERNANCE AND STRUCTURE

BHC is governed by a Board whose members are appointed by the Minister of Lands and Housing by powers bestowed on him by Parliament through Botswana Housing Corporation (BHC) Act (Cap 74:02). The board is led by the Chairperson and must comprise of at least seven and not more than ten members. The roles of the Chairperson and the Chief Executive Officer are separate, and the composition of the Board ensures a balance of authority precluding any one director from exercising unfettered powers of decision making. The Board is assisted in fulfilling its responsibilities by the following sub-committees:

- Finance and Audit Committee
- Human Resources Committee
- Board Tender Committee

The responsibility for the implementation and monitoring of corporate governance within BHC rests with the Board, which is assisted by the above-mentioned sub-committees.

BOARD CHARTER

The Board operates in terms of a formal charter which is reviewed and adopted annually, the purpose of which is to regulate the conduct of its business in accordance with sound corporate governance principles. The objectives of the Charter are to ensure that all directors acting on BHC's behalf are aware of their duties and responsibilities and the legislation and regulations affecting their conduct. Furthermore, it seeks to ensure that sound corporate governance principles are applied in all dealings by directors in respect of and on behalf of BHC. The Charter sets out the specific responsibilities to be discharged by the directors collectively and individually. Each Committee of the Board has its own charter which outlines it responsibilities.

PROFILES OF THE BOARD OF DIRECTORS

DR. BOLELANG C. PHEKO (CHAIRPERSON)

Dr. Pheko is a senior lecturer in the Faculty of Education at the University of Botswana. She holds a Doctorate of Education from the University of Bristol in the United Kingdom. Her other qualifications include a Master of Education from the University of Manchester and a Bachelor of Arts Degree from the University of Botswana. Her career in Education began in 1981 at Moeding College. Dr. Pheko later joined the University of Botswana as the Assistant Registrar in 1989 where her practical management began. Dr. Pheko has published numerous publications which centered on Education, Educational Leadership, Management, Training and Development, Training Policy for Leaders and Managers. Dr. Pheko's experience in Board leadership and management began in 2000 as a member of the Board of Moeding College, which culminated in her being the chairperson of the Board of Moeding College from 2008 - 2010.

MR. REGINALD LEFITLHILE KETSHABILE (VICE CHAIRPERSON)

Mr. Ketshabile holds a Bachelor of Theology (BTH), Bachelor of Business Administration (BBA), and a Master of Business Administration (MBA). He has undergone Management Development Programmes at several institutions in Botswana, South Africa, Tanzania, USA, etc. Mr. Ketshabile worked as Personnel and Training Manager/Human Resources Manager and Acting General Manager (Administration), respectively, at Botswana Meat Commission. At Botswana Railways, he was the Assistant General Manager (Human Resources) and Acting General Manager, respectively. He is the Director of Regie's Hotel (PTY) LTD and a Member of the Botswana Prisons Council. Moruti Ketshabile is a Non-Stipendary, Non-iterinent Minister of the Methodist Church of Southern Africa (MCSA) serving Botswana Central Circuit (Mahalapye, Palapye, Serowe and Shoshong).

CORPORATE GOVERNANCE & SUSTAINABILITY

MR. OTENG SHIMANE MAMPARANYANE (CHAIRMAN OF THE TENDER COMMITTEE)

Mr. Mamparanyane holds an MBA from the University of Botswana. He also has a an M.Sc. in Public Health Engineering from Newcastle University in the United Kingdom as well as a B.Sc. in Civil Engineering from Brighton Polytechnic (Brighton University) also in the United Kingdom. His career in Civil Engineering spans twenty seven years having worked for organizations which comprise a firm of Chartered Quantity Surveyors, a Town Council, numerous firms of Consulting Engineers and an Urban Water Authority. He is a founding Director of a wholly-owned citizen consulting engineering and project management firm. During this period Mr. Mamparanyane has designed and supervised township infrastructure projects, comprising storm water drainage, sewerage and water reticulation and roads. He possesses a wealth of experience in contract management using the various FIDIC Conditions of Contract. He is a member of the Botswana Institute of Engineers.

MR. BAEMEDI KOOFITLHILE MMOPI (CHAIRMAN OF THE FINANCE AND AUDIT COMMITTEE

Mr. Mmopi is an Associate Member of the Chartered Institute of Management Accountants (ACMA) and an Associate Member of the Institute of Chartered Secretaries And Administrators (ACIS) both obtained in the United Kingdom. He also holds a Diploma in Accounting (DABS) from Botswana Institute of Administration and Commerce. His career in finance profession spans a total of forty one (41) years with the Botswana Power Corporation. He is currently Manager, Finance and Administration - Strategic Projects at BPC and his main duties cover overall project financial management, including Accounting and Project Treasury activities.

Mr. Mmopi is currently chairs the Board Finance and Audit Committee of Botswana Housing Corporation and also serving in various social committees.

MR. FELIX MONGGAE (MSC)

Mr. Monggae is currently the Kalahari Conservation Society (KCS) Chief Executive Officer, Botswana. He started his career in conservation as a wildlife officer in the Department of Wildlife and National Parks (DWNP) in 1996. This was after he acquired a BA Degree at the University of Botswana (Environmental Science and English) followed by a Diploma in Education. He also graduated Strategic Management with the University of Derby in 2012. He joined Kalahari Conservation Society as the Conservation Officer and became the Chief Executive Officer to date. During the last 14 years, he had opportunities that present him as an advocate of changes natural resources management with inclination to stakeholder participation and livelihoods improvements. Mr. Monggae is also serving in various Boards like the Cheetah Foundation Botswana, Botswana Conservation Trust Fund and also served 4 years in the Botswana Tourism Organisation Board. These are positions that came about due to Mr. Monggae's advocacy, lobbying and communication skills in conservation and sustainable development circles. In the SADC region, Mr. Monggae is a champion of Community Based Natural Resources Management (CBNRM) and he is also the International Union for Conservation and Nature (IUCN) Chairman of the East and Southern Africa.

CORPORATE GOVERNANCE & SUSTAINABILITY

MR. BATLHATSWI SHONGWE TSAYANG (CHAIRMAN OF THE HUMAN RESOURCES COMMITTEE)

Mr. Tsayang graduated with a Master's Degree in Public Administration from the University of Botswana. He also has a Post Graduate Certificate in Transport Economics and Management from the University of British Colombia in Canada as well as a Bachelor's Degree in Public Administration and Accounting from the University of Botswana. His career began at the Central Transport Organization in 1976. He was later assigned the task of setting up the Department of the then Transport Division of the Ministry of Works Transport and Communications as a Director. In 1993 Mr. Tsayang joined the Botswana Railways as the Assistant General Manager - Human Resources. His main responsibilities included management of the Human Resource function, which covered Industrial Relations, HR Planning and Development, Employee Welfare and Human Resource Administration to name just a few.

MR. STEPHEN B. TIROYAKGOSI

Mr. Tiroyakgosi is a lawyer currently working for the AG's Chambers. Most of his work involves the drafting and negotiation of government commercial contracts, advising on preparation of legal opinions in respect of financial and financial guarantee agreements and negotiation and drafting of international agreements; the job also entails advising other government departments on various aspects of law such as environmental law, international trade law and other legal aspects of government commercial business. He has previously worked at the Botswana International University of Science and Technology as Director for Legal Services and Council Secretary. He holds a Bachelor of Laws from the University of Botswana and a Master of Laws (International Law) from the Australian National University.

MR. BENJAMIN THUSO MOKGOLODI

Mr. Mokgolodi holds a Master of Architecture and B.Sc. Architecture both from the University of Wiscounsin in the United States of America. He has also carried out studies towards an MBA with De Montfort University. He did his B.Sc. Part I at the University of Botswana. Mr. Mokgolodi's vast experience as an Architect covers construction projects of Boarder Posts, Office Buildings, Education Buildings from classroom to multi-storey library, Police Station to Prison, Laboratories to Auditorium to name just a few. Part of his time has been dedicated to advancing the Architectural Profession in Botswana mainly as President of the Architects Association of Botswana (AAB) liaising with various bodies' policy formulation etc. including the development of the Architects Registration Act. He has also been involved in advisory roles for a number of years in the development of the new Central Business District in the New CBD Advisory Committee as its Chairperson. He is also active as a National Technical Committee chairperson (Botswana Bureau of Standards) involved in the formulation of various standards for the construction industry.

MR. JOSEPH B. MOSIMANE

Mr. Mosimane holds an MBA Finance from University of Leicester in the United Kingdom. He also has a B.com. (Accounting) Degree from the University of Botswana and an Association of Cost and Executive Accountants (ACEA) qualification from the United Kingdom. Mr. Mosimane is a Certified Balanced Score Card Professional accredited by the University of Washington USA. He kick started his accounting career with numerous organizations from 1990 to 2000. In 2000 he joined the Botswana College of Distance and Open Learning (BOCODOL) as Head of Finance and Administration.

CORPORATE GOVERNANCE & SUSTAINABILITY

He was later promoted to the position of Director - Corporate Services in 2003 and subsequently Director of Financial Services in 2007 where his responsibilities included formulating financial management and financial sustainability policies, systems and the strategies in line with the organization's strategic objectives. Mr. Mosimane is currently General Manager - Corporate Services at the Botswana Public Officers Pension Fund where his is responsible for providing strategic leadership in the provision of ICT, Finance and Accounting and Human Capital Strategies, policies and programmes for BPOPF Management and Board of Trustees. Mr. Mosimane has served in several Parastatal and private boards. He currently serves as a board member of the National development bank (NDB). He is a Council member of the ABM University. He was the founding member of Africa 53 Provident Fund.

MS. HELEN CHEDZA CHILISA

Ms. Chilisa holds an MBA in Aerospace Management from the Toulouse School of Business in France. She also has an Executive Education MBA in Aerospace Management Intensive Programme from the University of Montreal (HEC Montreal) in Canada. In addition she has an MSc. in International Marketing and a Bachelor of Arts Degree in Hotel and Hospitality Management, both from the University of Strathclyde in Glasgow, Scotland. Her career manifests from Barclays Bank Botswana where she was a recipient of the Management Development Programme, her roles included assistant to the Retail and Corporate Director. Other positions she has held include Relationship Executive at Stanbic Bank Botswana in the Executive Banking Suite, Market Development Manager at Kgalagadi Breweries Limited (SABMiller subsidiary) and Marketing Manager at Air Botswana, at Air Botswana an opportunity was extended to her to act in the positions of Director, Customer & Ground Services and Director, Commercial. Helen is currently the Country Manager at the Association of Chartered Certified Accountants and is responsible for the successful implementation of ACCA's Sub Sahara Africa strategy for Botswana. Helen is a Pan Africanist and an avid reader. Her areas of interest include African Development, Cross Cultural Management and Global Leadership.

ROLES OF THE BOARD SUB COMMITTEES

FINANCE AND AUDIT COMMITTEE	BOARD TENDER COMMITTEE	HUMAN RESOURCES COMMITTEE
The provision of effective governance over the appropriateness of the Corporation's financial reporting including the adequacy of related disclosures, the performance of both the internal audit function and the external auditor, and the management of the Corporation's systems of internal control, business risks and related compliance activities.	To ensures that there is fairness and transparency in the process of procurement of goods, services and disposal of corporate assets in line with the requirements Public Procurement and Asset Disposal Board (PPADB) Act.	To assess and make recommendations to the Board on the policies for executive remuneration and packages for the individual executive directors. The Committee also approves at human resources and remuneration structures for the Corporation, and approves the manpower requirements.

CORPORATE GOVERNANCE & SUSTAINABILITY

ATTENDANCE AT BOARD AND BOARD COMMITTEES [A]

DIRECTORS	SCHEDULED BOARD MEETINGS ATTENDED	SPECIAL BOARD MEETINGS ATTENDED	FINANCE AND AUDIT COMMITTEE	MEETINGS ATTENDED	HUMAN RESOURCES COMMITTEE	MEETINGS ATTENDED	TENDER COMMITTEE	MEETINGS ATTENDED
Dr. Bolelang C. Pheko	4/4	7/7	-	-	-	-	-	-
Mr. Baemedi K. Mmopi	4/4	7/7	Chair	8/8	-	-	-	-
Mr. Oteng S. Mamparanyane	4/4	4/7	Member	2/8	-	-	Chair	2/4
*Ms. Marina Bathuleng-Mookodi	2/4	4/7	*Member	1/3	-	-	*Member	2/2
Mr. Benjamin T. Mokgolodi	4/4	6/7	-	-	Member	4/6	Member	3/4
Mr. Batlhatswi S. Tsayang	3/4	7/7	-		Chair	5/5	Member	4/4
Mr. Reginald L. Ketshabile	4/4	6/7	-	-	Member	5/6	Member	1/4
Mr. Felix Monggae	3/4	6/7	Member	4/8	Member	-	-	-
Mr. Stephen B. Tiroyakgosi	3/4	6/7	-	-	Member	4/6	Member	2/4
Ms. Duduzile B. Khupe	2/4	1/7	*Member	2/3	-	-	-	-
**Ms. Helen C. Chilisa	1/4	4/7	Member	2/5	-	-	-	-
Mr. Joseph B. Mosimane	2/4	2/7	Member	2/5	-	-	-	-

[A] The first figure represents attendance and the second figure the possible meetings. For example, 7/8 signifies attendance of seven out of eight possible meetings. Where a Director stood down from the Board or a Board Committee during the year, or was appointed during the year, only meetings before standing down or after the date of appointment are shown.

*Tenure of Directorship ended during the year. **Appointed during the year.

CORPORATE GOVERNANCE & SUSTAINABILITY

SUSTAINABILITY AND THE ENVIRONMENT

As Botswana Housing Corporation, we are strongly committed to safe working environment. We believe that a healthy employee will create a healthy organization. The Corporation introduced a unit responsible for risk, health and safety in the work place. This was to give it more focus given the nature of our business where we get involved in construction and development projects. There is significant effect on the activities the Organisation has on the employees, the public, the competitors, the investors, the shareholder and others. The Corporation, before undertaking any project, does the detailed Environmental Impact Assessment to ensure that our operations do not affect the environment.

Organisations are becoming aware that they are not only looking at increasing the wealth of their shareholders but also the wealth of the society. As the Corporation, we are not only committed to increase our shareholders wealth but also make contribution to the wealth of the citizen. The Corporation, as part of the empowerment, engages local contractors to undertake some of its projects hence contributing to the wealth of citizen contractors.

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

INTERNAL AUDIT

In the Botswana Housing Corporation, the Internal Audit Department is charged with the following responsibilities:

a) Internal Audit, which involves the identification and testing for effective and consistent operation of key controls;

b) Enterprise Risk Management, which involves identifying, analysing and responding to events that have the potential to significantly affect the Corporation's performance;

c) Safety, Health and Environment; and

d) Security, which involves management of outsourced security services providers.

Additionally, the Internal Audit Department provides secretarial services to the Finance & Audit Committee of the Board.

CORPORATE GOVERNANCE & SUSTAINABILITY

INTERNAL AUDIT

In terms of internal auditing, the Department follows a risk - based internal auditing approach, whereby audit effort is directed at identifying and reviewing controls over those areas of the Corporation's operations which have been identified by management, through the risk management process, as having the potential to significantly affect the Corporation's ability to create value for its stakeholders.

The Department prepares three (3) year audit plans, which are approved by the Board.

ENTERPRISE RISK MANAGEMENT

The Corporation follows a risk management framework based on the American risk management standard, COSO ERM.

The Corporation conducts workshops, on an annual basis, at which events that have the potential to affect the Corporation's performance are identified, analysed and responses thereto are formulated and agreed upon.

SAFETY, HEALTH AND ENVIRONMENT

Like any other responsible employer, the Corporation's policy is not to knowingly expose its employees, and other stakeholders, to circumstances which could result in them suffering any sort of harm. For this reason, the Corporation pro-actively identifies situations in its offices, and other business premises, which could, potentially, result in harm being caused to its employees and puts in place appropriate risk mitigation strategies.

MANAGING OUTSOURCED SECURITY SERVICES

The Corporation sources security services, which comprise the physical security guarding of the Corporation's business premises as well as completed projects prior to their disposal, cash collection services and alarm monitoring services, from the open market.

The provision of these services is governed by contracts and service-level-agreements which the Corporation enters into with service providers. Internal audit monitors service providers' actual performance against these governance documents.

OPERATIONS DIVISION

PROPERTY DEVELOPMENT

For the 2013/14 financial year, a total of 712 housing units were planned for delivery. This target comprised 168 housing units for the general public and 544 units for third parties. Actual delivery for the financial year stands at 137 housing units for the general public and 575 units for third parties. Apart from the aforementioned projects, the Corporation administered a number of construction projects that will be delivered in the next financial year. With the Corporation now serving as the Single Housing Authority for all Government driven housing initiatives, the Corporation also worked on construction of SHHA Turnkey houses across the country.

OPERATIONS DIVISION

PROJECTS DELIVERED PROJECTS FOR THE GENERAL PUBLIC

A total of 137 housing units were delivered in the 2013/14 financial year in the following areas:

- Lobatse - 33 detached houses
- Palapye - 15 flats
- Gaborone - 7 executive town houses
- Ghanzi - 82 detached houses

The areas reflected above demonstrate the Corporation's passion to spread its construction activities across the length and breadth of the country.

HOUSING DELIVERY FOR OTHER INSTITUTIONS

Unlike some parastatals, BHC does not benefit from annual Government subventions to drive and sustain its operations. It is for this reason that the Corporation through its External Projects arm targets parastatals and other Government entities with a view to offering a wholesale package of project management services. Through this initiative, the Corporation generates revenue that contributes to the bottom line and adds value to sustaining its operations. For the 2013/14 financial year, The Corporation delivered 575 units in the following areas:

- Francistown - 309 (including 1 gymnasium)
- Gaborone - 138
- Mogoditshane - 30
- Thebephatshwa - 96
- Selebi Phikwe - 2

OPERATIONS DIVISION

ONGOING PROJECTS

The Corporation is working on delivering a number of housing projects and these are at different stages of construction. There are 196 housing units under construction in Palapye, all of which are nearing completion and will be delivered by the end of the second quarter of the next financial year. A further 8 detached units are under construction in Lobatse and progress is at an advanced stage.

DELIVERY OF THE CORPORATION'S HOUSES IN PHAKALANE

The Government reached an agreement with Phakalane Estates that facilitated release of funds required for infrastructural developments in Phakalane with a view to unlocking the value locked in the 516 houses developed by the Corporation. The execution of the works is now nearing completion and the houses should be ready for beneficial occupation by the end of August 2014.

SELF HELP HOUSING AGENCY (SHHA) TURN-KEY HOUSES

The Corporation continues to drive implementation of SHHA Turnkey Projects across the country. So far, a total of 911 plots have been availed to the Corporation for construction of the houses. By the end of the 2013/14 financial year, a total of 627 houses were started and 86 delivered. When implementation of the SHHA Turnkey Projects was conceived, in the interest of empowering local builders, the Corporation had restricted construction to contractors registered with the Public Procurement and Asset Disposal Board (PPADB) at lower levels of OC and A. These contractors provided labour while the strategic sourcing of material required for construction fell within the ambit of the Corporation. However, it became evident during the contract administration process that some of these contractors had grave resource constraints that led to most of them failing to deliver on time and in some cases even opting to abandon projects. The Corporation reviewed its stance and has now considered moving one step up the rung to engage contractors registered with PPADB at grade B for some targeted areas. These contractors are charged with the responsibility of delivering SHHA Turnkey Projects on a labour plus material contract.

PROPERTY SALES

The Corporation continues to empower Batswana through home ownership opportunities available in various parts of the country where effective demand has been identified. Sale of properties constitutes an integral part of the Corporation's revenue streams. Property Sales Department is responsible for the disposal of the Corporation's products through selling.

In the financial year 2013/14, the department had a target to sell 1,036 housing units, thereby raising revenue of P729 million. Two hundred and ninety (256) houses were sold to qualifying Batswana, citizen controlled companies and the Government, generating a total revenue of P132 million. Out of the total sales mentioned above, two hundred and forty-two (232) units were sold under conventional title while forty-eight (48) units were sold under Sectional Title, generating a revenue of P108 million and P24 million respectively.

Property Sales Department also manages a portfolio of over 1,000 accounts under the Tenant Purchase Scheme (TPS) of which has a book value of over P26 million. Arrears target for the accounts should not exceed 1% of the book value at any given time. The department is performing well in this key performance area.

OPERATIONS DIVISION

Government remains the Corporation's major customer and this is in line with the mandate. BHC mandated with building houses for the Government. This year alone BHC sold 47% of the houses to Government. Sales to individuals and other Corporates is also closely marketed as it reduces over reliance on Government.

The Corporation remains optimistic about its efforts of realizing an increase in the number of sales for the forthcoming financial year, taking into cognizance the initiatives undertaken to address the challenges.

PROPERTY MANAGEMENT

The Property Management department manages the Corporation's rented house portfolio. The department is involved with the preparation and upkeep of the property register, leasing of units and management of the tenant-landlord relationship. It also monitors the rental stock movement, as some properties are lost due to disposal through sales. Among other mandates of the department, is the lease compliance which focuses on the observance of key covenants (lease terms) which when breached, may result in loss of income and/or investment return to the corporation.

Currently the rental stock (Investment) is above the set threshold of ten thousand (10,000) units. As at the 1st April 2013, the number of properties stood at 10611 as an opening balance for the financial year. The financial year closed at 10362 units thus marking a reduction of 249 units attributed to the sale of rented stock. In the financial year 2013/14 there was no new deliveries which replenished the number lost to sales.

Vacancy is another area which the department is consistently monitoring. The department maximizes return by managing vacancy. Occupancy has dipped to 98.2% against the targeted 99% by the end of financial year 2013/14.

OPERATIONS DIVISION

MAINTENANCE OF BHC PROPERTIES

CYCLE MAINTENANCE

The target for the 2013/14 for Cycle (Planned) Maintenance was set at 1100 housing units, and we achieved 1185. The target was surpassed by 85 units. This slight over performance can be attributed to the mix of units picked and the relatively good state of repairs on the rental stock. Planned maitenance is very important for the Corporation as it ensures that houses are well kept. It is also expected to bring down costs of reactive maitenance in the long term.

CHARGEABLE MAINTENANCE

The department had put more effort in making sure that those that willfully and negligently caused damage to our properties paid for such damage. Against a target of P2.34 million, an amount of P2.16 million was realized. Cost recovery is part of our stratergy and contributes to the Corporation's sustainability.

MARKETING AND RESEARCH

ESTABLISHMENT OF A MARKETING AND RESEARCH DEPARTMENT

During the year under review, the Board took a decision to establish a fully-fledged Marketing and Research Department to galvanize the development of the Corporation's products; making them affordable through effective pricing strategies; identifying areas where there is effective demand for housing, and identifying and implementing effective and efficient ways of promoting available properties, and gathering information from the customers through research, to enable the Corporation to respond accordingly in developing products that meet the customers' needs and expectations.

The creation of the department followed a recommendation from a Marketing Strategy development process which identified areas of improvement and how the Corporation can innovate to better sell its products and services through a more visible and well-resourced structure separate from the Public and Corporate Affairs Department which was then engaged mainly on Marketing Communications.

PROMOTIONAL CAMPAIGNS

The department hit the ground running by immediately developing a Marketing Plan and engaging in an integrated promotional campaign that included all forms of advertising (radio, television, print and billboards), exhibitions, and meetings with potential purchasers, to push for the sale of some of the corporation's properties in areas like Mahalapye, Lobatse, Serowe, Francistown, Gantsi and Jwaneng. This resulted in houses being taken up, particularly by Government institutions that were in dire need for accommodation for their respective employees.

THE SELLING TO SITTING TENANTS CAMPAIGN

Towards the end of the year under review, the department engaged in yet another campaign which focused on selling properties to Sitting Tenants. The campaign offered sitting tenants the opportunity to purchases properties that they have been renting over a long period of time and thereby empowering them through home ownership. The campaign was officially launched in March 2014 and it is expected to run throughout the next financial year (2014/15), and it is targeting 1528 sitting tenants staying in stand-alone houses. The campaign offers incentives such as discounts and other prizes to prospective purchasers. The Corporation has partnered with most of the local banks to assist in providing mortgage finance to the tenants.

The campaign will be monitored and evaluated on a quarterly basis to measure if it is meeting its objectives.

OPERATIONS DIVISION

Through its Customer Care Unit, the department has developed a Stakeholder Engagement Strategy and plan themed, "Exceeding customer expectations through effective and sustainable dialogue." The strategy is meant to harness a mutually beneficial relationship between the Corporation and its stakeholders from a Marketing standpoint, and it focuses on regular dialoguing and positively responding to customers' feedback through development and provision of products and services that meet and exceed customers' needs and expectations.

Various engagements have been undertaken during the year under review, and these include tenants meetings (corporate and individual tenants), exhibitions, post occupational surveys, call centre interviews and a Media Breakfast.

Stakeholder Engagement is a critical component toward achieving the overall Corporate Objectives. During the year under review, the Corporation held a number of internal and external stakeholder engagement initiatives to discuss issues of mutual concern. A total of two CEO's consultative meeting were held for staff member to discuss issues relating to the Corporate Strategy among others as well as to get feedback relating to the other issues affecting staff in their daily operations. Other external engagement held include visits by international delegates from the Republic of South Sudan and the Kingdom of Lesotho who came on a benchmarking exercise through a request form the Ministry of Lands and Housing. As part of its stakeholder engagement plan the Corporation also made presentations on the progress of the Self Help Housing Agency Turnkey Developments at the Ghanzi and Ngamiland District Councils. Furthermore the Corporation officially handed over complete flats to the Botswana Unified Revenue Services for its staff at the Ramokgwebana Boarder Post. There was also a tour of SHHA Turnkey developments and External Projects in the Northern Region to appraise stakeholder on the progress and challenges experienced. Other stakeholder engagement geared towards educating the general public about the BHC mandate, products and services, which the Corporation participated in, include the annual BOCCIM Northern Trade Fair, Consumer Fair and the Home Expo and the Vision 2016 Awareness Month Launch.

CORPORATE SOCIAL RESPONSIBILITY

The Corporation continues to support various community initiatives in line with its value of BOTHO, which seeks us to restore dignity through the provision of affordable housing and other corporate social responsibility initiatives. To this end the Corporation donated P20,587.35 to the Botswana Defence Force Officer Cadet Outreach programme towards the purchase of stormy blankets for the orphans at Sehonou Settlement in the Central District. The Corporation also made several donations to various charitable organizations such as the University of Botswana Foundation Fund Raising Dinner Dance and the Kalahari Conservation Society.

SUPPORT SERVICES

SUPPORT SERVICES

INFORMATION TECHNOLOGY

The BHC IT Strategy that was conceived in 2007 is nearing completion after the successful implementation of the major milestone, being the implementation of an ERP system. The system went live in April of 2013. This system implementation has been recognised by Oracle as one of the top 15% of ERP projects that had been successfully implemented successfully within time and budget across the globe. In that regard, Oracle has requested to use the Corporation as a case study for other similar projects. The project has since received attention from many organisations locally for benchmarking purposes.

Following the implementation of the ERP Pinagare project the department focused on supporting, fine tuning and stabilizing the implemented platform. In order to efficiently support the platform, the department was restructured by merging the Development Section and Projects Section into one section.

The Corporation has also set up a disaster recovery site and equipped with the right infrastructure to ensure business continuity in case of a business disruption. Disaster recovery tests have been carried out successfully during the course of the year. The Corporation is confident that the business will continue if our normal systems are down for whatever reason.

The focus will now be on the system and infrastructure enhancements to ensure maximum benefits of the system. One of the key enhancements will include provision of adequate and flexible reports for operational and strategic decision making.

HUMAN RESOURCES

The Corporation continuously reviews its human resources management systems and processes to ensure that they are aligned and in congruence with the latest developments and best practice in Human Resources Management. Additionally, it strives to ensure that its employees are adequately resourced, healthy and inspired to positively contribute towards the attainment of the Corporation's Mandate.

PERFORMANCE MANAGEMENT SYSTEM

The Corporation continues to embrace technology in order to improve on the efficiency of its systems. As an initiative for improving internal processes, the Corporation completed computerization of its Performance Management System in the last quarter of 2012/13 financial year and all individual employee Performance Contracts for 2013/14 financial year were developed in the system.

The computerization initiative has enhanced the coordination of performance management thus promoting a conducive and a high performance culture. Performance and skills gaps are now easily identified and corrective action is taken immediately through on job training, mentoring and coaching and learning centre training and development. Information on employees' performance is now easily accessible in the Corporation for monitoring and for proper human capital management.

TRAINING AND DEVELOPMENT

Effective human resource management remains one of the Corporation's critical success factors. The Corporation therefore continues to invest in developing the requisite competencies that are intended to build the desired behaviors for achieving performance results. Employees are also encouraged and supported to enroll on their own, with reputable training institutions, to further their capabilities. For the year 2013/14, the Corporation invested about P3,738,038 in developing the employees. A total of 189 employees attended skills development short courses. Ten (10) employees completed various courses on-line or through distance learning utilizing the Corporation's education assistance scheme.

SUPPORT SERVICES

EMPLOYEE WELLNESS

The Corporation offers medical insurance cover for all its employees. In response to employee feedback on medical insurance, the Corporation made improvements on the provision of medical cover for the employees by offering them a wider choice of service providers. An agreement has been entered into with two additional reputable medical aid service providers. The arrangement facilitates for employees to select a service provider of their choice to assist them access medical assistance. As at 31st March 2014, the membership under this facility was two hundred and eighty seven (287). This represented 84.16% of the Corporation's total strength.

In its pursuit to ensuring a healthy and productive workforce, the Corporation conducted two (2) Wellness Days for its employees. The days were commemorated in Francistown for employees in the Northern Region and in Gaborone for employees in the Southern Region. Various tests for lifestyle conditions were carried out and a number of speakers made presentations on Wellness Issues, including financial management, healthy eating and life skills. The results of such events assist the Corporation come up with interventions to assist employees better manage their conditions.

Throughout the year various offices invited speakers to present on various Wellness issues in commemoration of specific Health Days such as World Tuberculosis Day, Cancer Month and World aids day.

BHC STAFF PENSION FUND

As at 31st March 2014 the BHC Staff Pension Fund had a total membership of 290 active members and 141 deferred members. There was no increase in active membership from the 2012/13 financial year due to the fact that though there were new entrants during the year these were cancelled out by withdrawals.

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

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

LEGAL SERVICES

The Corporation has an in-house Legal Services Department which provides comprehensive, in-house legal services to the Corporation and also provides the Secretariat for the Board Tender Committee.

During the 2013/2014 financial year, the Department continued with its focus on pushing the registration of title to support the Corporation's sales drive as well as ensuring that all transfers to Government were given greater attention.

During the course of the year, the Legal Department's enterprise resource planning system module was implemented and for the first time the Department's processes were automated. Contracts are now loaded into the system, making it easier to access them and this will also improve contracts management in the Corporation. This has assisted in tracking performance and we are already seeing efficiencies on document tracking. It is our hope that this will improve our speed to process thereby improving our service to our customers.

Contents

Annual
Financial Statements Contents

Statement of responsibility by the members of the Board	39
Independent auditors' report	40
Statement of comprehensive income	41
Statement of financial position	42
Statement of changes in equity	44
Statement of cash flows	46
Accounting policies	47
Financial risk management	66
Critical accounting estimates and judgements	76
Operating segments	77
Notes to the financial statements	82

BOTSWANA HOUSING CORPORATION

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

BUSINESS

Property Development and Estate Management Services.

MEMBERS OF THE BOARD

B. C. Pheko	Chairperson
R. Ketshabile	Deputy Chairperson
O. S. Mamparanyane	
B. K. Mmopi	
F. Monggae	
B. S. Tsayang	
S. Tiroyakgosi	(Re-appointed on 1 September 2013)
B. Mokgolodi	(Re-appointed on 1 September 2013)
J. Mosimane	(Appointed on 1 September 2013)
H. Chilisa	(Appointed on 1 September 2013)
D. Khupe	(Term ended on 31 August 2013)
M. Bathuleng-Mookodi	(Term ended on 31 August 2013)

SENIOR LEADERSHIP TEAM

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

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 2014

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 2014, 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 41 to 117 were approved by the members of the Board on 16 July 2014 and are signed on their behalf by:

....
B. C. Pheko
Chairperson

....
R. Motswaiso
Chief Executive Officer

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

INDEPENDENT AUDITOR'S REPORT

To the members of Botswana Housing Corporation

We have audited the annual financial statements of Botswana Housing Corporation (the "Corporation"), which comprise the statement of financial position as at 31 March 2014, the statement of comprehensive income, the statement of changes in equity, the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 41 to 117.

MEMBERS OF THE BOARD'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements gives a true and fair view of the financial position of Botswana Housing Corporation as at 31 March 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

OTHER MATTERS

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

- We have received all the information and explanations which, to the best of our knowledge and belief; were necessary for the performance of our duties as auditors;
- The accounts and related records of the Corporation have been properly kept;
- The Corporation has complied with all the financial provisions of the Act with which it is duty of the Corporation to comply and;
- The financial statements prepared by the Corporation were prepared on a basis consistent with that of the preceding year unless otherwise stated.

PricewaterhouseCoopers

Individual practicing member: Rudi Binedell
Membership number: 20040091

Gaborone
15 August 2014

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Note	2014 P'000	2013 P'000 Restated
Revenue	6.	300,446	467,998
Cost of sale of housing inventories	7.	(85,821)	(234,988)
Repairs and maintenance		(39,506)	(35,552)
Employee benefit expenses	8.	(94,102)	(86,989)
Depreciation and amortisation	9.	(16,350)	(18,789)
Other expenses	10.	(58,373)	(72,859)
Gains on sale of investment properties	11.	28,145	49,447
Other income	10.	9,442	5,437
Operating surplus		**43,881**	**73,705**
Finance income	12.	5,979	3,752
Finance costs	13.	(44,015)	(49,124)
Finance costs-net		**(38,036)**	**(45,372)**
Share of surplus of joint ventures	18.	10,411	9,231
Total comprehensive income for the year		**16,256**	**37,564**

STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Note	2014 P'000	2013 P'000 Restated	2012 P'000 Restated
Assets				
Non-current assets				
Investment property	14.	1,176,860	1,199,031	1,249,343
Property, plant and equipment	16.	20,323	20,120	21,410
Intangible assets	17.	27,759	27,136	10,945
Investments in joint ventures	18.	22,271	18,850	15,097
Loans to related parties	19.	6,644	8,932	10,943
Trade and other receivables	20.	19,438	28,873	41,368
Total non-current assets		**1,273,295**	**1,302,942**	**1,349,106**
Current assets				
Housing inventories	15.	782,772	724,289	872,208
Loans to related parties	19.	2,288	2,011	1,767
Trade and other receivables	20.	35,774	20,970	29,460
Cash and cash equivalents	21.	499,160	450,546	300,531
Total current assets		**1,319,994**	**1,197,816**	**1,203,966**
Total assets		**2,593,289**	**2,500,758**	**2,553,072**

STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Note	2014 P'000	2013 P'000 Restated	2012 P'000 Restated
Equity and liabilities				
Capital and reserves				
Irredeemable capital	22.	250,000	250,000	250,000
Retained earnings		1,050,059	1,035,788	1,003,517
Earnings reserve	23.	11,697	15,851	23,161
Investment properties insurance reserve	24.	-	2,590	2,590
Total equity		**1,311,756**	**1,304,229**	**1,279,268**
Non-current liabilities				
Agency funds	27.	115,281	74,509	55,937
Borrowings	25.	481,347	526,814	579,698
Total non-current liabilities		**596,628**	**601,323**	**635,635**
Current liabilities				
Trade and other payables	26.	192,787	186,332	194,330
Agency funds	27.	244,971	158,057	174,806
Borrowings	25.	111,254	169,997	200,153
Customer deposits	28.	135,893	80,820	68,881
Total current liabilities		**684,905**	**595,206**	**638,170**
Total equity and liabilities		**2,593,289**	**2,500,758**	**2,553,072**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Capital P'000	Retained earnings P'000	Earnings reserve P'000	Investment properties insurance reserve P'000	Total P'000
Balance at 1 April 2012 (as previously reported)	250,000	1,065,755	23,161	2,590	1,341,506
Prior year adjustment	-	(62,239)	-	-	(62,239)
At April 2012 (restated)	250,000	1,003,516	23,161	2,590	1,279,267
Comprehensive income					
Comprehensive income for the year (restated)	-	37,564	-	-	37,564
Transfer to retained earnings	-	7,310	(7,310)	-	-
Total comprehensive income (restated)	**-**	**44,874**	**(7,310)**	**-**	**37,564**
Transaction with owners					
Dividend (note 30)	-	(12,602)	-	-	(12,602)
Total transactions with owners	-	(12,602)	-	-	(12,602)
Balance at 31 March 2013 (restated)	**250,000**	**1,035,788**	**15,851**	**2,590**	**1,304,229**
Balance at 1 April 2013 (as previously reported)	250,000	1,095,386	15,851	2,590	1,363,827
Prior year adjustment	-	(59,596)	-	-	(59,596)
At April 2013 (restated)	250,000	1,035,790	15,851	2,590	1,304,231

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

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

Note 1: Earnings reserve

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

STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Note	2014 P'000	2013 P'000 Restated
Cash flows from operating activities			
Net cash generated from operating activities	30.	152,239	221,756
Cash flows from investing activities			
Purchases of property, plant and equipment	16.	(1,810)	(2,976)
Additions to intangible assets	17.	(5,855)	(16,228)
Proceeds from sale of investment properties	11.	40,718	106,362
Proceeds from sale of property, plant and equipment		308	-
Additions to investment properties	14.	-	(21,453)
Drawings from joint ventures	18.	6,990	5,478
Loan capital repayments received from related parties	19.	2,011	1,767
Interest received	12.	5,979	3,752
Net cash generated from investing activities		**48,342**	**76,702**
Cash flows from financing activities			
Repayment of borrowings	25.	(58,334)	(55,544)
Interest paid (net of capitalised interest)	13.	(44,015)	(49,124)
Net cash used in financing activities		**(102,349)**	**(104,668)**
Net increase in cash and cash equivalents		98,231	193,793
Cash and cash equivalents at beginning of year		343,334	149,541
Cash and cash equivalents at end of year	**21.**	**441,565**	**343,334**

ACCOUNTING POLICIES

For the year ended 31 March 2014

1. GENERAL INFORMATION

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

(a) to provide for the housing, office and other building needs of the Government and local authorities;

(b) to provide for, and to assist and to make arrangements for other persons to meet the requirements of paragraph (a) above and;

(c) to undertake and carry out, and to make arrangements for other persons to undertake and carry out building schemes in Botswana.

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

The financial statements for the year ended 31 March 2014 have been approved for issue by the members of the Board on 16 July 2014. Neither the members of the Board nor anyone has the power to amend financial statements after issue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

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

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

ACCOUNTING POLICIES

For the year ended 31 March 2014

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

In 2014, the Corporation did not early adopt any new or revised standard or interpretation.

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

IFRS 7 Financial Instruments: Disclosures Amendment (effective 1 January 2013).

The amendment intend to reflect the joint requirement with FASB to enhance current offsetting disclosures. New disclosures intended to facilitate comparison between entities preparing IFRS and US GAAP financial statements.

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

Preserving the amendments made to IAS 1 in 2007.

IFRS 12 Disclosure of interests in other entities: The standard requires disclosure for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. (effective 1 January 2013).

IFRS 13 Fair Value measurement: The standard provided consistency and reduce complexity by providing precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. (effective 1 January 2013).

Amendment to IAS 1 Presentation financial statements (1 January 2013).

The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet either: as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'; or voluntarily.

Amendment to IAS 16 Property, plant and equipment (1 January 2013).

The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.

Amendment to IAS 34 Interim Financial reporting (1 January 2013).

The amendment brings IAS 34 into line with the requirements of IFRS 8, 'Operating segments'. A measure of total assets and liabilities is required for an operating segment in interim financial statements if such information is regularly provided to the CODM and there has been a material change in those measures since the last annual financial statements.

ACCOUNTING POLICIES

For the year ended 31 March 2014

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

IFRS 10 Consolidated financial statements: Builds on the existing principles by identifying the concept of control as determining factor whether the entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where it is difficult to assess. (effective 1 January 2013).

IFRS 11 Joint arrangements. The standard provides for more realistic reflection of joint arrangement by focusing on the rights and obligations of the arrangement rather than its legal form. (effective 1 January 2013).

IAS 27 Separate financial statements provisions. (effective 1 January 2013).

IAS 28 Associates and joint ventures: Standard requires joint ventures and associates to be equity accounted following the issue of IFRS 11. (effective 1 January 2013).

IFRIC 20 Stripping costs in the production phase of a surface mine (effective 1 January 2013).

In surface mining operations, entities may find it necessary to remove mine waste materials ('overburden') to gain access to mineral ore deposits. This waste removal activity is known as 'stripping'. The Interpretation clarifies there can be two benefits accruing to an entity from stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. The Interpretation considers when and how to account separately for these two benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequently.

Amendment to IAS 32 Financial instruments presentation (effective 1 January 2013).

The amendment clarifies the treatment of income tax relating to distributions and transaction costs. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognised in the income statement, and income tax related to the costs of equity transactions is recognised in equity.

Amendment to IFRS 1 First time adoption of IFRS (effective 1 January 2013).

The amendment clarifies that an entity may apply IFRS 1 more than once under certain circumstances.

The amendment clarifies that an entity can choose to adopt IAS 23, 'Borrowing costs', either from its date of transition or from an earlier date.

The consequential amendment (as a result of the amendment to IAS 1 discussed below) clarifies that a first-time adopter should provide the supporting notes for all statements presented.

ACCOUNTING POLICIES

For the year ended 31 March 2014

(d) ***New standards, amendments, improvements and interpretations issued but not effective for the financial year 31 March 2014 and not yet adopted by the Corporation.***

IFRS 9 - Financial Instruments (2009) - (effective 1 January 2015).

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

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

The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss. The new 2015 requirements apply where an entity chooses to measure liability at fair value through profit and loss, the portion of the change in fair value related to changes in entity's own credit risk is presented in other comprehensive income rather than within profit and loss.

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

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

Amendments to IAS 32 - Financial Instruments: Presentation (effective 1 January 2014).

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

Amendments to IAS 39 on novation of derivatives (effective 1 January 2014).

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

ACCOUNTING POLICIES

For the year ended 31 March 2014

Amendments to IAS 36: Impairment of assets (effective 1 January 2014).

These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal.

Amendments to IFRS 10, consolidated financial statements, IFRS 12 and IAS 27 for investment entities (effective 1 January 2014).

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

Changes have also been made in IFRS 12 to introduce disclosures that an investment entity needs to make.

IFRS 14 (effective 1 January 2016).

The IASB has issued IFRS 14, 'Regulatory deferral accounts' ('IFRS 14'), an interim standard on the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts').

Rate regulation is a framework where the price that an entity charges to its customers for goods and services is subject to oversight and/or approval by an authorised body.

Amendment to IAS 19: Defined benefit plan (effective 1 July 2014).

Apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

Amendment to IFRS 2, Share based payment (effective 1 July 2014).

The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

Amendment to IFRS 3: Business combinations (effective 1 July 2014).

The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, 'Financial instruments: Presentation'.

The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

Consequential changes are also made to IFRS 9, IAS 37 and IAS 39.

Amendment to IFRS 8: Operating segments (effective 1 July 2014).

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

ACCOUNTING POLICIES

For the year ended 31 March 2014

The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.

Amendment to IFRS 13, Fair value measurement.

When IFRS 13 was published, paragraphs B5.4.12 of IFRS 9 and AG79 of IAS 39 were deleted as consequential amendments. This led to a concern that entities no longer had the ability to measure short-term receivables and payables at invoice amounts where the impact of not discounting is immaterial. The IASB has amended the basis for conclusions of IFRS 13 to clarify that it did not intend to remove the ability to measure short-term receivables and payables at invoice amounts in such cases.

IAS 16 Property, plant and equipment and IAS 38 Intangible assets (effective 1 July 2014).

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

The carrying amount of the asset is restated to the revalued amount.

The split between gross carrying amount and accumulated depreciation is treated in one of the following ways:

- either the gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses; or
- the accumulated depreciation is eliminated against the gross.

IAS 24 Related party disclosures (effective 1 July 2014).

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

IFRIC 21 Accounting for levies (effective 1 January 2014).

FRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses diversity in practice around when the liability to pay a levy is recognised.

2.2 REVENUE RECOGNITION

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

ACCOUNTING POLICIES

For the year ended 31 March 2014

(a) RENTAL INCOME

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

(b) OUTRIGHT SALES

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

(c) TENANT PURCHASE SCHEME (TPS)

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

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

(d) STEP OWNERSHIP SCHEME (SOS)

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

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

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

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

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

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

(e) PROFESSIONAL FEES

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

(f) INTEREST INCOME

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

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Corporation estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

(g) PRIOR YEAR ADJUSTMENT IN RESPECT OF OPERATING LEASES

During 2005 the Corporation signed an agreement for a long-term lease on certain property assets. This lease which replaced an earlier understanding with the tenant which required a fixed annual escalation of 7.5%, requires the Corporation to determine the lease rentals on an annual basis based on a pre-determined cost recovery formula. The historical financial statements of the Corporation did not take cognisance of this revised lease agreement but rather applied the principles of the earlier understanding assuming annual escalation of rentals at 7.5% until August 2020. Accordingly, the Corporation had accounted for a deferred lease asset in respect of this lease arrangement in accordance with the requirements of IAs 17 - Leases. This lease asset amounted to P55,86 million at 31 March 2013.

The accounting impact of the lease agreement entered into in 2005 was to negate the requirements for rental straight lining under the earlier understanding, and the accounting treatment relating to rental straight lining should have been halted at that time. This error was identified during the current financial year when the lease rental with tenant was reviewed, and has been corrected retrospectively in terms of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

ACCOUNTING POLICIES

For the year ended 31 March 2014

The impact of this re-statement on the financial statements is as follows:

Statement of financial position

	Operating lease asset		Retained earnings
	Current assets	Non-current assets	
	(P'000)	(P'000)	(P'000)
At 31 March 2012			
As previously stated	2,641	59,598	1,065,755
Restatement - elimination of operating lease asset	(2,641)	(59,598)	(62,239)
Restated as at 31 March 2012	-	-	1,003,516
At 31 March 2013			
As previously stated	3,735	55,862	1,095,386
Restatement - elimination of operating lease asset	(3,735)	(55,862)	(59,596)
Restated as at 31 March 2013	-	-	1,035,790

Statement of comprehensive income

	Revenue	Operating surplus	Total comprehensive income
	(P'000)	(P'000)	(P'000)
Year ended 31 March 2013			
As previously stated	465,357	71,064	34,923
Restatement - elimination of operating lease asset	2,643	2,643	2,643
Restated as at 31 March 2013	468,000	73,707	37,566

ACCOUNTING POLICIES

For the year ended 31 March 2014

2.4 INVESTMENT PROPERTY

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

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

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

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

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

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

2.5 INVENTORIES

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

The operating cycle of the Corporation is the time between the acquisition of land for development and their realisation in cash or cash equivalents. This is determined as two years.

2.6 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.

ACCOUNTING POLICIES

For the year ended 31 March 2014

2.7 BORROWING COSTS

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

Other borrowing costs are expensed.

2.8 CAPITALISATION OF DEVELOPMENT COSTS

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

2.9 PROPERTY, PLANT AND EQUIPMENT

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

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

ACCOUNTING POLICIES

For the year ended 31 March 2014

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

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

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

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

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

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

2.10 INTANGIBLE ASSETS

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

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

2.11 LOANS TO RELATED PARTIES

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

ACCOUNTING POLICIES

For the year ended 31 March 2014

2.12 JOINT ARRANGEMENTS

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

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

2.13 TRADE RECEIVABLES

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

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

2.14 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. In the statement of financial position bank overdrafts are shown within borrowings in current liabilities.

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).

ACCOUNTING POLICIES

For the year ended 31 March 2014

2.16 EARNINGS RESERVE

Surpluses recognised in the statement of comprehensive income in respect of the disposal of investment properties through the tenant purchase scheme and step ownership scheme are transferred from retained earnings to earnings reserve; deficits are not transferred to the earnings reserve.

Transfers are then made annually from the earnings reserve to retained earnings at the rate at which the individual tenant purchase scheme and step ownership scheme balances are repaid.

2.17 BORROWINGS

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

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

2.18 TRADE PAYABLES

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

2.19 PROVISIONS

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

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

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

ACCOUNTING POLICIES

For the year ended 31 March 2014

2.20 LEASES

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

2.21 RELATED PARTY TRANSACTIONS

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

2.22 AGENCY FUNDS

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

2.23 FOREIGN CURRENCY TRANSLATION

(a) FUNCTIONAL AND PRESENTATION CURRENCY

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

(b) TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

2.24 EMPLOYEE BENEFITS

(a) PENSION OBLIGATIONS

The Corporation operates a defined contribution pension scheme for all its employees, excluding contract employees.

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

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

(b) TERMINAL BENEFITS

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

(c) INCENTIVE BONUS SCHEME

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

2.25 FINANCIAL ASSETS

CLASSIFICATION

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

(a) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

(b) LOANS AND RECEIVABLES

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

(c) AVAILABLE FOR SALE

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

ACCOUNTING POLICIES

For the year ended 31 March 2014

RECOGNITION AND MEASUREMENT

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

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as 'gains and losses from investment securities'.

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

IMPAIRMENT OF FINANCIAL ASSETS

The Corporation assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. Impairment testing of trade receivables is described under credit risk of Financial Risk Management Section.

ACCOUNTING POLICIES

For the year ended 31 March 2014

2.26 OFFSETTING FINANCIAL INSTRUMENTS

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

2.27 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

2.28 DIVIDEND DISTRIBUTION

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

2.29 CURRENT AND DEFERRED INCOME TAX

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

2.30 CUSTOMER DEPOSITS

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

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

2.31 SEGMENT REPORTING

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

FINANCIAL RISK MANAGEMENT

For the year ended 31 March 2014

1. FINANCIAL RISK FACTORS

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

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

1.1 CREDIT RISK

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

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

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

The Corporation manages the credit risk of loans to related parties through security which has been put in place in the form of the land on which the property has been constructed. The title to this land is registered in the name of the Corporation.

FINANCIAL RISK MANAGEMENT

For the year ended 31 March 2014

The Corporation provides for impairment of debtors based on the aging analyses. Rental arrears are aged in to amount owing less than 90 days and amount owing more than 90 days. Arrears less than 90 days are classified as past due but not impaired, and are not provided for, while arrears which are more than 91 days are classified as fully impaired and provided for. The Corporation provides 100% for arrears which are more than 91 days for all customer classes after deducting rental security deposits. The basis for full provision is because private customers are required to pay 1 month rental in advance while Government and Parastatals pay 3 months rental in advance which means that any outstanding balance from the Government or Parastatal will normally be disputed amount. The Tenant Purchase Scheme and Step Ownership Scheme debtors are also aged as described above, but only those debtors whose arrears exceed the amount which cannot be recovered from the sale of the property are provided for. If the market value of the property exceeds the amount owing, the Corporation does not provide even if they are more than 3 months.

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

Credit risk exposures relating to on-balance sheet assets are as follows:	2014 P'000	2013 P'000
Loans to related parties	8,932	10,943
Trade and other receivables	55,212	49,843
Cash and cash equivalents	499,160	450,546
	563,304	**511,332**
Credit risk exposures relating to off-balance sheet assets are as follows:		
Financial guarantee (note 33)	-	120

The above table represents the worst case scenario of credit risk exposure for the Corporation as at 31st March 2013 and 2014 without taking account of any collateral held or other credit enhancements attached. For on statement of financial position assets the exposure set out above is based on net carrying amounts as reported in the statement of financial position.

FINANCIAL RISK MANAGEMENT

For the year ended 31 March 2014

Trade Receivables

At March 2014	Rental debtors P'000	TPS P'000	SOS P'000	Other P'000	Total P'000
Neither past due nor impaired	-	25,312	281	14,702.84	40,296
Past due but not impaired	9,627	929	14	-	10,570
Individually impaired	5,153	30	-	1,558	6,741
Gross	**14,780**	**26,271**	**295**	**16,261**	**57,607**
Less: Provision for impairment	(5,153)	(30)	-	(1,558)	(6,741)
Net	**9,627**	**26,241**	**295**	**14,703**	**50,866**
Value of collateral held against trade receivables that are neither past due nor impaired	**-**	**168,910**	**337**	**-**	**169,247**

At March 2013	Rental debtors P'000	TPS P'000	SOS P'000	Other P'000	Total P'000
Neither past due nor impaired	-	33,871	3,077	10,306	47,254
Past due but not impaired	2,212	343	34	-	2,589
Individually impaired	2,692	5	-	1,846	4,543
Gross	**4,904**	**34,219**	**3,111**	**12,152**	**54,386**
Less: Provision for impairment	(2,692)	(5)	-	(1,846)	(4,543)
Net	**2,212**	**34,214**	**3,111**	**10,306**	**49,843**
Value of collateral held against trade receivables that are neither past due nor impaired	**-**	**274,965**	**20,682**	**-**	**295,647**

FINANCIAL RISK MANAGEMENT

For the year ended 31 March 2014

Trade receivables, past due but not impaired

At March 2014	Rental debtors P'000	TPS P'000	SOS P'000	Total P'000
Past due up to 30 days	3,545	206	4	3,755
Past due 30 - 60 days	2,713	130	1	2,844
Past due 60 - 90 days	3,234	593	9	3,836
Total	9,492	929	14	10,435
Value of collateral	-	116,349	143	116,492

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

FINANCIAL RISK MANAGEMENT

For the year ended 31 March 2014

1.2 MARKET RISK

(i) FOREIGN EXCHANGE RISK

The Corporation's exposure to foreign exchange risk is minimal as the Corporation conducts most of its transactions using its functional currency. Nevertheless, management has set up a policy to require the Corporation to manage its foreign exchange risk against functional currency. To manage foreign exchange risk arising from those transactions and recognised assets and liabilities, the Corporation ensures that it enters into appropriate arrangements with service providers, including banks, such that its exposure to foreign exchange risk is minimised. Foreign exchange risk arises when commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

There were no assets or liabilities denominated in foreign currencies as at 31 March 2014 (nil - 2013).

(ii) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

The Corporation's interest rate risk primarily arises from borrowings. Borrowings issued at variable rates expose the Corporation to cash flow interest rate risk. Borrowings issued at fixed rates expose the Corporation to fair value interest rate risk. The Corporation maintains its borrowings at fixed interest rates agreed with the lenders save for Bond issued at both floating and fixed rates. During financial years ended 31 March 2014 and 2013, the Corporation's borrowings at fixed rate were denominated in the functional currency.

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

FINANCIAL RISK MANAGEMENT

For the year ended 31 March 2014

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

FINANCIAL RISK MANAGEMENT

For the year ended 31 March 2014

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

INTEREST RATE SENSITIVITY

At 31 March 2014, if interest rates had been 50 basis points higher/lower with all other variables held constant, total comprehensive income for the year would have been P1,256,000 lower/higher as a result of higher/lower interest expense on the P286,000,000 floating rate borrowings, average overdraft of P41,351,000 and average fixed deposit of P76,190,000.

FINANCIAL RISK MANAGEMENT

For the year ended 31 March 2014

1.3 LIQUIDITY RISK

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

	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 2014					
Borrowings	145,254	77,110	401,246	129,829	753,439
Trade and other payables	192,787	-	-	-	192,787
Agency funds	244,971	115,281	-	-	360,252
Customer deposits	135,893	-	-	-	135,893
Liabilities (contractual maturity)	**718,905**	**192,391**	**401,246**	**129,829**	**1,442,371**
Cash and cash equivalents	499,160	-	-	-	499,160
Loan repayments from related parties	3,316	3,316	4,422	-	11,055
Cash inflows from sale of inventories	156,342	501,144	125,286	-	782,772
Trade and other receivables	35,631	5,803	12,092	2,208	55,734
Assets (managing liquidity risk)	**694,450**	**510,263**	**141,800**	**2,208**	**1,348,721**

FINANCIAL RISK MANAGEMENT

For the year ended 31 March 2014

	Less than 1 year P'000	1 - 2 years P'000	2 - 5 years P'000	Over 5 years P'000	Total P'000
At 31 March 2013					
Borrowings	213,501	92,653	470,090	151,735	927,980
Trade and other payables	186,329	-	-	-	186,329
Agency funds	158,057	74,509	-	-	232,566
Customer deposits	80,820	-	-	-	80,820
Liabilities (contractual maturity)	638,708	167,162	470,090	151,735	1,427,695
Cash and cash equivalents	450,546	-	-	-	450,546
Loan repayments from related parties	3,316	3,316	7,738	-	14,371
Cash inflows from sale of inventories	163,508	448,625	112,156	-	724,289
Trade and other receivables	20,619	7,313	16,528	5,404	49,864
Assets (managing liquidity risk)	637,989	459,254	136,422	5,404	1,239,070

FINANCIAL RISK MANAGEMENT

For the year ended 31 March 2014

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.

	2014 P'000	2013 P'000 (Restated)
Total long term debt	535,006	589,600
Total capital and reserves	1,311,756	1,304,230
Debt: equity ratio	0.41	0.45

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 2014

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

(a) USEFUL LIVES AND RESIDUAL VALUES OF INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT

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

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

(b) USEFUL LIVES AND AMORTISATION OF INTANGIBLE ASSETS

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

(c) IMPAIRMENT OF TPS, SOS AND RENTAL DEBTORS

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

OPERATING SEGMENTS

For the year ended 31 March 2014

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

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

Management has determined the operating segments based on the reports reviewed by the Board in making strategic decisions and the Board considers the business on the following operating decisions.

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

OPERATING SEGMENTS

For the year ended 31 March 2014

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

	Sale of Housing Inventories P'000	Rental P'000	Others P'000	Total P'000
Revenue	96,399	186,583	17,464	300,446
Operating surplus	13,210	78,379	(47,708)	43,881
Included in operating surplus				
Depreciation and amortisation	(262)	(11,095)	(4,992)	(16,350)
Not included in operating surplus				
Finance income	-	-	5,979	5,979
Finance costs	(35,212)	(8,803)	-	(44,015)
Share of surplus of joint ventures	-	-	10,411	10,411
Total comprehensive income	**(22,002)**	**69,576**	**(31,317)**	**16,256**

OPERATING SEGMENTS

For the year ended 31 March 2014

	Sale of Housing Inventories P'000	Rental P'000	Others P'000	Total P'000
Total segment results above include:				
Revenue from Government and Government related entities	64,405	86,208	17,464	168,077
Segment assets	**685,819**	**1,321,602**	**27,747**	**2,035,167**
Reconciliation to total assets as reported in the statement of financial position				
Investment in joint ventures	-	-	22,271	22,271
Intangible assets	-	-	27,759	27,759
Loans to related parties	-	-	8,932	8,932
Cash and cash equivalents	-	-	499,160	499,160
Total assets as reported in the statement of financial position	**685,819**	**1,321,602**	**585,868**	**2,593,289**
Total liabilities	**639,043**	**169,898**	**472,591**	**1,281,532**

OPERATING SEGMENTS

For the year ended 31 March 2014

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

	Sale of Housing Inventories	Rental	Others	Total
	P'000	P'000	P'000	P'000
		(Restated)		(Restated)
Revenue	270,752	186,675	10,571	467,998
Operating surplus	47,928	88,909	(63,132)	73,705
Included in operating surplus				
Depreciation and amortisation	(129)	(16,659)	(2,001)	(18,789)
Not included in the operating surplus				
Finance income	-	-	3,752	3,752
Finance costs	(39,299)	(9,825)	-	(49,124)
Share of surplus of joint ventures	-	-	9,231	9,231
Total comprehensive income	**8,629**	**79,084**	**(50,149)**	**37,564**

OPERATING SEGMENTS

For the year ended 31 March 2014

	Sale of Housing Inventories	Rental	Others	Total
	P'000	P'000	P'000	P'000
		(Restated)		(Restated)
Total segment results above include:				
Revenue from Government and Government related entities	288,301	85,365	10,570	384,236
Segment assets	**654,825**	**1,317,325**	**21,134**	**1,993,283**
Reconciliation to total assets as reported in the statement of financial position:				
Investment in joint ventures			18,850	18,850
Intangible assets			27,136	27,136
Loans to related parties			10,943	10,943
Cash and cash equivalents			450,546	450,546
Total assets as reported in the statement of financial position	**654,825**	**1,317,325**	**528,609**	**2,500,758**
Total liabilities	**661,264**	**185,100**	**350,164**	**1,196,528**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

	2014 P'000	2013 P'000 (Restated)
6. REVENUE		
Rental income	186,583	186,675
Sale of housing inventories	91,452	263,473
Professional fees	17,464	10,571
Tenant purchase scheme income	4,900	6,727
Step ownership scheme income	47	552
	300,446	467,998

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

	2014 P'000	2013 P'000 (Restated)
7. COST OF SALE OF HOUSING INVENTORIES		
At beginning of the year		
Land held for development	10,716	10,386
Housing under construction	550,065	582,289
Completed houses - Inventories	163,508	279,533
Additions/transfers during the year		
Acquisition of land	526	330
Payments to contractors	113,214	72,101
Capitalised development costs	22,152	18,908
Capitalised borrowing costs	7,484	17,183
Transfer to investment properties	-	(24,432)
Transfer of accumulated leasehold land amortisation	-	2,979
Movement in the impairment provision	927	-
At end of year (note 15)		
Land for development	(11,242)	(10,716)
Housing under construction	(615,187)	(550,065)
Completed houses - Inventories (net impairment provision)	(156,342)	(163,508)
	85,821	**234,988**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

	2014 P'000	2013 P'000 (Restated)
8. EMPLOYEE BENEFIT EXPENSES		
Salaries, wages and other benefits	103,907	94,832
Pension contributions	8,183	7,888
Gratuities	4,164	3,177
Less: capitalised during the year (note 7)	(22,152)	(18,908)
	94,102	**86,989**
Average number of employees	341	322
9. DEPRECIATION AND AMORTISATION		
Depreciation - investment properties (note 14)	8,446	14,594
Depreciation - property, plant and equipment (note 16)	4,119	2,831
Amortisation - leasehold land (note 14)	1,152	1,327
Amortisation - intangible assets (note 17)	2,633	37
	16,350	**18,789**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

	2014 P'000	2013 P'000 (Restated)
10. OTHER EXPENSES		
Audit fees - Prior year under provision	143	-
Audit fees - Current year	821	1,109
Board members remuneration	190	196
Operating lease rentals - motor vehicles	3,881	3,577
Impairment loss on property, plant and equipment	-	76
Consultancy fees	242	2,650
Rates	6,131	5,710
Non capitalisable expenses	-	2,803
Bad debts provision	2,560	560
Security expenses	5,558	6,280
Telephone expenses	5,250	5,121
Training expenses	3,738	3,729
Insurance	2,302	2,438
Travelling and accommodation	3,379	2,769
IT expenses	4,341	2,716
Advertising and marketing	4,005	4,189
Call centre expenses	2,010	1,895

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

	2014 P'000	2013 P'000 (Restated)
10. OTHER EXPENSES		
Administration expenses	11,281	10,210
Training levy	910	-
Utilities	1,632	1,176
Penalty charges - Tax	-	15,656
	58,373	**72,859**
Other income		
Recoverable maintenance	1,838	2,127
Sundry income	1,800	978
Proceeds of sale of land not in the register	2,373	-
Reversal of contract accrual	1,899	-
Release of impairment provision - inventory	927	-
Gain on sale property, plant and equipment	605	-
Reversal of incentive pay accrual	-	2,333
	9,442	**5,437**

	2014 P'000	2013 P'000 (Restated)
11. GAINS FROM SALE OF INVESTMENT PROPERTIES		
Proceeds from sale of investment properties	40,718	106,362
Cost	(14,636)	(63,311)
Accumulated depreciation	2,063	6,396
	28,145	**49,447**
12. FINANCE INCOME		
Interest income on loans to related parties (note 19)	1,306	1,549
Interest income on short term bank deposits	4,673	2,203
	5,979	**3,752**
13. FINANCE COSTS		
Interest expense on loans	21,693	27,585
Interest expense on debt securities in issue	27,228	30,237
Interest expense on bank overdraft	2,578	8,485
Less: capitalised during the year	(7,484)	(17,183)
	44,015	**49,124**

A capitalisation rate of 7.77% (2013: 9.05%) was used for projects whose development was financed out of long term debt. (note 25).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

	2014 P'000	2013 P'000
14. INVESTMENT PROPERTIES		
Opening net book amount	1,199,031	1,249,343
Transfer from housing inventories (note 15)	-	24,432
Transfer of accumulated leasehold land amortisation	-	(2,979)
Transfer from property, plant and equipment	-	1,360
Disposals	(14,636)	(63,311)
Depreciation on disposals	2,063	6,396
Depreciation - housing properties	(8,446)	(14,594)
Amortisation - leasehold land	(1,152)	(1,327)
Amortisation - leasehold land in work in progress	-	2
Impairment loss	-	(291)
Closing net book amount	**1,176,860**	**1,199,031**
Cost	1,463,311	1,478,911
Accumulated depreciation	(286,451)	(279,880)
Net book amount	**1,176,860**	**1,199,031**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

	2014 P'000	2013 P'000
14. INVESTMENT PROPERTIES		
Rental income earned and direct operating expenses incurred in relation to investment properties are shown below:		
Rental income		
Rental income	186,583	186,675
	186,583	**186,675**
Direct operating expenses		
Repairs and maintenance	39,506	35,552
Employee benefits	23,058	22,362
	62,564	**57,914**

Investment properties were valued as at March 31, 2014 by estate management professionals, for disclosure purposes based on the latest prevailing market prices derived from recently sold properties by the Corporation. The value of the investment properties was estimated at P4,704 million on 31 March 2014 (2013: P4,927 million).

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

The value of housing properties which the Corporation has not received title deed amount to P54.8 million (2013: P55.5 million). The members of the Board believe that title deeds for these properties will be received in due course.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

	2014 P'000	2013 P'000
15. HOUSING INVENTORIES		
Land for development (note 7)	11,242	10,716
Housing under construction (note 7)	615,187	550,065
Completed houses (note 7)	157,630	190,156
Less: Transferred to investment properties (note 14)	-	(24,432)
Less: Provision for impairment (note 7)	(1,288)	(2,216)
	782,772	**724,289**
Detailed analysis of the inventories at the end of the is shown below:		
Land for development	11,242	10,716
Housing under construction	615,187	550,065
Completed houses	156,342	163,508
	782,772	**724,289**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

	Land & buildings P'000	Computer equipment P'000	Furniture & office equipment P'000	Motor vehicles P'000	Plant & equipment P'000	Total P'000
16. PROPERTY, PLANT AND EQUIPMENT						
At 31 March 2013						
Opening net book amount	9,377	4,171	4,964	2,868	30	21,410
Additions	75	634	483	-	1,784	2,976
Transfer to investment property	(1,360)	-	-	-	-	(1,360)
Impairment loss	-	(53)	(23)	-	-	(76)
Depreciation charge	(4)	(1,274)	(702)	(831)	(20)	(2,831)
Closing net book amount	**8,089**	**3,478**	**4,722**	**2,037**	**1,794**	**20,120**
Cost	14,548	10,055	8,117	4,639	2,042	39,401
Accumulated depreciation	(6,459)	(6,577)	(3,395)	(2,602)	(248)	(19,281)
Net book amount	**8,089**	**3,478**	**4,722**	**2,037**	**1,794**	**20,120**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

	ERP System P'000	Computer software P'000	Total P'000
17. INTANGIBLE ASSETS			
At 31 March 2014			
Opening net book amount	27,136	-	27,136
Additions	5,855	-	5,855
Transfer to property, plant and equipment	(2,599)	-	(2,599)
Amortisation charge	(2,633)	-	(2,633)
Closing net book amount	**27,759**	**-**	**27,759**
Cost	30,392	5,367	35,759
Accumulated amortisation	(2,633)	(5,367)	(8,000)
Net book amount	**27,759**	**-**	**27,759**
At 31 March 2013			
Opening net book amount	10,908	37	10,945
Additions	16,228	-	16,228
Amortisation charge	-	(37)	(37)
Closing net book amount	**27,136**	**-**	**27,136**
Cost	27,136	5,367	32,503
Accumulated amortisation	-	(5,367)	(5,367)
Net book amount	**27,136**	**-**	**27,136**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

	2014 P'000	2013 P'000	2014 P'000	2013 P'000	2014 P'000	2013 P'000	2014 P'000	2013 P'000	2014 P'000	2013 P'000
18. INVESTMENTS IN JOINT VENTURES	Plot 7		Plot 1471/2		Boiketlo		Plot 5129		Total	
	(Plaza Centre)		(Galo Complex)		(Phakalane)		(Bank Gaborone Building)			
At the beginning of the year	762	507	15,983	12,907	45	45	2,060	1638	18,850	15,097
Share of surplus for the year	784	755	7,751	7,076	-	-	1,876	1400	10,411	9,231
Drawings during the year	(900)	(500)	(5,000)	(4,000)	-	-	(1,090)	(978)	(6,990)	(5,478)
At the end of the year	**646**	**762**	**18,734**	**15,983**	**45**	**45**	**2,846**	**2,060**	**22,271**	**18,850**

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

(a) PLOT 7 PARTNERSHIP (PLAZA CENTRE)

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

(b) BOIKETLO ESTATES PARTNERSHIP (PHAKALANE)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

(d) PLOT 5129 PARTNERSHIP (BANK GABORONE BUILDING)

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

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

	Apr-14 P'000	Apr-13 P'000	Apr-14 P'000	Apr-13 P'000	Dec-13 P'000	Dec-12 P'000	Dec-13 P'000	Dec-12 P'000	2014 P'000	2013 P'000
	Plot 7 (Plaza Centre)		Plot 1471/2 (Galo Complex)		Boiketlo (Phakalane)		Plot 5129 (Bank Gaborone Building)		Total	
Assets:										
Non-current assets										
Investment property	2,393	2,459	46,142	47,682	-	-	52,840	48,446	101,375	98,587
Other non-current assets	-	-	1,387	1,055	-	-	-	-	1,387	1,055
	2,393	**2,459**	**47,529**	**48,737**	**-**	**-**	**52,840**	**48,446**	**102,762**	**99,642**
Current assets										
Cash and cash equivalents	350	1,110	4,887	5,677	-	-	459	435	5,696	7,222
Other current assets excluding cash	269	155	958	2,061	90	90	14	16	1,331	2,322
	619	**1,265**	**5,845**	**7,738**	**90**	**90**	**473**	**451**	**7,027**	**9,544**
	3,012	**3,724**	**53,374**	**56,475**	**90**	**90**	**53,313**	**48,897**	**109,789**	**109,186**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

	Apr-14 P'000	Apr-13 P'000	Apr-14 P'000	Apr-13 P'000	Dec-13 P'000	Dec-12 P'000	Dec-13 P'000	Dec-12 P'000	2014 P'000	2013 P'000
	Plot 7 (Plaza Centre)		Plot 1471/2 (Galo Complex)		Boiketlo (Phakalane)		Plot 5129 (Bank Gaborone Building)		Total	
Liabilities:										
Non-current liabilities										
Long term loan	-	-	-	-	-	-	7,244	9,460	7,244	9,460
Other financial liabilities	-	282	-	1,824	-	-	-	-	-	2,106
Deferred income	-	-	1,027	1,097	-	-	-	-	1,027	1,097
	-	282	1,027	2,921	-	-	7,244	9,460	8,271	12,663
Current liabilities										
Other financial liabilities	238	434	-	7,919	-	-	2,216	1,947	2,454	10,300
Trade and other payables	80	88	2,859	1,758	-	-	79	71	3,018	1,917
	318	522	2,859	9,677	-	-	2,295	2,018	5,472	12,217
	318	804	3,886	12,598	-	-	9,539	11,478	13,743	24,880
Net assets	2,694	2,920	49,488	43,877	90	90	43,774	37,419	96,046	84,306

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

	Apr-14 P'000	Apr-13 P'000	Apr-14 P'000	Apr-13 P'000	Dec-13 P'000	Dec-12 P'000	Dec-13 P'000	Dec-12 P'000	2014 P'000	2013 P'000
	Plot 7 (Plaza Centre)		Plot 1471/2 (Galo Complex)		Boiketlo (Phakalane)		Plot 5129 (Bank Gaborone Building)		Total	
Income										
Revenue	1,866	1,932	24,339	23,042	-	-	5,690	4,921	31,895	29,895
Fair value adjustment	-	-	-	-	-	-	4,394	3,639	4,394	3,639
Other income	36	31	1,793	815	-	-	-	-	1,829	846
Finance income	2	10	72	94	-	-	31	28	105	132
	1,904	**1,973**	**26,204**	**23,951**	**-**	**-**	**10,115**	**8,588**	**38,223**	**34,512**
Expense										
Operating expenses	265	340	10,189	8,552	-	-	210	99	10,664	8,991
Finance expenses	65	125	403	1,115	-	-	1,370	1,606	1,838	2,846
	330	**465**	**10,592**	**9,667**	**-**	**-**	**1,580**	**1,705**	**12,502**	**11,837**
Surplus for the year	**1,574**	**1,508**	**15,612**	**14,284**	**-**	**-**	**8,535**	**6,883**	**25,721**	**22,675**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

Reconciliation of net assets to carrying amount.

	Apr-14 P'000	Apr-13 P'000	Apr-14 P'000	Apr-13 P'000	Dec-13 P'000	Dec-12 P'000	Dec-13 P'000	Dec-12 P'000	2014 P'000	2013 P'000
	Plot 7 (Plaza Centre)		Plot 1471/2 (Galo Complex)		Boiketlo (Phakalane)		Plot 5129 (Bank Gaborone Building)		Total	
Closing net assets	2,694	2,920	49,488	43,877	90	90	43,774	37,419	96,046	84,306
Fair value of land contributed as equity	(1,271)	(1,271)	(10,720)	(10,720)	-	-	(5,702)	(5,702)	(17,693)	(17,693)
Restating properties at fair value to cost	-	-	-	-	-	-	(29,272)	(24,878)	(29,272)	(24,878)
Accumulated depreciation on investment property	-	-	-	-	-	-	(4,272)	(3,682)	(4,272)	(3,682)
Adjustment to align financial year end	(131)	(126)	(1,301)	(1,190)	-	-	1,164	964	(268)	(352)
	1,292	1,523	37,467	31,967	90	90	5,692	4,121	44,541	37,701
Interest in Joint Venture at 50%	646	762	18,734	15,984	45	45	2,846	2,060	22,271	18,850

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

	2014 P'000	2013 P'000
19. LOANS TO RELATED PARTIES		
At the beginning of the year	10,943	12,710
Interest charged (note 12)	1,306	1,549
Loans repayments received	(3,317)	(3,316)
At the end of the year	**8,932**	**10,943**
Less: current portion	(2,288)	(2,011)
Non-current portion	**6,644**	**8,932**

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

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

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

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

	2014 P'000	2013 P'000
20. TRADE AND OTHER RECEIVABLES		
Trade receivables	57,607	52,232
Less: provision for impairment of trade receivables	(6,741)	(4,543)
Trade receivables - net	**50,866**	**47,689**
Sundry debtors	4,346	2,154
	55,212	49,843
Less: non-current portion	(19,438)	(28,873)
Current portion	**35,774**	**20,970**

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

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

	2014 P'000	2013 P'000
Accumulated impairment losses at beginning of the year	4,543	10,218
Provision for impairment	2,486	1,372
Unused amount reversed	(288)	(879)
Amounts written off	-	(6,168)
Accumulated impairment losses at end of the year	**6,741**	**4,543**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

	2014 P'000	2013 P'000
21. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	135,482	251,761
Short term bank deposits	363,678	198,785
	499,160	**450,546**
Cash, cash equivalents and bank overdraft include the following for the purpose of the statement of cash flows.		
Cash and cash equivalents	499,160	450,546
Bank overdrafts (note 25)	(57,595)	(107,212)
	441,565	**343,334**
22. IRREDEEMABLE CAPITAL		
Irredeemable capital contribution	250,000	250,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

	2014 P'000	2013 P'000
23. EARNINGS RESERVE		
At beginning of the year	15,851	23,161
Net transfer to retained earnings	(4,154)	(7,310)
At end of the year	**11,697**	**15,851**

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

	2014 P'000	2013 P'000
24. INVESTMENT PROPERTIES INSURANCE RESERVE		
At beginning and end of the year	-	2,590

Investment properties insurance reserve is transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

	2014 P'000	2013 P'000
25. BORROWINGS		
Irredeemable loan	212	212
Foreign loans on-lent by the Government of Botswana	53,929	67,043
Government of Botswana loans	1,327	6,058
Debt Participation Capital Funding Limited loans	86,557	122,975
	142,025	**196,288**
Debt securities in issue	392,981	393,311
Bank overdraft	57,595	107,212
	592,601	**696,811**
Less: current portion	(111,254)	(169,997)
Non-current portion	**481,347**	**526,814**

Debts securities in issue includes an accrued interest of P3.98 million.

All borrowings are denominated in Pula.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

25.1 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.

25.2 FOREIGN LOANS ON-LENT BY THE GOVERNMENT OF BOTSWANA

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

25.3 GOVERNMENT OF BOTSWANA LOANS

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

25.4 DEBT PARTICIPATION CAPITAL FUNDING LIMITED LOANS

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

25.5 BANK OVERDRAFT

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

All borrowings are unsecured.

The carrying amounts of borrowings approximate their fair value.

25.6 DEBT SECURITIES IN ISSUE

Floating rate notes

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

Fixed rate notes

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

Lender	Contractual interest rate (%)	Period of repayment P'000	Balance at 01/04/13 P'000	Interest unwinding during the year P'000	Repayment during the year P'000	Balance at 31/03/14 P'000
25. BORROWINGS						
Irredeemable loan						
Government of Botswana	8.00%	Irredeemable	212	-	-	212
Foreign loans on-lent by the Government of Botswana						
Government of the Peoples' Republic of China	8.50%	2006-2014	4,367	209	(4,576)	-
Government of the Peoples' Republic of China	8.50%	2007-2014	4,544	210	(1,827)	2,927
Government of the Peoples' Republic of China	8.50%	2008-2016	9,571	449	(2,696)	7,324
Government of the Peoples' Republic of China	8.40%	2011-2019	48,561	1,996	(6,879)	43,678
			67,043	**2,864**	**(15,978)**	**53,929**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

Lender	Contractual interest rate (%)	Period of repayment P'000	Balance at 01/04/13 P'000	Interest unwinding during the year P'000	Repayment during the year P'000	Balance at 31/03/14 P'000
25. BORROWINGS						
Government of Botswana loans						
Government of Botswana	7.50%	1992-2013	1,049	(31)	(1,018)	-
Government of Botswana	10.00%	1992-2014	3,751	8	(2,432)	1,327
Government of Botswana	7.50%	1992-2013	1,258	(37)	(1,221)	-
			6,058	**(60)**	**(4,671)**	**1,327**
Debt Participation Capital Funding Limited loans						
Debt Participation Capital Funding Limited	7.50%	1991-2013	512	(4)	(508)	-
Debt Participation Capital Funding Limited	7.50%	1991-2013	2,065	(64)	(2,001)	-
Debt Participation Capital Funding Limited	7.50%	1991-2014	6,808	(94)	(4,355)	2,359
Debt Participation Capital Funding Limited	8.00%	1992-2015	3,480	(14)	(1,288)	2,178
Debt Participation Capital Funding Limited	8.00%	1993-2015	21,703	164	(8,278)	13,589
Debt Participation Capital Funding Limited	9.50%	1993-2016	66,289	1,057	(17,238)	50,108
Debt Participation Capital Funding Limited	12.00%	1994-2017	22,119	221	(4,017)	18,323
			122,976	**1,266**	**(37,685)**	**86,557**
			196,289	**4,070**	**(58,334)**	**142,025**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

	2014 P'000	2013 P'000
26. TRADE AND OTHER PAYABLES		
Trade payables	57,670	48,934
Advance payment by customers	11,336	9,431
Accrued expenses	38,036	28,297
Dividend payable	80,821	72,090
Sundry creditors	4,924	27,580
	192,787	**186,332**
27. AGENCY FUNDS		
At the beginning of the year	232,566	230,743
Funds received during the year	272,294	147,189
Expenditure on projects during the year	(156,751)	(156,818)
Interest earned on temporary investment of funds	12,143	11,452
At the end of the year	**360,252**	**232,566**
Non-current portion	(115,281)	(74,509)
Current portion	**244,971**	**158,057**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

	2014 P'000	2013 P'000
Balances relating to related parties are as follows:		
Botswana Defence Force	166,948	72,760
Botswana Unified Revenue Services	(465)	6,323
Department of Housing	70,815	70,206
Self Help Housing Agency	96,043	62,476
Tlokweng Land Board	1,195	-
Malete Land Board	1,866	-
Directorate of Corruption and Economic Crime	74	-
Independent Electoral Commission	290	-
Botswana Prisons Services	23,486	20,190
	360,252	**231,955**

28. CUSTOMER DEPOSITS

	2014 P'000	2013 P'000
Rental deposits	11,369	11,682
Sale of properties deposits	124,524	69,138
	135,893	**80,820**

29. DIVIDEND

	2014 P'000	2013 P'000
Dividend	8,731	12,602

The board approved a dividend payable of P8,731,000 for the financial year 2012/2013 (2012: P12,602,000) which is calculated in accordance with the Government of Botswana's directive, as 25% of the surplus reported in that financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

	2014 P'000	2013 P'000 (Restated)
30. NET CASH GENERATED FROM OPERATING ACTIVITIES		
Total comprehensive income for the year	16,256	37,564
Adjustments for:		
Gain on sale of property, plant and equipment	(223)	-
Gains from sale of investment property (note 11)	(28,145)	(49,447)
Depreciation - investment property (note 14)	8,446	14,594
Depreciation - property, plant and equipment (note 16)	4,119	2,831
Amortisation leasehold land (note 7)	-	2
Impairment loss on property plant and equipment	-	76
Amortisation - leasehold land (note 7)	1,152	1,327
Amortisation - intangible assets (note 17)	2,633	37
Impairment loss on investment property (note 14)	-	291
Interest unwinding on loans	5,448	6,381
Movement in bond and loan accrued interest	(1,704)	9,900
Share of retained earnings of joint ventures (note 18)	(10,411)	(9,231)
Finance income (note 12)	(5,979)	(3,752)
Finance cost (note 13)	44,015	49,124
	35,608	59,695

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

	2014 P'000	2013 P'000 (Restated)
30. NET CASH GENERATED FROM OPERATING ACTIVITIES		
Changes in working capital:		
Trade and other receivables (note 20)	(5,369)	20,985
Agency funds (note 27)	127,686	1,823
Trade and other payables (excluding dividend payable) (note 26)	(2,276)	(20,605)
Customer deposits (note 28)	55,073	11,939
Housing inventories (note 15)	(58,483)	147,919
Net cash used in operating activities	**152,239**	**221,756**

31. 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.

	2014 P'000	2013 P'000 (Restated)
Investment properties and housing inventories	42,302	196,450
Intangible assets	2,590	15,188
	44,892	211,638

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

(b) OPERATING LEASE COMMITMENTS

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

	2014 P'000	2013 P'000
Not later than 1 year	985	1,943
Later than 1 year but not later than 5 years	136	1,121
	1,121	**3,064**

32. 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, 2014 amounted to nil (2013: P0.150 million).

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

33. RELATED PARTY TRANSACTIONS

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

33.1 LOANS FROM GOVERNMENT

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

33.2 DIVIDEND

During the year the Corporation declared a dividend of P8.7 million (2013: P12.6 million). The basis for the payment of this dividend is disclosed in note 30 to these financial statements.

33.3 TRANSACTIONS WITH BOARD MEMBERS

	2014 P'000	2013 P'000
Board sitting fees	190	196

33.4 KEY MANAGEMENT COMPENSATION

	2014 P'000	2013 P'000
Salaries and other short-term benefits	3,209	3,216

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

33.5 ADVANCES TO KEY MANAGEMENT PERSONNEL

	2014 P'000	2013 P'000
Advance against gratuity	1,111	450

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

33.6 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.

33.7 BAD AND DOUBTFUL DEBTS

As at 31 March 2014 doubtful debt provisions in respect of rental debts owed by the Government of Botswana amounted to P546,229 (2013: P421,630).

33.8 JOINT VENTURES

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

33.9 REVENUE

Significant income amounts the Corporation earned from related parties in respect of professional services carried out, rental income and sale of housing inventories for the year ended 31 March 2014.

	Sales of housing inventories P'000	Rental income P'000	Professional fees P'000
Botswana Defence Force	-	10,118	5,846
Botswana Prisons Services	-	4,181	973
Department of Housing	-	52,671	4,495
Botswana Police Service	-	17,300	-
Self Help Housing Agency	-	-	5,823
Office of the President	15,335	1,938	-
Ministry of Education	42,010	-	-
Accountant General	2,897	-	-
Botswana Unified Revenue Services	1,361	-	-
Tlokweng Land Board	-	-	160
Malete Land Board	-	-	167
Water Utilities Corporation	1,460	-	-
Ghanzi Land Board	1,342	-	-
	64,405	**86,208**	**17,464**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

Significant income amounts the Corporation earned from related parties in respect of professional services carried out, rental income and sale of housing inventories for the year ended 31 March 2013.

	Sales of housing inventories P'000	Rental income P'000	Professional fees P'000
Botswana Defence Force	-	9,788	6,639
Botswana Prisons Services	-	4,182	1,459
Department of Housing	2,080	52,193	2,472
Botswana Police Service	12,023	16,849	-
Office of the President	91,764	2,223	-
Ministry of Education	170,764	-	-
Accountant General	5,235	130	-
Tawana Land Board	6,800	-	-
	288,666	**85,365**	**10,570**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

33.10 TRADE RECEIVABLES

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

	2014	2013
	P'000	P'000
Botswana Defence Force	2,499	3,561
Botswana Unified Revenue Service	-	1,859
Department of Housing	5,035	-
Self Help Housing Agency	5,823	-
Tlokweng Land Board	179	-
Malete Land Board	187	-
Botswana Prisons Services	1,090	1,634
	14,813	**7,054**

33.11 AGENCY FUNDS

Details of agency funds are disclosed in note 27 to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

	Loans and receivables	
	2014	2013
	P'000	P'000
34. FINANCIAL INTRUMENTS BY CATEGORY		
Assets as per statement of financial position:		
Trade and other receivabes	55,212	49,843
Cash and cash equivalent	499,160	450,546
Loans to related parties	8,932	10,943
	563,304	511,332

	Financial liabilities at amortised cost	
Liabilities as per statement of financial position:		
Borrowings	592,601	696,811
Agency funds	360,252	232,566
Trade and other payables	154,751	158,035
Customer deposits	135,893	80,820
	1,243,497	1,168,232

35. FINANCIAL INTRUMENTS BY CATEGORY

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

BHC Offices Contacts

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

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

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

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

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

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

BHC Offices Contacts

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

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

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

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

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

Head Office | P.O Box 412 | Gaborone | Tel: [+267] 360 5100 | Fax: [+267] 395 2070