



# ANNUAL REPORT 2017





# Mandate of BHC

## BACKGROUND

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.

On 1st April 2012, the Corporation's mandate was 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, Public Housing Initiative, Instalment Purchase Scheme and Youth Housing.

### The main activities of the Corporation are:

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

## Explicit mandate

The Corporation's Explicit mandate is outlined under section 14 of the BHC Act :-

- 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.

## Execution of the Explicit Mandate

This covers provision of housing to the general population through a variety of initiatives and structures such as:

- Government housing pool;
- Sales of houses to Government and its agencies;
- Provision of project management services.
- Undertaking housing projects for Government departments such as the BDF, BURS etc.

## Implicit mandate

The Corporation's Implicit mandate is expressed through Government Policy pronouncements; Directives; Economic/business imperatives; Public & other social considerations.

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 and other housing programmes pronounced by Government from time to time such as the Public Housing Initiative, Instalment Purchase Scheme and Youth Housing Initiative.

## Execution of Implicit Mandate

In executing the Implicit mandate, the Corporation has to raise money through the market to sustain itself. For instance, 1990's, Government announced cessation of PDSF loans to parastatals. This meant that BHC had to do the following:

- Raise money from financial markets;
- Diversification of income stream
- Reduced dependence on Government

## Mission

Developing Communities Through Innovative and Sustainable Housing Solutions.

## Vision

The Leading Provider of Housing Solutions for Dignified Lives.

## Botho



Dignified, humane and respectful service

## Excellence



Service with distinction, timeliness

## Innovation



Providing creative housing solutions

## Teamwork



A unified team spirit working for a common purpose

## Transparency



Honesty and accountability





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# BOARD OF DIRECTORS



**Dr. Bolelang C. Pheko**  
Board Chairperson



**Reginald Ketshabile**  
Deputy Chairperson



**Baemedi K. Mmopi**  
Member



**Oteng S. Mamparanyane**  
Member



**Chilisana Marobela**  
Member



**Thato Kewakae**  
Member



**Kennedy Kgabo**  
Member



**Joseph B. Mosimane**  
Member



**Esther Serati**  
Member



**Sebele Molalapata**  
Member



# CHAIRPERSON'S REPORT



**It is my pleasure to present the Botswana Housing Corporation's annual report for the year ended 31 March 2017.**

**Dr. Bolelang C. Phoko**  
Board Chairperson

**It is my pleasure to present the Botswana Housing Corporation's annual report for the year ended 31 March 2017.**

It has indeed been a great year at BHC, especially because a number of housing initiatives were rolled out. These included housing for the youth, low income earners and the civil servants. The projects for these market segments are at various stages of completion and are set to place BHC as the 'leading provider of housing solutions in the country.'

## **THE MANDATE**

The BHC mandate is ever expanding and government has tasked the Corporation with delivery of houses, especially under its social housing initiatives under SHHA, POHI and Youth housing. This year alone 1553 houses were delivered under the SHHA and POHI scheme while the youth and IPS houses are at various stages of completion. 372 of the Youth and IPS houses are due to be delivered in the next financial year, while the remaining 378 will be delivered in 2019/20. These projects are all in Gaborone and are expected to add a total of 750 to the Gaborone housing portfolio. The demand is very high in Gaborone and the surrounding areas and the Corporation is confident that these properties will sell quickly.

The Corporation has also started and delivered houses throughout the country under its commercial wing. These projects are mainly in the high demand areas of Gaborone, Jwaneng and Palapye. In total 1924 houses were started and 1899 delivered in these areas. BHC continues to correctly balance its mandate of social and commercial mandate to ensure financial sustainability of the business. The rental portfolio stands at 9972 and this portfolio is the cornerstone of the BHC sustainability model as it ensures consistent cash flows into the business.

During this year the Tenant Purchase Scheme was re-introduced and was officially launched by the then Minister of Lands and Housing Prince Maele. The scheme is targeted towards BHC tenants who do not qualify for mortgage schemes at the commercial banks. It is in no way meant to compete with the commercial banks, instead it is meant

# CHAIRPERSON'S REPORT (cont.)

to complement them. With time, especially when their financial position improves, these customers are hived off to commercial banks. The TPS scheme however started on a very low note, depicting the challenges that customers currently face of being over-borrowed. It will continue to be aggressively marketed in the coming financial year.

## THE STRATEGY

The Corporation's 7 year strategy came to an end on the 31st March 2017 and a lot has been achieved during this planning period. However there were challenges which the Corporation will take learnings from going into the future. The Challenges were mainly on water availability and the slow take-up of properties that were built in the peri-urban areas across the country. The Corporation is carefully assessing the water situation in the south of the country and consulting the water utilities providers before embarking on any major projects. In terms of take-up commitments are being sought from prospective buyers before the development starts. This is expected to go a long way into mitigating against properties being held as stock for prolonged periods of time.

Two years ago the Corporation undertook a re-organisation programme, which unfortunately has taken longer than was expected. The project is expected to be finalised in the 2017/18 financial year. However the business continues to be well run and the strong financial results and the number of projects delivered are a testimony to this.

In February this year Management and the Board retreated to come up with a long term strategic plan for the Corporation. This plan will cover periods 2017/18 to 2022/23. This strategy has been aligned to NDP 11 to ensure that BHC aligns itself to government housing priorities. The strategic priorities includes partnership with the private sector in housing delivery, exploring alternative technologies in housing delivery and optimizing the BHC research capabilities. Partnership with the private sector is considered key as BHC cannot go at it alone. In fact BHC has successfully delivered with the private sector at Boiketlo Estate in Phakalane in the past and such partnerships will be harnessed in the next planning period.

## PERFORMANCE AND OUTLOOK

The achievement of the mandate of BHC is highly dependent on the financial sustainability of the business. The financial results of the Corporation reflects a very strong balance sheet, strong cash flow position and sustained shareholder wealth. This strong balance sheet is supported by the year on year growth in profitability, with current year profit after tax of P49 million, an increase of 73% on prior year. The sustainability of the Corporation ensures that more and more houses are built for Batswana with the surpluses and also ensures that BHC remains attractive to investors in terms of funding.

The current economic conditions are not favourable, income levels have remained stagnant over the years and the purchasing power of prospective BHC customers has been eroded. This has led to customers prioritizing other basic needs over buying of house, especially because BHC targets first time home buyers. Despite these challenges the Corporation has remained resilient and is expected to be financially sustainable in the six year planning period.

## ACKNOWLEDGEMENTS

I would like to thank the BHC employees, our most important resource, for their contribution to the overall mandate of this great business. Without employees the business would not be where it is today. I would also like to thank the CEO for his strong leadership capabilities, especially during the challenging times of the organisational transformation. Finally let me thank the Board for its stewardship during this financial year.

**KE A LEBOGA.**

**DR. Bolelang C. Pheko**  
Chairperson





# SENIOR LEADERSHIP TEAM



**Reginald Motswaiso**  
Chief Executive Officer



**Nkaelang Matenge**  
Deputy CEO - Operations



**Pascaline Sefawe**  
Deputy CEO - Support  
Services (Ag)



**Yagan Mukonde**  
Risk & Internal Audit  
Manager



**Elizabeth Galeforolwe**  
Legal Services Manager



**Kesebonye Khimbele**  
Property Manager



**Octavian Seitshiro**  
Maintenance Manager



**Gaotlhobogwe Baleseng**  
Property Sales Manager



**Bridget Mtonga**  
Property Development  
Manager (Ag)



**Thupa Thupa**  
Corporate Planning  
Manager (Ag)



**Mookodi Seisa**  
Marketing & Research  
Manager



**Sekgele Ramahobo**  
Human Resource  
Manager



**Olefile Segokgo**  
Senior Estates Manager  
-North



**Samantha Molefe**  
Information Technology  
Manager



**Gomolemo Zimona**  
Public & Corporate Affairs  
Manager



# CHIEF EXECUTIVE OFFICER'S REPORT



**During the year under review the Corporation sold 395 housing units, empowering individuals and corporates with appreciating assets**

**Reginald Motswaiso**  
Chief Executive Officer

## PERFORMANCE HIGHLIGHTS

The Botswana economy remained sluggish during the 2016/17 financial year. According to the first quarter report for 2017 issued by Statistics Botswana in June 2017, during the first quarter of 2017 the domestic economy grew by 0.8% year on year, as compared to 2.3% in 2016.

The sluggish performance of the domestic economy has had an adverse effect on the Corporation's performance resulting in the Corporation failing to meet its sales target of 640 housing units. It only managed to sell 395 housing units in the year under review.

Consequently, the Corporation's revenues declined by 8.6%, from P539.3 million in 2015/16 to P493 million.

However, despite the reduction in the Corporation's revenues, its operating surplus increased from P21.7 million to P40.4 million. This was achieved, mainly, on the back of decreased operating and administration costs.

The Corporation managed to deliver some 1, 899 properties across the country, the majority of them being turnkey Self - Help Housing Agency (SHHA) houses.

## PERFORMANCE ON THE CORE MANDATE

During the year under review the Corporation sold 395 housing units, empowering individuals and corporates with appreciating assets. The Corporation had set itself a target of selling some 640 housing units. The shortfall was partly due to the challenging operating environment and partly due to the lengthy Government procurement process, which has inbuilt in it multiple checks and balances.

Of the 395 housing units sold, 122 were sold to individual homebuyers while the remaining 273 units were sold to corporate customers.

On the development front, the Corporation managed to start construction on some 1, 924 housing units whilst some 1, 899

# CHIEF EXECUTIVE OFFICER'S REPORT (cont.)

housing units were delivered. The breakdown of housing starts and deliveries is as follows:

	Started	Delivered
BHC's own projects	192	108
Government projects: Self Help Housing Agency (SHHA)	823	1,376
Government projects: Public Officers' Housing Initiative (POHI)	465	177
Third parties	444	238
<b>TOTAL</b>	<b>1,924</b>	<b>1,899</b>

The Corporation closed the 2016/17 financial year with some 9,917 properties in its rental portfolio. The portfolio decreased by some 55 properties, representing the extent to which the sale of properties from the rental portfolio exceeded replenishments.

## STAKEHOLDER ENGAGEMENTS

The Corporation considers engagement with its various stakeholders as fundamental to keeping abreast of the expectations of its various stakeholders and responding thereto. During such engagements, the Corporation aims to, among other things:

- (a) Educate its stakeholders about its evolving mandate and the challenges it faces in pursuit of the mandate;
- (b) Inform its stakeholders about properties that may be available for renting or selling as well as upcoming projects and;
- (c) Solicit feedback from its stakeholders regarding its product and service offerings.

To this end, the Corporation had a presence at the Business Botswana Northern Trade Fair as well as the Ghanzi and Serowe agricultural shows

In addition to meeting and interacting with its current as well as potential customers at such gatherings, the Corporation

has a presence on social media. As at the year end, the Corporation had some 20,000 followers on its Facebook page. BHC uses its Facebook page as one of the mediums through which it reaches its various stakeholders with the objective of clarifying issues and sharing information about various events and activities.

## RISK MANAGEMENT

Like any other organisation, the Corporation faces many risks which it has to contend with as it pursues its mission and vision. Some of the principal risks are as follows:

- a) The Corporation is highly dependent on its information technology systems to meet its information requirements, and to conduct its business and interact with its various stakeholders. The Corporation's information technology systems are not immune to cyber-attacks. In recognition of this, the Corporation has a robust disaster recovery policy and plan in place, to reduce any potential impact should there be a disaster. Furthermore, the security and integrity of data is ensured by using up to date security software and data processing procedures;
- b) The Corporation faces a critical shortage of land in areas where there is effective demand for its products, i.e., Francistown and Gaborone. To mitigate against this



# CHIEF EXECUTIVE OFFICER'S REPORT (cont.)

risk, the Corporation has acquired land in the periphery of these areas, in such areas as Tati Siding, Tutume, Molepolole etc. However, in the southern part of the country, this strategy is not that effective due to the unavailability of portable water in areas such as Pilane, Kgale and Molepolole. Nevertheless, the Corporation has been able to embark on new housing developments in Gaborone by further densifying existing high density developments;

- c) The Corporation is cognisant of its important role not only in terms of empowering Batswana with homeownership but also in terms of contributing towards the nation's human resource development objectives. To this end, the Corporation from time to time awards construction contracts to young and upcoming contractors. Quite often such contractors struggle, especially when it comes to financial management issues. The Corporation assists such contractors by paying their material suppliers directly and then deducts the amounts so paid from the amounts due to them.

## CORPORATE SOCIAL RESPONSIBILITY

The Corporation aims to have a positive impact on the communities in which it operates not only in terms of enabling them to access decent accommodation but also in terms of alleviating some of the hardships the less fortunate in those societies experience. In consideration of this, the Corporation sets aside some funds in its annual budget for donations to charitable causes.

During the year under review, the Corporation spent a total of P177,000 on various corporate social responsibility initiatives. Among others, the Corporation used the following institutions to reach the ultimate beneficiaries; The Ghanzi and Mahalapye district hospitals, the University of Botswana Foundation, the Holy Cross Hospice in Bontleng and the Kalahari Conservation Society.

## HUMAN RESOURCE DEVELOPMENT

The Corporation supports the Government's initiative of trying to equip unemployed graduates from the country's various higher learning institutions with skills which will not only enable them to secure jobs but will also contribute towards the country's economic development. The Corporation, therefore, is an active participant in the Government's internship programme.

As at 31 March 2017, the Corporation had among its ranks some 17 graduates on 24 months' internship programmes across its various offices in areas such as Finance, Procurement, Accounting, Internal Audit and Property Development.

## GRATITUDE

Lastly, but not least, I would like to thank the Board for its unwavering support, my colleagues in the Senior Leadership Team and all the Corporation's employees, for their tenacity. The Corporation has been going through a restructuring exercise since 2015, a situation which has brought with it uncertainty into the lives of the Corporation's employees. But, despite this uncertainty, employees have continued to deliver sterling results, as I have highlighted above. For that I thank them wholeheartedly.

**MR. REGINALD MOTSWAISO**

Chief Executive Officer





# FINANCIAL HIGHLIGHTS



9%



Revenue  
P493 Million



82%



Operating Surplus  
P40 Million



75%



Comprehensive Income  
P49 Million



6%



Total Assets  
P3.1 Billion



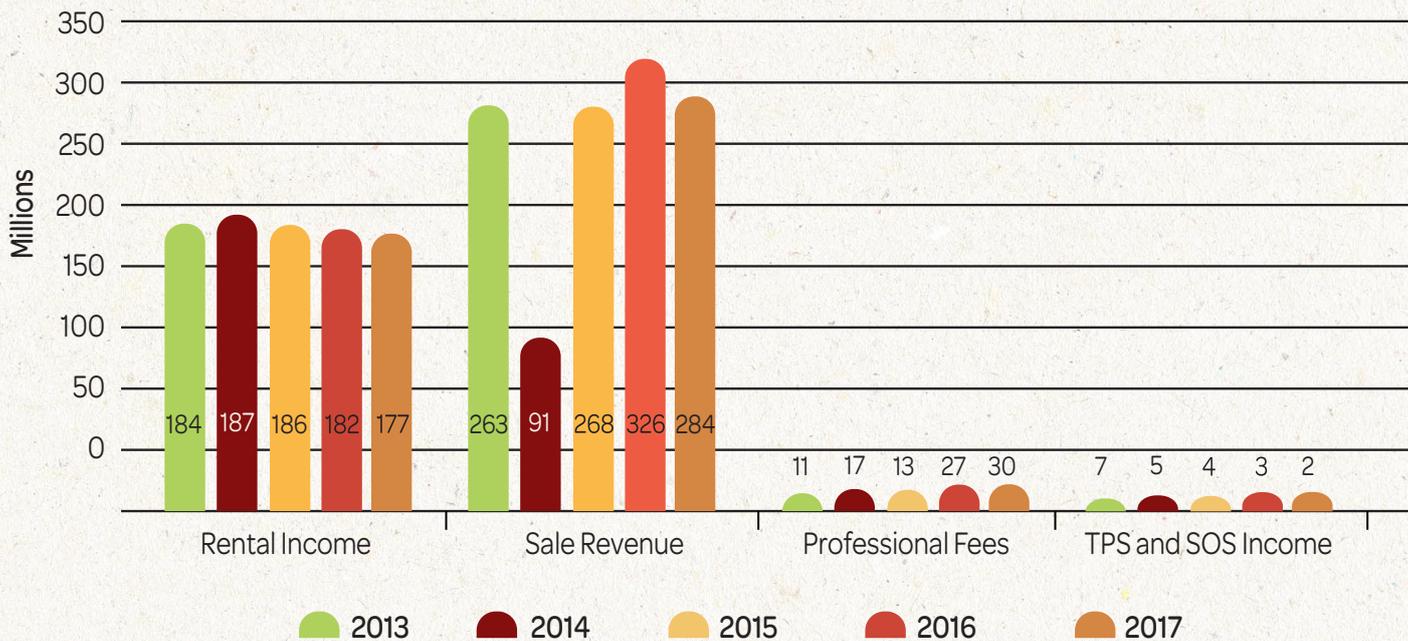
Number of Houses  
Delivered: 1591



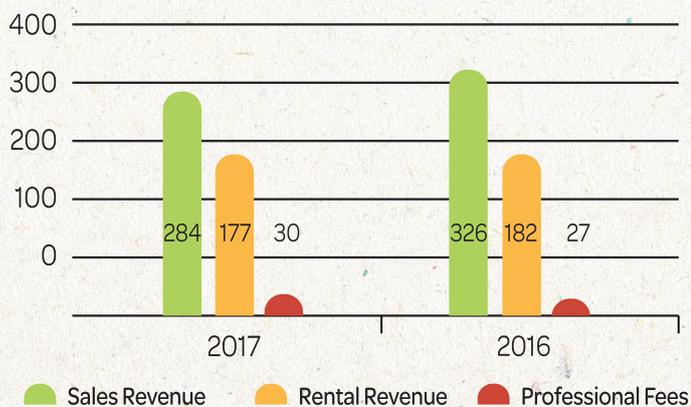
Number of Houses  
Sold: 395

# FINANCIAL REVIEW

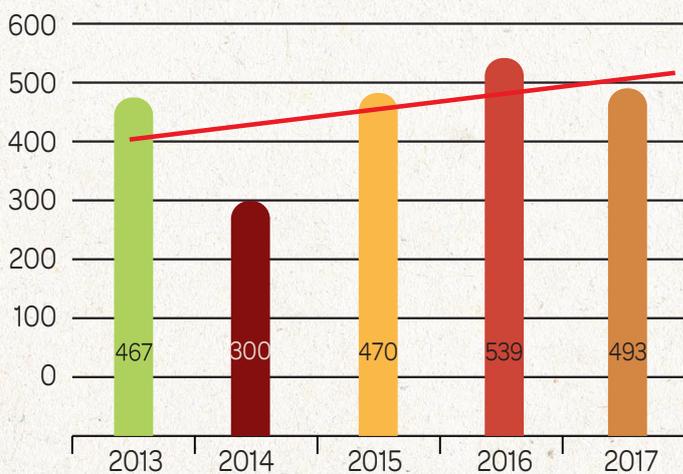
## REVENUE (BWP MILLIONS)



## MAJOR REVENUE STREAMS



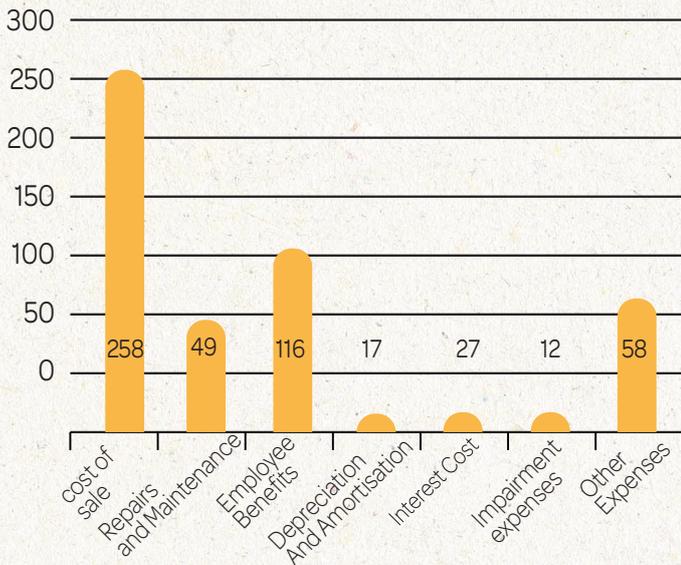
## 5 YEAR REVENUE TREND



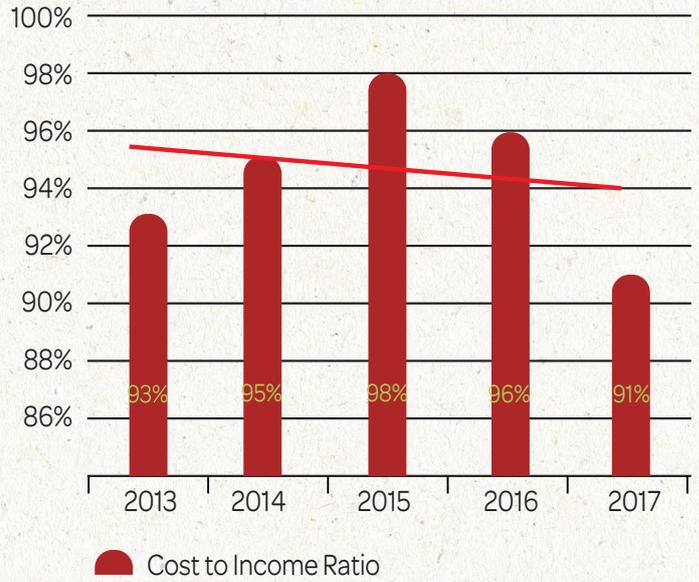


# FINANCIAL HIGHLIGHTS (cont.)

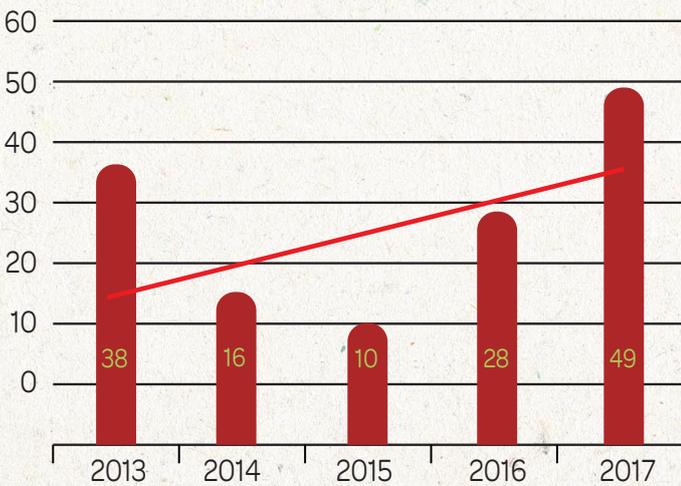
## TOTAL EXPENSES (BWP MILLIONS)



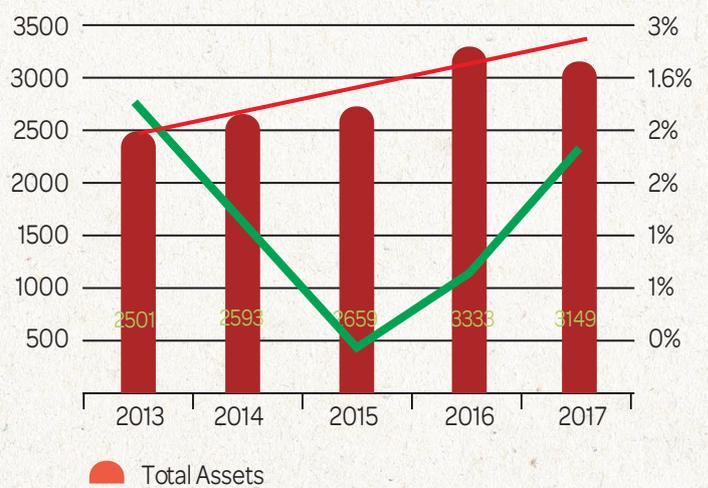
## 5 YEAR TOTAL INCOME VS EXPENSES



## 5 YEAR SURPLUS

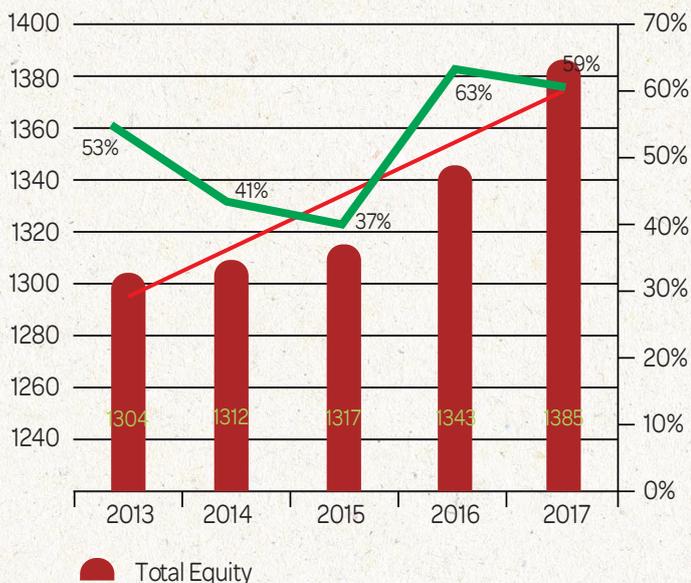


## 5 YEAR TOTAL ASSETS VERSUS RETURN ON ASSETS



# FINANCIAL HIGHLIGHTS (cont.)

## TOTAL EQUITY VS DEBT EQUITY RATIO



## ANALYSIS OF REVENUE

The Corporation recorded revenue of P493 million for the financial year ended March 2017, a decline of 9% when compared to P539 million in 2016. The decrease in total revenue is mainly due to a decline in sales revenue by P43 million or 13% from P326 million recorded in 2016. Sales revenue in the prior year was high mainly due to Phakalane project which majority of the sales were from. The delivery of this project was delayed due to water and sewage impasse experienced in 2012. During the period under review, 331 new properties were sold from inventory and 64 houses were sold from investment properties.

Rental income went down by 3% to P177 million year on year from P182 million in 2016, mainly due to sale of investment properties during the review period and sale of Masoleng flats in Gaborone phase 2 in 2016, which was generating annual rental of P2.4 million. The total rental stock at the end of the financial year was 9762 and these houses are rented to Batswana across the country. Rental revenue is the second major revenue stream for the Corporation.

Income from professional fees increased by 10% from the prior year to P30 million. Professional fees are revenues from management of projects done on behalf of third parties. This revenue stream is the third largest revenue stream for the Corporation and has been growing year on year.

The Corporation's revenue has been steadily growing over the years as shown in the below bar chart. The Corporation's revenue having grown significantly from P467 million in 2013, there was a deep in 2014 to P300 million due to the delayed Phakalane project delivery. The revenue then rose in 2015 and 2016 as the project was delivered and majority of the houses were from this project.

## ANALYSIS OF TOTAL EXPENSES

The Corporation recorded total expenses of P536 million for the financial year ended March 2017, a decline of 20% when compared to P674 million in 2016. The decrease in total expenses is mainly due to a decline in cost of sale of housing



# FINANCIAL HIGHLIGHTS (cont.)

inventories by P63 million or 20% from P321 million recorded in 2016.

## The cost of sale of housing inventories

The cost of sale of housing inventories is the total costs of putting up houses for sale. These costs include cost of putting up the infrastructure, capitalisation of direct labour costs and interest costs. The major component of cost of sales is the cost of infrastructure which the Corporation has to do as part of the project, which on average account for 35% total building costs of new houses. During the period under review, cost of sales declined by 20% or P63 million as a result of decline in sales by P42 million or 13%. The high cost of sales resulted in an average profit margin of 9% on sales of new stock during the period under review.

## Repairs and maintenance costs

The cost of repairs and maintenance continues to be a challenge for the Corporation, though in 2017 the costs decreased by 2% year on year. Repairs and maintenance costs as a percentage of rental income is 30%, which is very high compared to industry rate of between 9%-12%. Majority of the Corporation's rental stock are low cost and medium cost houses which are very old and expensive to maintain. BHC rentals for these properties are very low compared to the costs of maintaining them. As a mitigation strategy, Management has put in place a 5 year cycle maintenance program for these houses. Each house is inspected and maintained to ensure its good state and value is maintained at all times. Any maintenance work done as a result of the tenant's negligence is fully recoverable from the tenant. During the period under review P3 million was recovered from the tenants as maintenance expenses as a result of negligence.

## Employee expenses

Employee expenses declined by 30% to P116 million from P165 million in 2016, mainly as a result of restructuring expenses incurred in the prior year as well as operational efficiencies recognised in the reporting period as a result of re-organisation of the Corporation. The Corporation parted ways with some employees during the third quarter of the reporting period as a result of restructuring.

## Other expenses

Other expenses decreased by 11% to P58 million year on year and this has significantly contributed to the increase in the Corporation's profitability.

## Impairment expenses

Impairment expenses went down by 49% on the back of reduction of impairment of housing inventories. Impairment expenses include bad debts from rental defaults and impairment of housing inventories.

## OPERATING PROFIT

Operating surplus increased by 86% compared to the prior year mainly as a result of decrease in employee expenses by 30%, impairment expenses by 49%, other expenses by 11% and an increase in other income by 115%. Despite the increase in operating profit, the Corporation is still experiencing high costs of construction mainly because of putting up the infrastructure resulting in an increase in cost of sales, leading to profit of 10% on our new properties. The cost of putting infrastructure accounts for about 35% of the building costs of the new BHC properties.

## SURPLUS FOR THE YEAR

Total comprehensive income after tax for the year is P48.5 million, an increase of 73% when compared to prior year mainly due to cost savings and an impressive performance from other revenue streams when compared to the prior year. The Corporation recorded cost to income ratio of 91% compared to 96% in the prior year. The 5% decrease in cost to income ratio compared to the prior year is mainly as a result of 20% reduction in total costs year on year. Operating expenses declined by 11% as a result of Management cost containment strategies. Human capital costs declined by 30% as a result of Corporation's efficiencies brought about by re-organisation. Without the impairment provisions the cost to income ratio is 89%. The cost to income ratio is too high mainly because of stagnant rentals of the investment properties and increasing costs of repairs and maintenance of these properties.

# FINANCIAL HIGHLIGHTS (cont.)

## STATEMENT OF FINANCIAL POSITION

### ASSETS GROWTH

The Corporation's Statement of Financial Position remains strong with total assets at P3.1 billion. Return on assets steadily declined from 2% in 2012 through to 0.3% in 2015 and picked up to 0.8% in 2016 and 1.6% in 2017 as a result of cost reductions resulting in increased profitability.

### TOTAL EQUITY

The Corporation total equity has been steadily increasing in the past years and the same trend is expected in the coming years. In 2017 the Corporation's total equity stood at P1.4 billion. Debt to equity increased to 63% in 2016 due to the PDSF loan the Corporation raised during that financial year. The reduction in long term loans in 2017 has resulted in decline in debt/equity ratio to 59%, with some of long term loans maturing during the financial year.

## SUSTAINABILITY REPORT

The Botswana Government which is the only shareholder for the Corporation is regulating the rentals the Corporation is charging. The last rental review was in the last 12 years. Despite stagnant rentals and increasing costs of repairing and maintaining the rental properties, the Corporation has seen a steady increase in profitability over the years mainly as a result of Management cost containment initiatives. The Corporation's rental portfolio is maintained at about 10,000 houses to cover operating costs and financing costs. As the rented houses are being sold, they are replaced by new houses to maintain the rental threshold and the rentals for these properties are at market rental.

### Development Projects

During the period under review, 1391 houses were delivered under the SHHA scheme and 200 houses under the Public Officers Housing Initiative (POHI). At the end of the financial year, 1125 houses for SHHA, 372 houses for Instalment Purchase Scheme (IPS), Youth Housing and 265 POHI houses were at different stages of construction. In the 2017/18 financial year, 1878 houses will be built under these schemes across different constituencies.

On the commercial side of the business, the Corporation has 192 units under construction at different stages in Gaborone and Jwaneng, and all expected to be delivered during the 2017/18 financial year. In 2017/18 financial year, 1182 units will be started in Tutume, Tati Siding, Tonota, Francistown, Jwaneng, Palapye and Gaborone. These are areas where effective demand has been established and the houses are expected to attract huge interest from the market.

### Outlook

The Corporation recently developed a six year strategy from 2013 - 2018. The main strategic focus going forward is delivery of the new mandate which clearly pronounces the social housing aspect. In the strategy period BHC is expected to deliver an average of 1500 social housing projects and 1800 commercial housing projects per annum.

Through the Corporation's six year strategy some key priority areas have been identified and these are mainly; developing new partnerships with the private sector in housing delivery; responding to customer needs by building/designing for specific markets; serving the unserved markets, especially low income groups; explore alternative technologies and optimize the BHC research capabilities. These strategic priority areas will ensure focus in delivering the strategic plan and will guide Management in the implementation of the strategy.

The Corporation remains financially sustainable and financial sustainability is one of the key focus areas for the organisation. The strategic plan also pronounces and clearly articulates financial sustainability during the planning period. The Corporation remains committed to its mandate of providing affordable housing to Batswana. The current successes experienced in the social housing space have added to the delivery of more houses, in particular social housing projects, to house more Batswana. The Corporation's Management and the Board have not lost sight of the need to continue the delivery of the BHC commercial mandate, as this ensures that the organization remains financially sustainable and growing this revenue stream will enable rolling over of projects.





# Operations



# PROPERTY DEVELOPMENT

## Property Development

Botswana Housing Corporation (BHC) is the central point for implementation and delivery of housing for the government. The corporation undertook this mandate following the Presidential Directive Cab 20(B)/20. Three (3) government schemes are being implemented by the corporation.

- SHHA ( Self Help Housing Agency) Turnkey housing - this is affordable and low income housing scheme.
- POHI (Public Officers Housing Initiative)- objective of this housing scheme is to address the shortage of accommodation for civil servants across the country.
- IPS/Youth ( Instalment Purchase Scheme)- this is a new housing scheme specifically targeting the youth and members of the public who are unable to access mortgages from housing institutions to buy the houses or flats through the corporation instalment scheme.

The Property Development department is the project implementation arm within the corporation. The department is responsible for acquisition and preparation of land, conception of viable housing schemes informed by project appraisals, architectural and engineering designs, project cost estimates, and monitoring and supervision of projects during construction. The department offers project management services to third party clients, mainly government institutions.

## Projects Starts and Delivery

Provision of housing and facilitating other stakeholders to provide housing remains a priority for the corporation. Disposal of houses is through sales and rental. During the 2016/2017 year, the corporation addressed the challenges of shortage of land by continued focus and implementation of densification projects. Densification is the optimal use of land by building in open spaces of existing estates. Through densification the corporation will deliver more housing units.

On going projects for the year included government housing scheme, SHHA, POHI and IPS/Youth. In addition to the delivery of SHHA houses country wide, the first batch of POHI houses were completed during the year. The IPS/Youth scheme is on going and expected to be delivered in the next financial year. Other projects delivered during the year were those that the corporation implemented on behalf of third parties.

Table 1 below depicts project starts and delivery during the 2016/2017 financial year. The corporation started 1924 houses during the year and highest number of houses started was for SHHA Turnkey. 1889 houses were delivered during the financial year.

**Table 1: Projects Starts and Deliveries in 2016/17 Financial Year**

ENTITY/ SCHEME	LOCATION	NO. OF UNITS	TYPE OF HOUSE	NO. OF UNITS DELIVERED STARTED
BHC Commercial	Jwaneng	38	Detached	-
BHC Commercial	Jwaneng	34	Detached	-
BHC Commercial	Gaborone-Densification	78	Flats	-
BHC Commercial	Gaborone-Densification	24	Flats	
BHC Commercial	Gaborone-Densification	18	Flats	
BHC Commercial	Phakalane		Flats	108
SHHA	Various	823	Detached	1376
POHI	Various	465	Detached	177
	<b>TOTAL</b>	<b>1480</b>		<b>1661</b>

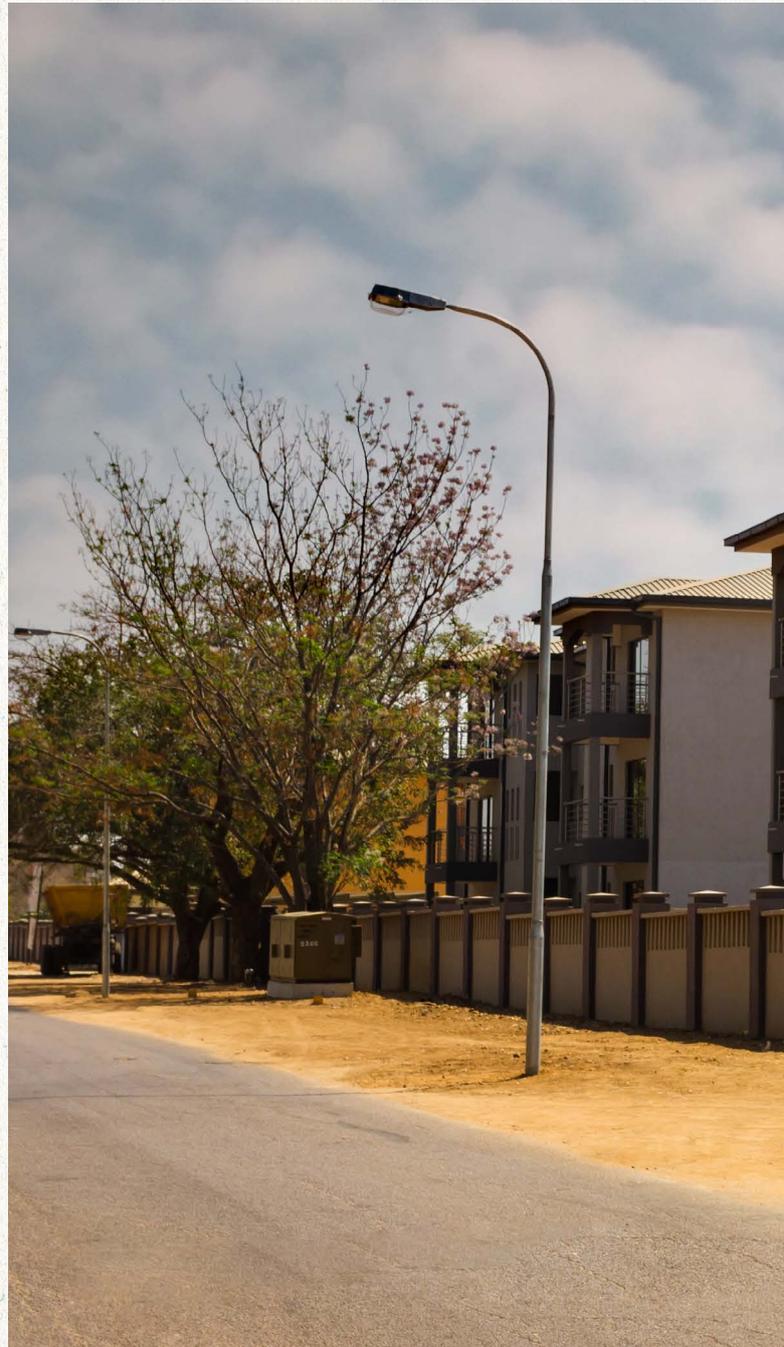




# PROPERTY MANAGEMENT (cont.)

## 1. Property Management Department

- 1.1. The Property Management department is charged with the prudent management of the Corporation's rental portfolio in line with the organization's strategic objectives. Its core duties include amongst others, maintenance and upkeep of the property asset register, leasing and rental revenue collection.
- 1.2. At the beginning of the 2016/17 financial year, the total rental portfolio stood at 9,972 and decreased through the year to close at 9,917 units as at 31 March, 2017. This represents a decrease by 55 units attributed to sale of rented units and boarding of some units. This decrease was matched by a corresponding decrease in rental revenue from BW P182.3 million at the end of 2015/16, to BW P174.5 million as at the end of 2016/17. The rental income thus decreased by 4.28%, or BW P7.8m on year-to-year basis.
- 1.3. In revenue maximization, the Department has a target to keep rental portfolio at an occupancy level of at least 99%, representing vacancy rate of at least 1%. As at the beginning of the financial year 2016/17, the vacancy rate stood at 1.52%, and averaged to 2.03% during the year. Vacancy during the year has increased due to a significant number of units surrendered in Serowe. This was met with slow demand for rental in the area, meaning the vacancy is a challenge.
- 1.4. The total arrears as at March 2017 were BW P46m. The major contributor of total arrears is Parastatals in which one of the parastatals' arrears stand at P36m. The total arrears after adjusting for this single contributor of arrears and recoverable maintenance are P7m. On year to year basis, arrears grew from BW P32m as the end of March 2016, to BW P46m as the end of March 2017.







# PROPERTY SALES

## 1. PROPERTY SALES DEPARTMENT

The main functions of Property Sales Department include sales of BHC housing portfolio through outright mode, sectional titles, tenders, installment schemes and other specialized housing schemes initiated by the Government such as the Public Officers Housing Initiative (POHI). The Department also collects and analyzes property market data, assessing the environment for growth opportunities or disengagement, and carries out property valuations, sectional titles schemes management, as well as credit control activities for the installment schemes.

The focal revenue stream for BHC continues to be from property sales. The Corporation sells its existing stock and new housing units to realize the revenue. Corollary, home ownership to Batswana is promoted and attained through the sales initiative. Furthermore, accommodation is provided to the Government Ministries/Departments and other Institutions as BHC continues to sell properties to them, mostly in bulk.

### 1.1 Sales Performance

The Corporation sold 395 housing units under its commercial portfolio in the financial year 2016/17, thereby housing approximately 1975 Batswana throughout the country (assuming a family of 5 members). These houses were sold outright, with the commercial banks financing majority of the properties. This is a demonstration that BHC continues to empower Batswana through home ownership and the role played by commercial banks in assisting BHC customers to finance these houses. It is also testimony that most Batswana regard BHC as their first choice in terms of housing needs.

The following was the flagship estate in Gaborone which was sold by BHC in this financial year.

The development consists of 108 units comprising of seven Blocks two bedrooms, two Blocks three bedrooms, two Management Offices, two Guardhouses.

The Corporation continues to perform well on its mandate of driving the function of providing housing, office and other buildings needs of Government and local authorities. In the financial year 2016/17, 264 units were sold in bulks to Botswana Government Ministries, Departments and Parastatals which accounts for over 60% of BHC's housing units. This is expected to continue in to the foreseeable future as more institutions are coming forth showing interest in engaging the Corporation.

### 1.2 Market and Environmental Issues

1.2.1 The Corporation continues to be negatively affected by shortage of serviced land in strategic locations like Gaborone and Francistown. This has resulted in a low number of housing developments in the areas mentioned above. It has been deduced through market research that a high number of the population has interest in owning a property in urban areas cited above. BHC strives to meet the demand by demolishing its old units and erecting new ones and also carrying out densification in some of its old estates.

1.2.2 BHC Tenant Purchase Scheme was re-introduced in the last quarter of the financial year 2016/17. The scheme aims to assist tenants who generally do not qualify for a mortgage at financial institutions. The objectives of the scheme are to provide a solution for buying houses with less stringent prerequisites and empower Batswana through home ownership. The Corporation received more than 120 applications which reflect a positive response by Batswana.

# PROPERTY MAINTENANCE

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

## Planned Maintenance

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

For the period under consideration the plan was to cycle maintain 1100 housing units and the target was not reached since the department managed to maintain only 913 units thereby falling short by a total of 187 units. For the same period in 2015/6 the target was 1100 units and the actual was 1217 units. This success rate of 83% was caused mainly by a lot of work that had to be made at both Mophane and Phakalane, thereby putting a strain on the department's resources.

## Recoverable Maintenance

The department's target was to collect P3.12 million during the financial year ended 31st March 2017 and a total of P9.31 million was recovered. For the previous year, the target was P4.2 million and only P2.8 million was collected.

As can be seen from the foregoing, for the past financial year, the recovery was quite high driven by ESP maintenance of

government houses.

## Reactive Maintenance

The department's target is to do 98% of all the queries reported. The department managed to do 89% of the reports received at a total cost of P19.67 million, against a budget of P12.08 million.

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

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

## Maintenance as a source of income going forward

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



# PUBLIC AND CORPORATE AFFAIRS

The Public and Corporate Affairs Department plays a crucial role of managing key stakeholders as well as ensuring that the overall reputation of the Corporation is portrayed in positive light. The Department reports directly to the Chief Executive Officer and below are some of its key functions;

1. Stakeholder Management
2. Events Management
3. Public Relations
4. Corporate Social Responsibility

During the year under review the Corporation engaged in various activities in line with its key role of ensuring that all its intended objectives are met. Some of the activities were aligned to the recent Perception Audit Survey which made the following recommendations:

- a. Implement the Communications Strategy to mitigate perceptions with regards to product quality, cost and follow up services.
- b. Educate the public about BHC's mandate, mode of operation and general challenges.
- c. Implementation of the Communications strategy across all stakeholder groups.
- d. Institute targeted and creative public education frame work to promote knowledge and understanding of the Corporation mandate.

Below are some of the key activities which the Department undertook during the year of reporting.

## STAKEHOLDER ENGAGEMENT & EVENTS MANAGEMENT

Stakeholder Engagement forms part of the Corporation's core activities, which helps to maintain and nurture relationships with various publics in line with its mandate of housing Batswana.

The Corporation took part in various stakeholder engagement activities aimed at educating, informing and soliciting feedback from different stakeholders. These activities were held in line with the annual activity plan which is designed to take BHC to

people and educate them about what is on offer. Below are some of the stakeholder engagement activities which were held during the year under review;

### Business Botswana Northern Trade Fair 2016

The Corporation participated at the 2016 instalment of the Business Botswana Northern Trade Fair with a view to educate Batswana about its products and services, but most importantly to create awareness about Government Housing Initiatives such as SHHA turnkey developments, POHI, IPS and youth housing. The three day event which was held at the Business Botswana Grounds in Francistown afforded the Corporation a platform to solicit feedback regarding general service on products and services.

### Ground breaking for the Instalment Purchase Scheme and Youth Housing

The Minister of Lands and Housing, Honourable Prince Maele performed the official ground breaking for the inaugural Instalment Purchase Scheme and Youth Housing Developments in Tsholofelo, Gaborone. The purpose of the ground breaking was to sensitise the public about Governments' newly introduced housing initiatives which are designed to help alleviate shortage of accommodation amongst Batswana and Youth. The event signalled the commencement of multi-storey units which upon completion will be allocated to Batswana and the youth. The project is expected to be completed in December 2017.

### Ghanzi Agricultural Show 2016

The Corporation once more took part in the annual Ghanzi Agricultural Show with a view to provide information on Government Housing Initiatives as well as to solicit feedback on products and service in general. The Corporation took first position under the parastatals category as well as overall grand champion prize for the best exhibitor at the show.

# PUBLIC AND CORPORATE AFFAIRS (cont.)

## Serowe Agricultural Show 2016

As part of its public education initiatives, the Corporation took part at the Serowe Show as a way of reaching out to Batswana in the Central District to share information on latest housing initiatives such as POHI, IPS and Youth housing. The platform which attracts mainly farmers and other service providers saw Government Departments and Parastatals converging in Serowe to share information on their various mandates.

## Launch of the Re-introduction of Tenant Purchase Scheme

The then Minister of Lands and Housing, Hon. Prince Maele launched the modified Tenant Purchase Scheme as a way to facilitate Batswana to own houses. The Botswana Housing Corporation which will oversee the implementation of this Government initiative has made it more inclusive in terms of age limit to attract more Batswana to own houses.

## World Habitat Day Commemoration 2016

The Corporation participated in the annual Commemoration of the World Habitat Day in Gumare village in Ngamiland. The commemoration was held under the theme "Housing at the centre" and the Corporation took time to interact with the public to educate them about its products and service offerings including the recently introduced Government Housing Initiatives.

## PUBLIC RELATIONS

The Corporation from time to time monitors the environment including the media reports as a way to ascertain if it is being portrayed in good or bad light. The Department has designed a media tracking and analysis tool which assists in analysing various media reports and making recommendations on how to avert negativity emanating from some reports. Overall most media report during the year under review were positive except for a few published articles regarding the ongoing restructuring exercise. In order to address issues around affordability, progress on Government Housing Initiatives and

other burning issues, the Corporation's Management took to electronic media such as television and radio to provide clarity on those and affirm the Corporation's commitment to delivering its mandate as directed by the Government.

## Social Media Activity

Following the launch of its social media pages (Facebook & Twitter) the Corporation has experienced a significant growth in terms of followers on both platforms. During the year under review, the number of followers on the Corporation's Facebook page stood at almost 20,000. The level of interaction with Batswana to clarify certain issues as well as sharing information on events and activities has improved compared to when the pages were not in place. Both platforms have enabled the Corporation to understand customers' key concerns and also respond promptly to those.

## CORPORATE SOCIAL RESPONSIBILITY

The Corporation has a Corporate Social Responsibility Policy, which gives direction on administering funds for charitable, educational, health and other social development purposes in order to develop and/or improve the living conditions of communities. Some of the beneficiaries of this initiative include, Ghanzi and Mahalapye District Hospitals, University of Botswana Foundation, Holy Cross Hospice in Bontleng and the Kalahari Conservation Society.



# MARKETING AND RESEARCH

The department is primarily responsible for stakeholder engagement. Through the various activities conducted by the three sections within the Department, being Marketing, Customer Care and Research and Development, the Corporation ensures that the right product is delivered to the right market in execution of its mandate to offer affordable and sustainable housing to the nation.

## MARKETING

The marketing function is among others, responsible for the promotion of the Corporation's products and services to drive sales and influence positive brand positioning. The Corporation through the extension of its mandate to that of a Single Housing Authority (SiHA) is responsible for execution of programs such as POHI, SHHA, and Youth Housing. Marketing has been focused on the promotion of these programs as well as that of completed Internal and External projects and the re-introduced Tenant Purchase Scheme.

### Promotional Activities

During the period under review, in its endeavor to promote the Corporation's products and services, the Department undertook several promotional activities including participation at the Serowe and Gantsi District Shows in July, and the Consumer Fair in Gaborone in August. Other objectives of these promotional activities are to educate the market on the importance of homeownership and to increase BHC brand visibility.

### Projects Handover

To enhance and sustain relationships with corporate clients handover events are conducted periodically. Two completed and sold projects were officially handed over in Jwaneng and Gantsi, in the months of July and September respectively. Some of the major clients included the Accountant General and Town Council in Jwaneng, and the Ministries of Education and Health, Office of The President, Accountant General, and the Botswana Police Services amongst others, in Gantsi.

## Re-introduction of the Tenant Purchase Scheme

The official launch of the Tenant Purchase Scheme was officiated by the Minister for Lands and Housing in September 2017. To ensure buy-in by staff members, briefing meetings were held internally to inform the employees about how the Scheme operates, to enable them to be able to sell it to potential customers. The briefing also included training on the Credit Life Policy that will be provided by Metropolitan Botswana through Marsh Insurance Brokers to customers as a cover for their Mortgages. The Corporation continues to receive applications from target Customers and these are being processed accordingly.

## CUSTOMER CARE

The Customer Care function is responsible for handling and addressing customer queries and escalated complaints as well as Customer relationship management. In line with this, the unit oversees the implementation of the recently launched BHC Customer service standards. The service standards are expected to ensure consistent and timely service delivery throughout the Corporation.

For the period under review, the unit held a series of tenant meetings in Gaborone and Francistown. The purpose of these meetings were to consult tenants on the proposed densification project. The project targets high density estates where more units are added into the existing estates while some units are completely demolished in order to optimize land use.

The call centre continues to do well within the agreed service level targets. The average service level achieved for the whole year was at 98.20% with 100% occupancy and no attrition.

## RESEARCH AND DEVELOPMENT

The Research & Development Unit among others is responsible for carrying out market feasibility studies for the Corporation. For the period under review, market feasibility studies were carried in Tutume and Tatisiding to establish

# MARKETING AND RESEARCH (cont.)

demand and the purchasing power of prospective purchasers in the target areas. The studies assisted in the decision to build in those areas.

A report on Trends in the Property Market was also produced. The report explores the economic, financial and social indicators that shape the property market in Botswana. The report tries to explain and predict future patterns of prices, demand and supply and structural changes of the real estate industry.







# Support services

# HUMAN RESOURCE



The Corporation engaged on an organisational review and restructuring exercise in June 2015. The exercise was a response to the Government's direction to establish Botswana Housing Corporation as a Single Housing Authority for all Government Housing initiatives. The review exercise resulted in a new organisational structure, revised systems and processes, which were subsequently approved by the then parent Ministry of Lands and Housing, and takeover of all Government housing projects, including Self Help Housing Agency (SHHA), Public Officers Housing Initiative (POHI), District Housing and Youth Accommodation.

The new organisational structure has resulted in decentralisation of functions, with regionalisation of services from the Head Office into Southern Region (Gaborone) and Northern Region (Francistown). This is intended to bring

services closer to customers across the Country. Some offices are targeted for closure while new offices are being set up. The offices targeted for closure are Sowa Office, Lobatse Office, Mahalapye Office and Jwaneng Office. The offices to be set up are in Kanye, Letlhakane and Ghanzi. The new offices in addition to the existing ones are meant to bring services closer to Customers.

At the initial stages of the exercise the Corporation offered Counselling services to all its employees to prepare them for any situation they may experience during and after the conclusion of the exercise. Counselling experts were sourced from the local market to facilitate counselling sessions for employees at all offices across the country. These facilities were an addition to the existing counselling facility that is always available to employees.

# HUMAN RESOURCE (cont.)

Under the exercise the Corporation has introduced a number of new human resource management systems and methodologies that are hoped will enable the Corporation to effectively and efficiently manage its human capital. These include a revised Talent Management Strategy, Policies and Procedures.

In the course of the 2016/17 financial year the Corporation carried out an assessment of human capital requirements in light of the approved organisational structure. The assessment and placement exercise resulted in a number of officers being laid off through a retrenchment exercise. At positions below those of Senior Management a total of Seventy Seven (77) employees were laid off in December 2016. The exercise resulted in a reduction of the Corporation's head count from 345 (Establishment 376) to 263 (Establishment 308). This reduced workforce is expected to be adequately productive to delivery on the Corporation's expanded Mandate.

Under the review and restructuring exercise there has been considerations for a subsidiary company of the Corporation, which would be purely for development and management of the Corporation's commercial activities. Plans are underway to ensure the setting up of this arm of the Corporation. It is intended that the commercial wing of the Corporation would with time evolve to be a self-sustaining entity, which would ultimately assist the Government in subsidising the Social Mandate of the Corporation in fulfilling the Government housing initiatives.

## TRAINING AND DEVELOPMENT INITIATIVES

Investment on training and development to equip employees with necessary competencies to improve their professional and personal development is one of the key priorities of the Corporation. The Corporation is committed to strengthening the capabilities of its human capital in order to help them to remain competent and contribute positively to the achievement of its mandate. In that regard, the Corporation has moved away from academic training to competency based training. This approach is supported by a robust corporate Competency Framework. In the 2016/17 financial

year a budget of P5, 122,691.50 was invested on Training and Development. This budget includes assistance in the form of educational loans to employees who intend to acquire some academic qualifications that are considered relevant to the operations of the Corporation. Training and development activities were however limited due to the on-going organisational restructuring exercise. It is intended that once the new organisational structure had been rolled out training activities would be carried out in earnest to ensure that the Corporation's workforce is sufficiently resourced in line with the Corporation's intent to cultivate and instil a culture of high performance in its employees.

The Corporation's training efforts are also intended to reinforce the corporate values of Botho, Excellence, Innovation, Transparency and Team Work.

## INTERNSHIP PROGRAMME

Botswana Housing Corporation understands the need to develop professionals across the various disciplines within the Botswana market. In that regard the Corporation actively participates in the Government internship programme that facilitates for skills development for graduates. The Corporation has enrolled seventeen (17) graduates for twenty (24) months across its offices in areas such as Finance, Procurement, Accounting, Internal Audit and Property Development.

## EMPLOYEE WELLNESS ACTIVITIES

As part of its Wellness and Well being initiatives, the Corporation periodically sponsored employees to participate in wellness activities in their respective localities. These activities are intended to help employees manage various wellness issues, including stress management, physical fitness, and life style ailments, such as hypertension, diabetes and other chronic ailments. The Corporation also facilitates for employees to have access to fitness facilities as part of their exercise regime by where possible subsidising employees on gym fees or arranging favourable rates for members through group membership to gymnasiums.



# LEGAL SERVICES

The Legal Department provides comprehensive, in-house legal services to the Corporation and also provides the Secretariat to the Board.

During the 2016/2017 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.

To this end, the Department has worked closely with Property Development and the Property Sales Departments to ensure that the land which is currently without title is identified and registration effected. The efforts have paid off as most of the land the Corporation holds has title.

As the Corporation continued with land acquisition, the department partnered with Property Development in dealing with the Land Boards in a bid to speed up the turn-around time in obtaining tribal leases and registering them.

This has worked well and the Corporation has received a lot of cooperation from the Land Boards and the Deeds Registry. In concert with all other Departments, Legal Services has worked hard at minimising costs, and most if not all debt collection was done in-house.

The number of referrals during the year has risen, with the monetary value of the referrals being higher than in the previous financial year. The Corporation however continues to manage and contain rental/TPS arrears.

## The Board

The Board has oversight responsibility over the business and affairs of the Corporation and is tasked with:

- General oversight of all aspects of the business.
- Determining the Corporation's purpose, policies and values, and monitoring compliance with them.
- Determining, appraising and approving the Corporation's corporate and business strategy and monitoring their implementation.

- Appraising and approving major management initiatives, resource allocations, capital investments and divestments.
- Ensuring that risk management systems and procedures are in place to protect the Corporation's assets and reputation.
- Approving staff compensation strategy.
- Reviewing social responsibility strategies and policies.
- Awareness, understanding and compliance with the underlying principles of Good Governance.
- Ensuring ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles, and the Corporation's own governing documents and codes of conduct.
- Reporting annually to the Minister and Parliament on all aspects of the Corporation's performance.

The BHC Board consists of ten members who are, subject to any special or general directions of the Minister, responsible for the overall direction of the affairs of the Corporation, and for such other matters as may be specified in the BHC Act.

As the Corporation operates in the areas of property development and estates management, it ensures that the Board has an appropriate skills mix –finance; industry specific technical skills(eg. Architectural; Engineering; QS's etc.) ; Business; Human Resource and any other skill which would bring value to the business. There is also an attempt to bring gender balance to the board where possible.

Traditionally the BHC Board has had ten members who are appointed for periods not exceeding four years and at the termination of such period are eligible for re-appointment. A member may serve only two terms.

Appointments to the Board and of the Chairman are signified by notice in the Government Gazette.

Of the ten members appointed, the Minister designates one to be the Chairman of the Board, normally for a term of three years. The Chairman is eligible for re-appointment.

# LEGAL SERVICES (cont.)

Once in every year the members elect from among their number a Deputy Chairman who holds office for one year and is eligible for re-election.

The Board meets quarterly or as and when necessary for the proper operation of the Corporation. Ordinary and Special meetings of the Board are convened by the Chairman at such times and places as he may in his discretion determine.

The Board meets annually to review the Corporation's long term strategy and monitors implementation of the strategic plan throughout the year. During the current reporting period, the Board met to develop the Corporation's six year strategic plan.

At any meeting of the Board a quorum is constituted by the presence of not less than half the number of members appointed.

Materials for Board meetings are, to the extent practicable, provided in advance of each meeting to allow prior review by board members.

## Board members

All Board members are obliged to sign a declaration of interest form at all sittings of the Board and Board Committees and where a member has a conflict of interest in any matter before the Board, such member is excused from the meeting during consideration of the item giving rise to the conflict. Proceedings and deliberations of the Board and its Committees are confidential.

To promote ethical conduct, the Board has approved a Business and Ethics Code which is communicated to all employees of the Corporation. Further in a bid to ensure the upholding of ethical conduct throughout the Corporation, the Board has established an external Whistle-blowing facility which gives protection to employees wishing to report any questionable behaviour by staff on a confidential and anonymous basis.

The Chairperson of the BHC Board during the reporting period was Dr Bolelang Pheko while the Deputy Chairman was Mr Reginald Ketshabile.

## There are three Board Committees:

- 1) The Finance and Audit Committee
- 2) The Board Tender Committee
- 3) The Human Resource Committee

## The Finance and Audit Committee

This Committee serves as the link between the Board and the Corporations auditors thereby enabling the Board to supervise the Corporation's financial and reporting system.

## The responsibilities of the Committee include:

- i) Improving communication and providing a forum of debate between the external and internal auditor, the Board and Management.
- ii) Considers the appointment, remuneration and resignation or removal of external auditors.
- iii) Considers and approves the projects development budget.
- iv) Considers and approves the scope, nature and priorities of audit.
- v) Evaluates the performance of Internal Audit.
- vi) Reviews and approves the Internal Audit Charter, Internal Audit plans and conclusions with regard to internal control.
- vii) Reviews significant matters reported by the Internal Audit function and the adequacy of corrective action taken in response thereto.
- viii) Reviews the draft interim and annual financial statements before submission to the Board.

## The Committee consists of five members

## Board Tender Committee

The Committee ensures that there is fairness and efficiency in the process of procurement of works, services and



# LEGAL SERVICES (cont.)

supplies as well as to ensure transparency in the award of contracts. It reviews the award of tenders by the Management Tender Committee and adjudicates and awards tenders in accordance with its delegated powers.

The Committee also evaluates the performance of the Corporation on development projects and reviews quarterly progress reports and the adequacy of corrective action taken with regard to the various internal and external development projects.

**The Committee consists of five members.**

## **Human Resource Committee**

The Human Resource Committee of the Board is tasked with providing policy guidance on the employment, development, terms and conditions of the Corporations human resources in respect of, but not limited to the development and implementation of staffing policies, procedures and practice in respect of staff appointments and promotions, staff development, staff welfare and industrial relations.

**The Committee consists of five members.**

The remuneration of Board Members is determined by the Minister and during this reporting period the Board fees were as follows:

**Board Chairperson: P1050.00**

**Members: P840.00**

## **COMPOSITION OF COMMITTEES FINANCE AND AUDIT COMMITTEE**

Mr J.B. Mosimane Chairperson  
Mr B.Mmopi  
Ms H.Chilisa (Retired in Sept.2016)  
Mr O.Mamparanyane  
Mr S.Molalapata  
Ms E.Serati  
Mr C.Marobela

Mr T.Kewakae

## **BOARD TENDER COMMITTEE**

Mr B.Mokgolodi Chairperson (Retired in Sept.2016)  
Mr O Mamparanyane Current Chairperson  
Mr R.Ketshabile  
Mr S.Molalapata  
Mr S.Tiroyakgosi (Retired in Sept.2016)  
Mr B.Malatsi (Retired in Sept.2016)  
Mr K.Kgabo  
Mr C.Marobela

## **HUMAN RESOURCE COMMITTEE**

Mr R.Ketshabile Chairperson  
Mr J.B.Mosimane  
Mr B.Mokgolodi (Retired in Sept.2016)  
Mr S.Tiroyakgosi (Retired in Sept.2016)  
Mr B Mmopi  
Ms E.Serati  
Mr K.Kgabo  
Mr T.Kewakae

On appointment Members are taken through an induction program regarding the Corporations business, corporate governance, fiduciary duties of members and reporting procedures.

Members are also furnished with various reports and other documents (BHC Act; Board Charter; Past Annual reports etc) to familiarize them with the Corporation.

Annually members are sent on training, mainly on Corporate Governance.

# LEGAL SERVICES (cont.)

## MEMBER PROFILES: REF.ANNEXURE A

### BOARD ATTENDANCES

MEMBER	ORDINARY AND SPECIAL BOARD MEETINGS	FINANCE AND AUDIT COMMITTEE MEETINGS	BOARD TENDER COMMITTEE MEETINGS	HUMAN RESOURCE COMMITTEE MEETINGS
Dr.B. Pheko	7/9			
Mr R.Ketshabile	8/9	-	1/2	7/9
Mr B. Mmopi	7/9	3/4	-	3/9(co-opted)
Mr O.Mamparanyane	5/9	2/4	2/2	-
Mr J.B.Mosimane	6/9	4/4		5/9
Mr S.Molalapata	8/9	2/4	1/2	1/9(co-opted)
Mr B.Mokgolodi				
(Retired Oct.2016)	6/6	-	1/1	6/6
Ms H.Chilisa (Retired Oct.2016)	3/6	1/3	-	2/6(co-opted)
Mr B.Malatsi (Retired Oct.2016)	4/6	-	0/1	-
Mr S.Tiroyakgosi (Retired Oct.2016)	4/6	1/3(co-opted)	1/1	3/6
Ms E.Serati (Appointed:1/12/2016)	3/3	1/1	-	2/2
Mr C.Marobela (Appointed: 1/12/2016)	3/3	1/1	1/1	-
Mr K.Kgabo(Appointed:1/12/2016)	2/3	-	1/1	1/2
Mr T.Kewakae				
Appointed:1/12/2016)	3/3	1/1	-	2/2

### BOARD SECRETARY

The Board Secretary is also head of Legal Services.

The Board Secretary provides the Secretariat to the Board; advises members and the Board on their duties and responsibilities; provides legal advice to the Board and where the Board requests the services of external counsel assists in preparing the brief; ensures that all board decisions and instructions are communicated to the relevant persons.

The Board Secretary also ensures that the proper procedure for Board appointments is carried out and ensures that members are taken through an induction and orientation program.



**INTERNAL  
AUDIT**

# INTERNAL AUDIT

## 1. INTERNAL AUDIT DEPARTMENT

The Corporation's Internal Audit Department reports to the Corporation's Board through the Board's Finance and Audit Committee and, administratively, to the Corporation's Chief Executive Officer.

There are two sections under the Internal Audit Department. These are:

- a) Internal Audit Section and;
- b) Risk & Compliance Section.

## 2. INTERNAL AUDIT SECTION

This section is responsible for:

- a) Providing assurance to both the Board and management on the effective design and operation of internal controls in key areas of the organisation;
- b) Providing consultancy services to both the Board and management upon request and;
- c) Carrying out investigations.

### 2.1. Assurance Service

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

### 2.2. Consultancy service

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

### 2.3. Investigations

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

## 3. RISK & COMPLIANCE SECTION

This section is responsible for:

- a) Enterprise-wide Risk Management (ERM);
- b) Safety, Health, Environment and Quality (SHEQ) and;
- c) Managing contracts with security service providers (guarding and cash – in – transit).

### 3.1. Risk management at BHC

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

- a) The development of a risk policy and procedures;
- b) The development of tools and methodologies for implementing the risk framework;
- c) Facilitating the identification of risks and opportunities, their assessment and the crafting of responses thereto;
- d) Reviewing the effectiveness of mitigation strategies and;
- e) Compiling an update report to the Board on a quarterly basis.

The Corporation uses the COSO Enterprise Risk Management standard as its risk management standard for the management of both strategic and operational risks within the Corporation.

#### 3.1.1. Approach to risk identification

Risks are identified by the Board and management by means of brainstorming exercises through events which, if they were to happen, would affect the achievement of the Corporation's objectives, both positively and negatively, are identified and assessed.



# INTERNAL AUDIT (cont.)

## 3.1.2. Top ten (10) strategic risks

The Corporation identified the following as its top ten (10) strategic risks, as their potential impact on the Corporation's ability to deliver on its mandate could be significant.

### a) Shortage of Serviced Land

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

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

### b) Poor House Sales

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

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

The country has been enjoying low rates of interest for quite some time. Low interest rates allow the Corporation's prospective customers easier access to mortgage finance thereby enabling them to conclude their purchase deals.

### c) Lack of Title Deeds

An unavailability of title deeds could result in the delayed processing of property sales.

This threat manifests itself in instances whereby individuals or

organizations seek finance from financial institutions. Before a financial institution is able to release funds, the property concerned must be registered in the purchaser's name and a bond registered in favour of the institution concerned. In the absence of a title deed, the property transfer and registration of a bond cannot take place.

To mitigate against this risk, the Corporation applies for title deeds and tribal leases well in advance of projects starting on the ground.

### d) Lack of Innovation in Product Design

Innovation is one of the values of the Corporation. The Corporation has recognized that without innovation an organization would, in no time, lose its customers as its products are likely to be viewed by its customers as stale and irrelevant to their evolving needs.

Concerted effort is, therefore, made to ensure that the Corporation's products are varied and are responsive to customer needs as they evolve. Feedback from customers is continually obtained through various surveys. The survey results are incorporated into house designs. Furthermore, the Corporation outsources some property designs, in order to bring in new ideas from the market.

### e) Failure to start Housing Projects

The Corporation can only deliver those housing projects which it actually starts on the ground. Therefore, the Corporation considers it critical that housing projects start on the ground at scheduled times.

To mitigate against the risk of projects not starting at scheduled times, the Corporation prepares land intended for development well in advance of the project start date.

### f) Affordability

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

# INTERNAL AUDIT (cont.)

challenges, the Corporation undertakes periodic surveys, whose results inform it about affordability levels in various parts of the country.

The Corporation then comes up with appropriate house designs that could be constructed at such a cost as to make the houses affordable to the target market.

## g) Time management

The delayed completion of a project could result in that project's costs escalating well beyond initial estimates. Furthermore, economic forces could change the market dynamics such that demand for a product which existed at the commencement of a project may no longer be there when the product is finally delivered.

To ensure that delays in project completion are minimized, contractors are required to submit their construction programmes for scrutiny and approval. Once approved, contractors are obliged to follow the approved programmes. Scrutinizing the programmes, to satisfy itself that the proposed programmes are both comprehensive and realistic and then monitoring contractors' adherence thereto, is an integral part of the Corporation's approach to project management.

## h) Performance by contractors

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

## i) Failure to Service Financial Obligations

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

## j) Poor Customer Service

Following the declaration of the Corporation as a Single

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

# INFORMATION TECHNOLOGY

The main objective of the Corporation's IT department is to ensure that its information systems are secure, available and reliable at all times so as to improve business turnaround times and increase customer satisfaction. BHC runs a number of IT Systems to meet its information requirements, with Oracle being the core business system. The Corporation has a robust disaster recovery policy and plan in place to reduce any impact should there be a disaster. The security and integrity of data is ensured by using up to date security software and data processing procedures.

# FINANCIALS



# ANNUAL FINANCIAL STATEMENTS

## for the year ended 31 March 2017

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# DIRECTORS' REPORT

## for the year ended 31 March 2017

The Directors have pleasure in presenting their report together with the financial statements of Botswana Housing Corporation ("the Corporation") for the year ended 31 March 2017.

### General Information

The Corporation was established by an Act of Parliament (CAP 74:03) of 1970.

### Business

The Corporation is primarily involved in Property Development and Estate Management Services.

### Review of Corporation's financial position and results

The Corporation's financial position and results are reflected in the financial statements set out on pages 56 to 107. The Corporation realised a profit before taxation of P51,311,000 (2016: P27,959,000).

### Bond

The Corporation issued a bond which is listed in the Botswana Stock Exchange.

### Dividends

A gross dividend of P6,990,000 (2016: P2,460,000) was declared and paid during the year.

### Members of the Board

Dr. B C Pheko	Chairperson
Mr. R Ketshabile	Deputy Chairperson
Mr. O S Mamparanyane	
Mr. J Mosimane	
Mr. B K Mmopi	
Mr. S Molalapata	
Mr. T Kewakae	Appointed December 2016
Mr. K Kgabo	Appointed December 2016
Mr. C Marobela	Appointed December 2016
Ms. E Serati	Appointed December 2016
Mr. S Tiroyakgosi	Retired August 2016
Mr. B Mokgolodi	Retired August 2016
Ms. H Chilisa	Retired August 2016
Mr. B Malatsi	Retired November 2016

### Senior leadership team

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

# DIRECTORS' REPORT (cont.)

## for the year ended 31 March 2017

### Registered office

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

### Independent auditors

KPMG  
Plot 67997, Off Tlokweng Road  
Fairgrounds Office Park  
Gaborone, Botswana

### Bankers and investment managers

First National Bank Botswana Limited  
Stanbic Bank Botswana Limited  
Standard Chartered Bank Botswana Limited  
Barclays Bank of Botswana Limited  
Bank Gaborone  
African Banking Corporation of Botswana Limited  
African Alliance  
Stanlib

### Events occurring after the reporting date

The Directors are not aware of any matters or circumstances arising since the end of the financial year up until the date these financial statements were authorised for issue, not dealt with in this report or the financial statements that would significantly affect the operations of the Corporation or the results of its operations.



# DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 31 March 2017

The Directors are responsible for the preparation and fair presentation of the financial statements of Botswana Housing Corporation, comprising the statement of financial position as at 31 March 2017 and the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and 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).

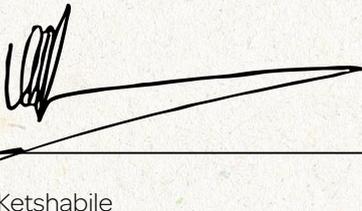
The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Corporation to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

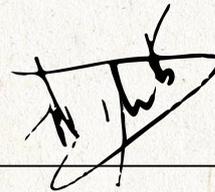
The Auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

## **Approval of the annual financial statements:**

The annual financial statements of Botswana Housing Corporation as identified in the first paragraph, were approved by the Board of Directors on the 19th July 2017 and are signed on their behalf by:



Mr. R. Ketshabile  
Deputy Chairperson



Mr. R Motswaiso  
Chief Executive Officer

# INDEPENDENT AUDITOR'S REPORT



## KPMG, Chartered Accountant

### Audit

Plot 67977, Off Tlokweng Road,

Fairgrounds Office Park

PO Box 1519, Gaborone, Botswana

Telephone: +267 391 2400

Fax: +267 397 5281

Web: <http://www.kpmg.com>

## To the Members of Botswana Housing Corporation

### Opinion

We have audited the financial statements of Botswana Housing Corporation ("the Corporation"), which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies, as set out on pages 56 to 107.

In our opinion, the financial statements give a true and fair view of the financial position of Botswana Housing Corporation as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Botswana Housing Corporation Act (CAP 74:03).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



# INDEPENDENT AUDITOR'S REPORT

## To the Members of Botswana Housing Corporation



<b>Valuation of housing Inventories</b>	
Refer to note 2.4 relating to the accounting policies, note 5 on critical accounting estimates and judgements and note 16 on housing inventories.	
<b>Key audit matter</b>	<b>How the matter was addressed</b>
<p>A significant proportion of the Corporation's business is to develop property for sale. Housing inventories comprise land for development, housing under construction and completed houses. The Corporation recognises housing inventories at the lower of cost and net realisable values (NRV). The NRV is estimated as the selling price for housing inventories less selling expenses, and less costs to complete development in the case of housing under construction.</p> <p>In valuing housing inventories, The Corporation makes significant judgements about both the cost of the inventories, particularly housing under construction, and the NRV of all housing inventories.</p> <p>The estimation of the cost of housing under construction requires significant judgements regarding the allocation of the approved contract cost to the correct project.</p> <p>The determination of the estimated NRV requires significant judgements about the selling price, and the costs to complete housing under construction. In making these judgements, the Corporation makes use of</p> <ul style="list-style-type: none"> <li>• internal valuers to assist in the determination of the selling price based on prevailing market data, and</li> <li>• external valuers, including engineers, architects and quantity surveyors, to provide assistance in determining the costs to complete development for housing under construction.</li> </ul>	<p>As part of our audit of the valuation of housing inventories, the work that we performed included the procedures set out below.</p> <p><b>Cost of housing under construction</b></p> <ul style="list-style-type: none"> <li>• We assessed the competency and objectivity of external valuers engaged by the Corporation in estimating the cost of the project and costs to complete development (used in the NRV calculation) of housing under construction.</li> <li>• We evaluated internal controls over the authorisation and processing of contract costs, to ensure only approved costs are correctly allocated and capitalised to the respective projects.</li> <li>• We selected a sample of costs capitalised during construction and inspected supporting documents to ensure the expenses have been accurately allocated and capitalised.</li> <li>• We obtained a breakdown of all costs allocated to a project for a sample of housing under construction projects and evaluated whether the costs were correctly allocated between the various construction projects.</li> </ul> <p><b>NRV of housing inventories</b></p> <p>In respect of the selling price:</p> <ul style="list-style-type: none"> <li>• We challenged the Corporation's future selling prices</li> </ul>

# INDEPENDENT AUDITOR'S REPORT

## To the Members of Botswana Housing Corporation

### (cont.)



Due to the significant judgements involved in estimating cost of housing under construction and in estimating the NRV of housing inventories, this matter was considered to be a key audit matter in our audit of the financial statements.

included in the valuation reports of the internal valuers by comparing the estimated selling prices to the selling prices subsequent to year end and prices of comparable properties located in the same vicinity as the housing inventories.

In respect of the cost to complete housing under construction:

- We obtained a status report at year end for the housing under construction maintained by the internal quantity surveyors detailing costs to date and costs to complete housing under construction, and interviewed the quantity surveyors to understand the estimates applied in compiling the status report.
- We challenged the costs to complete housing under construction in relation to costs incurred subsequent to year end and project budgets, obtaining explanation for and corroborating variances from budget against supporting documentation.

#### **Comparison of cost to NRV**

- We selected a sample of housing under construction projects and completed houses and inspected the NRV in relation to the costs allocated to each project, and ensured that the project was recorded at the lower of cost and NRV.
- We selected a sample of completed houses which are expected to sell below cost and assessed whether the computations of the estimated losses were accurately recognised in the provision for impairment at the reporting date.



# INDEPENDENT AUDITOR'S REPORT

## To the Members of Botswana Housing Corporation

(cont.)



### **Other Information**

The directors are responsible for the other information. The other information comprises the rest of the information contained in the annual report, but does not include the financial statement and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the Financial Statements**

The directors are responsible for the preparation of the financial statements which give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Botswana Housing Corporation Act (Cap 74:03), and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate

the Corporation or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify the assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting in error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Corporation's internal control.

# INDEPENDENT AUDITOR'S REPORT

## To the Members of Botswana Housing Corporation

### (cont.)



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporations' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and

significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statement of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

In accordance with Section 24 (4) of the Botswana Housing Corporation Act (Chapter 764:03) (the "Act") as amended, we confirm:

- 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; and
- The Corporation has complied with all the financial provisions of the Act.

KPMG

KPMG

Certified Auditors

Practicing member: Francois Roos (20010078:45)

Gaborone

12 September 2017



# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2017

	Note	2017 P'000	2016 P'000
Revenue	6.	492,969	539,297
Cost of sale of housing inventories	7.	(257,517)	(321,375)
Repairs and maintenance		(48,784)	(49,585)
Employee benefit expenses	8.	(115,708)	(165,107)
Depreciation and amortisation	9.	(16,932)	(16,842)
Other expenses	10.	(58,090)	(65,299)
Impairment expenses	10.	(12,401)	(24,083)
Gains from sale of investment properties	12.	17,746	106,550
Other income	11.	39,135	18,197
<b>Operating profit</b>		<b>40,418</b>	<b>21,753</b>
Interest income	13.	24,961	24,133
Interest costs	14.	(26,799)	(31,845)
<b>Net finance costs</b>		<b>(1,838)</b>	<b>(7,712)</b>
Share of equity accounted earnings of joint ventures	19.	12,731	13,918
<b>Profit before taxation</b>		<b>51,311</b>	<b>27,959</b>
Taxation	20.	(2,809)	-
<b>Total profit and comprehensive income for the year</b>		<b>48,502</b>	<b>27,959</b>

# STATEMENT OF FINANCIAL POSITION

## as at 31 March 2017

	Note	2017 P'000	2016 P'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment property	15.	1,130,394	1,107,561
Property, plant and equipment	17.	19,523	20,985
Intangible assets	18.	22,192	24,815
Investments in joint ventures	19.	20,776	21,745
Trade and other receivables	23.	9,284	11,228
Deferred tax asset	21.	5,731	-
<b>Total non-current assets</b>		<b>1,207,900</b>	<b>1,186,334</b>
<b>Current assets</b>			
Housing inventories	16.	407,264	443,923
Trade and other receivables	23.	56,850	19,870
Cash and cash equivalents	24.	1,476,555	1,682,953
<b>Total current assets</b>		<b>1,940,669</b>	<b>2,146,746</b>
<b>Total assets</b>		<b>3,148,569</b>	<b>3,333,080</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Irredeemable capital	25.	250,000	250,000
Retained earnings		1,129,584	1,086,604
Earnings reserve	26.	4,958	6,426
<b>Total equity</b>		<b>1,384,542</b>	<b>1,343,030</b>
<b>Non-current liabilities</b>			
Agency funds	29.	229,963	258,865
Long term deferred income		1,879	5,153
Long term deferred government revenue grant	27.	54,824	63,035
Long term borrowings	27.	423,071	743,258
<b>Total non-current liabilities</b>		<b>709,737</b>	<b>1,070,311</b>
<b>Current liabilities</b>			
Trade and other payables	28.	191,264	213,253
Taxation payable	20.	8,515	-
Provision for restructuring costs	35.	3,693	42,298
Agency funds	29.	488,672	550,088
Deferred income		3,349	3,139
Short term portion of deferred government revenue grant	27.	8,211	7,957
Short term portion of borrowings	27.	337,484	35,630
Customer deposits	30.	13,102	67,374
<b>Total current liabilities</b>		<b>1,054,290</b>	<b>919,739</b>
<b>Total equity and liabilities</b>		<b>3,148,569</b>	<b>3,333,080</b>



# STATEMENT OF CHANGES IN EQUITY

## for the year ended 31 March 2017

	<b>Irredeemable capital</b>	<b>Retained earnings</b> (Note 1)	<b>Earnings reserve</b>	<b>Total</b>
	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Balance at 01 April 2015	250,000	1,058,874	8,657	1,317,531
<b>Comprehensive income</b>				
Surplus income for the year	-	27,959	-	27,959
Transfer to retained earnings	-	2,231	(2,231)	-
<b>Total comprehensive income</b>	-	<b>30,190</b>	<b>(2,231)</b>	<b>27,959</b>
<b>Transaction with owners</b>				
Dividend declared (note 31)	-	(2,460)	-	(2,460)
<b>Total transactions with owners</b>	-	<b>(2,460)</b>	-	<b>(2,460)</b>
<b>Balance at 31 March 2016</b>	<b>250,000</b>	<b>1,086,604</b>	<b>6,426</b>	<b>1,343,030</b>
Balance at 01 April 2016	250,000	1,086,604	6,426	1,343,030
<b>Comprehensive income</b>				
Surplus income for the year	-	48,502	-	48,502
Transfer to retained earnings	-	1,468	(1,468)	-
<b>Total comprehensive income</b>	-	<b>49,970</b>	<b>(1,468)</b>	<b>48,502</b>
<b>Transaction with owners</b>				
Dividend declared (note 31)	-	(6,990)	-	(6,990)
<b>Total transactions with owners</b>	-	<b>(6,990)</b>	-	<b>(6,990)</b>
<b>Balance at 31 March 2017</b>	<b>250,000</b>	<b>1,129,584</b>	<b>4,958</b>	<b>1,384,542</b>

### Note 1: Earnings reserve

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

# STATEMENT OF CASH FLOWS

for the year ended 31 March 2017

	Note	2017 P'000	2016 P'000
<b>Cash flows from operating activities</b>			
Net cash (utilised in)/generated from operating activities	32.	(49,064)	262,248
Taxation paid	20.	(25)	-
		<b>(49,089)</b>	<b>262,248</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	17.	(2,169)	(4,898)
Acquisition of intangible assets	18.	(800)	(1,656)
Additions to investment properties	15.	(42,546)	(40,825)
Proceeds from sale of investment properties	12.	25,184	136,009
Proceeds from sale of property, plant and equipment		6	50
Dividends from joint ventures	19.	13,700	14,605
Loan capital repayments received from related parties	22.	-	2,198
Interest received	13.	21,972	18,411
<b>Net cash generated from investing activities</b>		<b>15,347</b>	<b>123,894</b>
<b>Cash flows from financing activities</b>			
Repayment of long term borrowings	27.	(27,319)	(44,691)
Long term finance raised	27.	-	400,000
Dividends paid		(27,197)	(22,665)
Interest paid	14.	(27,823)	(28,903)
<b>Net cash (utilised in)/generated from financing activities</b>		<b>(82,339)</b>	<b>303,741</b>
Net (decrease)/increase in cash and cash equivalents		(116,080)	689,883
Cash and cash equivalents at beginning of year	24.	874,000	184,117
<b>Cash and cash equivalents at end of year</b>	<b>24.</b>	<b>757,920</b>	<b>874,000</b>



# ACCOUNTING POLICIES

for the year ended 31 March 2017

## 1. Statement of Compliance

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 commenced operations in February 1971. The mandate of BHC as stipulated by the Act and its subsequent amendments is as follows:

- (a) 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 Infrastructure and Housing Development.

These financial statements represent the Corporation's statutory financial statements. The financial statements for the year ended 31 March 2017 have been approved for issue by the Directors on 19 July 2017. Neither the directors

nor anyone has the power to amend financial statements after issue.

## 2.1 Basis of preparation

The financial statements are presented, in all material respects, in accordance with International Financial Reporting Standards (IFRSs). The financial statements have been prepared under the historical cost convention, except where otherwise stated.

The preparation of the Corporation's financial statements 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 requiring 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 accounting estimates and judgement section.

- (a) **New standards, amendments and interpretations, which became effective during the year.**

The following standards, amendments to standards and interpretations became effective during the year ended 31 March 2017:

Standard/ Interpretation	Effective date	Impact on these financial statements
Disclosure initiative (Amendments to IAS)	01 January 2016	No impact on the financial statements
IFRS14 Regulatory Deferral accounts	01 January 2016	No impact on the financial statements
Accounting for acquisitions of interest in joint operations (Amendments to IFRS 11)	01 January 2016	No impact on the financial statements
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	01 January 2016	No impact on the financial statements
Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)	01 January 2016	No impact on the financial statements
Equity Methods in Separate Financial Statements (Amendments to IFRS 10 and IAS 28)	01 January 2016	No impact on the financial statements
Sale or Contribution of Assets between Investor and Its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	01 January 2016	No impact on the financial statements
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	01 January 2016	No impact on the financial statements

# ACCOUNTING POLICIES

## for the year ended 31 March 2017 (cont.)

### 2.1 Basis of preparation (continued)

#### (b) New standards, amendments and interpretations not yet effective.

The following new standards, amendments to standards and interpretations are in issue and not yet effective for the year ended 31 March 2017, and have not been applied in preparing these financial statements:

**Disclosure Initiative (Amendments to IAS 7):** The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted. These amendments will require additional disclosures in respect of movements in the Corporation's financial liabilities.

**IFRS 15 Revenue from Contracts with Customers:** This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Service*.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. This standard may have an impact on the amount and timing of

revenue transactions to be recognised by the Corporation. The Corporation is currently in the process of performing a more detailed assessment of the impact of this standard on its financial statements.

**IFRS 9 Financial Instruments:** On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments*, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

This standard may have an impact on the Corporation, which will include changes in the measurement bases of the Corporation's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the allowance for impairment recognised by the Corporation.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application. Early adoption is permitted. Management is currently assessing the extent of the impact of the standard on the Corporation's financial statements.

**IFRS 16 Leases:** IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 *Leases*, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial Position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, being early adoption permitted only if the entity also adopts IFRS 15. The standard will



# ACCOUNTING POLICIES

for the year ended 31 March 2017 (cont.)

## 2.1 Basis of preparation (continued)

### (b) New standards, amendments and interpretations not yet effective. (continued)

result in current operating leases being disclosed in the Statement of Financial Position with related depreciation and amortisation charges recognised in profit or loss. The impact of the standard on the Corporation's financial statements has not been fully determined.

**Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses:** The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised. Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

Guidance is provided for deductible temporary differences related to unrealised losses that are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted. These amendments may have an impact on the measurement of deferred tax assets disclosed in the Corporation's financial statements.

### Amendments to IAS 40: Transfers of Investment

**property:** The IASB has amended the requirements in IAS 40 *Investment property* on when an entity should transfer a property asset to, or from, investment property.

The amendments are effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The amendments may have an impact on the transfer of housing inventory to investment properties by the Corporation.

## 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 Corporation and when specific criteria have been met for each of the Corporation's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Corporation bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

### (a) Rental income

Rental income from the letting of investment properties is recognised in profit or loss 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 Corporation 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 in profit or loss in the year in which they arise. The risks and rewards are transferred when the full payment is received or when the property title is transferred.

### (c) Tenant purchase scheme (TPS)

Net gain or loss arising on the sale of investment properties through the tenant purchase scheme are recognised in

# ACCOUNTING POLICIES

## for the year ended 31 March 2017 (cont.)

### 2.2 Revenue recognition (continued)

#### (c) Tenant purchase scheme (TPS) (continued)

profit or loss 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 recognised in profit or loss as they fall due, save that where an account falls into arrears, an impairment provision is recognised 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.

#### (d) Step ownership scheme (SOS)

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 recognised in profit or loss in that financial year.

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 disclosed 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 profit or loss based on stages of completion.

#### (f) Capacitation fees

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

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

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

#### (g) Interest income

Interest income and interest expense are recognised in profit or loss for all interest bearing financial instruments on an accruals basis using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial



# ACCOUNTING POLICIES

for the year ended 31 March 2017 (cont.)

## 2.2 Revenue recognition (continued)

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

## 2.3 Investment property

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

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs 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.

Depreciation is calculated on a straight-line basis over the remaining useful lives of investment properties. 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 was already of the age and in the condition expected at the end of its useful life. The useful life of an investment property is determined at the lower of the lease period or 40 years.

If an investment property becomes owner-occupied,

it is reclassified as property, plant and equipment. The carrying amount at the date of re-classification is the carrying amount of PPE.

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 at carrying amount and cease to depreciate.

## 2.4 Inventories

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

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

## 2.5 Land held for development

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

## 2.6 Borrowing costs

Borrowings costs incurred for the construction of any

# ACCOUNTING POLICIES

## for the year ended 31 March 2017 (cont.)

### 2.6 Borrowing costs (continued)

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

Other borrowing costs are expensed.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 costs are recognised in profit or loss during the financial period in which they are incurred. The properties transferred from investment properties are transferred at carrying amount to Property, plant and equipment

### 2.7 Capitalisation of development costs

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

Freehold land is not depreciated. Leasehold land is depreciated over the lease period. Depreciation on other assets is calculated on the depreciable amount, which is the cost of an asset or an amount substituted for cost less its residual value. Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment since this mostly reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives are as follows:

### 2.8 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses.

Buildings	Lower of lease period and 40 years
Furniture and office equipment	10 years
Computer equipment	5 years
Motor vehicles	5 years
Plant and equipment	4 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

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

"

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.



# ACCOUNTING POLICIES

for the year ended 31 March 2017 (cont.)

## 2.9 Intangible assets

Intangible assets comprise of computer software. Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (5 to 10 years). Software acquired by the Corporation is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as capital improvement and added to the original cost of the software. Computer software acquisition costs recognised as intangible assets are amortised using the straight line method over their useful lives from the date on which it is available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## 2.10 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 of post acquisition profits or losses and movements in other comprehensive income. When the Corporation's 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.

## 2.11 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the

effective interest method, less allowance 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 profit or loss. 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 profit or loss.

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.

## 2.12 Cash and cash equivalents

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

## 2.13 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 2017 (cont.)

### 2.14 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 the 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.

### 2.15 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 reporting date.

### 2.16 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. These amounts are classified as current liabilities if payment is due within twelve months (or in the normal operating cycle of the business, if longer). If not they are presented as non-current liabilities.

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

### 2.17 Provisions

Provisions for 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 if it is probable that there will be an outflow of economic benefits.

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

### 2.18 Leases

#### *i. Determining whether an arrangement contains a lease*

At inception of an arrangement, the Corporation determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Corporation separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values.

#### *ii. Leased assets*

Leases of plant and equipment that transfer to the Corporation substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial



# ACCOUNTING POLICIES

for the year ended 31 March 2017 (cont.)

## 2.19 Leases (continued)

recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Corporation's statement of financial position.

### *iii. Lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

#### *Where the Corporation is the lessee*

The total contractual operating lease payments are recognised in profit or loss 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.

#### *Where the Corporation is the lessor*

Receipts of operating lease payments from properties are accounted for as rental 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 by the lessee by way of penalty is recognised as income in the period in which the termination takes place.

## 2.20 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 professional fees 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 profit or loss of the Corporation."

## 2.21 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 profit or loss.

## 2.22 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

# ACCOUNTING POLICIES

for the year ended 31 March 2017 (cont.)

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 reporting date are discounted to their present value.

## (c) Short term employee benefits

Employee entitlements to annual leave, bonuses, medical aid, housing benefits and severance benefits are recognised when they accrue to employees and an accrual is recognised for the estimated liability as a result of services rendered by the employee up to the reporting date. These accruals are calculated at undiscounted amounts based on the current wage and salary rates.

## 2.23 Financial assets

### Classification

The Corporation classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

### Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment

losses.

### Recognition and derecognition

The Corporation recognises loans and receivables on the date that they are originated. All other financial assets are recognised on the trade date, which is the date when the Corporation becomes party to the contractual provisions of the instrument. The Corporation derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such transferred financial assets that is created or retained by the Corporation is recognised as a separate asset or liability.

### Impairment of financial assets

A financial asset not measured at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of the financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. The reversal of the impairment loss is



# ACCOUNTING POLICIES

for the year ended 31 March 2017 (cont.)

recognised in profit or loss.

## 2.24 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 once an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

## 2.25 Impairment of non-financial assets

The carrying values of the Corporation's non-financial assets, excluding deferred tax assets and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. Impairment losses are recognised in profit or loss. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset.

Impairment losses recognised in the prior periods are assessed at each reporting date for any indication that these losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment was recognised.

## 2.26 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.

## 2.27 Current and deferred income tax

The Corporation is subject to income tax effective 1 July 2016. Taxation comprises current and deferred taxation. Taxation is recognised in profit or loss except to the extent that it relates to an item recognised directly in other comprehensive income or equity, in which case the related taxation is also recognised in other comprehensive income or equity.

Current taxation comprises taxation payable on the taxable income for the year, using taxation rates enacted or substantively enacted at the reporting date after taking account of income and expenditure which is not subject to taxation, and any adjustment to taxation payable or refundable in respect of previous years.

Withholding tax of 7.50% is payable on the gross value of dividends declared and paid.

Deferred taxation is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred taxation is not recognised for:

- (a) temporary differences on the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss;
- (b) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Corporation is able to control the timing

# ACCOUNTING POLICIES

## for the year ended 31 March 2017 (cont.)

of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

(c) taxable temporary differences arising from the initial recognition of goodwill.

Deferred taxation is recognised in profit or loss, except to the extent that it relates to a transaction that is recognised directly in equity or other comprehensive income, or a business combination. The effect on deferred taxation of any changes in taxation rates is recognised in profit or loss, except to the extent that it relates to items previously recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using taxation rates enacted or substantively enacted at the reporting date.

A deferred taxation asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused taxation losses and credits can be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.

### 2.28 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. The maintenance deposit paid by prospective tenant 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.

### 2.29 Segment reporting

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

### 2.30 Government grant

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Corporation will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

The benefit of a Government loan at a below-market rate of interest is treated as a government grant. The loan is measured at amortised cost.

The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan, which is measured at amortised cost, and the actual proceeds received. The benefit is accounted for in accordance with our accounting policy for government grants described above.



# FINANCIAL RISK MANAGEMENT

for the year ended 31 March 2017

## 3. Financial risk factors

The Corporation is exposed to market, interest rate, liquidity and credit risk. These risks arise in the normal course of the Corporation's business. This note presents information about the Corporation's exposure to each of these risks, the Corporation's objectives, policies and processes for measuring and managing these risks and the Corporation's management of capital. Further quantitative disclosures are included.

The Directors have the overall responsibility for the establishment and oversight of the Corporation's risk management framework.

The Corporation's risk management policies are established to identify and analyse the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Corporation's activities.

The Directors oversee how management monitors compliance with the Corporation's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Corporation.

### 3.1 Credit risk

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

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as the credit

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

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

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

The Corporation provides for impairment of debtors based on the aging analysis. Rental arrears are aged into amounts owing less than 90 days and amounts 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

# FINANCIAL RISK MANAGEMENT

for the year ended 31 March 2017 (cont.)

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 amounts. 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 the amounts are more than 91 days in arrears.

As at 31 March 2017 credit risk exposures relating to recognised financial assets are as follows:

	<b>2017 P'000</b>	<b>2016 P'000</b>
Trade and other receivables	66,134	31,098
Cash and cash equivalents	1,476,555	1,682,953
	<b>1,542,689</b>	<b>1,714,051</b>

The above table represents the worst case scenario of credit risk exposure for the Corporation as at 31 March 2017 and 2016 without taking account of any collateral held or other credit enhancements attached. For on statement of financial position assets the exposure set out above is based on net carrying amounts as reported in the statement of financial position.

## Trade receivables

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

At March 2017	Rental debtors P'000	TPS P'000	SOS P'000	Other P'000	Total P'000
Neither past due nor impaired	-	2,943	74	33,219	36,236
Past due but not impaired	4,856	9,053	-	-	13,909
Individually impaired	41,435	37	-	1,558	43,030
<b>Gross</b>	<b>46,291</b>	<b>12,033</b>	<b>74</b>	<b>34,777</b>	<b>93,175</b>
Less: Provision for impairment	(41,435)	(37)	-	(1,558)	(43,030)
<b>Net</b>	<b>4,856</b>	<b>11,996</b>	<b>74</b>	<b>33,219</b>	<b>50,145</b>
<b>Value of collateral held against trade receivables that are neither past due nor impaired</b>	<b>-</b>	<b>43,831</b>	<b>885</b>	<b>-</b>	<b>44,716</b>



# FINANCIAL RISK MANAGEMENT

for the year ended 31 March 2017 (cont.)

At March 2016	Rental debtors P'000	TPS P'000	SOS P'000	Other P'000	Total P'000
Neither past due nor impaired	-	10,259	116	3,728	14,103
Past due but not impaired	3,687	4,530	-	-	8,217
Individually impaired	29,034	38	-	1,558	30,630
<b>Gross</b>	<b>32,721</b>	<b>14,827</b>	<b>116</b>	<b>5,286</b>	<b>52,950</b>
Less: Provision for impairment	(29,034)	(25)	-	(1,558)	(30,617)
<b>Net</b>	<b>3,687</b>	<b>14,802</b>	<b>116</b>	<b>3,728</b>	<b>22,333</b>
<b>Value of collateral held against trade receivables that are neither past due nor impaired</b>	-	133,621	1,659	-	135,280
<b>Trade receivables, past due but not impaired</b>					
At March 2017	Rental debtors P'000	TPS P'000	Total P'000		
Past due up to 30 days		2,015	106	2,121	
Past due 30 - 60 days		1,258	69	1,327	
Past due 60 - 90 days		1,583	210	1,793	
<b>Total</b>		<b>4,856</b>	<b>385</b>	<b>5,241</b>	
<b>Value of collateral</b>		-	131,679	131,679	
At March 2016	Rental debtors P'000	TPS P'000	Total P'000		
Past due up to 30 days		1,218	92	1,310	
Past due 30 - 60 days		734	57	791	
Past due 60 - 90 days		1,735	223	1,958	
<b>Total</b>		<b>3,687</b>	<b>372</b>	<b>4,059</b>	
<b>Value of collateral</b>		-	58,201	58,201	

# FINANCIAL RISK MANAGEMENT

for the year ended 31 March 2017 (cont.)

## 3.2 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 2017 (2016:-Nil).

### (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 2017 and 2016, the Corporation's borrowings at fixed rate were denominated in the functional currency.



# FINANCIAL RISK MANAGEMENT

for the year ended 31 March 2017 (cont.)

## 3.2 Market risk (continued)

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

At March 2017	Less than 2 years P'000	2 - 5 years P'000	Over 5 years P'000	Non interest bearing P'000	Total P'000
<b>Financial assets</b>					
Trade and other receivables	5,193	4,810	2,104	54,027	66,134
Cash and cash equivalents	736,656	-	-	21,264	757,920
	<b>741,849</b>	<b>4,810</b>	<b>2,104</b>	<b>75,291</b>	<b>824,054</b>
<b>Financial liabilities</b>					
Long term borrowings - Debt securities	286,446	106,164	-	-	392,610
Long term borrowings	3,194	24,089	340,662	-	367,945
	<b>289,640</b>	<b>130,253</b>	<b>340,662</b>	<b>-</b>	<b>760,555</b>
<b>At March 2016</b>					
	<b>Less than 2 years P'000</b>	<b>2 - 5 years P'000</b>	<b>Over 5 years P'000</b>	<b>Non interest bearing P'000</b>	<b>Total P'000</b>
<b>Financial assets</b>					
Trade and other receivables	553	1,174	13,731	15,640	31,098
Cash and cash equivalents	850,477	-	-	23,523	874,000
	<b>851,030</b>	<b>1,174</b>	<b>13,731</b>	<b>39,163</b>	<b>905,098</b>
<b>Financial liabilities</b>					
Long term borrowings - Debt securities	286,471	106,192	-	-	392,663
Long term borrowings	21,914	31,573	332,738	-	386,225
	<b>308,385</b>	<b>137,765</b>	<b>332,738</b>	<b>-</b>	<b>778,888</b>

# FINANCIAL RISK MANAGEMENT

for the year ended 31 March 2017 (cont.)

## Interest rate sensitivity

Interest rate applicable during the current cash and cash equivalents are as follows:

	2017 Balance P'000	Interest rate	2016 Balance	Interest rate
Fixed deposits	166,554	3.80% - 4.00%	197,473	4.30% - 5.25%
African Alliance	281,922	3.53%	257,642	4.20%
Stanlib	262,132	3.67%	259,996	4.73%
Call deposits	26,048	0.25% - 1.00%	135,366	0.25% - 1.00%
	<b>736,656</b>		<b>850,477</b>	

## Loan Rate sensitivity

Loan and bond balances as at 31 March 2017 are as follows:

Long term borrowings -Debt securities	286,000	91 BoBc +1.70%	286,000	91 BoBc +1.70%
	<b>286,000</b>		<b>286,000</b>	
<b>Net Interest Bearing</b>	<b>450,656</b>		<b>564,477</b>	
<b>Interest rate variation at 50 basis point</b>	<b>2,253</b>		<b>2,822</b>	

With average interest rates disclosed above, an increase of 50 basis points in interest rates during the reporting period would have increased the Corporation's profit before tax by P2 253 000 (2016: P2 822 000).

A 50 basis points decrease in interest rates during the reporting period would have had equal but opposite effect on the reported profit before taxation to the amounts disclosed above, on the basis that all other variables remain constant.

## 3.3 Liquidity risk

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



# FINANCIAL RISK MANAGEMENT

for the year ended 31 March 2017 (cont.)

## 3.3 Liquidity risk (continued)

Financial assets	Less than 1 year P'000	1 - 2 years P'000	2 - 5 years P'000	Over 5 years P'000	Total P'000
<b>At 31 March 2017</b>					
Trade and other receivables	56,850	2,370	4,810	2,104	66,134
Cash and cash equivalents	757,920	-	-	-	757,920
	<b>814,770</b>	<b>2,370</b>	<b>4,810</b>	<b>2,104</b>	<b>824,054</b>
<b>Financial liabilities</b>					
	Less than 1 year P'000	1 - 2 years P'000	2 - 5 years P'000	Over 5 years P'000	Total P'000
<b>At 31 March 2017</b>					
Borrowings	359,150	63,539	234,753	280,412	937,854
Trade and other payables	191,264	-	-	-	191,264
Agency funds	488,672	229,963	-	-	718,635
Customer deposits	13,102	-	-	-	13,102
<b>Liabilities (contractual maturity)</b>	<b>1,052,188</b>	<b>293,502</b>	<b>234,753</b>	<b>280,412</b>	<b>1,860,855</b>
<b>Financial assets</b>					
	Less than 1 year P'000	1 - 2 years P'000	2 - 5 years P'000	Over 5 years P'000	Total P'000
<b>At 31 March 2016</b>					
Trade and other receivables	19,870	3,563	6,630	1,035	31,098
Cash and cash equivalents	874,000	-	-	-	874,000
	<b>893,870</b>	<b>3,563</b>	<b>6,630</b>	<b>1,035</b>	<b>905,098</b>
<b>Financial liabilities</b>					
	Less than 1 year P'000	1 - 2 years P'000	2 - 5 years P'000	Over 5 years P'000	Total P'000
<b>At 31 March 2016</b>					
Borrowings	62,108	359,448	270,431	319,258	1,011,245
Trade and other payables	213,253	-	-	-	213,253
Agency funds	550,088	258,865	-	-	808,953
Customer deposits	67,374	-	-	-	67,374
<b>Liabilities (contractual maturity)</b>	<b>892,823</b>	<b>618,313</b>	<b>270,431</b>	<b>319,258</b>	<b>2,100,825</b>

Financial assets excludes agency funds as per note 23

# FINANCIAL RISK MANAGEMENT

for the year ended 31 March 2017 (cont.)

## 3.4 Financial instruments by category

	2017	Loans and receivables	
		2016 P'000	P'000
Assets as per statement of financial position:			
Trade and other receivables		62,419	31,805
Cash and cash equivalents		1,476,555	1,682,953
		<b>1,538,974</b>	<b>1,714,758</b>
Financial liabilities at amortised cost			
	2017	2016	
	P'000	P'000	
Liabilities as per statement of financial position:			
Borrowings		823,590	849,880
Agency funds		718,635	808,953
Trade and other payables		164,353	155,169
Customer deposits		13,102	67,374
		<b>1,719,680</b>	<b>1,881,376</b>

## 4 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.

	2017 P'000	2016 P'000
Total long term debt	760,555	778,888
Total capital and reserves	1,384,542	1,343,030
Debt : equity ratio	0.55	0.58

The Corporation considers a debt to 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 2017

## 5 Critical accounting estimates and judgements

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

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

The Corporation tests annually whether, the useful life and residual value estimates were appropriate and in accordance with its accounting policy. Useful lives and residual values of investment properties (note 15) 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 17) 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 18). Management exercises judgement to come up with appropriate useful lives.

### (c) Impairment of TPS, SOS and rental debtors

The Corporation reviews its debtors (note 23) 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 these assets. The assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

### (d) Taxation

The Corporation became liable to paying income tax effective 1 July 2016 in accordance with statutory instrument No 41 of 2016. The income tax expense has been computed for the whole year and the amount relating to the 9 months was apportioned. The first three months of the Corporation's results do not have a significant impact on the final tax expense.

### (e) Valuation of housing inventory

Housing inventories consists of the following:

- Land for development;
- Housing under construction; and
- Completed houses.

Housing inventories arise with the commencement of development with a view to sell and are initially recognised at cost. Housing inventories are subsequently measured at the lower of cost and net realisable value.

# CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

for the year ended 31 March 2017 (cont.)

## (e) Valuation of housing inventory (continued)

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 inventories on the basis of weighted average costs. Judgement is involved in estimating costs per project and allocating costs to each unit. The estimation of the cost per project is performed by internal quantity surveyors ("management experts"). In addition, the allocation of internal development costs to each unit is a manual exercise which involves judgement, including estimation of time and effort spent by internal resources on these developments.

Net realisable value (NRV) is the estimated as follows:

- For land for development, NRV is estimated as the selling price for the land in the ordinary course of business less selling expenses.
- For housing under construction, NRV is estimated as the selling price in the ordinary course of business less costs to complete development and selling expenses.
- For completed houses, NRV is estimated as the selling price in the ordinary course of business less selling expenses.

The current market conditions, low demand for properties or extended operating cycle may exert downward pressure on transaction volumes and determination of selling prices.

Net realisable value is estimated by management, based on prevailing market data (including the most recent sale transactions in nearby locations, rate of new property sales and general market conditions), which represents the estimated selling prices less costs to be incurred in selling the properties. In determining the estimated future selling prices used in the NRV calculations, the Corporation makes use of the investment committee, which consists of internal valuers, quantity surveyors and other professionals.

In determining the cost to completion used in the NRV calculation for housing under construction, the Corporation makes use of management experts, including quantity surveyors to assist with the estimation of these costs, based on their knowledge of the projects and stage of construction.

The Corporation revises its estimates on an annual basis based on the most recent information available and current market trends.



# OPERATING SEGMENTS

for the year ended 31 March 2017

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

No operating segments have been aggregated.

# OPERATING SEGMENTS

for the year ended 31 March 2017 (cont.)

The segment information provided to the Board for the reportable segments for the year ended 31 March 2017 is as follows:

	Sale of Housing Inventories P'000	Rental P'000	Others P'000	Total P'000
Revenue	286,001	176,767	30,201	492,969
Operating profit/(loss)	5,017	73,923	(38,522)	40,418
<b>Included in operating surplus</b>				
Depreciation and amortisation	(135)	(10,768)	(6,029)	(16,932)
<b>Not included in operating surplus</b>				
Interest income	-	-	24,961	24,961
Interest costs	(21,439)	(5,360)	-	(26,799)
Share of equity accounted earnings of joint ventures	-	-	12,731	12,731
<b>(Loss)/profit before taxation</b>	<b>(16,422)</b>	<b>68,563</b>	<b>(830)</b>	<b>51,311</b>
Taxation	-	(2,809)	-	(2,809)
<b>Total comprehensive income for the period</b>	<b>(16,422)</b>	<b>65,754</b>	<b>(830)</b>	<b>48,502</b>
Total segment results above include:				
Revenue from Government and Government related entities (note 34.7)	233,031	81,915	30,201	345,147
<b>Segment assets</b>	<b>367,916</b>	<b>1,198,723</b>	<b>62,407</b>	<b>1,629,046</b>
<b>Reconciliation to total assets as reported in the statement of financial position</b>				
Investment in joint ventures			20,776	20,776
Intangible assets			22,192	22,192
Cash and cash equivalents			1,476,555	1,476,555
<b>Total assets as reported in the statement of financial position</b>	<b>367,916</b>	<b>1,198,723</b>	<b>1,581,930</b>	<b>3,148,569</b>
<b>Total liabilities</b>	<b>658,708</b>	<b>197,697</b>	<b>907,622</b>	<b>1,764,027</b>



# OPERATING SEGMENTS

for the year ended 31 March 2017 (cont.)

The segment information provided to the Board for the reportable segments for the year ended 31 March 2016 is as follows:

	<b>Sale of Housing Inventories P'000</b>	<b>Rental P'000</b>	<b>Others P'000</b>	<b>Total P'000</b>
Revenue	329,484	182,317	27,496	539,297
Operating profit/(loss)	63,281	58,609	(100,137)	21,753
<b>Included in operating surplus</b>				
Depreciation and amortisation	(358)	(10,490)	(5,994)	(16,842)
<b>Not included in the operating surplus</b>				
Finance income	-	-	24,133	24,133
Finance costs	(25,476)	(6,369)	-	(31,845)
Share of surplus of joint ventures	-	-	13,918	13,918
<b>Total comprehensive income</b>	<b>37,805</b>	<b>52,240</b>	<b>(62,086)</b>	<b>27,959</b>
Total segment results above include:				
Revenue from Government and Government related entities (note 34.7)	300,104	83,057	27,496	410,657
<b>Segment assets</b>	<b>418,114</b>	<b>1,162,538</b>	<b>22,915</b>	<b>1,603,567</b>
<b>Reconciliation to total assets as reported in the statement of financial position:</b>				
Investment in joint ventures			21,745	21,745
Intangible assets			24,815	24,815
Cash and cash equivalents			1,682,953	1,682,953
<b>Total assets as reported in the statement of financial position</b>	<b>418,114</b>	<b>1,162,538</b>	<b>1,752,428</b>	<b>3,333,080</b>
<b>Total liabilities</b>	<b>720,660</b>	<b>209,829</b>	<b>1,059,561</b>	<b>1,990,050</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017

	2017 P'000	2016 P'000
<b>6. Revenue</b>		
Rental income	176,767	182,317
Sale of housing inventories	283,641	326,486
Professional fees	30,201	27,496
Tenant purchase scheme income	2,344	2,982
Step ownership scheme income	16	16
	<b>492,969</b>	<b>539,297</b>
<b>7. Cost of sale of housing inventories</b>		
<b>At beginning of the year</b>		
Land held for development	25,753	12,741
Housing under construction	190,188	265,845
Completed houses - Inventories (net of impairment provision)	227,982	352,364
<b>Additions / transfers during the year</b>		
Acquisition of land	14,164	13,012
Payments to contractors	206,591	112,344
Capitalised development costs - employee benefit expenses	8,567	9,321
Capitalised borrowing costs (note 14)	9,070	6,065
Transfer from investment properties	2,391	4,733
Movement in the impairment provision	3,040	(8,055)
Transfer from housing under construction	(22,965)	(3,072)
<b>At end of year (note 16)</b>		
Land held for development	(39,917)	(25,753)
Housing under construction	(240,090)	(190,188)
Completed houses - Inventories (net of impairment provision)	(127,257)	(227,982)
	<b>257,517</b>	<b>321,375</b>
<b>8. Employee benefit expenses</b>		
Salaries, wages and other benefits	111,064	118,261
Restructuring expenses	-	42,298
Pension contributions	8,909	9,551
Gratuities	4,302	4,318
Less : capitalised during the year (note 7)	(8,567)	(9,321)
	<b>115,708</b>	<b>165,107</b>

Number of persons employed by the Corporation at the reporting date were 267 (2016: 352).



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017 (cont.)

	2017 P'000	2016 P'000
<b>9. Depreciation and amortisation</b>		
Depreciation - investment properties (note 15)	8,706	8,511
Depreciation - property, plant and equipment (note 17)	3,625	3,893
Amortisation - leasehold land (note 15)	1,178	1,152
Amortisation - intangible assets (note 18)	3,423	3,286
	<b>16,932</b>	<b>16,842</b>
<b>10. Other expenses</b>		
Audit fees - prior year (over)/under provision	(392)	209
Audit fees - current year	915	1,019
Board members' remuneration	164	142
Operating lease rentals - motor vehicles	4,708	4,837
Consultancy fees	2,255	2,507
Rates	5,187	5,472
Non capitalisable expenses	7,576	267
Security expenses	6,225	5,617
Telephone expenses	4,493	4,514
Training expenses	934	2,229
Insurance	533	3,252
Travelling and accommodation	4,114	4,413
IT expenses	3,140	7,203
Advertising and marketing	4,750	7,009
Call centre expenses	2,190	2,052
Administration expenses	8,401	11,735
Training levy	971	882
Utilities	1,926	1,940
	<b>58,090</b>	<b>65,299</b>
<b>Impairment expenses</b>		
Rental debtors	12,401	15,986
Tenant purchase scheme debtors	-	4
Housing inventories	-	8,055
Other debtors	-	38
	<b>12,401</b>	<b>24,083</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017 (cont.)

	2017 P'000	2016 P'000
<b>11. Other income</b>		
Recoverable maintenance	2,793	2,814
Recoverable maintenance - Government houses	9,307	3,418
Sundry income	4,505	4,286
Rental income - Commercial properties	6,600	1,583
Capacitation fee	12,840	6,019
Release of impairment provision - inventory*	3,040	-
Income from auction sales	50	27
Gain on sale property, plant and equipment	-	50
	<b>39,135</b>	<b>18,197</b>
* Reversal of prior year provision		
<b>12. Gains from sale of investment properties</b>		
Proceeds from sale of investment properties	25,184	136,009
Cost	(8,750)	(35,884)
Accumulated depreciation	1,312	6,425
	<b>17,746</b>	<b>106,550</b>
<b>13. Finance income</b>		
Interest income on loans to related parties (note 22)	-	566
Interest income on short term bank deposits	24,961	23,567
	<b>24,961</b>	<b>24,133</b>
<b>14. Finance costs</b>		
Interest expense on loans	17,288	17,809
Interest expense on debt securities in issue	18,446	19,968
Other financing costs	135	133
Less: capitalised to housing inventories during the year (note 7)	(9,070)	(6,065)
	<b>26,799</b>	<b>31,845</b>

A capitalisation rate of 5.73% (2016: 5.73%) was used for projects whose development was financed out of long term debt (note 27).



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017 (cont.)

	2017 P'000	2016 P'000
<b>15. Investment properties</b>		
Opening net book amount	1,107,561	1,110,746
Transfer from property, plant and equipment	-	69
Transfer to property, plant and equipment	-	(224)
Transfer to inventory	(2,391)	(4,733)
Additions to investment properties	42,546	40,825
Disposals	(8,750)	(35,884)
Depreciation on disposals	1,312	6,425
Depreciation - housing properties	(8,706)	(8,511)
Amortisation - leasehold land	(1,178)	(1,152)
<b>Closing net book amount</b>	<b>1,130,394</b>	<b>1,107,561</b>
Cost	1,433,027	1,401,622
Accumulated depreciation	(302,633)	(294,061)
<b>Net book amount</b>	<b>1,130,394</b>	<b>1,107,561</b>

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

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

<b>Rental income</b>	176,767	182,317
	<b>176,767</b>	<b>182,317</b>
<b>Direct operating expenses</b>		
Repairs and maintenance	48,784	49,585
Employee benefits	21,051	23,021
	<b>69,835</b>	<b>72,606</b>

Investment properties were valued as at 31 March 2017 by estate management professionals based on the latest prevailing market prices. The value of the investment properties was estimated at P5,404 million on 31 March 2017 (2016: P4,928 million).

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017 (cont.)

## 15. Investment properties

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 for which the Corporation has not received title deeds amount to P10.5 million (2016: P9.2 million). The members of the Board believe that title deeds for these properties will be received in due course.

## 16. Housing Inventories

	2017 P'000	2016 P'000
Land for development (note 7)	39,917	25,753
Housing under construction (note 7)	240,090	190,188
Completed houses (note 7)	133,459	237,224
Less: Provision for impairment (note 7)	(6,202)	(9,242)
	<b>407,264</b>	<b>443,923</b>
Detailed analysis of the inventories at the end of the year is shown below.		
Land for development	39,917	25,753
Housing under construction	240,090	190,188
Completed houses	127,257	227,982
	<b>407,264</b>	<b>443,923</b>



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017 (cont.)

## 17. Property, plant and equipment

	Land & buildings	Computer equipment	Furniture & office equipment	Motor vehicles	Plant & equipment	Total
	P'000	P'000	P'000	P'000	P'000	P'000
<b>At 31 March 2017</b>						
Opening net book amount	8,475	2,526	5,243	4,044	697	20,985
Additions	-	251	591	1,267	60	2,169
Disposals	-	-	(37)	-	-	(37)
Accumulated depreciation on disposal	-	-	31	-	-	31
Depreciation charge	(18)	(1,047)	(831)	(1,241)	(488)	(3,625)
<b>Closing net book amount</b>	<b>8,457</b>	<b>1,730</b>	<b>4,997</b>	<b>4,070</b>	<b>269</b>	<b>19,523</b>
<b>Cost</b>	<b>15,056</b>	<b>14,461</b>	<b>11,166</b>	<b>10,080</b>	<b>2,370</b>	<b>53,133</b>
Accumulated depreciation	(6,599)	(12,731)	(6,169)	(6,010)	(2,101)	(33,610)
<b>Net book amount</b>	<b>8,457</b>	<b>1,730</b>	<b>4,997</b>	<b>4,070</b>	<b>269</b>	<b>19,523</b>
<b>At 31 March 2016</b>						
Opening net book amount	8,327	3,199	5,036	2,164	1,187	19,913
Additions	96	706	1,006	3,090	-	4,898
Disposals	-	-	(6)	-	-	(6)
Accumulated depreciation on disposal	-	-	4	-	-	4
Transfer to investment property	(69)	-	-	-	-	(69)
Transfer from investment property	224	-	-	-	-	224
Accumulated depreciation on transfers	(86)	-	-	-	-	(86)
Depreciation charge	(17)	(1,379)	(797)	(1,210)	(490)	(3,893)
<b>Closing net book amount</b>	<b>8,475</b>	<b>2,526</b>	<b>5,243</b>	<b>4,044</b>	<b>697</b>	<b>20,985</b>
<b>Cost</b>	<b>15,056</b>	<b>14,210</b>	<b>10,612</b>	<b>8,813</b>	<b>2,310</b>	<b>51,001</b>
Accumulated depreciation	(6,581)	(11,684)	(5,369)	(4,769)	(1,613)	(30,016)
<b>Net book amount</b>	<b>8,475</b>	<b>2,526</b>	<b>5,243</b>	<b>4,044</b>	<b>697</b>	<b>20,985</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017 (cont.)

## 17. Property, plant and equipment (continued)

Fully depreciated property, plant and equipment items at original cost are summarised as follows:

	Land & buildings	Computer equipment	Furniture & office equipment	Motor vehicles	Plant & equipment	Total
	P'000	P'000	P'000	P'000	P'000	P'000
At 31 March 2017	-	852	97	-	35	984
At 31 March 2016	-	471	98	-	35	604

## 18. Intangible assets

	ERP System	Computer software	Total
	P'000	P'000	P'000
<b>At 31 March 2017</b>			
Opening net book amount	24,815	-	24,815
Additions	800	-	800
Amortisation charge	(3,423)	-	(3,423)
<b>Closing net book amount</b>	<b>22,192</b>	<b>-</b>	<b>22,192</b>
Cost	34,593	5,367	39,960
Accumulated amortisation	(12,401)	(5,367)	(17,768)
<b>Net book amount</b>	<b>22,192</b>	<b>-</b>	<b>22,192</b>
<b>At 31 March 2016</b>			
Opening net book amount	26,445	-	26,445
Additions	1,656	-	1,656
Amortisation charge	(3,286)	-	(3,286)
<b>Closing net book amount</b>	<b>24,815</b>	<b>-</b>	<b>24,815</b>
Cost	33,793	5,367	39,160
Accumulated amortisation	(8,978)	(5,367)	(14,345)
<b>Net book amount</b>	<b>24,815</b>	<b>-</b>	<b>24,815</b>

Remaining amortisation period for ERP system is 6 years (2016: 7 years).

Fully amortised intangible assets at original cost are summarised as follows:

At 31 March 2017	-	5,367	5,367
At 31 March 2016	-	5,367	5,367



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017 (cont.)

## 19. Investments in joint ventures

	2017 P'000	2016 P'000	2017 P'000	2016 P'000	2017 P'000	2016 P'000	2017 P'000	2016 P'000	2017 P'000	2016 P'000
	<b>Plot 7 (Plaza Centre)</b>		<b>Plot 1471/2 (Galo Complex)</b>		<b>Boiketlo (Phakalane)</b>		<b>Plot 5129 (Bank Gaborone Building)</b>		<b>Total</b>	
<b>At the beginning</b>										
of the year	1,196	1,003	20,504	21,802	45	45	-	3,768	21,745	26,618
Share of equity accounted earnings for the year	809	693	11,921	11,452	1	-	-	1,773	12,731	13,918
Dividends paid during the year*	(1,200)	(500)	(12,500)	(12,750)	-	-	-	(1,355)	(13,700)	(14,605)
Partnership liquidation	-	-	-	-	-	-	-	(4,186)	-	(4,186)
<b>At the end of the year</b>	<b>805</b>	<b>1,196</b>	<b>19,925</b>	<b>20,504</b>	<b>46</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>20,776</b>	<b>21,745</b>

\* Dividends paid during the year relate to the Corporation portion only.

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

### (a) Plot 7 Partnership (Plaza Centre)

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

### (b) Boiketlo Estates Partnership (Phakalane)

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

### (c) Plot 1471/2 Partnership (Galo Complex)

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

### (d) Plot 5129 Partnership (Bank Gaborone Building)

The Corporation had a 50% interest in a partnership, Plot 5129 Partnership, which owned and operated an office complex in Main Mall, Gaborone. The Partnership was liquidated on 31 December 2015.

These Joint Ventures operates from Botswana

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017 (cont.)

## 19. Investments in joint ventures (continued)

### 19.1 Summarised financial statements of joint venture partnership

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

	Apr-17 P'000	Apr-16 P'000	Apr-17 P'000	Apr-16 P'000	Dec-16 P'000	Dec-15 P'000	2017 P'000	2016 P'000
	Plot 7 (Plaza Centre)		Plot 1471/2 (Galo Complex)		Boiketlo (Phakalane)			Total
<b>Assets:</b>								
<b>Non-current assets</b>								
Investment property	2,196	2,256	41,523	43,062	-	-	43,719	45,318
Other non-current assets	-	-	4,957	5,130	-	-	4,957	5,130
	<b>2,196</b>	<b>2,256</b>	<b>46,480</b>	<b>48,192</b>	<b>-</b>	<b>-</b>	<b>48,676</b>	<b>50,448</b>
<b>Current assets</b>								
Cash and cash equivalents	719	1,102	9,328	6,429	90	90	10,137	7,621
Other current assets excluding cash	456	414	396	372	-	-	852	786
	<b>1,175</b>	<b>1,516</b>	<b>9,724</b>	<b>6,801</b>	<b>90</b>	<b>90</b>	<b>10,989</b>	<b>8,407</b>
	<b>3,371</b>	<b>3,772</b>	<b>56,204</b>	<b>54,993</b>	<b>90</b>	<b>90</b>	<b>59,665</b>	<b>58,855</b>
<b>Liabilities:</b>								
<b>Non-current liabilities</b>								
Deferred income	-	-	817	887	-	-	817	887
	<b>-</b>	<b>-</b>	<b>817</b>	<b>887</b>	<b>-</b>	<b>-</b>	<b>817</b>	<b>887</b>
<b>Current liabilities</b>								
Trade and other payables	354	392	2,824	2,461	-	-	3,178	2,853
	<b>354</b>	<b>392</b>	<b>2,824</b>	<b>2,461</b>	<b>-</b>	<b>-</b>	<b>3,178</b>	<b>2,853</b>
	<b>354</b>	<b>392</b>	<b>3,641</b>	<b>3,348</b>	<b>-</b>	<b>-</b>	<b>3,995</b>	<b>3,740</b>
<b>Net assets</b>	<b>3,017</b>	<b>3,380</b>	<b>52,563</b>	<b>51,645</b>	<b>90</b>	<b>90</b>	<b>55,670</b>	<b>55,115</b>
<b>Income</b>								
Revenue	1,921	1,818	34,529	32,683	-	-	36,450	34,501
Sundry income/(expenses)	1	(37)	33	1,203	-	-	34	1,166
Finance income	2	2	108	80	-	-	110	82
	<b>1,924</b>	<b>1,783</b>	<b>34,670</b>	<b>33,966</b>	<b>-</b>	<b>-</b>	<b>36,594</b>	<b>35,749</b>
<b>Expense</b>								
Operating expenses	221	308	9,212	9,401	-	-	9,433	9,709
Depreciation	66	71	1,540	1,548	-	-	1,606	1,619
	<b>287</b>	<b>379</b>	<b>10,752</b>	<b>10,949</b>	<b>-</b>	<b>-</b>	<b>11,039</b>	<b>11,328</b>
<b>Surplus for the year</b>	<b>1,637</b>	<b>1,404</b>	<b>23,918</b>	<b>23,017</b>	<b>-</b>	<b>-</b>	<b>25,555</b>	<b>24,421</b>



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017 (cont.)

## 19.2 Reconciliation of net assets to carrying amount

	Apr-17 P'000	Apr-16 P'000	Apr-17 P'000	Apr-16 P'000	Dec-16 P'000	Dec-15 P'000	2017 P'000	2016 P'000
	Plot 7 (Plaza Centre)		Plot 1471/2 (Galo Complex)		Boiketlo (Phakalane)			Total
Closing net assets	3,017	3,380	52,563	51,645	90	90	55,670	55,115
Fair value of land contributed as equity	(1,271)	(1,271)	(10,720)	(10,720)	-	-	(11,991)	(11,991)
Adjustment to align financial year end	(136)	283	(1,993)	82	1	-	(2,129)	365
	<b>1,610</b>	<b>2,392</b>	<b>39,850</b>	<b>41,007</b>	<b>91</b>	<b>90</b>	<b>41,550</b>	<b>43,489</b>
<b>Interest in Joint Venture at 50%</b>	<b>805</b>	<b>1,196</b>	<b>19,925</b>	<b>20,504</b>	<b>46</b>	<b>45</b>	<b>20,776</b>	<b>21,745</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017 (cont.)

## 20. Taxation

	2017 P'000	2016 P'000
The current taxation liability, including the taxation expense is reconciled as follows:		
Taxation charge per profit and loss	8,540	-
Income tax paid during the year	(25)	-
Taxation payable at end of the year	<b>8,515</b>	-
Taxation per profit or loss	8,540	-
Normal company taxation	-	-
Deferred taxation movement	(5,731)	-
	<b>2,809</b>	-
Taxation charge reconciliation		
Profit before taxation	<b>51,311</b>	-
Taxation at the statutory rate of 22%	<b>11,288</b>	-
Apportionment of 3 months not subjected to taxation	(2,822)	-
Taxation charge	<b>8,466</b>	-
<b>Tax effects of adjustments on taxable income</b>		
Disallowed expenditure	74	-
<b>Taxation</b>	<b>8,540</b>	-
<b>Amount recognised in profit or loss</b>		
<b>Current tax expense</b>		
<b>Current year taxation</b>	8,540	-
Deferred tax (income) / expense		
Deferred tax movement during the year	(5,731)	-
<b>Taxation per profit or loss</b>	<b>2,809</b>	-

The Corporation became liable to income tax effective 1 July 2016 in accordance with statutory instrument No 41 of 2016. The income tax expense has been computed for the whole year and the amount relating to the 9 months was apportioned as per the ruling from Botswana Unified Revenue Services.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017 (cont.)

## 21. Deferred income tax

	2017 P'000	2016 P'000
Movement in deferred tax liabilities		
Balance at the beginning of the year	-	-
Movement during the year	5,731	-
<b>Balance at the end of the year</b>	<b>5,731</b>	<b>-</b>
Analysis of deferred taxation		
Accelerated capital allowances on property, plant and equipment	4,223	-
Prepayments	1,508	-
	<b>5,731</b>	<b>-</b>

## 22. Loans to related parties

At the beginning of the year	-	6,920
Interest charged (note 13)	-	566
Loans repayments received	-	(2,764)
Adjustment to loans	-	(4,722)
<b>At the end of the year</b>	<b>-</b>	<b>-</b>

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

The loan carried an interest rate of 13% per annum and was repayable over a period of ten years, commencing 1 August 2007. This loan was settled in full on liquidation of the Partnership in the prior year (refer to note 19).

## 23. Trade and other receivables

Trade receivables	93,175	52,713
Less: provision for impairment of trade receivables	(43,018)	(30,617)
<b>Trade receivables - net</b>	<b>50,157</b>	<b>22,096</b>
Sundry debtors	15,977	9,002
	<b>66,134</b>	<b>31,098</b>
Less: non-current portion	(9,284)	(11,228)
<b>Current portion</b>	<b>56,850</b>	<b>19,870</b>

The fair value of trade and other receivables approximate their carrying values due to the short term nature of these instruments.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017 (cont.)

## 23. Trade and other receivables (continued)

	2017 P'000	2016 P'000
Movements in the accumulated impairment losses on trade receivables were as follows:		
Accumulated impairment losses at beginning of the year	30,617	16,931
Provision for impairment per profit or loss (note 10)	12,401	16,028
Amount written off during the year as uncollectable	-	(2,342)
<b>Accumulated impairment losses at end of the year</b>	<b>43,018</b>	<b>30,617</b>

## 24. Cash and cash equivalents

Cash at bank and on hand	623,969	710,576
Short term bank deposits	852,586	972,377
	<b>1,476,555</b>	<b>1,682,953</b>

Cash and cash equivalents include P718.6 million (2016: P808.9 million) received from government entities to carry out its housing projects. These balances have been excluded from cash and cash equivalents for the purpose of statement of cash flows. These balances relate to the project management services provided to these projects. The corresponding liability has been recognised in note 29.

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

Fixed deposits	166,554	197,473
Money markets deposits	544,054	517,638
Current and call accounts deposits	47,312	158,889
	<b>757,920</b>	<b>874,000</b>

## 25. Irredeemable capital

Irredeemable capital contribution	250,000	250,000
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## 26. Earnings reserve

At beginning of the year	6,426	8,657
Net transfer to retained earnings	(1,468)	(2,231)
<b>At end of the year</b>	<b>4,958</b>	<b>6,426</b>

Earnings reserve is a reserve recognised in terms of accounting policy 2.14.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017 (cont.)

## 27. Borrowings

	2017 P'000	2016 P'000
Irredeemable loan	212	212
Foreign loans on-lent by the Government of Botswana	24,089	33,265
Government of Botswana loans	340,450	332,526
Debt Participation Capital Funding Limited loans	3,194	20,222
	<b>367,945</b>	<b>386,225</b>
Debt securities in issue	392,610	392,663
	<b>760,555</b>	<b>778,888</b>
Less: current portion	(337,484)	(35,630)
<b>Non-current portion</b>	<b>423,071</b>	<b>743,258</b>
Debt securities in issue include accrued interest of P3.610 million (2016: P3.663 million).		
All borrowings are denominated in Pula.		
Government revenue grant		
Balance at the beginning of the year	70,992	-
Additions during the year	-	72,515
Amortisation during the year	(7,957)	(1,523)
Deferred Government Revenue Grant	63,035	70,992
Less: current portion	(8,211)	(7,957)
<b>Non-current portion</b>	<b>54,824</b>	<b>63,035</b>

### 27.1 Irredeemable loan

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

### 27.2 Foreign loans on-lent by the Government of Botswana

Foreign loans on-lent by the Government of Botswana are from the Peoples' Republic of China to the Government of Botswana, which the Government of Botswana has on-lent to the Botswana Housing Corporation. These loans are repayable in 8 years and carry interest rates ranging from 8.40% to 8.50% per annum. The Government of Botswana bears the risk of any foreign exchange rate fluctuations. Botswana Housing Corporation does not provide any securities under these loans.

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017 (cont.)

## 27. Borrowings (continued)

### 27.3 Government of Botswana loan

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

### 27.4 Deferred Government Grant

The deferred government grant relates to a Government loan which was granted to the Corporation at a rate of 3% per annum which was below the market interest rate. The loan was granted specifically to fund the Instalment Purchase Scheme and Youth Housing projects. The grant is recognised in the financial statements in terms of accounting policy 2.30 as a deferred revenue grant and will be recognised as income in profit or loss to be matched with interest expenses of this loan on a systematic basis over a 15 year period.

### 27.5 Debt Participation Capital Funding Limited loans

The Debt Participation Capital Funding Limited loans are repayable between 22 and 23 years and bear interest at rates varying between 9.50% and 12.00% per annum. These loans are unsecured.

### 27.6 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 bi-annually on 10 June and 10 December.



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017 (cont.)

## 27. Borrowings (continued)

### 27.6 Debt securities in issue

#### Fixed rates notes (continued)

Lender	Contractual interest rate (%)	Period of repayment	Balance at 01/04/16 P'000	Addition	Interest unwinding during the year P'000	Repayment during the year P'000	Balance at 31/03/17 P'000
<b>Irredeemable loan</b>							
Government of Botswana	8.00%	Irredeemable	212	-	-	-	212
<b>Foreign loans on-lent by the Government of Botswana</b>							
Government of the Peoples' Republic of China	8.50%	2007-2015	2	-	-	-	2
Government of the People's Republic of China	8.50%	2008-2016	1,690	-	3	(1,694)	(1)
Government of the People's Republic of China	8.40%	2011-2019	31,573	-	1,320	(8,805)	24,088
			<b>33,265</b>	<b>-</b>	<b>1,323</b>	<b>(10,499)</b>	<b>24,089</b>
<b>Government of Botswana loan</b>							
Government of Botswana	3.00%	2015-2029	332,526	-	7,924	-	340,450
			<b>332,526</b>	<b>-</b>	<b>7,924</b>	<b>-</b>	<b>340,450</b>
<b>Debt Participation Capital Funding Limited loans</b>							
Debt Participation Capital Funding Limited	9.50%	1993-2016	11,268	-	(144)	(11,122)	2
Debt Participation Capital Funding Limited	12.00%	1994-2017	8,954	-	(64)	(5,698)	3,192
			<b>20,222</b>	<b>-</b>	<b>(208)</b>	<b>(16,820)</b>	<b>3,194</b>
			<b>386,225</b>	<b>-</b>	<b>9,039</b>	<b>(27,319)</b>	<b>367,945</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017 (cont.)

## 28. Trade and other payables

	2017 P'000	2016 P'000
Trade payables	99,857	62,100
Advance payment by customers	15,485	17,327
Accrued expenses	22,205	43,085
Dividend payable	40,410	60,616
Sundry creditors	13,307	30,125
	<b>191,264</b>	<b>213,253</b>

## 29. Agency funds

<b>Agency funds liability</b>		
At the beginning of the year	808,953	606,571
Funds received during the year	235,017	374,556
Expenditure on projects during the year	(346,331)	(201,119)
Interest earned on temporary investment of funds	20,996	28,945
<b>At the end of the year</b>	<b>718,635</b>	<b>808,953</b>
Non-current portion	(229,963)	(258,865)
<b>Current portion</b>	<b>488,672</b>	<b>550,088</b>

Interest accrued to these funds is paid to the agencies

Balances relating to related parties are as follows:

Botswana Defence Force	401,325	431,057
Botswana Unified Revenue Services	3,392	16,721
Department of Housing	51,678	42,638
Self Help Housing Agency	198,734	258,770
Tlokweng Land Board	740	734
Malete Land Board	341	336
Directorate on Corruption and Economic Crime	5	443
Independent Electoral Commission	296	291
Kgatleng Land Board	1,721	2,130
Administration of Justice	(29)	2,681
Botswana Prisons Services	54,167	53,152
Ministry of Finance	1,410	-
Tawana Land Board	2,361	-
Botswana Police Service	992	-
Letlhakeng Sub Land Board	1,502	-
	<b>718,635</b>	<b>808,953</b>

The relationship is through common ownership by the Government



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017 (cont.)

## 30. Customer deposits

	2017 P'000	2016 P'000
Rental deposits	11,474	11,066
Sale of properties deposits	1,628	56,308
	<b>13,102</b>	<b>67,374</b>

## 31. Dividend

Dividend	6,990	2,460
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The board approved a dividend payable of P 6,990,000 (2016: P2,460,000) which is calculated in accordance with the Government of Botswana's directive, as 25% of the surplus reported in the previous financial year. From the following financial year, the Corporation is no longer liable to declare dividends as it is subject to income tax (note 20).

## 32. Net cash (utilised in) / generated from operating activities

Surplus before taxation	51,311	27,959
Adjustments for:		
Gain on sale of property, plant and equipment (note 11)	-	(50)
Gains from sale of investment property (note 12)	(17,746)	(106,550)
Depreciation - investment property (note 15)	8,706	8,511
Depreciation - property, plant and equipment (note 17)	3,625	3,893
Adjustment - Accumulated depreciation on transfers (note 17)	-	86
Amortisation - leasehold land (note 9)	1,178	1,152
Amortisation - intangible assets (note 18)	3,423	3,286
Impairment expenses (note 10)	12,401	24,083
Transfer of investment property to inventory (note 15)	2,391	4,733
Release of impairment provision - housing inventory (note 11)	3,040	-
Partnership liquidation adjustment (note 19)	-	4,186
Provision for restructuring expenses (note 36)	(38,605)	42,298
Partnership loan adjustment (note 22)	-	4,722
Capitalised interest	9,070	6,065
Interest unwinding on loans	1,990	3,188
Movement in bond and loan accrued interest	(960)	1,499
Share of surpluses in joint ventures (note 19)	(12,731)	(13,918)
Finance income (note 13)	(24,961)	(24,133)
Finance cost (note 14)	26,799	31,845
	<b>28,931</b>	<b>22,855</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017 (cont.)

## 32. Net cash (utilised in) / generated from operating activities (continued)

	2017 P'000	2016 P'000
Changes in working capital:		
Trade and other receivables (note 23)	(44,448)	(2,322)
Trade and other payables (excluding dividend payable) (note 28)	(9,829)	26,296
Deferred income	(3,065)	1,911
Customer deposits (note 30)	(54,272)	26,482
Housing inventories (note 16)	33,619	187,026
<b>Cash flow from operating activities</b>	<b>(49,064)</b>	<b>262,248</b>

## 33. Commitments

### (a) Capital commitments

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

Investment properties and housing inventories	183,896	40,793
Intangible assets	1,250	3,576
	<b>185,146</b>	<b>44,369</b>

The capital commitments are to be financed through internally generated cash resources.

### (b) Operating lease commitments

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

Not later than 1 year	2,925	3,966
Later than 1 year but not later than 5 years	57	2,826
	<b>2,982</b>	<b>6,792</b>

## 34. Related party transactions

The Botswana Housing Corporation is a parastatal, wholly owned by the Government of the Republic of Botswana. Accordingly, Government of Botswana line ministries, departments and related parastatals are related parties. In the course of its day to day operations the Corporation enter into 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 2017 (cont.)

## 34. Related party transactions (continued)

	2017 P'000	2016 P'000
<b>34.1 Loans from Government</b>		
Details of these loans are disclosed in note 27 to these financial statements.		
<b>34.2 Transactions with board members</b>		
Board sitting fees	164	140
<b>34.3 Key management personnel compensation</b>		
Salaries and other short-term benefits	2,506	3,384
Post employment benefits - gratuity provision	556	760
	<b>3,062</b>	<b>4,144</b>
Key management personnel for the Corporation have been defined as Executive Management of the Corporation.		
Additionally, members of the Executive Management Committee are entitled to rent-free accommodation or housing allowance, personal-to-holder motor vehicles and subsidised water and electricity.		
<b>34.4 Advances to key management personnel</b>		
Advance against gratuity	1,340	1,276

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

## 34.5 Bad and doubtful debts

As at 31 March 2017 doubtful debt provisions in respect of rental debts owed by the Government of Botswana amounted to P 361,682 (2016: P 265,767).

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017 (cont.)

## 34. Related party transactions (continued)

### 34.6 Joint ventures

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

### 34.7 Revenue

Significant income the Corporation earned from related parties include professional services carried out, rental income and sale of housing inventories for the year ended 31 March 2017.

	Sales of housing inventories P'000	Rental income P'000	Professional fees P'000
Botswana Defence Force	135,902	11,189	9,345
Botswana Prison Services	-	4,211	2,026
Botswana Unified Revenue Services	-	-	854
Ministry of Lands and Housing	-	50,254	2,292
Botswana Police Service	34,645	14,442	7,022
Self Help Housing Agency	-	-	6,760
Directorate on Corruption and Economic Crime	-	-	30
Kgatlang Land Board	-	-	180
Administration of Justice	-	-	109
Office of the President	4,050	1,581	-
Ministry of Education & Skills Development	29,366	-	-
Water Utilities Corporation	-	238	-
Accountant General	-	-	334
Botswana International University of Science and Technology	25,654	-	-
Tsabong Land Board	-	-	1,249
Jwaneng Town Council	3,414	-	-
	<b>233,031</b>	<b>81,915</b>	<b>30,201</b>



# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017 (cont.)

## 34. Related party transactions (continued)

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

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

## 34.8 Trade receivables

Included in trade receivables are the following balances due from related parties in respect of the professional services and SHHA capacitation fees.

	2017 P'000	2016 P'000
Botswana Defence Force	7,199	1,519
Administration of Justice	122	51
Directorate on Corruption and Economic Crime	35	187
Accountant General	95	-
Self Help Housing Agency	19,822	906
Kgatleng Land Board	201	-
Tsabong Land Board	1,399	-
Botswana Unified Revenue Services	2,662	-
Botswana Prison Services	1,217	605
	<b>32,752</b>	<b>3,268</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2017 (cont.)

## 34. Related party transactions (continued)

### 34.9 Agency funds

Details of agency funds are disclosed in note 29 to these financial statements.

## 35. Provision for restructuring expenses

	2017 P'000	2016 P'000
At beginning of the year	42,298	-
Payments during year	(38,605)	-
Charge for the year	-	42,298
<b>Balance at end of year</b>	<b>3,693</b>	<b>42,298</b>

As a part of a strategic restructuring programme, the BHC Board approved a new establishment which resulted in retrenchment of certain employees of the Corporation. The actual number of employees released by the end of the financial year is 77. BHC has signed an agreement with the Workers Union on 30 March 2016 detailing the proposed compensation package for employees who are to be retrenched as a result of the proposed restructuring. The balance in the provision account is expected to cater for non-acceptance to re-deployment by some officers and also to some Senior Leadership Team (SLT) members who will be released. The restructuring programme is expected to be completed within the next 12 months.

## 36. Events after the reporting date

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



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