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Contents

Five Year Summary

for the year ended 31 March 2012

	2012 P'000	2011 P'000	2010 P'000	2009 P'000	2008 P'000
Analysis of Amounts (P'000)					
Balance at 1 April 2012					
Deposits (Ordinary, Special savings, Letsibogo and Tlamelo)	280,431	282,270	273,608	278,945	241,685
Fixed deposits	158,456	8,080	17,297	743	847
Advances (mortgages and short loans)	1,988,586	1,688,744	1,458,517	1,289,143	1,084,984
All classes of shares and reserves	971,391	1,013,112	908,533	867,168	788,264
Analysis of Account holdings					
Number of mortgage loan holders	5,488	5,206	4,912	4,657	4,432
Number of short-term loan account holders	7,285	7,728	7,969	7,705	7,624
Number of paid up share account holders	41,636	41,427	40,225	40,015	37,744
Number of subscription share account holders	5,817	5,968	5,807	5,931	4,689
Number of fixed-deposit account holders	148	842	779	694	426
Number of savings account holders	107,658	103,214	104,785	155,676	165,172
	168,032	164,385	164,477	214,678	220,087

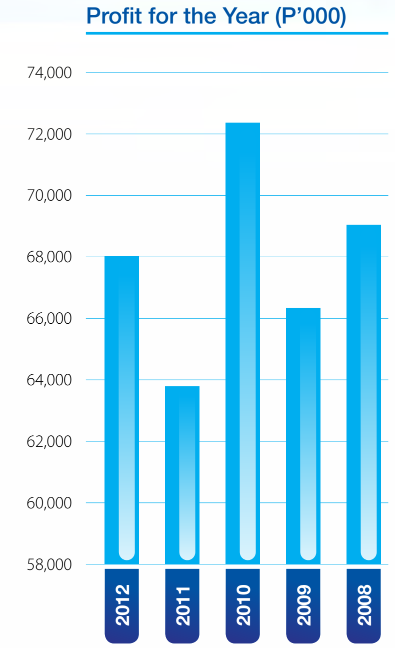
Value Added Statement

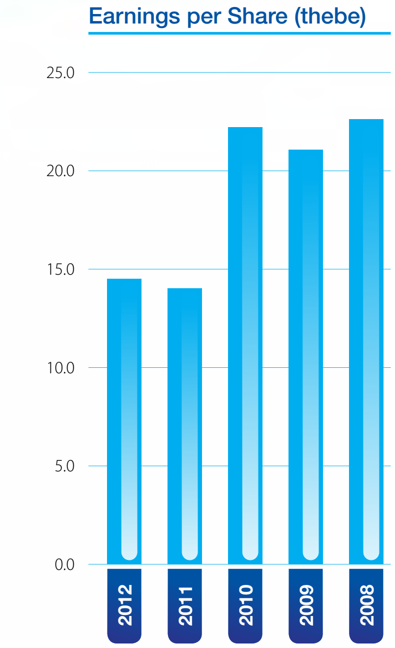
for the year ended 31 March 2012

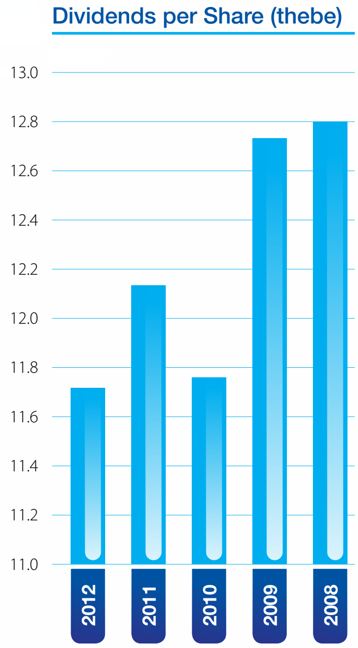
	2012 P'000	2011 P'000
Value created		
Income from lending and banking activities	262,178	235,263
Cost of services	(111,971)	(97,676)
Value created by operations	150,207	137,587
Non-operating income	3,330	2,537
Operating expenditure excluding staff costs	(36,558)	(32,393)
	116,979	107,731
Value distributed		
Employees - Salaries and benefits	45,071	40,197
Shareholders - Dividends	57,319	56,446
	102,390	96,643
Value retained		
Retained income (including transfer to statutory reserve)	10,749	7,256
Depreciation	3,840	3,831
	14,289	11,088
Total value distributed and retained	116,679	107,731

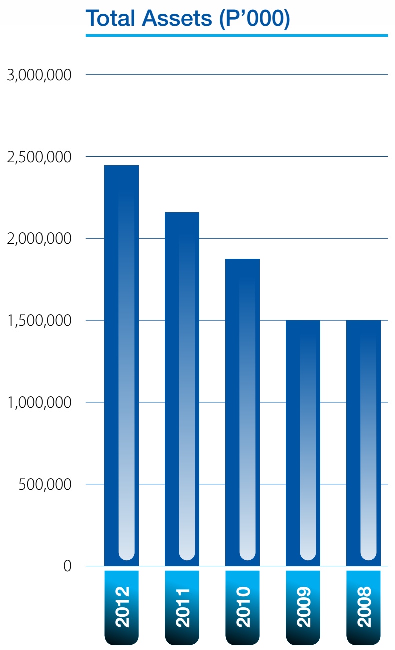
Performance Highlights

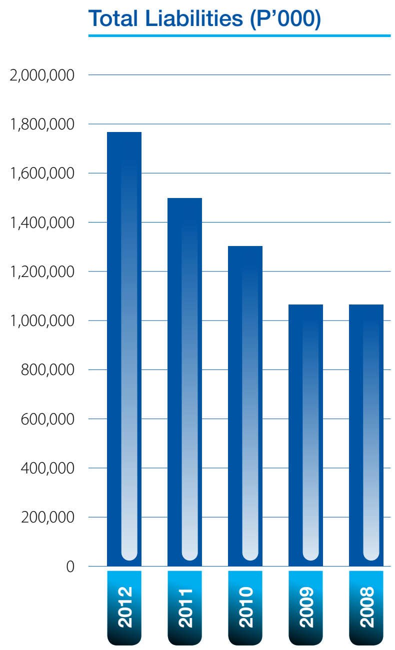
for the year ended 31 March 2012









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Ordinary Savings Account

Notice of Meeting & Agenda

Notice is hereby given that the Thirty sixth (36th) Annual General Meeting of Members will be held at the Gaborone Sun Conference Centre, Gaborone on Thursday 23 August 2012 at 0900 a.m.

AGENDA

1. To receive the Financial Statements, the Directors' and Auditors' Reports for the year ended 31st March 2012.
2. To approve the Financial Statements.
3. To approve the Directors' Remuneration
4. To approve the Auditors' Remuneration
5. To note the resignation of the following Director in terms of Rule 86 of the Society:
    - Mr. Martin M. Makgatlhe
6. There being no new nominees to note the retirement of the following Directors in terms of Rule 86 of the Society, who are also eligible for re-election and have also put themselves up for re-election:
    - Mr. Cross Kgosidiile
    - Mrs Tsetsele C. Fantan
    - Mr. Pius K. Molefe
7. To confirm the appointment of the following Director appointed in terms of Rule 80 of the Society:
    - Mr. Kelebamang Motlhanka
8. To appoint KPMG as auditors of the Society for the following year.

BY ORDER OF THE BOARD

Sipho H. Showa
Board Secretary

Board of Directors

LEFT TO RIGHT

1. Pius K. Molefe
   (Managing Director)
2. Mareledi Segotso
3. Gerald N. Thipe
4. Kelebamang Motlhanka
5. Cross Kgosidiile
   (Chairman)
6. Frederick Selolwane
7. Tsetsele C. Fantan
8. James N. Kamyuka
9. Simon Hirschfeld

Senior Management

STANDING LEFT TO RIGHT

1. **Susan L. Motlhabane**
   Head of Operations

2. **Sipho H. Showa**
   Company Secretary and
   Head of Communications and Marketing

3. **Julia Ntshole**
   Head of Risk

4. **Punah Moyo**
   Head of Projects and Strategy

5. **Keona B. Mphetlhe**
   Head of Corporate Affairs

6. **Freddie L. Rakwadi**
   Head of Information Technology

SEATED LEFT TO RIGHT

1. **Pearl Ramokate-Nkoane**
   Head of Finance

2. **Pius K. Molefe**
   Managing Director

3. **Thelma O'Reilly**
   Head of Banking


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Chairman's Statement

Chairman's Statement

Dear Shareholder,

As my predecessor stated in the previous Report, Botswana Building Society (BBS) is in a transition phase because the current environment is difficult for every enterprise. The building society model, which has served Batswana well for about 35 years, is starting to show constraints and can no longer deliver sterling results as was the case in the past.

Our anticipation is that continuous adherence to this business model can only lead to declining performance as it has limited space in the current business environment. Commercial banks and other financial institutions are enjoying a low cost of capital thus intensifying competition on our products. Their flexibility also allows them the latitude to be more innovative leading to more complementary products, an advantage which the building society model does not enjoy. It is for these reasons that the processes of demutualising the Society needs to be accelerated thus allowing the Society to transform into a commercial bank capable of competing with others at par and thus creating and retaining value for its stakeholders.

I am therefore pleased to inform you that preparatory work to ensure that the demutualisation exercise is executed seamlessly is being done. We will convene a special general meeting at a date to be announced focusing on the demutualisation project both to brief you and to get decisions on various matters to be implemented.

TOTAL ASSETS

P2,460 billion

which is an increase of 14% over the previous year.

Pego ya ga Modulasetilo wa Khuduthamaga

Mmeeletsi yo tlotlegang,

Jaaka mookamedi wa Khuduthamaga yo ke motlhatlhameng a buile mo pegong ya gagwe ya ngwaga o fetileng, Botswana Building Society (BBS) e lebanwe ke diphetogo ka gore seemo se e direlang mo go sone ga se sa tlhole se le motlhofo. Sebopego sa kgwebo ya rona, se re nang le dingwaga di ka tshwara masome a mararo le botlhano re le mo go sone, se supa fa se sa tlhole se kgona go re fa dipoelo tse di kwa godimo.

Dibanka le dikgwebo tse dingwe tse di dirang ka madi le tsone di dira gore re itshekatsheke ka gore tsone di kgona go dira dipoelo tse di kwa godimo fela thata le go adimiwa madi ka ditlhwatlhwa tse di kwa tlase go na le rona. Se se re baya ka fa tlase ga kgatelelo e kgolo. Ke ka moo go leng botlhokwa gore BBS e fetoge e nne banka gore rona re le kgwebo le wena o le mmeeletsi re tle re kgone go bona dipoelo tse di kwa godimo.

Ke ka moo ke itumelelang go lo itsise gore tiro e simologile go tlhomamisa gore re nna banka. Ka jalo, e tlaare mo tsamaong ya nako re lo biletse phuthego e e faphegileng go tla go buisanya gore kgwebo e fetoge sebopego leng le go tsaya ditshwetso tsa gore diphetogo tseo di diragadiwe leng.

BBS e betla tsela e ntsha ya go dira kgwebo e matshego a yone e tla nnang ditso tsa rona tse di motia le maduo a rona a mantle re ngokiwa gape ke dipoelo tse re tla simololang go di akola fa re le banka. Pele ga seo se diragala, re tshwanetse ra seka ra ipona tsapa go ikgakolola gore BBS e ntse le karolo e kgolo mo go tlhabololeng matshelo a Batswana. Ke ka moo moono wa pego ya ngwaga ono wa madi wa *"Empowering people, Enhancing lives"* o leng maleba. O maleba ka gore re thusitse Batswana ba le bantsi go aga matlo le dikgwebo le go ba fa ditlamelo tse di bogadi bogaufi tsa go boloka madi a bone. Go thusa mo tlhabololong ya matshelo a Batswana ke sengwe se re tshwanetseng go ipela ka sone.


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Need finance for that land?
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" I am here.
I have been here.
I will be here..." "Baobab" by Barolong Seboni, acclaimed Motswana Poet
These words ring in your head as you admire that piece of land, wondering whether you will ever own it. Well, now you can because at BBS we finance undeveloped freehold land.
And, we will process your application so quickly that the land will still be there by the time we finish.
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Chairman's Statement (continued)

BBS is thus embracing a new set of strategic priorities which will build on established strengths, past and recent successes as well as emerging opportunities which can only be taken advantage of if we are a fully-fledged commercial bank. In the meantime, we must take time to reflect on the success BBS has had over the years in terms of developing the lives of Batswana. Hence this year's theme for our Annual Report, *"Empowering people, Enhancing lives"*, is quite befitting. That is so because over the years, we have funded thousands of Batswana to either buy or build homes, develop various properties and assisted thousands more to save through our various savings and shares products. Participating in the development of Botswana and its people is something we should be proud of as the Society.

2011/12 Performance

With regard to our results, I am pleased to report that in the context of the current economic climate, BBS performed well in 2011/12 benefitting from a good demand for its products. Profit was at P68 million which is 7% above that of last year which was P64 million. Our savings deposits also increased by P149 million from P290 million in 2011 to P439 million in 2012 clearly indicating that we were aggressive in our marketing and sales efforts during the year. The increase in savings is also testimony to the attractive rates which we offer on our various products. It is because of this good performance that the Board is also pleased to announce that dividends paid during the year amounted to P57 million compared to P54 million in the previous year. We need to highlight however, that the Society will be breaking away from the old tradition of paying withholding tax on behalf of the shareholders. Starting in September this year, the dividends will be paid net of withholding tax, which is calculated at 7.5%, as it is supposed to be a tax on dividends and not on the Society.

SAVINGS DEPOSITS

P439 million

increased by P149 million from P290 million in 2011 to P439 million in 2012 clearly indicating that we were aggressive in our marketing and sales efforts during the year.

Maduo a 2011/12

Fa re remelela mo maduong a rona, ke itumelela go lo bolelela gore fa re lebile seemo sa kwelo tlase ya itsholelo, BBS e dirile sentle mo ngwageng wa 2011/12. Dipoelo di nnile kwa go P68 million se e le koketsego ya 7% mo dipoelong tse re di boneng ka ngwaga wa 2010/11 tsa P64 million. Dipolokelo tsa rona di oketsegile ka P149 million di tswa kwa go P290 million ka 2011 go ya kwa go P439 million ka 2012 se e le go supa gore ipapatso ya rona e ne e le mashetla. Koketsego ya dipeeletso gape e supa gore merokotso ya rona e a kgatlhisa. Ke ka moo Khuduthamaga e itumelelang go lo itsise gore morokotso o o duetsweng ka ngwaga o ke P57 million fa o tshwantshanngwa le P54 million wa ngwaga o fetileng. Mme re tshwanetse gape ra lo itsise gore go simolola ka kgwedi ya Lwetse ngwaga ono, BBS e tla emisa go duelela babeeletsi lekgetho mo diabeng tsa bone. Lekgetho le la selekanyo sa 7.5%, le tshwanetse la duelwa ke babeeletsi e seng BBS go ya ka molao wa makgetho.

Ke itumelela gape go bega gore madi a rona a makata dimetshe a oketsegile go tswa kwa go P193 million ka 2011 go ya kwa go P203 million ka Mopitlo 2012, se e le koketsego ya P10 million. Tlhwatlhwa ya dithoto tsotlhe tsa rona ke P2,460 billion se e le koketsego ya 14% mo palong ya ngwaga o o fetileng. Mme lo tla lemoga gore madi a rona a go tsamaisa kgwebo a oketsegile go ya kwa go P86 million a tswa kwa go P78 million ngwaga o o fetileng. Koketsego e e dirwa ke dipaakanyo tse re di dirang go fetoga go nna banka.

Gape, dikgato tse Khuduthamaga le Botsamaisi ba di tsereng go tlhabolola ditsamaiso tsa BBS le tsone di thusitse gore re nne le maduo a mantle. Maikaelelo a rona e ne e le go tlhomamisa gore re seka ra dirisa madi a mantsi go tsamaisa kgwebo mme re tsweletse ka go isetsa setshaba ditlamelo tsa rona. Go dira jalo, le gore kgwebo ya rona e bo e le motia, go re thusitse thata. Ke ka moo ke dumelang gore maduo a rona a ngwaga o a a nametsa.

Ka jalo, go a bonala gore banka e re batlang go e dira e tla nna le motheo yo o motia yo o tsweletseng ka go itshetlela le mo nakong e ya kwelo tlase ya itsholelo.

Chairman's Statement (continued)

I am also happy to report that we have solid reserves which increased from P193 million in 2011 to P203 million as at March 2012, this being an increase of P10 million. Our total assets are at P2,460 billion which is an increase of 14% over the previous year. You will note however that our operating and administration expenses are at P86 million compared to P78 million in 2011 largely because of the many projects we have embarked upon in our quest to demutualise the business.

Further, the measures that the Board and Management team took during the period to improve internal efficiencies of BBS also contributed to the pleasing results. Our strategy was therefore to contain costs during the year while continuing to provide superior service to our customers. The strategy served us well and I have no doubt that this year's strong performance is because of the fundamental strength of BBS and the actions that we have taken over the year.

It is therefore clear that we will be building our new organisation from a strong and stable financial base, a foundation that has strengthened despite challenges of the last few years, and indeed months.

Bifm Capital Court Case

Still on the challenges, there is one I would like to highlight as it had the potential to undermine our business, financially and otherwise, had it not been handled as effectively as was done by the Society. The matter also captivated the imagination of the entire local financial services sector because of the potential consequences that would have befallen BBS had it lost the case. I am referring here to the court case between Botswana Building Society and its former shareholder Bifm Capital Investment Fund One (Pty) Ltd ("Bifm Capital"). Bifm Capital had invested P150 million in indefinite period paid up shares since 2005 making it one of our biggest shareholders. However the Society's values and its business imperatives later dictated the redemption of the BIFM Capital shares. The redemption caused a discord as BIFM Capital rejected the redemption on the basis of the 2005 Agreement, which both parties had earlier sought to amend in light of the questionable legality of some of its provisions. This resulted in the protracted legal case, the outcome of which was to nullify the Agreement by the High Court of Botswana thus upholding the validity of the redemption notice issued by the Society. The Society subsequently redeemed the shares, although unfortunately, Bifm Capital is appealing the judgement. The Society's legal advisors have however given an assurance that the chances of success of this appeal are slim. The appeal will most likely be heard in October 2012.

Kgang ya Bifm Capital

Re ntse re le mo dikgwetlhong, go na le kgang e ke batlang go bua ka yone ka e ne e na le matshosetsi a go ama kgwebo ya rona fa re ne re sa e tshwara ka matlametlo a re neng ra a dira. Kgang e gape e ne ya ngoka kgatlhego e ntsi mo setshabeng. Ke bua ka kgang magareng ga rona le Bifm Capital Investment Fund One (Pty) Ltd ("Bifm Capital"). Bifm Capital e ne e beeleditse P150 million mo diabeng tsa Indefinite Period Paid Up go tswa ka 2005 mme se, se ne se e dira nngwe ya babeeletsi ba bagolo mo BBS. Mme e ne yare go tsamaya ga nako, ga lemosega gore BBS le Bifm Capital di ne di sa lebe dilo ka go tshwana ka jalo ra tsaya kgato ya gore re kgaogane le Bifm Capital. Khamphani ya Bifm Capital e ne ya seke ya amogela se e re kgato e e tsuolola tumalano ya 2005 e rotlhe ka bobedi re neng ra dumalana gore ditsetla dingwe tsa yone ga di ka fa molaong. Ke ka moo re neng ra felela re le kwa kgotleng e kgolo ya ditsheko ya Botswana e e neng ya re kwa bokhutlong, ya dumalana le tshwetso ya BBS ya go kgaogana le Bifm Capital. Le gale, Bifm Capital e setse e tlhalositse fa e ikaelela go ikuela. Babueledi ba molao ba BBS bone bare tlhaloseditse gore ga ba bone fa Bifm Capital e ka atlega fa e ka ikuela. Ikuelo e, fa e ka diragala, e tla reediwa ka kgwedi ya Phalane 2012.

Ka jalo, ke batla go tsaya sebaka se mo boemong jwa Khuduthamaga go kopa maitshwarelo fa e le gore kgang e e ne ya tsosa ketsaetsego mo go bangwe. Mo go iphutheng motlhala ga rona, re dumela gore tumalano ya rona le Bifm Capital ke e e sa tshwanelwang go ka bo e diragaditswe. Ka nako eo, rona le Bifm Capital re ne re dumela fa tumalano eo e le ka fa molaong. Mme e bile, re lo tlhomamisetsa gore ka kgang e, fela jaaka mo ditshwetsong tse dingwe tse re di tsayang mo boemong jwa BBS, re dira jalo ka maikaelelo a go dira dilo sentle. Ke ka moo ke batlang go leboga babeeletsi botlhe ba rona le baemanokeng ka go farologana go bo ba ne ba re tiisa moko ka nako ya kgang ya Bifm Capital.

Diphetogo mo Khuduthamageng

Mo ngwageng o, re ne ra itumelela go amogela maloko a masha a Khuduthamaga e bong Mme Mareledi Segotso, borre Gerald Thipe, Kelebamang Motlhanka le Frederick Selolwane ba ba nang le dikitso tse di farologanyeng mo go tsa kgwebo, itsholelo le tsamaiso ya kgwebo tse e leng gore di tlhabolotse ka fa Khuduthamaga e dirang ka teng. Mme re lebogela seabe se maloko a rona a pele a Khuduthamaga e bong borre Martin Makgatlhe, Rhys Carr le Tim Marsland ba nnileng naso ka nako e ba neng ba na le rona.

Chairman's Statement (continued)

I would therefore like to take this opportunity to express the Board's deepest regret for any uncertainty that this matter might have caused our shareholders and other stakeholders. With the benefit of hindsight, the agreement should never have been entered into. At the time, both Bifm Capital and BBS, believed it to be legal. You are therefore assured that in this matter, as we always do in others, the Board and Management acted in the best interests of the Society. I would also like to thank all our shareholders, customers, stakeholders and well-wishers for their support during the time that we were dealing with this matter.

Board changes

During the year, we were also very pleased to welcome new Board Members being Ms. Mareledi Segotso, Messrs Gerald N. Thipe, Kelebamang Motlhanka and Frederick Selolwane whose wealth of knowledge in matters of finance, property development, human resources and business has further strengthened the Board. We also appreciate the contributions of Messrs Martin Makgatlhe, Rhys Carr and Tim Marsland who either resigned or retired from the Board during the year.

Our staff

With so much change expected, there can be unsettling effects. The Board has therefore been impressed by the passion to serve customers and the determination to compete in what is a tough business environment which our Management and employees continue to exhibit. On behalf of the Board, I would like to thank all our staff for their dedication to the success of BBS.

Thank you

We recognise that change can also engender uncertainties for stakeholders especially shareholders and potential investors. I have thus appreciated greatly the ideas and input of some of the shareholders I have had the opportunity to meet regarding how we can improve our business for the long term. If we work together, as we are doing, to build a sustainable and successful business then we can all look to the future with optimism and continued pride.

Lastly, I wish to thank our shareholders, stakeholders and cutomers for their continued support to the Society's various endeavours.

Cross Kgosidiile
Board Chairman

Babereki ba rona

Jaaka go na le diphetogo tse dintsi tse di diragalang mo kgwebong ya rona, se se kgona go tlisa ketsaetsego e ntsi. Mme Khuduthamaga e itumedisiwa ke go bona ka fa Botsamaisi le babereki ba BBS ka kakaretso ba tsweletseng ka go bereka ka thata ka teng. Mo boemong jwa Khuduthamaga, ke batla go ba lebogela boineelo jwa bone mo tirong ya BBS.

Malebo

Re itse sentle gore diphetogo di kgona gape go tlisa ketsaetsego mo babeeletsing ba rona le ba ba eletsang go beeletsa. Ke ka moo ke itumelelang dikgakololo tse ke nnang ke di fiwa ke bangwe ba babeeletsi ba rona fa ke kopana nabo tsa gore re ka tlhabolola BBS jang. Fa re dira mmogo, jaaka gone jaanong, go aga kgwebo ya isago, re ka gatela pele re sa belaele sepe.

Kwa bokhutlong, ke leboga babeeletsi ba rona le badirisi ba ditlamelo tsa rona ba ba tsweletseng ka go re ema nokeng.

Cross Kgosidiile
Modulasetilo - Khuduthamaga ya BBS

Managing Director's Statement

Managing Director's Statement

Dear Shareholder,

In keeping with the theme of this year's report, *"Empowering people, Enhancing lives"* which speaks to our efforts at helping develop Batswana through our mortgage and banking products throughout our 35 years in business, I am pleased to report that Batswana have in turn demonstrated their faith in BBS as indicated by our strong performance during the year under review.

This performance means that we have been able to hold off the effects of the challenging macro-economic environment that has affected so many businesses in recent times. The year 2011 was yet another turbulent one for the world economy reflected locally in rising inflation, sharp increase in commodity prices, and stifling business growth which also had an impact on costs.

Performance

BBS profit was therefore at P68 million, 7% above that of the previous year, marking the resilience of our business and its stable foundation. Total assets of the Society were at P2,460 billion (2011: P2,163 billion) this being an increase of 14% over the previous year. Long term loans and advances grew by 18% to reach P1,924 billion (2011: P1,627 billion) while short term loans and advances at P64 million recorded a growth of 3% (2011: P62 million).

LONG TERM LOANS AND ADVANCES

18%

grew by 18% to reach P1,924 billion (2011: P1,627 billion) while short term loans and advances at P64 million recorded a growth of 3% (2011: P62 million).

Pego ya ga Mookamedi

Mmeeletsi yo tlotlegang,

Fa re lebile moono wa pego ya ngwaga ono wa *"Empowering people, Enhancing lives"*, o o remeletseng mo go thuseng Batswana ga rona go aga matlo le go beeletsa e sale ka re nna teng dingwaga tse di masome a mararo le botlhano tse di fetileng, ke itumelela go bega gore Batswana le bone ba supile tshepho e tona mo BBS jaaka maduo a rona a ngwaga o a supa.

Maduo a a raya gore re kgonne go emelelana le manokonoko a kwelo tlase ya itsholelo e e tsentseng dikgwebo di le dintsi fa le fa. Ngwaga wa 2011 le one o ne o le bokete lefatshe ka bophara jaaka go supega mo koketsegong ya ditlhwatlhwa tsa dijo le leokwane le go sa gole sentle ga dikgwebo.

Maduo

Dipoelo tsa rona ngwaga ono e nnile P68 million, e le koketsego ya 7% mo go tsa ngwaga o o fetileng ka jalo di supa ka fa kgwebo ya rona e e itshetletseng ka teng. Boleng jwa dithoto tsotlhe tsa BBS ke P2,460 billion (2011: P2,163 billion) se e le koketsego ya P14 million kana 14% mo tsa ngwaga o o fetileng. Madi a re a adimileng setshaba mme a sa busiwe ka bofefo one a oketsegile ka 18% go tshwara P1,924 billion (2011: P1,627 billion) fa a a busiwang morago ga lebaka le le khutshwane one a nnile P64 million ka jalo a godile ka 3% (2011: P62 million).

Gape ke itumelela gore madi a re a adimileng setshaba le a re a dirang ka ditlamelo tse dingwe mo lekalaneng la rona la banka e nnile P154 million (2011: P140 million) se e le kgolo ya P14 million kana 10% fa go tshwantshanngwa le a re a dirileng ngwaga oo fetileng. Diabe tsa Indefinite Period Paid Up di oketsegile ka 2% di ya kwa go P484 million go tswa kwa go P475 million ka 2011 fa tsa mofuta wa Paid Up le Subscription di fokotsegile ka 9% go tswa kwa go P540 million ka 2011 di ya kwa go P484 million fa kgwedi ya Mopitlo 2012 e ya fifing.

Managing Director's Statement (continued)

I am also pleased to note that operating income earned from lending and banking activities was at P154 million (2011: P140 million) during the year under review representing an increase of P14 million or 10% over the previous year. While Indefinite Period Paid Up Shares increased by 2% to P484 million from P475 million in 2011, as a result of reinvestments of dividends and new investments, Paid Up and Subscription Shares reduced by 9% from P540 million in 2011 to P484 million as at March 2012.

Savings deposits increased by P149 million and are now at P439 million (2011: P290 million) while our reserves are healthy at P203 million having increased by P10 million from the previous year. However, as the Chairman notes, our administration and operating expenses increased because of the changes we are making to the Society. We expect these costs to go down in due course as we stabilise the business particularly after transforming into a commercial bank.

Nonetheless, the performance figures point to a business that is doing very well especially in these current times of generally negative or marginal economic growth the world over.

New BBS Strategy

Focusing on our new strategy, the main reason for the shift in focus is that the market is becoming tougher and we are therefore not resting on the successes of the past. BBS has great ambitions for the future and is taking active measures to transform the way it does business because we believe that there are many growth opportunities that are yet to be explored. As the Chairman mentions in his statement, echoing both his and my sentiments as stated in the last Report, we are finalising our business strategy for the future which we will present to you at a Special General Meeting to be convened at the appropriate time. The strategy will help us identify new opportunities underpinned by our core business, mortgage financing.

The reason why we are looking at changing the way BBS operates is that we do not assume that the external environment will be easier in the future or, for that matter, in the year ahead. Nor do we expect competitive pressures to diminish. We believe that we are well positioned to deal with these challenges, building upon our previous good performances, including the one realised during the year under review, and we continue to seek ways to enhance our competitive positions. Demutualising the Society is therefore an integral part of this process.

Dipolokelo tsone di godile ka P149 million go ya kwa go P439 million (2011: P290 million) fa madi a makata dimetshe a siame sentle kwa go P203 million a sena go oketsega ka P10 million mo go a ngwaga oo fetileng. Mme jaaka Modulasetilo wa Khuduthamaga a bolela, madi a rona a go tsamaisa kgwebo a ne a oketsega ntateng ya diphetogo tse re tsweletseng ka go di dira. Re solofela fa ditshenyegelo tse di tla wela tlase mo tsamaong ya nako segolobogolo re sena go nna banka.

Le gale, dipalo ka kakaretso di supa kgwebo e e dirang sentle segolobogolo mo nakong e ya kwelo tlase ya itsholelo.

Leano le lesha la BBS

Lebaka le letona la gore e bo re batla go fetola ka fa re dirang dilo ka teng ke gore phadisanyo e nna thata ka jalo ga re a tshwanela go itebala re ntse rere re dira sentle. Ke ka moo BBS e nang le maikaelelo a magolo a go itlhabolola e bile e simolotse go tsaya dikgato tse di maleba go tlhomamisa gore se se a diragala. Jaaka Modulasetilo wa Khuduthamaga a bua mo pegong ya gagwe, re mo thulaganyong ya go wetsa leano le lesha la go dira kgwebo le re tla le rolang mo phuthegong e e faphegileng ya babeeletsi e letsatsi la yone le tla bolelwang. Leano le, le tlaare thusa go lemoga ditsela tse di sha tsa go godisa kgwebo re ntse re sa fapoge mo moonong wa rona o mogolo wa go adima setshaba madi go aga kana go reka matlo le madirelo a dikgwebo.

Lebaka le letona la go batla go fetola sebopego sa kgwebo ya rona ke gore ga re batle go nna re itiya ka go akanya gore go dira kgwebo go tla nna motlhofo fa go ntse go iwa kwa pele. Gape re dumela phadisanyo ya dibanka e tla tswelela ka go nna mashetla. Re dumela gore re mo seemong se sentle sa go emelelana le dikgwetlho tse le go dirisa maduo a rona a mantle a paka tse di fitileng, go balelwa le a ngwaga ono, go itokafatsa. Ka jalo, go nna banka ke karolo e tona ya go tlhabolola BBS.

Ditiro tse di faphegileng

Ngwaga o o fetileng ke ne ka tlhalosa fa re ikaelela go tlhabolola maranyane a BBS go tlhomamisa gore re fa badirisi ba ditlamelo tsa rona thuso e tokafetseng. Maikaelelo a mangwe a go tlhabolola maranyane a rona ke go baakanyetsa go nna banka. Gape, re mo lenaneong la go simolodisa thulaganyo ya go dirisa ditlamelo tsa rona motho a dirisa mogala wa letheka le maranyane a inthanete. Se, ke maikaelelo a go tlhabolola ditiriso tsa rona le go baakanyetsa BBS go nna banka.

Managing Director's Statement (continued)

Special Projects

At this time last year I also indicated that we would be strengthening our information technology platform to ensure that it enhances our data integrity, which is key to the success of the business, and also helps to deliver prompt and effective customer service. Improving our information technology framework is also intended to prepare the Society for the demutualisation process. I am happy to report that we have done substantial work in this regard as, amongst others, our down time has improved considerably. We are also putting in place an e-banking platform which will enable us to offer mobile phone and internet banking services thus improving customer service and also positioning BBS for the transformation into a commercial bank.

Another one of our significant projects is the strengthening of our risk management practices to ensure that we are better positioned for the future and the impending transformation. To this end, we are reviewing all our risk management practices and implementing other necessary changes so that we are compliant with Basel III which is the international best practice framework on risk for banks .

Community Projects

Shareholders will no doubt be pleased to learn that amongst the community initiatives we have committed to is the construction of a library for Letswai Primary School in Zutshwa Village which is in the Kgalagadi North. Of particular excitement for us as the Society is that it is the first time that we have ventured so far off into our vast country to identify a project we can support. The library will accommodate about 50 students at a time, with extra reading space outdoors. It will also have an IT workstation for 10 computers because BBS believes that it is essential that students be given access to IT resources so that we help close the digital divide.

We decided to get involved in the project because it is clear that with literacy being a key driver for social mobility, libraries generally contribute significantly to the quality of life and a sense of well-being. For the children of Zutshwa and surrounding areas in particular, the Society hopes that it will become easier for them to access knowledge, scholarship, books and information they need to help them enjoy and make a success of their lives.

We continue to look for and also support projects which can have a long term positive impact on the lives of fellow Batswana.

Se sengwe gape se re se dirang ke go tokafatsa kafa re tilang dilo tse di ka tsenyang kgwebo ya rona mo mathateng. Ke ka mo re sekasekang ditsamaiso tsotlhe tsa rona le go diragatsa diphetogo tse di tlhokafalang go lebillwe tsamaiso ya mafatshefatshe ya dibanka ya Basel III.

Tsa setshaba

Ke dumela gore lo tla itumelela go utlwa gore nngwe ya dilo tse re dumetseng go di dira ke go agela sekolo se se botlana sa Letswai kwa motseng wa Zutshwa mo kgaolong ya Kgalagadi Bokone motlobo wa dibuka. Tiro e e re itumedisa segolobogolo ka gore ke lwantlha BBS e nna le karolo ya go direla setshaba kwa kgaolong eo. Motlobo o o tla kgona go tsaya bana ba ka nna masome a matlhano nako e lenngwe. Gape, o tla nna le lefelo la dikhomputara dile lesome ka re dumela go le botlhokwa gore malatsing a, bana ba tshwanetse go itse gore a bereka jang ka seo se ka ba tswa mosola mo dithutong tsa bone le fa ba setse ba bereka.

Re ne ra bona go tshwanetse gore re inaakanye le tiro e ka gore go itse go bala le go kwala ke tsela nngwe e tona ya go itlhabolola mo botshelong e bile go a supega mo dikarolong dingwe tsa lefatshe la rona gore go nna teng ga motlobo wa dibuka go tokofatsa matshelo go be go fe le batho ba lefelo leo seriti. Se se botlhokwa ke gore bana ba motse wa Zutshwa le e e mabapi jaanong batla nna le lefelo le le gaufi le kwa go lone batla ithutang go le go ntsi gore kamoso ba tsoge ba itirela ga mmogo le lefatshe la bone.

Re tsweletse ka go batla ditiro tse dingwe tsa setshaba tse di ka tswelang Batswana mosola go di ema nokeng.

Babereki ba rona

Ke dumela thata gore babereki ke bone konokono mo madirelong go sa kgathalesege gore ke afe. Ke ka moo ke senkeng ke fetsa go gapiwa maikutlo ke boineelo le go dira ka natla ga babereki ba BBS. Ka jalo, ke batla go ba leboga. Go tlhomamisa gore phetogo e re e gopotseng ya kgwebo e tsamaya ka thelelo, re tlaabo re tlhabolola dikitso tsa babereki ba rona le go thapa ba bangwe go tswa kwa ntle fa go tlhokega.

Managing Director's Statement (continued)

Our employees

I have always been of the view that the most important investment that a company has is its employees. I have therefore never ceased to be impressed by the enthusiasm, professionalism and dedication of BBS employees at all levels of our organisation. I would therefore also like to express my appreciation to this great team for its commitment to BBS. To support the transformation process, we are also putting together plans to invest in our people and their development as well as to recruit the right skills externally, where necessary.

Outlook

The mortgage business is looking well placed for continued growth as more Batswana are developing and purchasing their own houses and commercial buildings. To ensure that many Batswana access mortgage loans, we have increased the list of areas where we fund mortgages right across the country covering, urban, semi-urban, major villages including smaller villages especially those that border major centres.

Our banking services division is also expected to grow during the year. Our consistent strategy of developing products in winning formats targeting various segments of the market also provides us with a good platform for growth. For example, we have recently launched the Lerako Savings Account, which provides an attractive investment vehicle for people going into retirement, and another product to finance undeveloped freehold residential land in recognition of the fact that land is becoming scarce within our urban and other major centres leading Batswana to acquire land in the outskirts, most of which is freehold.

Conclusion

We are confident that the combination of our existing strengths and the new opportunities we are seeking will position BBS well for longer term growth. I am also certain that the result will be a new business that is stronger, growing faster, better balanced and that will also be fit and effective for the future.

Lastly, I would like to thank the BBS Board, shareholders, customers, stakeholders and Batswana in general for their encouragement and support during the year especially on its case with Bifm Capital which the Chairman Mr. Kgosidiile has spoken to you about at length in his statement.

Pius K. Molefe
Managing Director

Tebelopele

Kgwebo ya rona ya kadimo ya madi a dikago e lebega e tla tswelela e dira sentle jaaka Batswana ka bontsi ba aga le go reka matlo kana madirelo. Go tlhomamisa gore re tswelela ka go thusa Batswana go aga le go reka matlo kana madirelo, re okeditse palo ya mafelo a Batswana ba ka dirang jalo kwa go one go akaretsa metse e megolo, metsana e e bapileng le ditoropo jalojalo ka go lebega lefatshe le sa tlhole le le teng mo ditoropong tsa rona. Re na gape le lenaneo la go adima setshaba madi go reka lefatshe le le sa tlhabololwang.

Lekalana la rona la dipeeletso le lone re solofela fa le tlile go tswelela le gola ka e bile re tla ka mananeo a masha a go boloka madi a a kgatlhisang setshaba. Sekai, bosheng re simolodisitse lenaneo la poloko la Lerako le ka lone batho ba ba tlogelang tiro ka bogodi ba ka bolokang madi a bone a penshene mme ba atswiwa ka morokotso o o bonalang.

Bokhutlo

Re na le tsholofelo ya gore fa re kopanya bokgoni jwa rona le ditshono tse re di bonang mo mmarakeng, BBS e tla tswelela e le kgwebo ya motia.

Lwa bofelo, ke batla go leboga Khuduthamaga ya BBS, babeeletsi, badirisi ba ditlamelo tsa rona le Batswana ka kakaretso go bo ba ne ba re kgothatsa e bile ba re eme nokeng ngwaga ono segolo thata ka kgang ya rona le Bifm Capital e Modulasetilo wa Khuduthamaga Rre Kgosidiile a buileng ka yone ka bophara mo pegong ya gagwe.

Pius K. Molefe
Mookamedi

Directors' Report

for the year ended 31 March 2012

The Directors submit to Members their Thirty Sixth Annual Report, together with the audited accounts of the Society for the year ended 31st March 2012.

Financial Results

During the year, Paid Up and Subscription Shares reduced to P487 million (2011: P540 million) a decrease of P51 million or 9%. The Society's Indefinite Period Shares increased by 2% to P484 million (2011: P475 million) as at 31 March 2012. The growth was as a result of reinvestment of dividend and new investments.

Savings deposits increased by P149 million and now amount to P439 million (2011: P290 million). The increase was due to new deposits from new clients.

Reserves increased from P193 million in 2011 to P203 million as at March 2012, an increase of P10 million, as compared to the P8 million increase as at March 2011.

The total assets of the Society now stand at P2,460 billion (2011: P2,163 billion) which is an increase of 14% over the previous year. Long term loans and advances grew by 18% to reach P1,924 billion (2011: P1,627 billion) while short term loans and advances at P64 million recorded a growth of 3% (2011: P62 million).

Income and Expenditure

Operating income earned from lending and banking activities amounts to P154 million (2011: P140 million) representing an increase of P14 million or 10% compared to the previous year.

The Society's interest expense comprises interest on long term loans, deposits and fixed period and subscription shares.

Operating and administration expenses amount to P86 million (2011: P78 million).

The Society earned a profit of P68 million (2011: P64 million) which is 7% above last year's.

Dividends

Dividends paid amounted to P57 million compared to P54 million the previous year.

For and on behalf of the Board of Directors.

Cross Kgosidiile
Chairman

James N Kamyuka
Director

Pego ya Khuduthamaga

ya ngwaga o khutlileng ka 31 Mopitlo 2012

Khuduthamaga e rolela maloko pego ya yone ya bo masome a marataro ga mmogo le dipalopalo tsa madi tse di dupilweng tsa ngwaga o o wetseng ka kgwedi ya Mopitlo e le 31, 2012.

Maduo

Mo ngwageng o, diabe tsa Paid Up le tsa Subscription di ne tsa wela tlase go ya kwa go P487 million (2011: P540 million) e le phokotsego ka P51 million kana 9%. Diabe tsa Indefinite Period Paid Up tsone di ne tsa oketsega ka 2% di ya kwa go P484 million (2011: P475 million) fa ngwaga o ya go fela ka 31 Mopitlo 2012. Kgolo ya tsone e bakilwe ke dipeeletso tsa morokotso o babeeletsi ba neng ba o bonye le dipeeletso tse di sha.

Madi a a neng a bolokwa one a oketsegile ka P149 million go ya kwa go P439 million (2011: P290 million). Koketsego e bakilwe ke go ngokiwa ga maloko a masha.

Madi a makata dimetshe one a oketsegile go tswa kwa go P193 million ka 2011 go ya kwa go P203 million fa ngwaga o wela ka Mopitlo a le 31, 2012 se e le koketsego ya P10 million fa go tshwantshanngwa le ya P8 million fa ngwaga o wela ka Mopitlo a le 31, 2011.

Tlhwatlhwa yotlhe ya dithoto tsa BBS jaanong ke P2,460 billion (2011: P2,163 billion) e le koketsego ya 14% mo ngwageng o fetileng. Madi a re a adimileng setshaba mme a sa busiwe ka bofefo one a oketsegile ka 18% go tshwara P1,924 billion (2011: P1,627 billion) fa a a busiwang morago ga lebaka le le khutshwane one a nnile P64 million ka jalo a godile ka 3% (2011: P62 million).

Madi a a tseneng le a a duleng

Madi a re a adimileng setshaba le a re a dirang ka ditlamelo tse dingwe mo lekalaneng la rona la banka e nnile P154 million (2011: P140 million) se e le kgolo ya P14 million kana 10% fa go tshwantshanngwa le a re a dirileng ngwaga oo fetileng.

Madi a rona a go tsamaiso kgwebo a oketsegile go ya kwa go P86 million (2011: P78 million).

BBS e nnile le poelo ya P68 million (2011: P64 million) e le koketsego ya 7%.

Morokotso

Morokotso o o duetsweng ke P57 million fa o tshwantshanngwa le wa ngwaga o o fetileng wa P54 million.

Mo boemong jwa Khuduthamaga

Cross Kgosidiile
Chairman

James N Kamyuka
Director

www.bbs.co.bw

Annual Financial Statements

for the year ended 31 March 2012

Directors' Statement of Responsibility

for the year ended 31 March 2012

The directors are responsible for preparation and fair presentation of the annual financial statements comprising of the statement of the Botswana Building Society (BBS) comprising the statement of financial position as at 31 March 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statement, which include a summary of significant accounting policies and other explanatory notes, and the director's report, in accordance with International Financial Reporting Standards, and in the manner required by the Botswana Companies Act (CAP 42:01) and the Building Societies Act (CAP 42:03) of Botswana.

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 company to continue as 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 annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of annual financial statements

The annual financial statements of the Botswana Building Society (BBS) as identified in the first paragraph, were approved by the directors on 12th July 2012 and signed on their behalf by:

Cross Kgosidiile
Chairman - BBS Board

James N. Kamyuka
Chairman - Finance and Audit Committee

Independent Auditors Report

for the year ended 31 March 2012

KPMG

Chartered Accountants
Plot 67977, Off Tlokweng Road,
Fairground Park,
P O Box 1519, Gaborone, Botswana

Telephone +267 391 2400
Fax +267 397 5281
Internet http://www.kpmg.com/

We have audited the accompanying financial statements of Botswana Building Society, which comprise the statement of financial position at 31 March 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes which include a summary of significant accounting policies and other explanatory notes as set out on pages 28 to 67.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Building Societies Act (CAP 42:03), and for such internal control as the directors determine is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Botswana Building Society at 31 March 2012, and 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 Building Societies Act (CAP 42:03).

Report on other legal and regulatory requirements

In accordance with Section 54 of the Building Societies Act (CAP 42:03) we confirm that in our opinion;

- Botswana Building Society has kept proper books of account with which the financial statements are in agreement,
- we have satisfied ourselves as to the existence and contents of mortgage bonds and other securities belonging to the Botswana Building Society, and
- the Botswana Building Society has complied with all the financial provisions of the Building Societies Act (CAP42:03).

Kpmg

KPMG
Certified Public Accountants
Practicing member: Gerard Devlin (19960060:23)
Date: 12 July 2012

Statement of Comprehensive Income

for the year ended 31 March 2012

	Notes	2012 P'000	2011 P'000
Interest income	1	237,347	221,348
Interest expense	1	(111,971)	(97,849)
Net interest income		125,376	123,499
Fee and commission income	2	26,576	16,029
Fee and commission expense	2	(1,745)	(2,114)
Net fee and commission income		24,831	13,915
Other operating income	3	3,330	2,537
Operating Income		**153,537**	**139,950**
Net impairment (loss)/gain	4	(3,494)	2,133
Personnel expenses	5	(45,071)	(40,197)
Depreciation and amortisation	6	(3,840)	(3,831)
Operating lease expenses	7	(1,856)	(1,960)
Other expenses	8	(31,208)	(32,393)
Profit for the year		**68,068**	**63,703**
Total comprehensive income for the year		**68,068**	**63,703**
Dividend per share (thebe)	9	11.7	12.1
Earnings per share (thebe)	10	14.5	13.9

Statement of Financial Position

at 31 March 2012

	Notes	2012 P'000	2011 P'000
ASSETS			
Cash and cash equivalents	11	58,779	167,055
Investments held with banks	12	265,376	181,279
Investment securities held to maturity	13	26,450	26,450
Short term loans and advances to customers	15	64,104	62,171
Inventory	16	200	1,211
Long term loans and advances to customers	17	1,924,481	1,626,573
Intangible assets	18	3,886	4,063
Property and equipment	19	95,890	77,845
Other assets	14	19,605	16,543
Total assets		2,458,771	2,163,190
LIABILITIES			
Customers' savings and fixed deposit accounts	20	438,888	290,351
Other liabilities	21	17,200	19,632
Current tax	22	3,139	9,385
Borrowings	23	825,259	638,565
Paid up and subscription shares	24	487,061	538,067
		1,771,547	1,496,000
SHAREHOLDERS' EQUITY			
Indefinite period shares	25	484,330	475,045
Statutory reserve		88,077	81,270
General reserve		64,000	64,000
Revenue reserve		50,817	46,875
Total shareholders' equity		687,224	667,190
Total equity and liabilities		2,458,771	2,163,190

Statement of Changes in Equity

for the year ended 31 March 2012

	Share Capital P'000	Statutory Reserve P'000	General Reserve P'000	Revenue Reserve P'000	Total P'000
Balance at 1 April 2010	390,896	74,900	64,000	45,988	575,784
Issue of new shares	84,149	—	—	—	84,149
Profit for the year	—	—	—	63,703	63,703
Dividends paid	—	—	—	(56,446)	(56,446)
Transfers during the year	—	6,370	—	(6,370)	—
Balance at 31 March 2011	475,045	81,270	64,000	46,875	667,190
Issue of new shares	163,331	—	—	—	163,331
Redemption of shares	(154,046)	—	—	—	(154,046)
Profit for the year	—	—	—	68,068	68,068
Dividends paid	—	—	—	(57,319)	(57,319)
Transfers during the year	—	6,807	—	(6,807)	—
Balance at 31 March 2012	484,330	88,077	64,000	50,817	687,224

Refer to note 26 for details on the Society's reserves.

Statement of Cash Flows

for the year ended 31 March 2012

	Notes	2012 P'000	2011 P'000
Cash flows from operating activities			
Interest receipts		235,042	224,228
Commission receipts		26,576	16,029
Interest payments		(111,855)	(96,895)
Other operating income		2,601	1,944
Cash payments to employees and suppliers		(81,178)	(70,473)
Cash flows from operating profits before changes in operating assets and liabilities		71,186	74,833
Changes in operating assets and liabilities:			
Movement in short term loans and advances to customers		(1,933)	(5,187)
Movement in long term loans and advances to customers		(297,909)	(229,855)
Movement in inventory		1,011	187
Movement in other assets		(3,061)	(5,206)
Movement in customer savings and fixed deposit accounts		148,538	(555)
Movement in other liabilities		(8,679)	1,560
Net cash used in operating activities		(90,849)	(164,223)
Cash flows from investing activities			
Purchase of property and equipment	19	(20,021)	(21,491)
Proceeds from sale of equipment		16	22
Investment in fixed deposits with banks		(82,054)	(181,279)
Purchase of intangible assets	18	(1,005)	(216)
Net cash used in investing activities		(103,064)	(202,964)
Cash flows from financing activities			
Gross proceeds from bond issue		—	110,000
Bond capitalisation costs		—	(564)
Gross proceeds from other borrowings		200,000	100,000
Other borrowing costs		(300)	(900)
Repayment of bonds		—	(25,000)
Repayments of borrowed funds and debt securities		(15,022)	(8,111)
(Redemption)/Issue of paid up and subscription shares		(51,007)	20,661
Proceeds from issue indefinite paid up shares		163,331	84,148
Redemption of indefinite paid up shares		(154,046)	—
Dividends paid		(57,319)	(56,446)
Net cash received in financing activities		85,637	223,788
Net (decrease)/increase in cash and cash equivalents		(108,276)	(143,399)
Cash and cash equivalents at the beginning of year		167,055	310,454
Cash and cash equivalents at end of year	11	**58,779**	**167,055**

Accounting Policies

for the year ended 31 March 2012

Reporting entity

Botswana Building Society is a Society domiciled in Botswana. The address of the Society's registered office is Plot 13108-112 Broadhurst, Gaborone. The Society is primarily involved in property finance and provision of banking services.

Summary of significant accounting policies

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

Basis of preparation

The Society's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) and the Building Societies Act Cap 42:03 of Botswana. The financial statements are prepared under the historical cost basis as modified by the revaluation of certain financial assets, liabilities and land and buildings in accordance with IFRS's.

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

Adoption of standards

The Society adopted the standards listed below and these did not have any impact on the Society's financial statements.

IFRIC 19: This interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. It does not address the accounting by the creditor. The interpretation, which became effective for the 2012 financial statements, did not have any impact on the financial statements of the Society.

IAS 24: Related Party Disclosures: The new standard requires a reporting entity to disclose transactions with its related parties and relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. This standard has been incorporated into the financial statements of the Society for the financial year ending 31 March 2012.

IFRIC 14: IAS 19 requires certain criteria to be met before an entity may recognise an asset in respect of a defined benefit plan. IFRIC 14 provides additional guidance on how these criteria should be interpreted, in particular where the plan requires minimum contributions to be made (regardless of the surplus). The Society does not operate a defined benefit plan, therefore this interpretation did not have any impact on the financial of the Society.

New standards and interpretations not yet adopted

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective.

These include the following Standards and Interpretations that are applicable to the Society and may have an impact on future financial statements

Standards and Interpretations		Effective date
IFRS 7 Financial Instruments: Disclosures (amendment)	Transfers of Financial Assets: The amendment requires additional disclosures relating to the transfers of financial assets that are not derecognised in their entirety and derecognised in their but for which the Society retails continuing involvement	Annual periods beginning on or after 1 July 2011
	The amendment is not expected to have any impact on the financial statements of the Society	
IFRS 7 Financial Instruments: Disclosures (amendment)	Offsetting Financial Assets and Financial Liabilities: The amendment requires additional disclosures or assist in understanding the effect or potential effect of netting arrangements, including right of set-off associated with an entity's recognised financial assets and financial liabilities, on an entity's financial position.	Annual periods beginning on or after 1 January 2013
	The impact on the annual financial statements of the Society has not yet been determined.	
IFRS 9 Financial Instrument	Initial measurement and classification of Financial Assets: This new standard will replace existing standard (IAS39), on the recognition and measurement of financial instruments and requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. All other financial assets will be measured at fair value. Embedded derivatives will no longer be separated from hybrid contract that have a financial asset host.	Annual periods beginning on or after 1 January 2015
	The impact on the annual financial statements of the Society has not yet been determined.	

Accounting Policies (continued)

for the year ended 31 March 2012

New standards and interpretations not yet adopted (continued)

Standards and Interpretations		Effective date
IFRS 13 Fair value Measurement	The standard provides a single source of fair value measurement guidance for both financial and non-financial and liabilities. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements.	Annual periods beginning on or after 1 January 2013
	The impact on the annual financial statements of the Society has not yet been determined. The standard will be applied prospectively.	
IAS 32 Financial Instruments: Presentation (amendment)	Offsetting Financial Assets and Financial Liabilities: The amendments clarify that an entity has a legally enforceable right to set-off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event default, insolvency or bankruptcy of the entity and all counterparties.	Annual periods beginning on or after 1 January 2014
	The impact on the annual financial statements of the Society has not yet been determined. The standard will be applied prospectively	

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented.

Recognition of assets, liabilities and provisions

Assets are recognised when the Society obtains control of a resource as a result of past events, and from which future economic benefits are expected to flow to the Society.

Where, as a result of past events, it is highly likely that economic benefits will flow to the Society but will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events, which are not wholly within the control of the Society, a contingent asset is recognised.

Liabilities, including provisions, are recognised when the Society has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

No liability is recognised when:

- the Society has a possible obligation arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Society; or
- it is not probable that an outflow of resources will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

Revenue recognition

Interest

Interest income and interest expenses are recognised in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Society estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Fee and commission income

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

Rent income

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

Dividend income

Dividends are recognised when the right to receive payment is established.

Dividend payments

Dividends are recorded in the Society's financial statements on the payments basis, based on rates determined by the Board of Directors from time to time.

Accounting Policies (continued)

for the year ended 31 March 2012

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss. Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognised net within other income in profit or loss.

Land is not depreciated. Depreciation on other assets is provided on a straight line basis. This is from the time they are available for use, so as to write off their costs over the estimated useful lives taking into account any residual values. The residual value of an asset may be greater than or equal to the asset's carrying amount. In this case, the assets depreciation is nil until the carrying amount exceeds the residual value.

The estimated useful lives assigned to property and equipment are as follows:

Leasehold property	the lower of 50 years or period of the lease
Freehold property	50 -80 years
Motor vehicles	6 - 8 years
Computer hardware	3 - 5 years
Equipment, furniture and fittings	4 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposal of property and equipment are determined by comparing proceeds with the carrying amount. These are included in the income statement

Computer software costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Society and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

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 development costs recognised as intangible assets are amortised using the straight line method over their useful lives, not exceeding a period of five years.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

Financial instruments

Financial instruments are any contracts that give rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Financial instruments included in the financial statements of the Society include loans and advances to customers, borrowings, customer deposits and investments.

In assessing the fair value of financial instruments, the Society uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The face values, less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year, are assumed to approximate their fair values.

Customers' savings and fixed deposit accounts

Amounts due to customers on savings and fixed deposit accounts comprise deposits held on behalf of members of the public and corporate bodies are initially recorded at the fair value of the consideration received. Such accounts are subsequently measured at amortised cost.

All ordinary and special savings accounts are repayable on demand. Fixed deposits are repayable on maturity.

Financial assets

The Society classifies its financial assets in the following categories: loans and advances, available-for-sale financial investments, fair value through profit and loss and held to maturity. Management determines the classification of its investments at initial recognition.

a) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Society provides money, goods or services directly to a borrower with no intention of trading the receivable. Loans are recognised when cash is advanced to the borrowers.

Loans and advances are recognised at amortised cost using the effective interest method. Interest calculated using the effective interest method is recognised in the statement of comprehensive income.

Loans and advances extended to members of staff at rates below market rates are originally recorded at amortised cost determined based on the effective interest method. Under this method, the fair value of the capital value granted is measured as the present value of anticipated future cash flows discounted at an applicable market interest rate. The difference between the capital amount advanced and amortised cost is recognised as an expense when the loan is granted and unwinds to income over the period of the loan based on the effective interest rate yield curve.

b) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, foreign exchange or equity.

Purchases and sales of available-for-sale financial assets are recognised on trade date (the date on which the Society commits to purchase or sell the asset).

Available-for-sale investments are initially measured at fair vale plus, in case of investment securities not at fair value through profit or loss, incremental direct transaction costs and subsequently carried at fair value.

c) Fair value through profit and loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by Management.

d) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Society has the positive intent and ability to hold to maturity and which are not designated at fair value through the profit or loss or available-for-sale.

Accounting Policies (continued)

for the year ended 31 March 2012

Offsetting financial instruments

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

Impairment of financial assets

a) Assets carried at amortised cost

The Society assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses incurred if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("a loss event") and prior to the financial year-end-date, and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Society about the following events:

i) significant difficulty of the issuer or obligator;
ii) a breach of contract, such as a default or delinquency in interest or principal payments;
iii) the Society granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Society would not otherwise consider;
iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
v) the disappearance of an active market for the financial asset because of financial difficulties;
vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets held by the Society, including: adverse changes in the payment status of borrowers in the Society or national or local economic conditions that correlate with defaults on the assets in the Society

The Society first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Society determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and advances has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate. The amount of the loss is recognised in the statement of comprehensive income.

For the purposes of a collective evaluation of an impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Society and historical experience loss emergence and loss rates for assets with credit risk characteristics to similar assets held by those in the Society.

Historical experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal is recognised in the statement of comprehensive income.

b) Assets carried at fair value

The Society assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its costs is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss is removed from equity and recognised in the statement of comprehensive income.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the statement of comprehensive income.

Inventory

Inventory consists of residential and commercial properties repossessed from defaulting mortgage loan bond holders. Such properties are held with the express intention to sell in the short to medium term and are recorded at the lower of cost of repossession and net realisable value.

Cost of repossession is determined with reference to the outstanding capital balance on the mortgage loan at the date of default. The net realisable value is determined with reference to current market values for comparable properties net of estimated marketing and selling expenses.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Society are measured using the currency of the primary economic environment in which the Society operates “the functional currency”. The financial statements are presented in Botswana Pula, which is the Society’s functional and presentation currency. Except as indicated, financial information presented in Pula has been rounded to the nearest thousand.

Transactions and balances

Transactions in foreign currencies are converted to Pula at the spot rate on the transaction date. Monetary assets and liabilities in foreign currencies are translated into Pula using rates of exchange ruling at the balance sheet date. All exchange gains and losses arising on translation are recognised in the statement of comprehensive income.

Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest yield method.

Borrowings obtained from the Debt Participation Capital Funding Limited (DPCFL) loans at rates below the ruling market rates are originally recorded at amortised cost, determined based on the effective interest yield method. Under this method, the fair value of the borrowing is measured as the present value of anticipated future cash flows discounted at an applicable market interest rate. The difference between the borrowing received and the amortised cost is recognised as income when the borrowing is received and unwinds to interest expense over the period of the loan based on the effective interest rate yield curve.

Shares which are redeemable on specific terms or at the option of the shareholder or which carry non-discretionary dividend obligations, are classified as liabilities. The dividends on these shares are recognised in the statement of comprehensive as interest expense.

Accounting Policies (continued)

for the year ended 31 March 2012

Lease agreements

Where the Society is the lessor

Leases of assets under which the lessor effectively retains all the risks and benefits of ownership are classified as operating leases. Receipts of operating leases from properties are accounted for as rental income on the 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.

Where the Society is the leasee

Leases, which merely confer the right of use of an asset, are treated as operating leases, with the total contractual lease payments being charged against trading profit 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.

Retirement benefits

The Society operates a defined contribution pension fund for all its permanent citizen staff. This fund is registered under the Pensions and Provident Funds Act (Chapter 27:03). The Society contributes to the fund 12% of the pensionable earnings of the members and the employees contribute 7% of their pensionable earnings. The Society's contributions are charged to the statement of comprehensive income in the year in which they accrue. Other than regular contributions made in terms of the rules of the fund, the Society does not have any further liability to the fund.

Other employee benefits

Employees on contract receive terminal gratuities in accordance with their contracts of employment. An accrual is made for the estimated liability towards such employees up to the reporting date. All other employees are members of the Society's pension scheme and do not qualify for such terminal gratuities.

Employees' entitlement to annual leave and other benefits is recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and other benefits as a result of services rendered up to the reporting date.

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Society recognises termination benefits when it is demonstrably committed to either terminate the employment of the current employees according to a detailed formal plan without possibility for withdrawal or provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Share capital and reserves

The Society classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. The Society's indefinite period shares are not redeemable at the option of the holders, and bear an entitlement to distributions that is non-cumulative and at the discretion of the Directors. Accordingly they are presented as a component of issued capital within equity.

Income tax

The Society is exempt from paying income tax as per the second schedule of the Income Tax Act (Cap 50:01).

Related party transactions

All related party transactions are carried out on normal commercial terms and in the ordinary course of business.

Cash and cash equivalents

For the purpose of the statement of cash flow, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash and amounts due from banks.

Critical Accounting Estimates and Assumptions

for the year ended 31 March 2012

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

a) Impairment losses on loans and advances

The Society reviews its loan portfolios to assess impairment at least twice a year. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Society makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cashflows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in a group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

b) Residual values of property and equipment

Residual values of buildings are based on current estimates of the values of these assets at the end of their useful lives. The estimated residual value of the buildings have been determined by the Management based on information provided by property experts.

c) Below is a table showing the impact of changes to critical accounting estimates on profitability when one of the following factors is varied

1. Loss ratio
2. Contractual rates of interest
3. Period of realisation of the security
4. The forced sale value

	Current figures	Loss ratio		Contractual interest rates	
Variable		(+)1%	(-)1%	(+)1%	-1%
Provision	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Specific impairment	6,236	—	—	3,226	(3,690)
General impairment	2,993	22,040	(16,055)	—	—

	Current figures	Period of realisation		Forced sale value	
Variable		6 months	18 months	(+)10%	-10%
Provision	**P'000**	**P'000**	**P'000**	**P'000**	**P'000**
Specific impairment	6,236	(1,599)	4,537	(1,262)	6,056
General impairment	2,993	(751)	778	—	—

Risk Management

for the year ended 31 March 2012

Financial risk management

a) Introduction and overview

The Society has established a Risk Unit to manage the enterprise wide risks assumed by the organisation. During the year under review the Society started the implementation of the new Credit policy which is in line with best practice and Basel II.

The Society will adopt the Basel II Risk Management Framework for the management of risks it is exposed to. It is also intended to enhance the Society's management of its capital.

The Society has exposure to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Operational risk
Interest rate risk

This note presents information about the Society's exposure to each of the above risks, the Society's objectives, policies and processes for measuring and managing risk, and the Society's management of capital.

Risk management framework

The Board of Directors has the overall responsibility for the establishment and oversight of the risk management framework. The Board approved a Credit Policy and an Asset and Liabilities Management Policy at the beginning of financial year under review. Management is in the process of implementing all aspects of the policies. The Society' Board and its committees are comprised of non executive directors and one executive director.

The Risk Department focuses on different risk classes. The department currently manages the ALM (Asset and Liability Management), Operational Risk and other risk classes and Treasury activities. The Risk Department has just started the review of the Operational Risk policy which also includes the review of the Business Continuity Management Plan.

The Society's risk management policies are established to identify and analyse the risks faced by the Society, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Society through its training and management procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Internal Audit Department is tasked with the responsibility of monitoring compliance with the Society's risk management policies and procedures. The Internal Audit Department reports to the Finance and Audit Committee. The Board is currently responsible for reviewing the adequacy of the risk management framework in relation to the risks faced by the Society.

b) Credit Risk

Credit risk is the risk of financial loss to the Society if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Society's loans and advances to customer balances with banks and investment in debt securities. For risk management reporting purposes, the Society considers and consolidates all elements of credit risk exposure (such as individual obligator default risk and sector risk).

For management of credit risk, the Society structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored by the Credit Approvals Committee. The Board approves management's lending limits and monitors loans and advances that are not performing.

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to Senior Management. The Risk department is responsible for oversight of the Society's credit risk, including:

- Formulating credit policies in consultation with the business units, covering collateral requirements, credit assessments, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the Credit underwriting unit which reports to the Head of Operations. Larger facilities require approval by the Credit Approvals Committee and the Global Risk Management Committee. Any loans which are more than 5% of the Society's capital are approved by the Board of Directors.

- Reviewing and assessing credit risk. The Society assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals of facilities are subject to the same review process.

- Limiting concentration of exposure to counterparties, geographies and industries (for loans and advances).

- Developing and maintaining the Society's risk gradings in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The responsibility for setting risk grades lies with the Global Risk Management Committee.

- Reviewing compliance of business units with agreed exposure limits, including those for sector and individual exposure. Reports are provided to the Board every quarter.

- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Society in the management of credit risk

Risk Management (continued)

for the year ended 31 March 2012

	Loans and Advances to customers 2012 P'000	Loans and Advances to customers 2011 P'000
Financial risk management (continued)		
b) Credit Risk (continued)		
Exposure to credit risk		
Carrying amount	1,924,481	1,626,573
Individually impaired (Specific)		
Residential	32,019	11,971
Commercial	—	666
Gross amount	32,019	12,637
Allowance for impairment	(6,236)	(4,134)
Carrying amount	25,783	8,503
Collectively impaired		
Gross amount	1,901,691	1,620,724
Allowance for impairment	(2,993)	(2,654)
Carrying amount	1,898,697	1,618,070
Past due but not impaired		
Carrying amount		
Past due comprises:		
30-60 days	203,950	157,645
60-90 days	24,353	38,154
90-180 days	30,109	48,976
180 days +	28,822	25,318
Carrying amount	287,233	270,093
Neither past due nor impaired		
Carrying amount		
Long term loans	1,611,464	1,347,977
Promissory notes	26,450	26,450
Past due accounts as a proportion of total loans	15%	17%
Number of loans individually impaired	72	41

b) Credit Risk (continued)

Impaired loans

Impaired loans are loans for which the Society determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement(s).

Past due but not impaired loans

Loans where contractual interest or principal payments are past due but the Society believes that impairment is not appropriate on the basis of the level of security/collateral available and or the stage of collection of amounts owed the Society.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Society has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Allowance for impairment

The Society establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are the specific loss component that relates to individually significant exposures, and the collective loan loss allowance established for Society's homogeneous assets in respect of losses that have been incurred but have not been identified.

Write-off policy

The Society writes off loan balances (and any related allowances for impairment losses) when the Society determines that the loans are uncollectable. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Cash and cash equivalents

The Society held cash and cash equivalent of P59 million as at 31 March 2012 (2011: P167 million) which represents its maximum credit exposure on these assets. The cash and cash equivalent are held with financial institutions of high repute. Management has set exposure limits for the different financial institutions to minimise credit risk on cash and cash equivalent.

The Society holds collateral against loans and advances to customers in the form of mortgage interests over property, cash and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are updated every three years or when a loan is individually assessed as impaired or when the customer request further facilities on the same bond.

The Society does not consider guarantees in determining the level of impairment on loans because of potential disagreements in the interpretation of the agreement between the Society and the guarantor.

Risk Management (continued)

for the year ended 31 March 2012

Financial risk management (continued)

b) Credit Risk (continued)

An estimate of the fair value of collateral and other tangible security enhancements held against financial assets is shown below:

	Loans and Advances to customers 2012 P'000	Loans and Advances to customers 2011 P'000
Against individual impaired		
Property	36,049	15,499
Against collectively impaired		
Against past due but not impaired		
Property	637,714	700,492
Against neither past due nor impaired		
Property	3,188,145	2,676,209
Total	**3,861,908**	**3,392,200**
Carrying amount as a proportion of collateral cover	50%	48%

Financial risk management (continued)

c) Liquidity

Liquidity risk is the risk that the Society will encounter difficulty in meeting obligations from its financial liabilities

Management of liquidity risk

The Society's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Society's reputation.

The Society is exposed to daily calls on its available cash resources from deposits, maturing shares and loan drawdowns. The Society does maintain cash to meet all these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high degree of certainty

The Society sets limits on the minimum proportion of maturing funds available to meet such calls and borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The liquidity position of the Society is monitored on a daily basis.

For regulatory purposes, the Building Societies Act, Section 42, requires the Society to maintain certain proportions of its liabilities in liquid assets. The Society also submits a monthly report to the Central Bank which includes the liquidity position.

Exposure to liquidity risk

Liquidity requirement is managed as per Building Societies Act Section 42 which states that every society shall, after making provisions to meet its liabilities other than those mentioned in this section, from day to day hold an amount in cash or on authorised deposits or in approved investments as security for prompt repayment of fixed period and subscription shares and of deposits,loans and overdraft and for the payment of interest accrued thereon.

The Society's liquidity position as per the requirement of Section 42. The Society was granted a variation to the requirements of Section 42. The waiver now requires the Society to hold 10% of deposit balances as liquid assets as compared to holding an average of 25% deposits is liquid assets.

	MARCH 2012 Actual	MARCH 2011 Actual
Total statutory requirement	186,072	298,905
Total cash and cash equivalent, investments or authorised deposits	324,155	348,334
Surplus	138,083	49,429

Risk Management (continued)

for the year ended 31 March 2012

c) Liquidity (continued)

The Board of Directors sets limits on the level of risk that may be accepted. The Building Societies Act sets limits within which the Society should operate as regards to concentrations of assets and liabilities. However, use of this limit regime does not prevent losses outside of these limits in the event of more significant market movements.

The table below analyses assets and liabilities of the Society into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Contractual Maturities of assets and liabilities

	On demand P'000	1 to 3 months P'000	3 to 12 months P'000	1 to 5 years P'000	Over 5 years P'000	Non financial instruments P'000	Total P'000
As at 31 March 2012							
Assets							
Cash	4,924	—	—	—	—	—	4,924
Due from banks	53,855	90,385	174,991	—	—	—	319,231
Promissory notes	—	—	26,450	—	—	—	26,450
Other assets	—	26	1,499	7,715	—	10,365	19,605
Short term loans and advances to customers	25	721	2,532	60,826	—	—	64,104
Inventory	—	—	—	—	—	200	200
Long term loans and advances to customers	550	336	2,530	100,068	1,820,997	—	1,924,481
Intangible assets	—	—	—	—	—	3,886	3,886
Property and equipment	—	—	—	—	—	95,890	95,890
Total assets	59,354	91,468	208,002	168,609	1,820,997	110,341	2,458,771

c) Liquidity (continued)

Contractual Maturities of assets and liabilities (continued)

	On demand P'000	1 to 3 months P'000	3 to 12 months P'000	1 to 5 years P'000	Over 5 years P'000	Non financial instruments P'000	Total P'000
Shareholder's equity and liabilities							
Customers' savings and fixed deposit accounts	278,211	721	156,668	3,288	—	—	438,888
Other liabilities	—	—	—	—	—	20,338	20,338
Borrowings	—	9,632	14,995	459,834	340,798	—	825,259
Paid up and subscription shares	—	—	—	487,061	—	—	487,061
Indefinite period shares	—	—	—	—	484,330	—	484,330
Statutory reserve	—	—	—	—	—	88,077	88,077
General reserve	—	—	—	—	—	64,000	64,000
Revenue reserve	—	—	—	—	—	50,817	50,817
Total equity and liabilities	278,211	10,353	171,663	950,183	825,128	223,233	2,458,771
Net liquidity gap	(218,857)	81,115	36,339	(781,574)	995,869	(112,892)	—
As at 31 March 2011							
Total assets	167,091	182,135	30,731	172,973	1,520,607	89,653	2,163,190
Shareholder's equity and liabilities	275,394	3,407	19,412	585,842	1,057,973	221,162	2,163,190
Net liquidity gap	(108,303)	178,728	11,319	(412,869)	462,635	(131,511)	—

The maturity of assets and liabilities, and the ability to replace, at acceptable cost, interest bearing liabilities as they mature are important factors in assessing the liquidity of the Society and its exposure to changes in interest rates.

Risk Management (continued)

for the year ended 31 March 2012

Financial risk management (continued)

d) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Society's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Society's operations and are faced by all business entities.

The Society's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Society's reputation with overall cost effectiveness and to avoid control procedures that restricts initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to Senior Management within each business unit. This responsibility is supported by the development of overall Society standards for the management of operational risk in the following areas

1. Requirements from appropriate segregation of duties, including the independent authorisation of transactions
2. Requirements for the reconciliation and monitoring of transactions
3. Compliance with regulatory and other legal requirements
4. Documentation of controls and procedures
5. Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
6. Requirements for the reporting of operational losses and proposed remedial action
7. Development of contingency plans
8. Training and professional development
9. Ethical and business standards
10. Risk mitigation, including insurance where this is effective.

Compliance with the Society's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the Management of the business unit to which they relate, with summaries submitted to the Audit and Finance Committee and Executive Management of the Society.

e) Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the cash flows or fair values of financial instruments because of a change in market interest rates. Interest rates are managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. The summary of the Society's interest rate gap position is as follows.

The profile of assets and liabilities and the interest sensitivity gap is given below.

	Up to 1 month P'000	1 to 3 months P'000	3 to 12 months P'000	1 to 2 years P'000	2 to 5 years P'000	Over 5 years P'000	Non interest bearing P'000	Total P'000
As at 31 March 2012								
Assets								
Cash	—	—	—	—	—	—	4,924	4,924
Due from banks	53,855	90,385	174,991	—	—	—	—	319,231
Promissory note	—	—	26,450	—	—	—	—	26,450
Other assets	9,240	—	—	—	—	—	10,364	19,604
Short term loans and advances to customers	64,104	—	—	—	—	—	—	64,104
Inventory	—	—	—	—	—	—	200	200
Long term loans and advances to customers	1,592,648	—	132	5,553	9,961	330,378	(14,190)	1,924,482
Intangible assets	—	—	—	—	—	—	3,886	3,886
Property and equipment	—	—	—	—	—	—	95,890	95,890
Total assets	1,719,847	90,385	201,573	5,553	9,961	330,378	101,074	2,458,771
Share holder's equity and liabilities								
Customers savings and fixed deposit accounts	278,211	721	156,668	3,288	—	—	—	438,888
Other liabilities	—	—	—	—	—	—	20,338	20,338
Borrowings	93,784	200,925	110,110	1,587	31,410	387,443	—	825,259
Paid up and subscription shares	487,061	—	—	—	—	—	—	487,061
Indefinite period shares	—	—	—	—	—	484,330	—	484,330
Statutory reserve	—	—	—	—	—	—	88,077	88,077
General reserve	—	—	—	—	—	—	64,000	64,000
Revenue reserve	—	—	—	—	—	—	50,817	50,817
Total equity and liabilities	859,056	201,646	266,778	4,875	31,410	871,773	223,233	2,458,771
Total interest sensitivity gap	860,791	(111,261)	(65,205)	678	(21,449)	(541,395)	(122,159)	—
As at 31 March 2011								
Total assets	1,410,262	181,287	26,650	3,748	14,109	433,006	94,128	2,163,190
Shareholder's equity and liabilities	1,296,535	100,859	114,600	217	42,869	386,948	221,162	2,163,190
Net interest sensitivity gap	113,727	80,428	(87,950)	3,531	(28,760)	46,058	(127,034)	—

Risk Management (continued)

for the year ended 31 March 2012

Financial risk management (continued)

f) Capital Management

To monitor the adequacy of its capital, the Society uses ratios established by the Bank of Botswana. These ratios measure capital adequacy by comparing the Society's eligible capital with its balance sheet assets and commitments at weighted amounts to reflect their relative risk.

For prudential supervisory purposes, tier 1 capital consists of indefinite period shares together with the general and the statutory reserves.

The Society's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain growth of the business. The objective is to strike a balance between the higher returns that might be possible with greater earnings and the advantages and security afforded by a sound capital position.

The Society has complied with all externally imposed capital requirements throughout the period. The capital adequacy ratio was 55.95% as at 31 March 2012 (2011: 63.05%). The minimum rate as set by the Bank of Botswana is 15%.

There has been no material changes in the Society's management of capital during the period.

The Society's regulatory capital position as at 31st March 2012 is as follows;

		2012 P'000	2011 P'000
Tier 1 capital		687,224	667,190
Tier 2 capital		—	—
Total unimpaired capital		**687,224**	**667,190**
Risk weighted assets	**Risk weight**		
Due from domestic banks	20%	63,846	68,772
Residential loans	50%	903,538	794,132
Commercial loans	100%	114,967	69,211
Property and equipment	100%	99,776	81,908
Other real estate (PIP)	100%	200	1,211
Other assets	100%	46,055	42,993
Total risk-weighted assets		**1,228,383**	**1,058,227**
Capital ratios			
Total regulatory capital expressed as a percentage of total risk-weighted assets		55.95%	63.05%

Valuation of financial instruments

Financial instruments carried at fair value are categorised in 3 levels by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between instruments.

All the Society's financial instruments are carried at amortised cost, which approximate their fair value and are therefore categorised as level 3.

Notes to the Financial Statements (continued)

for the year ended 31 March 2012

	2012 P'000	2011 P'000
1 Net interest income		
Interest income		
Cash and cash equivalents	20,270	18,705
Long term loans and advances	205,293	191,068
Short term loans and advances	8,143	7,950
Investments held to maturity	3,641	3,625
Total interest income	237,347	221,348
Interest expense		
DPCFL loans	5,439	6,209
Bond	50,992	50,794
Term loan	16,931	276
Paid up and subscription shares	31,060	34,322
Fixed deposit	2,515	1,336
Savings deposit	5,034	4,912
Total Interest expense	111,971	97,849
Net Interest income	125,376	123,499
2 Net fee and commission income		
Fee and commission income		
Commission on other services	5,766	5,440
Transaction and loan origination fees	20,801	10,356
Brokerage	9	233
Total fee and commission income	26,576	16,029
Fee and commission expense		
Interbank transaction fees	(1,745)	(2,114)
Net fee and commission income	24,831	13,915

	2012 P'000	2011 P'000
3 Other operating income		
Rental income	3,314	2,515
Other	16	22
	3,330	2,537

	2012 P'000	2011 P'000
4 Net impairment (loss)/gain		
Specific impairment	(2,102)	1,272
General impairment	(339)	1,385
Net loss on sale of properties	(1,053)	(524)
Long term loans and advances	(3,494)	2,133

	2012 P'000	2011 P'000
5 Personnel expenses		
Salaries and wages	35,592	32,401
Pension fund contributions	1,775	1,710
Bonus provision	4,000	2,000
Leave pay accrual	853	1,540
Other employee expenses	635	461
Fair value adjustment-off market loans originated during the year	2,216	2,085
Total personnel costs	45,071	40,197

	2012 P'000	2011 P'000
6 Depreciation and amortisation		
Depreciation - Property and equipment (note 19)	2,658	2,650
- Intangible assets (note 18)	1,182	1,181
	3,840	3,831

	2012 P'000	2011 P'000
7 Operating lease charges		
Branch rentals	1,856	1,960

The number of employees at 31 March 2012 was 214 (2011:191).

Notes to the Financial Statements (continued)

for the year ended 31 March 2012

	2012 P'000	2011 P'000
8 Other expenses		
Directors' fees - sitting allowance and retainer fee	387	404
Audit fees	1,320	1,320
Advertising and marketing	3,326	3,924
Computer maintenance expenses	1,222	1,076
Insurance	1,216	1,076
Legal and professional expenses	4,134	6,662
License fees	4,638	4,227
Repairs and maintenance - Property and equipment	1,963	1,727
Stationery and printing	1,125	1,204
Telephone and postage	3,724	2,245
Travel and subsistence	1,832	1,415
Staff welfare and uniform	1,658	2,502
Sundry expenses and VAT write-off	2,316	2,547
Security expenses	1,149	1,122
Other expenses	1,198	942
	31,208	**32,393**

9 Dividend per share

The dividend per share has been calculated by dividing the dividend paid to indefinite period shareholders by the number of indefinite period shares at the time of payment.

	2012 P'000	2011 P'000
Dividend paid to indefinite period shareholders	57,319	56,446
Average Indefinite period shares	489,971	465,831
Dividend per share (thebe)	11.7	12.1

10 Earning per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of indefinite shares in issue during the year.

	2012 P'000	2011 P'000
Net profit attributed to shareholders	68,068	63,703
Weighted average number of indefinite period shares in issue	469,329	456,737
Earnings per share (thebe)	14.5	13.9

11 Cash and cash equivalents

	2012 P'000	2011 P'000
Cash balances	4,924	4,475
Other balances with banks - (call and current accounts)	41,074	88,116
Money market balances	12,781	74,464
	58,779	167,055

The rates of interest on current, call and money markets accounts range from 0% (current) to 6.31%.

12 Investments held with banks

	2012 P'000	2011 P'000
Fixed deposit with banks	265,376	181,279
	265,376	181,279

Fixed deposits have a term of up to six months at interest rates ranging from 5.9% to 7.15%.

13 Investment securities held to maturity

	2012 P'000	2011 P'000
Promissory notes	26,450	26,450
	26,450	26,450

Promissory notes attract interest of 14.25%

14 Other assets

	2012 P'000	2011 P'000
Rent debtors	2,264	1,550
Staff debtors	9,240	10,009
Prepayments and other debtors	4,941	4,129
Accrued interest on Fixed deposits	3,160	855
	19,605	16,543

Staff debtors are unsecured loans and advances to staff for purchase of motor vehicles, furniture and other personal effects. The loans are given at half of the prime rate. The term of staff loans vary from 6 months to 60 months.

Notes to the Financial Statements (continued)

for the year ended 31 March 2012

	2012 P'000	2011 P'000
15 Short term loans and advances to customers		
All short term loans are for periods of between six to sixty months, bear interest at 12.5% per annum and are secured by Paid up shares and Subscription shares.	64,104	62,171
16 Inventory		
Properties in possession:		
Balance at beginning of the year	1,211	1,398
Repossessions during the year	440	1,514
Disposals during the year	(1,202)	(1,676)
Write down during the year	(249)	(25)
Balance at the end of the year	200	1,211
Number of properties in possession - Residential	1	6

The properties in possession comprise premises the Society has repossessed and they are accounted for at their forced sale value.

	2012 P'000	2011 P'000
17 Long term loans and advances to customers		
Mortgages		
Gross amount	1,941,665	1,639,076
Impairment allowance	(17,184)	(12,503)
Carrying amount	1,924,481	1,626,573
(a) Specific allowance for impairment		
Balance at the beginning of the year	4,134	5,406
Impairment loss/(gain) for the year	2,102	(1,318)
Write back during the year	—	46
Balance at the end of the year	6,236	4,134
(b) General (collective) impairment		
Balance at the beginning of the year	2,654	4,039
Impairment loss/(gain) for the year	339	(1,385)
Balance at the end of the year	2,993	2,654
(c) Interest in suspense		
Balance at the beginning of the year	5,715	9,329
Interest arising during the year	2,240	(3,614)
Balance at the end of the year	7,955	5,715

Mortgage loans are granted up to a maximum period of thirty years. The variable rate loans and advances amount to P1,636 million and P318 million are at fixed rate of interest.

Interest is charged at rates between 10.70% and 15.5% and are secured by a first mortgage bond against the financed property. The rate of interest on staff mortgage loans is half of prime rate.

The Society lends up to 90% of the open market value of the property.

	2012 P'000
18 Intangible assets	
Cost	
Balance at 1 April 2010	11,747
Acquisitions	216
Balance at 31 March 2011	**11,963**
Balance at 1 April 2011	11,963
Acquisitions	1,005
Balance at 31 March 2012	**12,968**
Depreciation	
Balance at 1 April 2010	6,719
Depreciation for the year	1,181
Balance at 31 March 2011	**7,900**
Balance at 1 April 2011	7,900
Depreciation for the year	1,182
Balance at 31 March 2012	**9,082**
Carrying amounts	
At 1 April 2010	5,028
At 31 March 2011	**4,063**
At 1 April 2011	4,063
At 31 March 2012	**3,886**

Notes to the Financial Statements (continued)

for the year ended 31 March 2012

19 Property and equipment

	Freehold property P'000	Freehold land P'000	Leasehold property P'000
Cost			
Balance at 1 April 2010	1,264	515	31,809
Acquisitions	—	—	—
Transfers	—	—	81
Balance at 31 March 2011	**1,264**	**515**	**31,890**
Balance at 1 April 2011	1,264	515	31,890
Acquisitions	—	—	475
Transfers	—	—	17,035
Balance at 31 March 2012	**1,264**	**515**	**49,400**
Depreciation			
Balance at 1 April 2010	—	—	5,711
Depreciation for the year	—	—	131
Balance at 31 March 2011	**—**	**—**	**5,842**
Balance at 1 April 2011	—	—	5,842
Depreciation for the year	—	—	189
Balance at 31 March 2012	**—**	**—**	**6,031**
Carrying amounts			
At 1 April 2010	**1,264**	**515**	**26,098**
At 31 March 2011	**1,264**	**515**	**26,048**
At 1 April 2011	**1,264**	**515**	**26,048**
At 31 March 2012	**1,264**	**515**	**43,369**

A register of particulars of the land and buildings is maintained at the Society's registered office and may be inspected by members or their duly appointed agents.

Leasehold land P'000	Equipment, furniture and fittings P'000	Computer hardware P'000	Motor vehicles P'000	WIP P'000	Total P'000
4,223	10,755	9,964	373	23,829	82,732
—	2,548	1,689	—	17,254	21,491
—	2,300	—	—	(2,381)	—
4,223	15,603	11,653	373	38,702	104,223
4,223	15,603	11,653	373	38,702	104,223
—	868	1,120	—	18,239	20,702
—	—	—	—	(17,035)	—
4,223	16,471	12,773	373	39,906	124,925
—	9,628	8,275	113	—	23,727
—	1,481	992	47	—	2,651
—	11,109	9,267	160	—	26,378
—	11,109	9,267	160	—	26,378
—	1,649	773	46	—	2,657
—	12,758	10,040	206	—	29,035
4,223	1,127	1,689	260	23,829	59,005
4,223	4,494	2,386	213	38,702	77,845
4,223	4,494	2,386	213	38,702	77,845
4,223	3,713	2,733	167	39,906	95,890

Notes to the Financial Statements (continued)

for the year ended 31 March 2012

	2012 P'000	2011 P'000
20 Customers' savings and fixed deposit accounts		
Fixed deposits	158,456	8,080
Letsibogo	57,399	45,194
Tlamelo mortgage savings	2,411	2,956
Ordinary and special savings	220,622	234,121
	438,888	290,351

The fixed deposits have a term ranging from twelve months to sixty months and accrue interest between 1.70% and 6.07% per annum.

The Letsibogo savings product is repayable on demand and accrues interest between 0.5% and 5.00% per annum

Savings deposits are repayable on demand. The ordinary savings deposit accrues interest of 0.25% while special savings earn interest at a rate between 0.5% and 4.75% per annum.

Tlamelo mortgage savings account accrues interest at 6.75% annually

	2012 P'000	2011 P'000
21 Other liabilities		
Accounts payable	4,000	1,060
Other creditors	8,490	12,763
Dividend payable	709	3,809
Bonus provision	4,000	2,000
	17,200	19,632
Reconciliation of bonus provision		
Opening balance	2,000	3,945
Paid during the year	(2,000)	(3,945)
Provision 2012	4,000	2,000
Closing balance	4,000	2,000

	2012 P'000	2011 P'000
22 Current tax liabilities		
Relates to withholding tax on dividend paid by the Society on behalf of members	3,139	9,385
23 Borrowings		
Various unsecured DPCFL loans repayable over the periods to 2018, bear interest at rates between 7.5% and 9.5% per annum with repayments due semi-annually in arrears.	43,223	50,933
Unsecured long-term bonds		
Unsecured bonds issued by the Society, bearing interest at 12%, 11.1% and 11.2% and 91 day BOBC rate plus 150 basis points per annum, are payable semi-annually in arrears.	472,819	472,493
Term loans		
Unsecured loan priced at the 91 day BOBC rate plus 140 basis points Interest is paid on a quarterly basis	199,580	99,127
Instalment loan unsecured and priced at Prime rate less 3% per annum Instalment payable on a monthly basis	93,509	—
Total interest bearing borrowings	809,131	622,553
Interest accrued	16,128	16,012
	825,259	638,565

Analysis of DPCFL loans

Year loan received	Balance at 31 March 2012 P'000	Interest rate %	No of outstanding instalments
1987	110	8.5	2
1988	147	7.5	3
1988	1,440	7.5	3
1989	1,845	7.5	5
1990	6,241	8.0	8
1991	23,324	8.5	9
1993	10,116	9.5	12
	43,223		

Notes to the Financial Statements (continued)

for the year ended 31 March 2012

	2012 P'000	2011 P'000

23 Borrowings (continued)

Analysis of bonds

Number	Maturity date	Amount	Type	Interest rate
BBS002	15 December 2016	140,000	Fixed	12.00%
BBS004	26 November 2019	75,000	Fixed	11.10%
BBS005	3 December 2023	150,000	Fixed	11.20%
BBS006	4 August 2018	110,000	Floating	91 day BOBC plus 1.50%

Analysis of term loans

Name	Maturity date	Amount	Type	Interest rate
Term loan	6 March 2013	200,000	Floating	91 day BOBC plus 1.40%
Term loan	2 November 2016	100,000	Floating	Prime less 3%

24 Paid up and subscription shares

	2012 P'000	2011 P'000
Paid up shares	438,405	498,736
Subscription shares	48,656	39,331
	487,061	538,067

Paid up shares are invested for a period of not less than 18 months and may be redeemed subject to the Board's approval, upon 3 months notice.

Early redemption is permitted with a proportionate forfeiture of dividend accrual.

Subscription shares are subscribed for a period of 36 months and may be redeemed without notice.

Early redemption, or failure to meet subscription commitment is subject to forfeiture of 3 months dividend accrual.

The Board may, at its discretion, issue from time to time paid up and subscription shares and all such shares shall accrue dividends distributed out of the available profits of the Society. The rates of dividend on the shares shall be fixed by the Board at the time of issue and subsequently from time to time as the Board may, in its discretion decide.

Paid up shares and subscription shares earn coupon rates of 5.65% and 6.5% respectively.

	2012 P'000	2011 P'000
25 Indefinite period shares		
Indefinite period shares are invested for an indefinite period.	484,330	475,045

The shareholder shall not be entitled at any time to demand redemption, but the Society shall be entitled to redeem the shares, upon 6 months notice, which may be tendered 12 months from the date of deposit.

The Board may, at its discretion, issue indefinite period shares and all such shares shall accrue dividends distributed out of the available profits of the Society. The rates of dividends on the shares shall be fixed by the Board at the time of issue and subsequently from time to time as the Board may in its discretion decide.

As at 31 March 2012 indefinite period shares earn a coupon rate of 10%. (2011: 11%)

26 Reserves

The statutory reserve fund is established in terms of Section 39 of the Building Societies Act. The Act requires the Society to set aside a minimum of 10% of its undistributed profits into the reserve fund. The Society may charge against the reserve fund any net loss remaining after applying to such loss any undistributed profits brought forward from previous years.

The general reserve has been established to cover general market risks. There are no restrictions on the application of funds in the general reserve. Undistributed profits are retained in the revenue reserve after apportioning a minimum of 10% of the annual profit/loss to the statutory reserve.

Notes to the Financial Statements (continued)

for the year ended 31 March 2012

	2012 P'000	2011 P'000
27 Tax		
The Society has been exempted from income tax in accordance with the provisions of the Income Tax Act Cap 50:01 Section 37 Second schedule Part one (vi).		
28 Operating lease arrangements		
At the balance sheet date, the Society had the following outstanding commitments under operating leases for its branch rentals:		
Within one year	779	1,838
Two to five years	1,160	1,939
	1,939	3,777
29 Commitments		
Commitment in respect of mortgages approved but not yet disbursed	173,617	113,029
Capital expenditure - approved but not yet committed	45,157	13,903
- approved and committed	8,351	17,101
Commitments will be met from the Society's own resources.		

30 Related party transactions

Loans to directors are made in the ordinary course of business on normal commercial terms. The amount outstanding in loans at 31 March 2012 was P0.29 million to one director (2011: P0.34 million to three directors). The Society has 8 Non-executive Directors and 1 Executive Director.

A list of members of the Board of Directors is shown on page 07 of the Annual Report. In 2012 the total remuneration of the Directors was P0.4 million (2011: P0.4 million) (note 8).

Directors or persons related to them held shares in the Society as at 31 March 2012 amounting to P5.9 million (2011: P4.6 million).

Executive management or persons related to them held shares in the Society as at 31 March 2012 amounting to P0.4 million (2011: P0.8 million).

The amount outstanding in loans to the executive management as at 31 March 2012 was P18.6 million (2011: P12.8 million).

A list of the executive management is shown on page 08 of the annual report. In 2012 the total remuneration of the executive management was P8.1 million (2011: P7.0 million).

Loans are made to employees on concessionary terms in accordance with the conditions of employment.

The Debt Participation Capital Fund Limited, a wholly owned Government company has outstanding loans with the Society amounting to P47.6 million and interest paid on the loans amounted to P4.6 million (Note 1 and 22).

The Government of Botswana held shares in the Society as at 31 March 2012 amounting to P139 million. The Government of Botswana shares are held by the Botswana Privatisation Asset Holding company, a company owned by the Government. The shared for BIFM Capital Investment Fund One (Proprietary) Limited amounting to P150 million were redeemed on the 31st March 2012.

31 Post balance sheet events

Other than the facts and developments in these financial statements, there has been no material changes in the affairs or financial position of the Society between the year end and the date of approval of these financial statements.

32 Contingent Liabilities

The Society currenty has 2 major cases before the courts. One of them is an appeal by one of its former shareholders, BIFM Capital Investment Fund One (Proprietary) Limited, against a judgment in favour of the Society, which nullified their indefinite period shares contract, thus enabling the Society to redeem their shares. The other case is against one of the Society's mortgage debtors, Southern African Furniture Manufacturers, to recover a long standing mortgage debt. The Society had been given a judgement in 2003 but the debtor has countersued the Society. The Society continues to protect its interests and enforce its claim before the courts.

33 Compliance with sections 39, 41 and 42 of the Building Societies Act

The Society complied with the requirements of Sections 39, 41 and 42 of the Building Societies Act at the year end date.

Notes