

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF BOTSWANA HOUSING CORPORATION
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Botswana Housing Corporation ("the Corporation") set out on pages 9 to 69, which comprise the statement of financial position as at 31 March 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Botswana Housing Corporation as at 31 March 2025, and of its financial performance and of its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and in the manner required by the Botswana Housing Corporation Act (CAP 74:03).

Basis for Opinion

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How the matter was addressed in the audit
Credit impairment of trade and other receivables As at 31 March 2025, the Corporation recognised net trade and other receivables amounting to P69,9 million (2024 - P110 million), net of allowances for impairment (estimation of credit losses) of P198 million (2024 - P34 million) respectively. The estimation of credit losses is inherently uncertain and is subject to significant judgements and estimates. Furthermore, models used to determine credit impairments require certain inputs and assumptions	Our audit procedures included, amongst others: ➤ We obtained an understanding of management's process over credit origination, monitoring and remediation and assessed the appropriateness of the accounting policies and impairment methodologies with reference to the requirements of IFRS 9 and evaluated the design and the operating effectiveness of the



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that are not fully observable for the determination of expected credit losses (ECL) on trade, and other receivables as required by IFRS 9. The significance of the balance and the environmental factors including changes in macro-economic fundamentals in Botswana in the current year meant that this required significant audit focus. Specifically, our attention was focussed on: • Considering the estimation uncertainty surrounding the forward-looking information, increased by the ongoing economic volatility in light of the changing economic and operating environment induced by liquidity constraints in the Botswana economy and other various scenarios that may have an impact on the recoverability of the trade and other receivable balances. • The status of subsequent settlement to determine whether an impairment provision was required thus necessitating an increase in procedures and effort to assess the subsequent settlements and collections. Given the combination of inherent subjectivity in the preparation of the expected credit loss models and the judgement and estimates involved in determining the inputs into the models, we considered the calculation of the expected credit loss in accordance with IFRS 9 - Financial Instruments as applicable to the trade and other receivable balances to be a key audit matter in our audit of the financial statements. The disclosures associated with respect to the application of IFRS 9 in determining the allowance of expected credit losses are disclosed in: • Note 2.14 - Significant accounting policies • Note 3.1 Credit risk • Note 5 - Accounting estimates and judgements, and • Note 22 - Trade and other receivables	key controls over the process of credit assessment, classification and impairment assessment. ➤ We assessed the appropriateness of the models and methodologies against generally accepted industry principles. ➤ Our assessment also included the evaluation of the macroeconomic environment by considering trends in the economy, trends in the collection patterns as part of the working capital assessments by management and comparing with information developed by management as model inputs. ➤ To evaluate the data quality, we compared the ECL calculation data points to source system reports including testing, on a sample basis, that cash received was allocated to the appropriate receivables related invoices including extended samples for outstanding balances as at year end and tracing them to subsequent payments ➤ We reperformed the staging test distribution for a sample of trade and other receivables to assess the accuracy of the staging applied in the models against the criteria indicated by management and the ageing reports considered. ➤ We assessed the appropriateness of the default rates, recovery rates and formulae used and scenarios considered by management. ➤ We discussed with management and assessed the exposure to concentration risk management actions taken by management, including management mitigative actions. ➤ We assessed the adequacy of the financial statement disclosures regarding the allowance for impairment of trade and other receivables to determine whether they were in accordance with IFRS 9.
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Other Information

The directors are responsible for the other information. The other information comprises the information included in the 69-page document titled "Botswana Housing Corporation Annual Financial Statements for the year ended 31 March 2025" which includes the Directors' Report and the Directors' Responsibility Statement, which we obtained prior to the date of this report and the Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

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

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Botswana Housing Corporation Act (CAP 74:03), and 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.

In preparing the financial statements, the directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Corporation or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting processes.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Corporation's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other Legal and Regulatory Requirements

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

- We have received all the information and explanations which, to the best of our knowledge and belief were necessary for the performance of our duties as auditors;
- The accounts and related records of the Corporation have been properly kept; and
- The Corporation has complied with all the financial provisions of the Act.

Ernst & Young
Firm of Certified Auditors
Practicing Member: Thomas Chitambo (CAP0011 2025)
Gaborone

7 October 2025