



Reimagining Housing Through Innovation

BOTSWANA HOUSING CORPORATION
ANNUAL REPORT

2024



MISSION

Developing dignified communities through decent housing solutions.



VISION

The leading and enabling provider of housing solutions for dignified lives.

BOTHO



Dignified, humane and respectful service.

EXCELLENCE



Service with distinction, timeliness.

INNOVATION



Providing creative housing solutions.

TRANSPARENCY



Honesty and accountability.

TEAMWORK



A united team spirit working for a common purpose.

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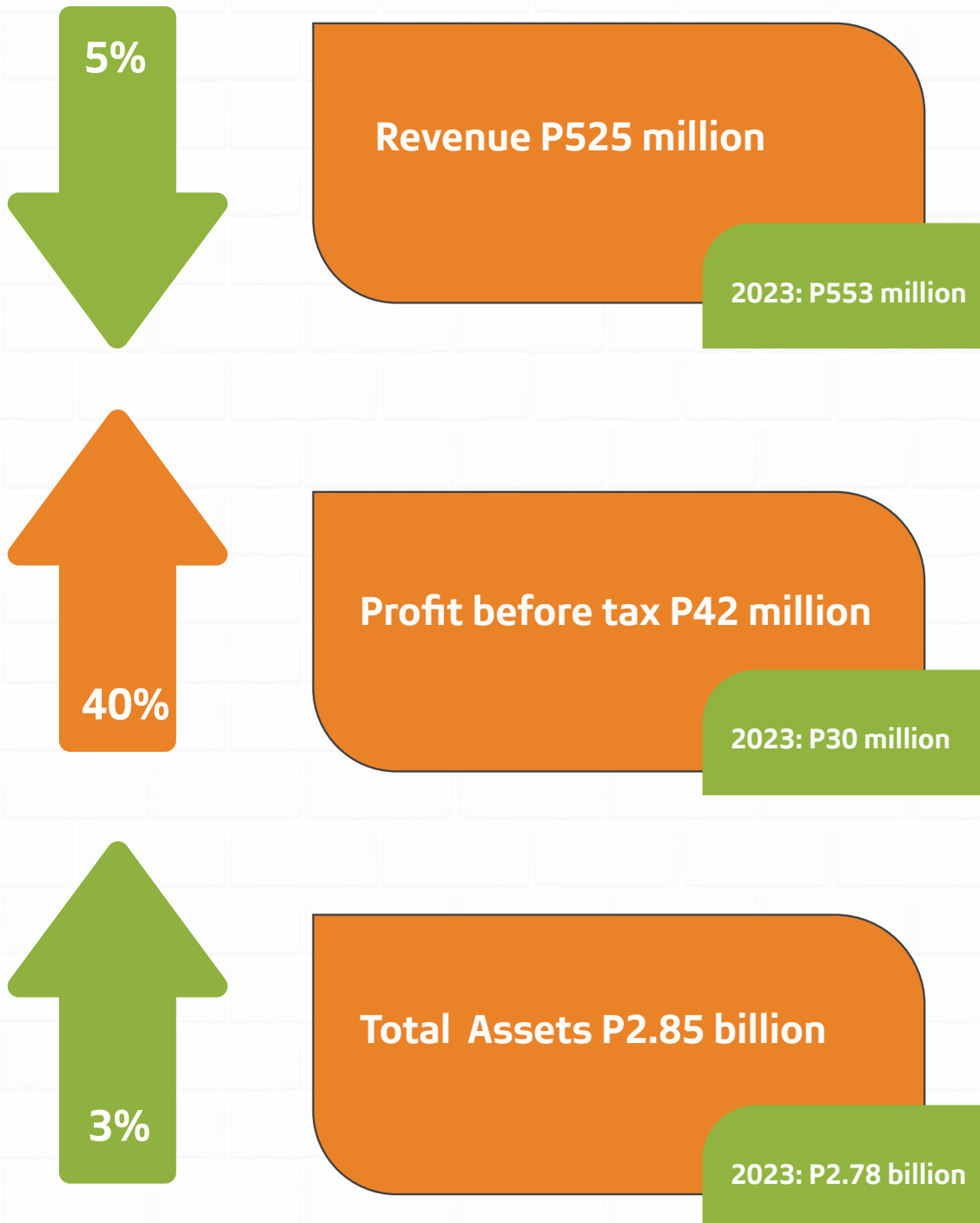
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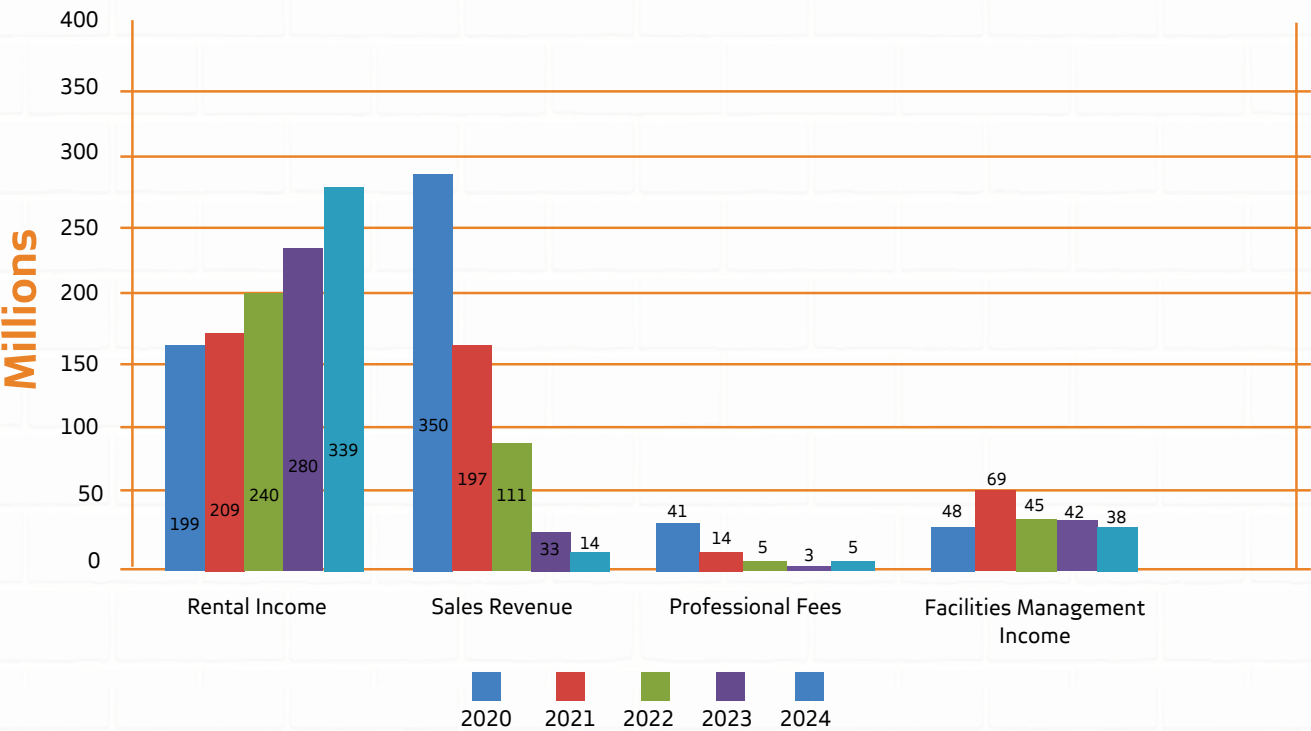
Financial Highlights



Financial Review

Financial Graphs

5 Year Major Revenue Streams (Millions)

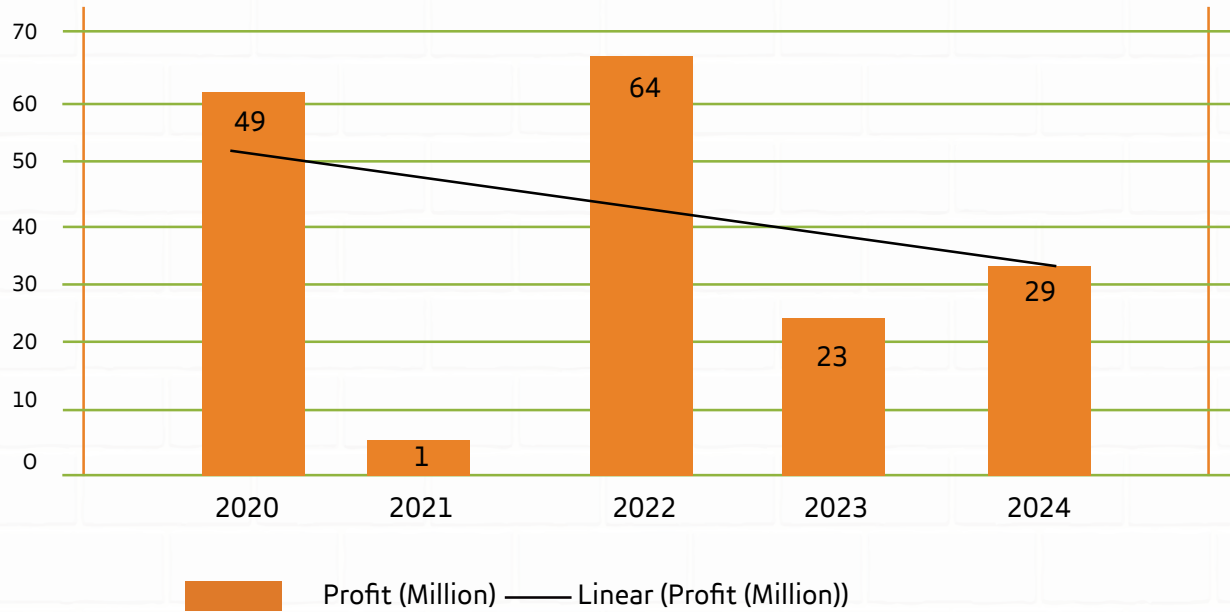


5 Year Revenue Trend

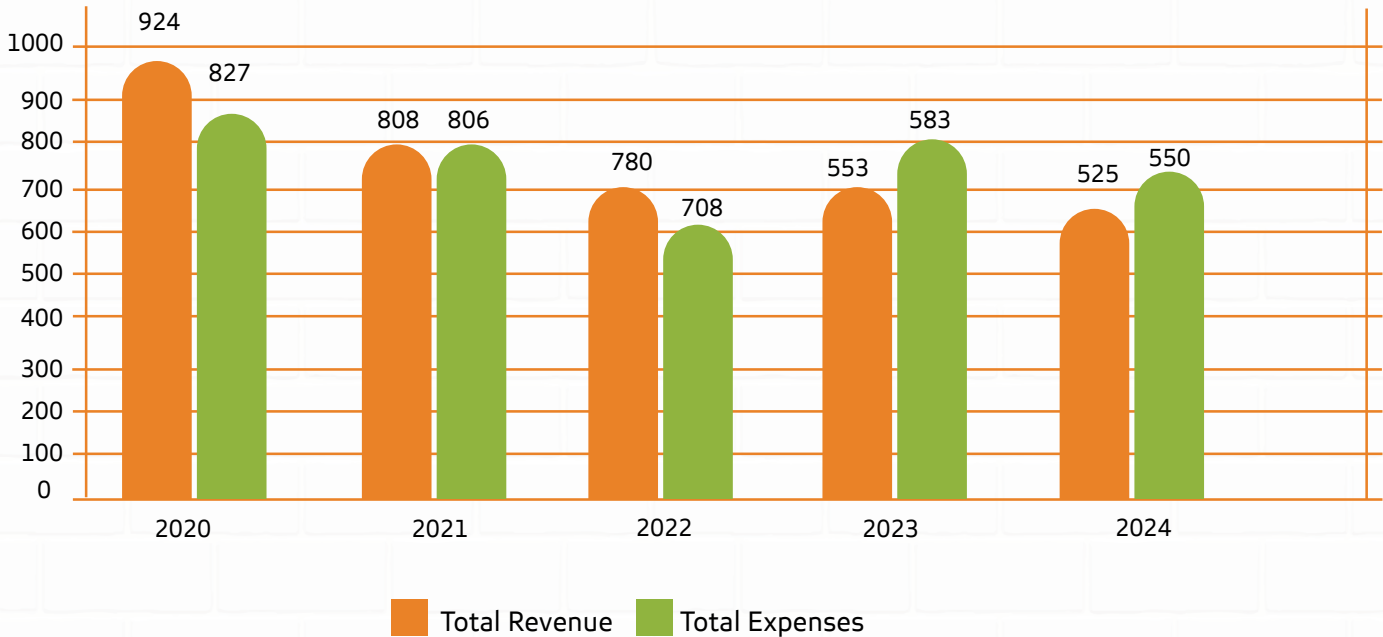


Financial Review

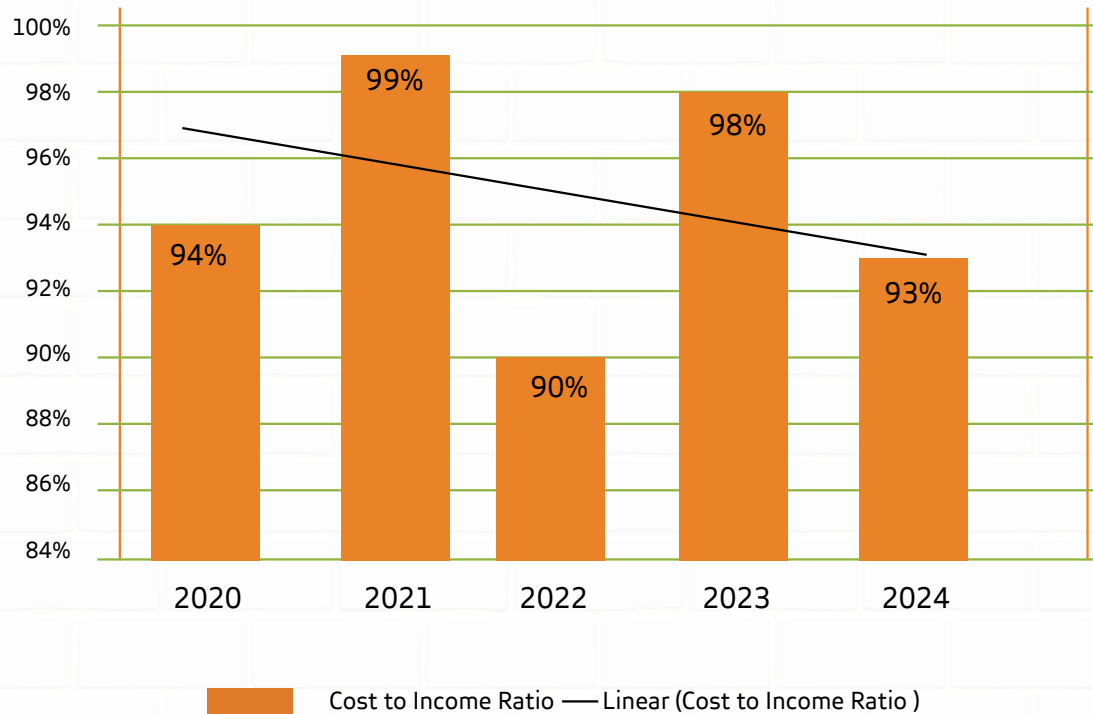
5 Year Profit



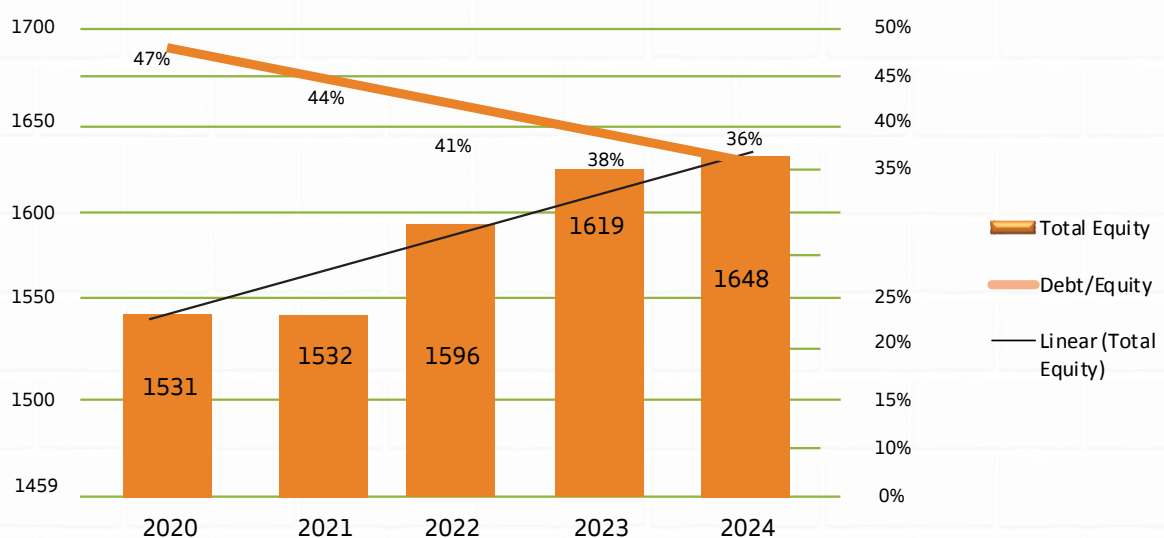
5 Year Total Income vs Expenses



Financial Review



Total Equity vs Debt Equity Ratio



Statement of Profit or Loss and Other Comprehensive Income Profitability

The Corporation's profitability improved during the period under review as it posted a profit after tax of P29 million which is a 26% increase against the previous year's P23 million. Profit before income tax also increased significantly, by 40%, from P29 million in the prior year to P42 million whilst operating profit grew by 85% year on year from P13 million to P24 million. This increase in profitability was driven by sales of high margin investment properties, growth in rental revenue and income from joint ventures.

Analysis of Revenue

The Corporation recorded a total revenue of P525 million, 5% decrease when compared to the P553 million recorded in the prior year. The decrease in total revenue was mainly a result of a decline in sales of housing inventories, and external projects contract income with an aggregate reduction of P87 million.

Rental revenue increased by 21% to P339 million from P280 million recorded in the prior year. The increase was because of additions of new rental properties to the existing portfolio and the rental subsidy from the shareholder in lieu of rental increase. During the period under review rental revenue once again surpassed sales revenue as the major revenue stream for the Corporation. The total rental stock at the end of the reporting period was 9 855 housing units and these units are rented to individuals, corporates and government entities across the country. The Corporation is pleased with the performance of its rental stock as it is key to the financial sustainability of the business. At the end of the financial year, the Corporation

recorded a vacancy rate of 1.87% on its rental portfolio. This remains within the strategic target of maintaining very low vacancy rates and maximisation of this revenue stream.

Professional fees revenue, which is revenue generated from project management services to third parties improved by 54% year on year. Government and Government owned entities being the main clients showed recovery on the back of improved government spending buoyed by growth in the local economy. On the operational side there was also an improvement in starts and delivery of the projects done on behalf of third-party clients.

Facilities Management revenue, which is revenue from maintenance of properties for third parties, decreased slightly from the prior year P42 million to P38 million. Despite this decline this income stream continues to perform very well in comparison to the Corporation's plans. The facilities management service is not only an income stream for BHC, but it is great value addition to our key customers who outsource their maintenance to the Corporation. Through this service our customers have benefited from effective and efficient maintenance of their housing infrastructure.

Operating Expenses

During the review period, the Corporation focused mainly on effective cost management to mitigate expenditure against high inflationary pressures and an unfavorable economic environment.

Total operating expenses for the period under review were P379 million compared to P328 million for the prior year, an increase of 9%. Employee benefits expenses, repairs and

maintenance of investment properties, and other operating costs remained the major costs for the period.

Employee benefits expenses increased year on year by 8% from P142 million to P154 million on the back of inflationary adjustments, performance based pay increase, and recruitment. Investment property repairs and maintenance expenses for the year increased by 5% to P65 million from P62 million of the prior year. The Corporation continuously assesses and maintains its properties on a five-year cycle to preserve the value of its investment properties portfolio. Other expenses went up by 16% compared to prior year from P68 million to P77 million. The major contributors to other expenses are administration expenses, property rates, telephone expenses, information technology expenses, security, consultancy and advertising costs.

Impairment Expenses

Impairment expenses went up during the year under review due to an increase in rental receivables impairments. Overall, the impairments increased by P23 million year on year. The corporation has put in place alternative collection strategies to reduce the rental impairments.

Share of Joint Venture Profit

The Corporation is in partnership with one of the leading property developers for two commercial properties situated in Gaborone and Francistown. The share of joint venture profit from the properties increased by 10% year on year from P21 million to P23 million during the year under review. This revenue stream contributed 54% to the profit before tax.

Statement of Financial Position

The Corporation's statement of financial position is healthy with a total asset base amounting to P2.850 billion, an increase of 3% year on year. The Corporation's investment properties portfolio stood at P1.3 billion at the end of the reporting period. These properties represent 45% of the Corporation's total assets. Housing inventories, which are properties held for sale and those still under construction, closed the year at P529 million compared to P451 million in prior year, an increase of 17%. The P529 million worth of inventories is an indication of the Corporation's potential to generate more sales revenue in the coming financial year.

The healthy statement of financial position coupled with low debt/equity ratio and strong cash position led to increased shareholder wealth. The low debt/equity ratio gives the Corporation an opportunity to raise additional project funding for planned projects.



Chairperson's **Statement**

It is with great pleasure that I present the Botswana Housing Corporation's (BHC) Annual Report for the financial year ended March 31, 2024 on behalf of the Corporation's Board. This report reflects our commitment to providing affordable and quality housing solutions to the people of Botswana, while driving innovation and efficiency in the real estate sector. Despite economic challenges and market dynamics, BHC continues to make significant progress in achieving its strategic objectives.

Operating Environment

The year under review presented a mix of opportunities and challenges for the Corporation in pursuit of its mandate to house Botswana. Globally, rising inflation and interest rate hikes had cascading effects on financial markets and construction costs. Locally, Botswana faced economic pressures, but steady growth in key sectors provided a solid foundation for continued

housing demand. The decline in real GDP growth to 2.7% had a ripple effect on the construction sector. Reduced economic activity and lower consumer confidence impacted demand for new housing and commercial spaces.

The Corporation remained steadfast in addressing housing shortages, adapting to changing economic conditions and aligning our operations with government priorities, particularly in delivering affordable housing for low and middle income households. Rising interest rates and tighter credit conditions made it more difficult for developers to secure financing for projects, potentially slowing down construction starts.

While inflation remained within the target range, rising construction costs due to increased material prices and labour costs could have squeezed profit margins for developers.

Despite the short-term challenges, Botswana's long-term economic growth prospects remain positive. This could lead to increased demand for housing and commercial space in the future.

Financial Performance

BHC delivered commendable financial results in 2024, reflecting resilience and effective management practices. Revenue for the year grew by 9%, driven by increased housing sales, rentals and strategic partnerships. Operational efficiencies enabled us to maintain a healthy profit margin, despite the rising costs of materials and construction.

Project Delivery

During the year, we successfully completed 692 housing units across various regions, contributing to the national agenda of providing affordable accommodation to Botswana. Notably, we started flagship projects in Phakalane in Gaborone, Kazungula and Tsabong, showcasing our ability to deliver modern, sustainable and cost-effective housing solutions.

Strategic Initiatives

In alignment with our strategic plan, BHC has embarked on several initiatives aimed at enhancing operational efficiency and service delivery. The Corporation continues to invest in technology to streamline operations, improve customer experience, and enhance data-driven decision-making. The adoption of innovative construction technologies has reduced project timelines and costs, allowing us to deliver housing units more swiftly and affordably. Additionally, we have strengthened partnerships with both public and private sector entities to leverage synergies in housing development. Our long-term focus

going forward is cost containment, supply chain optimisation, and leveraging economies of scale.

Corporate Governance and Leadership

The Board has continued to uphold the highest standards of corporate governance, ensuring that BHC operates with integrity and accountability. The Board, together with management, remains vigilant in ensuring compliance with regulatory requirements, ethical practices, and sound financial stewardship. The Corporation also prioritised risk management to mitigate challenges associated with volatile market conditions and project delivery timelines. I extend my gratitude to my fellow Board members for their unwavering commitment and to the management team for their exemplary leadership.

Future Outlook

Looking ahead, BHC is poised to capitalise on emerging opportunities in the housing sector. We plan to diversify our housing solutions to cater for various market segments, including low income households and first-time home buyers. Investments in digital technologies will further enhance customer engagement and operational efficiency. We remain confident in our ability to adapt to market dynamics and continue delivering value to our stakeholders. Looking ahead, the demand for housing in urban and semi-urban areas presents a substantial growth opportunity. BHC is well-positioned to leverage this demand through strategic investments and agile operational practices.

Appreciation

On behalf of fellow board members, I extend our heartfelt gratitude to the management team and staff for their dedication and professionalism, which have been instrumental in achieving our objectives during this financial year. Their efforts in navigating challenges and embracing opportunities have ensured that the Corporation continues to meet its mandate of providing quality and affordable housing solutions to the citizens of Botswana.

We thank our stakeholders, including the Government of Botswana, partners, and customers, for their continued support and trust. Their collaboration has been invaluable in enabling us to execute our strategic objectives effectively.

The Board remains committed to upholding the principles of good governance and fostering a culture of innovation and excellence in service delivery. As we move forward, we aim to build on this year's achievements to deliver even greater value to our stakeholders and the communities we serve. Together, we will continue to build a better future, providing homes that meet the aspirations of our nation.



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Mr Moemedi Gabana
Chairperson



Chief Executive Officer **Report**

As we present the results for the year ended March 31, 2024, it is evident that the operating environment for businesses in Botswana has been shaped by both local and global economic trends. I am pleased to announce that Botswana Housing Corporation (BHC) continues to be resilient and committed on its promise to house Batswana. Our tenacity to deliver long-term value is evidenced by our performance. Our leadership team supported by a capable and diverse human capital allowed the corporation to adapt and to respond to emerging risks and take advantage of available opportunities.

Global Economy

In its most recent World Economic Outlook (WEO) the International Monetary Fund (IMF), estimates global GDP to continue growing at 3.2 percent during 2024 and 2025, at the same pace as in 2023. Global inflation is forecast to decline steadily, from 6.8 percent in 2023 to 5.9 percent in 2024 and 4.5 percent in 2025, with advanced economies returning to their inflation targets sooner than emerging market and developing economies. Core inflation is projected to decline more gradually.

Regional Economy

In its most recent Regional Economic Outlook (REO) the IMF expects the Sub-Saharan African region growth is projected to rise from an estimated 3.4 percent in 2023 to 3.8 percent in 2024 and 4.0 percent in 2025, as the negative effects of earlier weather shocks subside, and supply issues gradually improve.

Botswana Economy

According to the central bank's April 2024 report real GDP grew by 2.7 percent in 2023, compared to a higher growth of 5.5 percent in 2022. The sluggish growth was attributable to the deteriorating global economic conditions, and geopolitical events, including the conflict in Ukraine, which have negatively impacted demand for diamond jewelry and rough diamonds.

Headline inflation averaged 3.6 percent in the first quarter of 2024, compared to 9.4 percent in the first quarter of 2023. The decrease in inflation in the first quarter of 2024 was mostly accounted for by the dissipating impact of the increase in domestic fuel prices in 2023, the reduction in domestic.

Business and Operating Performance

Overall, 2023/24 just like its predecessor was challenging despite the anticipated improvements in both global and local economic conditions. However, the Corporation's profitability improved during the period under review as it posted a profit after tax of P29 million which is a 26% increase against the previous year's P23 million. Our resilience still depended heavily on rental income which is critical for the corporation's sustainability.

The Corporation recorded a total revenue of P525 million, 5% decrease when compared to the P553 million recorded in the prior year. The decrease in total revenue was a result of a decline in sales of housing inventories, and external projects contract income with an aggregate reduction of P87 million. Rental revenue increased by 21% to P339 million from P280 million recorded in the prior year. The increase was because of additions of new rental properties to the existing portfolio and the rental subsidy from the shareholder in lieu of rental increase.

During the review period, the Corporation focused on effective cost management to mitigate expenditure against high inflationary pressures and an unfavorable economic environment. Total operating expenses for the period under review were P379 million compared to P328 million for the prior year, an increase of 9%. Employee benefits expenses, repairs and maintenance of investment properties and other operating costs remained the major costs for the period.

The Corporation's statement of financial position is healthy with a total asset base amounting to P2.850 billion, an increase of 3% year on year. The Corporation's investment properties portfolio stood at P1.3 billion at the end of the reporting period. These properties represent 45% of the Corporation's total assets.

Our Strategy

This was the first year of the two-year transitional period covering the 2023/24 and 2024/25 financial years. The transitional period is used to implement the balance of deliverables not attained during the previous six-year strategy period of 2017 to 2023. The major strategic thrusts during these two years were still Superior Customer Experience, Stakeholder Engagement, Financial Sustainability, Operational Efficiency, High Performance Culture and Market Segmentation. These will remain pivotal and serve as strong foundations for the following long-term strategy development that will be undertaken during the 2024/25 financial year.

Housing Developments

During the period under review, 688 houses were delivered under the Self-Help Housing Agency (SHHA) scheme. In the coming financial year, 470 additional SHHA houses will be delivered across the country.

On the commercial side, the Corporation delivered 56 units in various locations in the country covering both internal and external projects. However, 375 housing units were at various stages of construction in Gaborone, Kazungula, Nata, Rakops and are expected to be delivered during the 2024/25 financial year. The Corporation plans to start 967 housing units across the country during the 2024/25 financial year. The planned projects are in Gaborone, Francistown, Maun, Pilane, Tati siding, Palapye, and Letlhakane.

Our Customers

At BHC, our business revolves around the customers we serve. Our mission is to provide affordable, quality housing solutions that empower Batswana to build stable and fulfilling lives. During the year under review, we remained committed to this mission by expanding our reach and footprint across Botswana, bringing our housing solutions to more communities. We invested in enhancing our customer service processes, ensuring a seamless and efficient experience for all our clients. This included implementation of our customer care charter to enhance customer experience overall. Furthermore, we strengthened our partnerships with local authorities and communities, working together to address housing challenges and create sustainable solutions.

As we move forward, we remain steadfast in our commitment to providing affordable, quality housing solutions. We will continue to prioritise customer needs: We will actively listen to our customers' feedback and tailor our offerings to meet their evolving needs. We will leverage technology to streamline our processes and enhance customer experience. We will also collaborate with Government agencies, private sector partners, and international organisations to drive sustainable housing development. By actively engaging in community development initiatives, we hope to contribute to the overall well-being of Batswana.

Our Stakeholders

Our success is inextricably linked to the support and collaboration of our valued stakeholders. The immense support and policy frameworks by the shareholder enabled us to deliver impactful housing solutions for the benefit all Batswana.

The Board's guidance and oversight were invaluable in shaping our strategic direction during the first year of the Transitional National Development Plan. The dedication and hard work demonstrated by our staff remains the driving force behind our achievements. Our local authorities collaboration in delivering housing solutions to Batswana have truly enhanced our impact throughout the communities we serve.

As we look to the future, we remain committed to continue to explore innovative solutions to make home ownership more accessible to a wider range of Batswana. We will prioritise building energy-efficient, sustainable, and resilient homes that meet the highest standards of quality. Collaboration with local communities to address their specific housing needs and create vibrant, inclusive neighborhoods will remain a priority for us. We will focus on financial discipline and prudent resource management to ensure the long-term viability of BHC. Our belief is that by working together with all our stakeholders, we can create a brighter future for Botswana, where every citizen has access to a decent and affordable home.

Risks

During the year under review, the Corporation was operating in VUCA environment characterised by volatility, uncertainty, complexity, and ambiguity. Due to increased interconnectedness the geopolitical and macro-economic uncertainty risk increased. Therefore, Botswana is not immune to the effects of the geopolitical and macro-economic uncertainty risks. With commodity prices increasing due to the effects of the wars, building material prices increased. During the year inflation remained within the Bank of Botswana target of 3 – 6% and the prime lending rate was reduced in December 2023 to 6.51%. Although

operating in this environment the Corporation remained resilient, adapted and had strategic foresight.

In the past year, the Corporation has been presented with significant operational risks which were testing the Corporations resilience and adaptability. These risks are related to project management, property management and counterparty risk. This affected efficiency in the delivery of projects and increased arrears, which directly negatively impacted the cash flow of the Corporation. The Corporation has adopted a proactive approach to risk management through the Enterprise Risk Management Framework which is based on ISO 31000 and the COSO Framework. The framework has been integrated into the strategic planning and performance of the Corporation and its set out risk management principles and practices for effective management of strategic and operational risks. Even though there are challenges with increased counterparty risk, the corporation has established a strong internal control environment designed to mitigate risks through established policies and procedures to lessen the credit related risks.

On the other hand, as we reflect on the past year, the Corporation has unwavering commitment to integrating Environmental Social and Governance (ESG) considerations into the core business strategies of the Corporation. BHC recognises that effectively managing ESG risks is not just a regulatory requirement, but a fundamental aspect of our long-term sustainability and success. By prioritising ESG risk management, we not only protect the Corporation business but also contribute to a more sustainable future for all.

Regulatory

As a reflection of the past year, the Corporation is subject to numerous laws, standards regulations and policies which govern the operations. During the year, the Data Protection Act was reviewed with other laws across the regulatory spectrum. The changes in regulations come with uncertainty. However, the Corporation reviewed its compliance framework, to strengthen the framework to meet all the legal requirements and industry standards. BHC continues to actively engage with regulatory bodies and industry associations, allowing the Corporation to stay abreast of new developments surrounding compliance and governance.

The Corporation continues to review the policies and establish structures responding to the regulatory environment changes. BHC has been embedding compliance into the corporate culture and operations as a way of mitigating compliance risks and building trust with stakeholders and the broader community. It has remained committed to enhancing its compliance practices, leveraging technology and fostering a culture of ethical behavior throughout the organisation and upholding the highest standards of compliance, integrity and transparency.

Looking Ahead

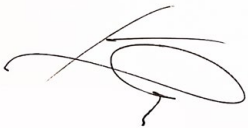
The financial year 2024-2025 is the last year of the two-year transitionary period that started during the year under review. It is during this financial year that the Corporation will unveil its five (5) year strategy that will cover the period from April 2025 to March 2030. In the immediate term the Corporation will intensify project delivery through the implementation of the project management office.

On the diversification drive, the Corporation will continue with its strategy of growing both the facilities management and professional fees to ensure continued business sustainability.

The Corporation will continue to increase its footprint across the country by implementing the Government's low-income housing program such as the Self-Help Housing Agency (SHHA). These projects are undertaken with a focus on sustainable development as a social responsibility to maintain a habitable future Botswana.

Acknowledgements

The Corporation's good performance this year is not possible without the contribution of all our stakeholders – our customers and suppliers, our Board and management teams, our employees, and the communities within which we operate. Our committed employees define our success, and they have delivered incredibly year after year. It is a privilege to work at their side. Specifically, I would like to thank our Board of Directors for their oversight and counsel, and for their dedication in aiding the success of the business.



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Mr. Nkaelang Matenge
Chief Executive Officer



Strategy Review

Strategy, Planning And Policy Report

The role of the Strategy, Planning and Policy Department is to facilitate the attainment of the Corporation's goals as well as analysing the contribution of the Government's policy towards the achievement of the Corporation's mandate. The department leads the formulation and development of the corporate strategy, and monitors and reports on the effective execution of the identified strategic initiatives. The department ensures organisational alignment with the shareholder's expectations.

Strategy

Botswana Housing Corporation has developed a two-year strategic plan covering the period from April 2023 to March 2025. The plan builds on the last six-years strategic plan, and the goal remains "to deliver 12,300 safe, dignified and sustainable houses for Batswana by 2025." The strategic plan identifies priority areas and initiatives to be undertaken and guides resources allocation to facilitate the Corporation to positively respond to the continuously changing environment.

The Corporation's strategy has five broad themes that guide the key results areas that accomplish the mandate. These themes are:

1. Superior Customer Experience

The Corporation positions customers at the forefront of its business model. It determines their needs and delivers high quality products and services in record time.

2. Stakeholder Engagement

The Corporation builds and sustains strategic relationships with key stakeholders to co-create value in the society.

3. Financial Sustainability

The Corporation ensures financial sustainability by balancing its social and commercial responsibilities.

4. Operational Efficiency

The Corporation optimises its key value chain processes to ensure delivery of all services in accordance with standards of quality, efficiency and transparency.

5. High Performance Culture

The Corporation inculcates a winning organisational culture reflective of its corporate values.

Strategy Performance - 2023/24

The 2023/24 performance plan is built on the previous years' performance plan in driving the corporate mandate. It is the first year of the two-year Strategic Plan. The Corporation has achieved 9,442 housing units of the targeted 12,300 units by the end of the Strategic Plan period.

There were sixteen (16) Key Performance Indicators for the financial year and the performance achieved is as follows:

Color Code	Explanation	Number of Key Performance Indicators	Performance Level
	Performance meeting or exceeding expected performance level.	10	62.5%
	Performance not meeting expected performance level.	4	25%
	Performance level below the set threshold.	2	12.5%
	Total	16	100%

The Corporation continued implementing the following critical initiatives that enabled the performance achieved in delivering on the mandate.

- Setting up a Project Management Office that is optimising business processes focused on project management and contract administration to enhance delivery of projects and services.
- Implementing the initiative on innovation to source innovative ideas regarding how the Corporation can improve its efficiency.
- Implementing initiatives and interventions in line with stakeholder's feedback and expectations. This resulted with satisfactory customer satisfaction level.
- Engaging local contractors for the development of both commercial and social housing projects.
- Developing competencies on project management and contract administration.
- Entrenching risk management in processes and promoting good corporate governance in operations of the Corporation.
- Promoting positive organisational culture and acquisition of requisite competencies and capabilities.

PERFORMANCE PLAN FOR 2024/25

The Corporation has developed an Annual Performance Plan for 2024/25 financial year deriving it from the two-year strategic plan which specifies the expected performance level for the performance period.

The planned deliverables for 2024/25 financial year include:

- Proactively and timely engaging and responding to both stakeholders' expectations and customers' needs to their satisfaction.
- Delivering social and commercial housing that meet the shareholder and customer's expectations.

3. Prudently utilise financial resources to generate optimal returns to ensure organisational sustainability.
4. Effectively rolling out a project management framework to ensure efficient delivery of projects as per scope, time, budget and quality.
5. Constantly implementing maintenance regimes to preserve the values of properties.
6. Collaborating with research partners on alternative technologies that facilitate development of affordable products.
7. Entrenching corporate - wide risk management.
8. Investing in talent and leadership development to promote a culture of high performance founded on corporate values.

BHC Outlook

The Corporation's two-year strategic plan has maintained the Corporation's alignment to National Development Plan 11 and the Second Transitional National Development Plan. The plan is guiding the Corporation in identifying and deploying initiatives that are responsive to the changes occurring in the business environment.

The following are the key performance deliverables for the Corporation going forward:

1. Project Financing

In addition to its prudent financial management, the Corporation will diversify its income model by developing and growing other sources of income to ensure continued projects financing while remaining financially sustainable.

2. Stakeholder Engagement

The Corporation will proactively engage critical stakeholders including local authorities and utilities providers to ensure timely delivery of houses.

3. Smart Partnership and Collaboration

The Corporation will partner with the private sector to optimise skills development and exchange, leverage on resources and expertise, and fast-track delivery of products and services. Further, it will continue collaborating with financial institutions to improve on products uptake.

4. Customer Segmentation

The Corporation will expand its products mix offering through tailor making products and services for specific and unique needs of the unserved market segments.

5. Business Processes Re – Engineering

The Corporation will continually review its processes being guided by its Quality Management System to ensure operational efficiency.

6. Technology and Innovation

The Corporation will actively partner with research institutions to accelerate research on available technologies and incorporate alternative solutions that would ensure delivery of affordable and sustainable houses.

7. Dynamic People and Culture

The Corporation will inculcate a high-performance culture driven by harmonious work environment, corporate values, and effective talent management practices.

8. Environment, Social and Governance

The Corporation will, in its next long-term strategic plan, develop initiatives that would embed Environment, Social, and Governance (ESG) practices in its business model. The strategy will allow for ESG reporting as part of risk management. The Corporation will actively manage potential risk to the environment and communities it undertakes projects in. Through its corporate social investment initiatives, it will make investments through donations that positively impact communities. All these will be carried out with accountability and responsibility.



Operations Review

Property Development Report

The business of Botswana Housing Corporation is provision of housing, office and other building needs to Government and Local Authorities and to make arrangements for others to undertake and carryout building schemes in Botswana. The Corporation established a department under which this mandate is executed. The Property Development Department structure entails three sub-branches being Internal (Non-Social) Projects, External Projects and Business Development. The Department is staffed with professionals from the built environment being Architects, Engineers (Civil/Structural), Engineers (Mechanical/Electrical), Quantity Surveyors and Research Analysts under Business Development sub-unit.

Through the Property Development Department, the Corporation had for the Financial Year 2023/24 planned to undertake projects in the following areas Gaborone, Maun, Kazungula, Letlhakane, Rakops, Nata, Tsabong, Francistown and Tati as well as SHHA turnkey projects at various constituencies. Over and above the projects mentioned above, the Botswana Housing Corporation undertakes projects on behalf of other entities and to this end the Corporation planned to develop at Kazungula, Moeng, Tlokweng, Gaborone, Mogoditshane, Matsiloje, Francistown, Maun, Tsabong, Tati and Masunga.

Projects Started

The Corporation was able to start 158 units at Gaborone (comprised of 144 units -Block 7, 13 units Phakalane and 1 unit New Naledi), 147 units at Kazungula, 37 units at Tsabong, 9 units at Matsiloje, 5 units at Chobe and an Office Refurbishment Mogoditshane.



"Smart property development builds strong communities, creates value and shapes the future."

Location/Zone vs Number of Units

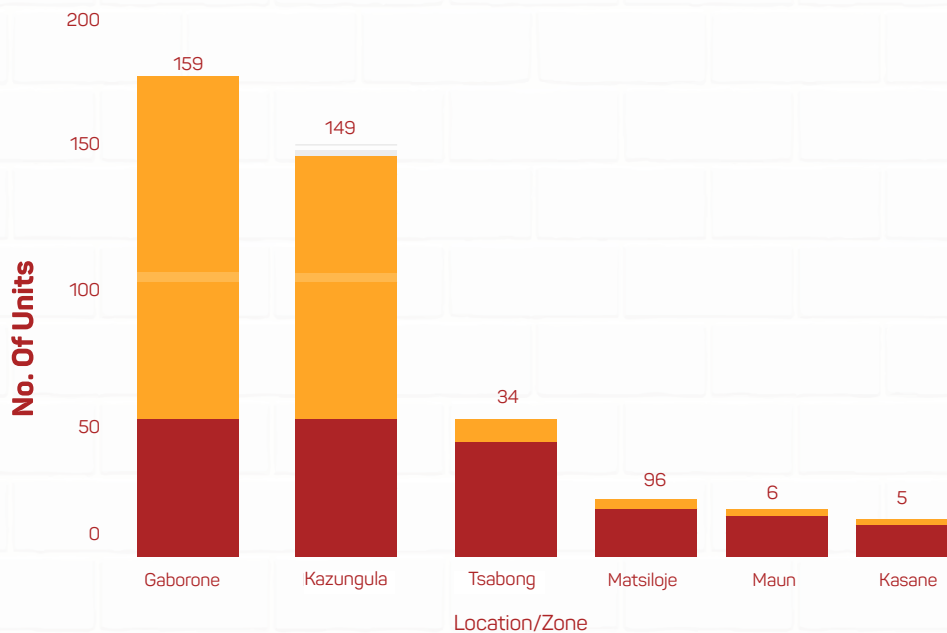


Figure 1: Projects started

The primary objective behind these developments is to fulfil the mandate of the Corporation, address the stakeholder needs, contribute to the economic development of Botswana through employment creation as well as infrastructure development.

The notable outcome of the projects has been provision of the basic human need of accommodation and upliftment of human dignity to the occupants, creation of employment and improvement of the landscapes with development. As the Corporation has adopted an approach where projects are unbundled, the projects have an effect of development of citizen contractors.

Innovations and Improvements

The Corporation continuously strives to unearth new ways of doing things through various industry practitioners. To this end, different entities are engaged (either benchmarking or

invited to make presentations), the technologies presented are evaluated, and recommendations made. Some of the technologies being incorporated as a result of these engagements include solar street lighting, Chlorinated Polyvinyl Chloride (CPVC) piping/plumbing, light weight plastic concrete shutter system (Moladi).

The Corporation deliberately carried out an in-depth review of its efficiencies towards project delivery. The exercise brought forth the establishment of a Project Management Office. It is believed that through the PMO, projects management will significantly improve and thereby reduce time and cost overruns as well as bring better quality.

As the mandate of the BHC extends to facilitation of others to achieve/undertake building schemes in Botswana, the Corporation developed partnership guidelines to create consistency, assist and speed up engagement with possible partners for delivering on the mandate.

Challenges and Risks

One major challenge in the property development process is the un-availability of ready to develop land and/or serviced land. The cost of servicing land always results in increase in overall construction costs raising challenges of affordability by the targeted market. Availability of water supply has for a long time played a pivotal role in determination of projects take offs. Availability of services within affordable costs is identified as one of the key factors that determine land readiness.

The increase in material prices perpetuated by market forces presents a challenge in the delivery of projects within the pricing levels required by the shareholder and target market.

There is a challenge of availability of some key materials to a varying degree across different areas in the country. This ultimately has an effect on the costing and capacity to develop in such areas. Typical examples are cement, aggregates, building units bricks/blocks and others. The challenges also extends in some areas to access to skilled labour.

As the Corporation sources finance from the private market, it is key to secure leads in terms of takers for the product. With the Government and Government owned institutions being the main takers, it has been a challenge to secure commitments for product uptake upfront. This results in somewhat speculative development which may not fully address the market needs.

The Department has been facing a challenge of high staff turnover for some time. This has affected implementation of some projects and general productivity. The department has since proposed a staff retention strategy to reduce on the high staff turnover.

The retention strategy includes increase in personnel to match the projects and review of some allowances as well as evaluation of working environment in general.

“Buying land is the safest and fastest way to build wealth.”

Projects Quality Assurance Report

Project Quality Assurance Department quality policy has been designed to be consistent with strategic objectives of the Corporation. The policy continuously reinvigorates our commitment to deliver quality products and services to our stakeholders and customers.

Our Quality Management Plan (QMP) is divided into four key improvement areas and is planned and managed through “Plan-Do-Check-Act” cycle (Fig.1) below components: Quality Planning, Quality Assurance, Quality Control and Quality Improvement.



Figure 1

Furthermore, the Department recognises the central positioning of the quality aspect in project implementation, the impact it has on projects delivery and its critical relation with the three primary forces in a project: schedule, scope and budget. The department therefore has made it its objective to periodically measure its performance on all the aforementioned aspects to ensure continuous improvement in quality.

Projects Quality Assurance rolled-out the Contractor Mentorship Programme in March 2022 for category OC contractors engaged in implementation of Self-Help Housing Agency turnkey projects initiated as a response action not only to improve contractors' performance and profitability but also to ensure that quality products are delivered to customers on time and within budget.

The Organisation continuously strives to achieve the government's initiative of providing shelter timeously to all Batswana especially the low-income group and creating employment for the same. In the past two (2) consecutive financial years, 2021-22 and 2022-23 BHC has housed 2168 and 2632 people respectively (Fig.2). It has also created 2710 and 3290 skilled jobs respectively (Fig.3)

Number of People Housed

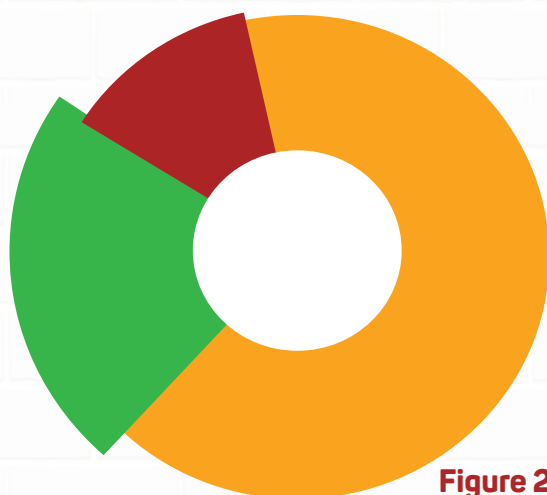


Figure 2

● Youth ● Female ● Adults

Number of Jobs Created

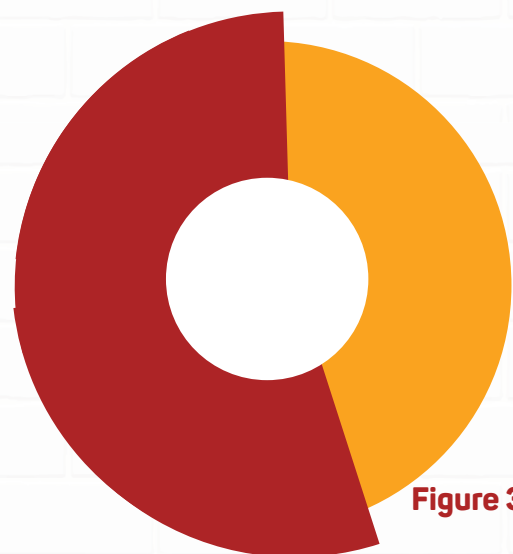


Figure 3

● 2021-22 ● 2022-23

Contractors’ performance measured over two (2) financial years; 2020-21 and 2022-23 has yielded positive results. (Fig. 4)

Data Analysis

Contractors Performance (%)



Fig 4

Equally the Department continuously challenges itself to improve and guarantee product quality by developing or improving processes and procedures, reviewing integrity of testing laboratories and ensuring calibration of testing tools /equipment used in both our commercial and social housing projects as required. We also have developed a communication plan with the objective of delivering consistent, coordinated and targeted messaging to our stakeholders to achieve specified goals.

Property Management Report

Rental Portfolio

The Botswana Housing Corporation's (BHC) rental portfolio is crucial for maximising its socio-economic impact by offering affordable housing solutions while maintaining financial sustainability in a challenging fiscal environment. To improve affordability and accessibility for its target market, BHC strategically caps its rental rates at 80% of the market levels.

As of the end of the 2023/24 financial year, the Corporation's rental portfolio comprised 10,055 properties, as shown in Table 1. These properties are strategically located across the country, which supports both rental and sales opportunities. This diverse geographical distribution aligns with BHC's primary goal of expanding its reach nationwide to serve different demographic groups.

Location	No. of Units	% of Portfolio
Gaborone	4,467	44%
Francistown	1,664	17%
Sowa Town	792	8%
Palapye	582	6%
Lobatse	498	5%
Selibe Phikwe	427	4%
Jwaneng	359	4%
Mahalapye	259	3%
Kasane	253	3%
Maun	249	2%
Serowe	177	2%
Tati Siding	146	1%
Metsimotlhabe	130	1%
Tlokweng	22	0%
Tutume	21	0%
Tonota	18	0%
Total	10,055	100%

Table 1: Portfolio Per Location

BHC's portfolio management philosophy focuses on securing a stable and consistent rental income stream, which enables the Corporation to maintain a healthy cash flow for its operations. This approach is essential for improving BHC's overall financial sustainability.

For the 2023/24 financial year, rental revenue amounted to BWP 272.5 million, with an average vacancy rate of 1.8%. Revenue remained flat compared to the previous financial year due to the absence of rental increases. The portfolio primarily consists of low- and medium-income housing units, underscoring BHC's commitment to serving its target market (Fig. 1). The portfolio also includes amenities such as daycare centers and office buildings, contributing to enhanced community living.

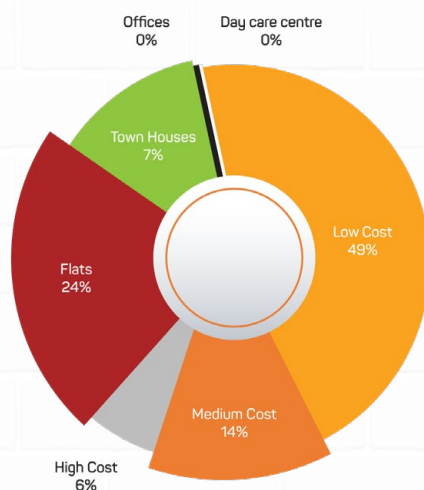


Figure 1: Portfolio mix per class

BHC continues to improve management of its property portfolio such that it continued with its strategic stretched vacancy rate of 1.5% for its rental portfolio for the financial year 2022/2023 albeit the industry rate being at a range of 3% to 5%. This remained a deliberate decision by the Corporation because rental revenue from the investment portfolio covers its operational

costs. The vacancy rate attained for the year 1.8% compared to the target of 1.5%. It is worth mentioning that secure tenancies to the portfolio with a significant ratio of approximately 65% being the Government, Parastatals and Local Authorities high-grade tenants led to the favorable variance of the vacancy rate objective.

BHC has consistently improved the management of its property portfolio, achieving a targeted vacancy rate of 1.5% for 2022/23, which remains well below the industry average of 3% to 5%. This positive variance is due to the stability provided by high-grade tenants, with approximately 65% of the portfolio occupied by government entities, parastatals, and local authorities. These secure tenancies have played a crucial role in maintaining low vacancy rates and supporting BHC's objective of ensuring a reliable income stream for its operations.

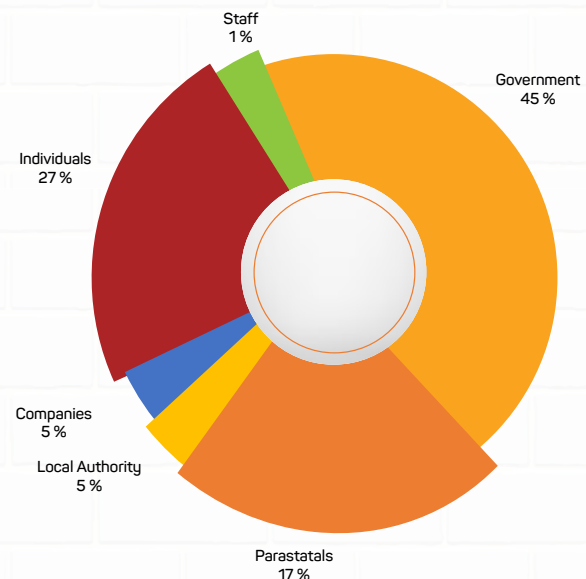


Figure 2: Portfolio Mix by Tenants

Revenue from property sales remains a crucial income stream for the Corporation, particularly in its efforts to develop more housing units to

meet the nation's needs. BHC stakeholders, especially financial institutions like banks, play a vital role in ensuring that the homeownership drive is achieved through mortgage schemes.

Additionally, BHC is actively pursuing the objectives outlined in the National Housing Policy of 2000, which aims to empower Batswana through homeownership. This is accomplished by selling its properties via outright sales (conventional and sectional titles) and through the installment purchase scheme, known as the Tenant Purchase Scheme. In the financial year 2022/2023, the Corporation successfully sold 103 housing units, generating sales revenue of BWP 103 million.

Property Maintenance

In addition to property management services, the Corporation provides maintenance for its properties through an outsourced call center and maintenance contractors, ensuring effective, responsive, and customized services. A total of 23 companies have been engaged on three-year service contracts, with an annual combined value of BWP 53 million, to provide reactive and planned maintenance for properties owned by the Corporation.

BHC's maintenance strategy is firmly rooted in citizen economic empowerment, demonstrating the Corporation's commitment to the Government's localisation, reservation and preference policies under public procurement. This strategy aims to address skills gaps, foster citizen and private sector participation and contribute to economic growth. All maintenance work is reserved for citizens and citizen owned companies, with 30% further reserved for youth and women owned citizen companies.

Key performance indicators for maintenance include the responsiveness to both reactive and planned maintenance calls, which are essential for driving customer satisfaction and preserving the value of the Corporation's assets. During the year under review, the Corporation achieved a maintenance implementation efficiency of 76%, measured across time, quality, and budget parameters. This performance underscores BHC's dedication to maintaining its properties to the highest standards while contributing to the sustainability and resilience of its portfolio.

"Regular home maintenance preserves value, ensures safety and enhances comfort for years to come."

Facilities Management

This brief intends to summarise the performance of the Facilities Management Department during the fiscal year. Since 2015, BHC has been involved in the provision of facilities management services to Government departments. An administration fee of 25% is levied on all services offered under this.

1. Introduction

The Facilities Management Department (FM) within the Corporation provides and executes facilities management services for third-party clients. This involves sourcing and implementing FM services for properties not owned by the Corporation.

Facilities management encompasses various aspects related to the maintenance and operation of built environments, including security, landscaping, interior design, building maintenance, utility management and space planning.

Currently, the department is primarily focused on offering building maintenance services due to recognition of significant opportunities in that regard, particularly within government departments. However, it remains open to exploring other opportunities within the FM industry.

2. Operational Excellence

Key Achievements:

The department has already established Memoranda of Understanding with various entities, including the Administration of Justice, the Office of the Ombudsman, Ministry of Labour and Home Affairs, the Department of Housing, Ministry of Agriculture and the National

Assembly some have elapsed whilst some are in existence.

Additionally, ongoing efforts involve engaging with other potential clients such as the National Agricultural Research Development Institute (NARDI), Botswana Defence Force (BDF), Botswana Police and other government ministries to expand its clientele and service offerings.

The department's key projects since inception in 2018 to date include but not limited to the following

- Refurbishment of the State House
- Maintenance of the Parliament building
- Refurbishment and space planning of the current BHC HQ building
- General maintenance of District Housing countrywide
- Maintenance and up keep of the Parliamentary village
- Maintenance of Magistrate courts around the country including installation of HVAC systems
- Refurbishment of Ramatlabama Artificial Insemination Lab

3. Efficiency Improvements

The department has since inception had its project implementation done by the regional offices and this had its own project management and control challenges hence department has since realigned its organisational structure to have project implementation officers who report directly to the Head of Department to improve on efficiency. The recruitment process is currently ongoing and shall be concluded by end of Q1.

3.1. Marketing Tactics

The department has also joined hands with the Marketing and Communication department to draw a robust marketing plan with clear marketing tactics as follows:

3.1.1 PHASE 1

i. Corporate Session

- Host a corporate event session in Gaborone in Q1
- All key stakeholders and potential corporate customers will be invited including Permanent Secretaries of various ministries, Facilities Managers, Media, etc
- The purpose of the session is to create awareness and educate the stakeholders on the service offering
- The event will also be used to strengthen the relationships with key stakeholders
- Hosting of both existing and potential customers in an intimate session will allow for issues to be discussed in lighter moments, mingling amongst themselves will also enhance dialogue around present and past experiences and how issues can be handled better in future

3.1.2 PHASE 2

ii. Direct Marketing to potential customers

- Engage potential customers directly through meetings
- Presentations will be made to the potential customers through both physical and virtual meetings
- This method of engagement directly reaches targeted customers and can produce fast results
- By engaging directly with customers, the Corporation can build stronger relationships, fostering loyalty and repeat business

- Direct engagement provides opportunities to recommend additional products or services based on customer needs, increasing sales and revenue

iii. Profiling of past projects

- Past projects implemented such as the maintenance of Parliamentary village flats will be profiled through the engagement of photographers and videographers where possible
- These professional videos and photos will be used to market the services to potential clients through various media channels such as social media, website, etc

iv. Digital Marketing

- The Corporation will use its available digital channels to push the Facilities Management services
- Digital marketing channels such as social media, search engines and email allow businesses to increase brand visibility and awareness among their target audience
- With digital marketing, the Corporation can reach a wider audience regardless of geographic location, expanding its market reach exponentially
- Compared to traditional marketing channels such as print or TV advertising, digital marketing is often more cost-effective, allowing businesses to achieve greater results with lower budgets

v. Exhibitions and Events

- Exhibitions provide a dynamic and interactive environment to engage with customers, showcase product and service offerings and drive brand awareness, making them a valuable marketing tactic for companies across various industries

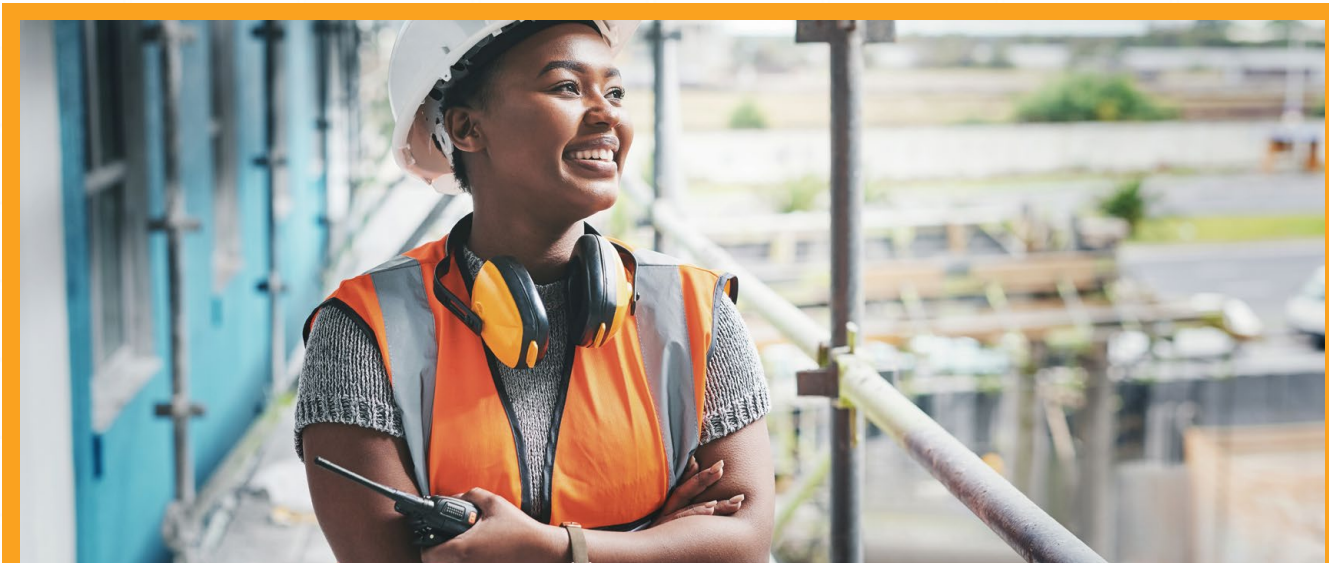
4. Financial Performance

Facilities Management revenue, which is revenue generated from the maintenance and refurbishment of properties for third party clients decreased by P4 million from the P42 million recorded in year 2023 to P38 million. This was mainly due to the decrease in the volume of project requests received from our clients, mainly the Department of Housing.

The Facilities Management Department has been and remains one of the Corporation's key revenue streams and is expected to grow as more clients are taken on board. The Corporation has active Memoranda with different Government departments and is expected to sign more in the coming years. This is a revenue line which the Corporation intends to grow as part of its strategy to diversify and grow revenue streams.

5. Future Outlook and Goals

- a. The department intends to become the leading service provider of FM solutions in the country at the same time supporting the private sector
- b. This financial year alone they are looking at 3 major projects being:
 - Cycle maintenance of Parliamentary village and annexes in Gaborone
 - Refurbishment of Office block at Sebele for NARDI
 - Refurbishment of Office block at Kanye for NARDI



6. Conclusion

The department remains committed to improving and innovating by learning the trade and perfecting it at home through managing the BHC head office facilities and its services. There are numerous innovative installations lined up for improved utility saving such as automated motion sensing lighting and water displacement blocks for ablutions.

The department intends to continue growing the client base whilst maintaining the existing relationships to continue being a viable revenue stream for the corporation for it to be able to deliver on its mandate and it shall be enabled by the efforts and abilities of its workforce hence it goes without saying that the workforce will be very integral in the departments achievement of its intended goals.



Corporate Review



SENIOR LEADERSHIP TEAM



Mr. Nkaelang Matenge
Chief Executive Officer



Ms. Pascaline Sefawe
Deputy CEO - Corporate Services



Mr. Batanani Nkumisang
Acting Deputy CEO - Operations



Mr. Diratsgae Kganyane
Chief Finance Officer



Mr. Sekgele Ramahobo
Director Human Capital & Administration



Mr. Richard Chilisa
Director Risk & Compliance



Mr. Paar Frank
Acting Director Property Development



Mr. Kesebonye Khimbele
Regional Director South

SENIOR LEADERSHIP TEAM



Mr. Ntshekisang Ofetotse
Head - Project Quality Assurance



Mr. Thupa Thupa
Head - Strategy, Planning and Policy



Ms. Samantha Chabata
Head Information Technology



Mr. Benjamin Olebile
Head - Facilities Management



Mr. Keithusitse Ookeditse
Acting Regional Director - North



Mr. Pogiso Thapelo
Chief Corporate Counsel



Ms. Elizabeth Ferguson
Chief Audit Executive



Mr. Tumo Kgatlwane
Head-Marketing & Communications

Human Capital Report

Corporate Strategy Implementation Alignment

During the 2022/23 financial year the Corporation had planned to review its long-term strategy, in alignment with Government NDP 12. Government's decision to defer the development of NDP 12 resulted in the Corporation deferring development of its six year long term strategy covering the years from 2023-2028.

The 2023/24 financial year budgeting process marked the start of a two-year corporate transitional strategy. The following strategic priority areas were identified as paramount in driving the transitional corporate strategy; Project Financing, Stakeholder Engagement, Enhancing Communication, Partnerships and Collaboration, Market/Customer Segmentation and Sale, Business Processes Management, Technology and Innovation, and People and Culture.

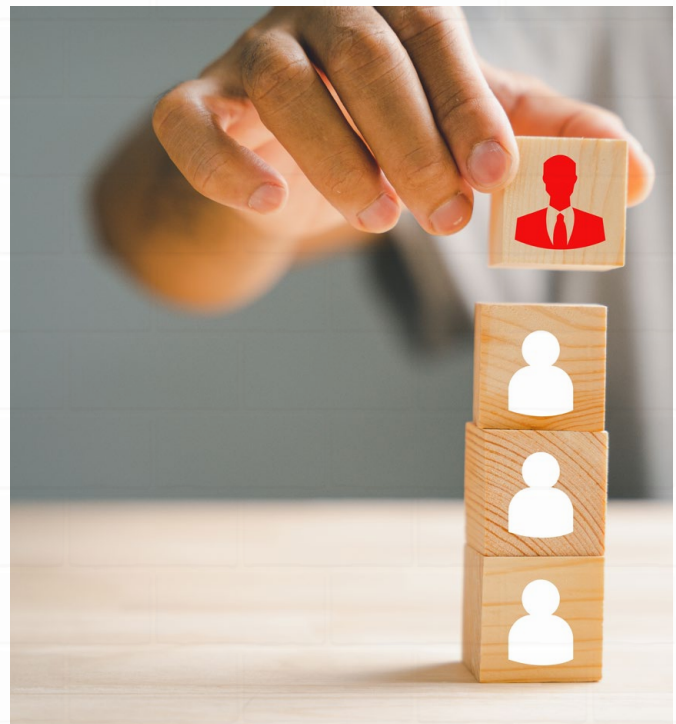
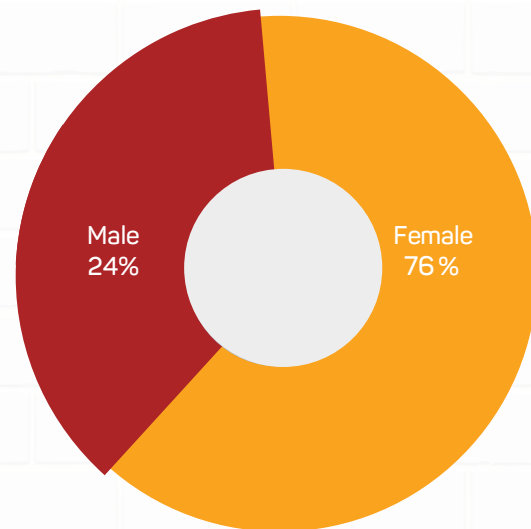
As part of its organisational structure alignment, BHC has made two major changes: the creation of two offices, namely the Procurement Oversight Unit (POU) and the Project Management Office (PMO). Of these two changes, PMU was necessitated by the changes in government's procurement legal framework, while the other PMO was intended to enhance efficiencies in its project management processes and systems for both the core functions and support services.

Human Resources

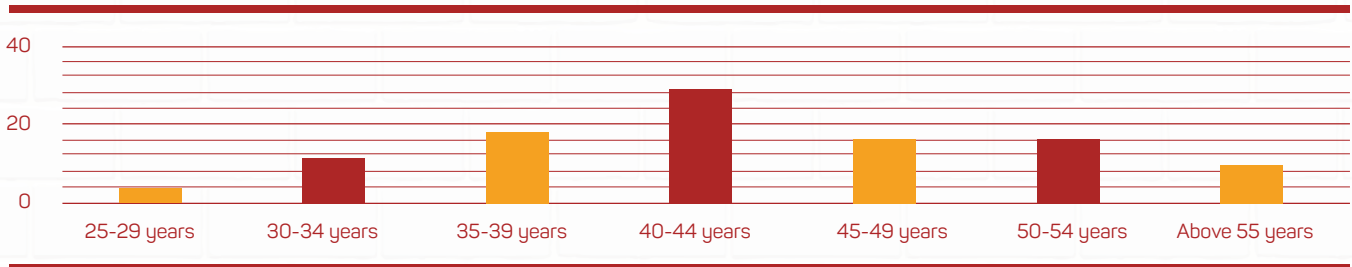
The Corporation's establishment in the 2023/2024 financial year was three hundred and sixteen (316), with one hundred and eighty five (185) of employees being at the regional

offices, made up of the Southern Regional Office, centrally coordinated from Gaborone and the Northern Regional Office, centrally coordinated from Francistown Regional Office. The graphs below illustrates the gender and age analysis of the workforce;

Gender Analysis



Employee By Age Category



The Corporation continues to implement initiatives that are intended to enhance ownership of processes and systems by employees, through encouraging participation from ideation, through implementation and monitoring. Additionally, Management had during the year commenced engagements with the Union on review of several human capital management policies. It is expected that such review would bring along impactful results, including enhancing employee engagement and employee productivity, and hence achievement of corporate strategy.

Leadership Effectiveness

The Corporation continues to implement leadership effectiveness programmes intended to close gaps that have been identified within the Corporation. This process followed on a leaderships effectiveness assessment exercise that was carryout out to evaluate the level of leadership effectiveness within the Corporation. The developmental programmes are expected to also feed into the Corporation's

talent management systems and processes, therefore addressing the Corporation's business continuity ideals. During the period Management has implemented a leadership development plan, covering programmes aimed at developing leaders, including innovation and change management, as well as coaching and mentoring.

Employee Learning and Development

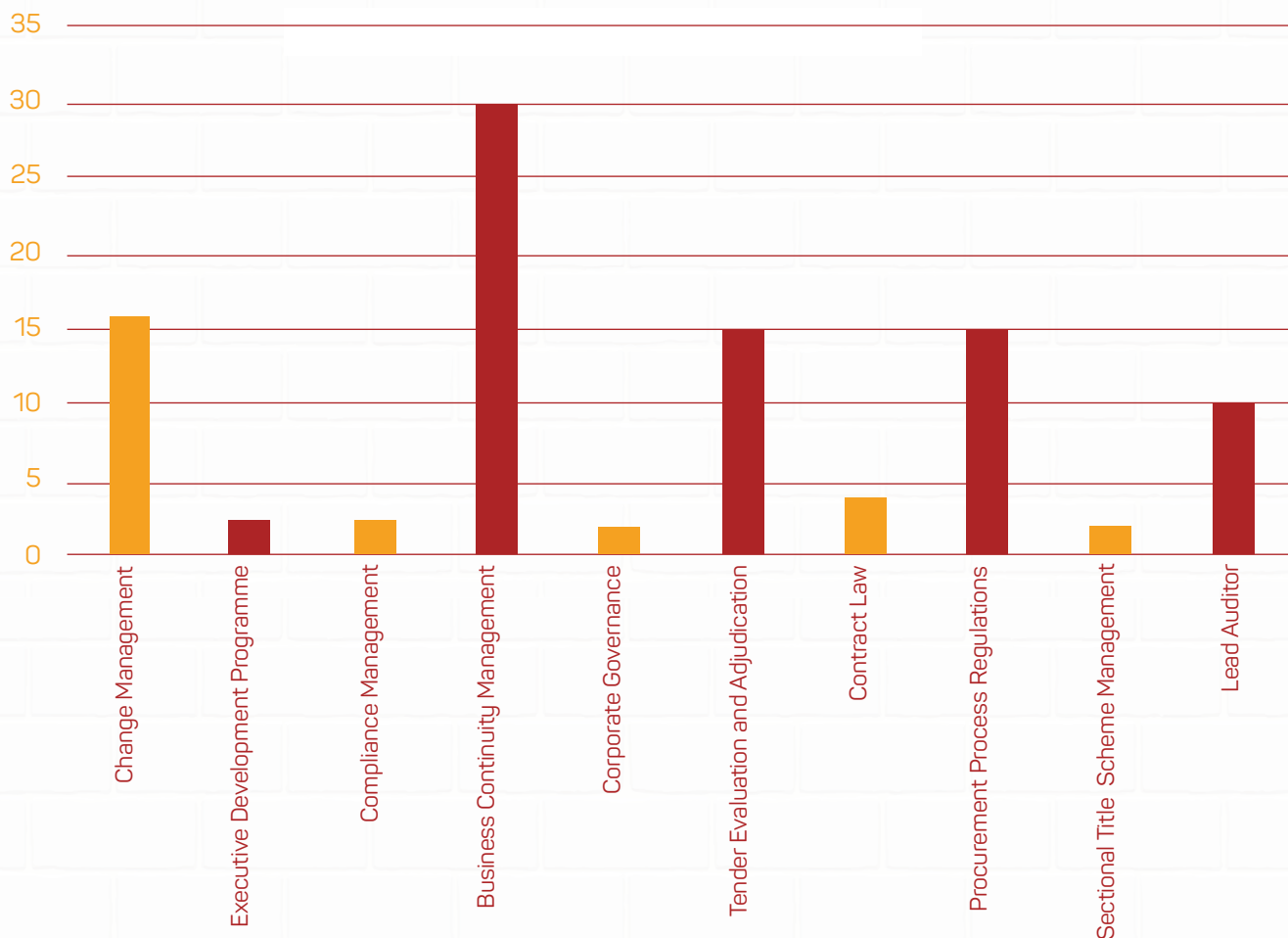
Annually the Corporation identifies learning and development needs through the performance managementsystemandprovides the necessary budget to ensure that any identified gaps are addressed. The transitional strategy identified some key areas that needed to be addressed to ensure effective and efficient implementation of the strategy by the year 2025.

The Corporation's learning and development plans and budget for the 2023/2024 financial year therefore primarily considered required competencies in line with the identified strategic priority areas.

In that regard, most learning and development plans were targeted towards programmes that would facilitate addressing the identified key priority areas for strategy execution, leadership and project management. In line with its intent to encourage the uptake of online programme solutions most of the programmes covered under the plans and budget are to be conducted online.

The following chart illustrates learning and development interventions carried during the period under review:

Employee Trained Per Programme



Employee Engagement

BHC values employee engagement as a strong indicator of employee satisfaction as satisfied employees are happy at work, and engaged employees are happy doing their work and loyal to the organisation. The Corporation conducts employee engagement survey once every two (2) years to check how the employees feel about the leadership, corporate culture, the

work environment and other key organisational practices such as remuneration, rewards and recognition, learning and development, talent mobility and employee welfare/wellbeing. In 2023/24, the Corporation had an Employee Engagement Plan put in place for monitoring implementation of the recommendations raised by employees through this survey.

The Corporation has implemented several initiatives intended to enhance the work environment which amongst others include:

- Conducted innovation week sessions in partnership with the The NeoHub, a local innovation firm, who are experts in the innovation management process and were imparting knowledge on employees. During the innovation week sessions, employees collaborated and built networking with other colleagues. Employees were awarded prizes for coming up with best ideas during the sessions and a database of the ideas have been created for further research.
- Conducted innovation competitions to get ideas from employees for further research and implementation with a view to improving products and services.
- Annually, commemorate the World Innovation and Creativity day.
- Finalisation of Human Capital and Administration policies to improve the employee conditions of service such as Alternative Working Arrangement, Skills Exchange Policy, Graduate Development, Learning and Development etc.
- Conducting inductions or employee awareness workshops on staff welfare key issues like cyber security, staff pension, health matters, business continuity etc..
- Establishing different Task/Project Teams in the Corporation inclusive of diverse members from different departments. This is to encourage teamwork, collaboration and creativity.

Change Management and Mindset Change

Botswana Housing Corporation has implemented an Enterprise Change Management Framework, which consists of the ADKAR model to facilitate smooth implementation and adoption of changes in the Corporation. The Corporation identified nine (9) projects to implement ADKAR model in the financial year 2024/25. The projects identified are: Procurement Structure Change, Upgrade of Enterprise Resource Planning (Oracle System), Implementation of Project Management Office, Unbundling of Projects, New Sales Strategy, Review of Quality Management System (inclusive Business Process Re-engineering), BHC Enterprise Change Management (ECM), Culture Change and Development of the BHC Long-Term Strategy.

The Corporation has trained its Senior Leadership Team on Driving Change programme in 2023 to equip leadership with necessary skills to facilitate and drive the change initiative. Furthermore, the Corporation has Change Structures in place mandated to coordinate and facilitate change and transformation activities at different levels in the organisation.

There are Change Agents appointed, of which members have been well trained on Change Management matters to assist in change adoption and buy-in at employee level. The team consists of members of staff from different departments across the Corporation. There is a Transformation Committee in place reporting to the Executive Management which is a high level structure coordinating all change and transformation matters in the organisation.

In 2023, the Government introduced a fifth (5th) Priority Focus Area being Mindset Change to its transformational agenda to change Botswana, communities and organisations' thinking behaviour.

The Government **MindsetChange** initiative guide that organisations need to cultivate and embed mindsets, thus behaviours and norms that drive a culture of high performance. The Botswana Housing Corporation has been putting efforts in responding to this Government initiative to contribute to the desired future state of massive wide transformation in productivity levels, innovation, re-invented business processes and high performance culture.

Creating Innovation Culture in the Workplace

The Corporation has embarked on a journey of creating and cultivating innovation culture in the workplace and the following activities are being undertaken:

- Establishment of Innovation Committee – The Committee was appointed to coordinate all activities of Innovation in the Corporation.
- Innovation Competitions – BHC has introduced annual Innovation Competitions to create platform for employees to be creative and generate new ideas. This has helped the employees to be motivated and think outside the box for new ideas to improve the BHC products, services, processes, or business model. The winners of the competition are awarded a monetary prize as a token of appreciation and motivation.
- Innovation Week Sessions – On annual basis the BHC holds innovation week sessions where employees meet from different departments to look at the challenges that the Corporation encounter. These sessions help employees to collaborate with co-workers from different departments, network, build cohesion and come up with solutions to transform the organisation. Innovation Week sessions were held this year in March in partnership with The NeoHub Consultants,

who are the experts in innovation matters. The partnership was necessary to accord employees skills, facilitate engagements and system thinking process to build the innovation momentum in the workplace. The outcome of the sessions was a database of ideas of which the Innovation Committee will prioritise for implementation.

- Innovation Management System – The Corporation trained the Senior Leadership Team on Innovation Management programme in May 2024. The leadership had an opportunity to experience the principles of Innovation Management System (IMS) and how innovation capability could be built or incorporated in the Corporate Strategy. Therefore, leadership has committed itself to adopt the IMS framework and standard as a way of building an innovation culture pillar in the Corporation.

Union/ Management Relationship Building

As part of an ongoing effort to strengthen the relationship building between Management and the Union, the Corporation periodically undertakes some relationship building activities for members of Management and Union. Under the year in review, the Corporation facilitated a workshop attended by members of Management and the Union. The objective of these activities are to enhance and promote a spirit of teamwork among the parties in addressing matters of mutual interest. These sessions had enabled the parties to, amongst other things, to constructively engagement and conclude consultations and negotiations on critical areas, including on human capital management policies and new initiatives intended to enhance efficiencies throughout the Corporation.

One such development was implementation of a Projects Management Methodology and implementation of a Project Management Office (PMO), whose establishment is intended to enhance implementation of projects at both the core functions and at the support functions. Other developments included implementation of the Procurement Oversight Unit (POU), whose mandate is to ensure compliance with the requirements of the new Public Procurement Act.



“Smart property development builds strong communities, creates value and shapes the future.”

Stakeholder Engagement

This report outlines the stakeholder engagement activities conducted by the Corporation during the year ended 31st March 2024. Our commitment to transparent, proactive and inclusive engagement with our stakeholders ensures that their needs and expectations are integrated into our strategic planning and operational activities.

Stakeholder engagement is a critical component of Corporation's operations, as it nurtures mutually beneficial relationships with all parties. We take cognizance of the fact that our broad stakeholder base is diverse and has varying interests and influences. This report details our engagement processes, key stakeholder groups, engagement methods, and the outcomes of these interactions.

Key Stakeholder Groups

The following are our key stakeholder:

1. Shareholder (Ministry of Transport & Public Works)
2. BHC Staff
3. Tenants/ Customers
4. Suppliers and Contractors
5. Local Authorities
6. General Public/ Communities
7. Regulatory Bodies and Industry Partners

Engagement Process

Our stakeholder engagement process employs a range of methods to ensure effective communication and feedback. We annually assess our stakeholder's needs and concerns based on some of the feedback mechanisms so as to specifically address key and emerging issues. We also strive to identify any material

concerns and opportunities that may exist and purposefully work to resolve these. This we do through targeted stakeholder engagements, which affords us an opportunity to develop a better understanding of our stakeholders. The risk and control action plans provide an oversight of the Corporation's engagements and takes note of any material matters that may arise. Below are the engagement methods used;

- Surveys (Customer Satisfaction Survey/ Perception Index Survey): To gather quantitative data on stakeholder satisfaction, perceptions and opinions.
- CEO's Consultative Meetings
- Focus Groups: To gain deeper insights into specific issues.
- Public Education Forums: For literacy engagements regarding the mandate, products and services.
- Local Authority & third-party engagements for Councils and Corporate Clients.
- Workshops and Forums: For collaborative problem-solving and innovation.
- Social media and Online Platforms: To reach a broader audience and facilitate real-time interactions.

1. Shareholder

Activities	Key Concerns	Actions to address concern
• Actions to address concerns	• Project Deliveries • Low-income housing bracket • Public education districts engagement on BHC mandate and Government • Citizen economic platforms	• Unbundling of projects • Implementation of low income housing at new districts • Improved participation in Corporation's activities citizen

2. BHC Staff

Activities	Key Concerns	Actions to address concerns
• Employee engagement Surveys • CEO's consultative meetings	• Internal Communication • Policies review • Talent management plans • Succession plans • Staff rewards and recognition	• Enhancing internal communication through use of digital channels i.e. staff WhatsApp • On going policies review • Development of talent management and succession plans • Review of staff rewards and recognition

3. Tenants/ Customers

Activities	Key Concerns	Actions to address concerns
• Customer satisfaction survey • Perception index • Tenant meetings	• Low turn around to maintenance queries • Poor general customer service • Poor communication/ feedback/ non-responsiveness to customer queries • Use of low-quality materials	• Improved turnaround times to attend to maintenance queries • Implementation of customer care charter • Enhance customer feedback mechanisms • Use of quality & approved materials

4. Suppliers and Contractors

Activities	Key Concerns	Actions to address concerns
- Suppliers Engagements - Performance Reviews - Collaborative initiatives	- Non-compliance to service level agreements - Non-performance	- Improved compliance - Improved performance - Termination for non-compliance and non-performance - Mentorship opportunities - Continuous engagement

5. Local Authorities

Activities	Key Concerns	Actions to address concerns
- Full council briefings - Market open days - Courtesy call meetings - Corporate social responsibility initiatives	- Late starts and delivery of projects - Non-performance of contractors - Knowledge gap - Outdated SHHA turnkey house plans - Lack of housing projects	- Targeted engagement sessions - Improved performance - Improved public education - Update on SHHA turnkey house plan - Update on planned developments - Lack of housing projects

6. Regulatory Bodies and Industry Partners

Activities	Key Concerns	Actions to address concerns
- Compliance audits - Industry forums - Collaborative initiatives	- Non-compliance issues - Lack of housing projects	Maintained regulatory compliance

Challenges and Improvements

Despite our successes, we faced challenges in aligning diverse stakeholder interests and managing stakeholder expectations. Key areas for improvement include:

- Enhancing project delivery through unbundling of projects.
- Improved delivery of third party projects to enhance relationships.
- Improved products to suit modern customer needs.
- Improved general customer service.
- Increased stakeholder engagement to better manage expectations and respond to challenges.
- Increased public education to bolster literacy levels regarding the Corporation's mandate, products and services.
- Increasing the frequency and depth of engagement with remote stakeholders to better understand the Corporation's mandate.
- Developing more targeted communication strategies to address specific stakeholder concerns.
- Expand our engagement activities to include more diverse and underrepresented stakeholder groups.
- Regularly review and update our stakeholder engagement strategy to reflect changing stakeholder needs and industry trends.
- Follow up all stakeholders' concerns with a view to address and close them.
- Improve relationship management for all key stakeholders.

Conclusion

Effective stakeholder engagement is vital for the sustainable growth and success of Botswana Housing Corporation. By maintaining open lines of communication and actively addressing stakeholder concerns, we build stronger relationships and foster a collaborative environment that benefits all parties involved.

Future Plans

The Corporation aspires to continuously engage all stakeholders with a view to better understand their needs and address all gaps identified; We aim to do:

- Implement advanced analytics to better understand stakeholder sentiments.



Corporate Social Responsibility Report

The Corporate Social Responsibility (CSR) report highlights the Corporation's commitment to contributing positively to society through various initiatives undertaken over the financial year.

The Corporation is dedicated to enhancing the quality of life in the communities it serves. Through strategic Corporate Social Responsibility initiatives, aimed to support education, infrastructure development and environmental conservation.

CSR Key Focus Areas

The Corporation undertakes various projects aligned with the following focus:

1. Education
2. Health Care
3. Environment
4. Social Empowerment
5. Sports and Culture
6. Generation of Employment
7. Infrastructure Support
8. Grant, donation, financial assistance/ sponsorship to reputable NGOs of the society/locality doing or involved in the upliftment of the standard of the society.

Criteria for CSR Funding/Support

Projects and Organisations applying to BHC for funding and support should meet most of the following criteria:

- Programs and Organisations that will have a wide impact, rather than that meet the needs of individuals.

- Programs and Organisations with the mission of improving the educational and economic opportunities of disadvantaged and/ or low-income groups of people, families and communities.

- Organisations that deliver effective programs with measurable outcomes in response to identified community needs.

- Organisations should be registered non-profit organisations or exclusively public institutions (e.g. school or university) or comparable.

Education initiatives

Sekgoma Primary School Computer Lab

Refurbishment In response to the swift pace of digitalisation, the Corporation refurbished a computer room at Sekgoma Primary School in Maun and donated five (5) computers and a printer. The objective behind this project was to elevate the educational journey for both students and educators, cultivating an environment enriched by technology and interconnected learning. The project amounted to P150,000.00.

Semolale Reading Room Refurbishment

To support the efforts of Botswana to be a knowledge-based economy, the Corporation started the refurbishment of a reading room in Semolale Village. The Semolale Reading Room project is a community-based project based in the Bobirwa District. The project was recommended by the Bobirwa Sub-District Council Community Development Department as it aligns with the Corporation's CSR Policy which highlights Education as a major focus area due to its impact on the lives of communities. The reading room is used as a library and preschool for children who

have not started school yet. The project involves re-roofing, installing ceiling, installing shelving, electrical installations, painting, the addition of a verandah and reception counter, and building of an ablution block. Total project amount is P285,145.00 upon completion, the building will serve as a preschool and library.

Sponsorship of the South Region Excellence Awards

The Corporation sponsored the South Region Excellence Awards with P20,000.00 which was awarded to Primary School teachers who achieved 100% pass in the Primary School Leaving Examination in 2022.

Donation of a printer to Ngwatsau Primary School

The Corporation purchased a printer worth P 39,424.62 for Ngwatsau Primary School.

Environment Initiatives

Sponsorship of the Botswana Sustainability and ESG Summit 2023

To contribute to environmental planning and conservation, the Corporation participated and facilitated the Corporation's sponsorship of the Botswana Sustainability and ESG Summit 2023 which took place on the 22nd and 23rd of November 2023 in Gaborone with an amount of P100,000.00.

Social Empowerment Initiatives

Construction of a house for a former Pantoon Operator Mr. Dikumbiro Abraham Makaeko at Mohembo Village.

The Corporation through the Ministry of Transport and Public Works identified a beneficiary Mr Dikumbiro Abraham Makaeko a former Pontoon boat operator from Mohembo East in the Okavango District. This was due to his commitment and dedication to serving his community and the nation over the years. The project entails building a two bed roomed with a living area, a kitchen fitted with steel cabinets, a separate toilet and bathroom, floor tiles, plastered and painted walls, IBR room sheets, water and electricity connection, fully furnished with beds, stove, fridge, curtains, new fence, conservancy tank. The total project will cost P682,079.67.

Installation of a jungle gym at Tsholofelo 372

The installation of a jungle gym in Gaborone provides children with an opportunity to engage in imaginative play and interact with their peers, fostering physical and social development. The estimated project amount is P150,000.00

Sponsorships Initiatives

- Facilities Management Conference and Exhibition Botswana - P27,088.86
- Engineering Week - P20,000.00
- Botswana Infrastructure and Alternative Investment Forum 2023 - P42,750.00.
- BDF – Thebephatshwa Wellness and Investment Expo 2023 - P20,000
- Xere Cultural Festival - P27,914.65
- National Youth Employment Forum 2023 - P10,000.00
- Botswana Built Environment Conference (BBE) and Expo – P20,000.00
- UB Foundation Fundraising Gala Dinner – P15,000.00
- Botswana Transport and Energy Summit & Expo - P47,025.00

8. Future Plans

- Completion and handover of ongoing projects, including the house for Mr. Dikumbiro Abraham Makaeko and the refurbishment of the reading room in Semolale Village.
- Continuation of our support for educational and community development projects.
- Exploration of new initiatives to enhance our environmental sustainability efforts.

9. Conclusion

Our CSR initiatives reflect our commitment to creating a positive impact on the communities we serve. By focusing on education, community development, and environmental sustainability, we aim to build a better future for all stakeholders.



"Smart property development builds strong communities, creates value and shapes the future."



A close-up, warm-toned photograph of a person in a dark suit jacket. Their right hand is holding a silver pen, poised to write on a yellow notepad. In the foreground, a wooden gavel rests on a wooden surface. The overall atmosphere is professional and legal.

Corporate Governance



Governance Framework

BHC is governed by a Board whose members are appointed by the Minister of Transport and Public Works by powers bestowed on him by Parliament through Botswana Housing Corporation (BHC) Act (Cap 74:02). BHC subscribes to good corporate governance and therefore is fully committed to ethical and effective leadership principles as espoused in King III. In pursuit of good corporate governance, the Corporation has over and above the BHC Act, adopted the Board Charter and Committees Terms of Reference which among other things, set parameters on the use of privileged information, declaration of conflict of interest and stipulate the roles and responsibility of the Board and Committees. Furthermore, it seeks to ensure that sound corporate governance principles are applied in all dealings by the Board members in respect of and on behalf of the Corporation.

Governance Structure

The Board and its Responsibilities

The BHC Act provides for the composition of the Board to be not less than seven or more than ten members who are, subject to any special or general directions of the Minister, responsible for the overall direction of the affairs of the Corporation, and for such other matters as may be specified in the BHC Act. Members are appointed by the Minister responsible for Housing and all appointments to the Board and of the Chairman are signified by notice in the Government Gazette.

In appointing members to the Board, the Minister specifies such periods of appointment as to ensure that the appointment of not more than one third of the members expire in any one year. Of the members appointed, the Minister designates one to be the Chairman of the Board, normally for a term not exceeding three years. The Chairman is eligible for re-appointment.

In terms of the Public Enterprise Evaluation and Privatisation Agency (PEEPA) guidelines of 2012, board members are not to serve more than two consecutive terms.

The primary role of the Board of the Corporation is to ensure the long-term sustainability of the Corporation and enhance shareholder value by providing for the housing, office and other building needs of Government, local authorities and Batswana as provided for under the Botswana Housing Corporation Act (the Act).

The Board achieves this by ensuring that the Corporation is adequately staffed, especially senior positions, developing and reviewing the strategic direction and goals of the Corporation, and overseeing the business and affairs of the Corporation in light of emerging risks and opportunities.

The Board is assisted by Board Committees in fulfilling its responsibilities.

During the reporting period the following were Board members:



Mr. Moemedi Gabana
Board Chairperson and Independent Member

Mr. Gabana holds a Master of Science in Urban Development and a Bachelor of Arts (Honours) in Architecture. He is a lecturer in Architecture and Planning at the University of Botswana and a registered member of the Architects Association of Botswana.



Ms. Boitshoko Vanessa Ntshingane
Vice Chairperson and Independent Member

She is an admitted attorney with experience in commercial, financial experience in litigation management, legal insurance, corporate governance, legal/statutory compliance, and regulatory risk management.

She is currently the Legal Advisor to the Local Enterprise Authority. She obtained a Bachelor of Laws from the University of Botswana, post graduate certificates in Compliance and Risk Management from the University of Cape Town, and Management Development Programme from the University of Stellenbosch. She is a member of the Board Projects Committee.



Ms. Naiko Carol Ralebala
Independent Member

Ms Ralebala is a Chartered Accountant who holds a master's degree in leadership and Change, a Bachelor of Commerce and a Degree in Association of Chartered Certified Accountants. She has vast financial and audit experience. She is currently employed by Debswana Diamond Company at Jwaneng Mine as Head of Finance. She is the Chairperson of the Finance, Risk and Audit Committee and a member of the Board Projects Committee.



Mr. Bareng C. Malatsi
Non-Independent director

Mr Malatsi is holder of a BSc (Hons.) Surveying Science and MSc Land Surveying.

He has held several senior positions in Government including Director of Surveys and Mapping as well as Land Boatr Secretary. He is currently Deputy Permanent Secretary, Ministry of Transport and Public Works.

He is a member of the Governing Council of the Regional Centre of Mapping of Resources for Development (RCMRD); Board member of CEDA Young Farmers Fund; Board member of the National Environmental Fund (NEF). He is a Member of the Human Resource Committee and the Board Projects



Ms. Tebogo Pulane Mogotsi
Independent Member

Ms. Mogotsi, Deputy Director of Public Service Management, holds a BCom, MSc in HR Management and SAP HR Certification. A member of the Institute of People Management SA, she serves on the Botswana Housing Corporation and HRDC Boards. With extensive HR experience, she has held key roles in DPSM, BSB, SADC, Barclays and Debswana.



Mr. Jimmy Thibedi Sechele
Independent Member

He is an Architect and a member of Botswana Institute of Development Professional (BIDP), Architects Association of Botswana and the Architects Registration Council. He obtained his Master of Science in Architecture from Roston- On-Don, USSR and a Certificate in Building Construction from Botswana Polytechnic.

He has amassed over thirty-five years of experience in the field of architecture. He is currently the Director to Okanda Consulting, an architectural firm. He previously worked for Group 9 Architects, KMM Architects (Partner) and the Gaborone City Council. He is a member of the Finance Risk and Audit Committee.



Mr. Tumisang Mogwe
Independent Member

He holds a BSc (Hons) in Quantity Surveying and has 23+ years of experience in Botswana and the UK as a Quantity Surveyor, project manager and mentor. Managing Director of Temo Construction Services and Axis Tech, he specialises in cost planning, project management and digital solutions. He chairs the Board Projects Committee.



Mr Phenyio Shigie Nthaga
Independent Member

He holds a Master of Public Administration in Human Resource Management from the University of Botswana and a Master of Education in Policy Analysis, Leadership and Management from the University of the Western Cape, South Africa. He also earned a Bachelor of Arts in Humanities and a Post Graduate Diploma in Education from the University of Botswana, complemented by several professional certificates in Human Resource Planning, Training, and Development.

With over twenty years' experience in tertiary education, he is currently a Faculty Administrator at the University of Botswana. He has served on multiple university committees and is a member of the Human Resource and Finance, Risk, and Audit Committees.

The new Board fees are as follows:

Item	Old Fees	New Fees (P)
Sitting Allowance for Chairperson	2250	9500
Sitting Allowance for Members	1800	8500
Retainer Fee for Chairperson	0	12500
Retainer Fee for Members	0	11500

BOARD ATTENDANCE

A total number of four (4) ordinary meetings and twelve (12) special meetings were held during the year and the attendance of members is shown below:

Name	Designation	Board Attendance
Mr. Moemedi Gabana Term 1: 01/09/2021 – 31/10/2024	Chairperson	16/16
Ms. Boitsheko V Ntshingane Term 1: 01/09/2021 – 31/10/2025	Vice Chairperson	16/16
Ms. Carol N. Ralebala Term 1: 01/09/2021 – 31/10/2025	Member	9/16
Ms. Tebogo P. Mogotsi Term 1: 01/09/2021 – 31/10/2025	Member	12/16
Mr. Tumisang Mogwe Term 1: 01/09/2021 – 31/10/2025	Member	16/16
Mr. Phenyo Nthaga Term 1: 01/09/2021 – 31/10/2025	Member	7/16
Mr. B. Malatsi Term 1: 01/12/2018 – 31/05/2024	Member	15/16
Mr. Jimmy T. Sechele Term 1: 01/09/2021 – 31/10/2024	Member	15/16

End of term of Office

There were no Board members who retired during the reporting period.

Board Committees

Section 12 of the BHC Act empowers the Board to form such Committees as may be necessary to facilitate efficient decision-making and to assist the Board in the execution of its duties, power and authorities. The Board has therefore established the following Committees through the Board Charter and Terms of Reference of the respective Committees:

- Finance, Risk and Audit Committee
- Human Resources Committee
- Board Projects Committee

The Finance, Risk & Audit Committee Report

I am pleased to present the Finance, Risk and Audit Committee Chairperson's Report for Botswana Housing Corporation for the financial year ended 31st March 2024.

This year, the Committee continued to focus on key issues relevant to the Corporation's financial reporting, taking into consideration key accounting judgements and ensuring the ongoing quality of related disclosures. This report provides an overview of the Committee's activities, that support the Board in fulfilling its responsibilities with respect to the effectiveness of risk management and internal controls processes and its commitment to incorporating sustainability practices and principles into the oversight role.

Role of the Committee

The role of the Finance, Risk and Audit Committee is to provide independent oversight on behalf of the Board of the accounting, financial reporting, risk management and internal control systems of the Corporation. It is the primary forum for engagement with internal and external audit. The Committee monitors the Corporation's internal control and compliance environment and provides recommendations to the Board as to which external auditors to appoint. Following the appointment of the external auditors, the Committee reviews all the non-audit services they provide and their fees, to safeguard the external auditors' independence and objectivity.

Activities and Highlights

Risk Management

While the Board retains ultimate responsibility for risk management, the Committee, on a regular basis reviews the overall effectiveness of risk management within the business. At each meeting during the past financial year, the Committee received presentations from management detailing all major emerging risk themes and priorities and these were systematically addressed through mitigating actions on a continuing basis. During the year, some of the key topics that the Committee considered, included:

- Discussion of the heightened level of geopolitical uncertainty due to wars and civil unrest, government restrictions and the impact on the business.
- Continued focus on technology and cyber security risks and making better use of insight tools to simplify the audit process.

- The market and strategic and operational risks faced by the Corporation, and actions taken to address these.
- The evolving legal and regulatory risks associated with technology, including Artificial Intelligence and the Corporation's preparedness for any potential new requirements.
- A review of supply chain risks and adjustments made to reduce these.
- Other emerging risk themes in areas such as talent and sustainability reporting.

As part of considering the risk management framework and its effectiveness, the Committee receives regular reports on material developments in the legal, regulatory and fiscal landscape in which the Corporation operates.

Internal Audit

The Internal Audit function is integral to the Corporation's internal control framework. The department provides assurance on adherence to policies, procedures, laws and regulations, which in turn provides invaluable insight into its effectiveness. The Committee approves the Internal audit plan for the year, ensuring it is comprehensive and aligned with the Corporation's risk profile. Regular updates are received from the Chief Audit Executive on the results of audits, including proposed improvement plans where relevant. The Committee Chairman meets with the Chief Audit Executive without management present on a regular basis to allow for open discussion and to ensure that the activities of the department are aligned with the Corporation's strategic objectives to support business goals and deliver value to the business.

The Committee is satisfied with the independence, objectivity and expertise of the IA function. An independent External Quality Assessment of department is performed every five years and was last performed in 2022.

Financial Reporting and Assurance

The Corporation's financial statements and results announcements are reviewed by the Committee, it is the Committee's role to consider and engage management regarding the appropriateness of significant accounting policies, financial reporting judgements and any disclosures made. These were discussed with management and with the external auditors. We assess all issues that may affect the integrity of the Corporation's published financial statements to ensure that each is treated appropriately.

Cyber risk, digital security and information governance

The Committee receives regular updates addressing IT general controls and as part of the standing agenda, considers any potential adverse outcomes from cyber-related issues. With the advancement in technologies and Artificial Intelligence, this is an emerging area of exposure for the business. The advancements present both significant opportunities and threats. The intention is to further understand this change and possess and develop risk management and governance processes to support its use.

Legal and Compliance

The Committee's activities in this area included reviewing quarterly reports from the Legal function to monitor the status of significant litigation matters and to ensure that the BHC continues to operate within the laws of the country.

Vigil Mechanism

The Company's ethics line policy and procedures ensure that employees, suppliers and other third parties are able to raise concerns about possible improprieties on a confidential basis. All concerns can be raised anonymously to an independently provided third-party service provider. During the year, the Committee received updates at every meeting of reported issues, investigation details and follow up actions.

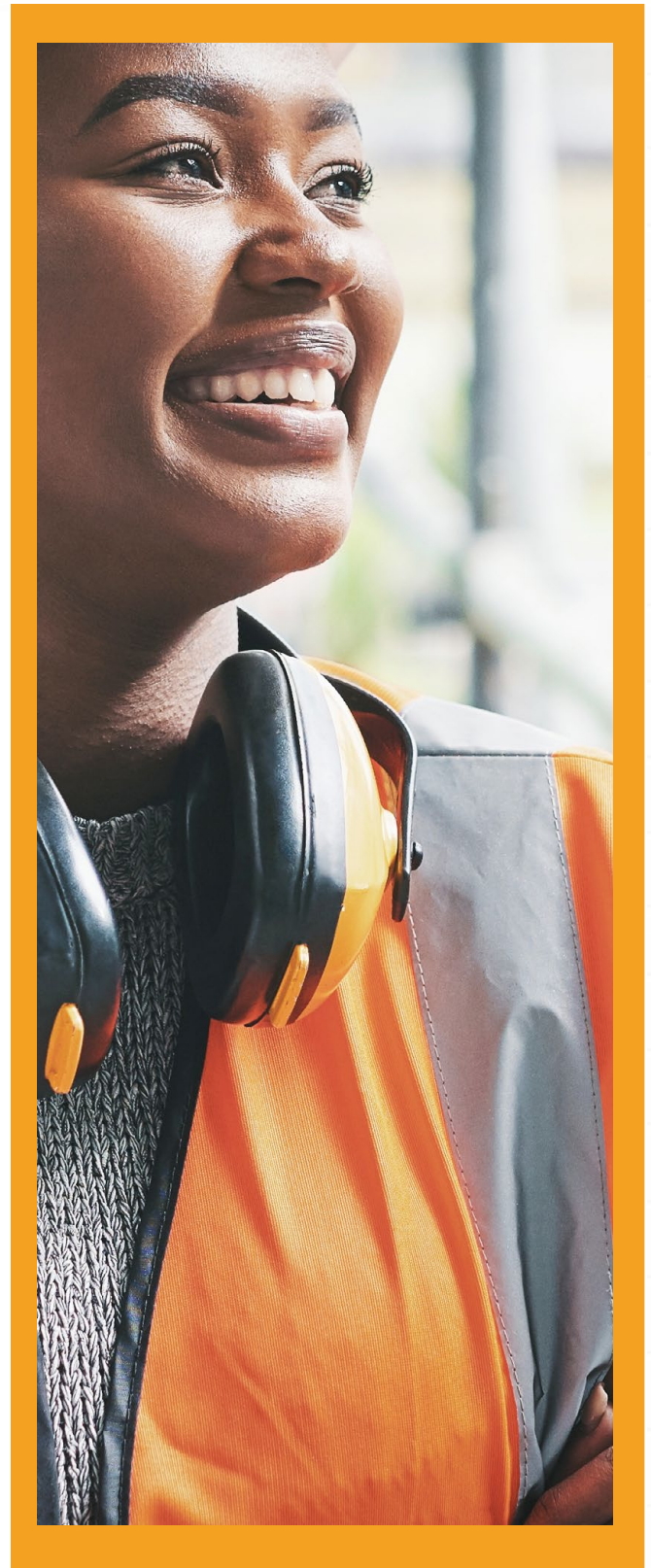
Focus for 2025 and beyond

The Committee will remain focused on:

- Ensuring that the Corporation's financial systems, processes and internal financial controls are operating effectively.
- Devoting time to focus on how AI tools and robotic process automation can be used for key finance processes and controls and to enhance reporting, risk management and audit work.
- Considering the implications of any ESG risk and measuring the sustainability and societal impact of the Corporation.



Naiko C Ralebala



Human Resource Committee Report

The Role of the Committee

The Human Resource Committee of the BHC Board derives its mandate from its Terms of Reference, which defines the Committee's roles and responsibilities, as well as its governance processes as an oversight structure that assists the Board in fulfilling its obligations and in providing oversight responsibilities relating to implementation of the Corporation's Human Capital management systems and processes, to ensure that the Corporation attracts and retains the talent needed to deliver its mandate and business objectives.

These initiatives have proven to be value adding in addressing stakeholders and customer concerns regarding the Corporation's products and services. As part of the Committee's aspirations for business continuity, the Committee has been fast tracking recruitment for senior leadership team positions. The Committee continuously monitors Management's efforts in the enhancement of employee relations systems and processes within the Corporation, as a way of managing employee relations risks that are inherent within the Corporation and thus promoting a conducive work environment.

Activities of the Committee

During the reporting period the Committee provided guidance to the BHC Management in coordination of human capital management systems and processes and has considered and endorsed, amongst others, the following initiatives intended to enhance human capital management systems and processes; a leadership effectiveness exercise, whose objective was to enhance senior leadership capability, hence effectiveness in the stewardship of the Corporation's strategy and mandate, employee learning and development plans and programmes, employee engagement initiatives, a staff ideation/innovation drive (as a way of value creation by stimulating creativity amongst employees in respect of the Corporation's products and services).

Meetings of the Committee

In line with its Charter, the Committee is expected to hold meetings quarterly. During the reporting period the Committee held four (4) ordinary meetings, which considered several human capital management issues, as well as four (4) special meetings. Special meetings of the Committee were in response to ad hoc necessities that required the Committee to speedily make decisions on emerging issues.

The Human Resource Committee composition is four (4) members, with diverse qualifications and backgrounds which are relevant to the operations of the Corporation, including in human resources management, the built environment and housing. The table below shows members' attendance meeting during the reporting period:

Name	10/05/ 2023	20/06/ 2023	07/08/ 2023	01/09/ 2023	11/10/ 2023	24/10/ 2023	14/02/ 2024	14/03/ 2024	Present
Tebogo Mogotsi (Chairperson)	✓	✓	✓	X	✓	✓	✓	✓	7
Jimmy Sechele	X	✓	✓	✓	✓	X	✓	✓	6
Phenyo Nthaga	✓	✓	✓	✓	✓	✓	✓	✓	8
Bareng Malatsi	X	X	X	X	X	✓	X	✓	2
Present: ✓ Absent: X									

Board Projects Committee Report

During the 4th quarter of the year under review, the Board established through approval of the Terms of Reference of the Committee the Board Projects Committee. The Committee is responsible for assisting the Board to fulfil its oversight responsibilities in relation to the management and execution of projects. The Committee ensures that projects are delivered on time and on budget.

The Committee did not convene during the year. The Committee is expected to be fully operational during the following financial year. It comprises of members with diverse qualifications and backgrounds which are relevant to the operations of the Corporation, including in the built environment, housing, finance and law.

The following were appointed to the Committee:

1. Mr. Tumisang Mogwe - Chairperson
2. Ms. Boitsheko Ntshingane - Member
3. Mr. Bareng Malatsi - Member
4. Ms. Naiko Carol Ralebala - Member

Chairman

The Chairman is appointed by the Minister according to BHC Act. The main responsibility of the Chairman is to lead the Board and preside over its meetings. He/she is responsible for directing and controlling the activities of the BHC Board. He/she provides leadership and promotes cohesiveness and effectiveness of the Board.

The Chairperson's key roles include ensuring that good relations are maintained with the Shareholder and its strategic stakeholders and presiding over the Board meetings. This includes assisting the Board to develop good relationships with the parent Ministry, other line Ministries, the General Manager and other stakeholders.

He is responsible for ensuring that the performance of the General Manager is appraised at agreed intervals by either the Chairperson himself or a sub-committee appointed by the Board.

He also ensures that the Board and each individual Board Member are assessed for effectiveness on an annual basis.

Board Secretary

The Board Secretary is also Head of Legal Services, an admitted attorney and holds a Bachelor of Laws Degree (LLB) and is appointed by the Board.

The Board Secretary is primarily responsible for recording the proceedings and the decisions of the Board. The Board Secretary is further responsible for advising the Board on issues relating to governance, statutory authority and responsibility of the Members and the conduct of Board meetings.

He ensures that Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with. The Board Secretary provides the Board as a whole, and the Board members individually, with detailed guidance as to how their responsibilities should be properly discharged in the best interest of the Corporation.

The Board Secretary is responsible for ensuring the efficient delivery of services to the Board, including but not limited to preparation and distribution of minutes of the Board and of the general meetings; arrange for Board induction programme as per agreed induction procedure; and follow-up on matters arising from Board meetings and prepare updates for the next meeting.

BHC COMPLIANCE WITH KING III



Governance Element	Principle (s)	BHC-STATUS	COMPLIANCE
1. Ethical Leadership and Corporate Citizenship			
Responsible Leadership	1.1 The Board should provide effective leadership based on ethical foundation	The Board has approved a two-year strategy adopted in line with the Government's two-year transitional plan. The plan is being tracked through performance reviews. Upon Government's direction at the lapse of the two year period, the Board will formulate the next strategic plan through the undertaking of a situational analysis using PESTEL taking into account the long and short term. A Business Ethics Policy is place that ensures that the culture of the organisation carries out business ethically. Ref: Business Ethics Policy	√
The Board's Responsibility		In alignment to the strategic plan, the Board continuously monitors and evaluates the performance of the Corporation on a quarterly basis. The Board has approved the Corporate values and these are incorporated in the performance management system. Ref. Business Ethics Policy. The Board and Management recognize that for the Corporation to remain sustainable it must address the legitimate interests and expectations of its various stakeholders. Ref 8.3.1 Ref. The Communications Policy	√
Ethical Foundation		Upon appointment the Board members are taken through an induction program which includes the duties and responsibilities of Board members. These are also contained in the Board Charter.	√
	1.2. The Board should ensure that the company is and is seen to be a responsible corporate citizen	Ref 2.4 below The Corporation has a SHEQ Policy to ensure that its employees and other stakeholders interact in a healthy, safe and ethical environment. Its Procurement processes and procedures ensure that the interests and expectations of various stakeholders (vulnerable groups, citizen empowerment, transparent procurement etc) are addressed. The Corporation has a CSR programme and budgets for it annually. The Corporation has developed a CSR Policy.	√

	1.3. The Board should ensure that the company's ethics are managed effectively.	The Board has following a review approved a Business Ethics Policy through which the Corporation drives its ethical corporate culture. Ref. Business Ethics Policy. The Policy applies to both internal and external stakeholders. The Corporate Risk Register incorporates existing and emergent risks and this risk is included.	√
2. Board and Directors			
Role and Function of Board	2.1 Board acts as focal point for and custodian of corporate governance	BHC has a Board Charter in place which sets out the responsibilities of the board The Board meets at least once a quarter and as and when required. BHC has a stakeholder engagement plan and carries out stakeholder engagement surveys every 2 years. The FRAC and full Board monitor the financial sustainability of the Corporation during meetings and interactions with Management through quarterly reports. The audited accounts are issued annually in support of the financial performance.	√
	2.2 The Board should appreciate that strategy, risk, performance and sustainability are inseparable	The Board participates in strategy formulation. The strategy takes account of the Corporations mandate and is aligned to both short-term and long- term policies of government. It takes account of the risks facing the Corporation And this is reflected in the Corporate risk register.	√
	2.3 The Board should provide effective leadership based on an ethical foundation	The Board monitors the performance of the Corporation through quarterly meetings, taking account of the business relationships with internal and external stakeholders.	√
	2.4 The Board should ensure that the Corporation is and is seen to be a responsible corporate citizen	The Corporation has a Corporate Social Responsibility program through which the Corporation engages in community projects with staff doing so at departmental team level.	√

2.5 The Board should ensure that the Corporation's ethics are managed effectively	The Board has approved a Business Ethics Policy whose purpose is to provide guidelines for the conduct of business by the Corporation's personnel and a code of conduct that standardizes expectations with regard to behaviour, performance and professionalism of its employees including the Board, in the performance of its duties. The policy has recently been reviewed to incorporate developments around issues pertaining to Ethics and Governance.	√
2.6 The Board should ensure that the company has an effective and independent audit committee	The Corporation has in place an effective Finance, Risk and Audit Committee. At all its ordinary meetings FRAC reports on the independence of IA, the progress on its audit plan, whistle blowing reports and its training and development activities are presented.	√
2.7 The Board should be responsible for the governance of risk	There is a risk and compliance framework in place and the Board is appraised of the risks and how they are managed.	√
2.8 The Board should be responsible for information technology governance	The FRAC provides IT reports during the reporting periods.	√
2.9 The Board should ensure that the Corporation complies with applicable laws and considers adherence to non-binding rules, codes and standards	The Corporation has a compliance Policy which integrates all compliance efforts and helps the Corporation maintain compliance in all areas of its operations.	√
2.10 The Board should ensure that there is an effective risk based internal audit	There is an independent internal audit function in place. Annually the internal auditors prepare a risk based internal audit plan that is presented to the board for approval. Amongst other things, in formulation of the plan, the auditors takes into consideration the Corporations strategic risk register.	√
2.11 The Board should appreciate that stakeholders perceptions affect the company's reputation	Every two years the Corporation conducts a stakeholder perception index. The report comes up with recommendations on how to manage perceptions and these are then monitored and implemented. .	√

2.12 The Board should ensure the integrity of the company's integrated report	The integrated report is expected to be reviewed by the Finance, Risk and Audit Committee as well as the external auditors to ensure its integrity.	√
2.13 The Board should report on the effectiveness of the company system of internal controls	The Board, through the Finance, Risk and Audit Committee quarterly reviews the effectiveness of the internal controls. The FRAC reports on this area to the Board on a quarterly basis.	√
2.14 The Board and its directors should act in the best interests of the company	At the start of every meeting of the Board Members make a declaration of interest and copies are filed by the Board Secretary. A member who has a conflict of interest is recused from the meeting when the item in which the member is conflicted is discussed.	√
2.15 The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Companies Act	The Corporation's financial position is reported on every quarter. Any signs of distress of cashflow issues are adequately discussed and mitigated.	√
2.16 The Board should elect a chairman of the board who is an independent non executive director. The CEO of the Corporation should not also fulfil the role of chairman of the board	The Chairman of the Board is appointed by the Minister and is an independent member. (BHC Act)	X
2.17 The Board should appoint the Chief Executive Officer and establish a framework for the delegation of authority	The General Manager is appointed by the Board with the approval of the Minister (BHC Act) Appointments to positions designated as senior are considered by the Human Resource Committee and recommendations made to the Board for approval.	X

Composition of the Board	2.18 The Board should comprise a balance of power with the majority of non -executive directors should be independent	None of the Board members is an executive member. Ref. section of the composition and appointment of the Board with regard to the gender balance, diversity in skills; board rotation and the number of terms a member can serve. The General Manager; Chief Finance Officer; Chief Audit Executive; Director Risk and Compliance attend all Board meetings on invitation by the Board.	X
Board Appointment Process	2.19 Directors should be appointed through a formal process.	Directors are appointed through a formal process. The appointments are recommended to cabinet by the line ministry and are formally approved.	√
Director Development	2.20 The induction of an ongoing training and development of directors should be conducted through formal processes	On appointment all Board members go through a formal induction program on the operations of the Corporation; duties and responsibilities of Board members; the Board Committees and their roles amongst other topics. Briefings on risks and any changes in the operating environment are reported on at Board meetings, starting at the relevant Committee level.	√
	2.21 The Board should be assisted by a competent and suitably qualified and experienced board secretary	Senior officer appointments including that of the Board Secretary are considered by the Human Resource Committee and a recommendation made to the Board. The Board Secretary liaises with the Board and Permanent Secretary on Board appointments. Board packs are circulated at least seven days before Board meetings.	√
Performance Assessment	2.22 The evaluation of the Board, its committees and the individual directors should be performed every year	The current composition of the Board was not subjected to an evaluation during the reporting period.	X

Board Committees	2.23 The Board should delegate certain functions to well -structured committees but without abdicating its own responsibilities	Each Board Committee has terms of reference which are approved by the Board. The Board and its Committees may take independent outside professional advice at the cost of the Corporation subject to an agreed process being followed.	√
Remuneration of Directors and Senior Executives	2.25 Companies should remunerate directors and executives fairly and responsively	The Corporation remunerates its Board in accordance with approved remuneration rates by the Government. The Corporation's Senior Management are remunerated based on a performance-based remuneration system approved by the Board. Remuneration competitiveness is continuously assessed against the market by participating in National remuneration surveys on an annual basis. Remuneration policies are approved by the Board and their review and monitoring is overseen through the Human Resource Committee of the Board.	√
	2.26 Companies should disclose the remuneration of each individual director and certain senior executives	The remuneration of the Board and the executives is disclosed in the financial statements under related party disclosures. The Corporation has implemented an Incentive Policy that guides payment of performance incentives. The policy was approved by the Board.	√
	2.27 Shareholders should approve the company's remuneration policy	The Minister of Transport and Public Works, assisted by the Minister of Finance, approves the Corporation's remuneration policy.	√
3. Audit Committees			
	3.1 The Board should ensure that the company has an effective and independent audit committee.	The Board has a three-member Finance, Risk & Audit Committee made up entirely of non – executive Board members, whose combination of skills and experience makes the Committee effective at delivering on its mandate. The Committee's Charter is approved by the Board. The Committee meets quarterly to conduct its ordinary business and as often as necessary to deal with other urgent matters. The Committee, through its Chairman, meets with the Chief Audit Executive quarterly in the absence of management.	√

Membership and resources of the Audit Committee	3.2 Audit committee members should be suitably skilled and experienced independent non-executive directors	The Finance, Risk & Audit Committee is made up of three highly skilled members one with a finance background. The Board Chairman is not a member of the Finance, Risk & Audit Committee.	√
	3.3 The audit committee should be chaired by an independent non-executive director	The Chairman of the Finance & Audit Committee is an independent non-executive director and is elected by the Board.	
Responsibilities of the Audit Committee	3.4 The audit committee should over-see integrated reporting	The Finance, Risk & Audit Committee reviews the draft audit annual financial statements prior to the financial statement's approval by the Board. They also oversee the integrated report and ensure that it is adequately reviewed by the external auditors.	√
	3.5 The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	Combined Assurance Model is in place The Finance Risk & Audit Committee recommends the appointment of external auditors together with their proposed audit fees to the Board and reviews their proposed audit plan. The Corporation has internal audit function, external auditors and Risk and Compliance function which work together to report on overall assurance coverage across the Corporation. The Finance, Risk & Audit Committee annually reviews the finance function and this is disclosed in its report in the integrated report.	√
Internal Assurance Providers	3.6 The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	The Finance, Risk & Audit Committee annually reviews the finance function and this is disclosed in its report in the integrated report.	√

	3.7 The audit committee should be responsible for overseeing internal audit	The Committee oversees the Internal Audit Department and plays a key role in ensuring that the company's Internal Audit function is independent and has the necessary resources, budget, standing and authority within the Corporation to enable it to discharge its duties effectively. The Finance Risk and Audit Committee on an annual basis considers and approves the internal audit plan and oversees the staffing and objectives of the function. It reviews significant issues raised during the internal audit process, and highlights any material issues arising from the audits to the Board	√
	3.8 The audit committee should be an integral component of the risk management process	The Finance Risk & Audit Committee has overall responsibility for the risk management process.	√
	3.9 The audit committee is responsible for the appointment of the external auditor and overseeing the external audit process	The Finance, Risk & Audit Committee recommends the appointment of external auditors as well as their proposed remuneration to the Board for approval. The Finance, Risk & Audit Committee reviews and recommends the main terms of engagement of external auditors, including their term of office, remuneration and audit team composition. The Committee monitors external auditors' independence annually, when considering the audit plan for that year the Committee receives and considers the external auditors' management letter when considering the adoption of the audited financial statements.	
Reporting	3.10 The audit committee should report to the Board and shareholders on how it has discharged its duties.	The Committee reports to the Board quarterly on how it has discharged its duties.	√

4. The Governance of Risk

The Board's Responsibility for Risk Governance	4.1 The Board should be responsible for the governance of risk	4.1.1 The Corporation has developed a Risk Management Policy with a guiding framework 4.1.2 Risk and Compliance report is presented to the Board quarterly and the Board makes an effectiveness statement. 4.1.3 Risk Governance is stated in the Board Charter. 4.1.4 The Board's responsibility is stated in the Risk Management Policy. 4.1.5 The risk management policy is approved by the Board.	√
		4.1.6 The Risk Management Policy has been shared throughout the Corporation. 4.1.7 The Corporate Risk Plan is reviewed on a quarterly basis, and annually through the strategic review the Corporate risk profile is reviewed. 4.1.8 This is monitored on a quarterly basis.	√
	4.2 The Board should determine the levels of risk tolerance	Through quarterly review the Board reviews the risks and appetite and that risks are managed within tolerances.	√
	4.3 The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	The Finance, Risk and Audit Committee is responsible for Risk management monitoring and reports to the Board on the effectiveness of risk management.	√
Management's Responsibility for Risk Management	4.4 The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	The policy indicates the Board's responsibility as well as management's responsibility. The Organisation has an officer responsible for risk management reporting to the Board being the Director – Risk and Compliance.	√

Risk Assessment	4.5 The Board should ensure that risk assessments are performed on a continual basis	The Board assures effectiveness of risk management in the organisation. Risk Assessment are conducted as per risk management plan and risks prioritised as guided by the Framework. The Board reviews the top ten risks as well as emerging risks on a quarterly basis.	√
Risk Assessment	4.5 The Board should ensure that risk assessments are performed on a continual basis	The Board assures effectiveness of risk management in the organisation. Risk Assessment are conducted as per risk management plan and risks prioritised as guided by the Framework. The Board reviews the top ten risks as well as emerging risks on a quarterly basis.	√
	4.6 The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	This is assured through quarterly reviews.	√
Risk Response	4.7 The Board should ensure that management considers and implements appropriate risk responses.	This is done on a quarterly basis through review of risk reports.	√
Risk Monitoring	4.8 The Board should ensure continual risk monitoring by management	This is done on a quarterly basis.	√
Risk Assurance	4.9 The Board should receive assurance regarding the effectiveness of the risk management process	This is done on a quarterly basis. Internal Audit reports to the FRAC on the effectiveness of internal controls on a quarterly basis.	√

Risk Disclosure	4.10 The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	Risk management is adequately covered in the annual report, including risk governance structures.	√
5. The Governance of Information Technology			
	5.1 The Board should be responsible for information technology (IT) governance	The board has overall authority on the Governance of IT, and at its quarterly sitting, IT issues are presented and reviewed. IT Policies and strategies are approved by the Board. COBIT Framework is adopted for IT Governance Annual IT Audit is carried out by audit firm, as a part of the Financial Audit.	√
	5.2 IT should be aligned with the performance and sustainability objectives of the company	The IT Strategy is aligned with the Corporate Strategy.	√
	5.3 The Board should delegate to management the responsibility for the implementation of an IT governance framework	Management is responsible for implementation of all IT Processes, structures in accordance with the Governance Framework There is an established Management Audit and Risk Committee which assists with the governance of IT This committee is chaired by the CEO IT is managed by the Head – Information Technology, whose qualifications and experience are aligned to the job profile.	√
	5.4 The Board should monitor and evaluate significant IT investments and expenditure	The Board reviews the value delivery of IT on a quarterly basis. Issues of Governance and Security are covered in the quarterly reports	√

	5.5 IT should form an integral part of the company's risk management	The Corporation has a Disaster Recovery Policy and Plan in place which is tested twice a year to ensure its effective. These are reported to the board on a quarterly basis.	√
	5.6 The Board should ensure that information assets are managed effectively	The Board has approved policies for Information Security, Management of IT Assets and other policies that ensure the management and security of the Corporation's information	√
	5.7 A risk committee and audit committee should assist the board in carrying out its IT responsibilities	The Board has a Finance, Risk and Audit Committee which ensures all risks, including IT Risks are addressed and mitigations are implemented accordingly.	√
6. Compliance with Laws, Rules, Codes and Standards			
	6.1 The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	The Corporation has approved a Compliance Policy which integrates all compliance efforts, from compliance with external regulations to compliance with internal rules, policies and procedures. This assists the Corporation maintain compliance in all areas of its operation. Corporate risks are reported on at every Board meeting.	√
	6.2 The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.	Members are advised of changes in the law which will impact the operations of the Corporation. These are also covered as part of the induction process	√

	6.3 Compliance risk should form an integral part of the company's risk management process	The Corporation has a Risk and Compliance function which provides the Board with assurance in this area	√
	6.4 The Board should delegate to management the implementation of an effective compliance framework and processes	The Board has a standing agenda item on compliance with Governance. There is also the Business Ethics policy which is undergoing revision to make it more robust in terms of application and measure.	√
7. Internal Audit			
The need for and role of Internal Audit	7.1 The Board should ensure that there is an effective risk based internal audit	The Corporation has established an in-house internal audit function whose mandate includes: a) Review of the Corporation's governance, risk management and control systems. b) Review of business processes and associated controls. The internal audit function receives and investigates whistle blowing reports and is, therefore, a source of information about instances of fraud, corruption and unethical behaviour. The internal audit function is guided by an Internal Audit Charter, which was approved by the Board. The Internal Audit function adheres to the Institute of Internal Auditors (IIA) standards and code of ethics.	√

Internal Audit's Approach and Plan.	7.2 Internal audit should follow a risk-based approach to its plan	The internal audit function's audit plan is informed, amongst other things, by the Corporation's strategic risk register which, itself, is informed by the Corporation's strategy. a) The internal audit function reports functionally to the Finance, Risk & Audit Committee and administratively to the Chief Executive Officer. b) Execution of a strategic risk – informed audit plan results in the internal audit function providing assurance on risks that could affect strategy execution. c) Audit reports highlight the absence of or inadequately designed controls aimed at mitigating risks. Reports also include opportunities for enhancing strategy realisation.	√
	7.3 Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	The internal audit function reviews all controls which management has put in place including those related to financial reporting, operations, sustainability and compliance with laws and regulations.	√
	7.4 The audit committee should be responsible for overseeing internal audit	a) The three – year and annual audit plans are approved by the Finance, Risk & Audit Committee. b) Currently, the Finance, Risk & Audit Committee does not formally evaluate the performance of the internal audit function. Going forward, a template for such an evaluation will be developed. c) Per the function's Quality Assurance & Improvement Programme, the function will undergo an external quality assessment at least once every five (5) years. d) The Board, collectively, is responsible for the appointment and dismissal of the Chief Audit Executive (CAE). However, performance appraisal of the CAE is done by the Chief Executive Officer. Practicality of the CAE being assessed by the Finance Risk & Audit Committee will be reviewed. The function reports to the Finance & Audit Committee at all the Committee's ordinary meetings.	√

Internal Audit's Status in the Company	7.5 Internal audit should be strategically positioned to achieve its objectives	a) The internal audit function reports functionally to the Finance, Risk & Audit Committee and administratively to the Chief Executive Officer. b) To further enhance the independence of the function, on a quarterly basis, the CAE meets with the Chairman of the Finance Risk & Audit Committee in the absence of management. c) The internal audit function has identified IT auditing as the one area in which it needs to develop its auditing skills. To this end, it has enrolled two of its staff members on an IT Auditing Course (CISA). The internal audit function has got a Quality Assurance & Improvement Programme in place.	√
8. Governing Stakeholder Relationships			
	8.1 The Board should appreciate that stakeholders' perceptions affect the company's reputation	During strategy planning, the Board and management identify important stakeholder groups and Management, when developing the Corporate and departmental scorecards, develop Stakeholder engagement plans. The Marketing and Communications department carry out annual perception surveys which are shared with the Board and remedial action is taken.	√
	8.2 The Board should delegate to management to proactively deal with stakeholder relationships.	Ref 8.1 above. A stakeholder engagement strategy has been developed. This strategy derives its mandate from the BHC Communications Policy which was approved by the BHC Board. In addition, an annual stakeholder engagement plan, customer engagement plan and public education and engagement plan have been developed and are currently being implemented. These plans are intended to support the Corporation's operational business objectives, to achieve growth, effectiveness and influence, but also to maintain and protect the Corporation's reputation.	√

	8.3 The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.	Every two years and biannually, the Corporation undertakes public perception surveys, demand surveys and customer satisfaction surveys with a view to get feedback and live to expectations and aspirations of its customers, the Board, the shareholder and the general public. The aim is to develop products and services that are influenced by the desires of BHC stakeholder groups, shareholder, the Board, customers and the general public.	√
	8.4 Companies should ensure the equitable treatment of shareholders.	BHC is wholly owned by the Botswana Government	√
	8.5 Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	The Corporation communicates with stakeholders through various platforms and media such as its website, Annual Report; newsletters; social media. Ref 8.1	
Dispute Resolution	8.6 The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	The internal dispute resolution processes are contained in the General Conditions of Service and the Industrial Relations Manual and there are assigned officers who deal with such issues. More and more, mediation and arbitration are provided for in the Corporations contracts. However, the Corporation also recognizes that it should strive to reach amicable resolution to disputes wherever possible.	√

9. Integrated Reporting and Disclosures

Transparency and Accountability	9.1 The Board should ensure the integrity of the company's integrated report	An integrated report on the Corporation's financial and sustainability performance is prepared annually and incorporates financial performance, sustainability and environmental issues.	√
	9.2 Sustainability reporting and disclosure should be integrated with the company's financial reporting	This is being done and part of the financial review in the annual report. The issue of going concern is adequately covered in the annual financial statements and in the directors report.	√
	9.3 Sustainability reporting and disclosure should be independently assured.	The FRAC reviews the integrated report as well as the external auditors to ensure that it contains reliable information.	√



Risk and Compliance Management Overview

The Board has the overall responsibility for the Corporation's Enterprise Risk Management Framework (ERMF). The Corporation's risk management framework is based on the three lines of defence model which clearly stipulates responsibilities and ownership of the risk management framework.

During the reporting period 1 April 2023 to 31 March 2024, the Board and Management continued providing oversight on the Corporation's ERMF and overall management of the corporate risks. The Finance, Audit and Risk Committee discussed the corporate risk dashboard at the end of each quarter and was satisfied with the overall management of risk within BHC.

As part of ERMF continual improvement, during the reporting period the Corporation

- Implemented an integrated risk management system (end of July 2023) and,
- Developed a comprehensive business continuity management programme (completed end of September 2023).

At the beginning of each reporting period, the Senior Leadership Team undertakes risk assessment to identify corporate risks and their mitigation. This includes a detailed assessment of the top 10 priority risks.

During the 2023/24 financial year some of the key factors that influenced the Corporation's risk profile included;

- Effects of low diamond sales
- High fuel prices
- Increasing cost of living
- High interest rates

The Integrated Risk Management System

The Corporation has successfully automated the risk management (SHEQ, Compliance and Risk management) process through the implementation of the integrated risk management system called XGRC. As a result, the business can actively monitor the horizon of all risks that can negatively impact the business and including progress in all risk mitigation actions.

Business Continuity Management

In 2022, during the COVID pandemic, a need was realised in implementing a comprehensive Business Continuity Management (BCM) programme for the corporation. The programme is intended to integrate the disciplines of Emergency Response, Crisis Management, Disaster Recovery and Business Continuity (organisational/operational relocation and resumption).

"The COVID-19 pandemic underscored the need for a comprehensive Business Continuity Management programme that integrates Emergency Response, Crisis Management, Disaster Recovery and Business Continuity into a unified corporate framework."

Risk Governance

Governance Structure

The Board has the ultimate accountability and responsibility for the effective management of risk in a way that propels the Corporation to achieve strategic objectives.



The Board of Directors and Finance Risk and Audit Committee have exercised oversight of risk management with focus on the most significant risks facing the Corporation. During the year under review the Board were kept abreast through quarterly reports on the risk environment and risk profile of the Corporation.

Three Lines of Defence

BHC has implemented a combined assurance model that has resulted in organisational governance collaboration. During the year the processes of internal and external assurance worked together to ensure effectiveness of risk management. The integration of assurance processes has optimised assurance activities and broadens risk coverage in the Corporation while aligning with the risk appetite.

For continual improvement, the three lines of defence were strengthened through the implementation of the integrated risk management system.

1st Line of Defence	2nd Line of Defence	3rd Line of Defence
Management and Business Functions Accountability and responsibility of implementation ERMF supported by Governance and internal control structures and processes.	Specialist Functions e.g. Risk & Compliance Establishes ERMF and ensures adherence to the ERMF, regulations, legislations and internal controls	Internally & External Assurance Providers (independent assurance) Evaluates effectiveness of risk management and internal controls.

Risk Culture and Maturity

The Corporation is committed to continually improving its risk culture that underlines the importance of managing risk and encourages transparent and timely risk reporting across the business where every employee is a risk manager and implements a risk-based thinking approach.

The risk maturity assessment survey was conducted in December – January 2024. The results showed an improved risk maturity index compared to the previous survey. The recommendations from the survey are expected to further improve the effectiveness of the Corporation's Enterprise Risk Management Framework and risk aware culture. The recommendations will be implemented in the 2024/25 financial year. The risk maturity assessment survey will be conducted again in 2024/25.

Corporate Risk Profile

The Corporation has integrated risk management and the corporate performance within the ERMF, able to establish the risk exposure throughout the organisation by actively assessing the internal and external risk environment developments to identify top and emerging risks.

The Corporation prioritise risks through a risk rating approach that streamlines risk evaluation on a standardised risk rating schedule. Existing controls often are assessed, and if required, controls are reviewed and fresh controls are formulated to minimise or eradicate the possibility of a risk materialising.

Below are the Corporation's key or top risks;

Construction Related Projects Risks

BHC faces elevated construction project risks that are managed through the life of all construction projects under implementation. The Corporation has been exposed to delays in starting construction projects on site, delays in completion of construction projects and the increasing cost of construction. Through the project risk management process construction risks are evaluated in each project and mitigations are implemented to reduce the impact of the risks. To enhance project risk management, and delivery of projects, the Corporation has established Project Management Office and developed a new project management methodology. In addition, oversight of construction projects has been enhanced by introducing the Project Management Committee, which is a management committee.

Counterparty Default Risk

The Counterparty Default risk reflects possible losses due to default to pay rental, facilities management fees and professional fees by counterparties. The risk is of default in performance of contractual obligation and can exist in any transaction the Corporation engages with its clients. The counterparty risk in the reporting period increased due to the increased exposure in rental defaults, and failure to honour payments for third party maintenance. The Corporation continues to explore different methods of collections to lessen the risk to be within the risk appetite of the Corporation.

Cybersecurity Risk

Globally 2023-24 saw some of the significant cybersecurity threats. The cybersecurity threat landscape is continuously changing with cyber criminals engaging in sophisticated attacks. BHC like other organisations recognises the significance of cyber security risk. In proactively managing the risk the Corporation continues to regularly upgrade its IT systems and software applications to prevent cyber-attacks. In addition, BHC has introduced cyber security awareness workshops and training to staff to identify and flag suspicious emails.

Legislative and Policy Changes

BHC has no risk appetite for non-compliance with legislation, regulations, industry standards and policies. The Corporation is committed to comply with all applicable laws, regulations and industry standards in delivering on its mandate and performance target. However, it continues to perform analysis of new laws and/or regulations to determine potential non-compliances, time frame to comply, impact and risk treatment actions. Environmental scans are conducted on the regulatory landscape to anticipate any changes to existing or new legislation. In managing the risk, the Corporation has a comprehensive compliance management framework, that includes a detailed compliance universe register with all applicable laws, regulations and policies and it is monitored on a continuous basis.

Fraud, Corruption and Embezzlement

The construction industry is one of the most corrupt globally even in Botswana, hence BHC takes this risk very serious and proactively act to combat it both internally and externally. The Corporation has a toll-free whistleblowing hotline operated by an independent service provider thus providing the highest level of confidentiality.

Employees and external stakeholders are encouraged to report any suspected corrupt, fraudulent, criminal, or unethical practices. The Corporation has an independent Internal Audit function that investigates all reported incidents of alleged fraud or corruption.

Compliance Management

The Corporation is subject to numerous laws, regulations and internal policies which govern its operations that the Corporation complies to. The Corporation is exposed to the risk of regulatory changes, which comes with uncertainty, increasing and complex regulatory requirements and obligations.

BHC has a compliance management framework, reviewed in the reporting period, that is used to continuously implement and conducts compliance audits on regular basis and continually scan the legislative environment to ensure compliance.

Safety, Health, Environmental and Quality

Health, Safety and Environmental consideration is essential in ensuring that good quality services and products are delivered effectively and efficiently, in a manner that is cost-effective to the Corporation, hence viable and meaningful to its shareholders. It is through understanding of the foregoing imperative principle that BHC takes its Health, Safety, Environment and Quality programmes seriously and religiously as major contributors to the overarching endeavour to deliver its obligatory mandate as enshrined in the BHC Act of Parliament (CAP 74:03). The Health, Safety and Environment (SHE) programmes are subsumed under and form an integral part of the Quality Management System. This is in realization of the importance to consider SHE aspects, whenever carrying out any activity that transforms resources inputs into delivery outputs.

Health

Botswana Housing Corporation believes that human resource is an essential component in the conversion of work inputs into delivery outputs transformation matrix. Where staff is not well, delivery of products and services would be highly affected thereby disrupting the entire business. Therefore, the Corporation has put in place, systems and programmes that ensure that staff is protected from health issues that may arise at any point in time. With learnings from the COVID-19 pandemic and having introduced Business Continuity Management, Crisis Management and Emergency Response Management, BHC remained resolute in addressing issues related to staff welfare and health.

Safety

Safety in the workplace, projects sites and high-density facilities remained paramount to BHC. The Corporation believes that a safe work environment is a healthy work environment for the delivery of products and services. The Corporation continued with its endeavour to maintain a safe work and residence environment through implementation of planned SHE inspection process on projects sites, BHC offices and High-Density Estates dwellings.

The inspection process is aimed at identifying adherence gaps to SHE programmes established by BHC and compliance gaps against statutory instruments and regulatory requirements related to SHE, with the goal of closing the gaps for continual improvement as regards, SHE management.

To drive implementation of SHE programmes across the Corporation, BHC has appointed SHE Representatives, Fire Marshals and First Aiders as first contact personnel to identify incidents, provide necessary first aid, report incidents and

ensure seamless coordination for corrections and corrective actions to be put in place to minimise the risks.

ESG and Sustainability

Lately, Environmental, Social and Governance (ESG) has been a topic for concern as companies are eager to maximize profits, but in the process compelled to operate in a sustainable and responsible manner.

Botswana Housing Corporation just like any other entity, has a dire desire to prioritise the social and environmental impact of its operations and actions. On the background, there are deliberate actions that BHC undertakes to contribute to Social and Environmental objectives, either through responding to statutory requirements or as strategic initiatives. During construction projects implementation, BHC is required to carry out Environmental Impact Analysis and Implement Environmental Management Plans. The plans cover to greater extent aspects of social interaction, environmental, health, waste management and pollution control.

Also monitored and measured under Innovation objective, BHC has on an incremental basis, took a decision to install solar lights for street lighting, thereby contributing to reducing carbon footprint by reducing conventional lighting which uses coal powered electricity.

The Corporation is still looking into developing a robust ESG and Sustainability Strategy, that will culminate in "Sustainable Business Strategy" program, that will foster deliberate, measurable and reportable sustainable initiatives.

Quality Management System

The Figure below illustrates a framework used by ISO 9001:2015 standard for a Quality Management System:

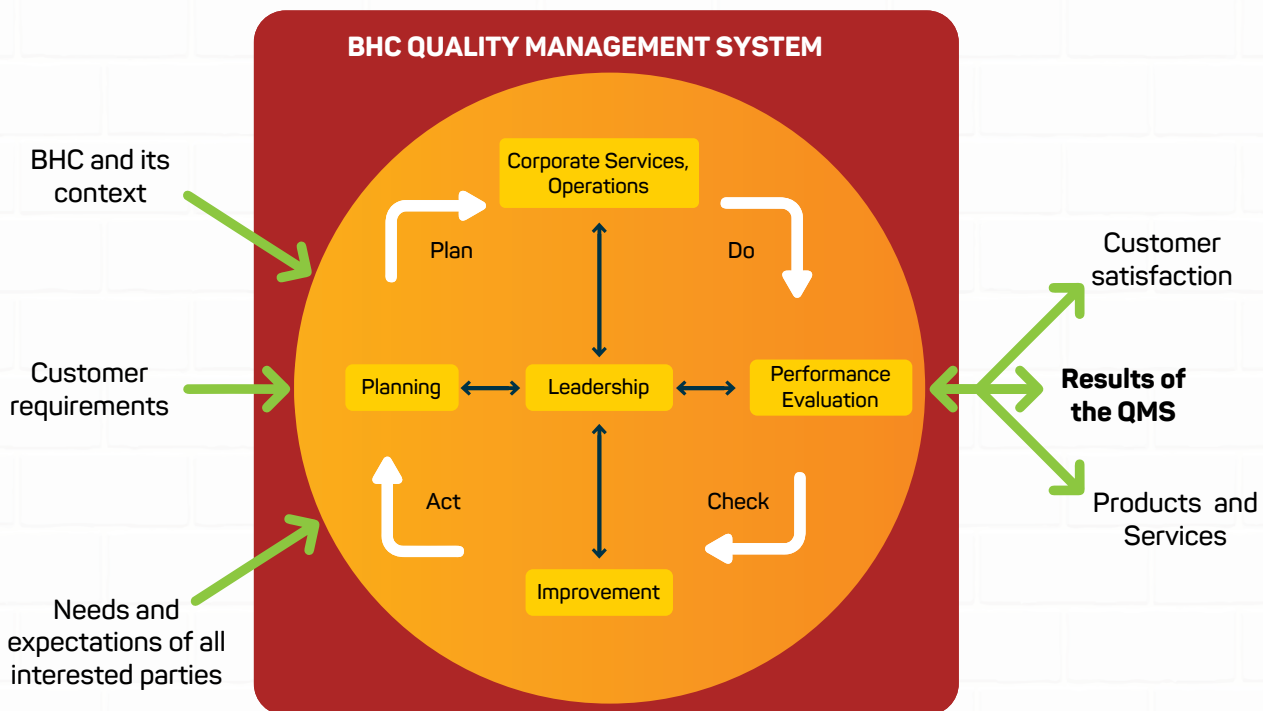


Figure 1: PDCA Cycle for QMS

The Botswana Housing Corporation (BHC) adopted the framework and established a Quality Management System according to the requirements of BOS ISO 9001:2015 standard. The system has been certified by Botswana Bureau of Standards (BOBS) since December 2020 for the scope of Construction Management and Maintenance of Houses, Offices and other buildings owned by Government and Local Authorities and Construction Management of turnkey Self Help Housing Agency (SHHA) projects/houses.

The system is simply based on converting customer needs and requirements to products and services. During the planning stages of requirements consideration, the environment is scanned for needs and expectations of all interested parties besides customers, as well

as establishing the context of BHC through strategy formulation that will ensure delivery of products and services. The framework considers Management as the central pillar, in ensuring that planning for the delivery of products and services is carried out, the plans are executed accordingly, and monitoring of the plans is done on a continual basis and where gaps are identified, action is taken to address them. At the end of it all, the products and services delivered should satisfy customer needs and expectations.

During the reporting period, a re-certification audit was conducted by BOBS from 2023-06-19 to 2023-06-26, with BHC retaining its certification for another three (3) years from December 2023 to December 2026. Retaining certification was evidence that the Corporation's Quality Management System remained effective.

**BOTSWANA
HOUSING CORPORATION**
Annual Financial Statements
For the year ended 31 March 2024



ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2024

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BOTSWANA HOUSING CORPORATION DIRECTORS' REPORT for the year ended 31 March 2024

The Directors have pleasure in presenting their report together with the annual financial statements of Botswana Housing Corporation ("the Corporation") for the year ended 31 March 2024.

General Information

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

Business

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

Capital and Finance

The Corporation listed unsecured debt instrument of P400 million (2023: P400 million) through Botswana Stock Exchange. Additionally the Corporation has unsecured long term loan of P185 million (2023: P215 million) from Botswana Government.

Review of Corporation's Financial Position and Results

The Corporation's financial position and results are reflected in the financial statements set out on pages 101 to 178. The Corporation realised a profit before taxation of P42,377,000 (2023: P30,238,000).

Members of the Board

Mr. M Gabana	Chairman
Ms. B. V Ntshingane	Deputy Chairman
Mr. J. T. Sechele	Non Executive
Mr. T Mogwe	Non Executive
Ms. N Ralebala	Non Executive
Ms. T Mogotsi	Non Executive
Mr. P Nthaga	Non Executive
Mr. B C Malatsi	Non Executive

Senior Leadership Team

Mr. N Matenge	Chief Executive Officer
Ms. P Sefawe	Deputy Chief Executive Officer (Corporate Services)
Mr. B Nkhumisang	Acting Deputy Chief Executive Officer (Operations)
Mr. P Frank	Acting Director Property Development
Mr. S Ramahobo	Director Human Capital and Administration
Mr. R Chilisa	Director Risk and Compliance
Mr. D Kgamanyane	Chief Finance Officer
Mr. P Thapelo	Chief Corporate Counsel and Board Secretariat
Mr. K Khimbele	Regional Director - South
Mr. K Ookeditse	Acting Regional Director - North
Ms. S Chabata	Head Information Technology
Ms. E Ferguson	Chief Audit Executive
Mr. T Kgatlwane	Head Marketing and Communications
Mr. N Ofetotse	Head Projects Quality Assurance
Mr. B Olebile	Head Facilities Management
Mr. T Thupa	Head Strategy, Planning and Policy
Mr. B Kebonang	Acting Head of Procurement Oversight Unit

**BOTSWANA HOUSING CORPORATION
DIRECTORS' REPORT (continued)
for the year ended 31 March 2024**

Registered Office

Botswana Housing Corporation Head Office
Plot 5129 Corner Pilane & Queens Roads
P O Box 412
Gaborone

Independent Auditor

Ernst & Young
Plot 22, Khama Crescent Road
Gaborone, Botswana

Bankers and Investment Managers

First National Bank of Botswana Limited
Stanbic Bank Botswana Limited
Standard Chartered Bank Botswana Limited
Absa Bank Botswana Limited
Bank Gaborone Limited
Access Bank Botswana
African Alliance Botswana
Botswana Insurance Fund Management
Vunani Fund Managers Botswana

Events occurring after the reporting date

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

**BOTSWANA HOUSING CORPORATION
DIRECTORS' RESPONSIBILITY STATEMENT
for the year ended 31 March 2024**

The Directors are responsible for the preparation and fair presentation of the financial statements of Botswana Housing Corporation, comprising the statement of financial position as at 31 March 2024 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements in accordance with International Financial Reporting Standards and in the manner required by the Botswana Housing Corporation Act (Chapter 74:03).

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

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

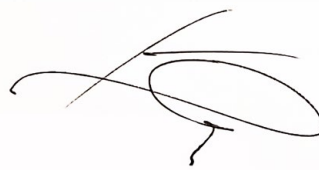
The Auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of the Financial Statements:

The financial statements of Botswana Housing Corporation as identified in the first paragraph, were approved by the Board of Directors on 28 June 2024 and are signed on their behalf by:



.....
Mr. M. Gabana
Board Chairman



.....
Mr. N. Matenge
Chief Executive Officer

BHC INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2024



Firm of Chartered Accountants
 2nd Floor
 Plot 22, Khama Crescent
 PO Box 41015
 Gaborone, Botswana

Tel: +267 397 4078 / 365 4000
 Fax: +267 397 4079
 Email: eybotswana@za.ey.com
 Partnership registered in Botswana
 Registration No: 10829
 VAT No: PO3625401112
 www.ey.com

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 66, which comprise the statement of financial position as at 31 March 2024, 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 2024, and its financial performance and 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 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
Net realisable value of housing inventories The Corporation's main operations comprise the construction and development of residential houses either to be held and leased as investment properties or sold upon completion. Inventory is measured at the lower of cost and net realizable value. The calculation of costs associated with the construction of housing units comprises a critical component in determining the value of housing inventories.	Our procedures included but were not limited to: - We assessed the competency and objectivity of experts employed and engaged by the Corporation with reference to their professional qualifications and affiliations. These experts were involved in estimating the net realisable value of housing inventories and allocating costs between the respective housing inventory projects and investment properties. - We updated our understanding, evaluated the design, and tested the operating effectiveness of the internal

BHC INDEPENDENT AUDITOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024



The cost of housing units includes direct construction costs, indirect costs and interest cost capitalised during the construction of the housing units. Significant judgement is applied in the allocation of indirect costs to the respective projects, as the allocation involves different methods, calculations and measurements depending on the nature of the individual projects and the type of cost incurred. The Corporation assessed internally the net realizable value of the inventory using the cost approach method. The net realizable value calculation is highly dependent on estimates like, amongst others, the anticipated final costs, plus the depreciated cost of the building and other improvements. The cost-based approach requires certain assumptions, including taking for granted that there is enough available land for the buyer to build an identical property. Moreover, if comparable vacant land is not available, the value must be estimated, which makes the appraisal less accurate. The lack of similar building materials also reduces the accuracy of the appraisal and increases room for subjectivity. Furthermore, the method is subjective and prone to errors, as they rely on the appraiser's judgment and assumptions about the anticipated final costs and depreciation. The matter was considered a Key Audit Matter due to significant effort and time spent on determining that the assumptions and inputs are appropriate and in assessing the different methods used by management in calculating and allocating the indirect and interest costs to the housing projects. This necessitated robust discussions with management. The disclosures related to housing inventories are presented in Note 5 Accounting estimates and judgements, Note 16 Housing Inventories and Note 14 Finance Costs of the financial statements.	controls over the allocation of direct construction and indirect costs to the appropriate housing projects. - We evaluated the operating effectiveness of internal controls over the allocation of construction and indirect costs between the respective housing inventory projects. - We performed substantive test of detail procedures over contract costs, ensuring these costs meet the recognition criteria under IFRS and have been accurately allocated to the respective housing inventory projects. - We assessed the net realisable value of housing inventories by inspecting and challenging internal specialist's reports prepared which detail the cost to completion of housing under construction, reviewed subsequent year-end proceeds on disposal of housing inventories and corroborate the estimated costs to complete projects by inspecting signed contracts, recent or actual costs incurred and costs incurred subsequent to the reporting date. - We selected a sample of direct construction costs and inspected the supporting documents to assess whether these costs were accurately processed and allocated to the respective housing projects. - We selected a sample of indirect costs and inspected the supporting calculations and documents to assess whether these costs were accurately calculated and allocated to the respective housing projects using appropriate allocation methods. - We evaluated the judgements involved in selecting the method of calculating and allocating indirect costs to projects by: • Comparing the methods used to allocate indirect costs of housing inventories to the most recent historical or comparable projects completed by the Corporation; • Corroborating the estimated costs of complete projects to signed contracts, and recent or actual costs incurred; and • Assessing the consistency of indirect cost allocation methods in various locations by comparing to similar projects in various locations. - We assessed the Corporation's ability, based on forecasted cash flow projections and budgets, to keep housing units for an extended period of time until the expected net realisable values on housing inventories are realised. - We assessed the adequacy of the financial statement disclosures in accordance with International Financial Reporting Standards, in particular IAS 2 <i>Inventories</i> and IAS 23 <i>Borrowing Costs</i>.
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BHC INDEPENDENT AUDITOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024



Other Information

The directors are responsible for the other information. The other information comprises the information included in the 66-page document titled "Botswana Housing Corporation Annual Financial Statements for the year ended 31 March 2024" 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.

BHC INDEPENDENT AUDITOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024



- 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
 Practising Member: Thomas Chitambo (CAP0011 2024)
 Gaborone

28 June 2024

BOTSWANA HOUSING CORPORATION
STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
for the year ended 31 March 2024

	Notes	2023 P'000	2024 P'000
Revenue and rental income	6.	525, 199	553, 072
Cost of sale of housing inventories	7.	(12, 249)	(26, 454)
Cost of sale of construction and management contracts	7.	(142, 502)	(212, 628)
Gross profit		370, 448	313, 990
Repairs and maintenance		(65, 235)	(62, 111)
Employee benefit expenses	8.	(153, 663)	(142, 842)
Depreciation and amortisation	9.	(44, 073)	(41, 461)
Other expenses	10.	(88, 975)	(77, 014)
Impairment expenses	10.	(26, 620)	(4, 216)
Other income	11.	7, 910	2, 240
Gains from sale of investment properties	12.	23, 924	24, 505
Operating profit		23, 716	13, 091
Finance income	13	11, 587	13, 700
Finance income	14.	(15, 761)	(17, 371)
Net finance costs		(4, 174)	(3, 671)
Share of profit or loss in equity accounted joint ventures for the year	19.	22, 835	20, 817
Profit before taxation		42, 377	30, 237
Taxation	20.	(13, 203)	(7, 164)
Profit for the year		29, 174	23, 073
Total comprehensive income for the year		29, 174	23, 073

BOTSWANA HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
for the year ended 31 March 2024

	Notes	2023 P'000	2024 P'000
Assets			
Non-current assets			
Investment properties	15.	1,273,623	1,309,022
Property, plant and equipment	17.	48,313	50,612
Intangible assets	18.	5,041	7,368
Investments in joint ventures	19.	21,156	17,633
Right of use asset	25.	12,493	3,578
Trade and other receivables	22.	23,419	21,030
Deferred tax asset	21.	2,854	4,390
Total non-current assets		1,386,899	1,413,633
Current assets			
Housing inventories	16.	528,639	451,125
Taxation refundable	20.	9,967	5,221
Trade and other receivables	22.	109,956	29,639
Cash and cash equivalents	23.	815,221	875,859
Total current assets		1,463,783	1,361,844
Total assets		2,850,682	2,775,477
Capital and reserves			
Irredeemable capital	24.	250,000	250,000
Retained earnings		1,398,376	1,369,203
Total equity		1,648,376	1,619,203

BOTSWANA HOUSING CORPORATION
STATEMENT OF FINANCIAL POSITION
for the year ended 31 March 2024

Non-current liabilities			
Long term deferred government revenue grant	26.	11,414	15,885
Long term borrowings	26.	536,928	562,150
Long term lease liabilities	25.	3,501	3,366
Total non-current liabilities		551,842	581,401
Current liabilities			
Trade and other payables	27.	113,125	99,826
Short term portion of lease liabilities	25.	8,915	3,308
Contract liabilities	28.	457,274	404,924
Deferred income	28.1	19,098	13,742
Short term portion of deferred government revenue grant	26.	4,473	5,107
Short term portion of borrowings	26.	34,694	34,968
Customer deposits	29.	12,885	12,999
Total current liabilities		650,464	574,874
Total equity and liabilities		2,850,682	2,775,477

BOTSWANA HOUSING CORPORATION
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2024

	Irredeemable capital P'000	Retained earnings P'000	Total P'000
Balance as at 01 April 2022	250,000	1,346,128	1,596,128
Comprehensive income			
Profit for the year	-	23,073	23,073
Total comprehensive income	-	23,073	23,073
Balance as at 31 March 2023	250,000	1,369,202	1,619,202
Balance as at 01 April 2023	250,000	1,369,202	1,619,202
Comprehensive income			
Profit for the year	-	29,174	29,174
Total comprehensive income	-	29,174	29,174
Balance as at 31 March 2024	250,000	1,398,376	1,648,376

BOTSWANA HOUSING CORPORATION
STATEMENT OF CASH FLOWS
for the year ended 31 March 2024

	Notes	2023 P'000	2024 P'000
Cash flows from operating activities			
Net cash utilised in operating activities	30.	(33,549)	(56,573)
Taxation paid	20.	(13,866)	(9,210)
With-holding tax paid	20.	(2,930)	(2,738)
Taxation refund	20.	383	7,018
Net cash utilised in operating activities		(49,962)	(61,503)
Cash flows from investing activities			
Acquisition of property, plant and equipment	17.	(3,900)	(7,070)
Proceeds from sale of investment properties	12.	36,299	43,200
Proceeds from sale of property, plant and equipment		2,897	197
Dividends from joint ventures	19.	19,313	18,675
Interest received		11,587	13,700
Net cash generated from investing activities		65,216	68,702
Cash flows from financing activities			
Repayment of long term borrowings	26.5	(30,770)	(30,770)
Lease payments - principal	25.	(8,977)	(5,672)
Lease payments - interest	25.	(1,332)	(554)
Interest paid	14.	(34,813)	(33,844)
Net cash utilised in financing activities		(75,892)	(70,840)
Net decrease in cash and cash equivalents		(60,638)	(63,641)
Cash and cash equivalents at beginning of year	23.	875,859	939,500
Cash and cash equivalents at end of year	23.	815,221	875,859

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2024

1. Statement of Compliance

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

- a. to provide for the housing, office and other building needs of the Government and local authorities;
- b. to provide for, and to assist and to make arrangements for other persons to meet the requirements of paragraph (a) above; and
- c. to undertake and carry out, and to make arrangements for other persons to undertake and carry out building schemes in Botswana.

The affairs of the Corporation are controlled by an eight member Board whose Chairman and members are appointed by the Minister of Transport and Public Works.

These financial statements represent the Corporation's statutory financial statements. The financial statements for the year ended 31 March 2024 have been approved for issue by the Directors on 28 June 2024.

2. 1 Basis of Preparation

The financial statements are expressed in Pula, which is the functional currency of the Corporation. The financial statements have been prepared under the historical cost convention, except where otherwise stated. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's) in all material facts, interpretations adopted by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRIC) of the IASB and in a manner required by the Botswana Housing Corporation Act (CAP 74:03).

The preparation of the Corporation's financial statements requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the Corporation's accounting policies. The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Corporation's financial statements are disclosed under the critical accounting estimates and judgement section (note 5).

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Standards and Interpretations Effective in the Current Year

In the current year, the Corporation adopted all of the new and revised Standards and Interpretations of the International Accounting Standards Board (the IASB) and the IFRS Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the annual reporting period beginning on 1 April 2023. The adoption of the new and revised standards and new interpretations did not have a significant impact on the financial results or financial position of the Corporation. The Corporation has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective"

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2024

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Corporation's Annual financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Corporation's financial statements

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Corporation's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Corporation's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendment had no impact on the Corporation's financial statements

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2024

2. 1 Basis of Preparation (Continued)

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

a) International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Corporation's financial statements as the Corporation is not in scope of the Pillar Two model rules as its revenue is less than EUR 750 million/year.

b) New/Revised International Financial Reporting Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Corporation's financial statements are disclosed below. The Corporation intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- * Classification of liabilities as Current or Non-current – Amendments to IAS 1 – effective 1 January 2024 - Assessment performed and no major impact expected.
- * Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7 - effective 1 January 2024 - Assessment performed and no major impact expected.
- * Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 - 1 January 2024- Assessment performed and no major impact expected.
- * Amendments to IFRS 10 and ISA 28 - Sale or contributions of assets between an Investor and its Associate or Joint Venture (effective date deferred indefinitely) - Assessment not yet performed as effective date has been deferred.

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2024

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Corporation's financial statements as the Corporation is not in scope of the Pillar Two model rules as its revenue is less than EUR 750 million/year.

2.2 Revenue Recognition

The Corporation recognises revenue from the following major streams:

- Rental income;
- Outright sale of housing units;
- Tenant purchase scheme;
- Professional fees;
- Facilities management income;
- Capacitation fees; and
- Recoverable maintenance

Revenue, with the exception of rental income, is measured based on the consideration to which the Corporation expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Corporation recognises revenue when it transfers control of a product or service to a customer.

(a) Rental Income

The Corporation earns revenue from acting as a lessor in operating leases on both commercial and residential properties. Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term and is included in revenue in profit or loss due to its operating nature.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the lease asset and recognised as an expense over the lease term on the same basis as the rental income. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Corporation is reasonably certain that the tenant will exercise that option.

For more information on the judgement involved, refer to Note 5: Significant accounting judgements, estimates and assumptions. Amounts received from tenants to terminate leases or to compensate for ruins are recognised in profit or loss when the right to receive them arises.

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2024

2.2 Revenue Recognition (continued)

(b) Outright Sales of Housing Units

The Corporation enters into contracts with customers to sell housing units on a cash basis. The sale of the housing units constitutes a single performance obligation and the Corporation has determined that the performance obligation is satisfied at the point in time when control transfers and this generally occurs when legal title transfers to the customer.

In determining the transaction price, the Corporation considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

For some contracts, the Corporation is entitled to receive an initial deposit before the transaction is completed. This is not considered a significant financing component because it is for reasons other than the provision of financing by the Corporation. The initial deposits are used to protect the Corporation from the other party failing to adequately complete some or all of its obligations under the contract. In the event the sale is not concluded, the deposit is refunded. In addition, there is no non-cash consideration or consideration payable to customers.

(c) Tenant Purchase Scheme (TPS)

The sale of completed property constitutes a single performance obligation and the Corporation has determined that it is satisfied at the point in time when performance obligations are satisfied. The sale transaction is conditional among other things, the customer making the instalment payments as per the agreement of sale. The performance obligation is satisfied when all other significant conditions are met, that is when the full purchase consideration is being received.

Title of property sold under the tenant purchase scheme and responsibility for major defects, excluding routine maintenance, is retained by the Corporation until the full outstanding balance is repaid. The Corporation has concluded that the non-transfer of title until all instalments have been paid is merely a protective right to safeguard the Corporation should the customer default.

(d) Facilities Management Income

This revenue stream relates to the transactions where the Corporation is engaged by various clients to offer repairs and maintenance services on the properties of clients. In terms of the arrangement, the clients give the Corporation instructions on a time to time basis on specific properties which have to be attended to in a given period.

In providing the repairs and maintenances services, the Corporation also supplies the required materials where applicable. The Corporation has concluded that the actual service and provision of material constitutes one performance obligation which is satisfied at a point in time.

The Corporation receives payment in advance for these services from the customers and therefore a contract liability is recognised over the period in which the balance advanced exceed the value of services rendered.

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2024

(e) Professional Fees

The Corporation provides project management services to third parties. These services are provided on a time and material basis or as a fixed-price contract, with contract terms ranging from less than one year to two years. Professional fees are earned by the Corporation for the technical and financial expertise applied in servicing. Such services are recognised as a performance obligation satisfied over time. Revenue is recognised for these services based on the actual services provided to a customer in accordance with the agreement signed which includes the underlying construction costs as the Corporation concluded that the actual service and related construction constitute one performance obligation.

The Corporation receives payment in advance for these services from the customers and therefore a contract liability is recognised over the period in which the balance advanced exceeds the value of services rendered over time. This policy also applies to External projects and SHHA projects income.

(f) Recoverable Maintenance

The Corporation repairs and maintains the residential properties that it leases to its tenants to ensure they do not fall into a state of disrepair. Part of the repairs maintenance services costs are recovered from tenants as stipulated in the lease agreements. These recoverable repairs and maintenance costs are determined at the end of the maintenance works based on what components of the repairs and maintenance services fall within the recoverable maintenance clause as contained in the lease agreement. The recoverable repairs and maintenance services costs are recognised as a performance obligation and the revenue is recognised immediately (at a point in time).

(g) Capacitation Fees

This revenue stream relates to the additional revenue earned by the Corporation as it performs on its other contract obligation under the "professional fees" arrangement. As the Corporation develops the houses for the Government, there are some costs which it incurs which are not covered by the development agreement but the Corporation then recovers these in full from the Government and its agencies. The fees mainly relate to costs incurred in capacity building of the Corporation to enable it to execute its mandate in line with the development agreements.

The Corporation has concluded that capacitation fees constitutes a single performance obligation which is satisfied over time. The Corporation is entitled to receive payment in advance for capacitation fees from the Government and therefore a contract liability is recognised over the period in which the balance advanced exceeds the value of services rendered over time.

2.3 Finance Income and Costs

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

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

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2024

2.4 Investment Property

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

Initial Measurement and Recognition

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

Subsequent Measurement

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

Depreciation is calculated on a straight-line basis over the remaining useful lives of investment properties. The depreciable amount is calculated as the cost of a property less its residual value. The residual value is the estimated amount that the Corporation could currently obtain from the disposal of the property if the property was already of the age and in the condition expected at the end of its useful life. The useful life of an investment property is determined at the lower of the lease period or 40 years.

If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment. The carrying amount at the date of re-classification is the carrying amount for property, plant and equipment.

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

The residual values of investment properties, if not insignificant, are reassessed annually. The useful lives and depreciation methods are reassessed annually. The residual values, depreciation rates and depreciation methods are adjusted prospectively, if required.

Derecognition of Investment Property

Investment property and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2024

2.5 Inventories

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

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

(a) Land held for development

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

(b) Borrowing costs

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

Other borrowing costs are expensed and recognized in profit or loss as finance costs.

(c) Capitalisation of development costs

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

(d) Work in Progress (WIP)

Housing inventories work in progress (WIP) are housing units under construction. Costs are accumulated based on progress claims from contractors, land for development, capitalized borrowing costs and capitalized development costs in the work-in-progress account until the asset is completed and put into service. Assets transferred out of work-in-progress are either taken to housing inventory as housing stock or investment property as rental properties.

(e) Housing Inventories

Housing inventories are recognised as current assets prior to being sold and are measured at the lower of cost and net realisable value. If the estimated selling price of housing inventories in the ordinary course of business is less than the cost or net realizable value the loss is recognised as an impairment in the period the loss occurs.

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2024

2.6 Property, Plant and Equipment

Initial Recognition

Property, plant and equipment items are initially recognised at cost and are subsequently measured at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent Recognition and Measurement

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

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

Buildings	40 years
Furniture and office equipment	10 years
Computer equipment	5 years
Motor vehicles	4 years
Plant and equipment	4 years

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

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

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

Derecognition of Property, Plant and Equipment

Property, Plant and Equipment initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2024

2.7 Intangible Assets

Initial Recognition

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

Subsequent Recognition and Measurement

Computer software acquisition costs recognised as intangible assets are amortised using the straight line method from the date on which it is available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively if appropriate.

Derecognition of Intangible Assets

Intangible Assets are derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

2.8 Joint Ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Corporation has elected to account for investment in joint ventures using the equity method in its separate financial statements.

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

2.9 Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.10 Leases

The Corporation as Lessee

The Corporation assesses whether a contract is or contains a lease, at inception of the contract. The Corporation recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Corporation uses its incremental borrowing rate.

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2024

- Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments less any lease incentives where applicable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made."

The Corporation remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Corporation did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Corporation incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

If a lease transfers ownership of the underlying asset or the cost of the right

-of-use asset reflects that the Corporation expects to exercise a purchase option, the related

right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Corporation applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in profit or loss.

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2024

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Corporation has applied this practical expedient.

The Corporation as Lessor

The Corporation enters into lease agreements as a lessor with respect to its investment properties.

Leases for which the Corporation is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Corporation is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Corporation's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Corporation's net investment outstanding in respect of the leases.

2.11 Contract Liabilities

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

2.12 Foreign Currency Translation

(a) Functional and Presentation Currency

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

(b) Transactions and Balances

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

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2024

2.13 Employee Benefits

(a) Pension Obligations

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

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

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

(b) Terminal Benefits

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

(c) Short Term Employee Benefits

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

(d) Gratuity

Employees on contract receive terminal gratuities in accordance with their contracts of employment. An accrual is recognised for the estimated liability towards such employees up to the reporting date.

2.14 Financial Instruments

Financial instruments held by the Corporation are classified in accordance with the provisions of IFRS 9 Financial Instruments. Broadly, the classification possibilities, which are adopted by the Corporation, as applicable, are as follows:

Financial assets which are debt instruments:

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2024

Amortised cost. This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows; or

Fair value through other comprehensive income. This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments; or

Mandatorily at fair value through profit or loss. This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income; or

Designated at fair value through profit or loss. This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch.

Financial Liabilities:

Amortised cost; or Mandatorily at fair value through profit or loss. This applies to contingent consideration in a business combination or to liabilities which are held for trading; or

Designated at fair value through profit or loss. This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss.

Note 3 Financial instruments and risk management presents the financial instruments held by the Corporation based on their specific classifications.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Corporation are presented below:

Trade and Other Receivables Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and the Corporation's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the Corporation becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured at amortised cost. The amortised cost is the amount recognised on the receivable initially, minus principal repayments and adjusted for any loss allowance.

BOTSWANA HOUSING CORPORATION

SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2024

Impairment

The Corporation recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date. The Corporation measures the loss allowance for balances receivable at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable. For other receivables, the Corporation applies a general approach in calculating ECLs for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default.

Measurement and Recognition of Expected Credit Losses

The Corporation makes use of provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix are based on historic credit loss experience. The loss allowance is calculated on an individual receivables category based on the ageing and profile of the counterparties. In measuring the ECL, the Corporation considers both quantitative and qualitative information that is reasonable and supportable based on historical information that is available without undue cost or effort.

The impact of forward-looking macro-economic changes on the trade receivables at any point is likely to be insignificant given the short tenor of the Corporation's trade receivables. The impact of any forecast macro-economic changes on default rates would therefore only impact trade receivables that originated in the future. A key assumption that the Corporation has therefore made, is that any forecasted macro-economic changes are unlikely to affect the default behaviour of the current trade receivables as the impact was assessed as immaterial. The ECL has therefore been calculated with reference to probability of default.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 10).

Write off policy

The Corporation writes off a receivable when there is information indicating that there is no realistic prospect of recovery, e.g. when the balance due from a counterparty is too small to follow up (cost benefit analysis) and balance is now long over-due or when efforts to collect from a funder have proved unsuccessful.

2.15 Financial Instruments (continued)

Credit risk

Details of credit risk are included in the financial instruments and risk management note (note 3).

Definition of default

The Corporation considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Corporation may also consider a financial asset to be in default when internal or external information indicates that the Corporation is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Corporation.

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2024

Definition of Credit Impaired

The Corporation considers a financial asset to be credit impaired when there has been default, that is when contractual payments are 90 days past due. The Corporation may also consider a financial asset to be credit impaired when internal or external information indicates that the Corporation is unlikely to receive the outstanding contractual amounts in full.

Trade and other payables

Classification

Trade and other payables (note 27), excluding VAT and amounts received in advance and borrowings, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and Measurement

They are recognised when the Corporation becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Cash and Cash Equivalents

Cash and cash equivalents is measured at amortised cost and the carrying amount which approximates its fair value.

Derecognition

Financial Asset

The Corporation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial Liabilities

The Corporation derecognises financial liabilities when, and only when, the Corporation's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2024

2.16 Current and Deferred Income Tax

The Corporation is subject to income tax (IAS 12) effective 1 July 2016. The Corporation was previously an exempt body.

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

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

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

Deferred taxation is not recognised for temporary differences on the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss.

Deferred taxation is recognised in profit or loss, except to the extent that it relates to a transaction that is recognised directly in equity or other comprehensive income, or a business combination.

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

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

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

2.17 Customer Deposits

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

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

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2024

2.18 Segment Reporting

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

2.19 Government Grants

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

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

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

2.20 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are derecognized from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Corporation has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.21 Impairment of Non-Financial Assets

At each reporting date, the Corporation reviews the carrying value for its non financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit (CGU) is the greater of its value in use and its fair value less cost to sell. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Where there is an indication of impairment, the Corporation estimates the assets recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the assets are considered impaired and is written down to its recoverable amount.

**BOTSWANA HOUSING CORPORATION
SIGNIFICANT ACCOUNTING POLICIES
for the year ended 31 March 2024**

**2.21 Impairment of non-financial assets (continued)
Reversal of Impairment Loss**

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2024

3. Financial Instruments and Risk Management

The Corporation has recovered from COVID-19 effects. The Corporation activities expose it to a variety of financial risks (including interest rate risk, credit risk and liquidity risk). The outlook however, is considered promising based on the robust containment measures put in place across the economies and by the Corporation towards the effective management of business risks. The Corporation approach to managing business risks, is based on a well-established governance process and relies on both individual responsibility and collective oversight supported by comprehensive reporting through the risk management system. In supporting the current governance processes, the Corporation is implementing and embedding the Enterprise Risk Management Framework (ERMF) to effectively manage its exposure to various business risks. Through the ERMF the Corporation is able to ensure alignment and consistency in the manner that major business risk types across the Corporation are identified, assessed, measured, managed, controlled and reported. This note presents information about the Corporation's exposure to each of the identified risks, the Corporation's objectives, policies and processes for measuring and managing the risks and the management of capital. The note also includes quantitative disclosures.

The risk management policies guide the Corporation in identifying and analysing risks, setting appropriate risk limits and controls, and monitoring risks and adherence to limits. The Corporation has defined the risk appetite statement, which is the risk that the Corporation is willing to accept in the normal course of business in pursuit of its strategic and financial objectives. In addition risk tolerances have been set, which is the maximum risk the Corporation is willing to sustain for a short period of time. The risk management policies and systems are reviewed regularly in response to changes in the market conditions and business activities.

3.1 Credit Risk

In its April 2024 report the Bank of Botswana indicated that lending by commercial banks had grown year on year. The corporation experienced an increased exposure to Credit risk during the period under review due to an increase in its receivables particularly tenant debtors. Credit risk arises from investments in cash and cash equivalents, deposits with banks and financial institutions, credit exposures to customers, and outstanding receivables. For banks and financial institutions, the Board makes an assessment of their financial position before a decision to do business is made. These assessments are done annually through the review of audited financial statements of banks.

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

The Corporation used its Credit Control section and various media platforms to mitigate against the persistent credit risk exposure on its rental receivables. The Credit Control Section, under the Property Management Department, assesses the credit quality of a customer, taking into account the customer's financial position, past experience and other factors. Individual risk limits are set based on internal or external information and in accordance with the Credit Control Policy.

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES for the year ended 31 March 2024

Different customer segments were impacted differently by the effects of COVID 19 with individuals tenant debtors making the larger portion of the receivables. Thus the Corporation has seen an increase in impairments on rental debtors. The Corporation, continued its strategy of requiring rental customers to pay deposits before they are allowed to occupy the Corporation's property. The Corporation also minimises the risk of payment from defaults by ensuring that deductions for Rental and Tenant Purchase Scheme are done directly from the customers' salary and remitted to the Corporation. Where there is no arrangement for salary deduction, the Corporation receives the money through direct debits and only on exceptional cases does the Corporation allow cash payments. For Tenant Purchase Scheme the Corporation retains title to the property until the entire purchase price has been paid.

The Corporation provides for impairment of debtors based on the expected credit loss model (ECL) in line with IFRS 9. The Corporation's write off policy is documented on accounting policy note 2.16.

**BOTSWANA HOUSING CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 31 March 2024**
3. Financial Instruments and Risk Management
3.1 Credit Risk

	2024 P'000	2023 P'000
As at the reporting date the credit risk exposures relating to recognised financial assets was as follows:		
Trade and other receivables*	127,162	48,574
Cash and cash equivalents	815,221	48,574
	942,383	924,433

*Trade and other receivables exclude prepayments, trade deposits and withholding tax.

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

Trade Receivables

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

As at March 2024	Rental debtors P'000	TPS P'000	Professional fees P'000	Other receivables P'000	Total P'000
Neither past due nor impaired	-	24,659	5,261	-	29,920
Past due but not impaired	65,038	2,478	-	29,727	97,243
Individually impaired	28,766	-	4,887	12,412	46,064
Gross	93,804	27,137	10,148	42,139	173,227
Less: Provision for expected credit loss	(28,766)	-	(4,887)	(12,412)	(46,064)
Net	65,038	27,137	5,261	29,727	127,162
Value of collateral held against trade receivables that are neither past due nor impaired	-	62,790	-	-	62,790

BOTSWANA HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2024

3. Financial Instruments and Risk Management (continued)

3.1 Credit Risk (continued)

Title of property held as collateral is retained by the Corporation until the full outstanding balance is repaid. The increase in value of collateral is as a result of new sales made during the year under review. The Corporation did not obtain any possession of collateral held. The ECL for TPS is not disclosed due to its insignificant value compared to the collateral held.

As at March 2023	Rental debtors P'000	TPS P'000	Professional fees P'000	Other receivables P'000	Total P'000
Neither past due nor impaired	-	22,615	4,071	-	26,686
Past due but not impaired	7,001	1,896	-	12,991	21,888
Individually impaired	11,741	-	815	6,888	19,444
Gross	18,742	24,511	4,886	19,879	68,018
Less: Provision for expected credit loss	(11,741)	-	(815)	(6,888)	(19,444)
Net	7,001	24,511	4,071	12,991	48,574
Value of collateral held against trade receivables that are neither past due nor impaired	-	62,608	-	-	62,608
Trade receivables, past due but not impaired					
		Rental and other debtors P'000	TPS P'000	SOS P'000	Total P'000
As at 31 March 2024					
Past due up to 30 days		25,819	133	-	25,952
Past due 30 - 60 days		24,188	719	-	24,907
Past due over 60 days		44,758	1,626	-	46,384
Total		94,765	2,478	-	97,243
As at 31 March 2023					
Past due up to 30 days		3,976	193	-	4,169
Past due 30 - 60 days		6,619	684	-	7,303
Past due over 60 days		9,397	1,019	-	10,416
Total		19,992	1,896	-	21,888

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2024

3. Financial Instruments and Risk Management (continued)

3.1 Credit Risk (continued)

Set out below is the information about the credit risk exposure on the Corporation's rental debtors using the provision matrix:

At 31 March 2024	Current	0 - 30 days	31 - 60 days	Over 60 days	Suffix & other	
Expected credit loss rate*	0%	25%	50%	75%	100%	
	P'000	P'000	P'000	P'000	P'000	Total
Estimated total gross carrying amount at default	58,000	1,693	2,187	18,701	13,223	93,804
Expected credit loss	-	423	1,094	14,026	13,223	28,766
At 31 March 2023	Current	0 - 30 days	31 - 60 days	Over 60 days	Suffix & other	
Expected credit loss rate	0%	25%	50%	75%	100%	
	P'000	P'000	P'000	P'000	P'000	Total
Estimated total gross carrying amount at default	-	2,876	5,253	8,867	1,745	18,741
Expected credit loss	-	719	2,627	6,650	1,745	11,741

*The Government revenue support of P58 million was not assessed for credit loss.

3.2 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments and derivative financial instruments. The sensitivity analyses in the following sections relate to the position as at 31 March 2024 and 2023. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of debt and derivatives and the proposition of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 March 2024.

(i) Foreign Exchange Risk

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

There were no assets or liabilities denominated in foreign currencies as at 31 March 2024 (2023:-Nil).

(ii) Cash Flow and Fair Value Interest Rate Risk

The Corporation's interest rate risk primarily arises from borrowings. Borrowings issued at variable rates expose the Corporation to cash flow interest rate risk. Borrowings issued at fixed rates expose the Corporation to fair value interest rate risk. The Corporation maintains its borrowings at fixed interest rates agreed with the lenders save for Bonds issued at both floating and fixed rates. During financial years ended 31 March 2024 and 2023, the Corporation's borrowings at fixed rate were denominated in the functional currency.

BOTSWANA HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2024

3. Financial Instruments and Risk Management (continued)

3.3 Interest Rate Sensitivity

Financial instruments that are sensitive to interest rate risk are bank balances, fixed deposits and borrowings (refer note 14). Interest rates applicable to these financial instruments compare favourably with those currently available in the market and are only applicable to Botswana interest rates. The cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risks. The Corporation calculates the impact on profit and loss of a defined interest rate shift for each simulation, the interest rate shift is used.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates at reporting date, with all other variables held constant, of the Corporation's profit before tax (through the impact on floating rate financial instruments) at reporting date. The reasonable possible change is based on past trends of interest rates and expected future changes. The impact was calculated by applying the reasonable possible change to the exposures at reporting date, and with reference to the next 12 months.

Interest rates applicable to financial instruments are as follows:

	2024 Balance P'000	Interest rate	2023 Balance P'000	Interest rate
Short-term deposits				
African Alliance Botswana	718	5.76%	37,492	7.44%
Botswana Insurance Fund Management	71,540	6.54%	14,902	7.15%
Vunani Fund Managers Botswana	93,700	6.78%	30,081	7.13%
Absa Botswana	-		149,222	8.40%
Bank Gaborone	130,553	5.60%	35,613	8.40%
Access Bank Botswana	-		121,452	8.95%
Call deposits	35,083	0.25% - 1.00%	73,397	0.25% - 1.00%
	331,594		462,159	
Floating debt securities balances at the reporting date are as follows:				
Floating debt securities	300,000	Bank rate +2.90%	300,000	Bank rate +2.90%
	300,000		300,000	
Net Interest Bearing	31,594		162,159	
Interest rate variation at 0.50%	158		811	

With average interest rates disclosed above, an increase of 0.50% in interest rates during the reporting period would have increased the Corporation's profit before taxation by P158 000 (2023: increased in the Corporation's profit before taxation by P811 000).

A 0.50% decrease in interest rates during the reporting period would have had equal but opposite effect on the reported profit before taxation to the amounts disclosed above, on the basis that all other variables remain constant.

With average interest rates disclosed above, an increase of 0.50% in interest rates during the reporting period would have increased the Corporation's equity by P123 000 (2023: increased the Corporation's equity by P633 000).

BOTSWANA HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2024

3. Financial Instruments and Risk Management (continued)

3.4 Liquidity risk

Managing liquidity risk is an integral part of the Corporation's business operations. Liquidity risk arises when the Corporation is unable to generate sufficient cash flows to meet its obligations as they fall due or obligations are met in a way that is not sustainable. The Corporation's liquidity could be affected by various factors, both internal and external. These include customer defaults, unexpected market disruptions that cause short-term and liquid assets become illiquid, failure by funders to roll over borrowed facilities or recalling existing loan facilities, credit events, natural disasters and adverse publicity among others.

The Corporation's measures in place ensures, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring losses above the set risk appetite or risking adverse impact on the Corporation's reputation. The Corporation manages liquidity risk in line with the set internal risk appetite. The Corporation has put in place adequate and sufficient liquidity risk mitigating controls which are frequently reviewed and monitored.

Overall, there is a sound and robust liquidity management process to measure, monitor and manage liquidity exposures which ensure business sustainability and market confidence in the Corporation. The Corporation will continuously forecast and analyze liquidity risk using different time horizons, to ensure that the Corporation is able to meet its obligations optimally.

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

	Less than 1 year P'000	1 - 2 years P'000	2 - 5 years P'000	Over 5 years P'000	Total P'000
At 31 March 2024					
Borrowings	163,777	356,787	215,423	31,462	767,449
Trade and other payables	77,870	-	-	-	77,870
Lease liabilities	7,511	13,354	-	-	20,865
Customer deposits	12,885	-	-	-	12,885
Liabilities (contractual maturity)	262,043	370,141	215,423	31,462	879,069
	Less than 1 year P'000	1 - 2 years P'000	2 - 5 years P'000	Over 5 years P'000	Total P'000
At 31 March 2023					
Borrowings	149,315	63,777	539,825	63,846	816,763
Trade and other payables	73,179	-	-	-	73,179
Lease liabilities	3,150	4,465	-	-	7,615
Customer deposits	12,999	-	-	-	12,999
Liabilities (contractual maturity)	238,643	68,242	539,825	63,846	910,556

BOTSWANA HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2024

3.5 Financial Instruments by Category

Financial assets at amortised cost		
	2024 P'000	2023 P'000
Assets as per statement of financial position:		
Trade and other receivables	133,348	50,668
Cash and cash equivalents	815,221	875,859
	948,569	926,527
Financial liabilities at amortised cost		
	2024 P'000	2023 P'000
Liabilities as per statement of financial position:		
Borrowings	587,508	618,109
Trade and other payables	77,870	73,179
Lease liabilities	12,416	6,674
Customer deposits	12,885	12,999
	690,679	710,961

3. Financial Instruments and Risk Management (continued)

3.6 Capital Risk Management

The Corporation is a parastatal established by an Act of Parliament. The Corporation is supported by its owner, the Government of Botswana. Capital consists of irredeemable capital and retained earnings reserve. The Corporation's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns and benefits for stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Corporation monitors capital on the basis of the debt to equity ratio. This ratio is calculated as long term debt divided by total equity.

	2024 P'000	2023 P'000
Total long term debt	587,508	618,109
Total capital and reserves	1,648,376	1,619,203
Debt : equity ratio	0.36	0.38

The Corporation considers a debt to equity ratio of less than 1 to be acceptable. This is reviewed annually after considering market conditions and the growth goals of the Corporation.

BOTSWANA HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2024

4. Operating Segments

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

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

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

- Sales of housing inventories - Outright sale of properties
- Rental - Letting of properties
- Construction and management contracts – revenue from third party contracts
- Others - includes Corporate Support Services such as Finance, Human Capital and administration, Information technology etc

No operating segments have been aggregated.

The segment information provided to the Board for the reportable segments for the year ended 31 March 2024 is as follows:

	Sale of housing inventories P'000	Rental P'000	Construction and management contracts P'000	Others P'000	Total P'000
Revenue	16,833	338,642	169,724	-	525,199
Cost of sale of housing inventories	(12,249)	-	-	-	(12,249)
Cost of sale of third party maintenance	-	-	(142,502)	-	(142,502)
Gross profit	4,584	338,642	27,222	-	370,448
Repairs and maintenance	-	(65,235)	-	-	(65,235)
Employee benefit expenses	(51,293)	(12,823)	-	(89,547)	(153,663)
Depreciation and amortisation	(281)	(35,148)	-	(8,644)	(44,073)
Other expenses	(6,339)	(57,512)	-	(25,124)	(88,975)
Impairment expenses	-	(17,025)	-	(9,595)	(26,620)
Gains from sale of investment properties	23,924	-	-	-	23,924
Other income	69	148	-	7,694	7,910
Operating profit	(29,336)	151,045	27,222	(125,216)	23,716
Finance income	-	-	-	11,587	11,587
Finance costs	(12,609)	(3,151)	-	-	(15,761)
Net finance (costs) / income	(12,609)	(3,151)	-	11,587	(4,174)
Share of profit or loss of equity accounted investees of joint ventures	-	-	-	22,835	22,835
Profit before taxation	(41,944)	147,894	27,222	(90,794)	42,377
Taxation	-	(13,203)	-	-	(13,203)
Total comprehensive income for the year	(41,944)	134,691	27,222	(90,794)	29,174
Total segment results above include:					
Revenue from Government and Government related entities (note 32.7)	18,265	172,892	-	4,711	195,868
Segment assets	556,825	1,370,401	-	69,544	1,996,771

BOTSWANA HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2024

4. Operation Segments (continued)

Reconciliation to total assets as reported in the statement of financial position

Investment in joint ventures	-	-	-	21,156	21,156
Right of use assets	-	-	-	12,493	12,493
Intangible assets	-	-	-	5,041	5,041
Cash and cash equivalents	-	-	-	815,221	815,221
Total assets as reported in the statement of financial position	556,825	1,370,401	-	910,963	2,850,682
Total liabilities	472,379	163,261	-	566,666	1,202,306

The segment information provided to the Board for the reportable segments for the year ended 31 March 2024 is as follows: (continued)

	Sale of Housing Inventories	Rental	Construction and management contracts	Others	Total
	P'000	P'000	P'000	P'000	P'000
Additions to non-current assets					
Property, plant and equipment	-	-	-	3,900	3,900
Right of use assets	-	-	-	14,717	14,717
	-	10,155	-	19,597	29,752

The segment information provided to the Board for the reportable segments for the year ended 31 March 2023 is as follows:

	Sale of Housing Inventories	Rental	Construction and management contracts	Others	Total
Revenue	35,192	279,760	238,120	-	553,072
Cost of sale of housing inventories	(26,454)	-	-	-	(26,454)
Cost of sale of third party maintenance	-	-	(212,628)	-	(212,628)
Gross Profit	8,738	279,760	25,492	-	313,990
Repairs and maintenance	-	(62,111)	-	-	(62,111)
Employee benefit expenses	(51,293)	(12,823)	-	(78,726)	(142,842)
Depreciation and amortisation	(561)	(30,581)	-	(10,319)	(41,461)
Other expenses	(8,500)	(40,974)	-	(27,540)	(77,014)
Impairment expenses	-	(906)	-	(3,310)	(4,216)
Gains from sale of investment properties	24,505	-	-	-	24,505
Other income	87	113	-	2,040	2,240
Operating profit	(27,024)	132,478	25,492	(117,855)	13,091
Finance income	-	-	-	13,700	13,700
Finance costs	(13,897)	(3,473)	-	-	(17,371)
Net finance (costs) / income	(13,897)	(3,473)	-	13,700	(3,671)

BOTSWANA HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2024

4. Operation Segments (continued)

Share of profit or loss of equity accounted investees of joint ventures	-	-	-	20,817	20,817
Profit before taxation	(40,920)	129,005	25,492	(83,337)	30,237
Taxation	-	(7,164)	-	-	(7,164)
Total comprehensive income for the year	(40,920)	121,841	25,492	(83,337)	23,073
Total segment results above include:					
Revenue from Government and Government related entities (note 32.7)	40,743	174,007	-	3,063	217,813
Segment assets	434,546	1,395,965	-	40,528	1,871,039
Reconciliation to total assets as reported in the statement of financial position:					
Investment in joint ventures	-	-	-	17,633	17,633
Right of use assets	-	-	-	3,578	3,578
Intangible assets	-	-	-	7,368	7,368
Cash and cash equivalents	-	-	-	875,859	875,859
Total assets as reported in the statement of financial position	434,546	1,395,965	-	944,966	2,775,477
Total liabilities	491,545	161,603	-	503,127	1,156,275

Additions to non current assets	Sale of Housing Inventories P'000	Rental P'000	Construction and management contracts P'000	Others P'000	Total P'000
Property, plant and equipment	-	-	-	7,070	7,070
Right of use assets	-	-	-	5,953	5,953
	-	-	-	13,023	13,023

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2024

5. Accounting Estimates and Judgements

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

(a) Useful lives and residual values of investment properties and property, plant and equipment (note 17)

The Corporation tests annually whether, the useful life and residual value estimates were appropriate and in accordance with its accounting policy. Useful lives and residual values of investment properties (note 15) and administrative buildings are assessed annually by professionally qualified staff from the Estates Management Department of the Corporation and the assessments are approved by the Board. Periodically the assessment is outsourced to independent professionally qualified consultants.

The useful lives of plant and equipment (note 17) are assessed annually by staff in the Procurement Office, who are the custodians of the plant and equipment.

(b) Useful lives and amortisation of intangible assets (note 18)

The Corporation carries out annual assessments regarding the appropriateness of the useful lives of intangible assets (note 18). Management exercises judgement to come up with appropriate useful lives.

(c) Provision for expected credit losses (note 3.1)

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Corporation's ECL calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Elements of the ECL models that are considered accounting judgements and estimates include:

- The Corporation's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

(d) Taxation (note 20 and 21)

The Corporation became liable to paying income tax (note 20) effective 1 July 2016 in accordance with statutory instrument No 41 of 2016. Recognition of deferred tax assets (note 21) requires estimating the Corporation's ability to generate sufficient future taxable profits against which deductible temporary differences can be utilised.

BOTSWANA HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2024

5. Accounting Estimates and Judgements (continued)

Valuation of Housing Inventories (note 16)

Housing inventories consists of the following:

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

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

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventories on the basis of weighted average costs. Judgement is involved in estimating costs per project and allocating costs to each unit. The estimation of the cost per project is performed by internal quantity surveyors ("management experts"). In addition, the allocation of internal development costs to each unit is a manual exercise which involves judgement, including estimation of time and effort spent by internal resources on these developments.

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

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

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

(e) Valuation of Housing Inventories (continued)

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

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

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2024

5. Accounting Estimates and Judgements (continued)

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

(f) Measurement of Investment Properties (note 15)

Investment property is initially valued at cost. The cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventories on the basis of weighted average costs. Judgement is involved in estimating costs per project and allocating costs to each unit. The estimation of cost per project is performed by internal quantity surveyors (management experts). In addition, the allocation of internal development costs to each unit is a manual exercise which involves judgement, including estimation of time and effort spent by internal resources on these developments.

(g) Borrowings Costs (note 26)

The Corporation incurs borrowing costs which is the interest cost recognised on borrowings. The Corporation allocates the interest cost incurred during the construction period of housing units using the calculated Weighted Average Cost the (WACC) estimate. WACC is the aggregate of the effective interest rates charged on the borrowings relative to the weights of each loan. The amount of interest for capitalisation purposes is based on the amount on the Corporation's qualifying outstanding borrowings.

The Corporation also applies the prevailing interest rate for project specific borrowings, the rate is applied on that borrowing to the appropriate portion of the expenditures for the asset being built. A weighted average of the rates on other borrowings is applied to expenditures not covered by specific borrowings. The Corporation has therefore, computed capitalised interest on the specific borrowings and the blended borrowings using the specific rate and the WACC respectively.

(h) Revenue from Contracts with Customers

The Corporation has applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determination of Performance Obligations

With respect to the sale of property, the Corporation concluded the goods and services transferred in each contract constitute a single performance obligation. In particular, the promised goods and services in contracts for the sale of property is the delivery of the property itself to the customer.

In relation to the services provided to tenants of investment property (such as cleaning, security, landscaping, reception services, catering) as part of the lease agreements into which the Corporation enters as a lessor, the Corporation has determined that the promise is the overall property management service and that the service performed each day is distinct and substantially the same.

Although the individual activities that comprise the performance obligation vary significantly throughout the day and from day to day, the nature of the overall promise to provide management service is the same from day to day. Therefore, the Corporation has concluded that the services to tenants represent a series of daily services that are individually satisfied over time, using a time-elapsed measure of progress, because tenants simultaneously receive and consumes the benefits provided by the Corporation.

**BOTSWANA HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2024****5. Accounting Estimates and Judgements (continued)****(i) Revenue from Contracts with Customers****Principal versus agent considerations**

The Corporation arranges for certain services provided to its customers to be provided by third parties. The Corporation has determined that it controls the services before they are transferred to its customers, because it has the ability to direct the use of these services and obtain the benefits from them. In making this determination, the Corporation has considered that it is primarily responsible for fulfilling the promise to provide these specified services because it directly deals with customer' complaints and it is primarily responsible for the quality or suitability of the services. Therefore, the Corporation has concluded that it is the principal in these contracts. In addition, the Corporation has concluded that it transfers control of these services over time, as services are rendered by the third-party service providers, because this is when customers receive and at the same time, consume the benefits from these services.

Determining the timing of revenue recognition on the sale of property

The Corporation has evaluated the timing of revenue recognition on the sale of property based on a careful analysis of the rights and obligations under the terms of the contracts. The Corporation has generally concluded that contracts relating to the sale of property are recognised at a point in time when control transfers. Control is expected to take place when all the significant conditions are satisfied and the change of title to the seller is deemed an administrative process once the Corporation has performed its part in terms of the requirements for change of title.

BOTSWANA HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2024

6. Rental Income and Revenue from Contracts with Customers

	2024 P'000	2023 P'000
Rental income - Residential properties	334,986	276,456
Rental income - Commercial properties	3,656	3,304
Rental income	338,642	279,760
Professional fees	4,711	3,063
External projects contracts income	28,290	65,392
Self Help Housing Agency (SHHA) projects contracts income	84,353	112,305
Capacitation fee	11,850	13,386
Revenue from construction contracts (Over time)	129,203	194,146
Outright sales of housing units	14,143	33,139
Facilities management income	38,919	42,337
Tenant purchase scheme income	2,690	2,053
Recoverable maintenance	1,602	1,637
Revenue from contracts with customers (Point in time)	57,354	79,166
	525,199	553,072

The amounts included in the contract liabilities represents advances paid by customers that the Corporation has now recognised as revenue, following the Corporation's progress in satisfying the performance obligations in the contracts.

The remaining performance obligations expected to be recognised in the future relate to the contracts which were at various stages of performances, where the Corporation is rendering services to its customers.

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2024

7. Cost of Sale of Housing Inventories

At beginning of the year	451,125	444,154
Land held for development	41,544	40,526
Housing under construction	319,315	274,585
Completed houses - Inventories (written down to net realisable value)	90,266	129,043
Movements during the year	89,763	33,425
Acquisition of land	1,502	1,017
Capitalised construction costs	85,830	32,959
Capitalised development costs - employee benefit expenses (note 8)	9,732	8,418
Capitalised borrowing costs (note 14)	24,308	21,226
Interest earned on borrowed funds (note 13)	(18,995)	(16,889)
Contract write-up	(2,459)	(13,306)
Transfer to investment property (note 15)	(10,155)	-
At end of year (note 16)	(528,639)	(451,125)
Land held for development	(43,045)	(41,544)
Housing under construction	(372,868)	(319,315)
Completed houses - Inventories (written down to net realisable value)	(112,726)	(90,266)
	12,249	26,454

BOTSWANA HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2024

7. Cost of Sale of Housing Inventories (Continued)

Cost of sale of construction and management contracts

External construction contracts	28,290	65,392
SHHA construction contracts	84,353	112,305
Facilities management contracts	29,860	34,931
	142,502	212,628

8. Employee Benefit Expenses

Salaries, wages and other benefits	147,398	135,657
Pension contributions	12,701	12,306
Gratuities	3,296	3,297
Less : capitalised during the year (note 7)	(9,732)	(8,418)
	153,663	142,842

9. Depreciation and Amortisation

	2024	2023
	P'000	P'000
Depreciation - right of use asset (note 25)	5,803	6,515
Depreciation - investment properties (note 15)	27,178	22,143
Depreciation - property, plant and equipment (note 17)	5,462	4,625
Depreciation - leasehold land (note 15)	2,322	3,982
Amortisation - intangible assets (note 18)	3,308	4,196
	44,073	41,461

BOTSWANA HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2024

10. Other Expenditures

Audit fees - current year	1,106	1,015
Board members' remuneration	704	547
Consultancy fees	1,876	2,323
Rates	5,306	5,836
Security expenses	4,326	5,488
Telephone expenses	8,863	7,999
Training expenses	3,388	3,863
Insurance	3,864	3,586
Travelling and accommodation	6,749	5,362
IT expenses	11,334	11,035
Advertising and marketing	4,570	5,473
Call centre expenses	2,539	2,445
Administration expenses	31,369	18,795
Training levy	261	363
Utilities	2,720	2,884
	88,975	77,014

Impairment expenses

Rental debtors	17,025	906
Professional fees	4,071	7
Other receivables	5,524	3,303
	26,620	4,217
Impairment expenses excluding housing inventories impairment reversal	26,620	4,216

BOTSWANA HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2024

11. Other Income

Sundry income*	5,750	2,077
Gains on sale of property, plant and equipment	2,160	163
	7,910	2,240

*Sundry income includes insurance claims of P5.1 million

12. Gains from Sale of Investment Properties

Proceeds from sale of investment properties (outright sales)	36,299	43,200
Sale of investment properties (TPS sales)	3,678	5,068
Cost (note 15)	(19,528)	(26,435)
Accumulated depreciation (note 15)	3,475	2,672
	23,924	24,505

BOTSWANA HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2024

13. Finance Income

	2024 P'000	2023 P'000
Using effective interest rate		
Interest income received on short term bank deposits	28,763	27,622
Interest accrued on short term bank deposits	1,819	2,967
Capitalised interest earned on borrowed funds (note 7)	(18,995)	(16,889)
	11,587	13,700

14. Finance Costs

Using effective interest rate		
Interest expense paid on loans	9,461	10,579
Interest accrued on loans	1,624	1,877
Less: government grant income	(5,107)	(5,704)
Interest expense paid on debt securities in issue	29,788	28,272
Interest accrued on debt securities in issue	2,300	2,321
Less: capitalised to housing inventories during the year (note 7)	(24,308)	(21,226)
	13,758	16,119

14. Finance Costs

Interest expense - leases	1,332	554
Other financing costs paid	671	698
	2,003	1,252
	15,761	17,371

A capitalisation rate of 7.31% (2023: 7.31%) was used for projects whose development was financed out of debt securities (note 26).

BOTSWANA HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2024

15. Investment properties

	2024 P'000	2023 P'000
Opening carrying amount	1,309,022	1,356,727
Transfer from property, plant and equipment	-	5,336
Additions to investment properties - transfer from inventory (note 7)	10,155	-
Disposals	(19,528)	(26,435)
Accumulated depreciation on disposals	3,475	2,672
Accumulated depreciation on transfer from PPE	-	(3,153)
Depreciation - housing properties	(27,178)	(22,143)
Depreciation - leasehold land	(2,323)	(3,982)
Closing carrying amount	1,273,623	1,309,022
Cost	1,686,353	1,695,725
Accumulated depreciation	(412,729)	(386,703)
Carrying amount	1,273,623	1,309,022

*The leasehold land at the end of the reporting period was P82,408 million - IFRS 16.53(j)

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

Future minimum rentals receivables under operating leases as at 31 March 2024 are as follows:

	2024 P'000	2023 P'000
Less than one year	215,306	209,014
One to two years	191,383	185,790
Two to three years	181,814	176,501
Three to four years	167,461	162,566
Four to five years	162,676	157,922
More than five years	69,377	67,349
Total	988,018	959,142

BOTSWANA HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2024

15. Investment Properties (continued)

Investment properties were valued as at 31 March 2024 by estate management professionals based on the latest prevailing market prices. The value of the investment properties was estimated at P5.260 billion on 31 March 2024 (2023: P7.258 billion). The model uses current replacement cost less the depreciation due to physical deterioration. The current replacement cost is the current cost of constructing a property type using estimated gains from the in-house Quantity Surveyors. The land component is estimated separately using market comparables and added to calculate the final fair value of the property. The fair value of measurement for all investment properties has been categorised as a level 3 fair value based on the inputs to the valuation technique used.

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

The cost value of housing properties which the Corporation has not received title deeds amounts to P3.8 million (2023: P3.8 million). The members of the Board believe that title deeds for these properties will be received in due course.

16. Housing inventories

	2024 P'000	2023 P'000
Land for development (note 7)	43,045	41,544
Housing under construction (note 7)	372,868	319,315
Completed houses (note 7)	116,712	94,252
Less: Impairment provision of inventory	(3,986)	(3,986)
	528,639	451,125

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2024

17. Property, Plant and Equipment

	Land & buildings P'000	Computer equipment P'000	Furniture & office equipment P'000	Motor vehicles P'000	Plant & equipment P'000	Total P'000
As at 31 March 2024						
Opening carrying amount	34,097	4,981	4,718	6,678	138	50,612
Additions	-	2,077	606	1,217	-	3,900
Disposals	-	-	-	(5,089)	-	(5,089)
Accumulated depreciation on disposal	-	-	-	4,352	-	4,352
Depreciation charge	(1,351)	(2,019)	(823)	(1,259)	(10)	(5,462)
Closing carrying amount	32,746	5,039	4,501	5,899	128	48,313
Cost	42,791	28,471	16,415	14,181	2,386	104,244
Accumulated depreciation	(10,045)	(23,432)	(11,914)	(8,282)	(2,258)	(55,931)
Closing carrying amount	32,746	5,039	4,501	5,899	128	48,313

* The gross carrying amount of fully depreciated property, plant and equipment that is still in use is P3,426 million

As at 31 March 2023						
Opening carrying amount	37,120	5,161	4,822	3,131	150	50,384
Additions	-	1,809	730	4,531	-	7,070
Transfer to investment properties	(5,336)	-	-	-	-	(5,336)
Accumulated depreciation on transfer to IP	3,153	-	-	-	-	3,153
Disposals	-	(64)	(88)	-	-	(152)
Accumulated depreciation on disposal	-	54	64	-	-	118
Depreciation charge	(840)	(1,979)	(810)	(984)	(12)	(4,625)
Closing carrying amount	34,097	4,981	4,718	6,678	138	50,612
Cost	42,791	26,393	15,814	18,052	2,386	105,436
Accumulated depreciation	(8,694)	(21,412)	(11,096)	(11,374)	(2,248)	(54,824)
Closing carrying amount	34,097	4,981	4,718	6,678	138	50,612

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2024

Office	Location	Size (SQM)	Original Cost P'000
BHC Head Office (GA4773)	Gaborone	3,527	5,423
Gaborone Area Office (GA1211)	Gaborone	2,815	4,057
BHC New Head Office (GA5129)	Gaborone	4,899	31,106
Broadhurst Area Office (GA10236)	Gaborone	2,925	1,767
Francistown Offices (FT1283)	Francistown	1,238	2,626
Palapye	Palapye	974	628
Selebi Phikwe (SP2711)	Selebi Phikwe	872	218
Mahalapye	Mahalapye	133	189
Kasane	Kasane	134	59
Maun/17223 (MA11) -Current BHC Offices	Maun	528	224
Lobatse (LO6392)	Lobatse	1,390	1,830
Total			48,127

BOTSWANA HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2024

18. Intangible Assets

	ERP System P'000	Computer software P'000	Total P'000
As at 31 March 2024			
Opening carrying amount	7,368	-	7,368
Additions	980	-	980
Amortisation charge	(3,308)	-	(3,308)
Closing carrying amount	5,041	-	5,041
Cost	48,745	-	48,745
Accumulated amortisation	(43,704)	-	(43,704)
Closing carrying amount	5,041	-	5,041
As at 31 March 2023			
Opening carrying amount	11,565	-	11,565
Amortisation charge	(4,196)	-	(4,196)
Closing carrying amount	7,368	-	7,368
Cost	47,765	5,367	53,132
Accumulated amortisation	(40,396)	(5,367)	(45,763)
Closing carrying amount	7,368	-	7,368

**BOTSWANA HOUSING CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 31 March 2024**
19. Investments in Joint Ventures

	2024 P'000	2023 P'000	2024 P'000	2023 P'000	2024 P'000	2023 P'000
	Plot 7		Plot 1471/2		Total	
	(Plaza Centre)		(Galo Complex)			
At the beginning of the year	348	669	17,286	14,822	17,634	15,491
Adjustments between the partnerships**	-	(249)	-	249	-	-
Share of profit or loss for 2024 in equity accounted joint ventures for the year	827	692	22,294	20,214	23,120	20,906
Profit for 2024 for 1 month not recognised in the current year (April 2024)	(69)	(58)	(1,858)	(1,684)	(1,927)	(1,742)
Profit for 2023 for 1 month not recognised in prior year (April 2023)	58	69	1,684	1,585	1,742	1,654
Adjustments on prior year of surplus	61	-	(161)	-	(100)	-
Share of profit or loss in equity accounted joint ventures for the year	877	703	21,959	20,115	22,835	20,818
Dividends declared during the year*	(875)	(863)	(20,000)	(20,400)	(20,875)	(21,263)
Prior year dividends received in the current year	(88)	-	(2,500)	-	(2,588)	-
Less: dividends paid after year end*	150	88	4,000	2,500	4,150	2,588
At the end of the year	412	348	20,745	17,286	21,156	17,634

The year end of the Joint Ventures are different to the entity and therefore the relevant adjustments are made to align the periods and to correctly equity account.

* Dividends relate to the Corporation's portion only.

**Adjustment relate to correction of miscoding between the Joint Ventures.

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

(a) Plot 7 Partnership (Plaza Centre)

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

(b) Plot 1471/2 Partnership (Galo Complex)

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

These Joint Ventures operate in Botswana.

BOTSWANA HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2024

19.1 Investments in Joint Ventures

	Apr-24 P'000	Apr-23 P'000	Apr-24 P'000	Apr-23 P'000	Apr-24 P'000	Apr-23 P'000
	Plot 7 (Plaza Centre)		Plot 1471/2 (Galo Complex)		Total	
Assets:						
Non-current assets						
Investment property	1,735	1,801	121,309	125,335	123,044	127,136
Other non- current assets	-	-	10,239	8,153	10,239	8,153
	1,735	1,801	131,548	133,488	133,283	135,289
Current assets						
Cash and cash equivalents	343	200	5,355	7,574	5,698	7,774
Other current assets excluding cash	143	314	3,719	5,848	3,862	6,162
	486	514	9,074	13,422	9,560	13,936
	2,221	2,315	140,622	146,910	142,843	149,225
Liabilities:						
Non-current liabilities						
Borrowings	-	-	74,943	87,617	74,943	87,617
Deferred income	-	-	326	396	326	396
	-	-	75,269	88,013	75,269	88,013
Current liabilities						
Borrowings	-	-	11,720	9,356	11,720	9,356
Trade and other payables	278	409	5,582	5,884	5,860	6,293
Deferred income	-	-	158	-	158	-
Dividends payable	-	-	-	-	-	-
	278	409	17,460	15,240	17,738	15,649
Total liabilities	278	409	92,729	103,253	93,007	103,662
Net assets	1,943	1,906	47,893	43,657	49,836	45,563
Income						
Revenue	2,030	1,972	72,934	67,934	74,964	69,906
Other operating income	-	-	17	60	17	60
Finance income	12	67	381	581	393	648
	2,042	2,039	73,332	68,575	75,374	70,614
Expenses						
Finance costs	-	-	7,252	7,835	7,252	7,835
Operating expenses	273	589	16,719	16,288	16,992	16,877
Impairment of trade receivables	50	-	746	-	796	-
Depreciation	66	66	4,028	4,025	4,094	4,091
	389	655	28,745	28,148	29,134	28,803
Profit and total comprehensive income	1,653	1,384	44,587	40,427	46,240	41,811

These are the reporting periods as elected by the partnership.

Plot 7

Plot 1471/2

May 2023 to April 2024

May 2023 to April 2024

**BOTSWANA HOUSING CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 31 March 2024**
19. Investments in Joint Ventures
19.2 Reconciliation of Net Assets to Carrying Amount

	Apr-24 P'000	Apr-23 P'000	Apr-24 P'000	Apr-23 P'000	Apr-24 P'000	Apr-23 P'000
	Plot 7 (Plaza Centre)		Plot 1471/2 (Galo Complex)		Total	
Closing net assets	1,943	1,906	47,893	43,657	49,836	45,563
Fair value of land contributed as equity	(1,271)	(1,271)	(10,720)	(10,720)	(11,991)	(11,991)
Adjustment to align financial year end	(138)	(115)	(3,716)	(3,369)	(3,853)	(3,484)
Dividends paid after year end	300	175	8,000	5,000	8,300	5,175
	834	695	41,457	34,568	42,292	35,263
Adjustment	-	-	-	-	-	-
Interest in Joint Venture at 50%	417	347	20,729	17,284	21,146	17,631
Summarised comprehensive income						
Carrying amount	1,653	1,384	44,587	40,427	46,240	41,811
Adjustments						
Adjustment in current year profit	(138)	(115)	(3,716)	(3,369)	(3,853)	(3,484)
Adjustment in prior year profit	115	137	3,369	3,171	3,484	3,308
Accumulated depreciation on investment property	-	-	-	-	-	-
Adjustments to prior year of surplus	-	-	-	-	-	-
	1,631	1,406	44,240	40,229	45,871	41,635
Adjustment on prior year of surplus	61	-	(161)	-	(100)	-
Share of surplus at 50%	876	703	21,959	20,114	22,835	20,817

The reconciliation of net assets has been added to enhance the annual financial statement with no impact on the numbers presented

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

BOTSWANA HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2024

20. Taxation

	2024	2023
	P'000	P'000
Amount recognised in the statement of financial position		
Taxation refundable at the beginning of the year	(5,221)	(8,636)
Normal company taxation	11,667	8,345
Tax refund	383	7,018
With-holding tax paid during the year	(2,930)	(2,738)
Income tax paid during the year	(13,866)	(9,210)
Taxation refundable at end of the year	(9,967)	(5,221)
Effective tax reconciliation		
Profit before taxation	42,377	30,237
Taxation at the statutory rate of 22%	9,323	6,652
Taxation charge	9,323	6,652
Tax effects of adjustments on taxable income		
Donation not taxable	1,015	574
Exempt income*	2,865	(62)
Taxation per profit or loss	13,203	7,164
Effective Tax Rate	31%	24%
Amount recognised in profit or loss		
Current tax expense		
Current year taxation	11,667	8,345
Deferred tax movement		
Deferred tax movement during the year	1,536	(1,181)
Taxation per profit or loss	13,203	7,164

The Corporation became liable to income tax effective 1 July 2016 in accordance with statutory instrument No 41 of 2016.

* Exempt income relates to capital gains on sale of investment property.

21. Deferred Tax

Movement in deferred tax		
Balance at the beginning of the year	4,390	3,209
Movement during the year	(1,536)	1,181
Balance at the end of the year	2,854	4,390
Analysis of deferred taxation		
Temporary differences relating to :		
Accelerated depreciation on property, plant and equipment	3,980	5,330
Accelerated capital allowances on intangible assets	(1,109)	(1,621)
Right of use asset	(2,749)	(787)
Lease liability	2,732	1,467
	2,854	4,390

BOTSWANA HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2024
22. Trade and Other Receivables

	2024 P'000	2023 P'000
Trade receivables*	131,087	48,138
Less: allowance for impairment of trade receivables	(33,652)	(12,556)
Trade receivables - net	97,435	35,582
Other receivables**	48,351	21,973
Less: allowance for impairment of other receivables	(12,412)	(6,888)
Other receivables -net	35,939	15,085
Trade and other receivables - net	133,374	50,668
Less: non-current portion	(23,419)	(21,030)
Current portion	109,956	29,639

*Trade Receivables-Rental income includes government rental adjustment in lieu of rent increase of P58million.

** Other receivables include prepayments, government recoverable maintenance, educational loans etc.

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

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

Accumulated impairment losses at beginning of the year	12,556	13,910
Accumulated impairment losses at beginning of the year - trade receivables	12,556	13,910
Movement in allowance for impairment per profit or loss - trade receivables (note 10)	21,096	913
Amount written off during the year as uncollectable	-	(2,267)
Accumulated impairment losses at end of the year	33,652	12,556

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

Accumulated impairment losses at beginning of the year	6,888	3,585
Accumulated impairment losses at beginning of the year - other receivables	6,888	3,585
Movement in allowance for impairment per profit or loss - other receivables (note 10)	5,524	3,303
Accumulated impairment losses at end of the year	12,412	6,888

BOTSWANA HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2024

23. Cash and Cash Equivalents

	2024 P'000	2023 P'000
Cash at bank and on hand	247,518	206,922
Short term bank deposits	567,703	668,937
Trade receivables - net	815,221	875,859

Cash and cash equivalents includes P469 million (2023: P404.0 million) received from government entities to carry out its construction of housing projects. These balances are ring-fenced for their specific purpose. The Corporation has no rights to the interest earned on investments from this cash. These balances relate to the project management and construction services provided to these projects. The corresponding liability has been recognised in note 28.

24. Irredeemable Capital

Irredeemable capital contribution	250,000	250,000
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Botswana Housing Corporation is a parastatal, wholly (100% irredeemable capital) owned by Government of Botswana.

25. Leases

Right of use of assets	Leased offices P'000	Leased Vehicles P'000	Leased equipment P'000	Total P'000
Opening balance	1,821	1,756	1	3,578
New leases	960	13,623	134	14,717
Depreciation expense for the year	(359)	(5,269)	(174)	(5,802)
Carrying amount as at 31 March 2024	2,422	10,110	(39)	12,493
Cost	4,284	35,691	2,141	42,116
Accumulated depreciation	(1,862)	(25,581)	(2,180)	(29,623)
Carrying amount	2,422	10,110	(39)	12,493
Reconciliation of lease liabilities				
Opening balance				6,674
Finance costs				1,332
New leases				14,718
Less: Repayment of lease liabilities				(10,308)
Closing balance				12,416
Lease liabilities				
Amounts due for settlement within 12 months				8,915
Amounts due for settlement after 12 months				3,501
Maturity profile for discounted lease liabilities				
Not later than 1 year				8,915
Later than 1 year and not later than 5 years				3,501
				12,416

BOTSWANA HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2024
25. Leases (continued)
Maturity profile for undiscounted lease liabilities

Not later than 1 year		7,511
Later than 1 year and not later than 5 years		13,354
		20,865

Amounts recognized in statement of profit or loss

Depreciation expense on right-of-use assets		5,803
Interest expense on lease liabilities		1,332

Amounts recognised in statement of cash flow

Lease payments		8,977
Interest payment		1,332
Total cash out flows for the year related to leases		10,309

Right of use of assets	Leased offices P'000	Leased Vehicles P'000	Leased equipment P'000	Total P'000
Opening balance	2,196	1,756	188	4,140
New leases	-	5,953	-	5,953
Depreciation expense for the year	(375)	(5,953)	(187)	(6,515)
Carrying amount as at 31 March 2023	1,821	1,756	1	3,578
Cost	3,324	22,068	1,820	27,212
Accumulated depreciation	(1,503)	(20,312)	(1,819)	(23,634)
Carrying amount	1,821	1,756	1	3,578
Reconciliation of lease liabilities				
Opening balance				6,393
Finance costs				554
Adjustments				5,953
Less: Repayment of lease liabilities				(6,226)
Closing balance				6,674

**BOTSWANA HOUSING CORPORATION
 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended 31 March 2024**
25. Leases (continued)
Lease liabilities

Amounts due for settlement within 12 months	3,308
Amounts due for settlement after 12 months	3,366

Maturity profile for discounted lease liabilities

Not later than 1 year	2,378
Later than 1 year and not later than 5 years	4,296
	6,674

Maturity profile for undiscounted lease liabilities

Not later than 1 year	3,150
Later than 1 year and not later than 5 years	4,465
	7,615

Amounts recognized in statement of profit or loss

Depreciation expense on right-of-use assets	6,515
Interest expense on lease liabilities	554

Amounts recognised in statement of cash flow

Lease payments	5,672
Interest payment	554

Total cash out flows for the year related to leases	6,226
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BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2024

25. Leases (continued)

Government of Botswana loans (note 26.5)	170,355	196,271
	170,355	196,271
Debt securities in issue (note 26.5)	401,267	400,847
	571,622	597,118
Less: current portion	(34,694)	(34,968)
Non-current portion	536,928	562,150

Debt securities in issue include accrued interest of P2.300 million (2023: P2.321 million) at year end.

Reconciliation of borrowings

Contractual payments including interest:		
Government of Botswana loans	202,615	224,231
Debt securities in issue	564,833	592,533
	767,448	816,764
Less: future interest costs	(195,827)	(219,646)
Capital portion of borrowings	571,622	597,118

All borrowings are denominated in Pula.

Government revenue grant (note 26.3)

Balance at the beginning of the year	20,992	26,697
Amortisation during the year	(5,106)	(5,706)
Deferred Government revenue grant	15,886	20,992
Less: current portion	(4,473)	(5,107)
Non-current portion	11,414	15,885

26.1 Government of Botswana loan

The Government of Botswana loan has a 15 year term from June 2017 to December 2029 and bears interest at a rate of 3% per annum. This loan is unsecured.

26.2 Deferred Government Revenue Grant

The deferred government revenue grant relates to a Government loan which was granted to the Corporation at a rate of 3% per annum which was below the market interest rate. The loan was granted specifically to fund the Instalment Purchase Scheme and Youth Housing projects. The grant is recognised in the financial statements in terms of accounting policy 2.20 as a deferred revenue grant and will be recognised as income in profit or loss to be matched with interest expenses of this loan on a systematic basis over the loan repayment period of 15 years from June 2017.

26.3 Debt Securities in Issue

Floating rate notes

The Corporation privately placed floating rate notes (unsecured) amounting to P300 million in December 2018, which are maturing on 10 December 2025. These notes bear interest at the Botswana bank lending rate plus 2.9% per annum and interest is paid quarterly on 10 March, 10 June, 10 September and 10 December. Transaction costs amounting to P2 250 000 were incurred and deducted from the proceeds and will be amortised over the repayment period of the borrowings.

BOTSWANA HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2024

26. Borrowing (continued)

26.3 Debt Securities in Issue (continued)

Fixed rate notes

The Corporation also privately placed fixed rate notes (unsecured) amounting to P100 million in February 2021, which are maturing on 16 February 2028. These notes bear interest at 7.75% per annum and interest is paid bi-annually on 16 August and 16 February. Transaction costs amounting to P840 000 were incurred and deducted from the proceeds and will be amortised over the repayment period of the borrowings.

26.4 Movement in Borrowings

Lender	Contractual interest rate (%)	Period of repayment	Balance at 01 April 2023 P'000	Interest costs P'000	Interest payment during the year P'000	Transaction costs amortised during the year P'000	Balance at 31 March 2024 P'000
Debt securities BHC025	Bank rate plus 2.90	2018-2025	300,534	24,317	(24,360)	321	300,812
Debt securities BHC028	7.75	2021-2028	100,313	7,771	(7,750)	120	100,454
			400,847	32,088	(32,110)	441	401,266

	(%)		P'000	P'000	P'000	P'000	P'000
Government of Botswana loan							
Government of Botswana	3.00%	2015-2029	196,271	11,085	(6,231)	(30,770)	170,355
			196,271	11,085	(6,231)	(30,770)	170,355

	(%)		P'000	P'000	P'000	P'000	P'000
Debt securities BHC025	Bank rate plus 2.90	2018-2025	299,953	22,842	(22,582)	321	300,534
Debt securities BHC028	7.75	2021-2028	100,193	7,750	(7,750)	120	100,313
			400,146	30,592	(30,332)	441	400,847

	(%)		P'000	P'000	P'000	P'000	P'000
Government of Botswana							
	3.00%	2015-2029	221,739	12,456	(7,154)	(30,770)	196,271
			221,739	12,456	(7,154)	(30,770)	196,271
			196,271	11,085	(6,231)	(30,770)	170,355
			221,739	12,456	(7,154)	(30,770)	196,271

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2024

27. Trade and Other Payables

	2024 P'000	2023 P'000
Financial liabilities		
Trade payables	60,744	59,945
Sundry creditors*	17,126	13,234
	77,870	73,180
Non financial liabilities		
Advance payment by customers	10,083	11,138
Contractors withholding tax	(3)	77
Other accruals and VAT payable**	25,175	15,432
	35,255	26,647
Total trade and other payables	113,125	99,826

*Sundry creditors is predominantly gratuity for employees on contract.

**Other accruals include leave liabilities, provision for contract gratuity etc.

28. Contract Balances

The following summary provides information about contract liabilities from contracts with customers.

Contract liabilities	457,274	404,924
Contract liabilities		
At the beginning of the year	404,924	468,042
Funds received during the year	150,719	85,911
Expenditure on projects during the year	(124,414)	(176,345)
Interest earned on temporary investment of funds	26,045	27,316
At the end of the year	457,274	404,924
Revenue recognised in the current year	129,203	194,146
Amount from previous period	129,203	194,146

BOTSWANA HOUSING CORPORATION
NOTED TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2024

28. Contract Balance (continued)

Balances relating to related parties are as follows :

Botswana Defence Force	302,470	289,817
Department of Housing	8,703	10,977
Self Help Housing Agency	106,343	48,918
Maletle Land Board	7,204	7,576
Directorate of Corruption and Economic Crime	13,270	17,229
Botswana Prisons Services	23,653	24,108
Ministry of Finance	(2,438)	(1,997)
Tawana Land Board	2,302	2,302
Botswana Police Service	(4,060)	1,308
Kweneng Land Board	2,027	1,758
Letlhakeng Sub Land Board	1,525	1,525
Ministry of Lands	(4,986)	(1,155)
Chobe Land Board	1,509	1,509
Ministry of Infrastructure	279	279
Ministry of Education	(108)	-
Palapye Sub Land Board	(419)	770
	457,274	404,924

The relationship is through common ownership by the Government of Botswana

28. Contract Balance (continued)

Contract assets primarily relate to the Corporation's rights to consideration for work completed but not billed at the reporting date for construction contracts with its customers. The balances are not impaired and have been included in Trade receivables as the rights are unconditional and invoices will be based on these amounts.

The contract liabilities primarily relate to advance consideration received from customers for the construction of specified housing projects, for which revenue is recognised over time. These funds related to these liabilities are ring-fenced (note 23) and the related interest income accrues to the customers. Refer to note 6 for revenue from contracts with customers and note 7 for related costs. These liabilities and related funds have been classified as current liabilities and current assets respectively in the statement of financial position due to uncertainty regarding the timing of their settlement.

BOTSWANA HOUSING CORPORATION NOTED TO THE FINANCIAL STATEMENTS for the year ended 31 March 2024

28.1 Deferred Income

	2024 P'000	2023 P'000
At the beginning of the year	13,742	17,923
Funds received during the year	25,706	5,438
Expenditure on projects during the year	(20,350)	(9,619)
At the end of the year	19,098	13,742

Balances relating to deferred income are as follows:

Administration of Justice	7,911	7,945
Self Help Housing Agency	5,321	5,171
Ombudsman	150	150
National Assembly of Botswana	5,517	277
Botswana Government -Abu Dhabi exhibition	199	199
	19,098	13,742

Deferred income relate to money received in advance for repairs and maintenance of third party properties on short term basis. The income is classified as current liabilities in the statement of financial position.

29. Customer Deposits

Rental deposits	13,713	13,405
Sale of properties deposits	(828)	(406)
	12,885	12,999

BOTSWANA HOUSING CORPORATION

NOTED TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2024

30. Net Cash from/ (utilised in) Operating Activities

Profit before taxation	42,377	30,237
Adjustments for:		
Gain on sale of property, plant and equipment (note 11)	(2,160)	(163)
Gains from sale of investment property (note 12)	(23,924)	(24,505)
Depreciation - investment property (note 15)	27,178	22,143
Depreciation - property, plant and equipment (note 17)	5,462	4,625
Depreciation - leasehold land (note 15)	2,322	3,982
Amortisation - intangible assets (note 18)	3,308	4,196
Depreciation right of use asset (note 25)	5,803	6,515
Interest expense - leases (note 25)	1,332	554
Impairment expenses (note 10)	26,620	4,216
Housing inventories impairment reversal (note 10)	-	2,844
Contract creditors written off	(2,459)	(13,306)
Movement in bond and loan accrued interest	(275)	(141)
Deferred bond arrangement fees (note 26.4)	441	441
Share of profit or loss of equity accounted investees of joint ventures (note 19)	(22,835)	(20,817)
Finance income (note 13)	(11,587)	(13,700)
Finance cost (note 14)	14,429	16,817
	66,032	23,939
Changes in working capital:		
(Increase) / Decrease in trade and other receivables (note 22)	(109,570)	7,527
Increase / (Decrease) in trade and other payables (note 27)	13,299	(47,044)
Decrease in deferred income	5,356	(4,181)
(Decrease) / Increase in customer deposits (note 29)	(114)	1,587
(Increase) / Decrease in housing inventories (note 16)	(60,902)	24,717
Increase / (Decrease) in contract liabilities (note 28)	52,350	(63,118)
Net cash utilised in operating activities	(33,549)	(56,573)

31. Commitments

Movement between inventories and investment properties have been moved to changes in working capital to enhance the reporting.

Capital commitments

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

Investment properties and housing inventories	99,225	7,786
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The capital commitments are to be financed through internally generated cash resources and borrowings.

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2024

32. Related Party Transactions

The Botswana Housing Corporation is a parastatal, wholly owned by the Government of the Republic of Botswana. Accordingly, Government of Botswana line ministries, departments and related parastatals are related parties. In the course of its day to day operations the Corporation enter into transactions of letting properties, sale of properties and undertakes certain construction and facilities management projects on behalf of Government of Botswana.

32.1 Loans from Government

Details of these loans are disclosed in note 26.4 to these financial statements.

32.2 Transactions with board members

	2024 P'000	2023 P'000
Board sitting fees	704	547

32.3 Key Management Personnel Compensation

Salaries and other short-term benefits	4,825	3,390
Post employment benefits - gratuity provision	(367)	(943)
	4,459	2,447

Key management personnel for the Corporation have been defined as Executive Management of the Corporation.

Additionally, members of the Executive Management Committee are entitled to rent-free accommodation or housing allowance, personal-to-holder motor vehicles and subsidised water and electricity.

32.4 Advances to Key Management Personnel

Advance against gratuity	600	295
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Like any other employee of the Corporation, key management personnel become eligible for an advance against gratuity when they have served a minimum of one year on their current employment contracts. The advance against gratuity is recovered from the officer's gratuity at the end of their contract.

32.5 Credit Loss Allowances

As at 31 March 2024, credit loss allowances in respect of rental debts owed by the Government of Botswana amounted to Nil (2023: Nil).

BOTSWANA HOUSING CORPORATION
NOTED TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2024

32. Related Party Transactions (continued)

32.6 Joint Ventures

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

32.7 Revenue

Significant income the Corporation earned from related parties include professional services carried out, rental income and sale of housing inventories for the year ended 31 March 2024.

	Sales of housing inventories P'000	Rental income P'000	Professional fees P'000	Contractors Payments P'000
Botswana Defence Force	-	19,832	-	8,644
Botswana Prison Services	14,302	3,987	-	1,712
Botswana Unified Revenue Services	-	765	-	-
Ministry of Land Management, Water and Sanitation	-	-	-	3,831
Botswana Police Service	-	30,622	-	5,367
Self Help Housing Agency	-	-	4,711	84,353
Kweneng Land Board	-	539	-	(269)
Kgatlang Land Board	-	149	-	-
Malete Land Board	-	-	-	373
Palapye Land Board	-	422	-	1,189
District Housing	-	73,371	-	2,274
Office of the President	-	10,888	-	-
Ministry of Health and Wellness	3,963	444	-	-
Ministry of Finance and Economic Development	-	-	-	441
Ministry of Education	-	-	-	108
Water Utilities Corporation	-	882	-	-
Directorate on Corruption and Economic Crime	-	-	-	4,621
Botswana Power Corporation	-	4,254	-	-
Botswana Postal Services	-	425	-	-
Botswana Telecommunication Corporation	-	237	-	-
Botswana Railways	-	3,795	-	-
Botswana Ash	-	21,211	-	-
Morupule Colliery Limited	-	756	-	-
Jwaneng Town Council	-	313	-	-
	18,265	172,892	4,711	112,644

BOTSWANA HOUSING CORPORATION
NOTED TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2024

32. Related Party Transactions (continued)

32.7 Revenue (continued)

Significant income the Corporation earned from related parties include professional services carried out, rental income and sale of housing inventories for the year ended 31 March 2023.

	Sales of housing inventories P'000	Rental income P'000	Professional fees P'000	Contractors Payments P'000
Botswana Defence Force	-	19,626	-	25,519
Botswana Prison Services	-	4,438	-	1,801
Botswana Unified Revenue Services	-	779	-	-
Ministry of Land Management, Water and Sanitation	-	-	2,538	18,227
Botswana Police Service	29,126	30,819	-	7,871
Self Help Housing Agency	-	-	926	112,305
Kweneng Land Board	-	635	-	306
Kgatleng Land Board	-	149	-	-
Malete Land Board	-	-	-	135
Palapye Land Board	-	2,720	-	2,409
District Housing	-	73,792	-	(33)
Office of the President	-	10,651	-	-
Ministry of Health and Wellness	1,143	444	-	-
Ministry of Environment, Natural Resources, Conservation and Tourism	4,336	-	-	-
Ministry of Nationality, Immigration and Gender Affairs	5,377	-	-	-
Ministry of Finance and Economic Development	-	-	(401)	5,598
Water Utilities Corporation	-	808	-	-
Ministry of Infrastructure and Housing Development	-	-	-	219
Directorate on Corruption and Economic Crime	-	-	-	3,340
Botswana Power Corporation	-	3,814	-	-
Botswana Railways	-	3,810	-	-
Botswana Ash	-	20,592	-	-
Department of Roads	761	-	-	-
Morupule Colliery Limited	-	630	-	-
Jwaneng Town Council	-	300	-	-
	40,743	174,007	3,063	177,697

BOTSWANA HOUSING CORPORATION NOTED TO THE FINANCIAL STATEMENTS for the year ended 31 March 2024

32. Related Party Transactions (continued)

32.8 Trade Receivables

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

	2024 P'000	2023 P'000
Department of Lands	2,845	2,845
Botswana Police Service	1,504	1,226
Self Help Housing Agency	18,997	-
Ministry of Finance and Economic Development	538	-
	23,884	4,071

32.9 Contract Liabilities

Details of related party contract liabilities are disclosed in note 28 of these financial statements.

33. Events after the reporting date

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

Outlook post year-end

Domestic Economy

Local Gross Domestic Price (GDP) is forecast to grow by 4.2 percent in 2024, from an expansion of 2.7 percent in 2023. Growth in 2024 is attributable to the anticipated improvement of the non-mining sectors, underpinned by, among others, improvements in electricity and water supply, as well as finance, insurance and pension funds sectors. It is also anticipated that effective implementation of the economic transformation reforms and stimulative government expenditure indicated in the 2024/25 Budget would be supportive of economic activity, through facilitating expansion of productive capacity, accelerating economic transformation and enhancing economic resilience. Inflation is forecast to temporarily breach the lower bound of the 3 – 6 percent objective range in the second quarter of 2024, but to revert to within the objective range on a sustained basis from the third quarter of 2024. Overall, risks to the inflation outlook are assessed to be slightly skewed to the upside. Inflation could be higher than projected if international commodity prices increase beyond current forecasts, supply and logistical constraints persist and the reversal of global economic integration escalates. However, inflation could be lower than currently anticipated because of the possibility of weaker domestic and global economic activity, as well as any decrease in international commodity prices.

Emerging Markets & Regional

As per the International Monetary Fund's (IMF) World Economic Outlook (WEO) of April 2024 growth in economic activity in emerging market and developing economies is projected to expand by 4.2 percent in 2024 and 2025, slightly lower than an estimated expansion of 4.3 percent in 2023, due to subdued performance in China amid persistent property market crisis. However, the forecast for 2024 was revised slightly upwards by 0.1 percentage points due to an upgrade of growth for India resulting from resilience in domestic demand.

BOTSWANA HOUSING CORPORATION

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for the year ended 31 March 2024

Regionally, growth prospects in South Africa are expected to remain restrained on account of carryover effects of tight monetary policy conditions to control inflationary pressures in 2023, restrained fiscal support, ports and rail logistical constraints, power outages, as well as the grey listing of the economy by the Financial Action Task Force in February 2023. Thus, South African output growth is forecast to remain subdued at 0.9 percent in 2024, from 0.6 percent in 2023, and to increase to 1.2 percent in 2025.

Meanwhile, projections for 2024 and 2025 are both 0.1 percentage points lower than in the January 2024 WEO Update.

World Economy

According to the April 2024 WEO, global output growth is forecast at 3.2 percent for both 2024 and 2025, the same as in 2023. Meanwhile, the 2024-2025 forecasts are lower than the historical (2000-2019) annual average of 3.8 percent. The anticipated restrained growth is on account of higher borrowing costs resulting from monetary policy tightening in 2023, withdrawal of fiscal support amid high debt, geopolitical tensions, extreme weather conditions, as well as low underlying productivity growth. Risks to the global economic outlook are assessed to be broadly balanced.

Upside risks include possibility of stronger than expected global growth that could arise from lower inflation, slower than assumed withdrawal of fiscal support, stronger structural reform momentum and faster economic recovery in China. On the downside, new commodity price spikes from geopolitical shocks including those from the Russia-Ukraine war and the conflict in Gaza and Israel, as well as supply disruptions or more persistent underlying inflation could prolong tight monetary conditions. Moreover, the possibility of systemic debt distress in emerging market countries due to a combination of higher borrowing costs and weaker growth could result in lower growth. A divergence in disinflation speeds among major economies could also cause currency movements that put financial sectors under pressure.

34. Non-Financial Instruments - Fair Value Hierarchy

This analysis categorises the non-financial instruments measured at fair value into different levels based on the level of subjectivity applied in determining the inputs used in the determination of fair value. This assessment is determined based on the lowest level of input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input into the fair value measurement in its entirety requires judgement, considering the factors specific to the asset or liability. If a fair value uses observable inputs that require significant adjustment based on unobservable inputs or any other significant unobservable inputs, that measurement is a level 3 measurement.

Financial instruments measured at fair value are categorised in three levels by valuation method. The different levels are 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.

BOTSWANA HOUSING CORPORATION NOTED TO THE FINANCIAL STATEMENTS for the year ended 31 March 2024

34. Fair Value Hierarchy (continued)

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.

The categorisation of applicable assets within the fair value hierarchy is presented below:

	Level 1	Level 2	Level 3
2024			
Investment property (P'000)	-	-	5,260,000
2023			
Investment property (P'000)	-	-	7,258,000

There have been no transfers between any of the hierarchy levels during the year (2023: nil). Fair values for the investment property were determined for disclosure purposes and have not been recognised in the financial statements.

Sensitivity analysis

	Sensitivity analysis	Investment properties	Effects on fair value Land	Total
2024				
Investment property (P'000)		4,913,836	346,061	5,259,897
Increase in development and land rates	1%	49,138	3,461	
2023				
Investment property (P'000)		5,272,044	1,986,339	7,258,383
Increase in development and land rates	1%	52,720	19,863	

Valuation techniques underlying management's estimation of fair value

The Replacement Cost approach technique has been used to value the portfolio. The most appropriate methods would have been the market or sales comparison and the income approaches. However, the portfolio is of a significant number and situate in various locations with different market trends some with inactive markets which lack sales transactions. Likewise, the rental market varies, and in some locations unreliable due to Government controls which resulted in sub-economic rentals of BHC properties, especially of the housing units built prior to the year 2008.

Unobservable inputs:

Development rates	the current market cost of reproduction or replacement of an asset specific to the nature of the property, components and structure of the property.
Land rates	based on the data on recently transacted properties duly adjusted to reflect the subject asset's uniqueness.

**BOTSWANA HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2024**

35. Contingent Liabilities

The Corporation is involved in several legal disputes with its employees, customers and contractors at the reporting date. The potential loss can not be reliably determined. Management is of the view no further claims will materialise. The Corporation is defending these claims and there is uncertainty as to the possible outcome of the cases.

36. Going Concern

These financial statements have been prepared on the going concern basis which assumes that the Corporation has adequate resources to enable it to continue operating for the foreseeable future, and that the realisation of assets and the settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors have satisfied themselves that the Corporation is in a sound financial position and that it has access to sufficient cash and borrowing facilities to meet its foreseeable cash requirements.



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