



2020

We stood together



In 2020, we choose to celebrate the perseverance of our team, stakeholders and their unbreakable will to deliver, celebrating them in a way that embodies each one's individual touch.

We weathered through the storm of a world-wide pandemic that shook and broke many;

"We Stood Together"

BHC MANDATE

Botswana Housing Corporation (Corporation or BHC) is a parastatal under the Ministry of Infrastructure and Housing Development. The Corporation was established by an Act of Parliament (CAP 74.03) of 1971. The Corporation's mandate as outlined under section 14 of the BHC Act is as follows: -

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

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

THE MAIN ACTIVITIES OF THE CORPORATION ARE:

- Property Development
- Property Management
- Property Sales
- Facilities Management
- Project Management Services
- Social Housing

BOTHO



Dignified, humane and respectful service.

EXCELLENCE



Service with distinction, timeliness.

INNOVATION



Providing creative housing solutions.

TRANSPARENCY



Honesty and accountability.

TEAMWORK



A unified team spirit working for a common purpose.

Mission

Developing communities through innovative and sustainable housing solutions.

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Vision

The leading provider of housing solutions for dignified lives.



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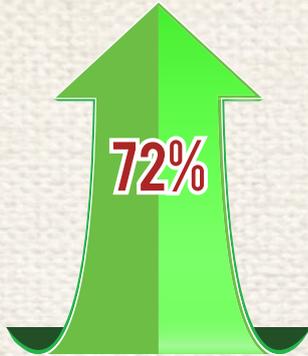
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Annual Financial Statements



FINANCIAL HIGHLIGHTS



FINANCIAL HIGHLIGHTS



Revenue

**P880
MILLION**

2019:
P511 MILLION



Operating Surplus

**P51
MILLION**

2019:
P3 MILLION



Profit After Tax

**P49
MILLION**

2019:
P17 MILLION



Total Assets

**P3.36
BILLION**

2019:
P3.4 BILLION



Number Of Houses Delivered

1734

2019: 1144



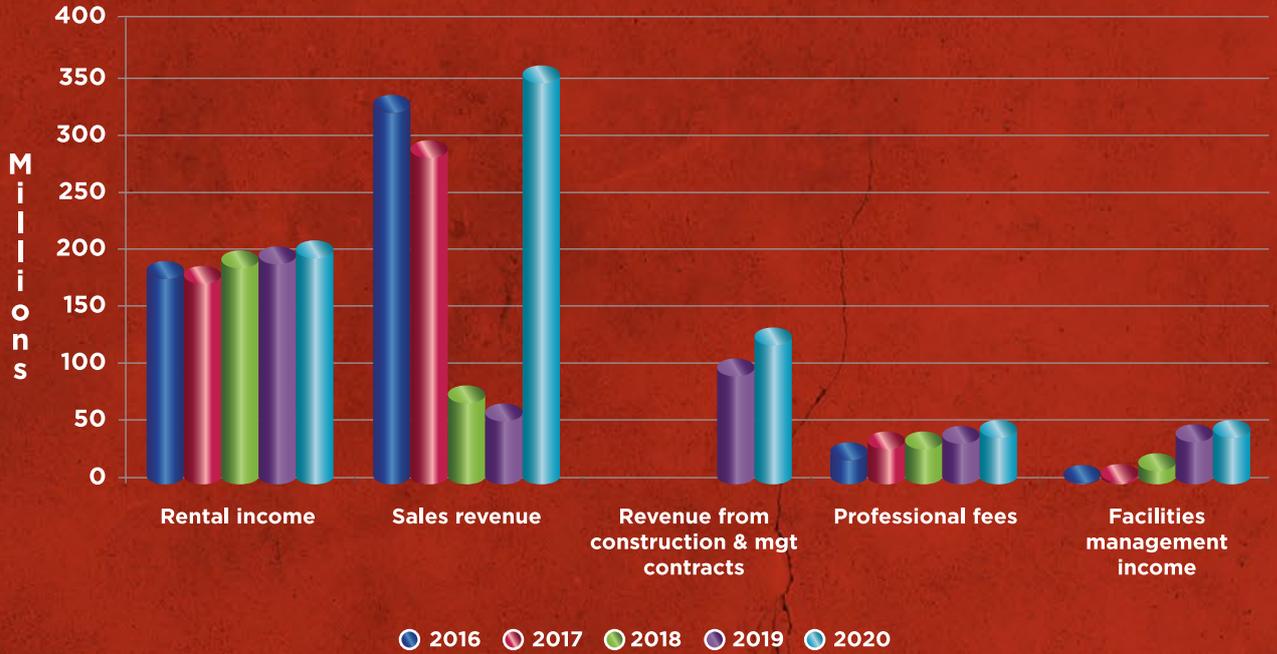
Number Of Houses Sold

829

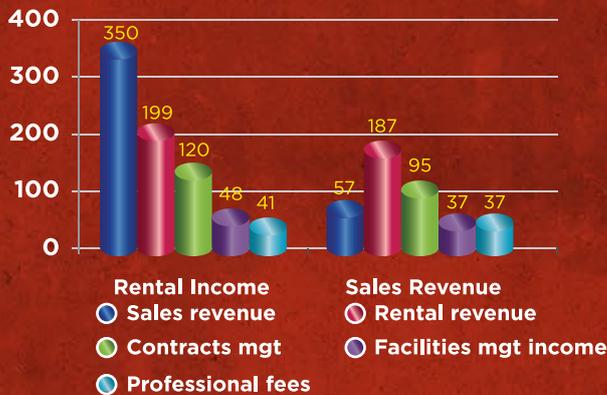
2019: 208

FINANCIAL HIGHLIGHTS

REVENUE (MILLIONS)



MAJOR REVENUE STREAMS

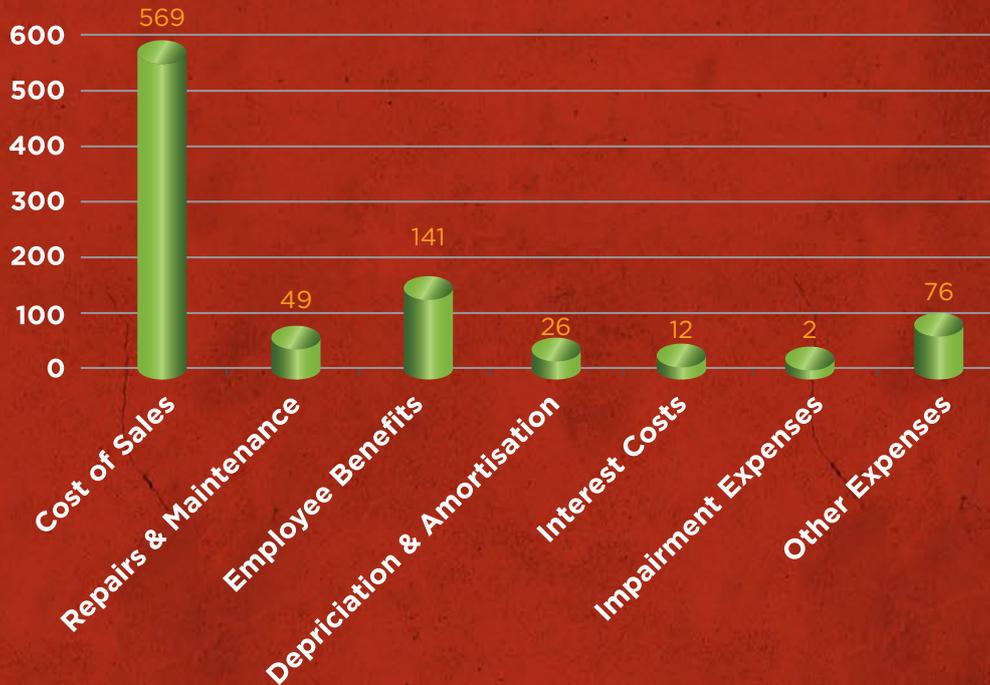


5 YEAR REVENUE TREND



FINANCIAL HIGHLIGHTS

TOTAL EXPENSES (MILLIONS)



5 YEAR PROFIT

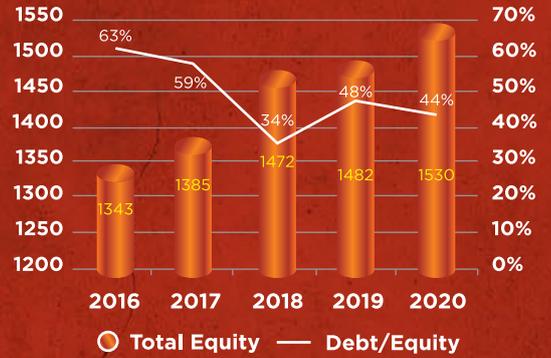


FINANCIAL HIGHLIGHTS

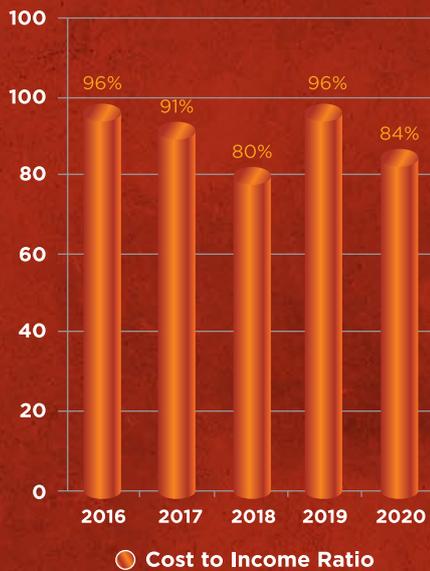
5 YEAR TOTAL INCOME VS EXPENSES



TOTAL EQUITY VS DEBT EQUITY RATIO



5 YEAR COST TO INCOME RATIO



5 YEAR TOTAL ASSETS VS RETURN ON ASSETS





CHAIRPERSON'S REPORT



On behalf of the BHC Board, it gives me great pleasure to present to you, our various stakeholders, the Corporation's annual report and financial statements for the financial year ended 31 March 2020. As the Board, we are proud of the great contribution the Corporation continues to make in improving the lives of Batswana through the provision of decent accommodation and to the country's economy and society at large.

Financial highlights

During the year under review, the Corporation increased its total revenue to P880 million, P370 million more than what was achieved in the previous financial year. The increase in revenue is on the back of an increase in sales revenue. Revenue from the outright sales of housing units increased from P57 million in the previous financial year to P350 million in the year under review.

The net effect of the Corporation's financial performance is an increase in total comprehensive income from P16.8 million in the previous financial year to P49.3 million. The realised profits will be ploughed back into the Corporation's operations, so as to reach more people with the Corporation's products.

Profitability of the Corporation is paramount as it ensures that the Corporation retains its going concern status such that it is able to continue serving the nation of Botswana for the foreseeable future including undertaking Corporate Social Responsibility projects which target the vulnerable in our society.

Review of the Corporation's six – year strategic plan

The financial year under review marks the third year of the Corporation's 6 years strategic plan (2017-2023).

This year the Board and Management reviewed and amended the BHC strategy with the aim to support the Corporation as it re-positions itself to drive growth, both societally and financially sustainability. I am happy to announce that the Corporation's strategic intent is "to deliver 12,300 safe, dignified and sustainable housing for Batswana by the year 2023".

In the next three years the Corporation will segment its market to ensure that it comes up with products that are aligned to the needs of the specific identified market segments. The Corporation believes the market segmentation initiative will not only increase its products' appeal to the various market segments but will also improve the uptake of the products.

The Corporation's revised strategy of delivering 12,300 housing units is underpinned by the following assumptions, among others:

- Government to continuing all social housing projects.
- Government facilitating servicing of land.
- Collaboration with Local authorities, and utility service providers for timely provision of services.
- Creating and leveraging on strategic relationships with other players in the field of housing development.

The Board and management have identified stakeholder management as key to the delivery of this strategic plan. The success of the Corporation, especially the delivery of housing units is highly dependent on working closely with our relevant stakeholders. The Corporation has in place a stakeholder management plan to ensure that all key stakeholders are engaged regularly and timely. The Board continues to engage with the Government, who is our shareholder through our parent Ministry, Ministry of Infrastructure and Housing Development to ensure that BHC meets the needs of this the shareholder.

CHAIRPERSON'S REPORT

Delivery of housing units

During the 2019/2020 financial year, the Corporation delivered 1, 026 housing units under the Self Help Housing Agency (SHHA) Turnkey Scheme. This delivery was against a set target of 1, 300 units. The main challenges in the delivery of SHHA turnkey houses are (a) a shortage of water and building materials in some areas and (b) the underperformance by some of the contractors engaged by the Corporation. In the interests of empowering local communities, the Corporation has taken a deliberate decision of engaging small local contractors for these projects, therefore majority of them need hand holding to ensure that they deliver the houses on time. Over time some of these contractors have gained skills and are able to deliver the houses of acceptable quality with minimal supervision.

The Corporation delivered some 708 commercial housing units against a target of 978. The main challenges in delivering these units include poor cash flow management by engaged contractors. The Corporation continues to closely monitor the projects with the view of continuously coming up with ways of assisting the struggling contractors.

Impact of the Coronavirus

The end of the Corporation's financial year coincided with the imposition by the Botswana Government of a nationwide lockdown, which was aimed at containing the spread of the coronavirus, COVID – 19.

A risk analysis carried out by the Corporation on the potential effects of COVID – 19 on BHC identified rental recoverability as a risk area. The risk emanates from the adverse impact the pandemic is likely to have on the Corporation's tenants' earnings, particularly individuals and private companies. Individual customer category account for 32% of the Corporation's rental income and private companies accounting for 5%. To manage this risk, the Corporation has invited companies and individuals whose incomes have been adversely affected by the COVID -19 pandemic to come forward, such that a deferral of rental payment as well as a payment plan could be negotiated and agreed.

Secondly, the uncertainty in the job market brought about by the pandemic might dampen customers' risk appetite, in terms of committing to long term finance in the form of mortgages. Additionally, in response to the risk posed by the pandemic, financial institutions have increased the amount of deposit which they require mortgage applicants to put before they can be granted mortgages. The dampening of risk appetite on the part of both the would – be house buyer and the financier has the potential of adversely affecting house sale volumes and, consequently, revenues.

To mitigate against any drop in cash flows, as a result of these two risks, the Corporation intends to expand its offering of the facilities management services to Government and Government Departments. In pursuit thereof, the Corporation has signed Memoranda of Understanding for the provision of facilities management services with the Office of the Ombudsman, the National Assembly and the Administration of Justice.

The Board and management are, therefore, confident that the Corporation will weather the COVID – 19 storm.

Acknowledgements

I wish to take this opportunity to thank Messrs Joseph B. Mosimane and Kennedy Kgabo who retired from the Board during the 2019/2020 financial year. I wish to express my outmost gratitude to them both for the immeasurable contributions during their tenure of office.

I would also like to welcome Ms. Sapelo Bantsi and Ms. Sethunya Makepe-Garebatho who joined the Board in the 2019/2020 financial year. In welcoming the new Board members, I am cognisant of the skills and experiences they bring to the Board.

I wish to express my sincere gratitude to the Corporation's Management and staff for their continuous hard work, which is reflected in the Corporation's sterling financial results. Together we can continue taking BHC to greater heights!



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CHAIRPERSON

CEO'S REPORT



To all our valuable Stakeholders, I am delighted to present to you the 2019/20 Botswana Housing Corporation annual report.

This year the Corporation's efforts were focused more on driving operational efficiencies. For much of the year under review, we emphasized on ensuring that our processes are improved for value creation through provision of competitive products and service excellence. We leveraged on our existing capabilities, systems, infrastructure, and knowledgeable staff to improve customer experience and value proposition. Our competitively priced housing project in Gaborone's Tsholofelo west location reflects our commitment to deliver these to our customers. We sought to better understand customers' housing needs, trends and behaviour, thereby allowing us to propose and offer products that meet their needs. This is evident from our improved sales revenue, which shows that customers are taking up more products which meet their requirements.

Global Economy

The COVID-19 pandemic, escalating tensions between the United States and China on multiple fronts, mounting sovereign debt and rising poverty continue to put negative pressure on the global economy. The International Monetary Fund (IMF) has forecast the global economy to contract by 4.9% in 2020. In 2021 global economic growth is projected to strengthen to 5.4% as consumption is projected to strengthen gradually next year, and investment is also expected to firm up, but to remain subdued. Global GDP for the year 2021 is forecast to just exceed its 2019 level. Growth in the advanced economy group is projected to contract by 8% in 2020. In 2021 the advanced economy growth rate is projected to strengthen to 4.8%. Among the emerging markets and developing economies overall, growth is forecast to contract by 3.0% in 2020.

Regional Economy

The IMF forecasts that growth in sub-Saharan Africa (SSA) will contract by some 3.2%, reflecting a weaker external environment and measures to contain the COVID-19 outbreak. Growth is projected to recover to 3.4% in 2021 subject to the continued gradual easing of restrictions and if the region avoids the same epidemic dynamics that have played out elsewhere across the globe. In the region's largest economies (Nigeria and South Africa), real GDP is projected to return to pre-crisis levels only by 2023 or 2024.

Botswana Economy

Due to the outbreak of the COVID-19 the IMF forecasts that the domestic economic growth will fall to -5.4% in 2020 and pick up to 6.8% in 2021, subject to the post pandemic global economic recovery, conclusion of the normalization of the diamond market and the beginning of the copper production. In 2019, the country recorded a low inflation (2.8%) and it is expected to remain stable in the next two years, 2.1% in 2020 and 2.6% in 2021. The Monetary Fund predicts an acceleration of inflation due to accommodative monetary policy in the future. But it should remain within the Bank of Botswana's (BoB) target band. The medium-term economic outlook depends heavily on the successful implementation of critical structural reforms. The government's priority to diversify the economy to, making less dependence on a volatile mining sector, and rely more on agriculture, services, and manufacturing. The Government is working to expand its services industry by creating 'hubs' in the health, education, innovation, financial services, and tourism sectors, which it hopes will also strengthen its regional integration. Public spending is expected to continue to advance at a more rapid pace, prioritizing areas identified in the National Development Plan 11 (NDP11) that focuses on three key objectives: tackling poverty, ensuring inclusive growth, and job creation.

Financial Performance -Overview

BHC recorded a profit after tax of P49m for the Financial year under review, an increase of 194% compared to P17m recorded in the previous year. This is mainly attributable to a 72% increase in total revenue to P880m (FY19: P511m). Operating costs were under control and declined by 3% to P73m (FY19: P76m). Repairs and maintenance costs increased by 26% to P49m (FY19: P39m) on the back of planned maintenance to preserve value of properties. This resulted in a 105% increase in earnings before interest, taxation, depreciation and amortisation (EBITDA) to P90m (FY19: P44m). The overall increase in revenue is mainly attributable to availability of products that met consumer needs in high demand areas. This saw a 514% growth sales revenue buoyed by youth project in Gaborone and other initiatives to promote uptake of products in other locations. Other revenue lines, such as rental and facilities management fee, remained relatively flat, Professional fees increased by 11%. Strategic alliance with financiers during the year increased the speed of sales conversions.

COVID-19 Pandemic

COVID-19 outbreak was declared a global pandemic by the World Health Organization on 11 March 2020. The situation continues to advance globally, and various governments have taken corrective and preventive measures such as restrictions on movement and total or partial lockdown of their economies. Locally the government declared a state of emergency (SOE) on 2nd April 2020 for a period of six months. Botswana's major trading partner in the region, South Africa closed its borders thus affecting trade.

In response to the envisaged negative impacts of the pandemic the Corporation put in place a response action plan. Our response plan hinges around the safety of our employees in the workplace, monitoring our finances and liquidity and ensuring continuity of our operations and supply chain management. The Corporation revised its budget for the 2020-2021 financial year and the annual plan to reflect the anticipated negative effects of the Covid-19 pandemic. Some development projects have been pushed forward to improve liquidity whilst not compromising availability of inventories going into the future. The Corporation anticipates that default rates on its receivables will go up as its private customers and small to medium enterprises (SMEs) will be negatively impacted by the economic lockdown. Based on the assessments performed, management is of the view that the significant doubt associated with the current uncertainties related to the Covid-19 virus will adversely impact its operations but will not cast significant doubt on the Corporation's ability to continue as a going concern.

CEO'S REPORT

Our Revised Strategy

During the period under review the Corporation undertook a comprehensive strategy review and developed a refocused three (3) years strategic plan covering the period from April 2020 to March 2023. The major thrusts of the revised strategy are; to offer Superior customer experience, Stakeholder engagement, Financial sustainability, Operational efficiency; High-performance culture and Market segmentation.

Major Housing Projects Delivered

Housing project delivery is an integral part of the BHC's operations as it ensures availability of housing units for sales and replenishment of the rental portfolio. During the financial year the Corporation delivered, 156 housing units in Palapye mainly for sale comprising of low, middle to high income house types. In its deliberate strategy to develop new markets in major villages and sub-urban areas BHC delivered an additional 100 housing units in Tati and 50 housing units in Tutume. These houses were also predominately for sales as the Corporation relentlessly pushes to promote home ownership amongst Batswana. An additional 84 youth housing units were delivered in Gaborone from the ongoing Tsholofelo 264 units housing project. This project is targeted to the youth and low-income earners as the Corporation continues to develop this market segment.

The Corporation delivered a further 292 housing units across the country on behalf of government departments and government related entities (third party projects) in an endeavor to alleviate shortage of accommodation for government employees.

Our Customers

We believe that it is our responsibility as the lead provider of housing solutions to provide our customers with the highest quality products anywhere in the country at a competitive cost. Our customers remain at the core of the solutions we provide. To fulfill our responsibility, we focused our efforts in the development of products that are tailored to meet our customers' needs. Additional products aimed towards the youth and low to middle income customers were delivered in Gaborone to satisfy this market segment which is critical going forward. Our digital platforms were more interactive with real time responses to customer queries. There was a significant increase in inquiries on products, services and processes of the Corporation by Batswana and the turnaround times in response were impressive. Improvement of security and upkeep of the high-density areas remained a concern to the Corporation as additional improvements were carried during the year.

Our Stakeholders

Our stakeholders remain an integral part of our operations as their support is critical for our existence. The Corporation's website is an important source of information for stakeholders as it has annual reports containing other key facts and figures about the Corporation. There was a significant increase in inquiries on products, services and processes of the Corporation by Batswana and the turnaround times in response to these improved significantly. Immense support from our key stakeholders, being our employees, the community, utility providers, suppliers, Government Ministries and or departments and Local Authorities through provision of serviced land enabled us to deliver quality products at a competitive cost.

Risks

During the year under review we did not experience any substantive operational risks. The adoption of the ISO 31000 risk management standard bolstered the Corporation's capability to assess risk. The Corporation conducts risk assessments at strategic and operational level to identify risks facing the organisation. Consistent enforcement of the credit control policies throughout the business, kept the credit risk particularly in the private and corporate Segments under control.

Regulatory

There were some changes to the regulatory environment during the year, importantly, the revised transfer duty and the interest limitation rule. These rules did not have any impact on the operations of BHC. Vigilance around Know Your Customer (KYC) and anti-money laundering remained a focus for all regulators across the sectors of the economy. BHC continues the drive towards a totally digital transactional environment that would obviate the risks associated with cash receipts.

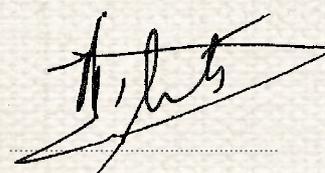
Looking Ahead

The macroeconomic outlook has deteriorated as global containment measures disrupted supply chains, curtailed transportation, and lowered demand. These developments are likely to severely affect Botswana's diamond and tourism industries, which respectively account for more than 80% and 13.4% of its export earnings. Botswana's regional trade will also suffer from the lockdown in South Africa, which supplies about 60% of its imports. Tax revenues are expected to fall with the decline in imports, the slowdown in economic activity, and reduced revenues from the Southern African Customs Union. Inflation is expected to be within the central bank's medium-term target range of 3–6%. The Bank of Botswana eased monetary policy and commercial bank access to central bank liquidity by reducing the bank policy rate to 4.25% from 4.75%. From the customer perspective this means there will be prioritization of spending as disposable income declines. Supply of construction inputs will be limited as prices rise. This will negatively impact the Corporation's intended objective to offer its potential customers competitively priced products. However, the Corporation will continue with its major objective of focusing on initiatives that put our customers at the heart of all that we do. This will be achieved through market segmentation and targeted products.

Acknowledgements

I would like to thank the BHC Board of Directors for their strategic leadership and support; to our parent Ministry for their continued guidance and confidence in us to drive the Corporation's mandate.

My warmest gratitude goes to the BHC Management and staff, for a year of continued hard work, dedication, and commitment to serving our customers. On behalf of the Board, Management and staff, I would also like to sincerely thank our valuable customers. We appreciate your continued loyalty and trust. I am confident that the Corporation will continue to provide affordable housing solutions to Batswana.



Mr Reginald M. Motswaiso

Chief Executive Officer

STRATEGY REVIEW

STRATEGY FORMULATION

Strategic planning is a critical success factor in the operations of the Corporation. The Corporation has adopted and embedded the Plan, Do, Check and Act (PDCA) model of planning onto its business processes.

The National Development Plan (NDP):

- a) Outlines the various development strategies planned by the Government, one of which is achieving a dignified life for all citizens through delivery of among others, housing programmes and projects that ensure the upliftment of the economically disadvantaged. As the Single Housing Authority, the Corporation has a six-year strategic plan covering the period from April 2017 to March 2023 that is aligned to NDP.
- b) The alignment is to facilitate the Corporation to, in addition to its commercial mandate, drive the Government's social housing programmes such as Self Help Housing Agency – Turnkey, District Housing, Public Officers Housing Initiative and Youth Housing Scheme.
- c) The NDP sets the Country and economy's objectives and priorities that impacts on the operations of BHC. It also defines policy direction within which the Corporation would need to operate as well as international protocols that forecast future economic outlook.

STRATEGIC INTENT

The Corporation's strategic focus is "developing communities through innovative and sustainable housing solutions". There are four broad thematic areas that guide the strategic initiatives required to deliver the strategic intent. These are as follows:

- a) **Positioning the brand and products**
 - Actively influencing and changing market perceptions to position BHC products as affordable, as of high quality and as of value for money.
- b) **Driving financial sustainability**
 - Being financially sustainable by proactively managing and leveraging the key drivers of revenue maximisation and cost optimisation.
- c) **Optimising organisational efficiency**
 - Managing resources optimally, delivering products efficiently and effectively and generally reducing inefficiencies across the Corporation's value chain.
- d) **Driving high performance culture**
 - Building a high-performance culture in the Corporation by creating an accountable and results-driven environment amongst the existing pool of skilled staff.

STRATEGY PERFORMANCE

The annual plan for 2019/20 financial year that was developed using the Balanced Scorecard system had specific strategic performance areas to be delivered on. These included the following:

- a) Proactively undertaking initiatives and interventions addressing stakeholders and customers' interests.
- b) Delivering social and commercial housing to empower the citizens through home ownership.

- c) Ensuring organisational sustainability through efficient and effective management of resources.
- d) Developing requisite competencies and capabilities for the execution of the strategy.
- e) Entrenching risk management and good corporate governance in operations.

The Corporation attained expected performance levels in seventy seven percent (77%) of the strategic performance areas.

REFOCUSING THE STRATEGY

The 2019/20 financial year is the end of the first half of the long-term strategic plan. The business imperatives that the strategy is based on continue to be affected by the changes taking place in the business environment, hence the need for its periodic review. The Corporation undertook a comprehensive strategy review in November 2019 and developed a refocused three (3) years strategic plan covering the period from April 2020 to March 2023.

The review was to have the strategy addressing the following priority areas.

- a) **Projects financing**

Even though financially stable, there is a need to develop a diversified financing model. The Corporation needs to strengthen project management and contract administration to ensure project delivery and also off-load units to unlock capital and revenue tied up in stock. Further Government funding for social housing continue to decline hence the need to diversify the current income model to ensure sustainability.
- b) **Stakeholder engagement**

The Corporation is a key player in creating societal value and impact through its products. It therefore needs to develop a comprehensive engagement strategy that will assist identify stakeholders' needs and guide the development of appropriate products for specific market segments.
- c) **Partnerships and collaborations**

The Corporation is to strategically leverage on and fast track products delivery through strategic partnerships and collaborations with both Government and the private sector. Partnerships will accelerate projects delivery and collaborations with financial institutions will improve on products uptake.
- d) **Market segmentation and sales**

Market segmentation is key in driving sales. There have been emerging market segments of the youth and the low-income earners who are currently not being served. Therefore, improved market intelligence and segmentation would identify the specific and unique needs of these segments which the Corporation could then tailor make products and services for.
- e) **Technology and innovation**

Intensive research on available technologies will allow the Corporation to incorporate alternative solutions that would ensure delivery of affordable and sustainable housing.

STRATEGY REVIEW

REVISED STRATEGIC PLAN

The strategy positions the Corporation to drive growth while focusing on outcomes and impact. The strategic focus remains “developing communities through innovative and sustainable housing solutions”. The strategic intent is “to deliver 12,300 safe, dignified and sustainable houses for Batswana by 2023”.

The revised strategic plan has five broad themes which guide the key results areas that deliver on the mandate. These themes are:

a) Superior customer experience

The Corporation will position the customers at the forefront of its business model, determine their needs and deliver high quality products and services on time.

b) Stakeholder engagement

The Corporation will build and sustain strategic relationships with key stakeholders to co-create value in the society.

c) Financial sustainability

The Corporation will ensure sustainability by balancing the social and commercial housing mandates.

d) Operational efficiency

The Corporation will deliver all services in accordance with standards, efficiency, and transparency.

e) High performance culture

The Corporation will inculcate a winning organisational culture reflective of its corporate values of Excellence, Innovation, Teamwork, Botho and Transparency.

ANNUAL PERFORMANCE PLAN FOR 2020/21

The Corporation has developed the performance plan for 2020/21 financial year deriving it from the three years strategic plan. This is guided by the strategic priority areas. The plan was further revised in May 2020 following the assessment of the impact of the Coronavirus pandemic on the economy. However, the performance plan remains focusing on driving the Corporation’s intent.

The strategic performance areas planned for the financial year are as follows:

- a) Responding to social and commercial housing needs by delivering the planned housing units on time.
- b) Selling housing units to empower the citizens through home ownership.
- c) Improving on revenue generation to ensure sustainability.
- d) Assessing the level of satisfaction of stakeholders with the Corporation’s products and services.
- e) Improving on projects management and contract administration to ensure products are delivered on time.
- f) Entrenching risk management in the processes and operations of the Corporation through implementation of an enterprise-wide risk management framework, to minimise the potential losses.

- g) Driving performance through promoting positive organisational culture, employee engagement interventions, strong talent management practices, robust leadership effectiveness processes and implementation of effective performance management processes.

BHC OUTLOOK

The Corporation continues scanning its business environment to understand the changes as they occur and develop appropriate interventions to positively respond. The following are the key performance drivers for the Corporation going forward.

Strategic partnerships – The Corporation, in line with its mandate, will partner with private sector to optimise resources and accelerate delivery of products and services to the market. The customers’ needs will therefore be addressed on time.

Alternative technologies – Technology continues to advance. The Corporation continues to develop its research capabilities and collaborations with research institutions to research on new or alternative technologies that could improve on products or the speed of delivery. The Corporation has developed an ideation framework to facilitate this initiative.

Financial stability – The Corporation will be continuing with its prudent financial resources management initiatives. It has a strong balance sheet which enables it to raise capital from the market for its needs.

Market segmentation – Market segmentation will assist the Corporation to identify the unique needs for each market and develop the products that satisfies those needs. This offers the Corporation an opportunity to expand its products mix offering.

Facilities management – This is a new line of business that the Corporation is building on. The initiative expands the Corporation’s scope of services being offered to the market.

Development projects – The Corporation has development projects planned for the plan period (3 years). However, there is persistent challenge of unavailability of land in strategic areas with effective demand. The strategy will therefore be to concentrate on building high rise accommodation.

ISO 9001:2015 Certification – The Corporation has developed a Quality Management System based on an International Standard BOS ISO 9001:2015. The adoption of a quality management system is aimed at improving the overall performance and providing a sound basis for sustainable development initiatives. The standard will assist in driving the strategic objectives and ensure delivery of quality products and services that satisfy the needs of the stakeholders.

Environmental management – The Corporation integrated Safety, Health and Environment (SHE) in its processes. This is after the realisation that SHE aspects contribute immensely to achieving strategic objectives. Segregation of waste and recycling, especially in dense areas, would have a huge impact in ensuring a sustainable environmental management. Going forward consideration will be made on the use of alternative building materials such as solar roofing sheets that can reduce energy consumption from coal powered electricity. This will decrease emissions.

FINANCIAL REVIEW

ANALYSIS OF REVENUE

The Corporation recorded total revenue of P880 million, 72% increase when compared to the P511 million recorded in the prior year. The increase in total revenues was mainly due to increase in sales revenue which increased significantly by P293 million or 514%, from P57 million recorded in the prior year.

Driving the high sales revenue was significantly high sales volume of new properties. During the period under review 745 properties were sold from new housing developments compared to 236 in the previous year whilst only 84 units were sold from old housing stock portfolio.

Rental revenue increased by 3% to P199 million from P193 million recorded in the prior year. The increase was mainly due to additional new properties. The total rental stock at the end of the reporting period was 9,798 units and these units are rented to house Batswana across the country. The Corporation's strategy is to maintain the rental units at 10,000 units to meet the Corporation's operating costs. At the end of the financial year, the Corporation recorded a vacancy rate of 1.81% on its investment properties, which translate to 177 vacant units. Though this vacancy rate exceeded the target of 1.5% it is within acceptable levels within the industry. Rental revenue is the second major revenue stream for the Corporation after sales revenue and it is the pillar of the Corporation's financial sustainability model.

During the period under review this revenue generated from construction and management contracts increased by 30% from P95 million to P120 million. This is revenue generated from prepaid third-party development of projects mainly from government and government related institutions. The increase in this revenue stream was on the back of additional contracts started during the year and high activity level on existing contracts during the year.

Professional fees revenue, which is revenue generated through provision of pre contract and project management services on construction contracts for third parties, is the third major revenue stream. This revenue line increased by 11% to P41 million from P37 million in the prior year. Professional fees represent the margin that the Corporation earns from the revenue generated from construction and management contracts.

Facilities Management revenue, which is revenue from maintenance of properties for third parties, remained relatively flat at P48 million year on year. This is one of the Corporation's key revenue streams. This income stream is expected to grow going forward as more customers are taken on board and proper Facilities Management projects are undertaken beyond just Maintenance. Professional fees and Facilities Management revenue are revenue lines which are to be grown going into the future as part of the Corporation's strategy to diversify and grow its revenue streams.



FINANCIAL REVIEW

ANALYSIS OF TOTAL EXPENSES

The Corporation recorded total expenses of P842 million for the financial year ended March 2020, an increase of 25% when compared to P530 million in 2019. The major contributors to the increase in total expenses are cost of sales of housing inventories and cost of sales of construction and management contracts.

The cost of sale of housing inventories

The cost of sale of housing inventories is the total costs of houses sold during the period under review. These costs include cost of construction of housing units, infrastructure costs, capitalised labour costs and capitalised interest costs on loans. Infrastructure costs at an average of 35% of the total development costs of new houses represent a significant portion of the development costs. During the period under review, cost of sales of housing inventories increased by 493% from P51 million to P303 million on the back of increased sales volume of 216% year on year. Despite the increase in cost of sales of housing inventories year on year the average margin at 14% is an improvement on prior year's 11% average margin.

The cost of sale of construction and management contracts

The cost of sale of construction and management contracts directly matches the revenue from construction and management contracts hence they increased by 30% from P95 million to P120 million. These costs were driven by the level of activity during the period.

Repairs and maintenance costs

Repairs and maintenance expenses were at P49 million and increased by 26% year on year. These expenses accounted for 25% of rental income, which is above industry standard of between 9% to 12%. This unfavourable condition is brought about by the sub-market rentals charged by the Corporation on the back of regulation. The Corporation routinely maintains its properties on a five-year cycle to preserve the value of its investment properties portfolio. Management continues to closely manage these expenses to ensure that they are controlled without compromising the state of the investment properties portfolio.

Employee expenses

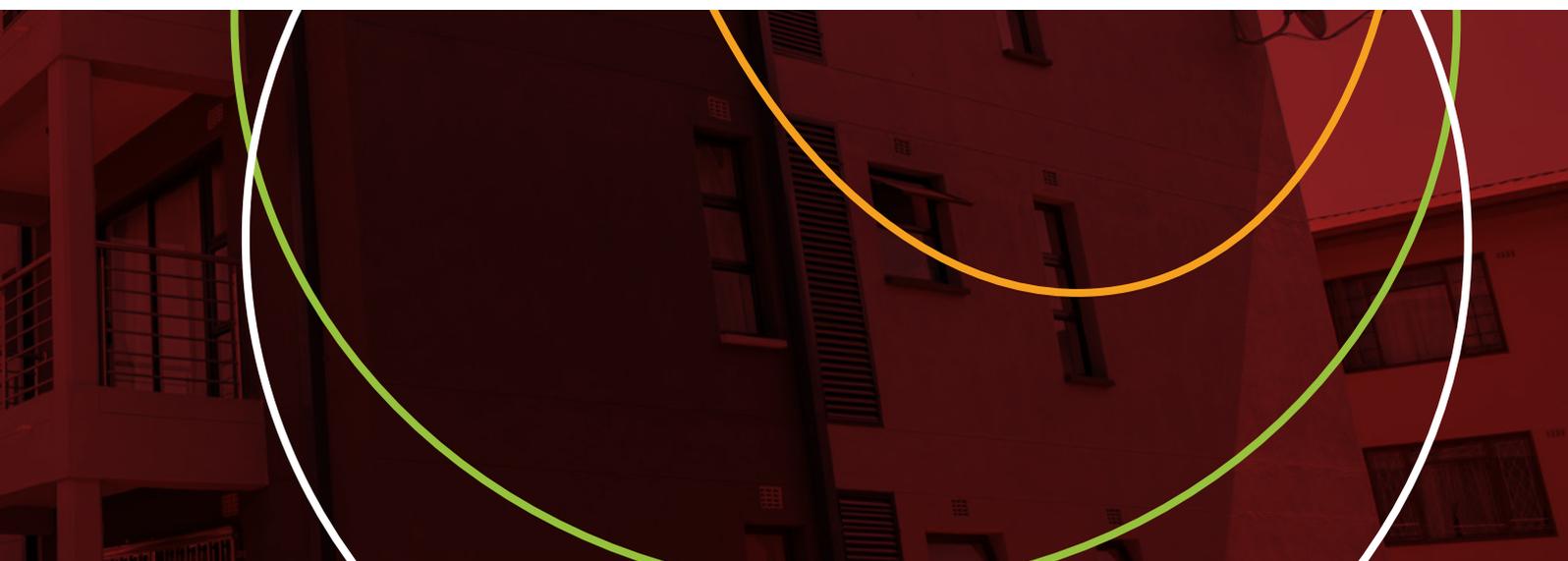
Employee expenses increased by 7% to P141 million compared to prior year's P132 million on the back of recruitments, inflationary adjustments to workers pay and the performance-based pay increment.

Other expenses

Other expenses went down by 4% compared to prior year from P76 million to P73 million. Other expenses include administration, training, security, rates, consultancy, information technology licenses and utilities. The reduction in costs was due to reduction in spending in the last quarter due to travel restrictions resulting in savings in training and business travel expenses.

Profitability

The Corporation experienced growth in profitability as both profit before tax (PBT) and profit after tax (PAT) rose year on year. Profit before income tax increased by 147% from P22 million in the prior year to P54 million whilst profit after tax increased by 188% from P17 million prior year to P49 million. This significant growth in profitability was due to high sales revenue from new stock buoyed by availability of inventory in key markets. Management's commitment to cost control during the year also contributed to the growth in profitability as operating expenditure only went up slightly by 3%.



FINANCIAL REVIEW

STATEMENT OF FINANCIAL POSITION

The Corporation's statement of financial position remains strong with total assets amounting to P3.36 billion, a decrease of 0.7% year on year. The Corporation derives its strength from the investment properties portfolio that stood at P1.3 billion at the end of financial year. These properties represent 40% of the Corporation's total assets. Housing inventories, which are properties held for sale and those still under construction closed the year at P648 million compared to P839 million in 2019. The 23% decrease in inventories was a result of good performance in sales. However, the P648 million worth of inventories indicate the Corporation's sustained potential to generate more sales revenue into the future.

This healthy statement of financial position is reflected in the Corporation's low debt/equity ratio as well as a strong liquidity position leading to increased shareholder wealth. The continued reduction in borrowings through repayment of long-term debt gives the Corporation an even greater opportunity to raise more funding for future projects in its endeavour to deliver more houses to accommodate Batswana.

FINANCIAL RATIOS

The sales mix for the period under review was dominated by inventories which have lower gross margins when compared to investment properties. This resulted in a reduced gross margin of 35% compared to 50% in prior year. In the prior year sales mix the higher margin Investment properties dominated. The net profit margin for the period under review, however, went up slightly by 2% from 4% prior year to 6%. The improved net margin indicates that Management's strategies to control costs were successful during the period under review.

The Corporation was more efficient in its income generation operations during the year under review as it achieved a significantly lower cost to income ratio of 84% against 93% prior year.

During the period under review the Corporation did not take on additional debt and made loan repayments of P36 million resulting in an improvement in debt to equity from 48% to 44% compared to prior year. This ratio is backed by a strong balance sheet and a significant improvement in profitability for the period under review.

SUSTAINABILITY REPORT

The Corporation has shown growth in profits in the past years despite stagnant rentals and increasing costs of repairing and maintaining the rental properties. This is mainly a result of cost containment initiatives put in place by Management. The rental portfolio is currently maintained at around 10,000 houses mainly to cover operating and financing costs. As the Corporation dispose of some rented properties, they are replenished by new houses at market rental to maintain the rental threshold. The Corporation has established a Facilities Management Department to offer both maintenance services and enter into long term facilities management contracts. This revenue stream together with professional fees revenue from third party contracts are expected to grow going forward thus augmenting both rental and sales revenue streams that have been the mainstay of the Corporation.

DEVELOPMENT PROJECTS

During the period under review, 1,026 houses were delivered under the Self-Help Housing Agency (SHHA) scheme. At the end of the financial year, 662 SHHA houses were at different stages of construction and are all expected to be delivered in the next financial year. In the 2020/21 financial year, 673 additional houses will be started under this scheme across different constituencies.

On the commercial side, the Corporation delivered 708 units and 413 units were under construction at different stages in Gaborone, Francistown, Tsabong, Tonota and Palapye, and are expected to be delivered during the 2020/21 financial year. The high take up of 372 Tsholofelo project which was sold at affordable price of P440,160 challenges the Corporation to deliver similar units under this category going forward. The Corporation will deliver 264 units in 2020/21 under the same scheme in Tsholofelo while 312 will be started in Block 7 Gaborone.



HOUSING GENERATIONS



Botho



A STORY OF IMPACT



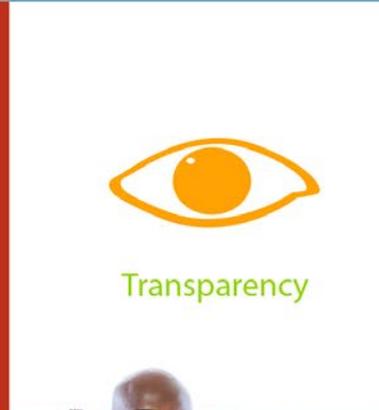
50 YEARS OF IMPACT



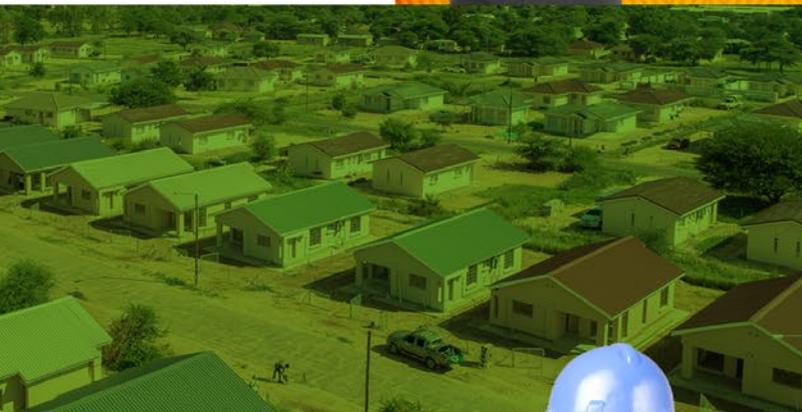
Excellence



CREATING CAREERS



Transparency



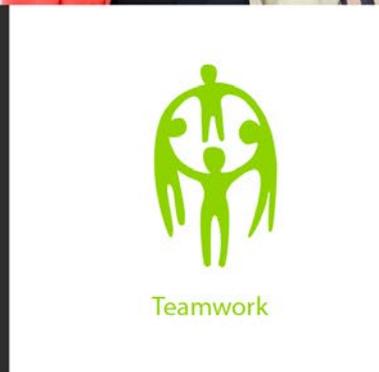
GIVING FAMILIES HOMES



Innovation



BUILDING THE NATION



Teamwork



OPERATIONS REVIEW



PROPERTY DEVELOPMENT

Botswana Housing Corporation (BHC) plays a pivotal role in the delivery of internal and external projects in the country. As clearly outlined by its mandate, the Corporation undertakes housing projects and other building needs for various institutions including the Government, Local Authorities and individual Batswana. The Corporation boasts a wide resource pool of professionals in research, architecture, engineering and quantity survey and building inspectorate to ensure that projects are managed successfully from inception right through to delivery. Furthermore, the Corporation has the responsibility for acquiring and preparing land prior to the construction of units.

The Corporation boasts of an impeccable record of projects success. In the construction projects delivery industry, there are always challenges that in many instances result in complete projects failures.

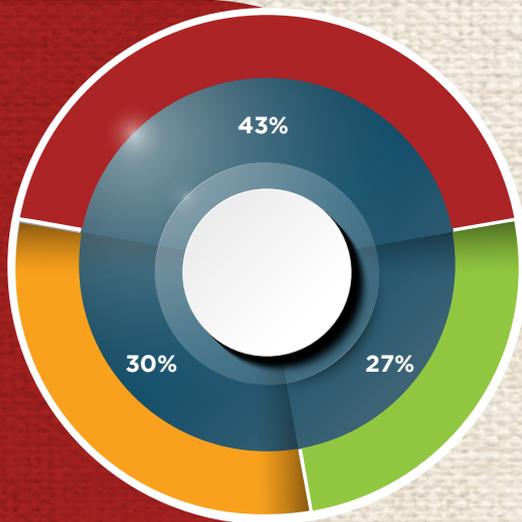
Business Development

Demand for housing is first conceptualized through demand survey which is carried out to establish the appetite for the Corporation's products. The Unit receives housing requirements from the Corporation's regional offices, and directly or through third party suppliers, undertakes comprehensive market research to determine the exact requirements of potential customers or recipients of decent and affordable housing.

The Corporation through its business development initiative promotes business growth by leading, directing and managing market research. All these activities are aligned to the organisational strategy and provide guidance in the determination of housing needs in the market including those expressed explicitly and those determined via research.

From time to time, the Corporation undertakes initiatives incorporating innovation in its developments to provide creative housing solutions. In addition, the Corporation strives to make its products more appealing and user friendly by constantly researching innovative solutions to adopt. In the year under review, the Corporation facilitated installation of smart metres at some of its developments in Palapye to encourage efficient electricity usage by customers. The Corporation also put up modern fire suppression systems at all record centres for its clients to help prevent damage and loss of property and records. Other innovation initiatives adopted during the year of reporting include waste management system at the Botswana Police Service Hanger in Gaborone.

As part of its research on alternative methods of construction, the Corporation adopted the use of sand bricks for its housing development project in Tsabong in conjunction with Botswana Institute of Technology Research and Innovation (BITRI) during the year under review.



NUMBER OF HOUSING UNITS

- Commercial Housing
- Social Housing
- Youth Housing

PROPERTY DEVELOPMENT

Projects Starts and Delivery

The Corporation has prioritised facilitation of home ownership to Batswana in-line with National Development Plan 11 (NDP11). During the year under review the Corporation undertook development of housing units as follows;

Housing Deliveries

Tati Siding Housing Development

This housing development consists of a mixture of modern 100 low and medium-income housing units situated in Tati Siding which is about 15 kilometres from the City of Francistown. These units targeted first come home buyers as well as various institutions in the vicinity of the city to address shortage of accommodation. The project was completed at a cost of P63 Million and offered for sale and rental to qualifying individuals. The houses were priced in the range of P585,760 and P719,040.

Palapye Housing Development

The projects comprise a mixture of 99 low and medium income family housing units situated at the village Extension 7 neighbourhood along the A1 highway. The development targeted mainly institutions and Government Departments in the area who were experiencing shortage of accommodation for their employees. The project was constructed at a total sum of P79.1 Million by a citizen contractor. The houses were sold at a price range of P581,000 and P918,000.

Tutume Housing Development

This is the first ever housing development in the village of Tutume comprising 50 low income housing units. There are only two houses types in this development which include 25 type 58sqm² and 25 type 67sqm² all of which have modern fittings inside to suit the needs of customers. The project was constructed by a citizen owned construction company, Image Civil Engineering Pty Ltd at a contract sum of P31.5 Million and targeted mainly Government Departments and individual Batswana.

Commercial Housing

The Corporation undertakes projects on behalf of third-party clients and facilitates private sector participation mainly in Government projects. The major beneficiaries are Government Institutions and Parastatals. The projects are undertaken mainly through citizen owned companies. During the period under review 708 units had been started of which 438 units were for the Corporation while 270 were for different clients as indicated in the figure 3.1. A total of 413 units were under construction at different stages in Gaborone, Francistown, Tsabong, Tonota and Palapye, and are expected to be delivered during the 2020/21 financial year.

Social Housing

During the year under review, the Corporation delivered a total of 1,026 units in various places around the country under the Self-Help Housing Agency (SHHA) Turnkey programme. The implementation of the programme is decentralized to District Councils with the Department of Housing providing funding. The beneficiary identification and loan repayment administration process is handled by the District Councils while construction of the beneficiary houses is undertaken by the Corporation.

The programme involves the design and construction of basic core houses for eligible low-income households as well as public officers. The loan which is payable over a maximum period of 20 years at P375.00 per month at no interest is capped at P90,000 per unit.

Youth/IPS Scheme

Following the Government's decision to facilitate development of housing targeting specifically the youth and low-income group to encourage home ownership among Batswana, the Corporation delivered a total of 636 housing units in Tsholofelo, Gaborone.

Infrastructure Development

The Corporation continues to contribute significantly to infrastructure developments in a number of areas and such developments do not serve only BHC estates, but they benefit the entire community. During the year under review the Corporation invested in link roads, water, sewage and electricity connection in areas such as Palapye, Tati Siding and Tutume. These infrastructural developments mostly outside BHC developments, not only cater for customers who invest in the Corporation's products but serve as infrastructure upgrades will go a long way in benefiting local communities by providing much needed services in these areas.

Citizen Economic Empowerment

The Corporation continues to play a critical role in the development of citizen businesses including the construction sector. Small projects are deliberately unbundled to create opportunities for entry level contractors of individual capacity i.e. for SHHA projects to registered categories OC to B and bigger projects unbundled to accommodate categories from C to D. The Corporation has further reserved selected category E projects specifically for citizen contractors.

Employment Creation

Over and above providing shelter, The Corporation's developments have an economic impact on the local communities through job creation. Due to the nature of construction, these jobs usually cut across the whole spectrum in the industry, from casual labourers through technical experts all the way to the professional at the top end.

In the year under review, the Corporation through its development projects created a total of 9 860 jobs for the local communities in Palapye, Tati Siding and Tutume respectively. To the locals, employment is a source of livelihood for many families in most of these localities and the economic impact created a ripple effect that moved beyond the building related professions to the entire local community. Moreover, these developments provided support for local businesses, and as is custom, construction workers generally live in close proximity to the construction sites and thus spend a substantial part of their wages in the local businesses.

PROPERTY DEVELOPMENT

SHHA TURNKEY PROJECTS

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

In order to address the acute shortage of accommodation in the low income group of the population, BHC was directed to start implementing the SHHA turnkey scheme in February 2013 on behalf of the Government. The Corporation was tasked to construct 17 houses per constituency which was later reduced in the financial year 2017/18 to 10 houses per constituency due to funding challenges.

A SHHA turnkey unit is a flat roofed house, 49m² in area made up of two bedrooms, kitchenette, and bathroom with toilet. The current average cost of building a SHHA turnkey house is P123,000.00 taking into consideration the remoteness of some areas. This scheme is targeted for households earning between P4,400.00 and P52,000.00 per annum and beneficiaries are given a loan of P90,000.00 payable over 20 years interest free at P375.00 per month.

Since 2013 to end of the year under review, the Corporation was assigned 5642 turnkey houses and has been able to deliver 5144 houses to beneficiaries across the country. 498 were at different stages of construction and will be delivered in the financial year 2020/21.

For the financial year under review, a total of 1026 housing units were delivered against a target of 1300, creating 5130 jobs, and housing a total of 4104 families.

SHHA TURNKEY FOR PUBLIC OFFICERS AT D4 AND BELOW

In 2014 the Government introduced the Special SHHA for Public Officers on D4 scale and below to address the housing needs for Government employees who are unable to access Housing Finance through Financial Institutions.

After the securing of funds, the program commenced in the financial year 2016/17 and as at the end of the year under review a total of 624 units had been started and 464 have been handed over to beneficiaries and 160 were at various stages of construction and will be delivered in the financial year 2020/21.

SUMMARY OF TURNKEY PERFORMANCE IN THE LAST 3 YEARS

PROGRAM	NUMBER OF UNITS DELIVERED PER YEAR			TOTAL OVER 3 YEARS
	2017/18	2018/19	2019/20	
SHHA Turnkey				
Actual	1009	1050	1026	3085
Target	1500	1500	1300	4300

SHHA TURNKEY CHALLENGES

Since the start of implementation, the scheme has experienced challenges which have made it difficult to deliver at the intended rate. Some of the major challenges are outlined below:

- Delays in replacing lists where beneficiaries are no longer eligible by the relevant authorities.
- Insufficient assessment and verification of condition of plots at Council level.
- Poor contract and financial management by the contractors.
- Low contractor rates vs other Government funded projects.
- Lack of water connection to individual plots and in some constituencies.

MITIGATIONS

The Corporation continues to engage the relevant authorities to help in improving the project delivery. Some of the mitigations adopted by the Corporation are indicated below:

- Engaging local authorities to avail new beneficiaries and checking of plots prior to approvals.
- Replacing non-performing contractors with those that have proven that they can perform.
- Contract rates will be revised upwards in the financial year 2020/21 to cushion contractors against increasing material prices
- Provision of water on site where possible.

PROJECTS QUALITY ASSURANCE

The quality of our products and services play a key role in maintaining customer satisfaction. The Quality Assurance department helps ensure that the end result of a project remains consistent with the implementation designs that were approved in the planning phase. Excellent Quality Assurance practices will not only aid in avoiding expensive delays when the initial project implementation does not follow the designs, they also ensure that the methods followed to complete projects are safe and sound.

During the financial year 2019/20, the department implemented the Quality Management System(QMS), which supported the development and improvement of the Corporation's products. In addition to further the reinforcement of product inspection and product audit, there was more emphasis on good record keeping of information pertaining to the projects. The Corporation's Quality Management is based on the standard ISO 9001:2015, the requirements of this standard must be met to achieve the high-quality standards the Corporation has set for itself. To ensure that these requirements are met, guidelines for the quality management have been developed to provide support for everyday work.

The Projects Quality Assurance system is in two (2) parts; Quality Assurance and Quality Control. Quality Assurance is focused on providing confidence that quality requirements will be fulfilled and Quality Control ensures that quality requirements are fulfilled at operational phase by way of inspections and tests. Quality Control verifies design standards specified by the quality assurance. The Quality Assurance flow chart adopted in the organization follows the seven principles which are explained below and shown in the flow chart diagram.

Product Designing

Quality management system verification commences at pre-contract stage of design and planning to ensure that quality is built into the product as opposed to it being an add-on. At design stage, the process encourages designers to consider the design holistically, and ensure design criteria such as the vision of the project, client requirements and legal requirements are met.

Project Planning

Pre-contract planning entails ensuring availability of all drawings, documents and resources required for the project. This process enables the project team to make informed and well-grounded decisions relating to the balance of schedule and quality during and post construction phase. The team engaged in the implementation of the project is also verified to reduce the risk associated with inexperienced or unqualified personnel.

Quality Control

Quality control ensures that construction meets standards specified by quality assurance. It is also responsible for corrective action if for example, materials used are not as specified or works done not as per required quality standards. This process is carried out by means of testing, inspection and documentation of the results. Quality management system ensure regular reporting on progress, availability of resources and materials or otherwise, project issues, mitigations and recommendations during construction. This information is shared with relevant stakeholders and project team.

Project Progress

This is an assessment that takes place during the project and conveys details such as what sub-goals have been accomplished, what resources have been expended, what problems have been encountered, and whether the project is expected to be completed on time and within budget.

Delivery to Client

The project handover involves final inspection and defect management; an agreement around the defects reporting procedure as well as access arrangements for the contractor to remedy the defects. All certificates, warranties and maintenance manuals will be handed over to client.

Defects Liability Period

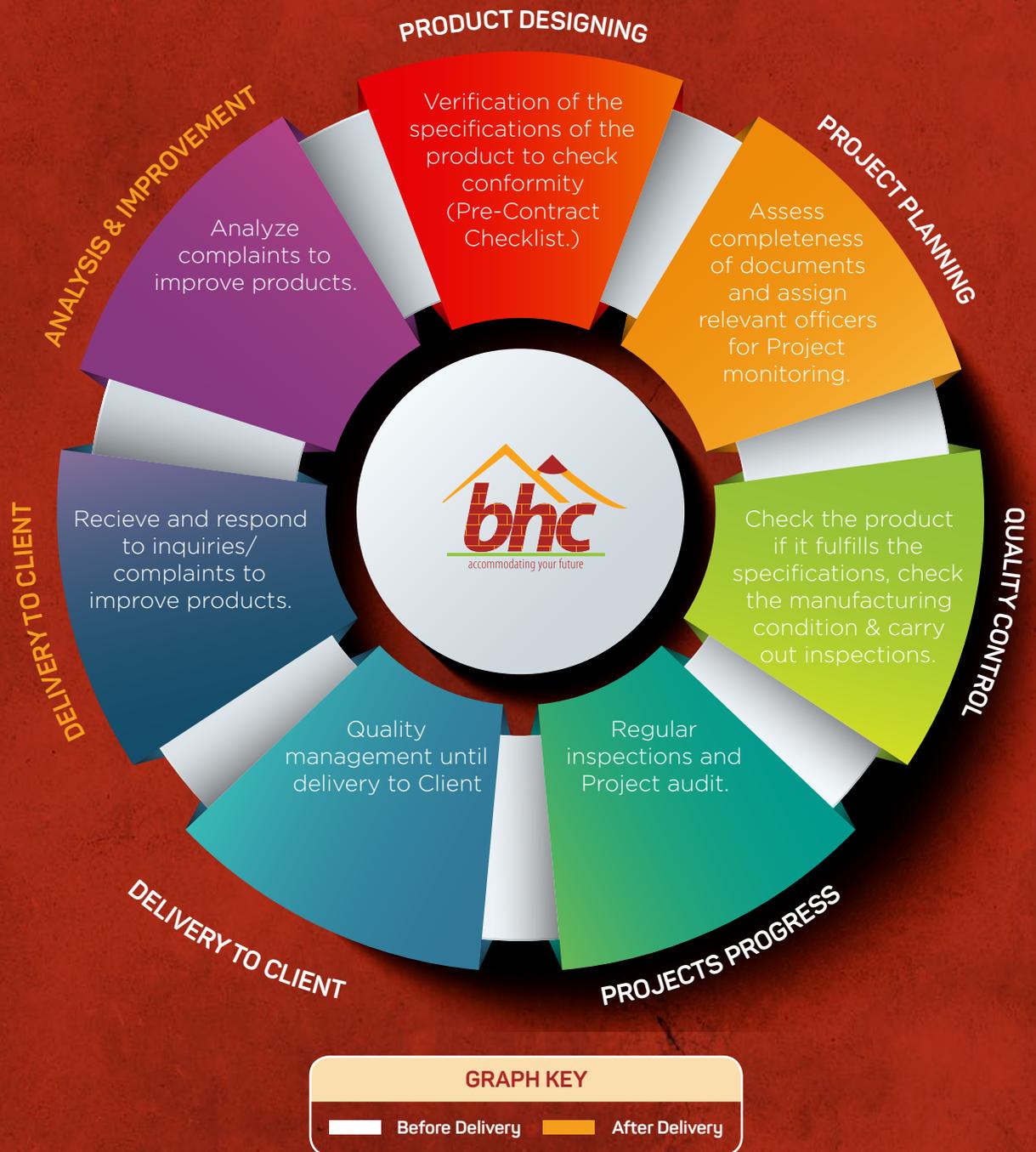
Defects Liability Period (DLP) ensures that repairing of defective works and installations which may not be apparent before completion work is done. It gives a degree of certainty in terms of functionality and performance of the facility to both client and contractor.

Analysis and Improvement

The reports and results obtained during implementations of projects are used in analysis of construction failures, evaluation of the performance of the projects, preventive measures and as opportunity for improvement for future projects.

FLOW OF QUALITY ASSURANCE SYSTEM

Below is a Flow Chart showing the Projects Quality Assurance System adopted



During the financial year under review, the Projects Quality Assurance department monitored the construction of **2671** units from various projects. Of these, **972** were Commercial and **1,699** were Social housing. The projects were assessed to determine if they were operating within Scope (Time, Budget, and Quality). A total of **70%** was achieved against a set target of **100%**.



We have been creating opportunities
for Botswana and keeping families
fed with a roof over their heads.



PROPERTY MANAGEMENT

LEASE MANAGEMENT

Since its establishment, the Botswana Housing Corporation has been at the forefront of provision of affordable housing to Botswana as evidenced by the delivery of over 26,000 houses - 16,000 of which have been sold to Botswana, while the remaining are kept as rental inventory for running the daily operations of the Corporation.

The Corporation's rental inventory is one of the biggest residential portfolios in the country, with a good geographical spread and presence in all towns and major villages in Botswana (Table 1)

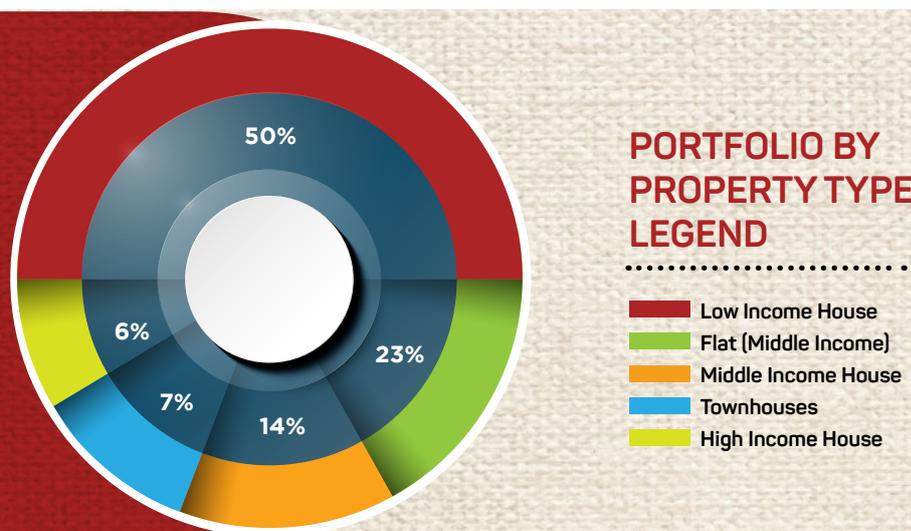
Table 1: Botswana Housing Corporation's Portfolio – 2019/20

LOCATION	No. of Units	% Portfolio
Gaborone	4,527	46%
Francistown	1,642	17%
Sowa	793	8%
Lobatse	494	5%
Selebi-Phikwe	446	5%
Palapye	400	4%
Jwaneng	359	4%
Mahalapye	291	3%
Kasane	258	3%
Maun	253	3%
Serowe	200	2%
Metsimotlhabe	157	2%
Tlokweng	26	0.3%
TOTAL PORTFOLIO	9,846	

Over 60% of the Corporation's properties lie in Gaborone and Francistown which are high demand areas, and significantly contribute to social upliftment of individuals and families, and support economic growth.

Although largely present in urban areas, the portfolio's mix is skewed towards low- and middle-income housing, highlighting the Corporation's targeted market (Figure 1).

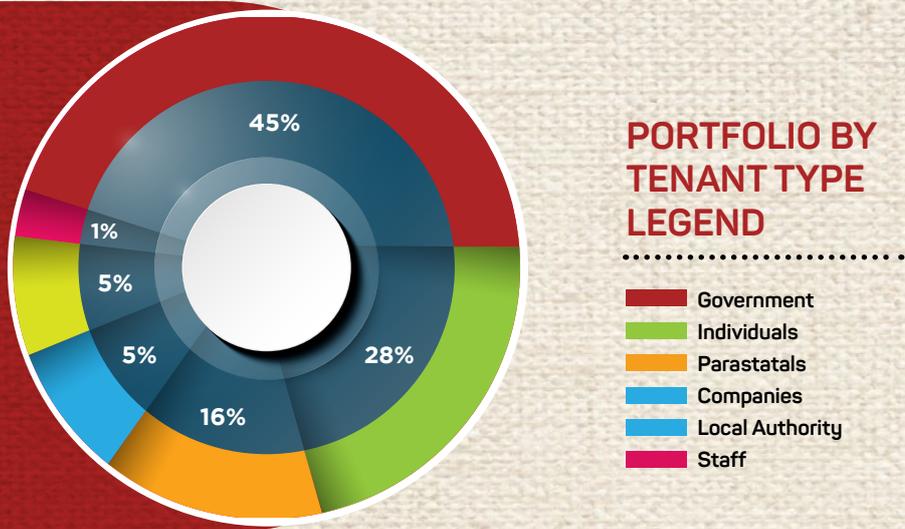
Figure 1: BHC Portfolio by Property Type



The **9,846** housing units translates into decent and affordable housing for about **40,000** people, offering a steady and secure source of income for the Corporation as **45%** of the units is leased with strong covenants to high grade tenants such as Government, followed by individuals at **28%** (Figure 2).

PROPERTY MANAGEMENT

Figure 2: Rental Portfolio by Tenant Class



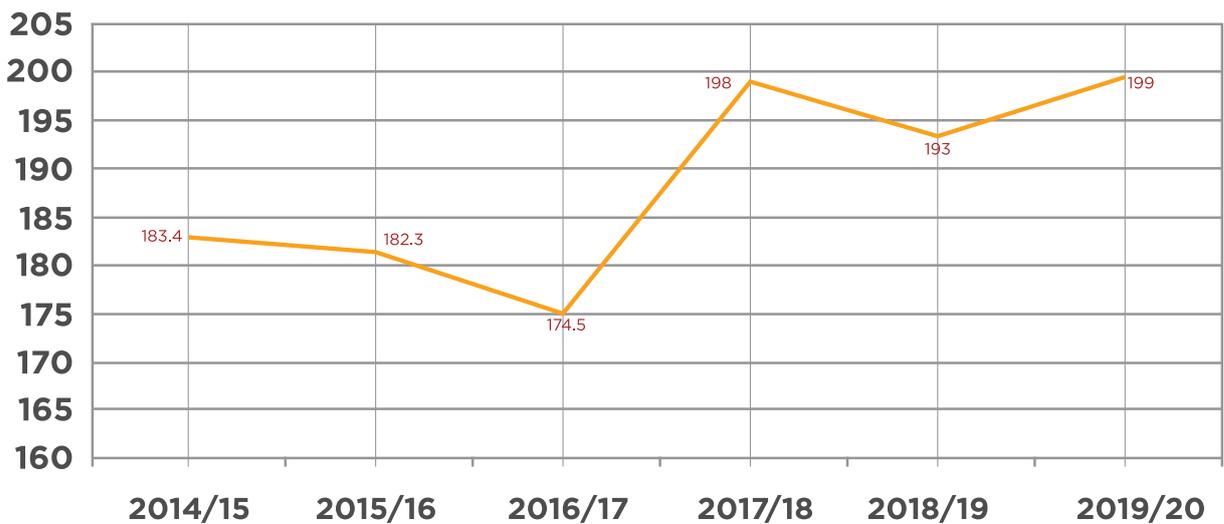
The Corporation deliberately keeps a portfolio of rental properties in line with its business model which seeks to place it as a self-sustainable state-owned enterprise (SOE). Under this model, income received from the rental portfolio is used to cover operational costs whereas sales revenue and other joint venture income is rolled over into the development of new estates.

However, this model has been challenged by absence of rental adjustment to the Corporation's portfolio for over 15 years, leading to sub economic rentals for **85%** of the rented properties. The Corporation has therefore intensified engagements with Government during the year under review with a view to sanction rental adjustments, which will align rentals to economic rates.

Notwithstanding absence of rental review in the last 15 years, revenue received from rental portfolio has shown modest growth over the last five years at an average of **5%**, mainly due to addition of new properties at market related rentals prices. However, year-on-year comparison shows that rental revenue increased by **3%** to **BW P199 million** from **BW P193 million** recorded in the prior year, mainly due disposal of some investment or rental properties

Figure 3: Rental Revenue over the past 6years

Annual Rental Income (BW P'Million)



In line with the Corporation's strategic objective to maximize revenue, the Corporation has a target to keep rental portfolio at an occupancy level of at least **98.5%**, representing a stretched vacancy rate target of at most **1.5%** against **5%** industry rate. Vacancy rate has averaged to **1.64%**, during the year, and improvement from previous year's vacancy rate of **1.83%**.

PROPERTY MANAGEMENT

2. PROPERTY MAINTENANCE

Repairs and maintenance expenses were at **P49 Million** and increased by **25%** year on year. These expenses account to **20%** of rental income, which is too high relative to the industry range of between **9% to 12%**. The anomaly is a result of the stagnant rentals as this income stream is regulated.

Management continues to closely manage these expenses to ensure that they are controlled without compromising the state of the investment properties.

Management has in place a 5 year cycle planned maintenance program for these houses. Each house is inspected and maintained to ensure its good state and value is maintained at all times. Maintenance work done as a result of the tenant's negligence is fully recoverable from the tenant.

3. LAND RESOURCES

Land as a scarce resource and critical commodity in the development process is continually being acquired by the Corporation throughout the country in areas confronted with high housing demands.

In line with its mission to be the leading provider of housing solutions for dignified lives, the Corporation strategically acquires land in areas it has never developed, to grow its footprint nationally.

To this end, it has acquired **736.9 hectares** of land, **64%** of which lie in new areas where it intends to undertake groundbreaking developments and offer housing solutions beyond those offered by the private sector.

To encourage private-sector participation in provision of housing, and leverage on the expertise of the private market, the Corporation has during the year issued request for proposals for development partnerships over its land in Metsimotlhabe and Mogoditshane, proposals of which are under intense evaluation process, and will be implemented in the coming years.

FACILITIES MANAGEMENT

Botswana Housing Corporation underwent an organisational review and restructuring from which the Facilities Management Department was born. This organisational review was in response to BHC having been charged with full responsibility for housing delivery for the government and government related agencies. In response to the expanded mandate from government, the Corporation established a facilities management function whose main objective is to offer maintenance and property management services to government.

The purpose of the Facilities Management function is to plan, organise, manage and lead the implementation of the Corporation's strategies that optimise the delivery of cost-effective facilities management solutions. Facilities management is considered to be a key function of BHC going forward and it is one of the major avenues through which the Corporation plans to diversify its revenue streams.

The main customers for this service are government departments namely, Department of Housing (DOH), The National Assembly, Department of Surveys and Mapping (DSM), Administration of Justice, the Office of the Ombudsman, the Office of the President and Botswana Defence Force. The Corporation has already signed Memoranda of Understanding (MoU) with the various organisations that engage its Facilities Management function to plan and control the relationships so created. MoUs have been signed with the Administration of Justice and Office of the Ombudsman, the National Assembly, whilst others are still being perused.

The Corporation leverages on its wide geographical presence across Botswana and has been able to provide maintenance services to its external clients in far places such as Masunga, Xere, Tutume, Selebi Phikwe, Molepolole, Tsabong, Gantsi, Kasane, Maun, Gaborone and Francistown. The total number of housing units maintained for third parties in this financial year was 600 and this contributed total fees amounting to **P10.1 million** against a target of **P13 million**.

Key gains attained by our clients include:

- Timely delivery of works
- Quality of work at reduced cost of maintenance
- Efficient procurement processes





CORPORATE REVIEW



SENIOR LEADERSHIP TEAM



Mr. Reginald M. Motswaiso
CEO



Mr. Nkaelang Matenge
Deputy CEO - Operations



Ms. Pascaline Sefawe
Deputy CEO - Corporate Services



Ms. Elizabeth Galeforolwe
Chief Legal Counsel & Board Secretariat



Mr. Batanani Nkhumisang
Director Property Development



Mr. Richard Chilisa
Director Risk & Compliance



Mr. Diratsagae Kgamanyane
Chief Finance Officer



Mr. Sekgele Ramahobo
Director Human Capital & Administration

SENIOR LEADERSHIP TEAM



Mr. Yagan Mukonde

Internal Audit Executive



Mr. Kesebonye Khimbele

Regional Director- South



Ms. Bridget Mtonga

Regional Director- North



Mr. Octavian Seitshiro

Head Of Facilities Management



Mr. Ntshekisang Ofetotse

Head Of Project Quality Assurance



Mr. Thupa Thupa

Head Of Strategy Policy & Planning



Ms. Samantha Chabata

Head Of Information Technology



Mr. Gomolemo Zimona

Head Of Marketing & Communication

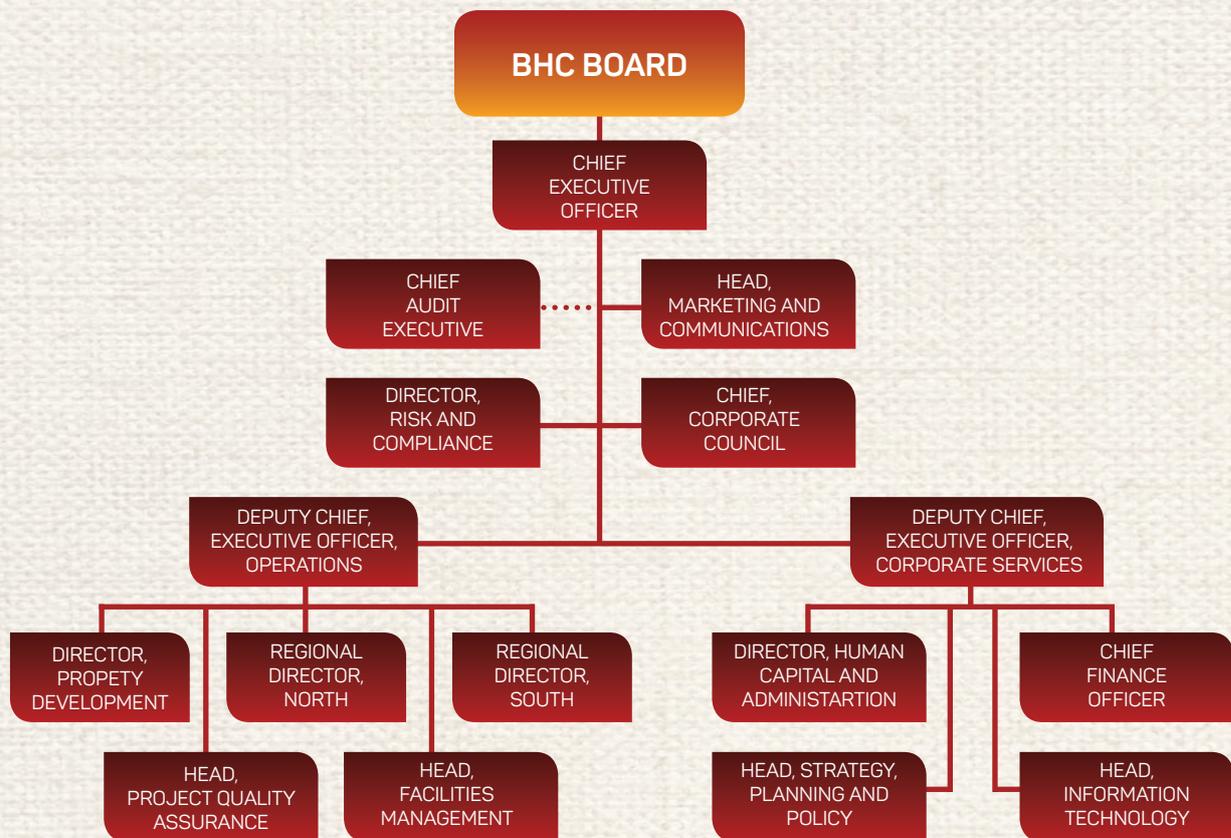
HUMAN CAPITAL

The Human Capital & Administration function provides leadership in the development and execution of human capital management best practices in support of the execution of the Corporation's strategy. The function is responsible for, inter alia, issues pertaining to human capital management and administration, records management, organizational development, industrial relations, talent management, knowledge management, succession planning and employee benefits management, including pension fund administration, employee loan facilities administration and management of employee wellness activities and interventions. The Corporation's Human Capital function is decentralised to the two regions of Southern Region and Northern Region, where the function provides support to operations. The Head Office provides advisory services and some centralised services which are considered best manageable from a centralised service point.

HUMAN RESOURCES

The Corporation's current establishment is Three Hundred and Eleven (311), with most employees being at the regional offices engaged on both commercial and social housing operations.

ORGANISATIONAL STRUCTURE



The graph below shows the gender and age analysis of the workforce;



HUMAN CAPITAL

LEARNING AND DEVELOPMENT

BHC continues to develop its employees to ensure that they acquire the necessary skills and competencies for them to be productive in carrying out their assigned responsibilities. The Corporation has shifted its approach to training by adopting a learning and development mindset and changed focus to acquisition of competencies as opposed to acquisition of academic qualifications. While the Corporation annually budgets for learning and development in line with learning and development plans, employees are also encouraged to self-develop through an educational loan facility. The programmes sponsored by the Corporation include Executive and Leadership Development Programmes, Management Development Programmes, and professional development for other levels. During the 2019/20 financial year the Corporation enrolled three(3) officers on an Executive Development Programme and fifteen(15) officers on a Management Development Programme. These initiatives are intended to support the succession pipeline for leadership within the Corporation.

EMPLOYEE HEALTH, SAFETY AND WELLNESS

The Corporation implemented a Wellness Programme in the 2018/19 financial year, which covers an array of wellness initiatives which are aimed at addressing emotional, financial, social, spiritual, occupational, physical, intellectual, and environmental wellness dimensions of employees' health. As part of this programme, the Corporation facilitates for employees to have access to fitness facilities or arranges and negotiates favourable gym rates for employees to encourage employees to manage any lifestyle conditions as well as encourage them to adopt a healthy lifestyle. The Wellness Programme implementation is monitored through Wellness Champions, who are appointed for the different offices across the country. Some of the activities under this programme include a Sports Day, Wellness Day, and participation in National Wellness activities. Additionally, the Corporation on an annual basis arranges health screening for lifestyle diseases. A counselling facility has also been arranged for employees and their immediate families and is accessible to employees and their immediate families throughout the year. Employees are also encouraged to abide by the Corporation's Safety Occupational Health Environmental & Quality (SHEQ) Policy. The overall objective of the policy is to maintain a workplace that is safe and hazard free and provide BHC employees with an environment that is highly protected and free from unsafe acts.

CHANGE MANAGEMENT AND TRANSFORMATION

The Corporation continues to monitor and align employees' commitment towards achieving its strategic objectives through participation in annual surveys which are aimed at determining their level of engagement. One such survey was conducted in the year under review and the results thereof will be used to come up with the appropriate interventions to align the resources to the strategic objectives.

Implementation of the previous year's survey recommendations has been categorised on short-term and long-term basis, with the quick wins already been under implementation. As part of the change management activities the Corporation conducted Team Building sessions, with the view to boost employee team spirit, collaboration across departments and ultimately enhance employees' commitment to collective execution and achievement of the Corporation's Vision and Mandate.

The Corporation implemented two projects namely Electronic Documentation, Record Management System (EDRMS) and Quality Management System (QMS) with the view to transform the organisation. Implementation of change management was done on these projects to ensure that there was efficiency and effectiveness on the new systems. The change management activities which were covered were awareness campaigns undertaken across all BHC offices to help employees appreciate the vision, purpose, and objectives of both projects. Employees were trained on the two systems to ensure that they acquire requisite skills and knowledge to effectively implement the systems. A Bosele Brand Manual and Magazine was produced to help create a lasting memory on employees regarding the idea behind "Bosele" project, which seeks to nurture a spirit of continuous transformation within the Corporation, and the launch of the initiative

IMPLEMENTATION OF AN ELECTRONIC RECORDS MANAGEMENT STRATEGY

The Corporation has completed implementation of its Records Management Strategy with the year under review covering the second phase of the Strategy. In this phase the Corporation has secured an off-site storage for the management of its semi active-records and successfully implemented an electronic records management system. The EDRMS came as part of the recommendations of the Records Management Strategy that was implemented in 2017. The strategy was implemented in two parts, where the first part focused on development and implementation of records management tools which in some part prompted for the disposition of records. Records disposition actions are underway in consultation with relevant stakeholders internally and the National Records Custodian (Botswana National Archives and Records Services). The second part focused on system implementation phase.

GRADUATE INTERNSHIP PROGRAMME

The Corporation continues to support the Government's Graduate Internship Programme. In the year under review the Corporation absorbed graduate Interns within its various functions across the Country. A total of twenty-eight (28) graduate interns were placed at different departments including in the built environment, finance, procurement, marketing and communication, human resources, information technology, risk & compliance, and internal audit. Some of the Interns have been absorbed as fulltime employees of the Corporation at the end of their internship assignment, as the Corporation continued to assess the interns's capabilities and potential during their internship period to assess their acceptability into the Corporation's workforce.

STAKEHOLDER ENGAGEMENT

During the 2019/2020 Financial Year, the Corporation engaged in number of marketing activities. The main purpose of these activities was to market the products and services of the Corporation as well as to educate the public about the role of the Corporation in providing affordable accommodation in line with its mandate.

Stakeholder Engagement forms a critical part of the Corporation's initiatives which drives customer satisfaction and most importantly to ensure mutually beneficial relationships. This is informed by the customer satisfaction index which is carried out every two years to gauge stakeholder satisfaction with a view to improve on certain aspects which might be found to be lacking.

During the year under review the Corporation undertook several initiatives targeted at Corporate and individual customers to educate them about product and service offerings. Public education campaigns especially in the far-flung places in Kweneng, Kgalegadi, Ngamiland and the Central Districts were also intensified to reach out to Batswana who do not have access to digital platforms. The Corporation also engaged the local authorities as part of its stakeholder engagement initiatives to give updates on a range of issues such as SHHA turnkey developments and proposed internal projects.

Digital platforms such as social media pages and the BHC website were also incorporated as part of the communication platforms to reach out to as many Batswana as possible. There was a significant increase in inquiries on products, services and processes of the Corporation by Batswana and the turnaround times in response to these improved drastically.

CUSTOMER CARE

The customer is very critical to the operations of the Corporation particularly at a time when there is a need to manage expectations. During the year under review several engagements targeting tenants at high density developments where there were additional developments were engaged with a view to discuss issues of mutual concern. Some of these issue included implementation of cost recovery measure to cover the cost of these developments, which are provided for the comfort of all tenants affected.

In its drive to keep its promise of providing excellent customer service, the Corporation conducted customer satisfaction surveys to get feedback on customer service level. Recommendations from the survey were implemented and a complaints register was issued to keep track of complaints and their status. Overall, there was a great improvement in terms of turnaround times to assist customers in resolution of their queries.

CORPORATE SOCIAL RESPONSIBILITY

ISO 26000 Official Definition of Corporate Social Responsibility (CSR) is "The responsibility of an organization for the impact of its decisions and activities on society and the environment through transparent and ethical behaviour that; contributes to sustainable development including the health and welfare of society, considers the expectations of stakeholders, follows applicable law and consistent with international norms of behaviour, and is integrated throughout the organization and practiced in its relationships.

According to ISO 26000 Corporate Social Responsibility can attract like-minded partners, investors, Customers, and staff to the Organisation. It may improve relations with employees, communities, the media, suppliers, and government agencies and contribute to sustainable development by reducing harmful environmental, social, and economic impact.

It is in line with this background that the Corporation has cultivated a culture of engaging in CSR activities and sets aside a budget for such activities as a way of improving relations with employees, communities, the media, suppliers, and government agencies.

For the year 2019/20, the Corporation has budgeted towards the Corporation's Donations Fund and each of the nine (9) area offices and all departments across the Corporation has been allocated P10,000.00, respectively making a total budget set aside for CSR interventions.

STAKEHOLDER ENGAGEMENT

The Corporation is focussed on supporting projects and initiatives in line with the following areas:

- Education · Health · Environment · Social empowerment
- Sports and culture · Employment generation · Infrastructure support

**Kanye SDA Hospital
Children's Ward
Donation**

**Sorilatholo Primary
School shoes
Donation**

**Southern District
Council swimwear
Donation**

**Tshwaane Primary
School Library
Donation**

**BTC Foundation
Charity Walk**

**UB CSR
Workshop**

**Kaalfontein Primary
School Prize Giving
Ceremony**

**Makalamabedi JSS
Prize Giving
Ceremony**

**Reuben Mbanga
Primary School
Prize Giving
Ceremony**

**BDF Band in Concert
Donation**

**MISA Awards
Sponsorship**

**Kanye SDA
Hospital Childrens
Ward Donation**

CORPORATE SOCIAL RESPONSIBILITY

EDUCATION

The importance of education in any society cannot be underestimated. The Corporation recognises education as a major contributor to the country's development. That is why through the CSR fund the Corporation has sponsored a number of projects including:

- Donating a library to Tshwane Primary School. This project saw the Corporation refurbishing a classroom to turn it into a library and donating educational books.
- The Corporation also donated 397 pairs of shoes and socks to pupils of Sorilatholo Primary School. The initiative aimed to offer the children physical and emotional warmth, confidence to socialize and succeed and hope for a brighter future.

HEALTH CARE

The Corporation has adopted a culture of donating to paediatric wings of various hospitals in Botswana every year in the spirit of Christmas. For the year 2019/20, the Corporation donated medical equipment and recreational and educational toys to the Kanye Seventh Day Adventist Hospital. The donation included equipping of the hospital's children's playroom with furniture and a television set at a total amount of P 100,000.00.

SPORTS AND CULTURE

The Corporation, through its CSR Policy has committed to support sports development activities in rural areas by providing sports equipment and kits for various codes as well as to sponsor sports events. For the year 2019/20 the Corporation, donated swimwear to the Southern District Council swimming team to participate at the Botswana Games 6th Edition that were held in Gaborone on the 19th December 2019.

SOCIAL EMPOWERMENT

As part of empowering the communities it operates in, the Corporation partners with organizations that make a difference in their environments. The Corporation supports such organisations by donating in cash or in kind. Some of the organisations which were supported include the Botswana Defence Force Band Concert, Media Institute of Southern Africa (MISA) and Real Estate Institute of Botswana (REIB).



CORPORATE GOVERNANCE



BOARD OF DIRECTORS



Ms Sithabile Mathe Independent Member

Ms Sithabile Mathe holds an Hons Degree in Architecture and a Post Graduate Degree in Architecture.

She has 20 years post graduate experience in the built environment through working in the academic and professional sphere, with both design and implementation. Through her professional career, Ms Mathe has gained a strong foundation in contractual matters related to the built environment, project management of building projects and assessments of the financial viability of building projects.

She founded Moralo Designs (Pty) Ltd in 2006 having previously worked in various professional capacities in Oslo, Norway.

She is a registered member of four professional bodies in Botswana and Norway and was a former Council member of the Commonwealth Association of Architects (VP Africa Region); is Chair of Validation Executive Committee (Commonwealth Association of Architects) and Chairperson of the Architects Registration Council (Botswana).

Ms Mathe was the Deputy Chairperson of the Board of the BHC and a member of the Board Tender Committee as well as the Finance and Audit Committee. She held these positions until her appointment as Board Chairperson in December 2019, a position she currently holds.



Mr Bennet Maifala Independent Member

Mr Maifala holds a Degree in Public Administration and Political Science; MSC-Human Resource Management and a Master's in Business Administration.

Mr. Maifala currently works as an independent HR consultant. He previously worked as Group Human Resource Manager for Southview Group of Companies and Botswana Medical Aid Society. He has held similar posts in various entities such as Botswana Agricultural Marketing Board. He has worked as a Senior Consultant, General and Human Resources Management at the Institute of Development Management.

Mr Maifala is the Deputy Board Chairman and a member of the Human Resource Committee.

BOARD OF DIRECTORS



Mr Chilisana Marobela
Independent Member

Mr Chilisana Marobela holds a Bachelor of Science (Geology); Post Graduate Diploma (Hydrogeology) & Master of Science (Hydrogeology).

He has vast experience as a hydrogeologist having worked for the Botswana Government from 1984 until 1990 when he co-founded Geoflux (Pty)Ltd. He later became the Managing Director of Thakadu Drilling (Pty)Ltd, a subsidiary of Geoflux from 2005 to 2007.

Mr Marobela was a member of the Botswana Bureau of Standards technical committee for the development of water quality standards from 1997-2007. He has during his career in government and in the private sector planned and executed numerous projects.

Mr Marobela is the Chairman of the Board Tender Committee.



Mr Roy Davies
Independent Member

Mr. Davies holds a Bachelor of Commerce (Accounting) and holds several qualifications in Insurance.

Mr Davies is currently the Managing Director of Royal Advisory Services, a consultancy firm that offers financial planning advice to individuals and companies with an emphasis on long-term financial security, capital preservation and retirement provision. He has worked for a number of companies in the private sector in both Zimbabwe and Botswana such as KPMG, PG Industries and AON Corporation.

The positions Mr Davies has held include Financial Director, Managing Director and Head of Financial Advisory Services with over 35 years' experience in financial and general management.

He is a former Board member of BOCRA.

Mr Davies is the Chairman of the Finance and Audit Committee.



Ms Ontibile Radira
Non-Independent Member

Ms Radira holds a Bachelor of Arts (Hons.) Personnel Management degree.

Ms Radira is the Director of Human Capital & Admin Services at Civil Aviation Authority of Botswana (CAAB). The Member is a seasoned Human Capital and Leadership Executive with strong people management skills, leveraging over 2 decades of experience working for large State-Owned Entities and Multinational Companies which have presence in Botswana and the region.

Ms Radira is the Chairman of the Human Resource Committee and a member of the Board Tender Committee.

BOARD OF DIRECTORS



Mr Thato Kewakae
Independent Member

Mr Kewakae holds the following qualifications: Master of Business Administration and Bachelor of Engineering (Computer Science); and has also completed the USB Executive Development Program.

He has worked in various organisations in the private and parastatal sector in a career spanning over twenty-five years. His professional experience is in Information and Communications Technologies (ICT), project management and business operations. He has experience in private sector business growth, consultancy and support services for government and state-owned enterprises, financial and telecommunications sector clients. He has played a senior leadership role in several organisations including being Chief Operations Officer in a parastatal. He is currently part of Nybble (Pty) Ltd which is an ICT Services and Strategy Consultancy Company.

Mr Kewakae is a member of the Finance and Audit Committee as well as the Human Resource Committee.



Mr Bareng Malatsi
Non-Independent Member

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

He has held a number of senior positions in Government and is currently Deputy Permanent Secretary, Ministry of Infrastructure and Housing Development. 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).

Mr Malatsi is a member of the Board Tender Committee.



Ms Sapelo Bantsi
Independent Member

Ms Bantsi holds a Bachelor of Commerce & Accounting degree from the University of Botswana. She also completed an Executive Development Program with University of Stellenbosch.

She is a Chartered Accountant (ACCA) and a member of Botswana Institute of Chartered Accountants in good standing.

Ms Bantsi is currently the Deputy Chief Finance Officer of Mascom Wireless Botswana. She has extensive financial experience. In her role, she is responsible for the overall financial management of Mascom's operations including reporting. Sapelo is charged with ensuring that the Audit Committee are given adequate information on financial disclosures.

Ms Bantsi is a member of the Finance and Audit Committee.

BOARD OF DIRECTORS



Mr Boikhutso Tekane
Independent Member

Mr Tekane holds a Bachelor of Arts with a combined major in Accounting & Economics; Master's in Business Administration. He also holds an International Capital Markets Certificate (ICMQ) from Securities Institute of London.

He is an accomplished banker with over 23 years of experience in retail and corporate banking. He held senior management roles for 14 years across three international banks and one local bank.

Boikhutso worked for Barclays Bank (1991 -2001) – last position held being Assistant to Corporate Director. He later become Senior Relationship Manager at Standard Chartered Bank Botswana (2001) before he assumed the role of Head of Corporate Banking at Stanbic Bank Botswana (2002 to 2003).

Mr. Tekane thereafter joined the private sector where he ventured into mining and industrial supplies. After three years of entrepreneurial enterprise, he made a comeback to the corporate world by joining Botswana Savings Bank (BSB) as Director Corporate Services (2007 -2015). He later assumed the CEO position at BSB (2015 -2017). Boikhutso then joined Letshego Financial Services (Botswana) as the CEO (2017).

He is currently the Director, Corporate Services at Statistics Botswana (2020).

Mr Tekane is a member of the Finance and Audit Committee.



Ms Sethunya Garebatho
Independent Member

Ms Garebatho holds a Bachelor of Laws (LLB); Master of Science in Project Management; Diploma in Alternative Dispute Resolution and a Certificate in Industrial Relations.

Ms Garebatho has more than 26years experience in various well-known organizations such as Debswana Diamond Company; Global Resorts and Botswana Telecommunications Corporation in the field of Human capital; Risk management and Board secretarial services.

Ms Garebatho's forte is in human resources and Employee relations and she has worked with restructuring and recruitment for a number of entities.

Ms Garebatho has since 2002 run her own company People Connections (Pty) Ltd. The company is a Human Resources (HR) and Employee Relations (ER) practice offering a wide range of HR Consultancy services.

She is a member of the Human Resource Committee.

BOARD OF DIRECTORS

Joseph B. Mosimane—Independent Member (Retired 30/11/2019)

Mr Mosimane has a wealth of experience in the fields of financial management, asset management and investment management.

As CEO - Bluthorn Fund Managers (Jan 2016 – March 2020) he provided the following:

- Leadership
- Operational Planning and Management
- Human Resources Planning and Management
- Financial Planning and Management
- Risk Management

As the General Manager, Corporate services of the Botswana Public Officers Pension Fund (BPOPF), he provided strategic leadership in the provision of finance and accounting, ICT, and human capital strategies, policies and programs for the (BPOPF) management and board of trustees, at the same time, ensuring adequate security of assets of the organisation by deploying appropriate risk management strategies. Prior to his involvement in the pension fund industry, Joe was involved in the education field (specifically BOCODOL – now Botswana Open University) as founding Director Financial Services where he was responsible for leading the finance function formulating and implementing financial management and financial sustainability policies, systems and strategies, in line with the organisation's strategic objectives.

He has served in various Boards including board membership at National Development Bank (NDB), Africa 53 fund Managers, ABM University College, BOCCIM – Financial Services Sector. (now Business Botswana.)

Kennedy Kgabo—Independent Member (Retired 30/11/2019)

Mr Kennedy Kgabo holds a Bachelor of Laws Degree (LLB) and a National Diploma in Deeds Registration Law.

He worked in various capacities for the Botswana Government from 2008–2011 when he joined Barclays Bank of Botswana (now ABSA) in these various positions (Collateral and Securities (2011-2016); Legal Advisor (Feb 2016-2017) Procurement Function as Sourcing Manager/ Contracts (Sept.2018- and was in this position when he retired from the BHC board).

Mr Kgabo was a member of the Board Tender Committee and the Human Resource Committee.

The new members are Mesdames Sethunya Garebatho and Sapelo Bantsi.

MEETINGS OF THE BOARD

The Board meets quarterly or as and when necessary for the proper operation of the Corporation. Ordinary and Special meetings of the Board are convened by the Chairman at such times and places as he may in his discretion determine. The Board meets annually to review the Corporation's long -term strategy and monitors implementation of the strategic plan throughout the year.

At the start of every meeting, Members must declare any conflict of interest that they may have in relation to any matters under discussion by the board at such meeting. Where a member has a conflict of interest as stated above, such member is recused from the meeting while the matter in which the member has an interest is being discussed. The members may further, not vote in relation to such matter.

INDUCTION OF MEMBERS AND CONTINUING EDUCATION

On appointment, Board members are provided with Board Minutes of the previous three years; Board and Committee Charters. Members are then taken through an induction process where the strategic plan and other relevant documents which will give new members insight into the operations and business of the Corporation.

Members are also advised of the various Board Committees and their mandates.

During the reporting period Board members attended.

BOARD COMMITTEES

The board has established three Committees to assist in the discharge of its duties.

Each Committee has a Charter which sets out its roles and responsibilities. The Committees have access to internal resources and where appropriate may request for the engagement of external resources.

At every Board meeting the Chairs of the various Committees give an oral report on the activities of their Committees as well as make recommendations to the Board to approve.

Non-Committees members may attend Committee meetings on invitation but may not vote.

The Three Board Committees:

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

Finance & Audit Committee

The Committee's mandate is defined by its Charter, which is approved by the Board.

The Committee's primary objective is to assist the Board with its responsibilities for the management of risk, safeguarding of assets, oversight over internal controls in the areas of financial control and reporting as well as corporate governance.

The Committee consists of four members.

During the period under consideration the Committee had seven sittings.

Board Tender Committee

The Committee ensures that there is fairness and efficiency in the process of procurement of works, services and supplies as well as to ensure transparency in the award of contracts. It reviews the award of tenders by the Management Tender Committee and adjudicates and awards tenders in accordance with its delegated powers.

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

The Committee meets quarterly and whenever there are projects to consider.

The Committee consists of four members.

During the period under consideration the Committee had six sittings.

Human Resource Committee

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

As per Principle 2.25.1 of the King III Code, the Human Resource Committee reviewed the Corporation's Pay Policies and made recommendations to the Board for adoption. The policies are aligned to the corporate strategy and are linked to individual performance.

The Committee consists of four members.

During the period under consideration the Committee had five sittings.

Presented below is the Finance & Audit Committee's report for the financial year ended 31 March 2020, in terms of the King III Report on Corporate Governance.

REPORT OF THE FINANCE & AUDIT COMMITTEE

It is my pleasure to present, on behalf of my fellow Committee members, the Finance & Audit Committee's report for the financial year ended 31 March 2020, in terms of the King III Report on Corporate Governance.

Members of the Committee:

- Roy Davies-Chairman
- Thato Kewakae
- Boikhutso Tekane
- Sapelo Bantsi

BOARD COMMITTEES

1. Mandate of the Finance & Audit Committee

The Committee's mandate is defined by its Charter, which is approved by the Board.

The Committee's primary objective is to assist the Board with its responsibilities for the management of risk, safeguarding of assets, oversight over internal controls in the areas of financial control and reporting as well as corporate governance. Specifically, the Committee is responsible for:

- a) Monitoring the compliance with and effectiveness of the Corporation's accounting and internal control systems.
- b) Reviewing the scope and output from both the external and internal audit functions.
- c) Reviewing the Corporation's annual and half - year financial statements before they are presented to the Board for approval.
- d) Reviewing proposed budgets before they are presented to the Board for approval.
- e) Monitoring current and emerging risk exposures.
- f) Reviewing and approving the means by which the Corporation seeks to comply with its regulatory obligations and best practice.
- g) Ensuring that Information Technology risks are adequately addressed.

2. Execution of the Committee's mandate in the 2019/2020 financial year

The Finance & Audit Committee is satisfied that during the financial year under review it conducted its affairs and discharged its duties and responsibilities in accordance with its Charter.

During the financial year under review, the Committee comprised of four (4) non - executive Board members and met seven (7) times. The names, qualifications and experience of Committee members are detailed elsewhere in this annual report.

As per Principle 3.3 of the King III Report on Corporate Governance, the Committee is chaired by an independent non - executive Board member.

The Chief Executive Officer, the Chief Audit Executive, the Director - Risk & Compliance, the Chief Finance Officer, the Chief Corporate Counsel & Board Secretary and the Head - Information Technology attend all Committee meetings, to present reports and provide other information and explanations considered necessary by the Committee to discharge its duties, while the Corporation's external auditors attend Committee meetings on invitation.

The Committee discharged the following responsibilities during the year under review.

2.1. Appointment of external auditors and assessment of their independence

In relation to the requirements of the King III report regarding the independence of the Corporation's external auditors, the Committee performed the following reviews:

- a) Considered the evaluation report for the tender submissions received in respect of the appointment of the Corporation's external auditors for three financial years commencing with the 2019/2020 financial year.
- b) Based on the consideration of the evaluation report, recommended to the Board the appointment of Ernst & Young as the Corporation's external auditors.
- c) Reviewed the independence and objectivity of Ernst & Young, the Corporation's new auditors, as well as their proposed scope of work for the audit of the Corporation's 2019/2020 financial statements.
- d) Reviewed Ernst & Young's proposed audit fees.
- e) Reviewed the compliance of their appointment with the Botswana Housing Corporation Act.
- f) Reviewed the nature and extent of non - audit services, if any, provided by the external auditors, with the objective of ensuring that the fees charged for such services do not become so significant as to call into question their independence. Ernst & Young did not provide any non - audit services during the year under review.
- g) Reviewed the nature and extent of future non - audit services, ensuring that such services have been defined and have been pre - approved. No non - audit services are envisaged to be provided by the Corporation's external auditors in the foreseeable future.

Based on these reviews, the Finance & Audit Committee is satisfied with the quality, independence and effectiveness of the external audit service provided by Ernst & Young.

2.2. Review of accounting policies and financial statements

The Committee reviewed the accounting policies adopted in the preparation of the Corporation's annual financial statements for the financial year ended 31 March 2020, and the financial statements themselves. In performing its review, the Committee took into consideration the external auditors' proposed audit opinion on the Corporation's annual financial statements, which was unqualified. Based on the information provided to it, the Committee is of the view that the accounting policies adopted are appropriate and comply with the relevant provisions of the Botswana Housing Corporation Act and International Financial Reporting Standards.

Furthermore, the Committee is satisfied that the financial statements present a balanced view of the Corporation's performance for the year under review and that:

- a) They have been properly prepared in accordance with the adopted accounting policies.
- b) Adequate disclosures have been made in the notes to the financial statements of information considered pertinent to the understanding of the Corporation's financial performance and financial position.
- c) The financial results and financial position have been fairly presented.

BOARD COMMITTEES

2.3. Effectiveness of internal financial controls

Annually, the Committee approves an internal audit plan. The implementation of the audit plan by the Internal Audit Department enables the department to provide reasonable assurance to the Committee on the appropriateness of the design and the consistency of operation of key controls which management has put in place in the areas of financial reporting as well as operations. Significant weaknesses in key controls identified by the internal audit function, together with management comments thereon, are reported to the Committee at its quarterly meetings.

The Committee also reviews the external auditors' management letter, which also incorporates management's responses.

Based on these reviews, the Committee is satisfied that the Corporation's internal financial controls operated effectively throughout the financial year ended 31 March 2020 and can be relied upon.

2.4. Working relationship with the Internal Audit Department

In terms of the Internal Audit function, the Committee performs the following duties:

- a) It considers and recommends the Internal Audit Charter to the Board for approval.
- b) It approves the Internal Audit function's three - year audit plan.
- c) It approves the Internal Audit function's annual audit plan, which is derived from the three - year audit plan, subject to changes considered necessary in view of new and emerging risks.
- d) It monitors the Internal Audit function's adherence to the approved annual audit plan.

Furthermore, to reinforce the independence of the Internal Audit function, the Chief Audit Executive has direct access to the Committee, principally through its Chairman. During the year under review the Committee's Chairman met with the Chief Audit Executive quarterly in the absence of management.

2.5. Enterprise Risk Management

The Committee supports the Board's responsibility for risk management by advising on the Corporation's overall risk appetite, tolerance and strategy, current risk exposures and emerging risks. At its quarterly meetings, the Committee reviews updates from management on changes in the Corporation's risk exposure as well as the effectiveness of measures which the Corporation has put in place to address the strategic risks.

Management's reports also highlight emerging risks as well as the action plans which management has developed to manage such risks.

2.6. Management of Information Technology risks

During the year under review, the Committee considered a report produced by an independent consultant on the Corporation's management of Information Technology security risks, together with management's plan for addressing the identified risk exposures. Management provides quarterly updates on the implementation of the action plan.

2.7. Compliance with regulatory obligations

During the financial year under review the Committee considered and approved a compliance framework, which management started implementing immediately. The Committee will receive and consider reports from management on the implementation of the framework, so as to enable it to form an opinion of the effectiveness or otherwise of the framework.

2.8. Evaluation of the expertise and experience of the Corporation's Chief Finance Officer and the finance function

The Committee has satisfied itself that the Corporation's Chief Finance Officer possesses an appropriate level of expertise and experience to execute the designated functions of his position.

The Committee has also considered and has satisfied itself regarding the appropriateness of the expertise, experience, and adequacy of resources available in the finance function.

CHAIRMAN

The former Chairman of the Board, Mr Joseph Mosimane was an independent non-executive member as is the current Chairman, Ms Sithabile Mathe

The Chairman of the Board convenes and presides over meetings of the Board; ensures that the content and order of the Board agenda are appropriate; guides discussions of the Board to ensure that members are informed on the performance and sustainability of the business and are always furnished with relevant and appropriate information.

The Chairman also maintains regular dialogue with the General Manager over the performance of the business.

Remuneration of the Board

The remuneration of Board Members is determined by the Minister and during this reporting period proposals were made for a review of the Board members remuneration.

Currently the Board fees are:

Board Chairman: P2 250.00

Members: P1800.00

BOARD ATTENDANCE

NAME	BOARD	Finance & Audit Committee	Human Resource Committee	Tender Committee
Mr J. Mosimane Term: 1/9/2013-31/8/2016 1/9/2016-30/11/2019 Chairman:1/10/208-30/11/2019	4/7			
Ms S. Mathe Term: 1/8/2017-31/7/2021	10/11	4/7		5/5
Mr C. Marobela Term: 1/12/2016-30/11/2019; 01/12/2019-30/11/2023	10/11			6/6
Mr K. Kgabo Term: 1/12/2016-30/11/2019	0/7			
Mr.T. Kewakae Term: 1/12/2016-30/11/2019; 1/12/2019-30/11/2023	9/11	7/7	5/5	
Mr. R. Davies Term:1/8/2017-31/7/2020 01/08/2020-31/07/2024	10/11	6/7		
MS . O . Radira Term: 1/8/2017-31/7/2020 01/08/2024	8/11		5/5	1/1
Mr. B. Maifala Term: 1/10/2018-30/9/2021	9/11		5/5	
Mr B.Tekane Term: 1/10/2018-30/9/2021	9/11	7/7		
Mr B. Malatsi Term:1/12/2018--	6/11			4/6
Ms S. Garebatho Term: 1/12/2019-30/11/2022	4/5		2/2	
Ms S. Bantsi Term: 1/12/2019-30/11/2022	4/5	2/3		

BOARD EVALUATION

During the reporting period, an evaluation of the Board was carried out addressing four areas:

- Board Structure
- Timeliness of information to the Board
- Appropriateness of Board discussions/Information received.
- Board/Management dynamics.

An assessment of the Committees and Individual members was not conducted during the reporting period but is to be conducted during the 2020/2021 reporting period.

Board Secretary

The Board Secretary is also head of Legal Services and holds a Bachelor of Laws Degree (LLB).

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

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





CORPORATE GOVERNANCE COMPLIANCE

Below we state the applicable governance framework documents, set out against the relevant principles of the King III Code of Governance.

BHC COMPLIANCE WITH KING III

	Principle	Compliance with the principle
1	Ethical Leadership and Corporate Citizenship	
1.1	The board should provide effective leadership based on ethical foundation.	<p>The Board has approved a six-year strategy and had recently undertaken a mid-term review to determine whether the Corporation is on track and whether the strategy is still relevant.</p> <p>In developing the strategy the board undertakes a situational analysis using PESTEL and this takes account of the long and short term.</p> <p>The Board ensures that the Corporation has policies that direct the culture of the organization such that it carries out business ethically.</p> <p>Ref. the Business ethics Policy.</p>
	The Board's responsibility.	<p>The Board having approved the Corporation's Strategic plan, monitors and evaluates performance every quarter.</p> <p>The Board has approved the Corporate values and these are incorporated in the performance management system.</p> <p>Ref. also the Business Ethics Policy.</p> <p>The Board and Management recognize that for the Corporation to remain sustainable it must address the legitimate interests and expectations of its various stakeholders.</p> <p>Ref 8.3.1 Ref. the Communications Policy.</p>
	Ethical foundation.	<p>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.</p>
1.2	The Board should ensure that the company is and is seen to be a responsible corporate citizen.	<p>Ref 2.4 below</p> <p>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.</p> <p>The Corporation has a CSR programme and budgets for it annually.</p> <p>The Corporation has developed a CSR Policy.</p>

CORPORATE GOVERNANCE COMPLIANCE

BHC COMPLIANCE WITH KING III *(continued)*

<p>1.3</p>	<p>The Board should ensure that the company's ethics are managed effectively.</p>	<p>The Board has approved a Business Ethics Policy through which the Corporation drives its ethical corporate culture.</p> <p>Ref. Business Ethics Policy.</p> <p>The Policy has recently been reviewed and is to be workshopped corporate wide. Thereafter this will be monitored and measured.</p> <p>The Policy applies to both internal and external stakeholders.</p> <p>The Corporate Risk Register incorporates existing and emergent risks and this risk is included.</p>
<p>2</p>	<p style="text-align: center;">Board of Directors</p>	
<p>2.1</p>	<p>Board acts as focal point for and custodian of corporate governance.</p>	<p>BHC has a Board Charter in place which sets out the responsibilities of the board.</p> <p>The Board meets at least once a quarter and as and when required.</p> <p>BHC has a stakeholder engagement plan and carries out stakeholder engagement survey every 2 years.</p> <p>-The FAC 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.</p>
<p>2.2</p>	<p>The board should appreciate that strategy, risk, performance and sustainability are inseparable.</p>	<p>The Board participates in strategy formulation. The strategy takes account of the Corporations mandate and the long- term policies of government. It takes account of the risks facing the Corporation And this is reflected in the Corporate risk register.</p>
<p>2.3</p>	<p>The board should provide effective leadership based on an ethical foundation</p>	<p>The Board monitors the performance of the Corporation through quarterly meetings, taking account of the business relationships with internal and external stakeholders.</p>
<p>2.4</p>	<p>The board should ensure that the Corporation is and is seen to be a responsible corporate citizen.</p>	<p>The Corporation has a Corporate Social Responsibility program through which the Corporation engages in community projects as do staff at departmental team level.</p>

CORPORATE GOVERNANCE COMPLIANCE

BHC COMPLIANCE WITH KING III *(continued)*

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 is currently under review to incorporate developments around issues pertaining to Ethics and Governance. Monitoring and measurement of adherence to the Policy are yet to be undertaken.
2.6	The board should ensure that the company has an effective and independent audit committee.	The Corporation has an effective Audit Committee under the Finance and Audit Committee. At all ordinary meeting of the FAC reports on the independence of IA; progress on its audit plan whistle blowing report 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 apprised of the risks and how they are managed.
2.8	The board should be responsible for information technology governance.	An IT Security Review was carried out during the reporting period and issues on IT are reported on at the FAC.
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 a risk based internal audit. Annually the internal auditors base their plan on the strategic risk register. The CAE also regularly reviews the risk registers of various departments in order for the IA plan to respond to these.
2.11	The board should appreciate that stakeholders perceptions affect the companies 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 reviewed by the Finance 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 and Audit Committee quarterly reviews the effectiveness of the internal controls. The FAC 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.

CORPORATE GOVERNANCE COMPLIANCE

BHC COMPLIANCE WITH KING III *(continued)*

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) The role of the Chairman and the General Manager are separate and are not held by the same individual. The Chairman is an Independent member.
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. Levels of materiality are set out in the Board Charter and the BHC Act.
2.18	The board should compromise a balance of power with the majority of non-executive directors, 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; Internal Audit Executive; Director Risk and Compliance attend all Board meetings on invitation by the Board.
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.
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, 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.

CORPORATE GOVERNANCE COMPLIANCE

BHC COMPLIANCE WITH KING III *(continued)*

2.22	The evaluation of the Board, its committees and the individual directors should be performed every year.	During the reporting period a board evaluation was conducted and is reported on in this report. The evaluation of the Committees and individual members is still to be conducted.
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 were approved by the Board and the Committees were re-constituted during the reporting period. The Board and its Committees may take independent outside professional advice at the cost of the Corporation subject to an agreed process being followed.
2.25	Companies should remunerate directors and executives fairly and responsibly.	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 Infrastructure and Housing Development, 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 four – member Finance & 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.
3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors.	The Finance & Audit Committee is made up of 4 highly skilled members, 3 with finance background and 1 with IT background. The Board Chair is not a member of the Finance & 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.

CORPORATE GOVERNANCE COMPLIANCE

BHC COMPLIANCE WITH KING III *(continued)*

3	AUDIT COMMITTEES	
3.4	The audit committee should over-see integrated reporting.	The Finance & 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.	<p>Combined Assurance Model is not yet in place. It will be implemented over the next three financial years.</p> <p>The Finance & Audit Committee recommends the appointment of external auditors together with their proposed audit fees to the Board and reviews their proposed audit plan.</p>
3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.	The Finance & 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.	<p>The appointment of the Chief Audit Executive is approved by the Board, of which all Finance & Audit Committee members are members.</p> <p>However, the performance of the Chief Audit Executive is assessed by the Chief Executive Officer on a half yearly basis.</p> <p>The internal audit function will be subjected to an independent quality review in the 2021/2022 financial year and then at least once every five years thereafter.</p>
3.8	The audit committee should be an integral component of the risk management process.	The Finance & 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.	<p>The Finance & Audit Committee recommends the appointment of external auditors as well as their proposed remuneration to the Board for approval.</p> <p>The Finance & Audit Committee reviews and recommends the main terms of engagement of external auditors, including their term of office, remuneration and audit team composition.</p> <p>The Committee monitors external auditors' independence annually, when considering the audit plan for that year.</p> <p>The Committee receives and considers the external auditors' management letter when considering the adoption of the audited financial statements.</p>
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.

CORPORATE GOVERNANCE COMPLIANCE

BHC COMPLIANCE WITH KING III *(continued)*

4	THE GOVERNANCE OF RISK	
4.1	The board should be responsible for the governance of risk.	<p>4.1.1 The Corporation has developed a Risk Management Policy with a guiding framework.</p> <p>4.1.2 Risk and Compliance report is presented to the Board quarterly and the Board makes an effectiveness statement.</p> <p>4.1.3 Risk Governance is stated in the Board Charter.</p> <p>4.1.4 This is done and the Board is additionally trained on Governance Risk and Compliance through attendance of conferences.</p> <p>4.1.5 The Board's responsibility is stated in the Risk Management Policy.</p> <p>4.1.6 The risk management policy is approved by the Board.</p> <p>4.1.7 The Risk Management Policy has been shared throughout the Corporation.</p> <p>4.1.8 The Corporate Risk Plan is reviewed on a quarterly basis, and annually through the strategic review the Corporate risk profile is reviewed.</p> <p>4.1.9 This is monitored on a quarterly basis.</p>
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 and Audit Committee is responsible for Risk management monitoring and reports to the Board on the effectiveness of risk management.
4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan.	<p>The policy indicates the Board's responsibility as well as management's responsibility.</p> <p>The Organization has an officer responsible for risk management reporting to the Board being the Director – Risk and Compliance.</p>
4.5	The board should ensure that risk assessments are performed on a continual basis.	<p>The Board assures effectiveness of risk management in the organization.</p> <p>Risk assessments are conducted as per risk management plan and risks prioritized as guided by the Framework.</p> <p>The Board reviews the top ten risks as well as emerging risks on a quarterly basis.</p>
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.

CORPORATE GOVERNANCE COMPLIANCE

BHC COMPLIANCE WITH KING III *(continued)*

4	THE GOVERNANCE OF RISK	
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.
4.8	The board should ensure continual risk monitoring by management.	This is done on a quarterly basis.
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 FAC on the effectiveness of internal controls on a quarterly basis.
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.	<p>The board has overall authority on the Governance of IT, and at its quarterly sitting, IT issues are presented and reviewed.</p> <p>IT Policies and strategies are approved by the Board.</p> <p>COBIT Framework is adopted for IT Governance</p> <p>Annual IT Audit is carried out by audit firm, as a part of the Financial Audit.</p>
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.	<p>Management is responsible for implementation of all IT Processes, structures in accordance with the Governance Framework.</p> <p>There is an established Management Audit and Risk Committee which assists with the governance of IT.</p> <p>This committee is chaired by the CEO.</p> <p>IT is managed by the Head – Information Technology, whose qualifications and experience are aligned to the job profile.</p>
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.	<p>The Corporation has a Disaster Recovery Policy and Plan in place which is tested twice a year to ensure its effective.</p> <p>These are reported to the board on a quarterly basis.</p>

CORPORATE GOVERNANCE COMPLIANCE

BHC COMPLIANCE WITH KING III *(continued)*

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 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	
7.1	The board should ensure that there is an effective risk based internal audit.	<p>The Corporation has established an in-house internal audit function whose mandate includes:</p> <ul style="list-style-type: none"> a) Review of the Corporation's governance, risk management and control systems. b) Review of business processes and associated controls. <p>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.</p> <p>The internal audit function is guided by an Internal Audit Charter, which was approved by the Board.</p> <p>The Internal Audit function adheres to the Institute of Internal Auditors (IIA) standards and code of ethics.</p>

CORPORATE GOVERNANCE COMPLIANCE

BHC COMPLIANCE WITH KING III *(continued)*

<p>7.2</p>	<p>Internal audit should follow a risk based approach to its plan.</p>	<p>The internal audit function's audit plan is informed, mostly, by the Corporation's strategic risk register which, itself, is informed by the Corporation's strategy.</p> <p>a) The internal audit function reports functionally to the Finance & Audit Committee and administratively to the Chief Executive Officer.</p> <p>b) Execution of a strategic risk – informed audit plan results in the internal audit function providing assurance on risks that could affect strategy execution.</p> <p>c) Audit reports highlight the absence of or inadequately designed controls aimed at mitigating risks.</p> <p>Reports also opportunities for enhancing strategy realization.</p>
<p>7.3</p>	<p>Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management.</p>	<p>The Corporation has not yet implemented a Combined Assurance model. However, the Corporation intends to implement such a model over the next three financial years.</p> <p>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.</p> <p>The internal audit function does not currently provide a written statement to the Board giving an overall assessment of the Corporation's risk management and internal controls, including controls over financial reporting. This will be done going forward.</p>
<p>7.4</p>	<p>The audit committee should be responsible for overseeing internal audit.</p>	<p>a) The three – year and annual audit plans are approved by the Finance & Audit Committee.</p> <p>b) Currently, the Finance & Audit Committee does not formally evaluate the performance of the internal audit function. Going forward, a template for such an evaluation will be developed.</p> <p>c) Per the function's Quality Assurance & Improvement Programme, the function will undergo an external quality assessment at least once every five (5) years.</p> <p>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 & Audit Committee will be reviewed.</p> <p>The function reports to the Finance & Audit Committee at all the Committee's ordinary meetings.</p>

CORPORATE GOVERNANCE COMPLIANCE

BHC COMPLIANCE WITH KING III *(continued)*

7.5	Internal audit should be strategically positioned to achieve its objectives.	<p>a) The internal audit function reports functionally to the Finance & Audit Committee and administratively to the Chief Executive Officer.</p> <p>b) To further enhance the independence of the function, on a quarterly basis, the CAE meets with the Chairman of the Finance & Audit Committee in the absence of management.</p> <p>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).</p> <p>The internal audit function has got a Quality Assurance & Improvement Programme in place.</p>
8. GOVERNING STAKEHOLDER RELATIONSHIPS		
8.1	The board should appreciate that stakeholders' perceptions affect the company's reputation.	<p>During strategy planning, the Board and management identify important stakeholder groups and Management, when developing the Corporate and departmental scorecards, develop Stakeholder engagement plans.</p> <p>The Marketing and Communications department carry out annual perception surveys which are shared with the Board and remedial action is taken.</p>
8.2	The board should delegate to management to proactively deal with stakeholder relationships.	<p>Ref 8.1 above.</p> <p>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.</p>
8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.	<p>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.</p>
8.4	Companies should ensure the equitable treatment of shareholders.	BHC is wholly owned by the Botswana Government.

CORPORATE GOVERNANCE COMPLIANCE

BHC COMPLIANCE WITH KING III *(continued)*

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
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	
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 FAC reviews the integrated report as well as the external auditors to ensure that it contains reliable information.



GOVERNANCE

BOARD STRUCTURE

THE BOARD

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

- **General oversight of all aspects of the business**

Committees of the Board: assist the Board to discharge its responsibilities in relation to:

- **Audit and Risk**

The FAC is responsible to assist the Board in fulfilling its obligations and oversight responsibilities relating to financial planning, the audit process, financial reporting, IT governance, the system of corporate controls and risk management, and when required, to make recommendations to the full Board for approval.

- **Human Resource**

The overall role of the Human Resource Committee is to provide policy guidance on the employment, development and terms and conditions of the Corporation's human resources in respect of, but not limited to the development and implementation of staffing policies, procedures and practice in respect of staff appointments and promotions, staff development, staff welfare and industrial relations and employee remuneration.

- **Board Tender Committee**

The purpose of the Board Tender Committee (BTC) is to approve; ensure that there is fairness and efficiency in the process of procurement of works, services and suppliers as well as to ensure transparency in the award of contracts.

All the Board Committees have Charters which sets out their composition and responsibilities.

Management under the leadership of the General Manager develops policies and procedures as well as the Risk Management framework and recommends these to the board for its consideration and approval.

CORPORATE VALUES

These inform the behaviour and conduct of all employees across the Corporation.

In addition to the Corporate Values, employees are also guided by the Business Ethics Policy.

In terms of this policy, employees are expected to act lawfully, honestly, ethically and in the best interests of the Corporation in performing their duties.

BOTHO



Dignified, humane and respectful service

EXCELLENCE



Service with distinction, timeliness

INNOVATION



Providing creative housing solutions

TRANSPARENCY



Honesty and accountability

TEAMWORK



A unified team spirit working for a common purpose

GOVERNANCE

RESPONSIBILITIES OF THE BOARD

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

- General oversight of all aspects of the business.
- Determining the Corporation's purpose, policies and values, and monitoring compliance with them.
- Determining, appraising and approving the Corporation's corporate and business strategy and monitoring their implementation.
- Appraising and approving major management initiatives, resource allocations, capital investments and divestments.
- Ensuring that risk management systems and procedures are in place to protect the Corporation's assets and reputation.
- Approving staff compensation strategy.
- Reviewing social responsibility strategies and policies.
- Awareness, understanding and compliance with the underlying principles of Good Governance.
- Ensuring ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles, and the Corporation's own governing documents and codes of conduct.
- Reporting annually to the Minister and Parliament on all aspects of the Corporation's performance, amongst others.
- The Board determines strategic direction, approves policy and planning, oversees and monitors the performance of the organization and ensures accountability.

DELEGATION OF AUTHORITY

In terms of Sections 11(2); 13(3) and 15(1) of the Act, the Board delegates:

- (1) The direction, administration and organization of the business of the Corporation and the employees of the Corporation.
- (2) Signature of documents made by and all other decisions of the Corporation.
- (3) Powers to contract to management under the leadership of the General Manager.

Management is accountable to the Board for the discharge of this delegated authority and acts within the limits on that authority.

The Senior Leadership Team (SLT), consisting of the General Manager, Deputy General Managers (Operations and Corporate Services respectively) and Departmental Heads are engaged on 3-5 year contracts, renewable for a further period of three years based on performance which is evaluated bi-annually.

The Heads of Department (HODs) performance is evaluated by the Deputy General Managers (DGMs), with Operations and support services reporting to the two DGMs, whilst Risk and Compliance; Marketing and Communications, Legal Services and Board Secretarial and Internal Audit report to the General Manager.

The performance of the General Manager is undertaken by the Chairman of the Board.

Training plans for individual officers are informed by the performance evaluation results as are remuneration increments.

The budgets for training and personnel development plans are approved by the Board, based on the recommendation of the Human Resource Committee.

The BHC Board consists of ten members who are, subject to any special or general directions of the Minister, responsible for the overall direction of the affairs of the Corporation, and for such other matters as may be specified in the BHC Act. 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 and ensures that the appointment of not more than one third of the members expire in any one year.

When making appointments to the Board, the Minister takes cognizance of gender balance on the Board and the skills required for carrying out the strategic direction of the Corporation.

In 2019 the competency requirements of the Board were reassessed upon the retirement of two Board members, Messieurs Mosimane and Kgabo.

The two members were replaced by two women directors bringing the number of women on the Board to four.

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

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

Between April and November 2019, seven members of the Board were independent non-executive members which is intended to establish a clear divide between execution of the strategy by management and the oversight function of the Board.

RISK MANAGEMENT

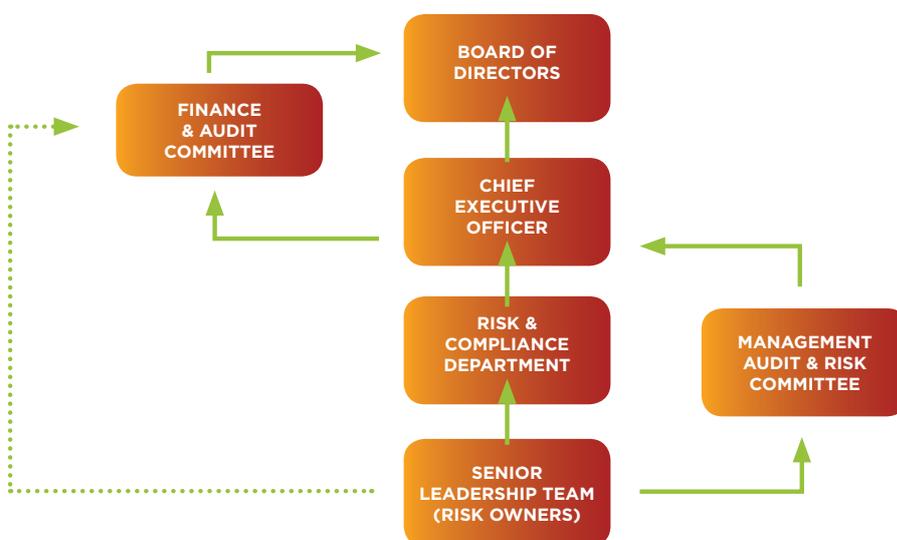
1. RISK AND COMPLIANCE MANAGEMENT OVERVIEW

Good governance starts at the top level of leadership of the entity. Through Enterprise Risk Management as part of risk governance, the Corporation has set the tone for a culture that filters down to all business processes for achievement of strategic objectives.

To achieve high standards of risk governance the Corporation has set out an effective enterprise risk management framework, which is essential in delivering consistent and sustainable performance for all our stakeholders and is therefore central part of strategic and operational management of the Corporation. The Corporation has continued to deliver value to all stakeholders through the strengthened risk governance activities in the financial year. A new management level, Management Audit and Risk Committee was established in the year to enhance oversight of risk management throughout the Corporation.

2. RISK GOVERNANCE

2.1. GOVERNANCE FRAMEWORK



1st Line of Defence	The Corporation management has continuously been accountable and responsible for the management of risk performance. Management monitors and reviews the risk control action plans.
2nd Line of Defence	The Risk and Compliance Department provides guidance, advice and expert opinion in all key risk-related issues as an independent line of defence.
3rd Line of Defence	Internal Audit gives assurance to the adequacy and effectiveness of the overall enterprise risk management framework and controls in place.

The Board of Directors and Finance and Audit Committee has 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 meetings on the risk environment and profile of the Corporation.

2.2. RISK CULTURE

The Corporation recognises that effective risk management requires commitment to an appropriate risk culture. In order to build the required risk culture, the Corporation intensified risk management awareness activities by ensuring Risk Owners were provided with training and workshops to ensure risk management process are effectively implemented.

2.3. RISK MANAGEMENT PROCESSES

The Corporation adopted the ISO 31000 risk management standard principles and framework. The Corporation conducts risk assessments at strategic and operational level to identify risks facing the organisation. Upon completion of the risk assessments, the Corporation adopts risk mitigation strategies to manage the risk and regularly monitor and review the risks. The risk management process is presented below as adopted from the ISO 31000.

RISK MANAGEMENT



(Adapted from the ISO 31000 standard risk management framework)

3. CORPORATE RISK PROFILE

3.1 LOW SALES

The Corporation is highly exposed to the risk of low house sales. This is because of delayed delivery of projects due to delays in utility connections to the completed properties. Currently regulated low rentals charged on the rental portfolio has also affected house sales as customers opt to pay low rentals than mortgage instalment. The unfavourable bank lending ratios and criteria in some areas across the country are affecting the sales.

However, the market has been enjoying low rates on interests, which were reviewed again this financial year. This has allowed prospective customers to access mortgage finance which has led to an improved sales performance. The Corporation intensified marketing activities which has resulted in the reduction of the risk, with the Corporation closing the financial year exceeding its sales target.

3.2 INADEQUATE PROJECT MANAGEMENT CONTROLS

Delivery of projects within time has been a major challenge to the Corporation in the financial year under review. This could result in costs escalation beyond initial estimates and affect the budgeted sales. Projects are undertaken based on a demand survey; therefore, delayed projects could affect sales due to the economic forces that could lead to market changes.

In reducing the risk, the Corporation has continuously developed project management teams through various project management training to enhance their skills. In addition, efforts in stakeholder engagement has improved the turnaround time in utility connections which has translated into improved projects delivery. The Corporation has made Project Risk Management an integral part of project implementation. Through the development of the Quality Management System, project implementation processes have been enhanced.

3.3 INCREASING CONSTRUCTION COSTS

Increasing construction costs continue to be a challenge for the Corporation and it is anticipated that this risk will persist due to the impact of the covid-19 pandemic. High utility costs and material price increases are amongst the causes of this risk. In an effort to manage the risk, the Corporation engages with its stakeholders in an effort to reduce costs associated with infrastructure development. Further, BHC is exploring the use of alternative technologies in projects to minimize building costs.

3.4 DELAYS IN UTILITIES CONNECTIONS

Connection of utilities is a key component to completion of housing units. Mitigations such as early and continuous engagement of stakeholders are being implemented by the Corporation to reduce the delays associated with this risk.

3.5 FRAUD AND CORRUPTION

The Corporation is exposed to fraud and corruption risks, and as such has put in place mitigations to monitor and reduce this risk. Regular fraud and corruption awareness workshops are being undertaken as well as periodic audits of projects. The Corporation has in place other detective mechanisms such as the whistle blowing or hot line facility for staff to confidentially report any suspected fraud and corruption activities.

3.6 CYBER SECURITY

The BHC is at risk of cyber security risks attributed to system hacking and data security breaches. In the event that this risk materializes, the Corporation could be exposed to business continuity risks, thereby disrupting critical business operations which may result in a loss of planned revenue. The Disaster Recovery Plan is in place and continuously monitored to manage cyber risks.

4. COMPLIANCE

The Corporation is exposed to uncertainty and increasing and complex regulatory requirements. Therefore, the Corporation is subject to numerous laws and regulations which govern the operations. BHC has to adhere to a wide range of legislation that influence governance. In order to enhance compliance, the Corporation developed a Compliance Management Policy, supported by the compliance universe both approved in 2019 and full implementation expected to start in the 2020/2021 financial year.

5. SAFETY, HEALTH, ENVIRONMENT AND QUALITY

Botswana Housing Corporation's commitment to Safety, Health and Environment is enshrined in its Safety, Health and Environment (SHE) Policy which was approved and started being implemented in August 2019. Through the Policy, the Corporation undertook to safeguard as far as practically reasonable, all employees against injury, and unhealthy conditions as well as pollution of the environment that could be attributed to the Corporation's activities. The Policy intends to achieve and maintain excellence in SHE for the benefit of employees, customers, service providers, contractors, the community, and the environment.

RISK MANAGEMENT

5.1 HEALTH

The Corporation believes that its employees are a resource that is required to drive work to achieve its objectives and hence its mandate. For the objectives to be effectively achieved, all human resource always has to be healthy and their wellbeing upkept. In efforts to ensure the wellbeing of human resources, the Corporation's Wellness Committee drives programmes that seek to improve the health and wellbeing of employees, focussing on the physical, emotional, financial, social, occupational, intellectual and environmental.

5.2 SAFETY

For the year 2019/2020, the Corporation started implementing established procedures in BHC offices, focusing on Emergency Preparedness and Response, Housekeeping, Environmental Pollution as well as Job Safety Risk Analysis and Mitigation. The Corporation established an Emergency Response Team, which comprises of SHE representatives (also Wellness Representatives), First Aiders and Fire Marshals. The team underwent professional training and induction to equip them with the requisite knowledge and skills to drive the SHE objectives.

In order to comply with Waste Management Act and Pollution Control Act, the Corporation has made arrangements to deal with waste that it produces from its operations. All these were done to fulfil the Corporation's undertaking to comply with all requisite statutory requirements as stipulated in the BHC SHE Policy.

As BHC is in the business of construction, Safety, Health and Environment is of paramount importance in construction projects. This is in view of the probable delays that may be caused by injuries and non-compliance to regulatory requirements issues. All these risks are highly regarded and addressed accordingly. BHC developed a procedure for contractor management aimed at guiding contractors on aspects of SHE and ensure adherence to the provisions set out in the framework. Monitoring of adherence was carried out through regular inspections which culminated in recommendations for continual improvement.

5.3 QUALITY MANAGEMENT SYSTEM

The Corporation started implementing a Quality Management System (QMS) according to the requirements of ISO 9001:2015 standard during Quarter 2 of the year. The system seeks to achieve consistent implementation of documented and controlled processes.

In an endeavour to ensure the system brings about the desired results, BHC has applied for ISO 9001:2015 certification. Once the system is certified and fully implemented, the Corporation will accrue the following benefits:

- Systematic process approach
- Optimization of resources
- Efficiency and effectiveness
- Increased customer satisfaction

6. RESPONSE TO THE COVID-19 PANDEMIC

The World Health Organisation declared COVID-19 a pandemic on the 11th March 2020 and this escalated economic pressure in the last month of the financial year. Different countries started implementing restrictions, including lockdown to mitigate the spread of the virus. The local economy not being immune to the external shocks from other markets, the key revenue earner, diamonds experienced a decline in the market.

The Government of Botswana in the month of April 2020, declared a lockdown as a way of containing and/or delaying the spread of the virus. These actions taken in response to COVID 19 resulted in significant disruption to the Corporation operations, and a significant increase in the economy uncertainty.

In response to the COVID-19 pandemic, the Corporation established the COVID-19 Response Committee in February 2020 to coordinate all COVID related activities. The Corporation conducted the risk and business impact to inform appropriate response action in readiness to the effects of the pandemic to business and operations. The Corporation acknowledged that the major revenue streams of the Corporation will be impacted, being house sales, rental portfolio, third party maintenance and professional fees from project implementation. In light of these the Corporation had to do the following in response:

- Review the Initial Strategic Plan of year 2020/21, set priorities and identify opportunities.
- Revise the budget for the Financial year 2020/21 by aligning to the reviewed strategic plan.
- Review the Project development plan, by setting priorities for the financial year 2020/21.
- Considered the business impact and developed cash flow projections taking into account continuity related projections. In addition, impairments, and post COVID-19 balance sheets was considered.

In addition to the above the Corporation developed a COVID-19 operational plan which was addressing stakeholder related issues, health and safety of staff, continuity of business operations and customers. The Corporation fully embraced remote working (working from home) and took full advantage of the information technologies like virtual meeting platforms available to facilitate business continuity and resilience.

The Corporation also developed COVID-19 guidelines for employees and COVID-19 procedures for projects to enhance compliance to COVID-19 protocols. In light of the above, the Corporation has remained resilient and a going concern.

INTERNAL AUDIT

a) Establishment of an internal audit function

In line with international best practice in corporate governance, the Corporation has established an independent internal audit function, which provides assurance to both the Board and management on the design and operation of key controls, including controls over the risk and governance processes.

b) Independence of the audit function

To ensure that its independence is maintained, the internal audit function reports functionally to the Board through the Board's Finance and Audit Committee and, administratively, to the Chief Executive Officer.

Furthermore, the Chief Audit Executive, who is the head of the internal audit function, meets quarterly with the Chairman of the Finance & Audit Committee in the absence of management.

On a quarterly basis, the Chief Audit Executive confirms to the Board the independence of the internal audit function over the preceding three months.

c) Internal audit function's responsibility

The internal audit function is responsible for:

- i. Providing assurance to both the Board and management on the effective design and operation of internal controls in key areas of the Corporation's business;
- ii. Providing consultancy services to both the Board and management upon request and;
- iii. Investigating suspected improprieties.

d) Internal audit's workplan

In line with international best practice, the internal audit function follows a risk – based audit approach in coming up with an audit plan for its assurance work. Assurance work is focused on identifying and testing key controls that are aimed at increasing the likelihood of the Corporation achieving its strategic objectives.

The focus areas of the workplan are influenced mainly by the Corporation's strategic risk register, as this enables the internal audit function to leverage on what the Board and management consider to be the key risks that could affect the delivery of the Corporation's strategy.

The internal audit function's workplan is approved annually by the Corporation's Finance & Audit Committee.

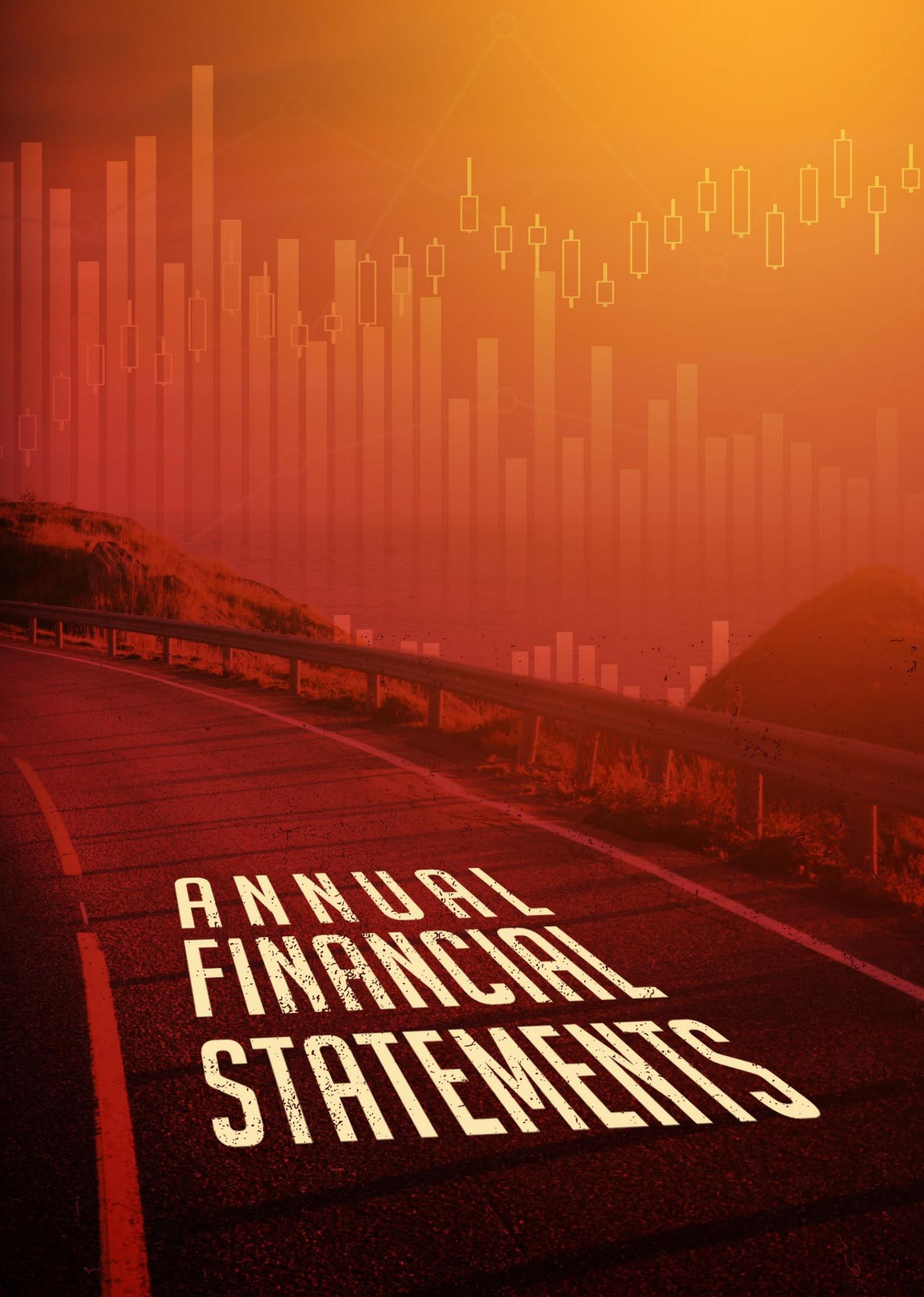
To enable the internal audit function to carry out its duties effectively, the Board, through the Internal Audit Charter, has granted the function unrestricted access to all the Corporation's personnel, assets and records.

e) Quality Assurance & Improvement Programme

In line with the requirements of internal auditing standards issued by the Institute of Internal Auditors, and the King III Code of Corporate Governance, the internal audit function has developed a Quality Assurance and Improvement Programme. The objectives of the programme are to:

- I. Ensure compliance to internal auditing standards;
- II. Ensure compliance to the code of ethics;
- III. Ensure quality and consistency in the management of the audit function as well as the execution of individual audit engagements;
- IV. Ensure development of internal audit staff through continuous feedback as well as engagement in continuing professional development activities;
- V. Ensure continuous improvement in service delivery through seeking and receiving feedback from stakeholders on service rendered as well as periodic self – assessment and external assessment.



The image features a road winding through a landscape, overlaid with a financial chart. The chart consists of vertical bars and candlestick patterns, rendered in a golden-yellow color against a dark orange background. The road is paved and has a white line marking. The overall scene is bathed in a warm, golden light, suggesting a sunrise or sunset. The text 'ANNUAL FINANCIAL STATEMENTS' is written in large, bold, white letters on the road surface.

ANNUAL FINANCIAL STATEMENTS

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BHC DIRECTORS' REPORT

for the year ended 31 March 2020

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 2020.

GENERAL INFORMATION

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

BUSINESS

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

REVIEW OF CORPORATION'S FINANCIAL POSITION AND RESULTS

"The Corporation's financial position and results are reflected in the financial statements set out on pages 11 to 60. The Corporation realised a profit before taxation of P53,851,000 (2019: P21,826,000)."

BHC DIRECTORS' REPORT *(continued)* *(for the year ended 31 March 2020)*

MEMBERS OF THE BOARD

Ms. S Mathe	Chairperson
Mr B. Maifala	Deputy Chairperson
Mr. T Kewakae	
Mr. C Marobela	
Ms. S Radira	
Mr. R Davies	
Mr B. Tekane	
Mr B. Malatsi	
Ms S Bantsi	Appointed December 2019
Ms S Makepe-Garebatho	Appointed December 2019
Mr. J Mosimane	Retired November 2019
Mr. K Kgabo	Retired November 2019

SENIOR LEADERSHIP TEAM

Mr. R Motswaiso	Chief Executive Officer
Mr. N Matenge	Deputy Chief Executive Officer (Operations)
Ms. P Sefawe	Deputy Chief Executive Officer (Corporate Services)
Mr. B Nkhumisang	Director Property Development
Mr. S Ramahobo	Director Human Capital and Administration
Mr. R Chilisa	Director Risk and Compliance
Mr. D Kgamanyane	Chief Finance Officer
Ms. E Galeforolwe	Head Legal and Board Secretariat
Mr. K Khimbele	Regional Director- South
Ms. B Mtonga	Regional Director - North
Ms. S Chabata	Head Information Technology
Mr. Y Mukonde	Chief Audit Executive
Mr. G Zimona	Head Marketing and Communications
Mr. N Ofetotse	Head Property Quality Assurance
Mr. O Seitshiro	Head Facilities Management
Mr. T Thupa	Head Strategy, Planning and Policy

REGISTERED OFFICE

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

INDEPENDENT AUDITORS

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

BANKERS AND INVESTMENT MANAGERS

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

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.

"On 11 March 2020, the World Health Organization declared the Coronavirus COVID-19 outbreak a global pandemic. This situation continues to advance and is being monitored with various corrective and preventive measures as detailed below:

- Requiring self-isolation quarantine by those potentially affected,
- Implementing social distancing measures, and
- Controlling or closing borders and "locking-down" cities/regions or even entire countries

"The Corporation closed its offices on 2nd April 2020 and implemented a remote working arrangement for its employees whilst all managers and staff on critical operations were treated as essential staff and kept on reporting for duty. There has thus far been minimal impact on operational outputs as the team continued to execute on their duties, both on the finance and administration side. Construction projects were put on hold to adhere to the lockdown regulations. While the pandemic has affected businesses across the spectrum, direct impact on the Corporation's operations has not been significant."

The pandemic is an extraordinary challenge for humanity and for the economy globally, and at the date of finalization of the financial statements its effects are subject to significant levels of uncertainty. The critical judgement and evaluation that management made is whether and, if so, what event in this series of events provides evidence of the condition that existed at the end of the reporting period for the Corporation's activities or its assets and liabilities. When making this judgement, the Corporation took into consideration all available information about the nature and the timeline of the outbreak and measures already taken.

Management has assessed whether the event is adjusting or non-adjusting and has concluded that the cause of the shut down in the series of events that led to the shutdown is not the outbreak itself, but rather the measure taken by the government after the reporting date. As a result, the event is considered a non-adjusting event and cannot be reflected in the Corporation's assets and liabilities as at 31 March 2020.

Though management has concluded that the event is a non-adjusting event, the impact of this non-adjusting event will be material on the rent receivables, sales revenue and capital development projects for the next twelve months. These will impact the Corporation's cashflows for the next financial year. The Corporation disclosed the nature of the event and an estimate of its financial effect. The impact of the corona virus will be closely monitored, the Corporation has undertaken a variety of measures like the revision of its budgets, cashflow forecasts, annual plan and implemented contingency plans to mitigate the negative impact of the COVID-19 pandemic. The response plan covers operational and credit risk responses to ensure that the Corporation will be able to operate and service clients. Considering the above, management has re-assessed the appropriateness of the use of the going concern assumption in the preparation of these financial statements.

After year end the Corporation revised its budgets for 2020-2021 to reflect the probable impact of the pandemic. The Corporation revised its assumptions used to draw the initial budget for 2020-2021 financial year. The lockdown was assumed to last the entire first quarter with full economic activity assumed to resume by second quarter.

The Corporation revised its major revenue streams budget and the following were considered with the corresponding assumptions.

SALES REVENUE

Sales revenue budget for the next twelve months from year end was revised downwards by almost P50 million in anticipation of reduced demand by the Corporations customers impacted by the effects of the pandemic. Government and its related entities are anticipated to prioritise their spending as they divert some of their funds to respond to the challenges of the pandemic. Lending institutions are expected to reduce their lending in their attempt to preserve liquidity and avoid high levels of impairments. The Government is expected to use the central bank lending rate to stimulate the local economy by encouraging consumption. The central bank, through its Monetary Policy Committee reduced the bank lending rate by 50 basis points in April 2020.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue for the next twelve months was not revised as management adjudged that there will be minimal impact on this revenue stream.

REVENUE FROM THIRD PARTY CONTRACTS AND FACILITIES MANAGEMENT

Budget for these revenues were not revised as advance payments were received for services to be rendered in the next twelve months. The customers for this revenue stream are government related entities.

DEVELOPMENT PROJECTS

The development budget was revised with a view to prioritise projects and only start projects whose viability is most certain and are perceived attractive to buyers. The development budget was also prioritised to ease pressure on the Corporation's cashflows to ensure preservation of cash.

The initial approved projects budget was P400,174million. The budget has been revised down to P287,916 million for the remainder of the financial year 2020/21. The reduction in the budget is due to some projects being deferred and others reduced because of the slowdown caused by the lockdown.

Since the housing market already appeared sluggish and may be worsened by the impact of COVID-19, in the review, it was decided that only projects that will be easily absorbed by the market be embarked on. In this respect, the Corporation mainly deferred and scaled down projects in the North region since there are already available housing units either for sale or rental."

VALUATION OF PROPERTY INVENTORIES AND INVESTMENT PROPERTIES

The Corporation concluded that the property values will not move significantly in the next 12 months as property values are anticipated not to respond immediately to the economic movements brought about by the impacts of the pandemic.

IMPAIRMENT OF RECEIVABLES

Rental impairment was approved at P1.4 million. This amount has been revised to P10.6 million representing a P9.2 million increase on the approved budget. This is influenced by the anticipated rental defaults emanating from the portfolio occupied by private clients and SMMEs. It is assumed that during the first 6 months which includes 3 months of complete lockdown many private clients and SMME will default on their monthly rental payments at a higher magnitude. This is anticipated to improve on the last 6 months though not normalizing. The rate of default for the first 6 months is assumed to be around 20% for those clients paying through direct debits and 35% for cash and stop-order. This rate is assumed to change to a better rate of 15 and 25 percent respectively beyond the first 6 months. These rates will be reviewed by management from time to time as things start to unfold.

CASHFLOW FORECAST

The cashflow forecast was revised for 2020 - 2021 financial year to reflect the impact of COVID-19 mainly driven by the revision in revenue budgets and expenditure budgets.

Net cash inflows from operating activities for the Corporation are forecasted to be P198 million. The major components for receipts are sales revenue at P231 million and rental revenue at P183 million. Sales proceeds have been discounted by 15% for cash flow purposes to cater for possibilities of some cash not coming through by the end of the financial year. Cash outflows amount to P618 million comprising: project payments of P255 million and operating expenditure of P363 million. Projects payments have been discounted by 10% to account for some delays in projects starts. The result is a closing net cash position of P175 million.

The forecast cashflow was prepared on the assumption that the lockdown would persist for the first quarter and thereafter business activity will normalise to the end of the financial year. Management will continue to monitor the situation and adjust its forecasts as appropriate. For the remainder of the year, Management will prioritise its activities and endeavor to preserve cash to ensure adequate liquidity within the business.

Based on the assessment performed, management is of the view that the significant doubt associated with the current uncertainties related to the Covid-19 virus will adversely impact its operations but will not cast significant doubt on the Corporation's ability to continue as a going concern. The directors agree with this assessment.

BHC DIRECTORS' RESPONSIBILITY STATEMENT

(for the year ended 31 March 2020)

"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 2020 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)."

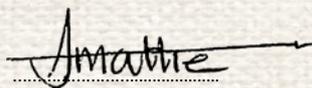
The Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error and for maintaining adequate accounting records and an effective system of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

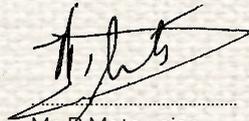
The Auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

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 **7 August 2020** and are signed on their behalf by:



Ms. S. Mathe
Chairperson



Mr. R. Motswaiso
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BOTSWANA HOUSING CORPORATION



Firm of Chartered Accountants
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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS 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 11 to 60, which comprise the statement of financial position as at 31 March 2020, 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 significant 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 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Botswana Housing Corporation Act (CAP 74:03).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of the Corporation and in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of the Corporation and 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BOTSWANA HOUSING CORPORATION

Key Audit Matter	How the matter was addressed in the audit
<p>Valuation of Inventories</p> <p>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.</p> <p>The Corporation held inventories of P648 million as at 31 March 2020 (2019: P839 million). The Corporation's inventory consists of land for development, housing under construction and completed houses. These are all measured at the lower of cost or net realisable value (NPVJ)</p> <p>Costs Incurred in Housing Projects</p> <p>The calculation of costs associated with the construction of housing units comprises a critical component in determining the value of housing inventories and investment properties.</p> <p>The cost of housing units includes both direct construction costs and indirect costs incurred in the construction of these 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.</p> <p>Significant audit attention and time was involved discussing the different methods used by management in calculating the indirect costs as well as allocating these costs to the respective projects the Corporation was involved in during the year.</p> <p>Net Realisable Values of Inventories</p> <p>The Corporation calculates the selling prices of housing inventories based on the costs incurred in completing the projects. The Corporation estimates the NRV of housing units at the commencement of the project based on the estimated costs to be incurred in completing the project plus a margin and reevaluates the NRV on a continuous basis considering the costs incurred to date, estimated costs to completion and any changes in market conditions. The estimation and continuous evaluation of NRV associated with the Corporation's projects involve significant judgements due to following:</p> <ul style="list-style-type: none"> • Lack of comparable selling prices obtained for similar housing units due to the nature of the Corporation's projects, • The actual NRV of the housing units may be different from the estimated NRV determined at the commencement of the project as the actual NRV is only realised once the housing units are available for sale and the housing projects normally take a considerable amount of time to complete, 	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • We evaluated the operating effectiveness of the internal controls over the allocation of direct construction and indirect costs to the appropriate projects. • We selected a sample of direct construction costs and inspected the supporting documents to inspect whether these costs were accurately processed and allocated to the respective projects. • We selected a sample of indirect costs and inspected the supporting calculations and documents to inspect whether these costs were accurately calculated and allocated to the respective projects using appropriate allocation methods. • We selected a sample of housing units transferred from housing inventories to investment properties to assess the costs associated in the completion of these housing units as to whether they were accurately calculated and transferred to investment properties. • We assessed the competency of management experts involved in estimating the costs and NRV of projects with reference to their professional qualifications and affiliations. • We evaluated the judgements involved in calculating and assessing the NRV of the Corporation's housing inventory by: <ul style="list-style-type: none"> • Comparing the selling prices of housing inventories to the most recent historical or comparable sales; • Corroborating the estimated costs to complete projects to signed contracts, recent or actual costs incurred and costs incurred subsequent to the reporting date; • Assessing the historical accuracy of cost and NRV estimates calculated by the Corporation by comparing these to the actual costs and selling prices realised; • Comparing the selling prices to actual prices obtained for these properties subsequent to the reporting date; • Assessing 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 NRV on housing inventories is realised. • We assessed the adequacy of the financial statement disclosures in accordance with IAS 2 Inventories.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BOTSWANA HOUSING CORPORATION

Key Audit Matter	How the matter was addressed in the audit
<ul style="list-style-type: none">• Changes in market conditions over the construction period, and• The Corporation's ability to keep housing units until estimated NRV is realised on the sale of housing units. <p>The audit team had to perform additional audit procedures around the judgements involved in determining whether the Corporation will be able to achieve the estimated Net Realisable Value on projects once completed, or has the ability to hold completed units until the Net Realisable Values on completed projects can be realised. This resulted in additional audit effort and attention and is therefore considered a key audit matter.</p> <p>The disclosures related to Inventory are presented in Note 16 of the financial statements</p>	

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 60-page document titled "Botswana Housing Corporation Annual financial Statements for the year ended 31 March 2020" which includes the Directors' Report as required by the Botswana Housing Act (CAP 74:03), 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 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 intend 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BOTSWANA HOUSING CORPORATION

Auditor's Responsibilities to 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.
- 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 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 74:03s ("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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BOTSWANA HOUSING CORPORATION

Other Matter

The financial statements of the Corporation for the year ended 31 March 2019, were audited by another auditor who expressed an unmodified opinion on those financial statements on 16 December 2019.

Ernst + Young
Ernst & Young

Practicing Member: Francois Roos Partner

Certified Auditor

Membership number: 20010078 Gaborone

11 September 2020

BHC STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(for the year ended 31 March 2020)

	Note	2020 P'000	2019 P'000
Revenue and rental income	6.	880,462	510,634
Cost of sale of housing inventories	7.	(302,624)	(51,071)
Cost of sale of construction and management contracts	7.	(265,961)	(204,430)
Repairs and maintenance		(48,618)	(38,722)
Employee benefit expenses	8.	(141,203)	(132,048)
Depreciation and amortisation	9.	(25,832)	(26,671)
Other expenses	10.	(73,300)	(75,945)
Impairment (expense) / reversal	10.	(1,565)	930
Other income	11.	433	2,584
Gains from sale of investment properties	12.	28,843	17,741
Operating profit		50,635	3,002
Finance income	13.	1,408	4,662
Finance costs	14.	(11,950)	(106)
Net finance (costs) / income		(10,542)	4,556
Share of profit or loss of equity accounted investees of joint ventures	19.	13,758	14,268
Profit before taxation		53,851	21,826
Taxation	20.	(4,512)	(5,063)
Profit for the year		49,339	16,763
Other comprehensive income		-	-
Total comprehensive income for the year		49,339	16,763

BHC STATEMENT OF FINANCIAL POSITION

(as at 31 March 2020)

	Note	2020 P'000	44,102.00 P'000
Assets			
Non-current assets			
Investment properties	15.	1,330,608	1,225,645
Property, plant and equipment	17.	56,803	57,266
Intangible assets	18.	19,128	20,467
Investments in joint ventures	19.	14,998	27,400
Right of use asset	25.	15,190	-
Trade and other receivables	22.	11,324	8,949
Deferred tax asset	21.	2,486	1,693
Total non-current assets		1,450,537	1,341,420
Current assets			
Housing inventories	16.	647,795	838,902
Taxation refundable	20.	5,775	6,326
Trade and other receivables	22.	71,303	106,077
Cash and cash equivalents	23.	1,183,548	1,091,022
Total current assets		1,908,421	2,042,327
Total assets		3,358,958	3,383,747
Equity and liabilities			
Capital and reserves			
Irredeemable capital	24.	250,000	250,000
Retained earnings		1,280,946	1,231,607
Total equity		1,530,946	1,481,607
Non-current liabilities			
Long term deferred government revenue grant	26.	32,963	39,759
Long term borrowings	26.	535,520	661,502
Long term lease liabilities	25.	9,308	-
Total non-current liabilities		577,791	701,261
Current liabilities			
Trade and other payables	27.	220,804	237,681
Short term portion of lease liabilities	25.	6,683	-
Contract liabilities	28.	816,709	870,032
Deferred income	28.1	42,919	25,210
Short term portion of deferred government revenue grant	26.	6,797	7,297
Short term portion of borrowings	26.	141,123	44,080
Customer deposits	29.	15,186	16,579
Total current liabilities		1,250,221	1,200,879
Total equity and liabilities		3,358,958	3,383,747

BHC STATEMENT OF CHANGES IN EQUITY

(as at 31 March 2020)

	Irredeemable capital	Retained earnings	Total
	P'000	P'000	P'000
Balance as at 01 April 2018	250,000	1,222,287	1,472,287
Effect of adoption of new IFRS	-	(7,443)	(7,443)
IFRS 9 adjustment for credit losses	-	(9,542)	(9,542)
Deferred tax thereof	-	2,099	2,099
Restated balance as at 1 April 2018	250,000	1,214,844	1,464,844
Comprehensive income			
Profit for the year	-	16,763	16,763
Transfer to retained earnings	-	-	-
Total comprehensive income	-	16,763	16,763
Balance as at 31 March 2019	250,000	1,231,607	1,481,607
Balance as at 01 April 2019	250,000	1,231,607	1,481,607
Comprehensive income			
Profit for the year	-	49,339	49,339
Total comprehensive income	-	49,339	49,339
Balance as at 31 March 2020	250,000	1,280,946	1,530,946

BHC STATEMENT OF STATEMENT OF CASH FLOWS

(as at 31 March 2020)

	Note	2020 P'000	2019 P'000
Cash flows from operating activities			
Net cash from / (utilised in) operating activities	30.	159,187	(202,231)
Taxation paid	20.	(11,080)	(20,113)
Taxation refund	20.	6,326	-
Net cash generated from / (utilised in) operating activities		154,433	(222,344)
Cash flows from investing activities			
Acquisition of property, plant and equipment	17.	(6,272)	(10,920)
Acquisition of intangible assets	18.	(2,373)	(1,689)
Additions to investment properties	15.	-	(17,880)
Proceeds from sale of investment properties	12.	52,054	30,055
Dividends from joint ventures	19.	26,160	9,850
Interest received	13.	853	4,138
Net cash generated from investing activities		70,422	13,554
Cash flows from financing activities			
Repayment of long term borrowings	26.	(36,288)	(41,149)
Bond funds received	26.	-	300,000
Dividends paid		-	(20,205)
Lease payments	25.	(4,445)	-
Interest expenses - leases	25.	(1,367)	-
Interest paid	14.	(36,906)	(26,898)
Net cash (utilised in) /generated from financing activities		(79,006)	211,748
Net increase in cash and cash equivalents		145,849	2,958
Cash and cash equivalents at beginning of year	23.	220,990	218,032
Cash and cash equivalents at end of year	23.	366,839	220,990

BHC SIGNIFICANT ACCOUNTING POLICIES

(as at 31 March 2020)

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 a ten member Board whose Chairman and members are appointed by the Minister of Infrastructure and Housing Development.

These financial statements represent the Corporation's statutory financial statements. The financial statements for the year ended 31 March 2020 have been approved for issue by the Directors on **7 August 2020**.

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), 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 2019. With the exception of the implementation of IFRS16 as discussed below, 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.

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)

On 1 April 2019, the Corporation has adopted IFRS 16 Leases which was effective for all financial periods beginning on or after 1 January 2019. IFRS 16 has been adopted by applying the cumulative catchup approach under which the standard is applied retrospectively with the cumulative effect recognized at the date of initial application. The cumulative catchup approach ignored the lease payments already made and the right of use asset and liabilities was equal on the day of adoption. IFRS 16 superseded the following leases Standards and Interpretations on its effective date: IAS 17 Leases; IFRIC 4 Determining whether an Arrangement contains a Lease; SIC-15 Operating Leases - Incentives; SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

General impact of application of IFRS 16 Leases

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease requirements and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 25.

BHC SIGNIFICANT ACCOUNTING POLICIES (continued)

(as at 31 March 2020)

2.1 Basis of preparation (continued)

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, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Corporation recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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.

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.

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.

BHC SIGNIFICANT ACCOUNTING POLICIES (continued)

(as at 31 March 2020)

2.1 Basis of preparation (continued)

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."

When a contract includes lease and non-lease components, the Corporation applies IFRS 15 to allocate the consideration under the contract to each component.

IMPACT ON THE FINANCIAL STATEMENTS

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 31 March 2020 is as follows:

Statement of Financial Position	01 April 2019
	P'000
IAS 17 Operating Lease commitment as at 31 March 2019	24,111
Less: finance cost *	(3,675)
Discounted operating lease commitments as at 1 April 2019	20,436
IFRS 16 Lease liability at 1 April 2019	20,436
Difference between discounted IAS 17 operating leases and IFRS 16 lease liability at 1 April 2019	-

* The Corporation discounted the lease commitments using the incremental borrowing rate of 8.5%.

The adoption and implementation of the following new and reversed standards and new interpretations did not have a significant impact on the financial results or financial position of the Corporation

- * IFRIC 23 Uncertainty over tax treatments (effective for annual periods beginning on or after 1 January 2019)
 - * IFRS 9 (amended) Prepayment features with negative compensation (effective for annual periods beginning on or after 1 January 2019)
 - * IAS 28 (amended) Long-term interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019)
- IAS 19 (amended) Plan amendment, curtailment, or settlement (effective for annual periods beginning on or after 1 January 2019)

BHC SIGNIFICANT ACCOUNTING POLICIES (continued)

(as at 31 March 2020)

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

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

At the date of approval of these financial statements, the following standards and interpretations were in issue but not effective for the current reporting period.

- * IFRS 3 Business Combinations (Revised) requires all of the identifiable assets and liabilities of the acquiree to be included in the consolidated statement of financial position
- * IFRS 9, IAS 39 & IFRS 7 Financial Instruments – Interest Rate Reform (amended) requires an entity to recognise a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument.
- * IAS 1 & IAS 8 Presentation of Financial Statements - Definition of Material (Amended) clarifies the definition of 'material' and to align the definition used in the Conceptual framework and the standards themselves.
- * The Conceptual Framework for Financial Reporting describes the objective of and concepts for general purpose financial reporting. It is a practical tool that helps the IASB to develop requirements in IFRS® Standards based on consistent concepts. Consideration of these concepts, in turn, should result in the IASB developing IFRS Standards that require entities to provide financial information that is useful to investors, lenders and other creditors.
- * Classification of Liabilities as Current or Non-current: amendments to IAS 1 Presentation of Financial Statements to clarify requirements for classifying liabilities as current or non-current.
- * IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective annual periods beginning on or after a date to be determined)*
- * IFRS 17 Insurance Contracts establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the Standard. The objective of the standard is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

Changes in Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the new or revised standards. The effect of the application of IFRS 16 in the current year is described below:

Impact of the application of IFRS 16: Leases

The date of initial application of IFRS 16 for the Corporation is 1 April 2019.

The Corporation has applied IFRS 16 using the cumulative catch up approach, with the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings.

Impact of the new definition of a lease

The Corporation has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or modified before 1 April 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Corporation applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 April 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Corporation has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Corporation.

BHC SIGNIFICANT ACCOUNTING POLICIES (continued)

(as at 31 March 2020)

Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the Corporation accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet.

Applying IFRS 16, for all leases (except as noted below), the Corporation:

- a) Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;
- b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and
- c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows."

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Corporation has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within other expenses in profit or loss.

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17). The Corporation does not have finance leases during the 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;
- Recoverable maintenance fees;
- Capacitation fees; and
- Professional fees;

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, except for contingent rental income which is recognised when it arises.

Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease 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.

BHC SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(as at 31 March 2020)

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 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 control transfers. The sale transaction is conditional among other things, the customer making the instalment payments as per the agreement of sale. Control generally transfers when all other significant conditions are satisfied.

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) Property maintenance fees

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 over 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 over time.

(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 is 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 exceed the value of services rendered over time.

(f) 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 exceed the value of services rendered over time.

BHC SIGNIFICANT ACCOUNTING POLICIES (continued)

(as at 31 March 2020)

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.

2.4 Investment property

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

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

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

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

If an investment property becomes owner-occupied, it is reclassified 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.

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

BHC SIGNIFICANT ACCOUNTING POLICIES (continued)

(as at 31 March 2020)

2.5 Inventories (continued)

(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.

2.6 Property, plant and equipment

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

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. Leasehold land is depreciated over the lease period. Depreciation on other assets is calculated on the depreciable amount, which is the cost of an asset or 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.

2.7 Intangible assets

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.

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.

BHC SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(as at 31 March 2020)

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 Irredeemable capital

Irredeemable capital represents irredeemable capital contributions made by the Government of Botswana into the Corporation since its establishment by the Botswana Housing Corporation Act (Chapter 74:03) (as amended).

2.11 Provisions

Provisions for legal claims are recognised when: the Corporation has a present legal or constructive obligation; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised if it is probable that there will be an outflow of economic benefits.

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

2.12 Leases - policy applicable before 1 April 2019

i) Determining whether an arrangement contains a lease

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

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

ii) Lease payments

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

Where the Corporation is the lessee

The total contractual operating lease payments are recognised in profit or loss on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Where the Corporation is the lessor

Receipts of operating lease payments from properties are accounted for as rental income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required by the lessee by way of penalty is recognised as income in the period in which the termination takes place.

BHC SIGNIFICANT ACCOUNTING POLICIES (continued)

(as at 31 March 2020)

2.13 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.

2.14 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2.15 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.

2.16 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:

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

BHC SIGNIFICANT ACCOUNTING POLICIES (continued)

(as at 31 March 2020)

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.

2.16 Financial instruments(continued)

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.

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.

Measurement and recognition of expected credit losses

The Corporation makes use of provision matrices as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrices 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 both probability of default and forward looking macro-economic changes.

BHC SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(as at 31 March 2020)

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.

2.16 Financial instruments(continued)

Credit risk

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

Trade and other payables and borrowings

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 are stated at carrying amount which approximates its fair value.

Derecognition

Financial assets

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."

2.17 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.

BHC SIGNIFICANT ACCOUNTING POLICIES (continued)

(as at 31 March 2020)

2.17 Current and deferred income tax (continued)

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.

2.18 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.

2.19 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.

2.20 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 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.

BHC SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(as at 31 March 2020)

3. Financial Instruments and Risk Management

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

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

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

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

3.1 CREDIT RISK

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

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 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, which was approved by the Board.

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

The Corporation provides for impairment of debtors based on the expected credit loss model in line with IFRS 9. Refer to note 22 for additional details. The Corporation's write off policy is documented on accounting policy note 2.16.

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

3. Financial Instruments And Risk Management

3.1 Credit Risk

	2020 P'000	2019 P'000
As at 31 March 2020 credit risk exposures relating to recognised financial assets are as follows:		
Trade and other receivables	82,984	114,150
Cash and cash equivalents	1,183,548	1,091,022
	1,266,532	1,205,172

The above table represents the worst case scenario of credit risk exposure for the Corporation as at 31 March 2020 and 2019 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 2020	Rental debtors P'000	TPS P'000	SOS P'000	Other P'000	Total P'000
Neither past due nor impaired	-	13,017	68	47,111	60,196
Past due but not impaired	934	2,101	25	19,728	22,788
Individually impaired	9,923	25	-	6,475	16,423
Gross	10,857	15,143	93	73,314	99,407
Less: Provision for impairment	(9,923)	(25)	-	(6,475)	(16,423)
Net	934	15,118	93	66,839	82,984
Value of collateral held against trade receivables that are neither past due nor impaired	-	28,588	799	-	29,387

Title of property held as collateral is retained by the Corporation until the full outstanding balance is repaid.

As at March 2019	Rental debtors P'000	TPS P'000	SOS P'000	Other P'000	Total P'000
Neither past due nor impaired	1,981	10,899	80	74,836	87,796
Past due but not impaired	-	362	-	4,332	4,694
Individually impaired	8,357	25	-	6,476	14,858
Gross	10,338	11,286	80	85,644	107,348
Less: Provision for impairment	(8,357)	(25)	-	(6,476)	(14,858)
Net	1,981	11,261	80	79,168	92,490
Value of collateral held against trade receivables that are neither past due nor impaired	-	78,104	724	-	78,828

Title of property held as collateral is retained by the Corporation until the full outstanding balance is repaid.

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*
(as at 31 March 2020)

3. Financial Instruments And Risk Management (continued)

3.1 Credit Risk (continued)

Trade receivables, past due but not impaired

As at 31 March 2020	Rental and other debtors	TPS	SOS	Total
	P'000	P'000	P'000	P'000
Past due up to 30 days	6,152	567	5	6,724
Past due 30 - 60 days	10,564	882	12	11,458
Past due 60 - 90 days	3,946	652	8	4,606
Total	20,662	2,101	25	22,788
As at 31 March 2019				
Past due up to 30 days	1,597	56	-	1,653
Past due 30 - 60 days	677	36	-	713
Past due 60 - 90 days	2,058	270	-	2,328
Total	4,332	362	-	4,694

3.2 Market risk

(i) Foreign exchange risk

The Corporation's exposure to foreign exchange risk is minimal as the Corporation conducts most of its transactions using its functional currency. Nevertheless, management has set up a policy to require the Corporation to manage its foreign exchange risk against 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 2020 (2019:-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 2020 and 2019, the Corporation's borrowings at fixed rate were denominated in the functional currency.

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

3.2 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:

	2020		2019	
	Balance	Interest rate	Balance	Interest rate
	P'000		P'000	
African Alliance	63,529	4.03%	80,120	4.61%
BIFM	99,837	4.10%	50,381	5.04%
Stanlib	60,935	3.79%	21,228	4.15%
Call deposits	88,166	0.25% - 1.00%	65,013	0.25% - 1.00%
	312,467		216,742	

Loan and bond balances as at 31 March 2020 are as follows:

Long term borrowings - Debt securities	300,000	Bank rate +2.90%	300,000	Bank rate +2.90%
	300,000		300,000	
Net Interest Bearing	12,467		(83,258)	
Interest rate variation at 0.50%	62		(416)	

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 P62 000 (2019: decreased in the Corporation's profit before taxation by P416 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 P48 000 (2019: decreased the Corporation's equity by P324 000).

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

3. Financial Instruments And Risk Management *(continued)*

3.3 Liquidity risk

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

	Less than 1 year	1 - 2 years	2 - 5 years	Over 5 years	Total
	P'000	P'000	P'000	P'000	P'000
At 31 March 2020					
Borrowings	174,641	60,315	475,405	169,412	879,773
Trade and other payables	139,336	-	-	-	139,336
Lease liabilities	6,759	9,755	1,861	-	18,375
Customer deposits	15,186	-	-	-	15,186
Liabilities (contractual maturity)	335,922	70,070	477,266	169,412	1,052,670
	Less than 1 year	1 - 2 years	2 - 5 years	Over 5 years	Total
	P'000	P'000	P'000	P'000	P'000
At 31 March 2019					
Borrowings	80,565	150,027	184,924	529,188	944,704
Trade and other payables	137,213	-	-	-	137,213
Customer deposits	16,579	-	-	-	16,579
Liabilities (contractual maturity)	234,357	150,027	184,924	529,188	1,098,496

3.4 Financial instruments by category

Financial assets at amortised cost

	2020	2019
	P'000	P'000
Assets as per statement of financial position:		
Trade and other receivables	82,984	114,150
Cash and cash equivalents	1,183,548	1,091,022
	1,266,532	1,205,172

Financial liabilities at amortised cost

	2020	2019
	P'000	P'000
Liabilities as per statement of financial position:		
Borrowings	716,402	752,638
Trade and other payables	139,336	137,213
Customer deposits	15,186	16,579
	870,924	906,430

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

3.5 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.

	2020 P'000	2019 P'000
Total long term debt	568,483	701,261
Total capital and reserves	1,530,946	1,481,607
Debt : equity ratio	0.37	0.47

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.

3.6 Fair value estimation

The accounting policies for financial instruments have been applied to the line items below:

	Carrying Amount financial liabilities P'000	financial Assets P'000	Fair Values financial Assets P'000
31 March 2012			
Assets and liabilities as per balance sheet			-
Loans to related parties	-	-	82,627
Trade and other receivables	-	82,627	1,183,548
Cash and cash equivalents	-	1,183,548	-
Trade and other payables	220,805	-	-
Customer deposits	-	-	-
Borrowings	445,424	-	-
Agency funds	11,616	-	1,266,175
	677,845	1,266,175	
Fair value estimation (continued)			
31 March 2009			
Assets and liabilities as per balance sheet			17,102
Loans to related parties	-	17,102	156,574
Trade and other receivables	-	156,574	447,050
Cash and cash equivalents	-	447,050	-
Trade and other payables	87,245	-	-
Customer deposits	8,190	-	-
Borrowings	349,618	-	-
Agency funds	285,180	-	620,726
	730,233	620,726	

The fair value of financial instruments that are not traded in an active market is based on quoted bid prices. The Corporation uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Corporation for similar financial instruments.

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

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 2020 is as follows:

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

4. Operating segments *(continued)*

The segment information provided to the Board for the reportable segments for the year ended 31 March 2020 is as follows:

	Sale of Housing Inventories	Rental	Construction and management contracts	Others	Total
	P'000	P'000	P'000	P'000	P'000
Revenue	352,102	199,325	329,035	-	880,462
Cost of sale of housing inventories	(302,624)	-	-	-	(302,624)
Cost of sale of third party maintenance	-	-	(265,961)	-	(265,961)
Repairs and maintenance	-	(48,618)	-	-	(48,618)
Employee benefit expenses	(51,293)	(12,823)	-	(77,087)	(141,203)
Depreciation and amortisation	(4,173)	(12,500)	-	(9,158)	(25,832)
Other expenses	(26,105)	(23,382)	-	(23,813)	(73,300)
Impairment expenses	-	(1,565)	-	-	(1,565)
Gains from sale of investment properties	28,843	-	-	-	28,843
Other income	105	109	-	219	433
Operating profit / (loss)	(3,146)	100,545	63,074	(109,839)	50,635
Finance income	-	-	-	1,408	1,408
Finance costs	(9,561)	(2,390)	-	-	(11,950)
Net finance (costs) / income	(9,561)	(2,390)	-	1,408	(10,542)
Share of profit or loss of equity accounted investees of joint ventures	-	-	-	13,758	13,758
(Loss) / profit before taxation	(12,707)	98,155	63,074	(94,673)	53,851
Taxation	-	(4,512)	-	-	(4,512)
Total comprehensive income for the year	(12,707)	93,643	63,074	(94,673)	49,339
Total segment results above include:					
Revenue from Government and Government related entities (note 32.7)	257,903	128,051	-	40,954	426,908
Segment assets	596,638	1,410,788	-	133,858	2,141,284
Reconciliation to total assets as reported in the statement of financial position					
Investment in joint ventures	-	-	-	14,998	14,998
Intangible assets	-	-	-	19,128	19,128
Cash and cash equivalents	-	-	-	1,183,548	1,183,548
Total assets as reported in the statement of financial position	596,638	1,410,788	-	1,351,532	3,358,958
Total liabilities	612,676	199,157	-	1,016,178	1,828,012

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

4. Operating segments *(continued)*

The segment information provided to the Board for the reportable segments for the year ended 31 March 2020 is as follows:
(continued)

	Sale of Housing Inventories	Rental	Construction and management contracts	Others	Total
Additions to non current assets	P'000	P'000	P'000	P'000	P'000
Investment properties	-	138,314	-	-	138,314
Property, plant and equipment	-	-	-	6,272	6,272
Intangible assets	-	-	-	2,373	2,373
	-	138,314	-	8,645	146,959

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

The segment information provided to the Board for the reportable segments for the year ended 31 March 2019 is as follows:

	Sale of Housing Inventories	Rental	Construction and management contracts	Others	Total
	P'000	P'000		P'000	P'000
Revenue	58,739	193,185	258,710	-	510,634
Cost of sale of housing inventories	(51,071)	-	-	-	(51,071)
Cost of sale of third party maintenance	-	-	(204,430)	-	(204,430)
Repairs and maintenance	-	(38,722)	-	-	(38,722)
Employee benefit expenses	(18,304)	(22,881)	-	(90,863)	(132,048)
Depreciation and amortisation	(135)	(885)	-	(25,651)	(26,671)
Other expenses	(10,552)	(30,975)	-	(34,418)	(75,945)
Impairment expenses	-	1,767	-	(837)	930
Gains from sale of investment properties	17,741	-	-	-	17,741
Other income	400	1,766	-	418	2,584
Operating profit/(loss)	(3,182)	103,255	54,280	(151,351)	3,002
Finance income	-	-	-	4,662	4,662
Finance costs	(85)	(21)	-	-	(106)
Net finance (costs) / income	(85)	(21)	-	4,662	4,556
Share of profit or loss of equity accounted investees of joint ventures	-	-	-	14,268	14,268
Profit before taxation	(3,267)	103,234	54,280	(132,421)	21,826
Taxation	-	(5,063)	-	-	(5,063)
Total comprehensive income for the year	(3,267)	98,171	54,280	(132,421)	16,763
Total segment results above include: Revenue from Government and Government related entities (note 32.7)	26,313	113,554	36,988	-	176,855
Segment assets	733,659	1,354,644	887,889	138,698	3,114,890
Reconciliation to total assets as reported in the statement of financial position:					
Investment in joint ventures	-	-	-	27,400	27,400
Intangible assets	-	-	-	20,467	20,467
Cash and cash equivalents	-	-	-	220,990	220,990
Total assets as reported in the statement of financial position	733,659	1,354,644	887,889	407,555	3,383,747
Total liabilities	660,126	216,530	870,032	155,452	1,902,140
Additions to non current assets					
Investment properties	-	52,315	-	-	52,315
Property, plant and equipment	-	-	-	10,920	10,920
Intangible assets	-	-	-	1,689	1,689
	-	52,315	-	12,609	64,924

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

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

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

(b) Useful lives and amortisation of intangible assets

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

(c) Provision for expected credit losses

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

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

(e) Valuation of housing inventories

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.

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

5. Accounting estimates and judgements *(continued)*

(e) Valuation of housing inventories *(continued)*

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

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

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

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

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

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

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-elapsing measure of progress, because tenants simultaneously receive and consumes the benefits provided by the Corporation.

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.

5. Accounting estimates and judgements *(continued)*

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.

Determining lessee's weighted cost of capital

Under IFRS 16 'Leases', discount rates are used to determine the present value of the lease payments used to measure a lessee's lease liability. Discount rates are also used to determine lease classification for a lessor and to measure a lessor's net investment in a lease. For lessees, the lease payments are required to be discounted using:

- The interest rate implicit in the lease if readily determinable or
- The lessee's incremental borrowing rate.

Lessee's incremental borrowing rate

Where the lessee is unable to readily determine the interest rate implicit in the lease, the discount rate will be the lessee's incremental borrowing rate. The incremental borrowing rate is an interest rate specific to the lessee that reflects:

- The credit risk of the lessee
- The term of the lease
- The nature and quality of the security
- The amount 'borrowed' by the lessee and
- The economic environment (the country, the currency and the date that the lease is entered into) in which the transaction occurs.

The Corporation has adopted the incremental borrowing rate as the discount factor. The discount factor takes into account the interest rate on the existing facilities where applicable and commercial rates that the Corporation could be offered by its lenders if it were to source funding. The Corporation adopted the practical expedient that allows entities to apply the same discount rate to a portfolio of leases that have similar characteristics.

The weighted average incremental borrowing rate of 8.5% was applied in recognising the lease liabilities at the date of initial application. The Corporation applied the available practical expedients as follows:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*
(as at 31 March 2020)

	2020 P'000	2019 P'000
6. Rental income and revenue from contracts with customers		
Rental income - Residential properties	196,799	187,308
Rental income - Commercial properties	2,526	5,877
Rental income	199,325	193,185
Professional fees	40,954	36,988
External projects contracts income	120,383	94,549
Self Help Housing Agency (SHHA) projects contracts income	107,014	68,061
Capacitation fee	10,953	9,777
Revenue from construction contracts	279,304	209,375
Outright sales of housing units	350,099	57,039
Facilities management income	47,722	47,676
Tenant purchase scheme income	1,991	1,689
Step ownership scheme income	12	11
Recoverable maintenance	2,008	1,659
Revenue from contracts with customers	401,832	108,074
	880,462	510,634

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.

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*
(as at 31 March 2020)

7. Cost of sale of housing inventories

At beginning of the year	838,902	584,765
Land held for development	45,142	44,379
Housing under construction	565,310	442,421
Completed houses - Inventories (written down to net realisable value)	228,450	97,965
Movements during the year	111,517	305,208
Acquisition of land	4,671	763
Capitalised construction costs	228,295	298,999
Capitalised development costs - employee benefit expenses (note 8)	8,048	7,620
Capitalised borrowing costs (note 14)	33,676	34,585
Transfer from investment properties	1	1,147
Housing inventory written off	(7,505)	(3,471)
Movement in the write down of inventory to net realisable value	-	-
Adjustment to housing under construction	(17,355)	-
Accumulated depreciation on retired inventory transferred from investment property	-	-
Transfer to investment property (note 15)	(138,314)	(34,435)
At end of year (note 16)	(647,795)	(838,902)
Land held for development	(40,471)	(45,142)
Housing under construction	(342,878)	(565,310)
Completed houses - Inventories (written down to net realisable value)	(264,446)	(228,450)
	302,624	51,071
Cost of sale of construction and management contracts		
External construction contracts	120,383	94,549
SHHA construction contracts	107,014	68,061
Facilities management contracts	38,564	41,820
	265,961	204,430

8. Employee benefit expenses

Salaries, wages and other benefits	125,250	119,888
Incentive pay	8,449	7,911
Pension contributions	9,733	7,331
Gratuities	5,819	4,538
Less : capitalised during the year (note 7)	(8,048)	(7,620)
	141,203	132,048

Number of persons employed by the Corporation at the reporting date were 278 (2019: 281).

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*
(as at 31 March 2020)

	2020 P'000	2019 P'000
9. Depreciation and amortisation		
Depreciation - right of use asset (note 25)	5,246	-
Depreciation - investment properties (note 15)	7,498	17,665
Depreciation - property, plant and equipment (note 17)	6,735	3,423
Amortisation - leasehold land (note 15)	2,641	2,160
Amortisation - intangible assets (note 18)	3,712	3,423
	25,832	26,671

10. Other expenses

Audit fees - prior year under provision	214	8
Audit fees - current year	1,058	946
Board members' remuneration	311	268
Lease rentals - motor vehicles, offices and office equipments	623	6,979
Consultancy fees	5,280	2,116
Rates	5,558	5,515
Non capitalisable expenses	(147)	165
Security expenses	7,270	6,295
Telephone expenses	6,568	4,969
Training expenses	7,018	6,782
Insurance	2,368	3,398
Travelling and accommodation	5,338	5,859
IT expenses	6,047	4,456
Advertising and marketing	4,228	4,593
Call centre expenses	2,150	1,515
Administration expenses	15,781	18,994
Training levy	880	408
Utilities	2,755	2,537
Penalty charges - Tax	-	142
	73,300	75,945
Impairment expense / (reversal)		
Rental debtors	1,565	(1,767)
Housing inventories	-	-
Professional fees	-	837
	1,565	(930)

11. Other income

Sundry income	398	2,389
Income from auction sales	35	195
	433	2,584

12. Gains from sale of investment properties

Proceeds from sale of investment properties	52,054	30,055
Cost (note 15)	(26,885)	(14,336)
Accumulated depreciation (note 15)	3,674	2,022
	28,843	17,741

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*
(as at 31 March 2020)

	2020 P'000	2019 P'000
13. Finance income		
Interest income received on short term bank deposits	853	4,138
Interest accrued on short term bank deposits	555	524
	1,408	4,662

14. Finance costs		
Interest expense paid on loans	7,209	9,024
Interest expense paid on debt securities in issue	29,136	13,083
Other financing costs paid	561	4,793
	36,906	26,900
Interest expense - leases	1,367	-
Interest accrued on loans	2,840	3,134
Interest accrued on debt securities in issue	4,513	4,657
Less: capitalised to housing inventories during the year (note 7)	(33,676)	(34,585)
	11,950	106

	2020 P'000	2019 P'000
15. Investment properties		
Opening carrying amount	1,225,645	1,235,316
Transfer to property, plant and equipment (note 17)	-	(28,700)
Transfer to inventory	(1)	(1,147)
Additions to investment properties (including improvements)	-	17,880
Additions to investment properties - transfer from inventory (note 7)	138,314	34,435
Disposals	(26,885)	(14,336)
Depreciation on disposals	3,674	2,022
Depreciation - housing properties	(7,498)	(17,665)
Amortisation - leasehold land	(2,641)	(2,160)
Closing carrying amount	1,330,608	1,225,645
Cost	1,666,724	1,555,296
Accumulated depreciation	(336,116)	(329,651)
Carrying amount	1,330,608	1,225,645

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

During the prior year, the Corporation transferred a portion of a building to property, plant and equipment because it was no longer leased to a third party and it was being used by the Corporation.

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

15. Investment properties *(continued)*

Investment properties were valued as at 31 March 2020 by estate management professionals based on the latest prevailing market prices. The value of the investment properties was estimated at P4,877 million on 31 March 2020 (2019: P4,919 million). The Corporation uses the cost model to determine the fair values of property. 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 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 value of housing properties which the Corporation has not received title deeds amount to P3.8 million (2019: P3.9 million). The members of the Board believe that title deeds for these properties will be received in due course.

16. Housing inventories

	2020 P'000	2019 P'000
Land for development (note 7)	40,471	45,142
Housing under construction (note 7)	342,878	565,310
Completed houses (note 7)	266,785	230,789
Less: Write down of inventory to net realisable value (note 7)	(2,339)	(2,339)
	647,795	838,902

Detailed analysis of the inventories at the end of the year is shown below.

Land for development	40,471	45,142
Housing under construction	342,878	565,310
Completed houses	264,446	228,450
	647,795	838,902

BHC NOTES TO THE FINANCIAL STATEMENTS (continued)

(as at 31 March 2020)

17. Property, plant and equipment

	Land & buildings	Computer equipment	Furniture & office equipment	Motor vehicles	Plant & equipment	Total
	P'000	P'000	P'000	P'000	P'000	P'000
As at 31 March 2020						
Opening carrying amount	39,011	5,547	6,118	6,455	135	57,266
Additions	2,405	2,852	1,005	-	10	6,272
Depreciation charge	(2,616)	(1,549)	(1,086)	(1,468)	(16)	(6,735)
Closing carrying amount	38,800	6,850	6,037	4,987	129	56,803
Cost	48,127	22,653	14,870	15,287	2,346	103,283
Accumulated depreciation	(9,327)	(15,803)	(8,833)	(10,300)	(2,217)	(46,480)
Closing carrying amount	38,800	6,850	6,037	4,987	129	56,803
As at 31 March 2019						
Opening carrying amount	10,409	2,546	4,492	3,461	161	21,069
Additions	-	3,902	2,440	4,578	-	10,920
Disposals	-	(146)	(96)	-	(35)	(277)
Accumulated depreciation on disposal	-	146	96	-	35	277
Transfer from investment property	28,700	-	-	-	-	28,700
Depreciation charge	(98)	(901)	(814)	(1,584)	(26)	(3,423)
Closing carrying amount	39,011	5,547	6,118	6,455	135	57,266
Cost	45,722	19,801	13,865	15,287	2,336	97,011
Accumulated depreciation	(6,711)	(14,254)	(7,747)	(8,832)	(2,201)	(39,745)
Closing carrying amount	39,011	5,547	6,118	6,455	135	57,266

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

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

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	629
Selebi Phikwe (SP2711)	Selebi Phikwe	872	219
Mahalapye	Mahalapye	133	189
Kasane	Kasane	134	59
Maun/17223 (MA11) -Current BHC Offices	Maun	528	224
Lobatse (LOG392)	Lobatse	1,390	1,830
Total			48,127

18. Intangible assets

	ERP System	Computer software	Total
	P'000	P'000	P'000
As at 31 March 2020			
Opening carrying amount	20,467	-	20,467
Additions	2,373	-	2,373
Amortisation charge	(3,712)	-	(3,712)
Closing carrying amount	19,128	-	19,128
Cost	47,765	5,367	53,132
Accumulated amortisation	(28,637)	(5,367)	(34,004)
Closing carrying amount	19,128	-	19,128
As at 31 March 2019			
Opening carrying amount	22,201	-	22,201
Additions	1,689	-	1,689
Amortisation charge	(3,423)	-	(3,423)
Closing carrying amount	20,467	-	20,467
Cost	45,392	5,367	50,759
Accumulated amortisation	(24,925)	(5,367)	(30,292)
Closing carrying amount	20,467	-	20,467

Remaining amortisation period for ERP system is 3 years (2019: 4 years).

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

19.1 Investments in joint ventures

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

	Apr-20 P'000	Apr-19 P'000	Apr-20 P'000	Apr-19 P'000	2020 P'000	2019 P'000
	Plot 7 (Plaza Centre)		Plot 1471/2 (Galo Complex)		Total	
Assets:						
Non-current assets						
Investment property	1,998	2,064	113,159	45,465	115,157	47,529
Other non-current assets	-	-	4,198	3,567	4,198	3,567
	1,998	2,064	117,357	49,032	119,355	51,096
Current assets						
Cash and cash equivalents	630	1,739	16,078	20,017	16,708	21,756
Other current assets excluding cash	163	186	3,727	437	3,890	623
	793	1,925	19,805	20,454	20,598	22,379
	2,791	3,989	137,162	69,486	139,953	73,475
Liabilities:						
Non-current liabilities						
Borrowings	-	-	74,557	-	74,557	-
Deferred income	-	-	606	676	606	676
	-	-	75,163	676	75,163	676
Current liabilities						
Borrowings	-	-	7,640	-	7,640	-
Trade and other payables	402	401	12,473	3,216	12,875	3,617
	402	401	20,113	3,216	20,515	3,617
	402	401	95,276	3,892	95,678	4,293
Net assets	2,389	3,588	41,886	65,594	44,275	69,182
Income						
Revenue	1,978	1,826	39,677	38,985	41,655	40,811
Sundry income	-	-	60	118	60	118
Finance income	4	4	167	149	171	153
	1,982	1,830	39,904	39,252	41,886	41,082
Expenses						
Operating expenses	296	231	12,569	10,572	12,865	10,803
Depreciation	66	66	1,545	1,540	1,611	1,606
	362	297	14,114	12,112	14,476	12,409
Profit and total comprehensive income	1,620	1,533	25,790	27,140	27,410	28,673

The financial statements of the joint ventures have the following reporting periods that are different from the Corporation:

Plot 7

May to April 2020

Plot 1471/2

May to April 2020

These are the reporting periods as elected by the partnership.

BHC NOTES TO THE FINANCIAL STATEMENTS (continued)

(as at 31 March 2020)

	2020 P'000	2019 P'000
20. Taxation		
Amount recognised in the statement of financial position		
Taxation refundable at the beginning of the year	(6,326)	8,270
Normal company taxation	5,305	5,517
Tax refund	6,326	-
Income tax paid during the year	(11,080)	(20,113)
Taxation refundable at end of the year	(5,775)	(6,326)
Taxation charge reconciliation		
Profit before taxation	53,851	21,826
Taxation at the statutory rate of 22%	11,847	4,802
Tax effects of adjustments on taxable income		
Donation not taxable	86	530
Exempt income	(7,421)	-
Prior year deferred tax (over) / under provision	-	(269)
Taxation	4,512	5,063
Amount recognised in profit or loss		
Current tax expense		
Current year taxation	5,305	5,517
Deferred tax movement		
Prior year deferred tax under provision	-	269
Effect of IFRS 9 adjustment		
Deferred tax movement during the year	(793)	(723)
Taxation per profit or loss	4,512	5,063

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

21. Deferred tax

Movement in deferred tax		
Balance at the beginning of the year as previously stated	1,693	(860)
Deferred tax on IFRS 9 adjustment	-	2,099
Restated balance as at 1 April 2019	1,693	1,239
Prior year under provision		(269)
Movement during the year	793	723
Balance at the end of the year	2,486	1,693
Analysis of deferred taxation		
Temporary differences relating to :		
Accelerated capital allowances on property, plant and equipment	6,518	(1,576)
Accelerated capital allowances on intangible assets	(4,208)	-
IFRS 6 adjustment	176	-
Credit loss allowances	-	3,269
	2,486	1,693

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

22. Trade and other receivables

Trade receivables	79,863	107,348
Less: allowance for impairment of trade receivables	(16,423)	(14,858)
Trade receivables - net	63,440	92,490
Other receivables*	19,187	22,536
	82,627	115,026
Less: non-current portion	(11,324)	(8,949)
Current portion	71,303	106,077

* 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	14,858	7,083
IFRS 9 adjustment for credit losses (accounted for in retained earnings)	-	8,705
Accumulated impairment losses at beginning of the year - restated	14,858	15,788
Movement in allowance for impairment per profit or loss (note 10)	1,565	(930)
Accumulated impairment losses at end of the year	16,423	14,858

23. Cash and cash equivalents

	2020	2019
	P'000	P'000
Cash at bank and on hand	392,777	280,449
Short term bank deposits	790,771	810,573
	1,183,548	1,091,022

Cash and cash equivalents include P816.4 million (2019: P870.0 million) received from government entities to carry out its construction of housing projects. These balances have been excluded from cash and cash equivalents for the purpose of statement of cash flows and are ring-fenced for their specific purpose. These balances relate to the project management and construction services provided to these projects. The corresponding liability has been recognised in note 28.

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

Money markets deposits	224,301	151,729
Current and call accounts deposits	142,538	69,261
	366,839	220,990

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.

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*
(as at 31 March 2020)

25. Leases

Right of use of assets	Leased offices	Leased Vehicles	Leased equipment	Total
	P000	P000	P000	P000
Opening balance	-	-	-	-
Initial recognition of IFRS 16	1,094	16,018	3,324	20,436
Depreciation expense for the year	(376)	(4,326)	(544)	(5,246)
Carrying amount as at 31 March 2020	718	11,692	2,780	15,190
Cost	1,094	16,018	3,324	20,436
Accumulated depreciation	(376)	(4,326)	(544)	(5,246)
Carrying amount	718	11,692	2,780	15,190
Reconciliation of lease liabilities				
Initial recognition of IFRS 16				20,436
Finance costs				1,367
Less: Lease payments				(5,812)
Closing balance				15,991
Lease liabilities				
Amounts due for settlement within 12 months				6,683
Amounts due for settlement after 12 months				9,308
Maturity profile for discounted lease liabilities				
Not later than 1 year				6,683
Later than 1 year and not later than 5 years				9,008
Later than 5 years				300
				15,991
Maturity profile for undiscounted lease liabilities				
Not later than 1 year				6,759
Later than 1 year and not later than 5 years				9,755
Later than 5 years				1,861
				18,375
Amounts recognized in statement of profit or loss				
Depreciation expense on right-of-use assets				5,246
Interest expense on lease liabilities				1,367

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*
(as at 31 March 2020)

	2020 P'000	2019 P'000
26. Borrowings		
Irredeemable loan (note 26.1)	212	212
Foreign loans on-lent by the Government of Botswana (note 26.2)	-	5,528
Government of Botswana loans (note 26.3)	270,766	294,355
	270,978	300,095
Debt securities in issue (note 26.5)	405,665	405,487
	676,643	705,582
Less: current portion	(141,123)	(44,080)
Non-current portion	535,520	661,502

Debt securities in issue include accrued interest of P4.513 million (2019: P4.657 million) at year end.

Reconciliation of borrowings

Contractual payments including interest:		
Irredeemable loan	2,965	2,965
Foreign loans on-lent by the Government of Botswana	-	5,751
Government of Botswana loans	356,154	396,846
Debt securities in issue	520,653	539,142
	879,772	944,704
Less: future interest costs	(203,129)	(239,122)
Capital portion of borrowings	676,643	705,582

All borrowings are denominated in Pula.

Government revenue grant (note 26.4)

Balance at the beginning of the year	47,056	54,824
Amortisation during the year	(7,297)	(7,768)
Deferred Government revenue grant	39,759	47,056
Less: current portion	(6,797)	(7,297)
Non-current portion	32,963	39,759

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

26. Borrowings (continued)

26.1 Irredeemable loan

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

26.2 Foreign loan on-lent by the Government of Botswana

Foreign loan on-lent by the Government of Botswana is from the Peoples' Republic of China to the Government of Botswana, which the Government of Botswana has on-lent to the Botswana Housing Corporation. This loan is repayable in 8 years and carry interest at a rate of 8.40% per annum. The Government of Botswana bears the risk of any foreign exchange rate fluctuations. Botswana Housing Corporation does not provide any security under this loan.

26.3 Government of Botswana loan

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

26.4 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.

26.5 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.

Fixed rate notes

The Corporation also privately placed fixed rate notes (unsecured) amounting to P103 million in December 2010, which are maturing on 10 December 2020. These notes bear interest at 10.1% per annum and interest is paid bi-annually on 10 June and 10 December.

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

26. Borrowings *(continued)*

26.6 Movement in loans

Lender	Contractual Period of interest rate repayment		Balance at 01 April 2019	Interest unwinding during the year	Repayment during the year	Balance at 31 March 2020
	(%)		P'000	P'000	P'000	P'000
Irredeemable loan						
Government of Botswana	8.00%	Irredeemable	212	-	-	212
Foreign loans on-lent by the Government of Botswana						
Government of the Peoples' Republic of China	8.40%	2011-2019	5,528	(9)	(5,519)	-
			5,528	(9)	(5,519)	-
Government of Botswana loan						
Government of Botswana	3.00%	2015-2029	294,355	7,180	(30,769)	270,766
			294,355	7,180	(30,769)	270,766
			300,095	7,171	(36,288)	270,978
Lender	Contractual Period of interest rate repayment		Balance at 01 April 2018	Interest unwinding during the year	Repayment during the year	Balance at 31 March 2019
	(%)		P'000	P'000	P'000	P'000
Irredeemable loan						
Government of Botswana	8%	Irredeemable	212	-	-	212
Foreign loans on-lent by the Government of Botswana						
Government of the Peoples' Republic of China	8.40%	2011-2019	15,468	440	(10,380)	5,528
			15,468	440	(10,380)	5,528
Government of Botswana						
	3.00%	2015-2029	317,624	7,500	(30,769)	294,355
			317,624	7,500	(30,769)	294,355
			333,304	7,940	(41,149)	300,095

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*
(as at 31 March 2020)

26. Borrowings *(continued)*

26.7 Reconciliation of borrowings movement to cash flows arising from financing activities

	2020 P'000	2019 P'000
Balance at the beginning of the year	752,638	494,292
Repayment of long term borrowings	(36,288)	(41,149)
Proceeds from issue of debt securities less transaction costs	-	297,750
Amortised funding transactional costs	321	80
Interest expense accrued (movement)	(269)	1,665
Balance at the end of the year	716,402	752,638

27. Trade and other payables

	2020 P'000	2019 P'000
Financial liabilities		
Trade payables	126,040	120,059
Sundry creditors*	13,295	17,154
	139,336	137,213
Non financial liabilities		
Advance payment by customers	21,521	29,760
Contractors withholding tax	332	491
Other accruals and VAT payable**	59,615	70,217
	81,469	100,468
Total trade and other payables	220,805	237,681

*Sundry creditors is predominantly gratuity for employees on contract.

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

28. Contract balances

The following summary provides information about receivables, contract assets and liabilities from contracts with customers.

Receivables which are included in trade and other receivables - note 32.8

Contract assets	16,328	17,857
Contract liabilities	816,709	870,032
Contract liabilities		
At the beginning of the year	870,032	794,516
Funds received during the year	219,784	487,889
Expenditure on projects during the year	(299,561)	(449,753)
Interest earned on temporary investment of funds	26,454	37,380
At the end of the year	816,709	870,032

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

28. Contract balances *(continued)*

Balances relating to related parties are as follows		
Botswana Defence Force	460,329	487,390
Botswana Unified Revenue Services	-	11
Department of Housing	42,564	51,251
Self Help Housing Agency	206,262	258,289
Maletse Land Board	9,112	10,622
Directorate of Corruption and Economic Crime	8,287	9,559
Kgatleng Land Board	1,575	1,705
Administration of Justice	(341)	(341)
Botswana Prisons Services	31,376	32,671
Ministry of Finance	(69)	(11)
Tawana Land Board	2,292	2,287
Botswana Police Service	42,071	688
Kweneng Land Board	852	4,724
Letlhakeng Sub Land Board	1,518	1,515
Palapye Sub Land Board	5,763	9,672
Ministry of Lands	3,094	-
Chobe Land Board	1,502	-
Palapye Sub Land Board	522	-
	816,709	870,032

The relationship is through common ownership by the Government of Botswana.

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.

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

	2020 P'000	2019 P'000
28.1 Deferred income		
At the beginning of the year	25,210	1,640
Funds received during the year	39,136	24,839
Expenditure on projects during the year	(21,427)	(1,269)
At the end of the year	42,919	25,210
Balances relating to deferred income are as follows		
Administration of Justice	22,002	20,340
SHHA	2,754	708
Ombudsman	2,000	4,500
National Assembly of Botswana	16,381	-
Botswana Government - Abu Dhabi exhibition	212	-
Botswana Government - ESP projects	(402)	(310)
Botswana Government - Malaysian trip	(28)	(28)
	42,919	25,210

'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	12,579	12,180
Sale of properties deposits	2,607	4,399
	15,186	16,579

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

	2020 P'000	2019 P'000
30. Net cash from/ (utilised in) operating activities		
Surplus before taxation	53,851	21,826
Adjustments for:		
Gains from sale of investment property (note 12)	(28,843)	(17,741)
Depreciation - investment property (note 15)	7,498	17,665
Depreciation - property, plant and equipment (note 17)	6,735	3,423
Amortisation - leasehold land (note 15)	2,641	2,160
Amortisation - intangible assets (note 18)	3,712	3,423
Depreciation right of use asset (note 25)	5,246	-
Interest expense - leases (note 25)	1,367	-
IFRS 9 adjustment for credit losses	-	(9,542)
Impairment expenses / (reversal) (note 10)	1,565	(930)
Transfer of investment property to inventory (note 15)	1	1,147
Transfer from inventory to investment property (note 7)	(138,314)	(34,435)
Capitalised interest	33,676	34,585
Interest unwinding on loans	169	774
Movement in bond and loan accrued interest	(438)	890
Deferred Bond arrangement fees	322	(2,170)
Share of profit or loss of equity accounted investees of joint ventures (note 19)	(13,758)	(14,268)
Finance income (note 13)	(1,408)	(4,662)
Finance cost (note 14)	10,583	106
	(55,395)	2,251
Changes in working capital:		
Trade and other receivables (note 22)	31,388	(10,988)
Trade and other payables (note 27)	(24,230)	33,484
Deferred income	17,709	23,570
Customer deposits (note 29)	(1,393)	3,589
Housing inventories (note 16)	191,107	(254,137)
Cash flow generated from/ (utilised in) operating activities	159,187	(202,231)

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

31. Commitments

(a) Capital commitments

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

Investment properties and housing inventories	111,158	111,028
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The capital commitments are to be financed through internally generated cash resources and borrowings.

(b) Operating lease commitments

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

Not later than 1 year	-	5,344
Later than 1 year but not later than 5 years	-	6,459
	-	11,803

The lease commitments primarily relate to motor vehicle leases for a period of 3 years with no annual escalation.

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 to these financial statements.

32.2 Transactions with board members

	2020 P'000	2019 P'000
Board sitting fees	311	268

32.3 Key management personnel compensation

Salaries and other short-term benefits	4,667	4,139
Post employment benefits - gratuity provision	4,321	3,195
	8,988	7,334

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.

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

32. Related party transactions *(continued)*

32.4 Advances to key management personnel

	2020 P'000	2019 P'000
Advance against gratuity	2,570	1,973

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 2020, credit loss allowances in respect of rental debts owed by the Government of Botswana amounted to Nil (2019: Nil).

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

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 2020.

	Sales of housing inventories P'000	Rental income P'000	Professional fees P'000	Contractors Payments P'000
Botswana Defence Force	-	12,429	20,872	78,231
Botswana Prison Services	8,200	4,493	497	1,967
Botswana Unified Revenue Services	-	561	-	13
Botswana Agricultural Marketing Board	1,274	-	-	-
Ministry of Land Management, Water and Sanitation	-	51,289	5,746	7,912
Botswana Police Service	91,758	18,403	6,632	10,018
Self Help Housing Agency	-	-	5,924	107,014
Kweneng Land Board	-	833	-	4,067
Kgatleng Land Board	-	292	-	135
Malete Land Board	-	-	-	1,531
Palapye Land Board	-	-	-	4,082
District Housing	-	-	416	8,300
Office of the President	18,482	7,397	-	-
Ministry of Basic Education	55,709	-	-	-
Ministry of Health and Wellness	-	444	-	-
Ministry of Environment	4,208	-	-	-
Ministry of Nationality and Immigration	43,672	-	-	-
Department of Housing	22,781	-	-	-
Ministry of Infrastructure and Housing Development	-	-	-	187
Ministry of Finance and Economic Development	-	-	-	1,009
Water Utilities Corporation	-	238	-	-
Directorate on Corruption and Economic Crime	10,732	-	509	2,884
Accountant General	-	-	358	-
Botswana Power Corporation	-	1,186	-	-
Botswana Postal Services	-	292	-	-
Botswana Railways	-	3,263	-	-
Botswana Telecommunication Corporation	-	914	-	-
Department of Roads	1,087	-	-	-
Botswana Ash	-	24,845	-	-
Botswana International University of Science and Technology	-	243	-	-
Gaborone City Council	-	766	-	-
Jwaneng Town Council	-	163	-	-
	257,903	128,051	40,954	227,350

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

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 2019.

	Sales of housing inventories	Rental income	Professional fees	Contractors Payments
	P'000	P'000	P'000	P'000
Botswana Defence Force	-	11,758	9,342	117,933
Botswana Prison Services	2,674	4,211	1,385	5,891
Botswana Unified Revenue Services	1,710	501	586	65
Ministry of Land Management, Water and Sanitation	244	50,660	2,292	-
Botswana Police Service	-	15,186	4,522	6,579
Self Help Housing Agency	-	-	5,758	-
Tawana Land Board	-	-	4,764	48
Tsabong Land Board	-	-	3,848	-
Kweneng Land Board	3,077	833	3,233	1,548
Kgatleng Land Board	-	-	-	8
Maletle Land Board	-	-	137	-
Palapye Land Board	-	-	-	1,388
District Housing	-	-	-	6,921
Office of the President	-	5,904	-	-
Ministry of Health and Wellness	-	444	-	-
Ministry of Environment	10,782	-	-	-
Ministry of Nationality and Immigration	3,127	-	-	-
Ministry of Agricultural Development and Food Security	331	-	-	-
Ministry of Finance and Economic Development	-	-	-	484
Water Utilities Corporation	-	238	-	-
Directorate on Corruption and Economic Crime	-	-	400	1,987
Accountant General	-	-	721	-
Botswana Ash	-	23,122	-	-
Botswana International University of Science and Technology	-	341	-	-
Jwaneng Town Council	4,368	356	-	-
	26,313	113,554	36,988	142,852

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

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.

	2020	2019
	P'000	P'000
Botswana Defence Force	11,329	10,900
Department of Lands	13,766	2,567
Administration of Justice	122	122
Botswana Police Service	14,507	15,017
Directorate on Corruption and Economic Crime	533	435
Accountant General	939	939
Self Help Housing Agency	-	37,190
Kgatleng Land Board	201	201
Tsabong Land Board	5,247	5,247
Tawana Land Board	-	4,764
Kweneng Land Board	-	3,233
Malete Land Board	4,252	154
Botswana Unified Revenue Services	584	3,540
Botswana Prison Services	2,107	1,551
	53,587	85,860

32.9 Contract liabilities

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

33. Events after the reporting date

On 11 March 2020, the World Health Organization declared the Coronavirus COVID-19 outbreak a global pandemic. This situation continues to advance and is being monitored with various corrective and preventive measures as detailed below:

- requiring self-isolation quarantine by those potentially affected,
- implementing social distancing measures, and
- controlling or closing borders and "locking-down" cities/regions or even entire countries.

The Corporation closed its offices on 2nd April 2020 and implemented a remote working arrangement for its employees whilst all managers and staff on critical operations were treated as essential staff and kept on reporting for duty. There has thus far been minimal impact on operational outputs as the team continued to execute on their duties, both on the finance and administration side. Construction projects were put on hold to adhere to the lockdown regulations. While the pandemic has affected businesses across the spectrum, direct impact on the Corporation's operations has not been significant.

The pandemic is an extraordinary challenge for humanity and for the economy globally, and at the date of finalization of the financial statements its effects are subject to significant levels of uncertainty. The critical judgement and evaluation that management made is whether and, if so, what event in this series of events provides evidence of the condition that existed at the end of the reporting period for the Corporation's activities or its assets and liabilities. When making this judgement, the Corporation took into consideration all available information about the nature and the timeline of the outbreak and measures already taken.

Management has assessed whether the event is adjusting or non-adjusting and has concluded that the cause of the shut down in the series of events that led to the shutdown is not the outbreak itself, but rather the measure taken by the government after the reporting date. As a result, the event is considered a non-adjusting event and cannot be reflected in the Corporation's assets and liabilities as at 31 March 2020.

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

Though management has concluded that the event is a non-adjusting event, the impact of this non-adjusting event will be material on the rent receivables, sales revenue and capital development projects for the next twelve months. These will impact the Corporation's cashflows for the next financial year. The Corporation disclosed the nature of the event and an estimate of its financial effect. The impact of the corona virus will be closely monitored, the Corporation has undertaken a variety of measures like the revision of its budgets, cashflow forecasts, annual plan and implemented contingency plans to mitigate the negative impact of the COVID-19 pandemic. The response plan covers operational and credit risk responses to ensure that the Corporation will be able to operate and service clients. Considering the above, management has re-assessed the appropriateness of the use of the going concern assumption in the preparation of these financial statements.

After year end the Corporation revised its budgets for 2020-2021 to reflect the probable impact of the pandemic. The Corporation revised its assumptions used to draw the initial budget for 2020-2021 financial year. The lockdown was assumed to last the entire first quarter with full economic activity assumed to resume by second quarter.

The Corporation revised its major revenue streams budget and the following were considered with the corresponding assumptions.

Sales Revenue

Sales revenue budget for the next twelve months from year end was revised downwards by almost P50 million in anticipation of reduced demand by the Corporations customers impacted by the effects of the pandemic. Government and its related entities are anticipated to prioritise their spending as they divert some of their funds to respond to the challenges of the pandemic. Lending institutions are expected to reduce their lending in their attempt to preserve liquidity and avoid high levels of impairments. The Government is expected to use the central bank lending rate to stimulate the local economy by encouraging consumption. The central bank, through its Monetary Policy Committee reduced the bank lending rate by 50 basis points in April 2020.

Revenue from contracts with customers

Rental revenue for the next twelve months was not revised as management adjudged that there will be minimal impact on this revenue stream.

Revenue from third party contracts and Facilities management

Budget for these revenues were not revised as advance payments were received for services to be rendered in the next twelve months. The customers for this revenue stream are government related entities.

Development Projects

The development budget was revised with a view to prioritise projects and only start projects whose viability is most certain and are perceived attractive to buyers. The development budget was also prioritised to ease pressure on the Corporation's cashflows to ensure preservation of cash.

The initial approved projects budget was P400,174million. The budget has been revised down to P287,916 million for the remainder of the financial year 2020/21. The reduction in the budget is due to some projects being deferred and others reduced because of the slowdown caused by the lockdown.

Since the housing market already appeared sluggish and may be worsened by the impact of Covid-19, in the review, it was decided that only projects that will be easily absorbed by the market be embarked on. In this respect, the Corporation mainly deferred and scaled down projects in the North region since there are already available housing units either for sale or rental.

Valuation of property inventories and investment properties

The Corporation concluded that the property values will not move significantly in the next 12 months as property values are anticipated not to respond immediately to the economic movements brought about by the impacts of the pandemic.

Impairment of receivables

Rental impairment was approved at P1.4 million. This amount has been revised to P10.6 million representing a P9.2 million increase on the approved budget. This is influenced by the anticipated rental defaults emanating from the portfolio occupied by private clients and SMMEs. It is assumed that during the first 6 months which includes 3 months of complete lockdown many private clients and SMME will default on their monthly rental payments at a higher magnitude. This is anticipated to improve on the last 6 months though not normalizing. The rate of default for the first 6 months is assumed to be around 20% for those clients paying through direct debits and 35% for cash and stop-order. This rate is assumed to change to a better rate of 15 and 25 percent respectively beyond the first 6 months. These rates will be reviewed by management from time to time as things start to unfold.

BHC NOTES TO THE FINANCIAL STATEMENTS (continued)

(as at 31 March 2020)

Cashflow forecast

The cashflow forecast was revised for 2020-2021 financial year to reflect the impact of COVID-19 mainly driven by the revision in revenue budgets and expenditure budgets.

Net cash inflows from operating activities for the Corporation are forecasted to be P198 million. The major components for receipts are sales revenue at P231 million and rental revenue at P183 million. Sales proceeds have been discounted by 15% for cash flow purposes to cater for possibilities of some cash not coming through by the end of the financial year.

Cash outflows amount to P618 million comprising: project payments of P255 million and operating expenditure of P363 million. Projects payments have been discounted by 10% to account for some delays in projects starts. The result is a closing net cash position of P175 million.

The forecast cashflow was prepared on the assumption that the lockdown would persist for the first quarter and thereafter business activity will normalise to the end of the financial year. Management will continue to monitor the situation and adjust its forecasts as appropriate. For the remainder of the year, Management will prioritise its activities and endeavor to preserve cash to ensure adequate liquidity within the business.

Based on the assessment performed, management is of the view that the significant doubt associated with the current uncertainties related to the Covid-19 virus will adversely impact its operations but will not cast significant doubt on the Corporation's ability to continue as a going concern. The directors agree with this assessment.

34. Fair value hierarchy

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.

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
2020			
Investment property (P'000)	-	-	4,877,000
2019			
Investment property (P'000)	-	-	4,919,000

There have been no transfers between any of the hierarchy levels during the year (2019: nil). Fair values for the investment property were determined for disclosure purposes and have not been recognised in the financial statements.

BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(as at 31 March 2020)

34. Fair value hierarchy *(continued)*

Valuation techniques underlying management's estimation of fair value

Fair value of the investment property is determined by using market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property. As at the date of valuation 31 March 2020, the investment property's fair values were based on valuations performed by Corproation's qualified valuers.

For all properties with a total carrying amount of P1,350 million (2019: P1,226 million), the valuation was determined using the cost approach (also known as contractor's method) based on significant unobservable inputs. The Corporation determine inputs with regard to the development rates and land rates from property experts such as Quantity Surveyors, Estate Agents, Property Valuers and Developers.

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.

35. Contingent liabilities

The Corporation is involved in several legal disputes with it's 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.

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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