

20



# ANNUAL REPORT

BUILDING TOWARDS A BETTER FUTURE

## **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



## **VISION**

The leading provider of housing solutions for dignified lives

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# BUILDING TOWARDS A BETTER FUTURE



accommodating your future





# FINANCIAL HIGHLIGHTS

## FINANCIAL HIGHLIGHTS

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8%

Revenue

P702 million



2021:

P760 million

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Profit Before Tax

P72 million



2021:

P2 million



5%

Total Assets

P2.90 billion



2021:

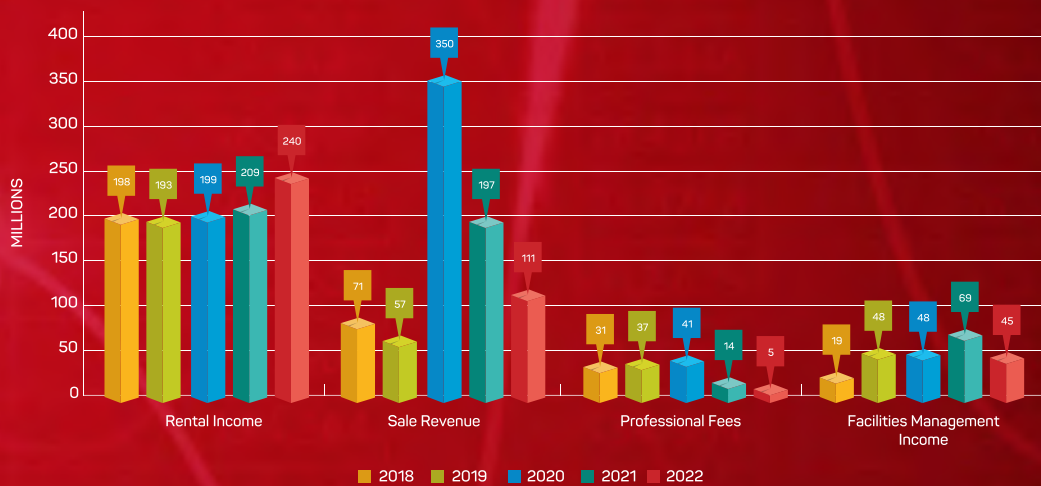
P3.04 billion

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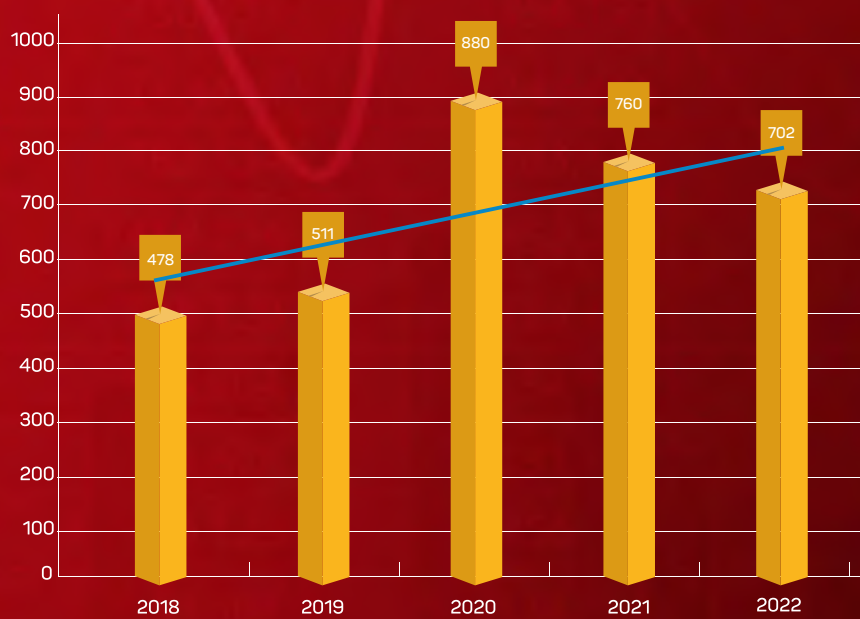
# FINANCIAL REVIEW

## FINANCIAL GRAPHS

### 5 YEAR MAJOR REVENUE STREAMS (MILLIONS)

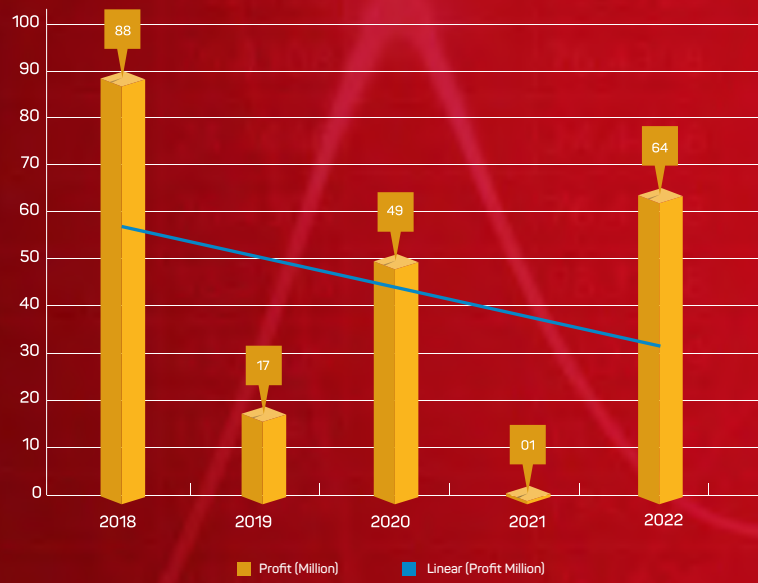


### 5 YEAR REVENUE TREND

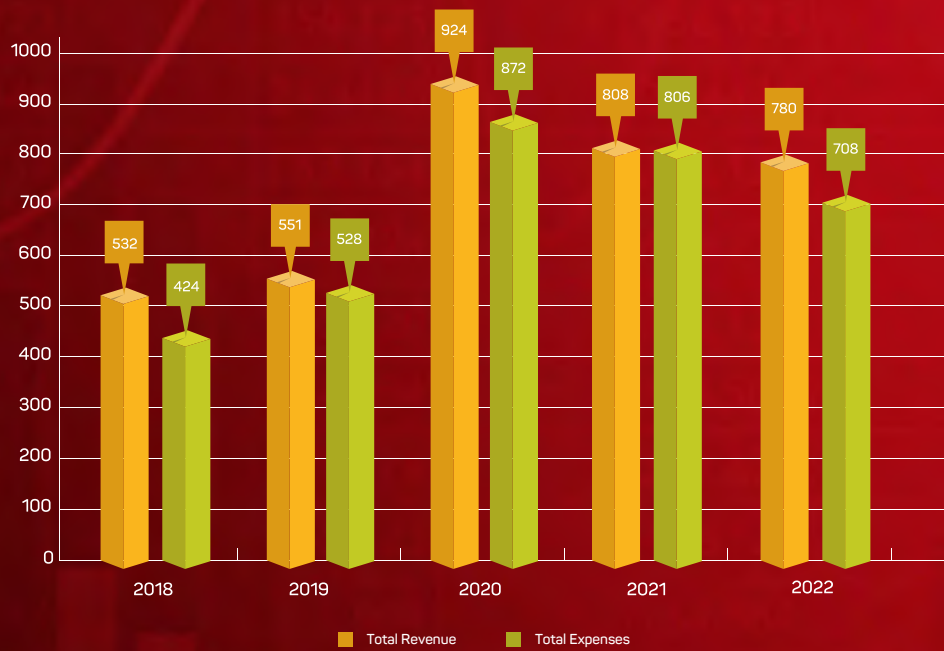


# FINANCIAL REVIEW

## 5 YEAR PROFIT



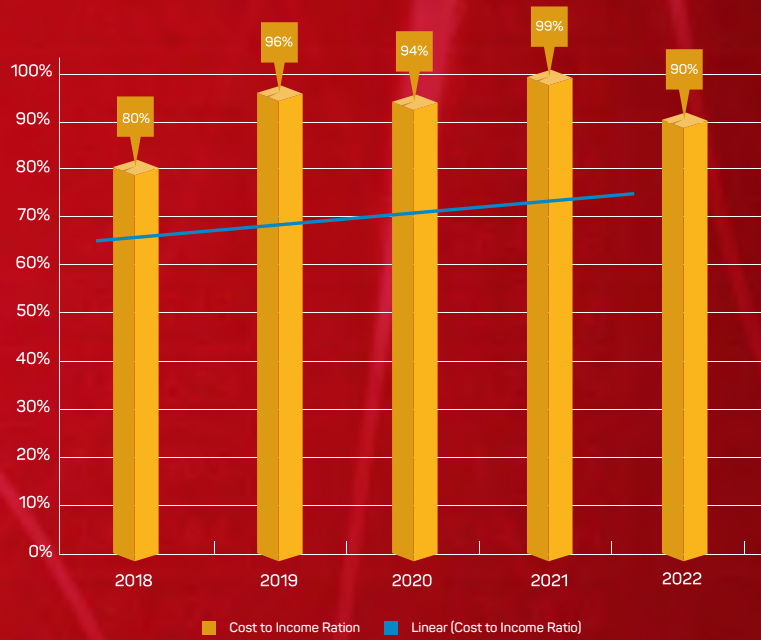
## 5 YEAR TOTAL INCOME VS EXPENSES



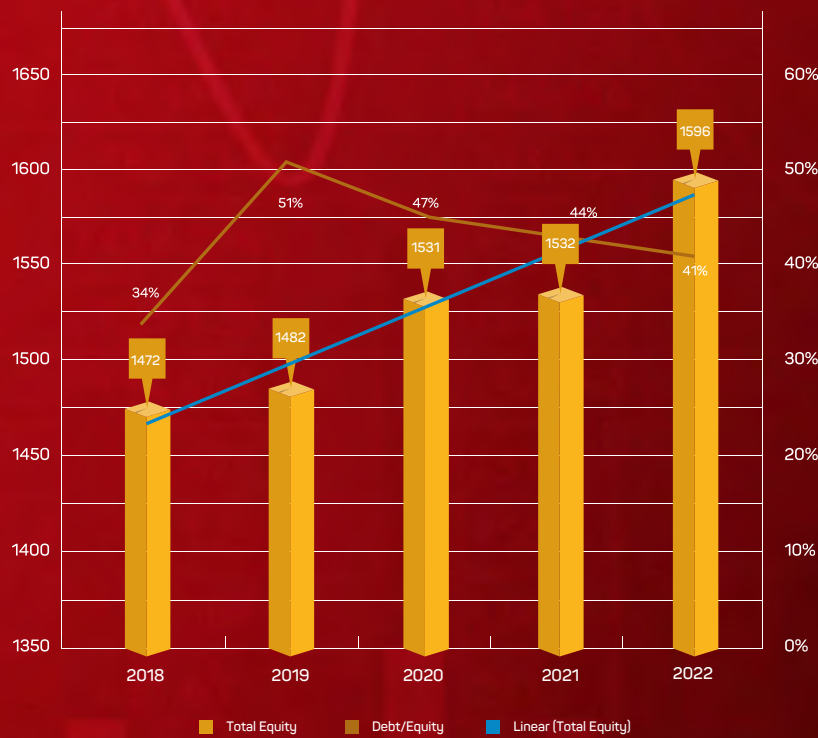


# FINANCIAL REVIEW

## 5 YEAR COST TO INCOME RATIO



## TOTAL EQUITY VS DEBT EQUITY RATIO



A person in a suit is writing on a document with a pen. The image is overlaid with a warm orange filter. The person is wearing a dark suit jacket and a striped tie. The document they are writing on has some text and a bar chart. The background is a light-colored wall with a grid pattern.

# **FINANCIAL REVIEW**

# FINANCIAL REVIEW

## ANALYSIS OF REVENUE

The Corporation recorded a total revenue of P702 million, an 8% decrease when compared to the P760 million recorded in the prior year. The decrease in total revenues was mainly as a result of a decline in professional fees and facilities management revenue stream, with reduction totalling P33 million. Even though the sales revenue declined year-on-year, it contributed significantly to the overall growth in gross margins.

Rental revenue increased by 15% to P240 million from P209 million recorded in the prior year. The increase was mainly caused by the second-year rental adjustment which is part of the planned five-year rental increase to get to 80% of the market rate. There were new additional properties to the investment portfolio.

The total rental stock at the end of the reporting period was 9 901 units and these units are rented out to Batswana across the country. The Corporation's strategy is to maintain the rental units at 10 000 to meet its operating costs. At the end of the financial year, the Corporation recorded a vacancy rate of 0.81% on its rental portfolio, which translates into 80 vacant units. The vacancy rate is below the industry target of 1.5%.

Facilities Management revenue, which is revenue from maintenance of properties for third parties, decreased by P24 million from P69 million recorded during the prior year to P45 million. This is one of the Corporation's key revenue streams and is expected to grow year-on-year as more customers are taken on board. 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.

## OPERATING EXPENSES

Total operating expenses for the period under review were P258 million compared to P241 million during the prior year, an increase of 7%. The main costs drivers were employee benefits, expenses, repairs and maintenance of investment properties and other operating costs.

Employee benefits increased by 3% on the back of across-the-board inflationary adjustment, from P138 million recorded during the prior year to P142 million. Repairs and Maintenance costs for the year under review were P51 million against P42 million recorded during the previous reporting period. The Corporation from time to time routinely assesses and maintains its properties on a five-year cycle to preserve the value of its investment portfolio.

Other expenses went up by 10% to P66 million as compared to the P61 million seen during the previous corresponding period. The major contributors to other expenses are administration, property rates, security, consultancy and advertising costs.

## IMPAIRMENT EXPENSES

During the review period, impairments were significantly high due to payments of accounts in arrears by two major clients. Overall impairments were adjusted by P25 million because of two significant receipts from major clients. In the prior year, the Corporation had a significant upward movement of P25 million.

## PROFITABILITY

The Corporation recorded an operating profit of P61 million, representing a significant increase against the P6 million operating loss realised in the prior year. Profit before income tax increased significantly from P2 million in the prior year to P72 million. This resulted in an overall increase in profit after tax from P1 million in the prior year to P64 million for the year under review. This significant increase in profitability was driven by rental revenue, high sales of investment properties which generated high margins averaging 65%, and impairment reversals.

## STATEMENT OF FINANCIAL POSITION

The Corporation's financial position remains strong with total assets amounting to P2.90 billion, a decrease of 5% year-on-year. The Corporation's strength is on its investment properties portfolio that stood at P1.4 billion at the end of the reporting period. These properties represent 48% of the Corporation's total assets.

Housing inventories, which are properties held for sale and those still under construction, closed the year at P444 million compared to P605 million in prior year. Housing inventories decreased by 27% because of increased sales as well as delayed project completion. The P444 million worth of inventories indicate the Corporation's potential to generate more sales revenue into the future.

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

# FINANCIAL REVIEW

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## LOOKING AHEAD

The Corporation's strategy is to continue to diversify its revenue streams, despite the prevailing challenges which continue to put pressure on both professional fees and facilities management revenue. The Corporation plans to increase facilities management income stream by undertaking more third-party projects. The Corporation is confident that once the economy improves, professional fees stream will grow as some of the suspended third-party projects will be undertaken.

The Corporation is also happy with the uptake of the low income Tsholofelo projects, with most of the apartments now sold and will continue to build for this market category and there is a plan to build similar apartments in Gaborone Block 7.

The Corporation is proud to have a financially stable and strong balance sheet coupled with low gearing ratios. The Corporation continues to provide affordable housing to Batswana all over the country through social housing projects. The Corporation will continue on its commercial mandate to ensure financial sustainability.





**A loving family  
home, for all.**



# CHAIRPERSON'S REPORT



During the year under review, the Corporation made quite significant strides in the sale of its properties to Botswana. To date the Corporation has sold

over  
**15,000**  
housing units to Botswana since inception.

I am delighted to present to you our 2021/22 Annual Financial Report, which demonstrates how we have significantly advanced towards the execution of our strategy. This period marks a very significant period in the history of the Corporation as it coincided with our Golden Jubilee. As a Corporation, we are very proud of the contribution we have made over the last fifty years across various communities in Botswana. Our footprint has grown significantly over the years as we continue to make a great impact in our communities through the provision of shelter. We remain hopeful during this time of uncertainty to weather the challenges and focus on the successful delivery of our mandate. Our resolve is to grow and sustain a financially strong entity responsible for providing housing solutions to the general populace guided by a clear vision and purpose.

## STRATEGY

The Corporation is on its second year of the refocused three-year strategic plan with specific performance objectives to ensure that we effectively deliver on our mandate. There are priority areas, which we have identified as a business to ensure that we remain on course to accomplish our strategic goals. Key among these is the need to develop an alternative funding model, which will support the social housing programme to ensure that we continue to serve the low-income market. Stakeholder engagement remains fundamental to our business. This is to foster good relations with our various stakeholders. During the year under review, regular consultations were held with the various stakeholders to establish their expectation as well as to ensure we continue to offer high value products to their expectation.

# CHAIRPERSON'S REPORT

The strong financial performance enabled BHC to finance its projects during the difficult times of the COVID-19 pandemic. We continue to seek opportunities which will enable us to leverage on strategic partnerships to improve on our project delivery. Our continuous collaboration with financial institutions continues to yield improved BHC product uptake by Batswana. Going forward we believe these relationships will be a key in ensuring that we remain relevant as the Corporation charged with provision of affordable accommodation.

Our research has indicated the need to tap into emerging markets particularly that of the youth and low-income groups, which remain hard hit when it comes to shortage of accommodation. The Corporation conducted market segmentation survey to identify specific needs of these groups and our plan is to realign and address these accordingly.

We have identified project management as an area that among others will be given priority. To address this, several initiatives have been put in place. Some notable ones are the review of the Project Management Methodology and Project Governance Structures. A project is currently ongoing to set up a project management office at BHC. This will go a long way in ensuring that there are robust project management processes that will improve project delivery and benefit our stakeholders.

As a Corporation, we continue to implement programs which are geared towards empowering our citizens. A strategy has been put in place to unbundle projects to ensure that as many Batswana as possible are able to participate in our projects either as consultants or contractors. We also continue to make the platform accessible for the vulnerable groups like the women and youth to partake in BHC projects. During the financial year 2021/22, a deliberate decision was made to reserve 30% of our maintenance projects to women and youth. I am happy to report that, we have seen more women and youth actively undertaking projects for BHC. To ensure that Batswana are capacitated to deliver on projects, BHC will be introducing a contractor mentorship programme in the next financial year. The aim of the programme is to create capacity building for contractors and other suppliers on areas such as project management, contract management and financial management.

## FINANCIAL PERFORMANCE

The past two years were characterised as unprecedented challenges occasioned by Covid-19, which contributed to slow economic activities affecting the Corporation, nation, and the world at large. The unexpected surge of the global pandemic resulted in subdued incomes due to job losses in some sectors. Notwithstanding these challenges, the Corporation remained resilient, due to the unwavering commitment from Management and Staff, through the cost management strategies implemented in the year under review. The delivery of the second phase of the Tati Siding 100 units, which were added to the rental portfolio also had a positive effect on the rental revenue.

Revenue from property sales remains a critical component of the Corporation's income streams as it allows rollout of more housing developments to accommodate more Batswana. In our pursuit to encourage homeownership among Batswana, the Corporation continues to dispose houses through outright sales and the Tenant Purchase Scheme (TPS). During the year under review, the Corporation made significant strides in the sale of its properties to Batswana despite the challenges posed by the pandemic. To date, the Corporation has sold over 18,000 housing units to Batswana since inception.

Other key income streams such as Facilities Management, saw a significant decline during the year under review, mainly due to reduced spending by some of our major clients. We, however, remain confident that the situation will improve going forward as the Corporation embarks on a path to diversify its client base and product offerings.

## OUTLOOK

As we embark on the last leg of our six-year strategic plan, which comes to an end in the next financial year, the focus remains to achieve our aim of "developing communities through innovative and sustainable housing solutions." We do however, take cognizance of the current negative economic impacts resulting in inflation reaching unprecedented levels. Despite these challenges, the gradual easing of Covid-19 restrictions has restored our confidence in our ability to forge ahead whilst there has been a general improvement, the rising cost of fuel putting pressure on logistics and the price of materials will negatively affect the cost of construction. We also believe that as economic conditions improve other income streams such as Facilities Management will experience growth in time. The Corporation plans to start several projects across the country in the next financial year. These includes Tsabong, Gaborone, Maun and Kazungula, which upon completion will be sold and/or leased out in an endeavour to house more Batswana.

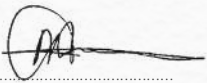
# CHAIRPERSON'S REPORT

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## ACKNOWLEDGEMENT

I Wish to take this opportunity to thank our Shareholder, valued customers and all stakeholders for their support and entrusting us to deliver on our mandate. My sincere gratitude goes to the BHC Management and Staff for their unwavering' commitment and dedication. Your resilience through this period has not gone unnoticed. I humbly appreciate the BHC Board, for their leadership, guidance and unwavering support.

I look forward to yet another year, as we journey together in pursuit of this noble cause of housing Batswana.



**Mr. Moemedi Gabana**

Board Chairman



# CHIEF EXECUTIVE OFFICER'S REPORT



BHC recorded a profit after tax of  
**P64m**  
 for the Financial year under review, a  
 significant increase compared to  
**P1m**  
 recorded in the previous year. Total  
 operating expenses increased by  
**7% to P258m (FY21:241m)**  
 mostly due to inflation as the  
 Corporation implemented cost  
 cutting measures.

## INTRODUCTION

To all our valuable Stakeholders, I am delighted to present to you the 2021/22 Botswana Housing Corporation annual report.

The past year has seen further challenges and uncertainty as we began to learn to live with COVID-19. The Corporation performed strongly and remained resilient on key operational, liquidity and capital requirements, and our leadership has done a commendable job in managing the health and safety of stakeholders, including employees and clients. What the Corporation has managed to achieve resonates in the local housing market space. We balanced the challenges we faced in our business, with the strides made in progressing our strategy and building a BHC that is more client-centered and more competitive. Our products continued to perform well within the youth segment with our Tsholofelo projects buoying our sales. With our strong foundations we can withstand the severe conditions and flourish once the environment has improved.

## GLOBAL ECONOMY

In its most recent World Economic Outlook (WEO) the International Monetary Fund (IMF), estimates global GDP to moderate from 6.1% in 2021 to 3.2% in 2022. Several shocks have hit a world economy already weakened by the pandemic: higher-than-expected inflation worldwide, a worse-than-anticipated slowdown in China due to COVID-19 outbreaks and lockdowns and negative spill overs from the war in Ukraine. Global inflation has been revised up due to food and energy prices as well as lingering supply-demand imbalances and is anticipated to reach 6.6 percent in advanced economies and 9.5 percent in emerging market and developing economies in 2022. In 2023, global output is expected to grow by just 2.9 percent due to disinflationary pressures resulting from tightening of monetary policies by governments.

## REGIONAL ECONOMY

In its most recent Regional Economic Outlook (REO) the IMF revised the Sub-Saharan Africa's economic expansion from 3.8% to 4.5% in 2021. In 2022, however, that progress has been jeopardized by the on-going war in Europe.

# CHIEF EXECUTIVE OFFICER'S REPORT

Economic activity in 2022 is expected to expand by 3.8 percent, held down by weaker growth prospects in oil-importing countries.

The economic recovery is expected to accelerate in 2023, with growth trending at about 4 percent over the medium term. But this pace of growth is not enough to make up for lost ground from the pandemic and renders the region's Sustainable Development Goals significantly more difficult to achieve. The pandemic has also left deep social scars, illustrated starkly by the increase in the number of people living in extreme poverty. However, looking ahead sub-Saharan Africa's potential remains undiminished. The region is at a critical juncture to implement bold transformative reforms to capitalize on this potential.

## BOTSWANA ECONOMY

In their most recent economic outlook report, the African Development Bank estimates that Botswana's Real GDP growth is projected to moderate to 4.2% in 2022 from the 12.5% in 2021.

This is supported by the continued pickup in economic activity and diamond prices, a successful COVID-19 vaccine rollout, and full implementation of the Government's Economic Recovery and Transformation Plan (ERTP). Headwinds include weaker diamond demand if the global economic recovery loses momentum, COVID19 variants, persistent drought, and effects of South Africa's weak economic growth on Botswana's exports and SACU revenues. With the economy operating below full capacity up to the medium term, inflation is projected to revert to within the central bank's range in 2023. The fiscal deficit may narrow, as domestic revenues rise with the ERTTP growth stimulus. The current account may register a surplus in 2023, with the revival of the diamond and tourism industries. Unemployment may widen post-lockdown but could be mitigated by well-targeted social programs.

## BUSINESS AND OPERATING PERFORMANCE

The Corporation has delivered strong results this year. Our continued focus on our customers and execution of our strategy underpinned 2022 financial performance and operational performance. We focused on marketing our investment properties which resulted in growth in profitability due to the sales of high margin products. Our operating performance was higher because of the continued growth in rentals, and profitability was enhanced by sound portfolio credit quality and lower provisions.

A highlight of the result is our continued balance sheet strength and cash position. BHC recorded a profit after tax of P64m for the Financial year under review, a significant increase compared to P1m recorded in the previous year. Total

operating expenses increased by 7% to P258m (FY21:241m) mostly due to inflation as the Corporation implemented cost cutting measures.

The strength of our balance sheet means the Corporation is well-positioned to continue supporting our customers and broader Botswana economy, while delivering consistent and sustainable returns.

## OUR STRATEGY

This year we have continued to execute our revamped strategy to build a customer focused organisation. We refreshed the strategy in November 2019 and the same strategy is coming to an end in March 2023. The major thrusts of the revamped strategy were to offer Superior customer experience, Stakeholder engagement, Financial sustainability, Operational efficiency, High-performance culture and Market segmentation. The Corporation is fortunate to be the trusted housing developer in Botswana with a varied clientele ranging from upmarket to low income. Our scale puts us in a unique position of being able to play a significant role in helping Botswana become a resilient and sustainable economy.

## HOUSING DEVELOPMENTS

During the period under review, 672 houses were delivered under the Self-Help Housing Agency (SHHA) scheme. At the end of the financial year, 459 SHHA houses were at different stages of construction and are all expected to be delivered in the next financial year. In the 2022/23 financial year, 301 additional houses will be started under this scheme across different constituencies.

On the commercial side, the Corporation delivered 169 units and 35 units were under construction at different stages in Tsabong, Tonota and Gaborone, and are expected to be delivered during the 2022/23 financial year. The high take up of the Tsholofelo west and Tsholofelo east projects has encouraged the Corporation to focus on delivering similar units under the same category. An additional 114 units of a similar type will be built in Gaborone, Block 7. The Corporation plans to start 1068 units in Gaborone, Francistown, Maun, Kazungula, Pilane and Letlhakane during 2022/23 financial year.

## OUR CUSTOMERS

The Customer remains the mainstay of the business. All processes and system have been aligned to enable the Corporation to respond to the Customer requirements and preferences in an efficient and effective manner. To achieve this the Corporation carries out regular Customer Satisfaction Surveys to measure the level of satisfaction of the BHC

# CHIEF EXECUTIVE OFFICER'S REPORT

Customers on the products and services provided. The insights and feedback from the surveys help the Corporation to improve on future products and general service delivery.

## OUR STAKEHOLDERS

Our stakeholders remain an integral part of our operations as their support is critical for our existence. During the period under review, the Corporation relied heavily on digital platforms to engage with its wide range of stakeholders due to Covid-19 restrictions. Digital platforms offered the Corporation an opportunity share information on its products and services as well as respond to any queries and enquiries. The Corporation also managed to engage key stakeholders such as third-party customers as well as other Corporate clients to discuss issues of mutual concern. We are grateful for the immense support and cooperation from our key stakeholders, being our Staff, the community, utility providers, suppliers, Government Ministries and or departments and Local Authorities during this challenging period. We remain committed to ensuring that we continuously engage them not only to enhance our product and service offerings but to also improve our relationship going forward.

## RISKS

During the year under review, the Corporation experienced substantive operational risks related to project management which were, therefore, managed to tolerable levels to ensure efficiencies in project delivery. In recognising the presence of risks in the enterprise, the Corporation has reviewed Enterprise Risk Management framework to enhance it based on the principles of ISO 31000:2018 risk management standard and the COSO framework. This has enhanced the capability of identifying, assessing, and managing risk across the Corporation. The Corporation conducts risk assessments at strategic and operational level to identify risks facing the Organisation. Even though there are COVID-19 residual effects, the Corporation continued to consistently enforce the credit control policies throughout the business, kept the credit risk particularly for the private and corporate Segments clients under control.

## REGULATORY

During the year, there were some changes to the regulatory environment, importantly, the revised Finance Intelligence Act (FIA) and the Public Procurement Act. These laws had minimal impact on the operations of BHC. However, with the FIA Act requirements, the Corporation has continued to ensure compliance by developing Anti-Money Laundering, Counter Financing of Terrorism and Counter Proliferation Financing Policy which has enhanced vigilance around Know Your Customer (KYC). The Corporation has established temporary structures to ensure compliance to the Public Procurement act.

With that the Corporation has continued with its procurement activities which are critical to the business. BHC continues the drive towards a totally digital transactional environment that would obviate the risks associated with cash receipts.

## LOOKING AHEAD

We remain focused on playing our part to support our customers, the broader economy, and our people in an uncertain environment. Many Batswana households are under pressure from the rising cost of living due to higher-than-expected inflation which in turn has impacted borrowing costs. This has created an uncertain and unfamiliar environment for many of our customers and potential customers. The outlook for the year ahead is mixed. A strong economic recovery has been tempered by the rising cost of living, higher energy prices and supply chain pressures across a broad range of goods and services.

While we are facing a period of economic uncertainty at the moment, we are optimistic about the medium to long-term opportunities for Botswana that lie ahead and always remain committed to offering our clients quality products and value for money.

We will remain focused on our role in supporting the economy, promoting homeownership, and encouraging investment in property.

Looking ahead, we will continue to develop new markets in the form of new development projects in other geographic locations across the country. We believe that strong customer engagement and deeper relationships with our stakeholders will continue to underpin growth and performance.

## ACKNOWLEDGEMENTS

Our people have again demonstrated our values of Botho, Excellence, Innovation, Transparency and Teamwork when serving our customers and communities. I thank them for their dedication and commitment. I look forward to working with them to build a brighter future for all. On behalf of everyone at Botswana Housing Corporation I would like to thank our Board for their unwavering commitment to our Corporation, our customers and mostly importantly our broad stakeholder base.



**Ms Pascaline Sefawe**  
Acting Chief Executive Officer

# STRATEGY REVIEW



# STRATEGY REVIEW

## STRATEGIC PLAN - 2020/23

Botswana Housing Corporation (Corporation) develops long-term strategic plans to guide delivery of quality products and services in pursuant of its mandate. The Corporation is currently implementing a six (6) years strategic plan covering the period from April 2017 to March 2023. In November 2019, the Corporation reviewed and developed a refocused strategic plan for the period from April 2020 to March 2023.

The refocused strategic plan facilitates the Corporation to continue realising the societal impact of its products and services. The strategic plan identifies the key results areas of the mandate that the Corporation should focus on. It is the intent of the Corporation to develop safe communities with decent and comfortable housing that are environmentally friendly yet affordable. Therefore, various initiatives were identified for implementation to achieve the set strategic intent of "providing 12,300 safe, dignified and sustainable houses for Batswana by 2023".

The Corporation's 2020/23 strategic plan is founded on the following key themes.

### 1. Superior customer experience

The Corporation will position customers at the forefront of its business model. It will determine their needs and deliver high quality products and services in record time. Furthermore, the Corporation will become a market leader by incorporating alternative technologies into its product offering utilising learnings from the customer segmentation initiative.

### 2. Stakeholder engagement

BHC will build and sustain strategic relationships with key stakeholders which aim to co-create value in society as per the Corporation's mandate. This will be driven by strengthened advocacy in collaboration with the Government.

### 3. Financial sustainability

The Corporation will become financial sustainable by balancing its social and commercial responsibilities. The Corporation will continue to innovate the current income model, ensuring continued sustainability and delivery.

### 4. Operational efficiency

The Corporation will ensure that all services are delivered in accordance with the standards of quality, efficiency, and transparency. In driving operational efficiency, the Corporation will optimise key value chain processes and institute the strategic use of technology which will potentially reduce turnaround times and costs.

### 5. High performance culture

The Corporation will inculcate a winning organisational culture reflective of corporate values. The Corporation will realise the high-performance culture that is characterised by a strong leadership team, continuous learning, and employee development, open and responsive to change as well as a competent and actively engaged workforce.

## STRATEGY PERFORMANCE - 2021/22

The financial year 2021/22, is the second year of the fine tuned three years strategic plan. As at the end of the financial year, the Corporation had achieved 8,040 housing units against the six years target of 12,300 units. The plan built on the previous year's plan and focused on enhancing on delivery on critical organisational objectives.

### Improve stakeholder satisfaction

The Corporation continues to implement initiatives addressing stakeholders' feedback on its products and services. The customer satisfaction index was satisfactory demonstrating that customers are happy with our products and services.

### Respond to housing needs

The Corporation's core mandate is to develop affordable housing for its customers. It worked closely with services providers and delivered 233 commercial housing units. It also performed positively by delivering 685 units for the social programme. The programme is executed through engaging various up-coming small contractors in different localities. The programme also boosts local economies as input materials are sourced locally.

### Financial management

The Corporation optimised on its low unit cost strategy for both commercial and social mandates by implementing initiatives that improved on efficiency and reduced waste. It further worked on diversifying its income model by signing some Memoranda of Understanding with several clients and provided them with services. These have ensured the Corporation's financial sustainability.

### Improve projects delivery

The Corporation continued to encounter challenges regarding how it is managing its development projects. To address the challenges, various interventions were embarked on aimed at improving efficiency in project management and delivery. The Corporation has embarked on developing a project management methodology that would ensure efficiency and

# STRATEGY REVIEW

effectiveness of the project management processes. Further, the Corporation rolled out a mentorship programme to assist contractors struggling to progress projects. Projects are also being unbundled to speed up delivery as more contractors would be engaged to carry out the projects. On the economic front, the approach facilitates more companies to participate in the economic development.

## Entrench enterprise risk management

The Corporation has instituted a corporate wide risk management framework. Risk management is embedded in all the Corporation's processes. The Corporation has also commenced developing a business continuity management system that will be rolled out in the next financial year.

## Drive high performance culture

The Corporation continue to educate employees on the corporate values that guide good behaviour in the organisation. In doing so, the Corporation invested in developing the required competencies and skills in line with its operations.

## STRATEGY OUTLOOK

BHC has not been spared from the harsh effects of Covid 19, which led to projects delays owing to several lock downs and travel restrictions. The Corporation however, put interventions in place to manage the effects of the pandemic, some of which included scaling down of production to preserve cash.

The Corporation's long term strategic plan is coming to an end in March 2023. The Corporation has therefore identified and prioritised strategic initiatives to be implemented during the 2022/23 financial year. These initiatives will assist the Corporation catch up on deliveries of the projects not realised in the previous performance period.

The following will be the key strategic priority areas for the Corporation going forward.

### Strategic partnerships

The Corporation will partner with the private sector to creatively utilise its resources and those of the partners to accelerate delivery of products and services to the market. The customers' needs will be addressed on time and to the Shareholder's expectations.

### Alternative technologies

The Corporation will continue researching on existing technologies and identifying and incorporating alternative solutions aimed at improving affordability and sustainability of products and/or the speed of delivery. This will be

achieved through rolling out of the ideation framework which is promoting innovation.

### Financial sustainability

The Corporation will continue with its prudent management of the financial resources to ensure that it honours its financial obligations. The Corporation will continue diversifying its income model to ensure financing of projects while remaining financially sustainable.

### Market segmentation

The Corporation has carried out market research and segmented it according to the various needs. This has offered the Corporation an opportunity to expand the product mix to cater for emerging markets and those which have not been serviced. These products will therefore be developed for specific segments to address the unique needs.

### Establishing a project management office

The Corporation will be operationalising the Project Management Office. This would improve on projects planning, project management and contract administration and enhance projects delivery.

### Supplier development

The Corporation will continue engaging upcoming services providers including construction companies especially for the social housing units. It will therefore handhold such services providers through its mentorship programme to build on their capacity in project management and contract administration.

### High performance culture

The Corporation will inculcate a winning culture characterised by strong leadership, a learning organisation that is responsive to change.

### Environmental, social and governance

The Corporation is alive to the future thinking around environment, social and governance (ESG) and will be building these into the next long terms strategic plan. The Corporation aims at protecting the environment during its operations by ensuring that the environment is not negatively impacted by its projects. Further, the Corporation will roll out its comprehensive social responsibility plan to positively contribute for the betterment of the communities it undertakes developments in. All these will be carried out in line with the Corporation's governance framework that promotes accountability and transparency.



# OPERATIONS REVIEW





# PROPERTY DEVELOPMENT

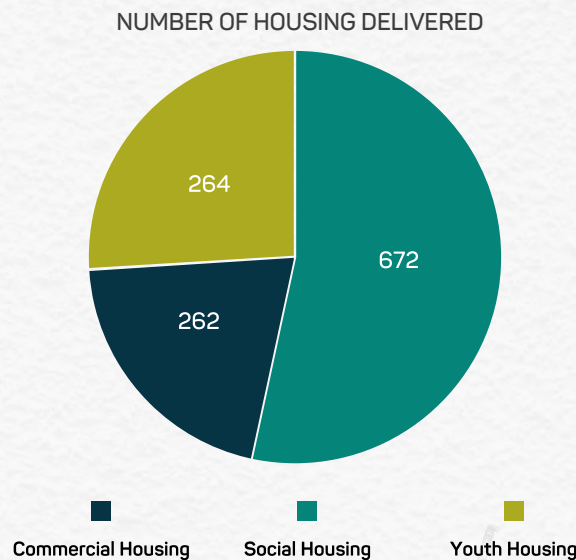
Botswana Housing Corporation prides itself with the provision of housing for government, local authorities, corporates and individual Batswana. These houses are provided through the property development arm of the Corporation. Property development consists of business development, where products are developed and feasibility studies undertaken. There is a research function within the business development function which ensures that there is robust research on demand and customer needs before projects are formulated.

In addition to its core mandate of provision of housing the nation, BHC also undertakes projects on behalf of third parties. These projects range from housing to commercial properties. Over and above the internal and third-party projects, the Corporation is responsible for the delivery of the Self Help Housing Agency (SHHA) turnkey projects on behalf of the Botswana Government.

The Corporation has a team of professionals in the built industry who are full time employees to ensure that all projects are well resourced. In instances where skills are not available internally, or there is a need to increase capacity, the Corporation outsources some of the technical work to local consultants.

## Projects Deliveries

FIGURE:1



### Palapye 150 Housing Development

The housing development consists of 150 housing units in 25 blocks of three storey flats, situated in Palapye. The development targeted first time home buyers as well as various institutions in the vicinity of Palapye to address shortage of accommodation. The project was completed at a cost of P89 Million and offered for, sale and rental to qualifying individuals and institutions. The units were priced in the range of P781,000 and P941,000.

### Tsabong 19 Housing Development

The project comprises 19 two bedroomed units of low-income family housing units, situated in Tsabong. The development targeted individuals, institutions and Government Departments in the area who are experiencing shortage of accommodation for their employees.

A deliberate decision was made to divide the contract into nine projects as an effort to allow for more players. This is part of the Corporation's efforts to develop small citizen owned contractors.

# PROPERTY DEVELOPMENT

The project's objective was two-fold in that it served to develop small contractors and drive the Government initiative of developing the rural industries. The housing development promoted the use of the Kgalagadi Sand Block (KSB) as well as developing the skills of the contractors in the use of the KSB.

The project was constructed at a total sum of P5.8 Million by small scale citizen contractors. The houses were sold at a price of P580,000 per unit.

## Jwaneng 26 Housing Development

The project comprises 26 units of varying categories units of medium-income to high-income family housing units situated in Jwaneng. The development targeted individuals, institutions and Government Departments in the area. The project was constructed at a total sum of P20 Million by Grade D citizen contractor. The houses were sold at a price range of P930,000 to P1.3Million per unit.

## Third Party Development Projects

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, Parastatals and Government Ministries. The projects are undertaken mainly through citizen owned companies. During the period under review, a low number of housing units were started compared to the previous years due to budgetary constraints experienced by respective Clients affected by the COVID-19 pandemic. In the same period a number of on-going projects also suffered delays and will be delivered in the next financial year.

The third-party projects delivered include: -

- Tsabong 14 Units
- Maun 2 Units
- Rakhuna 50 Units
- Rolong Record Centre

## Citizen Economic Empowerment

The Corporation continues to play a critical role in the development of citizen businesses including the construction sector. Projects are deliberately unbundled to create opportunities for a wider bracket of contractors. The Corporation has further reserved all projects at Grade D and below to citizen contractors as well as all sub-contracting.

## Employment Creation

The Corporation plays a critical role in the development of the economy and has noticeable impact on the local communities through job creation. Through the value chain of construction procurement, the impact/benefit cut across the whole spectrum in the industry, from building material suppliers, building material manufactures, transport and logistics, casual labourers through technical experts all the way to the professional at the top end and ultimately the benefit of the shelter. The construction projects also revive the local businesses and entrepreneurs who sell to the labour force.

In the year under review, the Corporation through its development projects created a total of 4786 jobs directly in the localities of the respective projects being Palapye, Rakhuna, Tsabong, Maun, Jwaneng and various places where SHHA turnkey projects were undertaken respectively.

# PROPERTY DEVELOPMENT

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## SHHA TURNKEY PROJECTS

The Corporation has been tasked with the implementation of the Self Help Housing Agency (SHHA) Turnkey Programme. The low-income social housing programme is targeted at citizens with an annual income ranging from P4,400.00 to P52,000.00. The scheme comprises of a standard house plan across all the 57 constituencies, and it is fully funded by the Government. The beneficiaries are required to pay an interest free loan over a period of 20 years. The administration of applications to enrol in the scheme are processed through the local authorities.

In implementing the programme, the Corporation made a deliberate decision to deliver these housing units through the services of local contractors.

It has been the Corporation's target over the years to deliver at least 1000 housing units per year through the Government funding.

However, the Corporation has seen a reduction of the funding from the Government over the last few years, including the year under review. This among other reasons has been due to other Government priorities with the most recent being the Covid-19 pandemic.

In the last financial year, a total of 1073 houses were delivered against a target of 1167 creating more than 5000 jobs and housing over 4000 Batswana, in the year under review due to a reduced budget a total of 672 housing units were delivered against a target of 731 units.

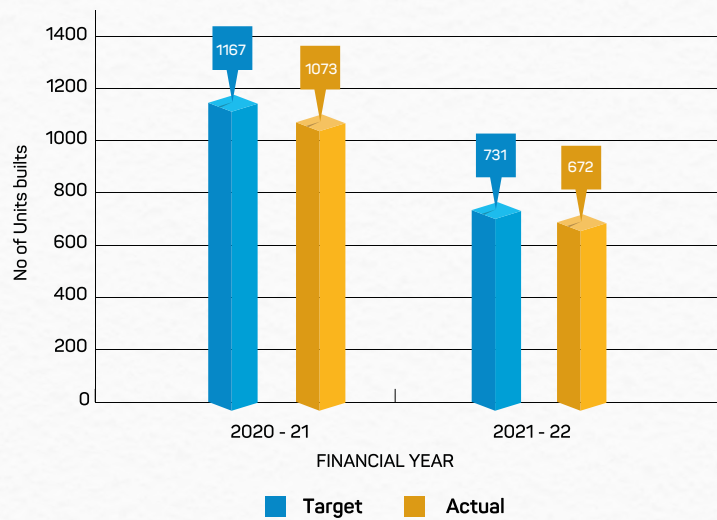


# PROPERTY DEVELOPMENT

Figure 1 below demonstrates the Corporation performance in the prior year and the year under review

Figure 1

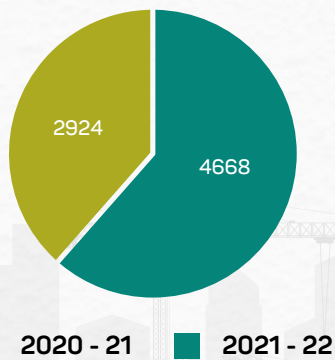
## TURNKEY DELIVERIES



Number of jobs created in the last two financial years is shown in Figure 2 below

Figure 2

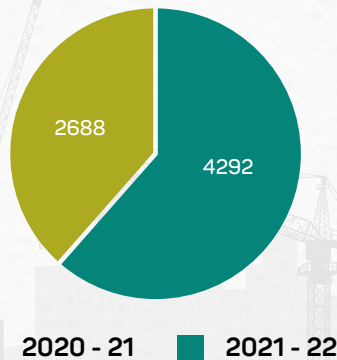
## No of people employed per year



Number of people housed in the last two years is shown in Figure 3 below

Figure 3

## No of people housed per year



# PROJECT QUALITY ASSURANCE

Quality is fundamental to project management success, and it cannot be considered in isolation. Botswana Housing Corporation is committed to deliver projects of the right quality, at the right time and for the right cost. The quest for Botswana Housing Corporation is to grow its business innovatively, while at the same time reducing cost and risk, and thus requires a more rigorous approach to quality assurance and control.

As the customer base grows, there is increasing pressure of quality issues, hence modern project management, are best suited to address these issues.

The Corporation has invested in strides that lead to proper planning and execution of quality activities. The key elements in projects quality assurance are:



Development of quality management plan



Auditing of projects quality



Analysis of projects quality

**“Quality is never an accident. It is always the result of high intention, sincere effort, intelligent direction and skilful execution; it represents the wise choice of many alternatives.”**

William A Foster



# PROJECT QUALITY ASSURANCE

Having the above activities in place ensures delivery of quality products that helps in maintaining functionality, reliability, and performance of the products.

The below diagram represents the activities that the Corporation has adopted in carrying out projects' quality assurance of its housing projects.

## QUALITY CONTROL CYCLE

### QUALITY PLANNING

Identify which quality standards are relevant to the project and how to satisfy them



### QUALITY ASSURANCE

Periodically evaluate overall project performance to ensure the project will satisfy the relevant quality standards



### QUALITY CONTROL

Monitoring specific project results to ensure that they comply with relevant quality standard



# PROPERTY MANAGEMENT

## RENTAL PORTFOLIO

Botswana Housing Corporation (BHC) has a rental portfolio of over 10,000 units geographically spread across urban centers and major villages in Botswana, marking its nationwide footprint (See Table 1). The presence of BHC's portfolio across the country underlines its historical and continued relevance to support the national economic development and inclusive growth, by making housing accessible to all.

Table 1: Portfolio per location\*

Location	No. of Units	% of Portfolio
Gaborone	4,534	44.82%
Francistown	1,711	16.91%
Lobatse	511	5.05%
Jwaneng	376	3.72%
Selebi Phikwe	443	4.38%
Kasane	256	2.53%
Palapye	445	4.40%
Mahalapye	269	2.66%
Maun	250	2.47%
Sowa Town	792	7.83%
Tati Siding	146	1.44%
Metsimotlhabe	140	1.38%
Serowe	186	1.84%
Tlokweng	24	0.24%
Tutume	24	0.24%
Tsabong	9	0.09%
<b>Totals</b>	<b>10,116</b>	<b>100%</b>

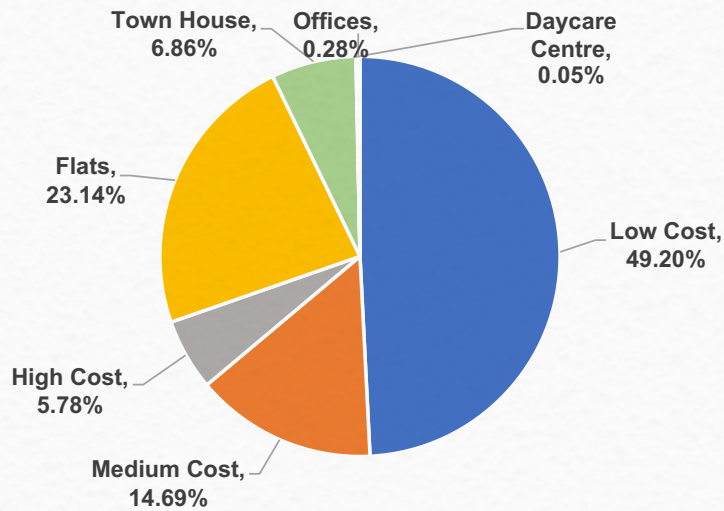
\*Correct as at 31st March 2022

Development and growth of the rental portfolio follows the national housing demand patterns, hence its concentration in urban areas like Gaborone (44.82%) and Francistown (16.91%) and other strategic growth areas such as Lobatse, Jwaneng & Palapye. This underlines the Corporation's strategy to build a resilient rental portfolio with capacity to meet its operational expenses, and remain a self-sustainable State-Owned Enterprise (SOE).

# PROPERTY MANAGEMENT

The portfolio is diversified across different income groups to enhance security of its revenue and offer accommodation for all income groups. See Figure 1 below.

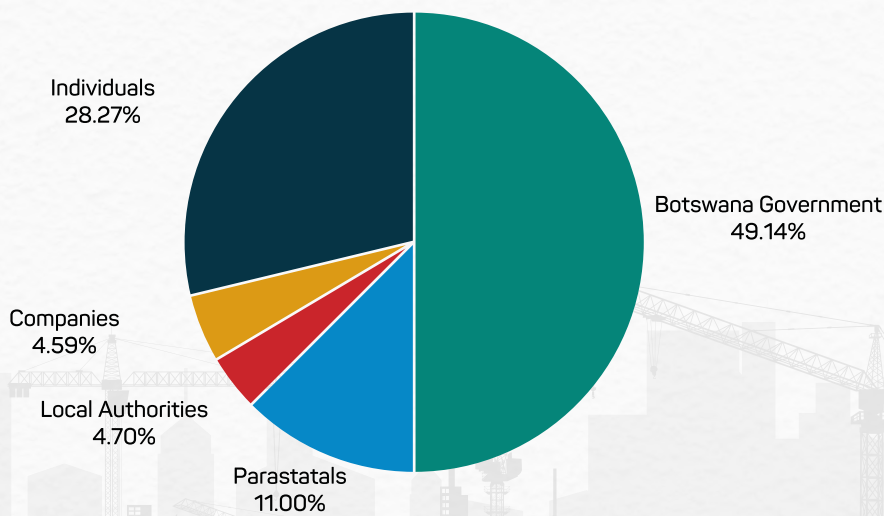
Figure 1: Portfolio mix per class



As per Figure 1 above, the BHC portfolio predominantly consists of low and medium-income housing units which reflect the Corporation's target market.

The Corporation's rental portfolio is further diversified across tenant class, offering a mix of different types of tenant groups as shown in figure 2 below.

Figure 2: Portfolio Mix by Tenants



Key Performance Indicators (KPI's) for the Corporation's 10,000 strong portfolio are rental revenue for which target was **BWP217million**, and vacancy rate for which target is 1.5%.



# PROPERTY MANAGEMENT

During the year under review, the rental portfolio grossed **BWP240 million**, reflecting a **15%** increase from the prior year, and surpassing target for the year by **5%**. Revenue increase during the year was supported by a combination of factors including rental of new 100 units in Tati Siding and Government's approval of annual adjustments to BHC rentals. The latter is expected to significantly boost rental revenue for the coming financial years.

Based on the rental revenue for the year, the Corporation's average rental per unit is **BWP1,997.06 per month**. This underlines accessibility and affordability of the Corporation's rental units.

Further to the revenue performance, the Corporation has a vacancy management strategy to improve management of its property portfolio. For the year under review, it continued with its strategic stretched vacancy rate target of 1.5% for its rental portfolio, albeit the industry target rate of 3% to 5%. The Corporation has during year under review, managed to significantly surpass the vacancy rate target by achieving 0.8% vacancy rate. This had a positive knock-on effect on the rental revenue, as it also surpassed target.

The key to managing vacancy was targeted marketing efforts of vacant units to Government and Government owned enterprises, on the back of increased need for separate living arrangements for civil servants following the COVID-19 protocol guidelines.

## PROPERTY MAINTENANCE

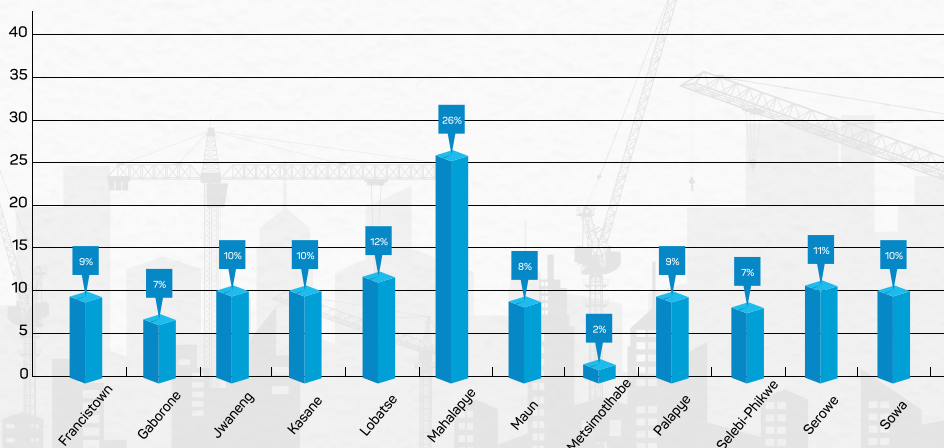
Alongside Property Management services, the Corporation provides Maintenance for its properties through the outsourced Call Center and maintenance contractors for an effective, responsive and customised services. A total of 23 companies have been engaged on 3-year service contract, at an annual combined value of BWP53million to provide reactive and planned maintenance of properties owned by the Corporation.

The Corporation's maintenance strategy is centered around citizen economic empowerment to demonstrate its commitment to Government's localisation, reservation, and preference policies under the public procurement, and address skills gaps, enable citizen and private sector participation in development and growth of the economy. To this end, all maintenance work is reserved for citizens and citizen owned companies, 30% of which is further reserved for the Youth/Women citizen owned companies.

Key performance indicators to maintenance are percentage level of responsiveness to both reactive maintenance and planned maintenance calls, to drive customer satisfaction and maintain value of the Corporation's assets. During the year under review, the Corporation achieved 91% reactive maintenance against a target of 98%, and planned maintenance on 837 properties against a target of 781 units.

Below is a figure showing the number of properties maintained under planned maintenance per area, as percentage of portfolio.

Figure 3: No. of Planned Maintenance Properties As % of Total Portfolio



Further to driving customer satisfaction and value optimization, maintenance is strategically done to drive sales.

# PROPERTY MANAGEMENT

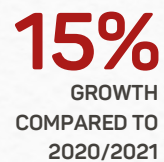
## PROPERTY SALES

Botswana Housing Corporation continues to pursue the National Housing Policy objective of empowering Batswana through targeted home ownership opportunities such as the Instalment Purchase Scheme (IPS), Turnkey for Tsholofelo Youth flats, and outright sale schemes. The Tsholofelo youth flats were all disposed during the year under review, with 70% sold to the Youth. This has allowed the Corporation to roll over the turnkey scheme to Block 7 Gaborone, where a similar development under similar disposal arrangements will be constructed.

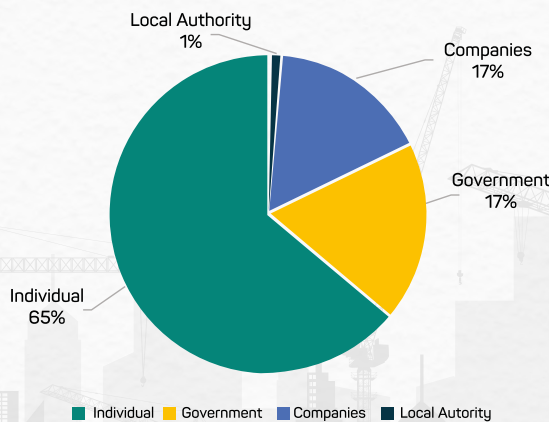
With over 18,000 housing units sold to Batswana since inception, the Corporation annually makes commitments through its sales strategy to offer increasing opportunities for home ownership. These targets siting tenants, targeted groups under the Citizen Economic Inclusion Act and the general public.

For the financial period under review, the Corporation had a strategic objective to respond to housing needs through sale of **404 units** grossing **BWP204 million** in revenue. However, it sold **352 housing units** grossing **BWP179 million**, at an average price of **BWP508,000** per unit.

Although the year-on-year sales comparison shows a decline in volume of sales by **53 units**, and revenue by **BWP15million**, the margins increased by **59%** from **BWP27million** in the previous year, to **BWP43million** in the current year. This is attributable to increased sales for fully depreciated units of which the margins are optimal.



Individuals contributed to most sales at 65%, followed by companies and Government both at 17%. See Figure 3 below.



# PROPERTY MANAGEMENT

Gaborone and Palapye portfolios showed strong performance during the year, contributing 75% of the total sales for the year. As per Table 3.

Table 3: Sales Per Location

Location	No. of Unit SOLD	% Total
Francistown	18	5.1%
Gaborone	182	51.7%
Jwaneng	12	3.4%
Kasane	1	0.3%
Lobatse	3	0.9%
Mahalapye	22	6.3%
Maun	4	1.1%
Metsimotlhabe	10	2.8%
Palapye	84	23.9%
Selebi-Phikwe	4	1.1%
Tati Siding	1	0.3%
Tlokweng	1	0.3%
Tsabong	10	2.8%
Grand Total	352	100%

Revenue from property sales remains a very key income stream for the Corporation, especially for purposes of continuing to develop more housing units to accommodate the nation. The Corporation, therefore, has an all-inclusive strategy for engaging stakeholders in the sale process and to continue to collaboratively play a very crucial role of ascertaining that the homeownership drive is achieved. This is expected to have a knock-on effect on sales in future.



# BUILDING TOWARDS A BETTER FUTURE





## **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.

# CORPORATE REVIEW



## SENIOR LEADERSHIP TEAM



**Ms Pascaline Sefawe**  
Acting Chief Executive Officer



**Mr Nkaelang Matenge**  
Deputy CEO - Operations



**Ms Samantha Chabata**  
Acting Deputy CEO - Corporate Services



**Mr Diratsagae Kganyane**  
Chief Finance Officer



**Mr Batanani Nkumisang**  
Director Property Development



**Mr Sekgele Ramahobo**  
Director Human Capital &  
Administration



**Mr Richard Chilisa**  
Director Risk & Compliance



**Mr Babose Balule**  
Acting Chief Legal Counsel & Board  
Secretary



## SENIOR LEADERSHIP TEAM



**Ms Bridget Mtonga** (Deceased)  
Regional Director North



**Mr Ntshekisang Ofetotse**  
Head - Project Quality Assurance



**Mr Thupa Thupa**  
Head - Strategy Policy and  
Planning



**Mr Kesebonye Khimbele**  
Regional Director South



**Ms Elizabeth Ferguson**  
Acting Internal Audit Executive



**Mr Tshepho Molale**  
Acting Head - Facilities Management



**Mr Tumo Kgatlwane**  
Acting Head - Marketing and  
Communications

# HUMAN CAPITAL

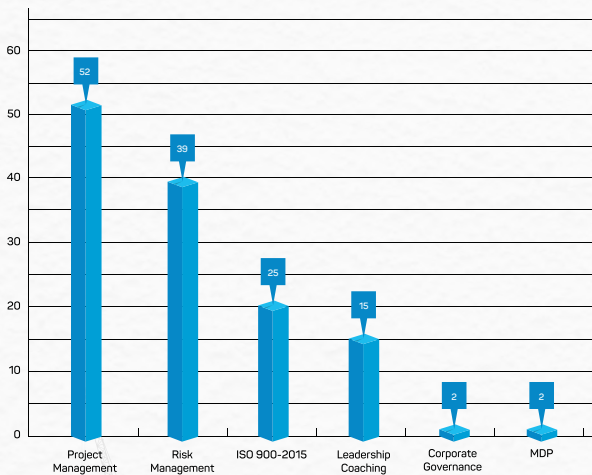
## OUR PEOPLE

At BHC our employees are our most important resource, therefore, policies have been put in place to ensure that employees are highly engaged to deliver on the Corporation's mandate. We have put policies in place that ensures attraction and retention of high calibre employees, who are self-motivated. The BHC employees are given an annual corporate responsibility budget which enables them to make a positive impact in communities where they operate. Employees have gone a step further to contribute from their pockets to ensure the donations address the needs of the vulnerable groups.

## LEARNING AND DEVELOPMENT

Annually, the Corporation identifies learning and development needs through the performance management system. Employees and supervisors identify gaps and agree on the training and on the job coaching needed to close the identified gaps. The following chart shows the training conducted during the financial year under review:

Employee Trained per programme



The Corporation, at its strategic planning session, identified leadership development as key to the achievement of its strategic objectives. Therefore during the year, the Corporation conducted a coaching programme for its Senior Leadership Team. The programme included team coaching sessions and individual coaching sessions for each Head of Department.

The exercise was part of a series of planned interventions intended to amongst other things enhance leadership skills on the Corporation's Senior Leadership Team and build a cohesive team that would effectively drive implementation of

the Corporation's Strategy. The sessions were also intended to address any identified leadership gaps, as well as motivate each team member to self-develop and attain desired professional growth.

The Corporation continued to develop its employees through several learning and development programmes aimed at equipping them with relevant skills and competencies. These programmes included Executive and Leadership programmes, Management Development Programme for Executive and Management levels, respectively. Other employees were enrolled on professional development programmes for the various disciplines. In the year under review the Corporation enrolled its employees on other programmes including Risk Management, Monitoring & Evaluation, Business Continuity, Business Development Management, JBBC, Corporate Governance, and Contract Management.

The Corporation strengthened Records Management Units security measures and ran awareness sessions to impart knowledge on the importance of records security. A workshop, facilitated by the Department of Library and Information Studies, University of Botswana, was run to sensitise Records and Administration officers, as information and records management personnel for the Corporation, on the different pieces of National legislation affecting the management and use of Government Records and Information, including the Data Protection Act, Electronic Evidence Act, 2014 and the National Archives Act of 2007.

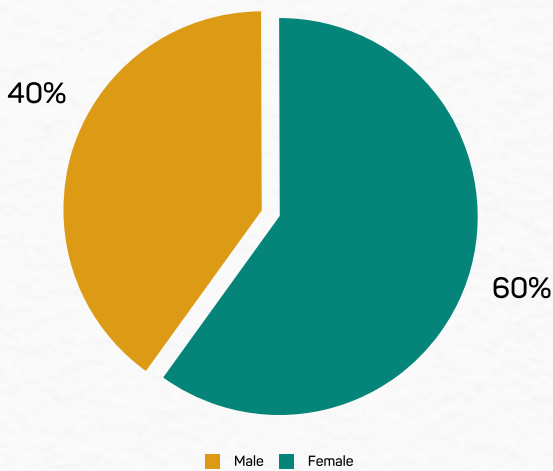
# HUMAN CAPITAL

## HUMAN RESOURCES

The Corporation's establishment is Three Hundred and Sixteen (316), with 185 (58%) of employees being at the regional offices. The graphs below show the gender and age analysis of the workforce;

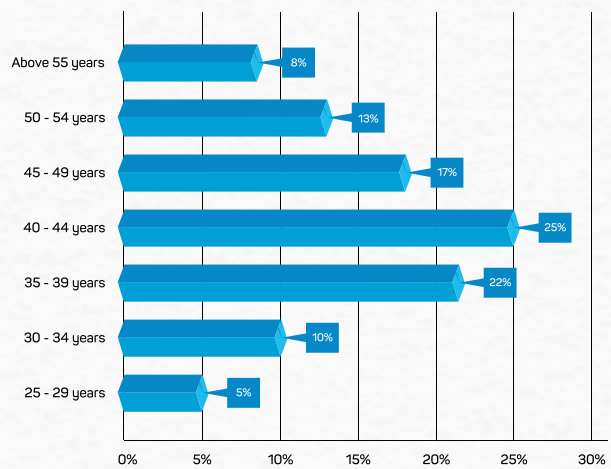
### 1. Gender analysis

EMPLOYEE BY GENDER



### 2. Age Analysis

EMPLOYEE BY AGE CATEGORY



The Corporation continues to make enhancements to its Human Capital management systems and processes as a way of ensuring that its human capital, which is a critical resource, is adequately capacitated to implement the BHC Corporate Strategy efficiently and effectively.

## EMPLOYEE ENGAGEMENT

Employees at BHC are engaged through the following platforms;

- CEO's consultative meetings
- Departmental meetings
- Weekly newsletter
- Lekgotla platform in Alfresco
- Strategy Cascading Sessions
- Corporate Performance Review Sessions

An Employee Engagement/Transformation Plan that was put in place in 2020, following an employee engagement survey, is continuously being implemented and monitored to address issues and recommendations raised by employees through the surveys. Through this plan, the Corporation has implemented several systems intended to enhance the work environment, including installation of internet at home for all employees, which gave employees access to the Corporation's IT systems and hence enabling working from home arrangements.

As part of this process, it was considered important that employees of the Corporation be involved in finding workable solutions to systems or process challenges that may impact negatively on service delivery. This was done through the Chief Executive Officer's consultative meetings, as well as through employee engagement surveys. Employees were also enabled through the Lekgotla platform in the Alfresco electronic document records management system to share ideas regarding effectiveness of policies, systems and processes.

# STAKEHOLDER ENGAGEMENT REPORT

The Corporation conducts Customer Satisfaction Index (CSI) surveys every 2 years to get feedback from customers regarding its products and services. The recommendations from these surveys are used to improve customer value propositions and enhance customer satisfaction going forward.

## STAKEHOLDER ENGAGEMENT ACTIVITIES

STAKEHOLDERS	ENGAGEMENT METHODS	KEY ISSUES
Employees	<ul style="list-style-type: none"> <li>· CEO's Consultative Meetings</li> <li>· Employee Engagement Survey</li> <li>· Internal Launches</li> <li>· Divisional and Departmental Meetings</li> <li>· This Week @ BHC</li> <li>· Molwapeng Internal Newsletter</li> <li>· Memos</li> <li>· Email Communication</li> </ul>	<ul style="list-style-type: none"> <li>· Corporate strategy &amp; Performance</li> <li>· Conditions of service</li> <li>· Risk Management</li> <li>· Human Capital Issues</li> <li>· General information</li> <li>· Corporate development &amp; initiatives</li> </ul>
Board	<ul style="list-style-type: none"> <li>· Board Committee Meetings</li> <li>· Full Board Meetings</li> <li>· Board and Management Retreat</li> <li>· Site visits &amp; tours</li> </ul>	<ul style="list-style-type: none"> <li>· Corporate strategy &amp; Performance</li> <li>· Board oversight issues</li> <li>· Corporate Governance</li> </ul>
Tenants	<ul style="list-style-type: none"> <li>· Customer Satisfaction Surveys</li> <li>· Products Activations</li> <li>· Shows &amp; Exhibitions</li> <li>· Call Centre</li> <li>· Bulk Messaging</li> <li>· Area Offices</li> <li>· Social Media</li> </ul>	<ul style="list-style-type: none"> <li>· Quality of service</li> <li>· Maintenance requests</li> <li>· Product offerings</li> <li>· Service updates</li> <li>· Response to queries</li> </ul>
Third Party Clients	<ul style="list-style-type: none"> <li>· One on one briefings</li> <li>· Site visits and tours</li> <li>· Courtesy call meetings</li> <li>· Project handovers</li> </ul>	<ul style="list-style-type: none"> <li>· Progress updates</li> <li>· Discussion on issues of mutual interest</li> <li>· Service offerings</li> </ul>
Contractors	<ul style="list-style-type: none"> <li>· Site/ progress Meetings</li> <li>· SHE Inspections &amp; Risk Assessment Meetings</li> <li>· One of one meetings</li> </ul>	<ul style="list-style-type: none"> <li>· Progress updates</li> <li>· Compliance</li> <li>· SLAs</li> </ul>

# STAKEHOLDER ENGAGEMENT REPORT

STAKEHOLDERS	ENGAGEMENT METHODS	KEY ISSUES
Shareholder	<ul style="list-style-type: none"> <li>Ministry's Retreat</li> <li>Board &amp; Management Retreat</li> <li>Formal meetings</li> <li>Product Launches &amp; handovers</li> <li>Shareholder Index survey</li> </ul>	<ul style="list-style-type: none"> <li>Mandate</li> <li>Shareholder pronouncements</li> <li>Corporate Strategy &amp; Performance</li> <li>Corporate Governance</li> <li>Administrative business</li> <li>Product and service offering</li> <li>Citizen economic empowerment</li> </ul>
Media	<ul style="list-style-type: none"> <li>One on one interviews</li> <li>Media briefings</li> <li>Radio Interviews</li> <li>Media Releases</li> <li>Media questionnaire responses</li> <li>Product launches</li> <li>Public Education and awareness shows</li> <li>Social media</li> <li>Television interviews</li> </ul>	<ul style="list-style-type: none"> <li>Access to quality and accurate information</li> <li>Product &amp; Service offerings</li> <li>Corporate performance</li> <li>Coverage of events and activities</li> <li>Marketing and promotions</li> <li>Public Relations</li> </ul>
Local Authorities	<ul style="list-style-type: none"> <li>Full Council Briefings</li> <li>Committee Meetings</li> <li>Courtesy call meetings</li> <li>Products launches &amp; handovers</li> <li>Demand surveys</li> <li>One on one meetings</li> </ul>	<ul style="list-style-type: none"> <li>Progress updates</li> <li>Mandate</li> <li>Product &amp; service offerings</li> <li>Service &amp; perception audits</li> </ul>
Communities	<ul style="list-style-type: none"> <li>Corporate Social Responsibility Initiatives</li> <li>Product launches &amp; handovers</li> </ul>	<ul style="list-style-type: none"> <li>Product &amp; service offerings</li> <li>Donations and sponsorships</li> <li>Citizen economic empowerment</li> <li>Mandate</li> <li>Impact of operations on local communities</li> </ul>



# CORPORATE SOCIAL RESPONSIBILITY REPORT

The Corporation recognizes the need for good corporate citizenry given the various societal challenges plaguing communities it operates in. This is also in line with the assisting the Government through the aspect of social and community development. As such, the Corporation has developed a set of guidelines to assist in identifying worthy causes around communities in Botswana to donate towards. This gesture is premised on one of its core values of BOTHO, which seeks the Corporation and its employees to restore dignity amongst communities through the provision of affordable housing and other corporate social responsibility initiatives.

Furthermore, the Corporation is deliberate in its approach to funding of activities, which are specific to organizations or bodies who are citizens of Botswana and in need of charitable assistance. The scope of such depends on needs assessment in line with the following set of thrust areas.

- a) Education
- b) Health Care
- c) Environment
- d) Social Empowerment
- e) Sports and Culture
- f) Generation of Employment
- g) Infrastructure Support
  - Educational institutions
  - Health facilities such as hospitals, Clinics, etc.
  - Community centres and other buildings
  - Development of parks
  - Playground or sports complex
- h) Grant, donation, financial assistance/sponsorship to reputable NGO's of the society/locality doing or involved in upliftment of the standard of the society
- i) Miscellaneous – collection of old clothes from employees and distribute them in rural areas.

## BHC CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

During the year under review, the Corporation spent a total of P866, 365.61 on the following initiatives as part of its plan to bring a positive difference in the lives of local communities.



### DONATION OF A HOUSE TO A FAMILY IN VAALHOEK

To mark the Corporation's Golden Jubilee and help restore dignity in local communities by way of provision of shelter, the Corporation donated a fully furnished house to a family in need in Vaalhoek in Kgalagadi South.

BHC Head Project Quality Assurance Mr N. Ofetotse and the Area MP Honourable Brooks handing over the house to the beneficiary in Vaalhoek.

# CORPORATE SOCIAL RESPONSIBILITY REPORT



## DONATION OF HOUSE ITEMS TO THE BOTSWANA MEN'S RELAY TEAM

In recognition of the team's sterling performance at the Olympics, the Corporation collaborated with the Ministry of Youth Empowerment, Sport Development and Culture and provided furniture and appliances for the houses.

BHC Acting CEO Ms P. Sefawe and the Minister of Youth Empowerment, Sport and Culture Development Honourable T. Rakgare officially handing over the Houses to Botswana 4X400M relay team (TOKYO 2020 BRONZE MEDALISTS).



## DONATION TO LISWAANI I JUNIOR SECONDARY SCHOOL

In an effort to make a positive contribution to the learning experience, the Corporation donated student lockers for the hostels and renovated some dormitories at Liswaani I Junior Secondary School.

Liswaani I Junior Secondary School students standing in front of the donated lockers



## DONATION OF SANITARY PADS TO SETLALEKGOSI JUNIOR SECONDARY SCHOOL

The Corporation donated sanitary towels to Setlalekgosi Junior Secondary School in Francistown. The donation was meant to assist students who often struggle with personal hygiene items thus impacting negatively on their learning experience.

BHC employee handing over sanitary towels to the school head and the students' representatives.

# CORPORATE SOCIAL RESPONSIBILITY REPORT



## **DONATION OF LEARNING MATERIALS TO MATSAAKANG PRIMARY SCHOOL**

The Corporation donated learning materials to Matsaakgang Primary School in Kanye as part of efforts to contribute towards enhancing the learning experience at the school.

Kanye Area Manager Mr O. Mathaio handing over the material to Matsaakgang Primary School



## **DONATION OF COMPUTERS, LEARNING MATERIALS AND TOILETRIES TO STUDENTS**

The Corporation donated computers with basic software, a printer, school bags, sports bags and certificates to high achievers at Liswaani I Junior School in Chobe. The purpose of the donation was to cultivate a positive attitude towards learning and to encourage students as they proceeded to further their education.

Acting Chief Executive Officer - Corporate Services Ms S. Chabata handing over the donation to the school leadership



## **DONATION OF A COPIER AND PRINTING ACCESSORIES TO MATLHOKOLA VILLAGE DEVELOPMENT COMMITTEE**

The Corporation donated a photocopying machine, cartridge and rims of paper to Matlhakola Village Development Committee in the Tswapong Region. The donation was meant to facilitate sustenance for the VDC to assist in implementation of other local developments.

Palapye Area Manager Mr K. Bagai handing over the donation to Matlhakola Village Development Committee





The background is a blurred, orange-tinted image of a courtroom. In the center, a scale of justice is visible. To the right, a hand is holding a pen. The overall scene suggests a legal or judicial context.

# **CORPORATE GOVERNANCE**



## BOARD OF DIRECTORS

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

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

**During the reporting period the following were Board members:**



### Mr Moemedi Gabana – Independent Member

Mr Gabana holds a Master of Science in Urban Development and Bachelor of Arts (Hons) in Architecture.

He is a lecturer on Architecture and Planning at the University of Botswana. He is a registered member of the Architects Association of Botswana. He is currently the Deputy Board Chairman and has assumed the role of Chairman in the absence of a substantive Chairman. He is a Member of the Board Tender Committee.



### Ms Carol Naiko Ralebala - Independent Member

Ms Ralebala is a Chartered Accountant who holds a Masters Degree in Leadership and Change, a Bachelor of Commerce and a Degree in Association of Chartered Certified Accountants. She has vast financial and audit experience. She is the Chairperson of the Finance, Risk and Audit Committee.



### Ms Boitsheko Vanessa Ntshingane - Independent Member

Ms Ntshingane is an Attorney who is duly admitted to practice as such in the High Court of the Republic of Botswana. She holds a Bachelor of Laws Degree and has gone through the Management Development Programme. She is a Member of the Board Tender Committee.



### Ms Tebogo Pulane Mogotsi - Independent Member

Ms. Mogotsi is currently Deputy Director of Public Service Management. She holds a Bachelor of Commerce (BCom), MSc in Human Resources Management, and SAP HR Consultancy Certification. She is the Chairperson of the Human Resources Committee.

# BOARD OF DIRECTORS



## Mr Phenyo Shigie Nthaga - Independent Member

Mr Nthaga holds a Master's degree in Education – Higher Education Studies; Policy Analysis. He is the Faculty Administrator at the University of Botswana. He is a Member of the Human Resource Committee and Finance, Risk and Audit Committee.



## Mr Tumisang Mogwe - Independent Member

Mr Mogwe holds a Bachelor of Science (Hons) in Quantity Surveying and a Bachelor of Science Part 1 in General Science. He is a seasoned Quantity Surveyor who also specializes in Project Management. He is the Chairperson of the Board Tender 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 Transport & Public Works. Is a member of the Governing Council of the Regional Centre of Mapping of Resources for Development (RCMRD); Board member of CEDA Young Farmers Fund; Board member of the National Environmental Fund (NEF). He is a Member of the Human Resource Committee and the Board Tender Committee.



## Mr Jimmy Thibedi Sechele - Independent Member

Mr Sechele is an Architect who holds a Master of Science in Architecture and a Certificate in Building Construction. He is a Member of the Human Resource Committee and the Finance, Risk and Audit Committee.

# BOARD OF DIRECTORS

## COMPOSITION OF THE BOARD

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

In appointing members to the Board, the Minister specifies such periods of appointment and ensures that the appointment of not more than one third of the members expire in any one year.

Of the members appointed, the Minister designates one to be the Chairman of the Board, normally for a term 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.

## 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 in is being discussed. The members may further, not vote in relation to such matter.

## RESPONSIBILITIES OF THE BOARD AND ITS COMMITTEES

The Board has an 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.

There are three Board Committees:

1. The Finance, Risk and Audit Committee
2. The Board Tender Committee
3. The Human Resource Committee

# BOARD OF DIRECTORS

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## FINANCE RISK AND AUDIT COMMITTEE ROLE

The committee's mandate is defined by its charter which is approved by the Board. In line with the requirements of King III, the duties of the Finance Risk and Audit Committee are extensive and include overseeing financial reporting, external audit, internal audit, the risk management process and ensuring that the finance function is effective. Part of the committee's function in relation to risk management, is to oversee the IT risks and fraud risks as it relates to financial reporting and the internal financial controls. The Finance Risk and Audit committee must report to the Board on the effectiveness of these functions.

## 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 four 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 four sittings.

## CHAIRMAN

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.

# BOARD OF DIRECTORS

## 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.

## 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: P1 800.00

NAME	BOARD	Finance & Audit Committee	Human Resource Committee	Tender Committee
Mr Moemedi Gabana Term 1: 01/09/2021 - 31/10/2024	9/14			2/4
Ms Carol N. Ralebala Term 1: 01/09/2021 - 31/10/2025	7/14	2/4		
Ms Boitsheko Ntshingane Term 1: 01/09/2021 - 31/10/2025	9/14			2/4
Ms. Tebogo P. Mogotsi Term 1: 01/09/2021 - 31/10/2025	9/14		3/4	
Mr Pheny Nthaga Term 1: 01/09/2021 - 31/10/2025	9/14	2/4	2/4	
Mr Tumisang Mogwe Term 1: 01/09/2021 - 31/10/2025	9/14			2/4
Mr B. Malatsi Term: 1/12/2018 -	13/14		1/4	2/4
Mr Jimmy T. Sechele Term 1: 01/09/2021 - 31/10/2024	9/14	2/4	3/4	



# BOARD ATTENDANCE

## BOARD ATTENDANCE – RESIGNED MEMBERS

NAME	BOARD	Finance & Audit Committee	Human Resource Committee	Tender Committee
Ms S. Mathe Term: 1/8/2017-31/7/2021	4/14			
Mr C. Marobela Term: 1/12/2016-30/11/2019; 01/12/2019-30/11/2023	5/14			2/4
Mr T. Kewakae Term: 1/12/2016-30/11/2019; 1/12/2019-30/11/2023	4/14	2/4		
Ms. O. Radira Term: 1/8/2017-31/7/2020 01/08/2024	5/14		1/4	2/4
Mr B. Maifala Term: 1/10/2018-30/9/2021	4/14		1/4	
Mr B. Tekane Term: 1/10/2018-30/9/2021	5/14	2/4		2/4
Ms Sethunya Garebatho 1/12/2019-30/11/2022	3/14			1/4
Ms Sapelo Bantsi 1/12/2019-30/11/2022	1/14	2/4		



**BHC  
COMPLIANCE  
WITH KING III**

# REPORT ON THE FINANCE RISK AND AUDIT COMMITTEE

On behalf of the Board, I am pleased to present the Finance Risk and Audit Committee report for the Financial Year ended 31 March 2022. The report outlines how the Committee discharged its responsibilities during the year in relation to financial reporting, risk management and internal control, the Internal Audit function and the relationship and interactions, with the external auditor.

## ROLE OF THE COMMITTEE

The committee's mandate is defined by its charter which is approved by the Board. In line with the requirements of King III, the duties of the Finance Risk and Audit Committee are extensive and include overseeing financial reporting, external audit, internal audit, the risk management process and ensuring that the finance function is effective. Part of the committee's function in relation to risk management, is to oversee the IT risks and fraud risks as it relates to financial reporting and the internal financial controls. The Finance Risk and Audit committee must report to the Board on the effectiveness of these functions.

## COMMITTEE COMPOSITION AND MEETINGS

This Committee is chaired by and composes of independent non-executive directors. The Committee comprises of three directors who in line with requirements of King III are financially literate and are commercially astute members. The names, qualifications and experience of the members are detailed elsewhere in the report.

The Committee is mandated to meet a minimum of four times a year, however during the financial year under review, met a total of five times, of which two were special meetings that were convened.

Committee meetings are attended by all members of senior management, a standing invitation, however, is extended to the following, who present quarterly reports and provide information that is considered necessary by the Committee, to discharge its duties.

- Chief Executive Officer;
- Chief Corporate Counsel;
- Chief Financial Officer;
- Chief Audit Executive;
- Director Risk and Compliance;
- Head-Information Technology.

The Corporation's external auditors attend Committee meetings on invitation. The Chief Audit Executive has direct access to the Committee Chairperson and on a formal basis, meets quarterly with the Chairperson, without other executive management being present, this is done to allow for open dialogue and feedback. The Chairperson of the Committee briefs the BHC Board following each meeting, drawing attention to any matters of significance for the Board.

## EXECUTION OF THE COMMITTEES MANDATE

The Committee discharged the following responsibilities during the year:

### REVIEW OF ACCOUNTING POLICIES AND FINANCIAL STATEMENTS

The Finance Risk and Audit Committee reviewed the adequacy of the accounting policies adopted in preparation of the financial statements. This was performed in conjunction with the external auditor and through discussions with management. The Committee was satisfied that the financial statements which were prepared in accordance with the applicable International Financial Reporting Standards and are also in compliance with the relevant provisions of the Botswana Housing Corporation Act. Furthermore, the Committee is satisfied that the financial statements present a balanced view of the Corporations performance for the year under review and as a result recommended the Corporation's annual financial statements to the Board for approval.

# REPORT ON THE FINANCE RISK AND AUDIT COMMITTEE

## EXTERNAL AUDIT

With respect to the External Auditors for the financial year under review, the Committee:

- a) Monitored the relationship with Ernest and Young and reviewed the effectiveness, scope, objectivity and independence of the external auditor.
- b) Approved the external auditor's remuneration and terms of engagement, including making recommendations regarding its re-appointment.
- c) Reviewed the extent and nature of any non-audit services ensuring that such services have been defined and pre-approved and that appropriate safeguards implemented to ensure independence are maintained.

## INTERNAL CONTROLS AND RISK MANAGEMENT

The Committee as part of its duty, reviewed and monitored, the effectiveness of the Corporation's risk management and internal control systems.

During the period under review the Committee exercised oversight over the risk management process with focus on the most significant risks and uncertainties facing the Corporation, with emphasis being on those that could impact the achievement of the Corporation's strategic objectives. The risk appetite for the Corporation's major risks was reviewed and approved by the Committee and discussions were held with management on the internal controls that are in place to mitigate these risks.

Furthermore, annually the Finance Risk and Audit Committee approves a risk based internal audit plan and on a quarterly basis, the Committee receives reports from the Chief Audit Executive on implementation of the plan. The reports indicate any non-compliances with controls and highlights managements' action plans to address them. The Committee further reviews reports produced on fraud related investigations which may have occurred during the year and the corrective action in place to remediate any such issues identified.

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

## INTERNAL AUDIT

With respect to the Internal Audit Function, the Committee played a key role in ensuring that the company's Internal Audit function is independent and has the necessary resources, budget, standing and authority within the Corporation to enable it to discharge its duties effectively.

- a) The Finance Risk and Audit Committee on an annual basis considers and approves the internal audit plan and oversees the staffing and objectives of the function;
- b) It reviews significant issues raised during the internal audit process, and highlights any material issues arising from the audits to the Board;
- c) The Committee, in line with the requirements of the IIA standards oversees the implementation of a comprehensive Quality Assurance and Improvement Programme and ensures that the Internal Audit function is subjected to an independent quality review, as a measure to ensure the function remains effective.

# REPORT ON THE FINANCE RISK AND AUDIT COMMITTEE

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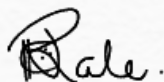
## QUALITY ASSURANCE IMPROVEMENT PROGRAM

In line with the requirements of internal auditing standards the internal audit function was subjected to an independent quality assurance review for the period under review as required by the Institute of Internal Auditors. The Department received a "Generally Conforms rating" which is the top rating and means that an IA activity has a charter, policies, and processes that are judged to be in conformance with the Standards. The assessment was conducted as part of the Department's quality assurance improvement program and covered all aspects of the internal audit activity. It included evaluation of the internal audit department's conformance with the standards and an evaluation of whether internal auditors apply the IIA's Code of Ethics.

There is commitment by the Corporation to high standards of ethical, moral and legal business conduct. The BHC as a result has well-developed processes and controls that embed policies and practices to deal with ethics-related risks. These comprise of: A Code of conduct and Business Ethics policy with standards for ethical behaviour internally, it also covers its dealings with customers, suppliers and service providers.

A Fraud Policy, which assures stakeholders that no form of fraud, theft or corruption is tolerated.

An Ethics line Policy, which guides employees in disclosing unlawful or irregular conduct. Employees, customers and other stakeholders can access an anonymous tip-off hotline to report unethical behaviour. Deloitte administers the hotline and stakeholders are encouraged, through awareness campaigns, to report any fraudulent, unethical, or corrupt activities.



Naiko C. Ralebala  
Chairperson  
Finance, Risk and Audit Committee



## BHC COMPLIANCE WITH KING III

Governance Element	Principle(s)	Compliance	BHC-STATUS
<b>1. ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP</b>			
Responsible leadership	1.1 The Board should provide effective leadership based on ethical foundation	√	<p>A six-year strategy approved by the Board is in place with the sixth year lapsing in 2023. The plan has been tracked through performance reviews which are ongoing. In the meanwhile, the Board is working on the formulation of the next strategic plan and scheduled to meet during the third quarter of the year 2022/23.</p> <p>In the formulation of the strategy the Board will undertake a situational analysis using PESTEL taking into account the long and short term.</p> <p>A Business Ethics Policy is in place that ensures that the culture of the organization carries out business ethically.</p> <p>Ref: Business Ethics Policy</p>
The Board's responsibility		√	<p>The Board continues with quarterly monitoring and evaluating the performance of the Corporation in alignment with the Corporation's Strategic plan.</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, 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>

# BHC COMPLIANCE WITH KING III

12.	The Board should ensure that the company 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>
13.	The Board should ensure that the company's ethics are managed effectively.	√	<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>
<b>2. BOARD AND DIRECTORS</b>			
Role and function of Board	Board acts as focal point for and custodian of corporate governance	√	<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 surveys every 2 years.</p> <p>-The FRAC and full Board monitors 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>

## BHC COMPLIANCE WITH KING III

2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable	√	The Board participates in strategy formulation. The strategy takes account of the Corporation's 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.
2.3	The Board should provide effective leadership based on an ethical foundation	√	The Board monitors the performance of the Corporation through quarterly meetings, taking account of the business relationships with internal and external stakeholders.
2.4	The Board should ensure that the Corporation is and is seen to be a responsible corporate citizen	√	The Corporation has a Corporate Social Responsibility program through which the Corporation engages in community projects with staff doing so at departmental team level.
2.5	The Board should ensure that the Corporation's ethics are managed effectively	√	The Board has approved a Business Ethics Policy whose purpose is to provide guidelines for the conduct of business by the Corporation's personnel and a code of conduct that standardizes expectations with regard to behaviour, performance and professionalism of its employees including the Board, in the performance of its duties. The policy 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 in place an effective Finance, Risk and Audit Committee. At all ordinary meetings of the FRAC reports on the independence of IA, the progress on its audit plan, whistle blowing reports and its training and development activities are presented.
2.7	The Board should be responsible for the governance of risk	√	There is a risk and compliance framework in place and the Board is apprised of the risks and how they are managed.
2.8	The Board should be responsible for information technology governance	√	The FRAC provides IT reports during the reporting periods.
2.9	The Board should ensure that the Corporation complies with applicable laws and considers adherence to non-binding rules, codes and standards	√	The Corporation has a compliance Policy which integrates all compliance efforts and helps the Corporation maintain compliance in all areas of its operations.



## BHC COMPLIANCE WITH KING III

2.10	The Board should ensure that there is an effective risk based internal audit		There is an independent internal audit function in place. Annually the internal auditors prepared a risk-based internal audit plan that is presented to the board for approval. Amongst other things, in formulation of the plan, the auditors take into consideration the Corporation's strategic risk register.
2.11	The Board should appreciate that stakeholders' perceptions affect the company's reputation		Every two years the Corporation conducts a stakeholder perception index. The report comes up with recommendations on how to manage perceptions and these are then monitored and implemented.
2.12	The Board should ensure the integrity of the company's integrated report		The integrated report is expected to be reviewed by the Finance, Risk and Audit Committee as well as the external auditors to ensure its integrity.
2.13	The Board should report on the effectiveness of the company system of internal controls	√	The Board, through the Finance, Risk and Audit Committee quarterly reviews the effectiveness of the internal controls. The FRAC reports on this area to the Board on a quarterly basis.
2.14	The Board and its directors should act in the best interests of the company	√	At the start of every meeting of the Board Members make a declaration of interest and copies are filed by the Board Secretary. A member who has a conflict of interest is recused from the meeting when the item in which the conflicted member is discussed.
2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Companies Act	√	The Corporation's financial position is reported on every quarter. Any signs of distress of cash flow 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 fill the role of board chairman	x	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.
2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority	x	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.

## BHC COMPLIANCE WITH KING III

2.18 Composition of the Board	The Board should comprise a balance of power with the majority of non -executive directors should be independent_	x	<p>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.</p> <p>The General Manager; Chief Finance Officer; Chief Audit Executive; Director Risk and Compliance attend all Board meetings on invitation by the Board.</p>
2.19 Board appointment process	Directors should be appointed through a formal process.	√	Directors are appointed through a formal process. The appointments are recommended to cabinet by the line ministry and are formally approved.
Director development	<p>The induction of an ongoing training and development of directors should be conducted through formal processes</p> <p>The Board should be assisted by a competent and suitably qualified and experienced board secretary</p>	√	<p>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.</p> <p>Briefings on risks and any changes in the operating environment are reported on at Board meetings, starting at the relevant Committee level.</p> <p>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.</p> <p>Board packs are circulated at least seven days before Board meetings.</p>
Performance Assessment	2.22 The evaluation of the Board, its committees and the individual directors should be performed every year	√	<p>The current composition of the Board was constituted during the reporting period and is not yet due for assessment.</p> <p>The previous Membership was subjected to an assessment.</p>
Board Committees	2.23 The Board should delegate certain functions to well -structured committees but without abdicating its own responsibilities	√	<p>Each Board Committee has terms of reference which are approved by the Board.</p> <p>The Board and its Committees may take independent outside professional advice at the cost of the Corporation subject to an agreed process being followed.</p>

## BHC COMPLIANCE WITH KING III

Remuneration of directors and senior executives	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 Transport and Public Works, assisted by the Minister of Finance, approves the Corporation's remuneration policy.
<b>3. AUDIT COMMITTEES</b>			
3.1	The Board should ensure that the company has an effective and independent audit committee.	√	The Board has a three-member Finance, Risk & Audit Committee made up entirely of non – executive Board members, whose combination of skills and experience makes the Committee effective at delivering on its mandate. The Committee's Charter is approved by the Board. The Committee meets quarterly to conduct its ordinary business and as often as necessary to deal with other urgent matters. The Committee, through its Chairman, meets with the Chief Audit Executive quarterly in the absence of management.
3.2 Membership and resources of the Audit committee	Audit committee members should be suitably skilled and experienced independent non-executive directors	√	The Finance, Risk & Audit Committee is made up of three highly skilled members one with a finance background. The Board Chair is not a member of the Finance, Risk & Audit Committee.
3.3	The audit committee should be chaired by an independent non-executive director	√	The Chairman of the Finance & Audit Committee is an independent non-executive director and is elected by the Board.

## BHC COMPLIANCE WITH KING III

3.4 Responsibilities of the Audit committee	The audit committee should over-see integrated reporting	√	The Finance, Risk & Audit Committee reviews the draft audit annual financial statements prior to the financial statement's approval by the Board. They also oversee the integrated report and ensure that it is adequately reviewed by the external auditors.
3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	x	Combined Assurance Model is not yet in place. It will be implemented over the next three financial years.  The Finance Risk & Audit Committee recommends the appointment of external auditors together with their proposed audit fees to the Board and reviews their proposed audit plan.
3.6 Internal assurance providers	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	√	The Finance, Risk & Audit Committee annually reviews the finance function and this is disclosed in its report in the integrated report.
3.7	The audit committee should be responsible for overseeing internal audit	√	The Committee oversees the Internal Audit department and plays a key role in ensuring that the company's Internal Audit function is independent and has the necessary resources, budget, standing and authority to enable it to discharge its duties effectively. The Finance Risk and Audit Committee on an annual basis considers and approves the internal audit plan and oversees the staffing and objectives of the function. It reviews significant issues raised during the internal audit process, and highlights any material issues arising from the audits to the Board.
3.8	The audit committee should be an integral component of the risk management process	√	The Finance Risk & Audit Committee has overall responsibility for the risk management process.

## BHC COMPLIANCE WITH KING III

3.9 External assurance providers	The audit committee is responsible for the appointment of the external auditor and overseeing the external audit process	√	<p>The Finance, Risk &amp; Audit Committee recommends the appointment of external auditors as well as their proposed remuneration to the Board for approval.</p> <p>The Finance, Risk &amp; 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 Reporting	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.
<b>4. THE GOVERNANCE OF RISK</b>			
4.1 The board's responsibility for risk governance	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 The Board's responsibility is stated in the Risk Management Policy.</p> <p>4.1.5 The risk management policy is approved by the Board.</p> <p>4.1.6 The Risk Management Policy has been shared throughout the Corporation.</p> <p>4.1.7 The Corporate Risk Plan is reviewed on a quarterly basis, and annually through the strategic review the Corporate risk profile is reviewed.</p> <p>4.1.8 This is monitored on a quarterly basis.</p>

## BHC COMPLIANCE WITH KING III

4.2	The Board should determine the levels of risk tolerance	√	Through quarterly reviews, the Board appraises the risks and appetite in order that risks are managed within tolerances.
4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	√	The Finance, Risk and Audit Committee is responsible for Risk Management monitoring and reports to the Board on the effectiveness of risk management.
4.4 Management's responsibility for risk management	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	√	The policy indicates the Board's responsibility as well as management's responsibility.  The Organization has an officer responsible for risk management reporting to the Board being the Director – Risk and Compliance.
4.5 Risk assessment	The Board should ensure that risk assessments are performed on a continual basis	√	The Board assures effectiveness of risk management in the organization. Risk Assessment are conducted as per risk management plan and risks prioritized as guided by the Framework.  The Board reviews the top ten risks as well as emerging risks on a quarterly basis.
4.6	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	√	This is assured through quarterly reviews.
4.7 Risk response	The Board should ensure that management considers and implements appropriate risk responses.	√	This is done on a quarterly basis through review of risk reports.
Risk monitoring	4.8 The Board should ensure continual risk monitoring by management	√	This is done on a quarterly basis.
Risk assurance	4.9 The Board should receive assurance regarding the effectiveness of the risk management process	√	This is done on a quarterly basis. Internal Audit reports to the FRAC on the effectiveness of internal controls on a quarterly basis.

# BHC COMPLIANCE WITH KING III

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

## BHC COMPLIANCE WITH KING III

5.6	The Board should ensure that information assets are managed effectively	√	The Board has approved policies for Information Security, Management of IT Assets and other policies that ensure the management and security of the Corporation's information
5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities	√	The Board has a Finance, Risk and Audit Committee which ensures all risks, including IT Risks are addressed and mitigations are implemented accordingly.
<b>6. COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS</b>			
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 the implementation of an effective compliance framework and processes to management.	√	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.



# BHC COMPLIANCE WITH KING III

7. INTERNAL AUDIT			
Need for the role of 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"> <li>a) Review of the Corporation's governance, risk management and control systems.</li> <li>b) Review of business processes and associated controls.</li> </ul> <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>
Internal Audit's approach and plan	7.2 Internal audit should follow a risk-based approach to its plan	√	<p>The internal audit function's audit plan is informed, amongst other things, by the Corporation's strategic risk register which, itself, is informed by the Corporation's strategy.</p> <ul style="list-style-type: none"> <li>a) The internal audit function reports functionally to the Finance, Risk &amp; Audit Committee and administratively to the Chief Executive Officer.</li> <li>b) Execution of a strategic risk – informed audit plan results in the internal audit function providing assurance on risks that could affect strategy execution.</li> <li>c) Audit reports highlight the absence of or inadequately designed controls aimed at mitigating risks. Reports also include opportunities for enhancing strategy realization.</li> </ul>
	7.3 Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	x	<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>

## BHC COMPLIANCE WITH KING III

	7.4 The audit committee should be responsible for overseeing internal audit	√	<ul style="list-style-type: none"> <li>a) The three – year and annual audit plans are approved by the Finance, Risk &amp; Audit Committee.</li> <li>b) Currently, the Finance, Risk &amp; Audit Committee does not formally evaluate the performance of the internal audit function. Going forward, a template for such an evaluation will be developed.</li> <li>c) Per the function's Quality Assurance &amp; Improvement Programme, the function will undergo an external quality assessment at least once every five (5) years.</li> <li>d) The Board, collectively, is responsible for the appointment and dismissal of the Chief Audit Executive (CAE). However, performance appraisal of the CAE is done by the Chief Executive Officer. Practicality of the CAE being assessed by the Finance Risk &amp; Audit Committee will be reviewed. The function reports to the Finance &amp; Audit Committee at all the Committee's ordinary meetings.</li> </ul>
Internal audit's status in the company	7.5 Internal audit should be strategically positioned to achieve its objectives	√	<ul style="list-style-type: none"> <li>a) The internal audit function reports functionally to the Finance, Risk &amp; Audit Committee and administratively to the Chief Executive Officer.</li> <li>b) To further enhance the independence of the function, on a quarterly basis, the CAE meets with the Chairman of the Finance Risk &amp; Audit Committee in the absence of management.</li> <li>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).</li> </ul> <p>The internal audit function has got a Quality Assurance &amp; Improvement Programme in place.</p>
<b>8. GOVERNING STAKEHOLDER RELATIONSHIPS</b>			
	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>

## BHC COMPLIANCE WITH KING III

	8.2 The Board should delegate to management to proactively deal with stakeholder relationships.	√	Ref 8.1 above. A stakeholder engagement strategy has been developed. This strategy derives its mandate from the BHC Communications Policy which was approved by the BHC Board. In addition, an annual stakeholder engagement plan, customer engagement plan and public education and engagement plan have been developed and are currently being implemented. These plans are intended to support the Corporation's operational business objectives, to achieve growth, effectiveness and influence, but also to maintain and protect the Corporation's reputation.
	8.3 The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company	√	Every two years and biannually, the Corporation undertakes public perception surveys, demand surveys and customer satisfaction surveys with a view to get feedback and live to expectations and aspirations of its customers, the Board, the shareholder and the general public. The aim is to develop products and services that are influenced by the desires of BHC stakeholder groups, shareholder, the Board, customers and the general public.
	8.4 Companies should ensure the equitable treatment of shareholders	√	BHC is wholly owned by the Botswana Government
	8.5 Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	√	The Corporation communicates with stakeholders through various platforms and media such as its website, Annual Report; newsletters; social media.  Ref 8.1
Dispute resolution	8.6 The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	√	The internal dispute resolution processes are contained in the General Conditions of Service and the Industrial Relations Manual and there are assigned officers who deal with such issues.  More and more, mediation and arbitration are provided for in the Corporations contracts. However, the Corporation also recognizes that it should strive to reach amicable resolution to disputes wherever possible.

# BHC COMPLIANCE WITH KING III

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



# RISK MANAGEMENT REPORT

## RISK AND COMPLIANCE MANAGEMENT OVERVIEW

Effective risk and compliance management is essential for the delivery of BHC's strategy and operational resilience needed for the sustainability of our business.

This was more pronounced as the business faced uncertainties and disruptions from the effects of COVID-19 and supply and logistical disruptions from the movement and trade restrictions from the Government. In addition, the Russia/Ukraine war further exacerbated the challenges from COVID-19 by affecting oil and food supplies worldwide leading to high food & commodity prices and increasing inflation.

It is through the Corporation's structured and systematic approach to risk management that we were able to identify, analyse and mitigate the risks and pursue opportunities from the COVID-19 and economic challenges.

The Board has the overall responsibility to the Corporation's risk management framework. The Corporation's risk management framework is based on the three lines of defence model which clearly stipulates responsibilities and ownership of the risk management framework.

## RISK GOVERNANCE

### GOVERNANCE STRUCTURE



1 <sup>st</sup> 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.
2 <sup>nd</sup> 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.
3 <sup>rd</sup> Line of Defence	Internal Audit gives assurance to the adequacy and effectiveness of the overall enterprise risk management framework and controls in place. It provides independent objective assurance to the Board.

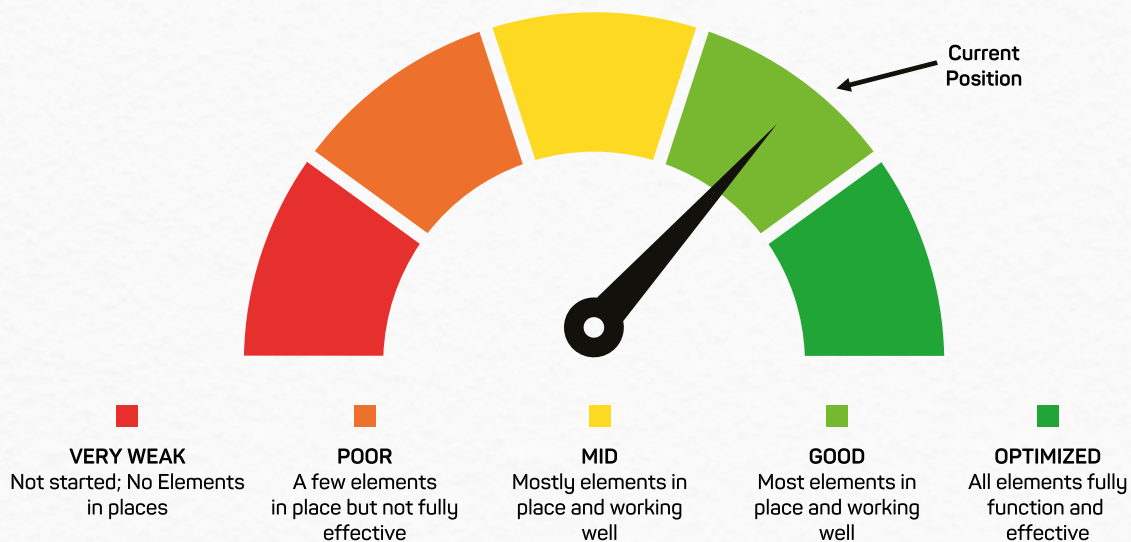
# RISK MANAGEMENT REPORT

The Board of Directors and Finance Risk 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 risk profile of the Corporation.

## RISK CULTURE AND MATURITY

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 (the Senior Leadership Team) and Champions were provided with training and workshops to ensure risk management process are effectively implemented.

The Corporation annually reviews the effectiveness and maturity of its risk management framework and culture. The figure below depicts the current maturity level of the Corporation. The level of maturity remains the same as that of the previous reporting period.



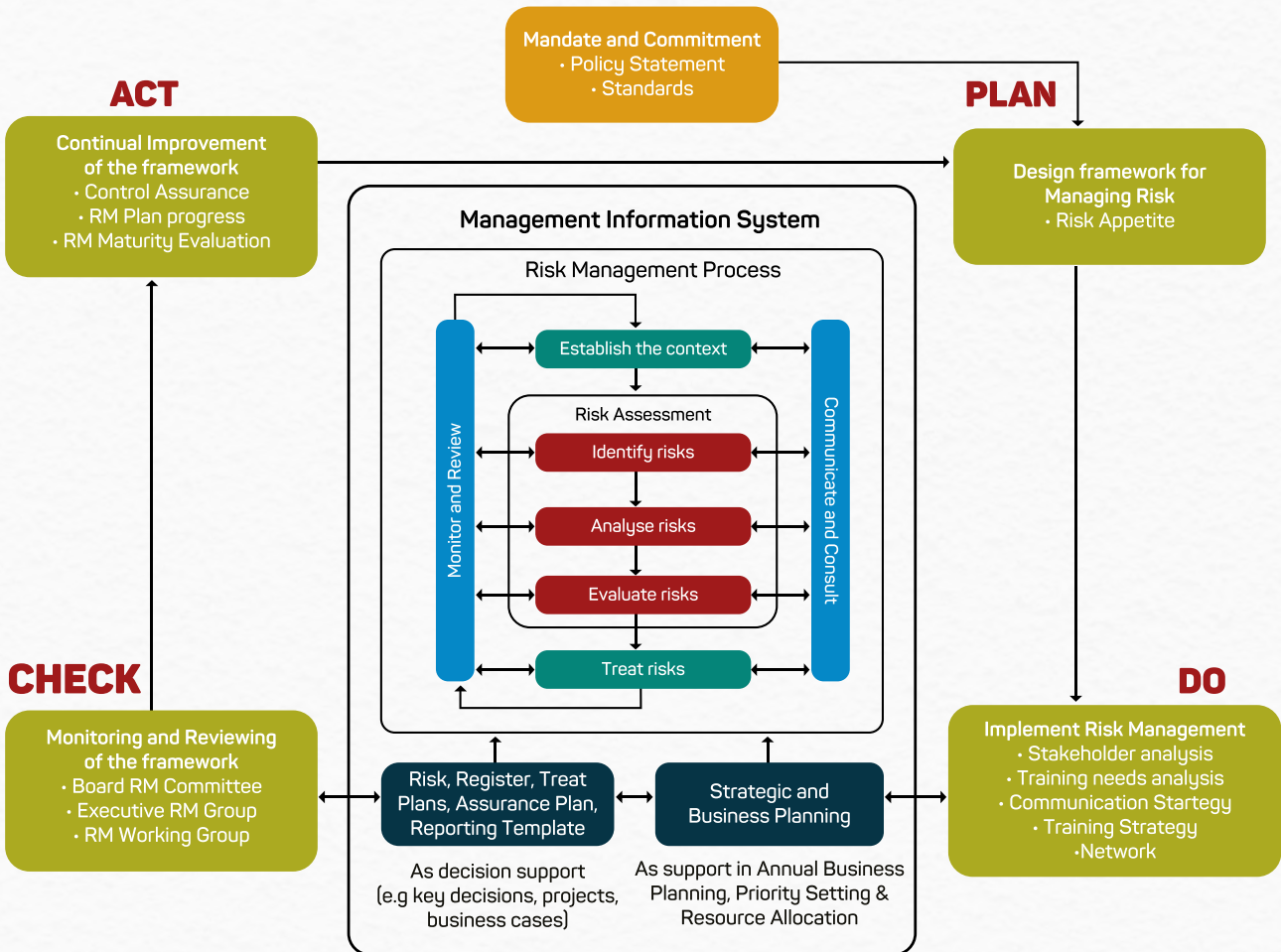
## RISK MANAGEMENT PROCESSES

BHC continues to review and enhance its risk management framework. The enterprise risk management policy and procedures were reviewed in the reporting period.

Our enterprise risk management process is embedded across the Corporation's operations and processes to support the delivery of our strategic objectives. The risk assessments conducted at strategic and operational annually are an integral part of this process. These assessments involve top down and bottom-up identification, analysis, evaluation and treatment of risks facing the Corporation. The Corporation risk management framework is based on the adopted ISO 31000:2018 risk management.

# RISK MANAGEMENT REPORT

The Corporation's risk management process is presented below.



(Adapted from the ISO 31000 standard risk management framework)

## CORPORATE RISK PROFILE

During the reporting period the risk profile of the Corporation remained high, due to the uncertainties and negative effects of COVID 19 on the socio-economic activity of Botswana and the geopolitical risks especially from the Russia/Ukraine war.

Below are the key risks and uncertainties, which the Board and Management have determined could impact the achievement of strategic objectives.

# RISK MANAGEMENT REPORT

## INADEQUATE PROJECT MANAGEMENT CONTROLS

Delivery and starting of projects on time has been a major challenge to the Corporation in the Financial year under review. The Corporation considers delivery of houses critical, therefore can only deliver housing projects which it starts on the ground. The risk is a priority for the Corporation because of its domino effect on the whole business.

The Corporation recognises that project delivery delay risks are inherent in construction projects, however if not effectively managed can be detrimental to the business. The effective management of the risk is determined by the Corporation's project and contract management effectiveness.

In the reporting period the Corporation revised its project management methodology and approved the setting up of a Project Management Office to improve the delivery and management of our construction projects. In addition, the Corporation has developed the 2022/2023 projects plan that is being implemented by the business.

## LOW SALES

This refers to the uncertainty that sales will be lower than expected for the Corporation. The risk is driven by the late delivery of projects, late project starts and general consumer preferences, tastes, and affordability due to the rising commodity (food, fuel) prices, inflation rates which have increased consumers' cost of living lowering their purchasing power and disposable income. This has affected house sales negatively.

In addition, the increasing bank lending rates and stringent approval criteria have continued to affect housing units' affordability by individuals and expected continually do so in the coming financial year.

The Corporation has continued to intensify marketing and sales activities to ensure sales targets and growth are met in the future.

## DEFAULT IN RENTAL PAYMENTS

This refers to the risk that tenants will not honour their rent payment obligation to BHC when it is due. With the high cost of living expected as interest and inflation rates continue to rise, more and more tenants will fall into arrears.

The Corporation is in the process of reviewing and revising the credit control and debt collection policy. In addition, the Corporation continues to engage the respective tenants to collect outstanding amounts.

## CONSTRUCTION BUILDING MATERIALS PRICE INCREASES

This relates to building material prices increases directly impacting on the total cost of a project, the price of our housing units and affordability by the market. The higher the cost of building materials the higher the cost of building and the higher the housing unit prices.

The Corporation mitigates the risk by ensuring effective project and contract management in the delivery of our construction project to ensure they are delivered within time and budget.

## 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 Corporation has a robust ICT framework and IT security strategies. Business continuity, disaster recovery and crisis management plans are in place and are tested on a regular basis. These were activated during the height of the COVID-19 pandemic.



# RISK MANAGEMENT REPORT

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The Corporation will be revising the business continuity programme in the 2022/2023 financial year.

## COMPLIANCE

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

BHC has a compliance management framework that it continues to implement and conducts compliance audits on regular basis.

The Corporation is currently reviewing its Business Ethics Policy. The policy is meant to guide employees act in an ethical manner consistent with the compliance management framework and expectations of all stakeholders. Employees are inducted on the Business Ethics Policy, and all other policies adopted by the Corporation. Training and awareness programmes are in place to ensure a healthy ethical compliance culture is cultivated in the Corporation.

## SAFETY, HEALTH, ENVIRONMENTAL AND QUALITY

Health, Safety and Environmental consideration is essential in ensuring that good quality services and products are delivered effectively and efficiently, in a manner that is cost-effective to the Corporation, hence viable and meaningful to its shareholders. Therefore, it is through understanding of this imperative principle that BHC takes its Health, Safety, Environment and Quality programmes seriously and religiously as part of the overarching endeavour to deliver its obligatory mandate as enshrined in the BHC Act of Parliament (CAP 74:03).

## HEALTH

Similarly, to the previous year (2020), COVID-19 continued affecting most of the countries during the year 2021. The Corporation continued implementing mitigation measures aimed at addressing and preventing the effects of COVID-19 on its employees, contractors, and customers.

Risk and Compliance Department worked hand in hand with internal stakeholders (Human Capital and Administration, Marketing and Communication and Union Representatives) to ensure that protection of BHC staff from being negatively impacted by the virus is maintained with the same traction and benevolence, as the previous year. Provision of personal protective amenities, upkeep of hygiene systems, provision of psychological counselling continued. Through BHC's SHE Moment Initiative in all gatherings, majority of the messages shared, were on care and protection against COVID-19, of which to some extent brought about positive results as evidenced by the small number of employees who experienced heavy symptoms.

As at the end of Quarter 4 of 2021/2022, BHC had recorded cumulatively, one hundred and forty-three (143) positive cases of COVID-19 and at least one (1) fatality across all its nine (9) Area Offices and Head Office.

# RISK MANAGEMENT REPORT

The following graph shows the COVID-19 waves experienced by BHC in the reporting period.:

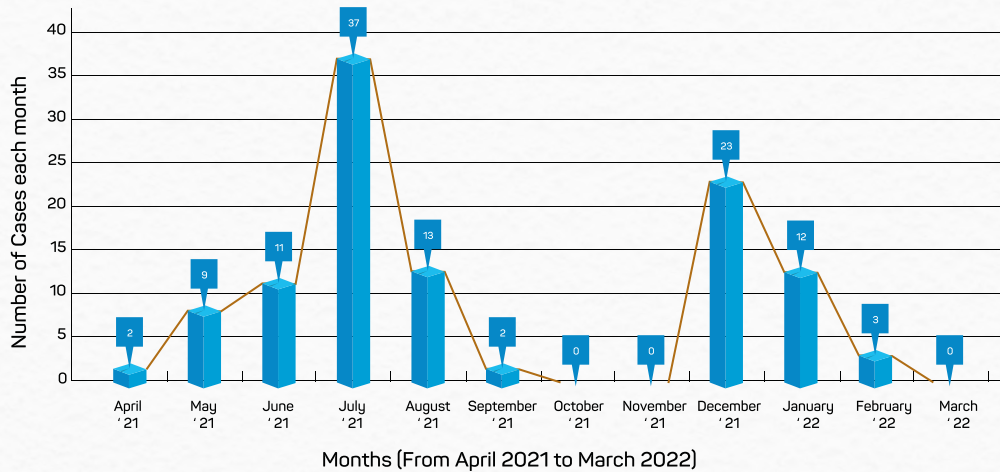


Figure 1: Number of Covid-19 Cases recorded by BHC during the reporting period

## SAFETY

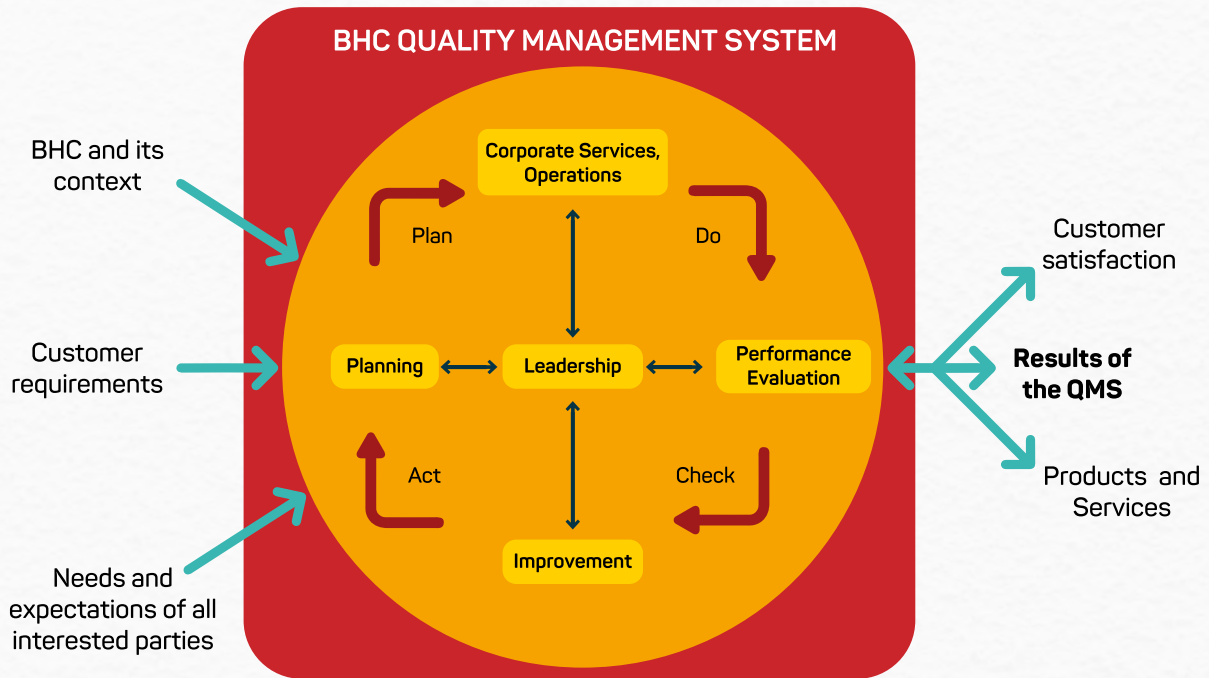
Safety in the workplace and projects sites remained paramount to BHC. The Corporation believes that a safe work environment is a healthy environment for the delivery of products and services. The Corporation continued with its endeavour to maintain a safe work environment through implementation of planned Safety, Health and Environment (SHE) inspection process on all offices and projects sites. The inspection process culminated in SHE Inspection Reports, with findings of the gaps identified in relation to SHE management and recommendations thereof. The inspection process aimed at identifying compliance gaps to SHE programmes established by BHC, statutory instruments and regulatory requirements related to SHE to ultimately close the gaps for continual improvement as regards, SHE management.

For the year ended 31st March 2022, no serious injuries and fatalities were recorded across all BHC offices and projects sites.

## QUALITY MANAGEMENT SYSTEM FRAMEWORK

The Botswana Housing Corporation established and certified its Quality Management System, which is illustrated by the framework below:

# RISK MANAGEMENT REPORT



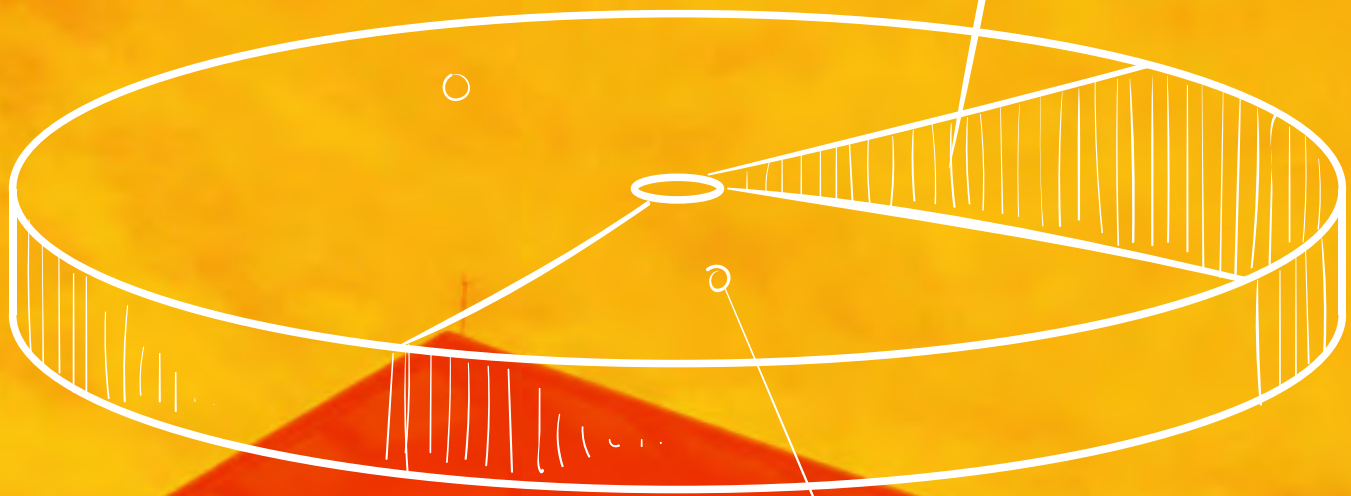
During the reporting period, Botswana Housing Corporation retained its certification status to the requirements of BOS ISO 9001:2015 standard after a successful surveillance audit that was conducted during the 4th Quarter, from 28th February to 4th March 2022.

The certification to the standard is a commitment and assurance to customers and stakeholders that the Corporation strives for continual improvement in its endeavour to deliver quality products and services.

The BHC Quality Management System (QMS) is certified for a period of three (3) years from December 2020 to December 2023 and renewable at the end of the certification period. During the certification period, BHC is expected to maintain the Quality Management System through continual implementation and continual improvement of established processes to enhance service delivery. The Certifying Body (Botswana Bureau of Standards) is expected to continually monitor adherence to the requirements of the BOS ISO 9001:2015 standard, through conducting surveillance audits at six (6) months intervals until the end of the certification period.

During the reporting period BHC experienced an improvement in the implementation of the Quality Management System, as was evidenced by a significant decrease in the number of non-conformances recorded from QMS Internal Audits that were conducted.

It is through this certification achievement that BHC continues to assure its customers of service delivery excellence, quality products that exceed customer expectations.



-  1
-  2
-  3

24%






ANNUAL FINANCIAL STATEMENTS  
for the year ended **31 March 2022**



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## BHC DIRECTORS' REPORT

(for the year ended 31 March 2022)

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 2022.

### 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 THE CORPORATION'S FINANCIAL POSITION AND RESULTS

The Corporation's financial position and results are reflected in the financial statements set out on pages 94 to 166. The Corporation realised a profit before taxation of P72,169,000 (2021: P1,759,000).

### MEMBERS OF THE BOARD

Mr M Gabana	Deputy chairperson	Appointed September 2021
Mr J T Sechele		Appointed September 2021
Mr T Mogwe		Appointed September 2021
Ms N Ralebala		Appointed September 2021
Ms T Mogotsi		Appointed September 2021
Ms B V Ntshingane		Appointed September 2021
Mr P Nthaga		Appointed September 2021
Mr B C Malatsi		Appointed September 2021
Mr B Maifala		Retired August 2021
Mr T Kewakae		Retired August 2021
Mr C Marobela		Retired August 2021
Ms S Radira		Retired August 2021
Mr B. Tekane		Retired August 2021
Ms S Bantsi		Retired August 2021
Ms S Makepe-Garebatho		Retired July 2021
Ms S Mathe		Retired July 2021

### SENIOR LEADERSHIP TEAM

Mr. R Motswaiso	Chief Executive Officer (Contract term ended 31 May 2021)
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
Mr. B Balule	Acting Chief Corporate Counsel and Board Secretariat
Mr. K Khimbele	Regional Director - North
Ms. B Mtonga	Regional Director - South
Ms. S Chabata	Head Information Technology
Ms. E Ferguson	Acting Chief Audit Executive
Mr. T Kgatlwane	Acting Head Marketing and Communications
Mr. N Ofetotse	Head Property Quality Assurance
Mr. T Molale	Acting Head Facilities Management
Mr. T Thupa	Head Strategy, Planning and Policy

## **BHC DIRECTORS' REPORT** *(continued)*

(for the year ended 31 March 2022)

### **REGISTERED OFFICE**

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

### **INDEPENDENT AUDITOR**

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

### **BANKERS AND INVESTMENT MANAGERS**

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

### **EVENTS OCCURRING AFTER THE REPORTING DATE**

Subsequent to year end, the Monetary Policy Committee (MPC) of the Bank of Botswana decided to increase the Monetary Policy Rate (MoPR) by 51 basis points from the 1.14 percent yield on the 7-day Bank of Botswana Certificate to 1.65 percent. This will subsequently increase the borrowing costs on the Corporations floating rate borrowings. We expect the central bank to keep on reviewing the rate to stem inflation in 2022. The corporation remains alert to the fluidity of the macro economic environment and continues to effect forward looking management actions.



## BHC DIRECTORS' RESPONSIBILITY STATEMENT

(for the year ended 31 March 2022)

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 2022 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 24 June 2022 and are signed on their behalf by:



Mr. M. Gabana  
Acting Board Chairman



Ms. P Sefawe  
Ag. General Manager



## BHC INDEPENDENT AUDITOR'S REPORT

(for the year ended 31 March 2022)



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### INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF BOTSWANA HOUSING CORPORATION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### OPINION

We have audited the financial statements of Botswana Housing Corporation ("the Corporation") set out on pages 9 to 67, which comprise the statement of financial position as at 31 March 2022, 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 2022, 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 (including International Independence Standards) (IESBA Code) together with other ethical requirements that are relevant to our audit of the financial statements in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### KEY AUDIT MATTERS

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

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

## BHC INDEPENDENT AUDITOR'S REPORT

(for the year ended 31 March 2022)

Key Audit Matter	How the matter was addressed in the audit
<p><b>Valuation and measurement of housing inventories</b></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 calculation of costs associated with the construction of housing units comprises a critical component in determining the value of housing inventories. The cost of housing units includes direct construction costs, indirect costs and interest cost capitalised during the construction of the housing units.</p> <p>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>The Corporation continued to experience a slow-down in the approval and completion of housing projects compared to prior financial years due to the impact of COVID-19. This resulted in significant judgement applied in the calculation of interest costs capitalised to housing inventories and investment properties due to prolonged periods in the finalisation of housing projects. The matter was considered a Key Audit Matter due to significant effort and time spent on determining the amount of interest to be capitalised and expensed.</p> <p>Significant audit attention was required in assessing the different methods used by management in calculating and allocating the indirect and interest costs to the housing projects. This necessitated robust discussions with management.</p> <p>The disclosures related to housing inventories are presented in Note 5 Accounting estimates and judgements, Note 16 Housing Inventories and Note 14 Finance Costs of the financial statements.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> <li>- We updated our understanding, evaluated the design, and tested the operating effectiveness of the internal controls over the allocation of direct construction and indirect costs to the appropriate housing projects.</li> <li>- We selected a sample of direct construction costs and inspected the supporting documents to assess whether these costs were accurately processed and allocated to the respective housing projects.</li> <li>- We selected a sample of indirect costs and inspected the supporting calculations and documents to assess whether these costs were accurately calculated and allocated to the respective housing projects using appropriate allocation methods.</li> <li>- We assessed the competence and objectivity of management's specialists involved in estimating and allocating costs to the respective housing projects with reference to their professional qualifications and affiliations.</li> <li>- We evaluated the judgements involved in selecting the method of calculating and allocating indirect costs to projects by:             <ul style="list-style-type: none"> <li>· Comparing the methods used to allocate indirect costs of housing inventories to the most recent historical or comparable projects completed by the Corporation;</li> <li>· Corroborating the estimated costs of complete projects to signed contracts, and recent or actual costs incurred; and</li> <li>· Assessing the consistency of indirect cost allocation methods in various locations by comparing to similar projects in various locations.</li> </ul> </li> <li>- We recalculated the interest costs capitalised to the respective housing projects for specific borrowings and general borrowings, based on the interest costs incurred during the year and assessed whether interest cost capitalisation was suspended when the housing projects were put on hold during the year.</li> <li>- We assessed the capitalisation of interest cost in accordance with IAS 23 by evaluating whether general borrowings are capitalised to the extent of costs incurred and specific borrowings are fully capitalised.</li> </ul>

## BHC INDEPENDENT AUDITOR'S REPORT

(for the year ended 31 March 2022)

Key Audit Matter	How the matter was addressed in the audit
	<ul style="list-style-type: none"> <li>- We assessed the correlation between the interest costs capitalised to the housing projects and the costs and activities incurred on the respective housing projects incurred during the year.</li> <li>- We assessed the adequacy of the financial statement disclosures in accordance with International Financial Reporting Standards, in particular AS 2 Inventories and IAS 23 Borrowing Costs.</li> </ul>

### Other Information

The directors are responsible for the other information. The other information comprises the information included in the 67-page document titled "Botswana Housing Corporation Annual Financial Statements for the year ended 31 March 2022" which includes the Directors' Report and the Directors' Responsibility Statement, which we obtained prior to the date of this report and the Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

### Responsibilities of the Directors for the Financial Statements

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

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

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

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

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

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

## BHC INDEPENDENT AUDITOR'S REPORT

(for the year ended 31 March 2022)

- 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's audit. We remain solely responsible for our audit opinion.

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

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

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

### Report on other Legal and Regulatory Requirements

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

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

*Ernst + Young*

**Ernst & Young**  
**Firm of Chartered Auditors**  
**Practicing Member: Francois J Roos (CAP0013 2022)**  
**Gaborone**  
**30 June 2022**

## BHC STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(for the year ended 31 March 2022)

	Note	2022 P'000	2021 P'000
Revenue and rental income	6.	701,546	759,981
Cost of sale of housing inventories	7.	(105,804)	(191,624)
Cost of sale of construction and management contracts	7.	(320,632)	(303,193)
<b>Gross profit</b>		<b>275,110</b>	<b>265,164</b>
Repairs and maintenance		(50,612)	(42,462)
Employee benefit expenses	8.	(141,617)	(138,195)
Depreciation and amortisation	9.	(30,285)	(30,488)
Other expenses	10.	(66,203)	(60,761)
Impairment (reversal) / expenses	10.	25,488	(25,363)
Other income	11.	6,642	1,613
Gains from sale of investment properties	12.	42,612	24,459
<b>Operating profit / (loss)</b>		<b>61,135</b>	<b>(6,033)</b>
Finance income	13.	9,308	4,600
Finance costs	14.	(17,889)	(13,584)
<b>Net finance costs</b>		<b>(8,581)</b>	<b>(8,984)</b>
Share of profit or loss in equity accounted joint ventures for the year	19.	19,615	16,776
<b>Profit before taxation</b>		<b>72,169</b>	<b>1,759</b>
Taxation	20.	(8,045)	(701)
<b>Profit for the year</b>		<b>64,124</b>	<b>1,058</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>64,124</b>	<b>1,058</b>

**BHC STATEMENT OF FINANCIAL POSITION**

(as at 31 March 2022)

	Note	2022 P'000	2021 P'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	15.	1,356,727	1,311,567
Property, plant and equipment	17.	50,384	53,564
Intangible assets	18.	11,565	15,346
Investments in joint ventures	19.	15,491	20,674
Right of use asset	25.	4,140	3,605
Trade and other receivables	22.	16,166	14,084
Deferred tax asset	21.	3,209	1,785
<b>Total non-current assets</b>		<b>1,457,682</b>	<b>1,420,625</b>
<b>Current assets</b>			
Housing inventories	16.	444,154	604,502
Taxation refundable	20.	8,636	12,509
Trade and other receivables	22.	45,378	97,518
Cash and cash equivalents	23.	939,500	906,536
<b>Total current assets</b>		<b>1,437,668</b>	<b>1,621,065</b>
<b>Total assets</b>		<b>2,895,350</b>	<b>3,041,690</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Irredeemable capital	24.	250,000	250,000
Retained earnings		1,346,128	1,282,004
<b>Total equity</b>		<b>1,596,128</b>	<b>1,532,004</b>
<b>Non-current liabilities</b>			
Long term deferred government revenue grant	26.	20,993	26,697
Long term borrowings	26.	586,775	611,039
Long term lease liabilities	25.	3,870	1,413
<b>Total non-current liabilities</b>		<b>611,638</b>	<b>639,149</b>
<b>Current liabilities</b>			
Trade and other payables	27.	146,870	177,928
Short term portion of lease liabilities	25.	2,523	3,752
Contract liabilities	28.	468,042	609,833
Deferred income	28.1	17,923	23,454
Short term portion of deferred government revenue grant	26.	5,704	6,267
Short term portion of borrowings	26.	35,110	35,252
Customer deposits	29.	11,412	14,051
<b>Total current liabilities</b>		<b>687,584</b>	<b>870,537</b>
<b>Total equity and liabilities</b>		<b>2,895,350</b>	<b>3,041,690</b>

**BHC STATEMENT OF CHANGES IN EQUITY**

(for the year ended 31 March 2022)

	Irredeemable capital	Retained earnings	Total
	P'000	P'000	P'000
Balance as at 01 April 2020	250,000	1,280,946	1,530,946
<b>Comprehensive income</b>			
Profit for the year	-	1,058	1,058
<b>Total comprehensive income</b>	<b>-</b>	<b>1,058</b>	<b>1,058</b>
<b>Balance as at 31 March 2021</b>	<b>250,000</b>	<b>1,282,004</b>	<b>1,532,004</b>
Balance as at 01 April 2021	250,000	1,282,004	1,532,004
<b>Comprehensive income</b>			
Profit for the year	-	64,124	64,124
<b>Total comprehensive income</b>	<b>-</b>	<b>64,124</b>	<b>64,124</b>
<b>Balance as at 31 March 2022</b>	<b>250,000</b>	<b>1,346,128</b>	<b>1,596,128</b>



**BHC STATEMENT OF CASH FLOWS**

(as at 31 March 2022)

	Note	2022 P'000	Restated 2021 P'000
<b>Cash flows from operating activities</b>			
Net cash from / (utilised in) operating activities	30.	11,331	(247,192)
Taxation paid	20.	(9,634)	(5,863)
With-holding tax paid	20.	(1,369)	(872)
Taxation refund	20.	5,407	-
<b>Net cash generated from / (utilised in) operating activities</b>		<b>5,735</b>	<b>(253,927)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	17.	(1,775)	(1,664)
Additions to investment properties	15.	-	(486)
Proceeds from sale of investment properties	12.	64,845	38,162
Proceeds from sale of property, plant and equipment		968	-
Dividends from joint ventures	19.	24,800	11,100
Interest received		7,668	3,425
<b>Net cash generated from investing activities</b>		<b>96,506</b>	<b>50,537</b>
<b>Cash flows from financing activities</b>			
Repayment of long term borrowings	26.5	(30,999)	(30,769)
Bond funds received	26.5	-	100,000
Repayment of bond	26.5	-	(103,000)
Lease payments - principal	25.	(5,483)	(4,939)
Lease payments - interest	25.	(726)	(982)
Interest paid	14.	(32,069)	(33,932)
<b>Net cash utilised in financing activities</b>		<b>(69,277)</b>	<b>(73,622)</b>
Net increase / (decrease) in cash and cash equivalents		32,964	(277,012)
Cash and cash equivalents at beginning of year	23.	906,536	1,183,548
<b>Cash and cash equivalents at end of year</b>	<b>23.</b>	<b>939,500</b>	<b>906,536</b>

Details of the restatement are disclosed in note 36

## BHC SIGNIFICANT ACCOUNTING POLICIES

(for the year ended 31 March 2022)

### 1. Statement of Compliance

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

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

The affairs of the Corporation are controlled by an eight member Board whose Chairman and members are appointed by the Minister of Infrastructure and Housing Development.

These financial statements represent the Corporation's statutory financial statements. The financial statements for the year ended 31 March 2022 have been approved for issue by the Directors on **24 June 2022**.

### 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 2021. The adoption of the new and revised standards and new interpretations did not have a significant impact on the financial results or financial position of the Corporation. The Corporation has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## BHC SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(for the year ended 31 March 2022)

### 2.1 Basis of preparation *(continued)*

#### Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Corporation has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

#### Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The amendments did not have a significant impact on the annual financial statements.

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

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

- \* Onerous contracts- Costs to fulfil a contract – effective 1 January 2022
- \* IFRS 17 Insurance Contracts - effective 1 January 2023
- \* Classification of liabilities as Current or Non-current – Amendments to IAS 1 – effective 1 January 2023
- \* Definition of accounting estimates - Amendments to IAS 8 - effective 1 January 2023
- \* Reference to the Conceptual Framework – Amendments to IFRS 3 - effective 1 January 2022
- \* Property, Plant and Equipment : Proceeds before intended use – Amendments to IAS 16 – effective 1 January 2022
- \* IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter - effective 1 January 2022
- \* IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities - effective 1 January 2022
- \* Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 - effective 1 January 2023
- \* Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transactions - 1 January 2023
- \* Amendments to IFRS 10 and ISA 20 - Sale or contributions of assets between an Investor and its Associate of Joint Venture (effective date deferred indefinitely)

## BHC SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(for the year ended 31 March 2022)

### 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.

#### 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.

## BHC SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(for the year ended 31 March 2022)

### 2.2 Revenue recognition *(continued)*

#### (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)*

(for the year ended 31 March 2022)

### 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.

## BHC SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(for the year ended 31 March 2022)

### 2.5 Inventories *(continued)*

#### (a) Land held for development

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

#### (b) Borrowing costs

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

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

#### (c) Capitalisation of development costs

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

#### (d) Work in progress (WIP)

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

#### (e) Housing inventories

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

### 2.6 Property, plant and equipment

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

Subsequent 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.

## BHC SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(for the year ended 31 March 2022)

### 2.6 Property, plant and equipment *(continued)*

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.

### 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 which was made by the Government of Botswana into the Corporation at its establishment by the Botswana Housing Corporation Act (Chapter 74:03) (as amended) was cleared during the financial year.



## BHC SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(for the year ended 31 March 2022)

### 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

#### 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.

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.

## BHC SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(for the year ended 31 March 2022)

### 2.12 Leases *(continued)*

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.

#### The Corporation as lessor

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

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

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

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

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

### 2.13 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.

## BHC SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(for the year ended 31 March 2022)

### 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 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

## BHC SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(for the year ended 31 March 2022)

### 2.16 Financial instruments *(continued)*

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

#### Financial liabilities:

Amortised cost; or

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

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

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

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

#### Trade and other receivables

##### Classification

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

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

##### Recognition and measurement

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

##### 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

## BHC SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(for the year ended 31 March 2022)

### 2.16 Financial instruments *(continued)*

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.

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.

#### Credit risk

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

#### Definition of default

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

#### Definition of Credit Impaired

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

#### 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

## BHC SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(for the year ended 31 March 2022)

### 2.16 Financial instruments *(continued)*

Cash and cash equivalents is measured at amortised cost and the 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.

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.

## BHC SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(for the year ended 31 March 2022)

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 tenantable condition and clearing any rental arrears. Any remaining balance is paid back to the customer. The maintenance deposit paid by prospective tenant is termed 'refundable deposit'.

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

### 2.19 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 operating costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

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

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

### 2.21 Impairment of non-financial assets

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

## BHC NOTES TO THE FINANCIAL STATEMENTS

(for the year ended 31 March 2022)

### 3. Financial instruments and risk management

The Corporation continues to recover from the Covid-19 pandemic effects in 2021-2022. The COVID-19 pandemic remained a top risk for the Corporation until end of the fourth quarter when a general decline in related case counts was experienced due to increased vaccinations in the country. The outlook is considered to be promising subject to robust containment measures taken across the globe and by the Corporation in the effective management of business risks. These risks arise in the normal course of the Corporation's business. The Corporation increased its efforts to embed the Enterprise Risk Management Framework (ERMF) to manage the increased exposure. The embedding helped with integrated risk management approach that adequately identifies, assesses, measures, monitors and controls the constantly evolving risks. This note presents information about the Corporation's exposure to each of the above 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

The current Covid 19 pandemic brought with it challenges of increased credit risk in the local economy. 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 Corporation used its Credit Control section and various media platforms to mitigate against the increased exposure brought by the Covid 19 pandemic. 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.

The current Covid 19 pandemic has put pressure on tenant debtors. The Corporation has seen an increase in the rate of impairments on rental debtors. The Corporation, continued its strategy of requiring rental customers to pay deposits before they are allowed to occupy the Corporation's property. The Corporation also minimises the risk of payment from defaults by ensuring that deductions for Rental, 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.



## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

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

#### 3.1 Credit risk *(continued)*

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 (ECL) in line with IFRS 9. The Corporation's write off policy is documented on accounting policy note 2.16.

	2022 P'000	2021 P'000
As at the reporting date the credit risk exposures relating to recognised financial assets was as follows:		
Trade and other receivables*	59,284	111,261
Cash and cash equivalents	939,500	906,536
	<b>998,784</b>	<b>1,018,138</b>

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

#### Trade receivables

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

As at March 2022	Rental debtors P'000	TPS P'000	SOS P'000	Other P'000	Total P'000
Neither past due nor impaired	-	17,095	-	14,147	31,242
Past due but not impaired	7,601	1,818	-	18,623	28,042
Individually impaired	13,102	-	-	4,392	17,494
<b>Gross</b>	<b>20,703</b>	<b>18,913</b>	<b>-</b>	<b>37,162</b>	<b>76,778</b>
Less: Provision for expected credit loss	(13,102)	-	-	(4,392)	(17,494)
<b>Net</b>	<b>7,601</b>	<b>18,913</b>	<b>-</b>	<b>32,770</b>	<b>59,284</b>
<b>Value of collateral held against trade receivables that are neither past due nor impaired</b>	<b>-</b>	<b>61,735</b>	<b>-</b>	<b>-</b>	<b>61,735</b>

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

**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

**3. Financial Instruments And Risk Management (continued)****3.1 Credit risk** *(continued)*

As at March 2021	Rental debtors P'000	TPS P'000	SOS P'000	Other P'000	Total P'000
Neither past due nor impaired	-	16,385	65	43,255	59,705
Past due but not impaired	2,779	1,761	-	47,357	51,897
Individually impaired	25,711	25	-	16,050	41,786
<b>Gross</b>	<b>28,490</b>	<b>18,171</b>	<b>65</b>	<b>106,662</b>	<b>153,388</b>
Less: Provision for expected credit loss	(25,711)	(25)	-	(16,050)	(41,786)
<b>Net</b>	<b>2,779</b>	<b>18,146</b>	<b>65</b>	<b>90,612</b>	<b>111,602</b>
<b>Value of collateral held against trade receivables that are neither past due nor impaired</b>	<b>-</b>	<b>54,309</b>	<b>1,024</b>	<b>-</b>	<b>55,333</b>

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

**Trade receivables, past due but no impaired.**

As at 31 March 2022	Rental and Other debtors P'000	TPS P'000	SOS P'000	Total P'000
Past due up to 30 days	7,671	182	-	7,853
Past due 30 - 60 days	6,418	542	-	6,960
Past due over 60 days	12,135	1,094	-	13,229
<b>Total</b>	<b>26,224</b>	<b>1,818</b>	<b>-</b>	<b>28,042</b>
<b>As at 31 March 2021</b>				
Past due up to 30 days	13,477	649	-	14,126
Past due 30 - 60 days	18,672	393	-	19,065
Past due over 60 days	17,987	719	-	18,706
<b>Total</b>	<b>50,136</b>	<b>1,761</b>	<b>-</b>	<b>51,897</b>

## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

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

#### 3.1 Credit risk *(continued)*

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

At 31 March 2022	0 - 30 days	31 - 60 days	Over 60 days	Suffix & other	
Expected credit loss rate	25%	50%	75%	100%	
	P'000	P'000	P'000	P'000	Total
Estimated total gross carrying amount at default	4,091	4,098	9,934	2,580	20,703
Expected credit loss	1,023	2,049	7,450	2,580	13,102
At 31 March 2021	0 - 30 days	31 - 60 days	Over 60 days	Suffix & other	
				5 years	
Expected credit loss rate	25%	50%	75%	100%	
	P'000	P'000	P'000	P'000	Total
Estimated total gross carrying amount at default	1,844	1,355	2,871	22,420	28,490
Expected credit loss	461	678	2,152	22,420	25,711

\* Trade and other receivables <sup>^</sup> - Prior year figures on other receivables exclude prepayments and withholding tax.

#### 3.1 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 2022 (2021:-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 2022 and 2021, the Corporation's borrowings at fixed rate were denominated in the functional currency.

## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

### 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:

	2022 Balance P'000	Interest rate	2021 Balance P'000	Interest rate
Short-term deposits				
African Alliance Botswana	51,009	5.99%	55,500	4.67%
Botswana Investment Fund Managers	21,984	5.03%	24,335	3.92%
Vunani Fund Managers Botswana	22,724	5.44%	42,010	4.47%
Standard Chartered Bank Botswana Limited	59,692	6.38%	100,000	5.50%
Stanbic Bank Botswana Limited	106,098	7.20%	-	-
Access Bank Botswana	113,409	7.05%	25,000	5.35%
Call deposits	65,868	0.25% - 1.00%	50,755	0.25% - 1.00%
	<b>440,784</b>		<b>297,600</b>	
Floating debt securities balances at the reporting date are as follows:				
Floating debt securities	300,000	Bank rate +2.90%	300,000	Bank rate +2.90%
	<b>300,000</b>		<b>300,000</b>	
<b>Net Interest Bearing</b>	<b>140,784</b>		<b>(2,400)</b>	
<b>Interest rate variation at 0.50%</b>	<b>704</b>		<b>(12)</b>	

## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

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

#### 3.2 Interest rate sensitivity *(Continued)*

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 P704 000 (2021: decreased in the Corporation's profit before taxation by P12 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 P549 000 (2021: decreased the Corporation's equity by P9 000).

#### 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
<b>At 31 March 2022</b>					
Borrowings	165,623	64,700	559,181	114,154	903,658
Trade and other payables	93,958	-	-	-	93,958
Lease liabilities	7,371	3,734	-	-	11,105
Customer deposits	11,412	-	-	-	11,412
<b>Liabilities (contractual maturity)</b>	<b>278,364</b>	<b>68,434</b>	<b>559,181</b>	<b>114,154</b>	<b>1,020,133</b>
	Less than 1 year	1 - 2 years	2 - 5 years	Over 5 years	Total
	P'000	P'000	P'000	P'000	P'000
<b>At 31 March 2021</b>					
Borrowings	166,565	65,641	586,936	134,258	953,400
Trade and other payables	128,855	-	-	-	128,855
Lease liabilities	7,147	5,065	-	-	12,212
Customer deposits	14,052	-	-	-	14,052
<b>Liabilities (contractual maturity)</b>	<b>316,619</b>	<b>70,706</b>	<b>586,936</b>	<b>134,258</b>	<b>1,108,519</b>

## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

### 3.4 Financial instruments by category

#### Financial assets at amortised cost

	2022 P'000	2021 P'000
Assets as per statement of financial position:		
Trade and other receivables	61,542	111,601
Cash and cash equivalents	939,500	906,536
	<b>1,001,042</b>	<b>1,018,137</b>

#### Financial assets at amortised cost

	2022 P'000	2021 P'000
Liabilities as per statement of financial position:		
Borrowings	648,581	679,254
Trade and other payables	93,958	128,855
Customer deposits	11,412	14,053
	<b>753,951</b>	<b>822,162</b>

### 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.

	2022 P'000	2021 P'000
Total long term debt	648,581	679,254
Total capital and reserves	1,596,128	1,532,004
Debt : equity ratio	0.41	0.44

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.

## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

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

#### 3.6 Impact of Covid-19 to the Corporation's Operations

The global outbreak of Covid 19 in the first quarter of 2020 evolved rapidly with cycles of waves and variants through to the last quarter of 2021. The pandemic caused major disruptions to both social and economic activities in all sectors across the world including in the local market where the Corporation operates.

The Corporation did not record material operational losses or service disruptions during the year. The Corporation's contingency measures and crisis management strategy deployed since 2020-21 proved effective in keeping the Corporation business and operations resilient and its employees safe in 2021-22. On health and Safety, the Corporation contained employee infection rates way below national averages. The Corporation's Covid Response Committee was in force throughout the year and effected operational responses as the pandemic evolved. The Corporation achieved significant milestone in 2021-22, attaining high employee vaccination rates and only recording one mortality.

Covid 19 Pandemic still presents a uncertainty to the Corporation business. Potential for outbreaks of new waves and variants of the virus is still high. The Corporation will continue to work with authorities to support initiatives that will assist in the reduction of the spread of the virus and increase vaccination rates. The Corporation Covid Response Committee will remain in force in 2022-23 to monitor and respond to any emerging pandemic risks.



## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

### 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.



## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

### 4. Operating segments *(continued)*

The segment information provided to the Board for the reportable segments for the year ended 31 March 2022 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	113,569	239,765	348,212	-	701,546
Cost of sale of housing inventories	(105,804)	-	-	-	(105,804)
Cost of sale of third party maintenance	-	-	(320,632)	-	(320,632)
<b>Gross profit</b>	<b>7,765</b>	<b>239,765</b>	<b>27,580</b>	<b>-</b>	<b>275,110</b>
Repairs and maintenance	-	(50,612)	-	-	(50,612)
Employee benefit expenses	(51,293)	(12,823)	-	(77,501)	(141,617)
Depreciation and amortisation	(1,345)	(18,629)	-	(10,311)	(30,285)
Other expenses	(11,563)	(27,204)	-	(27,437)	(66,203)
Impairment expenses	1,198	9,047	-	15,243	25,488
Gains from sale of investment properties	42,612	-	-	-	42,612
Other income	101	75	-	6,466	6,642
<b>Operating (loss) / profit</b>	<b>(12,525)</b>	<b>139,619</b>	<b>27,580</b>	<b>(93,539)</b>	<b>61,135</b>
Finance income	-	-	-	9,308	9,308
Finance costs	(14,312)	(3,577)	-	-	(17,889)
<b>Net finance (costs) / income</b>	<b>(14,312)</b>	<b>(3,577)</b>	<b>-</b>	<b>9,308</b>	<b>(8,581)</b>
Share of profit or loss of equity accounted investees of joint ventures	-	-	-	19,615	19,615
<b>(Loss) / profit before taxation</b>	<b>(26,837)</b>	<b>136,042</b>	<b>27,580</b>	<b>(64,616)</b>	<b>72,169</b>
Taxation	-	(8,045)	-	-	(8,045)
<b>Total comprehensive income for the year</b>	<b>(26,837)</b>	<b>127,997</b>	<b>27,580</b>	<b>(64,616)</b>	<b>64,124</b>
Total segment results above include:					
Revenue from Government and Government related entities (note 32.7)	58,291	153,301	-	4,976	216,568

## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

### 4. Operating segments *(continued)*

Segment assets	408,625	1,429,495	-	90,674	1,928,794
	Sale of housing inventories	Rental	Construction and management contracts	Others	Total
	P'000	P'000	P'000	P'000	P'000
<b>Reconciliation to total assets as reported in the statement of financial position</b>					
Investment in joint ventures	-	-	-	15,491	15,491
Intangible assets	-	-	-	11,565	11,565
Cash and cash equivalents	-	-	-	939,500	939,500
<b>Total assets as reported in the statement of financial position</b>	<b>408,625</b>	<b>1,429,495</b>	<b>-</b>	<b>1,057,230</b>	<b>2,895,350</b>
<b>Total liabilities</b>	<b>524,152</b>	<b>177,185</b>	<b>-</b>	<b>597,885</b>	<b>1,299,222</b>

The segment information provided to the Board for the reportable segments for the year ended 31 March 2022 is as follows: *(continued)*

	Sale of Housing Inventories	Rental	Construction and management contracts	Others	Total
	P'000	P'000	P'000	P'000	P'000
<b>Additions to non-current assets</b>					
Investment properties	-	118,339	-	-	118,339
Property, plant and equipment	-	-	-	1,775	1,775
Intangible assets	-	-	-	-	-
	-	118,339	-	1,775	120,114

## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

### 4. Operating segments *(continued)*

The segment information provided to the Board for the reportable segments for the year ended 31 March 2021 is as follows:

	Sale of housing inventories	Rental	Construction and management contracts	Others	Total
	P'000	P'000		P'000	P'000
Revenue	199,641	209,316	351,024	-	759,981
Cost of sale of housing inventories	(191,624)	-	-	-	(191,624)
Cost of sale of third party maintenance	-	-	(303,193)	-	(303,193)
<b>Gross Profit</b>	<b>8,017</b>	<b>209,316</b>	<b>47,832</b>	<b>-</b>	<b>265,165</b>
Repairs and maintenance	-	(42,462)	-	-	(42,462)
Employee benefit expenses	(51,293)	(12,823)	-	(74,079)	(138,195)
Depreciation and amortisation	(2,278)	(18,493)	-	(9,717)	(30,488)
Other expenses	(13,674)	(23,732)	-	(23,355)	(60,761)
Impairment expenses	-	(15,788)	-	(9,575)	(25,363)
Gains from sale of investment properties	24,459	-	-	-	24,459
Other income	363	240	-	1,010	1,613
<b>Operating profit/(loss)</b>	<b>(34,406)</b>	<b>96,258</b>	<b>47,832</b>	<b>(115,716)</b>	<b>(6,032)</b>
Finance income	-	-	-	4,600	4,600
Finance costs	(10,868)	(2,716)	-	-	(13,584)
<b>Net finance (costs) / income</b>	<b>(10,868)</b>	<b>(2,716)</b>	<b>-</b>	<b>4,600</b>	<b>(8,984)</b>
Share of profit or loss of equity accounted investees of joint ventures	-	-	-	16,776	16,776
<b>Profit before taxation</b>	<b>(45,274)</b>	<b>93,542</b>	<b>47,832</b>	<b>(94,340)</b>	<b>1,760</b>
Taxation	-	(701)	-	-	(701)
<b>Total comprehensive income for the year</b>	<b>(45,274)</b>	<b>92,841</b>	<b>47,832</b>	<b>(94,340)</b>	<b>1,059</b>

## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

### 4. Operating segments *(continued)*

	Sale of housing inventories	Rental	Construction and management contracts	Others	Total
	P'000	P'000		P'000	P'000
Total segment results above include: Revenue from Government & Government related entities (note 32.7)	88,997	134,673	-	13,839	237,509
<b>Segment assets</b>	<b>575,558</b>	<b>1,372,693</b>	<b>-</b>	<b>150,883</b>	<b>2,099,134</b>
<b>Reconciliation to total assets as reported in the statement of financial position:</b>					
Investment in joint ventures	-	-	-	20,674	20,674
Intangible assets	-	-	-	15,346	15,346
Cash and cash equivalents	-	-	-	906,536	906,536
<b>Total assets as reported in the statement of financial position</b>	<b>575,558</b>	<b>1,372,693</b>	<b>-</b>	<b>1,093,439</b>	<b>3,041,690</b>
<b>Total liabilities</b>	<b>556,195</b>	<b>179,467</b>	<b>-</b>	<b>774,024</b>	<b>1,509,686</b>
Additions to non current assets					
Investment properties	-	10,722	-	-	10,722
Property, plant and equipment	-	-	-	1,664	1,664
Intangible assets	-	-	-	-	-
	<b>-</b>	<b>10,722</b>	<b>-</b>	<b>1,664</b>	<b>12,386</b>

## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

### 5. Accounting estimates and judgements

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

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

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

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

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

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

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

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

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

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

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

#### (d) Taxation (note 20 and 21)

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

## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

### 5. Accounting estimates and judgements *(continued)*

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

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 recognised at cost. Housing inventories are subsequently measured at the lower of cost and net realisable value.

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

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

- For land for development. NRV is estimated as the selling price for the land in the ordinary course of business less selling expenses.
- For housing under construction, NRV is estimated as the selling price in the ordinary course of business less costs to complete development and selling expenses.
- For complete 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 location, 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 professions. In the absence of recent selling prices, replacement costs are used for NRV calculations.

In determining the costs 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 construction.

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

#### (f) Measurement of Investment properties *(note 15)*

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

## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

### 5. Accounting estimates and judgements *(continued)*

#### (g) Borrowings Costs (note 26)

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

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

#### (h) Impairment of non-financial assets

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposal of the asset. The value in use is estimated by management experts. There was no impairment recognised in the current year.

#### (i) Revenue from contracts with customers

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

##### Determination of performance obligations

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

In relation to the services provided to tenants of investment property (such as cleaning, security, landscaping, reception services, catering) as part of the lease agreements into which the Corporation enters as a lessor, the Corporation has determined that the promise is the overall property management service and that the service performed each day is distinct and substantially the same. Although the individual activities that comprise the performance obligation vary significantly throughout the day and from day to day, the nature of the overall promise to provide management service is the same from day to day. Therefore, the Corporation has concluded that the services to tenants represent a series of daily services that are individually satisfied over time, using a time-elapsed measure of progress, because tenants simultaneously receive and consumes the benefits provided by the Corporation.

#### (j) Revenue from contracts with customers

##### Principal versus agent considerations

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

## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

### 5. Accounting estimates and judgements *(continued)* (j) Revenue from contracts with customers *(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.

	2022	2021
	P'000	P'000
<b>6. Rental income and revenue from contracts with customers</b>		
Rental income - Residential properties	236,315	206,389
Rental income - Commercial properties	3,450	2,927
<b>Rental income</b>	<b>239,765</b>	<b>209,316</b>
Professional fees	4,976	13,839
External projects contracts income	188,117	125,940
Self Help Housing Agency (SHHA) projects contracts income	94,734	120,629
Capacitation fee	15,140	19,395
<b>Revenue from construction contracts (Over time)</b>	<b>302,967</b>	<b>279,803</b>
Outright sales of housing units	111,382	197,392
Facilities management income	44,516	69,053
Tenant purchase scheme income	2,177	2,237
Step ownership scheme income	10	12
Recoverable maintenance	729	2,168
<b>Revenue from contracts with customers (Point in time)</b>	<b>158,814</b>	<b>270,862</b>
	<b>701,546</b>	<b>759,981</b>

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)*

(for the year ended 31 March 2022)

**7. Cost of sale of housing inventories**

<b>At beginning of the year</b>	<b>604,502</b>	<b>647,795</b>
Land held for development	32,557	40,471
Housing under construction	247,987	342,878
Completed houses - Inventories (written down to net realisable value)	323,958	264,446
<b>Movements during the year</b>	<b>(54,544)</b>	<b>148,331</b>
Acquisition of land	7,969	7,914
Capitalised construction costs	27,509	124,805
Capitalised development costs - employee benefit expenses (note 8)	7,752	7,311
Capitalised borrowing costs (note 14)	19,246	25,812
Interest earned on borrowed funds	(9,340)	(7,231)
Transfer from investment properties (note 15)	13,120	442
Adjustment - Write off	(3,658)	-
Movement in impairment provision of inventory	1,197	-
Transfer to investment property (note 15)	(118,339)	(10,722)
<b>At end of year (note 16)</b>	<b>(444,154)</b>	<b>(604,502)</b>
Land held for development	(40,526)	(32,557)
Housing under construction	(274,585)	(247,987)
Completed houses - Inventories (written down to net realisable value)	(129,043)	(323,958)
	<b>105,804</b>	<b>191,624</b>
<b>Cost of sale of construction and management contracts</b>		
External construction contracts	188,117	125,944
SHHA construction contracts	94,734	120,629
Facilities management contracts	37,781	56,621
	<b>320,632</b>	<b>303,193</b>

**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

	2022 P'000	2021 P'000
<b>8. Employee benefit expenses</b>		
Salaries, wages and other benefits	134,432	129,752
Incentive pay	-	76
Pension contributions	11,417	10,951
Gratuities	3,520	4,727
Less : capitalised during the year (note 7)	(7,752)	(7,311)
	<b>141,617</b>	<b>138,195</b>

Number of persons employed by the Corporation at the reporting date were 282 (2021: 286).

<b>9. Depreciation and amortisation</b>		
Depreciation - right of use asset (note 25)	6,176	5,698
Depreciation - investment properties (note 15)	14,655	14,420
Depreciation - property, plant and equipment (note 17)	4,539	4,903
Amortisation - leasehold land (note 15)	1,134	1,685
Amortisation - intangible assets (note 18)	3,781	3,782
	<b>30,285</b>	<b>30,488</b>

**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

	2022 P'000	2021 P'000
<b>10. Other expenses</b>		
Audit fees - current year	996	968
Board members' remuneration	445	407
Lease rentals - motor vehicles, offices and office equipments	255	144
Consultancy fees	2,307	4,763
Rates	5,313	5,503
Contract write off	(1,989)	(4,765)
Security expenses	5,526	5,469
Telephone expenses	9,763	8,319
Training expenses	2,545	1,680
Insurance	2,528	1,928
Travelling and accommodation	3,687	2,839
IT expenses	8,473	8,293
Advertising and marketing	5,231	5,612
Call centre expenses	2,474	2,475
Administration expenses	15,020	13,342
Training levy	552	4
Utilities	3,077	3,761
Penalty charges - Tax	-	19
	<b>66,203</b>	<b>60,761</b>
<b>Impairment expenses</b>		
Rental debtors	(9,049)	15,788
Housing inventories	(1,197)	-
Professional fees	(15,243)	9,575
	<b>(25,488)</b>	<b>25,363</b>

**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

	2022 P'000	2021 P'000
<b>11. Other income</b>		
Recoverable maintenance		
Sundry income	6,090	1,608
Income from auction sales	552	5
	<b>6,642</b>	<b>1,613</b>
<b>12. Gains from sale of investment properties</b>		
Proceeds from sale of investment properties (outright sales)	64,845	38,162
Proceeds from sale of investment properties (TPS sales)	2,633	-
Cost (note 15)	(30,277)	(16,204)
Accumulated depreciation (note 15)	5,411	2,501
	<b>42,612</b>	<b>24,459</b>
<b>13. Finance income</b>		
Using effective interest rate		
Interest income received on short term bank deposits	17,008	10,656
Interest accrued on short term bank deposits	1,640	1,175
Capitalised interest earned on borrowed funds	(9,340)	(7,231)
	<b>9,308</b>	<b>4,600</b>

**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

	2022 P'000	2021 P'000
<b>14. Finance costs</b>		
Using effective interest rate		
Interest expense paid on loans	5,699	6,178
Interest expense paid on debt securities in issue	25,639	27,003
Interest accrued on loans	2,279	2,421
Interest accrued on debt securities in issue	2,061	2,061
Less: capitalised to housing inventories during the year (note 7)	(19,246)	(25,812)
	<b>16,432</b>	<b>11,851</b>
Other finance costs		
Interest expense - leases	726	982
Other financing costs paid	731	751
	<b>1,457</b>	<b>1,733</b>
	<b>17,889</b>	<b>13,584</b>

A capitalisation rate of 6.93% (2021: 8.46%) was used for projects whose development was financed out of debt securities (note 26).

**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

**15. Investment properties**

	2022 P'000	2021 P'000
Opening carrying amount	1,311,567	1,330,608
Transfer to inventory	(13,120)	(442)
Additions to investment properties (including improvements)	-	486
Additions to investment properties - transfer from inventory ( note 7)	118,339	10,722
Adjustment to investment properties*	(19,404)	-
Disposals	(30,277)	(16,204)
Accumulated depreciation on disposals	5,411	2,501
Depreciation - housing properties	(14,655)	(14,419)
Amortisation - leasehold land	(1,134)	(1,685)
<b>Closing carrying amount</b>	<b>1,356,727</b>	<b>1,311,567</b>
Cost	1,716,825	1,661,287
Accumulated depreciation	(360,098)	(349,720)
<b>Carrying amount</b>	<b>1,356,727</b>	<b>1,311,567</b>

\* Adjustment of P19 million relate to costs allocation upon finalisation of project accounts.

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

Future minimum rentals receivables under operating leases as at 31 March 2022 are as follows:

	2022 P'000	2021 P'000
After one year but less than five years	265,111	221,186
After five year	601,272	442,373
	<b>866,383</b>	<b>663,559</b>

## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

### 15. Investment properties *(continued)*

Investment properties were valued as at 31 March 2022 by estate management professionals based on the latest prevailing market prices. The value of the investment properties was estimated at P5.274 billion on 31 March 2022 (2021: P5.265 billion). The model uses current replacement cost less the depreciation due to physical deterioration. The current replacement cost is the current cost of constructing a property type using estimated gains from the in-house Quantity Surveyors. The land component is estimated separately using market comparables and added to calculate the final fair value of the property. The fair value of measurement for all investment properties has been categorised as a level 3 fair value based on the inputs to the valuation technique used.

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

The cost value of housing properties which the Corporation has not received title deeds amounts to P3.8 million (2021: P3.8 million). The members of the Board believe that title deeds for these properties will be received in due course.

### 16. Housing Inventories

	2022 P'000	2021 P'000
Land for development (note 7)	40,526	32,557
Housing under construction (note 7)	274,585	247,987
Completed houses (note 7)	130,185	326,297
Less: Impairment provision of inventory	(1,142)	(2,339)
	<b>444,154</b>	<b>604,502</b>

**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

**17. Property, plant and equipment**

	Land & buildings P'000	Computer equipment P'000	Furniture & office equipment P'000	Motor vehicles P'000	Plant & equipment P'000	Total P'000
<b>As at 31 March 2022</b>						
Opening carrying amount	37,960	6,118	5,530	3,794	162	53,564
Additions	-	855	203	717	-	1,775
Disposals	-	-	(387)	(2,482)	-	(2,869)
Accumulated depreciation on disposal	-	-	343	2,110	-	2,453
Depreciation charge	(840)	(1,812)	(867)	(1,008)	(12)	(4,539)
<b>Closing carrying amount</b>	<b>37,120</b>	<b>5,161</b>	<b>4,822</b>	<b>3,131</b>	<b>150</b>	<b>50,384</b>
<b>As at 31 March 2021</b>						
Opening carrying amount	48,127	24,648	15,170	13,521	2,386	103,852
Accumulated depreciation	(11,007)	(19,487)	(10,348)	(10,390)	(2,236)	(53,468)
<b>Closing carrying amount</b>	<b>37,120</b>	<b>5,161</b>	<b>4,822</b>	<b>3,131</b>	<b>150</b>	<b>50,384</b>
<b>As at 31 March 2021</b>						
Opening carrying amount	38,800	6,850	6,037	4,987	129	56,803
Additions	-	1,141	485	-	38	1,664
Depreciation charge	(840)	(1,873)	(992)	(1,193)	(5)	(4,903)
<b>Closing carrying amount</b>	<b>37,960</b>	<b>6,118</b>	<b>5,530</b>	<b>3,794</b>	<b>162</b>	<b>53,564</b>
<b>As at 31 March 2021</b>						
Opening carrying amount	48,127	23,793	15,354	15,286	2,386	104,946
Accumulated depreciation	(10,167)	(17,675)	(9,824)	(11,492)	(2,224)	(51,382)
<b>Closing carrying amount</b>	<b>37,960</b>	<b>6,118</b>	<b>5,530</b>	<b>3,794</b>	<b>162</b>	<b>53,564</b>



**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

**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	628
Selebi Phikwe (SP2711)	Selebi Phikwe	872	218
Mahalapye	Mahalapye	133	189
Kasane	Kasane	134	59
Maun/17223 (MA11) -Current BHC Offices	Maun	528	224
Lobatse (LO6392)	Lobatse	1,390	1,830
<b>Total</b>			<b>48,127</b>

**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

**18. Intangible assets**

	ERP System	Computer software	Total
	P'000	P'000	P'000
<b>As at 31 March 2022</b>			
Opening carrying amount	15,346	-	15,346
Amortisation charge	(3,781)	-	(3,781)
<b>Closing carrying amount</b>	<b>11,565</b>	<b>-</b>	<b>11,565</b>
Cost	47,765	5,367	53,132
Accumulated amortisation	(36,200)	(5,367)	(41,567)
<b>Closing carrying amount</b>	<b>11,565</b>	<b>-</b>	<b>11,565</b>
<b>As at 31 March 2021</b>			
Opening carrying amount	19,128	-	19,128
Additions	-	-	-
Amortisation charge	(3,782)	-	(3,782)
<b>Closing carrying amount</b>	<b>15,346</b>	<b>-</b>	<b>15,346</b>
Cost	47,765	5,367	53,132
Accumulated amortisation	(32,419)	(5,367)	(37,786)
<b>Closing carrying amount</b>	<b>15,346</b>	<b>-</b>	<b>15,346</b>

Remaining amortisation period for ERP system is 1 year (2021: 2 years).

**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

	2022	2021	2022	2021	2022	2021
	P'000	P'000	P'000	P'000	P'000	P'000
<b>19. Investments in joint ventures</b>						
	<b>Plot 7 (Plaza Centre)</b>		<b>Plot 1471/2 (Galo Complex)</b>		<b>Total</b>	
At the beginning of the year	653	491	20,023	14,507	20,676	14,998
Adjustments on opening balance between the partnerships	249	-	(249)	-	-	-
Share of profit or loss in equity accounted joint ventures for the year	817	762	18,798	16,016	19,615	16,778
Dividends declared during the year*	(1,050)	(600)	(23,750)	(10,500)	(24,800)	(11,100)
<b>At the end of the year</b>	<b>669</b>	<b>653</b>	<b>14,822</b>	<b>20,023</b>	<b>15,491</b>	<b>20,676</b>

\* Dividends relate to the Corporation's portion only.

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

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

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

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

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

These Joint Ventures operate in Botswana.

**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

**19. Investments in joint ventures** *(continued)***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-22 P'000	Apr-21 P'000	Apr-22 P'000	Apr-21 P'000	2022 P'000	2021 P'000
	Plot 7 (Plaza Centre)		Plot 1471/2 (Galo Complex)		Total	
<b>Assets:</b>						
<b>Non-current assets</b>						
Investment property	1,867	1,932	129,360	133,344	131,227	135,276
Other non-current assets	-	-	6,591	6,166	6,591	6,166
	<b>1,867</b>	<b>1,932</b>	<b>135,951</b>	<b>139,510</b>	<b>137,818</b>	<b>141,442</b>
<b>Current assets</b>						
Cash and cash equivalents	461	958	14,236	13,795	14,697	14,753
Other current assets excluding cash	339	226	4,276	3,736	4,615	3,962
	<b>800</b>	<b>1,184</b>	<b>18,512</b>	<b>17,531</b>	<b>19,312</b>	<b>18,715</b>
	<b>2,667</b>	<b>3,116</b>	<b>154,463</b>	<b>157,041</b>	<b>157,130</b>	<b>160,157</b>
<b>Liabilities:</b>						
<b>Non-current liabilities</b>						
Borrowings	-	-	96,299	87,300	96,299	87,300
Deferred income	-	-	466	536	466	536
	<b>-</b>	<b>-</b>	<b>96,765</b>	<b>87,836</b>	<b>96,765</b>	<b>87,836</b>
<b>Current liabilities</b>						
Borrowings	-	-	7,854	10,866	7,854	10,866
Trade and other payables	420	414	6,688	4,857	7,108	5,271
Dividends payable	200	-	6,500	-	6,700	-
	<b>620</b>	<b>414</b>	<b>21,042</b>	<b>15,723</b>	<b>21,662</b>	<b>16,137</b>
Total liabilities	<b>620</b>	<b>414</b>	<b>117,807</b>	<b>103,559</b>	<b>118,427</b>	<b>103,973</b>
<b>Net assets</b>	<b>2,047</b>	<b>2,702</b>	<b>36,656</b>	<b>53,482</b>	<b>38,703</b>	<b>56,184</b>
<b>Income</b>						
Revenue	1,961	1,953	63,439	54,162	65,400	56,115
Other operating income	-	-	128	53	128	53
Finance income	38	21	477	752	515	773
	<b>1,999</b>	<b>1,974</b>	<b>64,044</b>	<b>54,967</b>	<b>66,043</b>	<b>56,941</b>
<b>Expenses</b>						
Finance costs	-	-	6,922	3,278	6,922	3,278
Operating expenses	288	395	15,048	16,156	15,336	16,551
Depreciation	66	66	4,025	2,935	4,091	3,001
	<b>354</b>	<b>461</b>	<b>25,995</b>	<b>22,369</b>	<b>26,349</b>	<b>22,830</b>
<b>Profit and total comprehensive income</b>	<b>1,645</b>	<b>1,513</b>	<b>38,049</b>	<b>32,598</b>	<b>39,694</b>	<b>34,111</b>

These are the reporting periods as elected by the partnership.

Plot 7 May 2021 to April 2022

Plot 1471/2 May 2021 to April 2022

**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

**19. Investments in joint ventures** *(continued)***19.2 Reconciliation of net assets to carrying amount**

	Apr-22 P'000	Apr-21 P'000	Apr-22 P'000	Apr-21 P'000	2022 P'000	2021 P'000
	Plot 7 (Plaza Centre)		Plot 1471/2 (Galo Complex)		Total	
Closing net assets	2,047	2,702	36,656	53,482	38,703	56,184
Fair value of land contributed as equity	(1,271)	(1,271)	(10,720)	(10,720)	(11,991)	(11,991)
Adjustment to align financial year end	(137)	(126)	(3,171)	(2,717)	(3,308)	(2,843)
Dividends paid after year end	200	-	6,500	-	6,700	-
	<b>839</b>	<b>1,305</b>	<b>29,265</b>	<b>40,045</b>	<b>30,104</b>	<b>41,350</b>
Adjustment	249	-	(249)	-	-	-
<b>Interest in Joint Venture at 50%</b>	<b>668</b>	<b>652</b>	<b>14,384</b>	<b>20,023</b>	<b>15,052</b>	<b>20,676</b>
<b>Summarised comprehensive income</b>						
Carrying amount	1,645	1,513	38,049	32,598	39,694	34,111
<b>Adjustments</b>						
Adjustment in current year profit	(137)	(126)	(3,171)	(2,717)	(3,308)	(2,843)
Adjustment in prior year profit	126	135	2,717	2,149	2,843	2,284
	<b>1,634</b>	<b>1,522</b>	<b>37,595</b>	<b>32,030</b>	<b>39,229</b>	<b>33,552</b>
Adjustment	249	-	(249)	-	-	-
<b>Share of surplus at 50%</b>	<b>1,066</b>	<b>761</b>	<b>18,549</b>	<b>16,015</b>	<b>19,615</b>	<b>16,776</b>

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

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

**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

	2022 P'000	2021 P'000
<b>20. Taxation</b>		
<b>Amount recognised in the statement of financial position</b>		
Taxation refundable at the beginning of the year	(12,509)	(5,775)
Normal company taxation	9,468	-
Tax refund	5,408	-
With-holding tax paid during the year	(1,369)	(872)
Income tax paid during the year	(9,634)	(5,863)
Taxation refundable at end of the year	(8,636)	(12,509)
<b>Effective tax reconciliation</b>		
Profit before taxation	72,169	1,759
<b>Taxation at the statutory rate of 22%</b>	<b>15,877</b>	<b>387</b>
<b>Tax effects of adjustments on taxable income</b>		
Donation not taxable	268	1,420
Exempt income*	(8,100)	(1,106)
Taxation per profit or loss	<b>8,045</b>	<b>701</b>
Effective Tax Rate	<b>11%</b>	<b>40%</b>
<b>Amount recognised in profit or loss</b>		
<b>Current tax expense</b>		
Current year taxation	9,468	-
<b>Deferred tax movement</b>		
Deferred tax movement during the year	(1,424)	701
<b>Taxation per profit or loss</b>	<b>8,045</b>	<b>701</b>

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

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

## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

	2022	2021
	P'000	P'000
<b>21. Deferred tax</b>		
Movement in deferred tax		
Balance at the beginning of the year	1,785	2,486
Movement during the year	1,424	(701)
<b>Balance at the end of the year</b>	<b>3,209</b>	<b>1,785</b>
<b>Analysis of deferred taxation</b>		
Temporary differences relating to :		
Accelerated depreciation on property, plant and equipment	5,257	4,818
Accelerated capital allowances on intangible assets	(2,544)	(3,376)
Right of use asset	(911)	(793)
Lease liability	1,407	1,136
	<b>3,209</b>	<b>1,785</b>

<b>22. Trade and other receivables</b>		
Trade receivables*	58,156	105,690
Less: allowance for impairment of trade receivables	(17,494)	(41,786)
<b>Trade receivables - net</b>	<b>40,662</b>	<b>63,904</b>
Other receivables**	20,882	47,698
	<b>61,544</b>	<b>111,602</b>
Less: non-current portion	(16,166)	(14,084)
<b>Current portion</b>	<b>45,378</b>	<b>97,518</b>

\* Trade receivables reduced significantly due to recovery of overdue debt on rental debtors and professional fees.

\*\* 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	41,786	16,423
Movement in allowance for impairment per profit or loss (note 10)	(24,291)	25,363
<b>Accumulated impairment losses at end of the year</b>	<b>17,495</b>	<b>41,786</b>

\* Trade receivables reduced significantly during the year under review due to recovery of overdue debt on rental debtors and professional fees.

**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

**23. Cash and cash equivalents**

	2022	2021
	P'000	P'000
Cash at bank and on hand	237,684	214,980
Short term bank deposits	701,816	691,556
	<b>939,500</b>	<b>906,536</b>

Cash and cash equivalents includes P468.0 million (2021: P609.8 million) received from government entities to carry out its construction of housing projects. These balances are ring-fenced for their specific purpose. The Corporation has no rights to the interest earned on investments from this cash. These balances relate to the project management and construction services provided to these projects. The corresponding liability has been recognised in note 28.

Refer to note 36 for details of the restatement relating to cash and cash equivalents for purposes of the statement of cash flows.

**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)*

(for the year ended 31 March 2022)

**25. Leases**

As at 31 March 2022

Right of use of assets	Leased offices	Leased Vehicles	Leased equipment	Total
	P000	P000	P000	P000
Opening balance	2,572	1,027	6	3,605
New leases / modifications	-	5,985	726	6,711
Depreciation expense for the year	(376)	(5,256)	(544)	(6,176)
<b>Carrying amount as at 31 March 2022</b>	<b>2,196</b>	<b>1,756</b>	<b>188</b>	<b>4,140</b>
Cost	3,324	10,130	1,094	14,548
New leases / modifications	-	5,985	726	6,711
Accumulated depreciation	(1,128)	(14,359)	(1,632)	(17,119)
<b>Carrying amount</b>	<b>2,196</b>	<b>1,756</b>	<b>188</b>	<b>4,140</b>
<b>Reconciliation of lease liabilities</b>				
Opening balance				5,165
Finance costs				726
New leases				6,711
Less: Repayment of lease liabilities				(6,209)
<b>Closing balance</b>				<b>6,393</b>
<b>Lease liabilities</b>				
Amounts due for settlement within 12 months				2,523
Amounts due for settlement after 12 months				3,870
<b>Maturity profile for discounted lease liabilities</b>				
Not later than 1 year				2,523
Later than 1 year and not later than 5 years				3,870
				<b>6,393</b>

**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

**25. Leases** *(continued)*

<b>Maturity profile for undiscounted lease liabilities</b>				
Not later than 1 year				7,371
Later than 1 year and not later than 5 years				3,734
				<b>11,105</b>
<b>Amounts recognized in statement of profit or loss</b>				
Depreciation expense on right-of-use assets				6,176
Interest expense on lease liabilities				726
<b>Amounts recognised in statement of cash flow</b>				
Lease payments				5,483
Interest payment				726
<b>Total cash out flows for the year related to leases</b>				<b>6,209</b>
<b>As at 31 March 2021</b>				
<b>Right of use of assets</b>	<b>Leased offices</b>	<b>Leased Vehicles</b>	<b>Leased equipment</b>	<b>Total</b>
	P000	P000	P000	P000
Opening balance	718	11,692	2,780	15,190
Adjustments	2,230	(5,887)	(2,230)	(5,887)
Depreciation expense for the year	(376)	(4,778)	(544)	(5,698)
<b>Carrying amount as at 31 March 2021</b>	<b>2,572</b>	<b>1,027</b>	<b>6</b>	<b>3,605</b>
Cost	3,324	16,018	1,094	20,436
Adjustments	-	(5,888)	-	(5,888)
Accumulated depreciation	(752)	(9,103)	(1,088)	(10,943)
<b>Carrying amount</b>	<b>2,572</b>	<b>1,027</b>	<b>6</b>	<b>3,605</b>
<b>Reconciliation of lease liabilities</b>				
Opening balance				15,991
Finance costs				982
Adjustments				(5,887)
Less: Repayment of lease liabilities				(5,921)
<b>Closing balance</b>				<b>5,165</b>

**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

**25. Leases** *(continued)*

<b>Lease liabilities</b>		
Amounts due for settlement within 12 months		3,752
Amounts due for settlement after 12 months		1,413
<b>Maturity profile for discounted lease liabilities</b>		
Not later than 1 year		3,752
Later than 1 year and not later than 5 years		1,413
		<b>5,165</b>
<b>Maturity profile for undiscounted lease liabilities</b>		
Not later than 1 year		7,147
Later than 1 year and not later than 5 years		5,065
		<b>12,212</b>
<b>Amounts recognized in statement of profit or loss</b>		
Depreciation expense on right-of-use assets		5,698
Interest expense on lease liabilities		982
<b>Amounts recognised in statement of cash flow</b>		
Lease payments		4,939
Interest payment		982
<b>Total cash out flows for the year related to leases</b>		<b>5,921</b>

**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

	2022 P'000	2021 P'000
<b>26. Borrowings</b>		
Irredeemable loan ( note 26.1 )	-	212
Government of Botswana loans ( note 26.2 )	221,739	246,375
	<b>221,739</b>	<b>246,587</b>
Debt securities in issue (note 26.4)	400,146	399,704
	<b>621,885</b>	<b>646,291</b>
Less: current portion	(35,110)	(35,252)
<b>Non-current portion</b>	<b>586,775</b>	<b>611,039</b>
Debt securities in issue include accrued interest of P2.279 million (2021: P2.061 million) at year end.		
<b>Reconciliation of borrowings</b>		
Contractual payments including interest:		
Irredeemable loan	-	2,965
Government of Botswana loans	297,308	316,385
Debt securities in issue	606,350	634,050
	<b>903,658</b>	<b>953,400</b>
Less: future interest costs	(281,773)	(307,109)
<b>Capital portion of borrowings</b>	<b>621,885</b>	<b>646,291</b>
All borrowings are denominated in Pula.		
<b>Government revenue grant ( note 26.3 )</b>		
Balance at the beginning of the year	32,964	39,760
Amortisation during the year	(6,267)	(6,796)
Deferred Government revenue grant	26,697	32,964
Less: current portion	(5,704)	(6,267)
<b>Non-current portion</b>	<b>20,993</b>	<b>26,697</b>

## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

### 26. Borrowings *(continued)*

#### 26.1 Irredeemable loan

In accordance with the initial agreement with the Government of Botswana, the principal amount of the irredeemable loan was not repayable and interest at 8% per annum was payable bi-annually. This loan which was unsecured was through engagement with Government of Botswana cleared during the financial year.

#### 26.2 Government of Botswana loan

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

#### 26.3 Deferred Government revenue grant

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

#### 26.4 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 P100 million in February 2021, which are maturing on 16 February 2028. These notes bear interest at 7.75% per annum and interest is paid bi-annually on 16 August and 16 February.



**BHC NOTES TO THE FINANCIAL STATEMENTS (continued)**

(for the year ended 31 March 2022)

**26. Borrowings (continued)****26.5 Movement in borrowings**

	Contractual Period of interest rate repayment	Balance at 01 April 2021	Addition	Interest unwinding during the year	Repayment during the year	Balance at 31 March 2022
<b>Lender</b>	<b>(%)</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Debt securities BHC025	Bank rate plus 2.90	300,000	-	-	-	300,000
Debt securities BHC028	2018-2025 2021-2028	100,000	-	-	-	100,000
		<b>400,000</b>				<b>400,000</b>
<b>Irredeemable loan</b>						
Government of Botswana	8.00%	212	-	18	(230)	-
<b>Government of Botswana loan</b>						
Government of Botswana	2015-2029	246,375	-	6,133	(30,769)	221,739
		<b>246,375</b>		<b>6,133</b>	<b>(30,769)</b>	<b>221,739</b>
		<b>246,587</b>		<b>6,151</b>	<b>(30,999)</b>	<b>221,739</b>
<b>Lender</b>	<b>(%)</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>	<b>P'000</b>
Debt securities BHC020	10.10	103,000	-	-	(103,000)	-
Debt securities BHC025	Bank rate plus 2.90	300,000	-	-	-	300,000
Debt securities BHC028	2010-2020 2018-2025 2021-2028	-	100,000	-	-	100,000
		<b>403,000</b>	<b>100,000</b>		<b>(103,000)</b>	<b>400,000</b>
<b>Irredeemable loan</b>						
Government of Botswana	8%	212	-	-	-	212
<b>Government of Botswana</b>						
	2015-2029	270,766	-	6,378	(30,769)	246,375
		<b>270,766</b>		<b>6,378</b>	<b>(30,769)</b>	<b>246,375</b>
		<b>270,978</b>		<b>6,378</b>	<b>(30,769)</b>	<b>246,587</b>

**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

	2022 P'000	2021 P'000
<b>27. Trade and other payables</b>		
<b>Financial liabilities</b>		
Trade payables	82,179	121,305
Sundry creditors*	11,779	7,550
	<b>93,958</b>	<b>128,855</b>
<b>Non financial liabilities</b>		
Advance payment by customers	23,074	17,435
Contractors withholding tax	147	147
Other accruals and VAT payable**	29,691	31,491
	<b>52,912</b>	<b>49,073</b>
<b>Total trade and other payables</b>	<b>146,870</b>	<b>177,928</b>

\*Sundry creditors are predominantly accruals relating for supplier balances.

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

**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

**28. Contract balances**

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

<b>Contract liabilities</b>	468,042	609,833
<b>Contract liabilities</b>		
At the beginning of the year	609,833	816,709
Funds received during the year	116,617	21,878
Expenditure on projects during the year	(282,595)	(259,494)
Interest earned on temporary investment of funds	24,187	30,740
<b>At the end of the year</b>	<b>468,042</b>	<b>609,833</b>
Revenue recognised in the current year	302,967	279,803
Amount included in the contract liabilities in the beginning of the period	-	-
Amount from previous period	302,967	279,803
Balances relating to related parties are as follows :		
Botswana Defence Force	295,854	391,275
Department of Housing	10,954	41,306
Self Help Housing Agency	88,197	93,568
Malete Land Board	711	2,450
Directorate of Corruption and Economic Crime	18,853	18,381
Administration of Justice	-	(341)
Botswana Prisons Services	24,633	26,476
Ministry of Finance	132	132
Tawana Land Board	2,302	2,302
Botswana Police Service	6,631	31,939
Kweneng Land Board	-	(134)
Lethakeng Sub Land Board	1,525	1,525
Ministry of Lands	17,073	(1,048)
Chobe Land Board	1,509	1,509
Ministry of Infrastructure	489	489
Palapye Sub Land Board	(821)	4
	<b>468,042</b>	<b>609,833</b>

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



## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

### 28. Contract balances *(continued)*

Contract assets primarily relate to the Corporation's rights to consideration for work completed but not billed at the reporting date for construction contracts with its customers. The balances are not impaired and have been included in Trade receivables as the rights are unconditional and invoices will be based on these amounts. There are no contract assets at the current or previous reporting date.

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.

#### 28.1 Deferred Income

	2022 P'000	2021 P'000
At the beginning of the year	23,454	42,919
Funds received during the year	3,553	-
Expenditure on projects during the year	(9,084)	(19,465)
At the end of the year	<b>17,923</b>	<b>23,454</b>
Balances relating to deferred income are as follows:		
Administration of Justice	12,983	15,398
Self Help Housing Agency	1,180	1,967
Ombudsman	512	2,000
National Assembly of Botswana	3,049	4,308
Botswana Government - Abu Dhabi exhibition	199	211
Botswana Government - ESP projects	-	(402)
Botswana Government - Malaysian trip	-	(28)
	<b>17,923</b>	<b>23,454</b>

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	12,999	12,671
Sale of properties deposits	(1,587)	1,380
	<b>11,412</b>	<b>14,051</b>

**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

	2022 P'000	Restated 2021 P'000
<b>30. Net cash from/ (utilised in) operating activities</b>		
Profit before taxation	72,169	1,759
Adjustments for:		
Gain on sale of property, plant and equipment (note 11)	(552)	-
Gains from sale of investment property (note 12)	(42,612)	(24,459)
Depreciation - investment property (note 15)	14,655	14,419
Depreciation - property, plant and equipment (note 17)	4,539	4,903
Amortisation - leasehold land (note 15)	1,134	1,685
Amortisation - intangible assets (note 18)	3,781	3,782
Depreciation right of use asset (note 25)	6,176	5,698
Interest expense - leases (note 25)	726	982
Impairment expenses / (reversal) (note 22)	(25,488)	25,363
WIP cost written off	(2,871)	-
Contract creditors adjustments	(6,187)	-
Movement in bond and loan accrued interest	(143)	(2,871)
Deferred bond arrangement fees	441	(509)
Share of profit or loss of equity accounted investees of joint ventures (note 19)	(19,615)	(16,776)
Finance income (note 13)	(9,308)	(4,600)
Finance cost (note 14)	17,163	12,602
	<b>14,008</b>	<b>21,978</b>
Changes in working capital:		
(Decrease) / increase in trade and other receivables (note 22)	72,710	(53,162)
Decrease in trade and other payables (note 27)	(5,467)	(47,358)
(Decrease) / increase in deferred income	(5,531)	(19,466)
Decrease in customer deposits (note 29)	(2,639)	(1,133)
Increase in housing inventories (note 16)	80,041	58,825
Decrease in contract liabilities (note 28)	(141,791)	(206,875)
<b>Net cash generated from operating activities</b>	<b>11,331</b>	<b>(247,192)</b>

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

Details of the restatement are disclosed in note 36

## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

### 31. Commitments

#### 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	22,962	44,597
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The capital commitments are to be financed through internally generated cash resources and borrowings.

### 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 26.5 to these financial statements.

2022	2021
P'000	P'000

#### 32.2 Transactions with board members

Board sitting fees	445	407
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#### 32.3 Key management personnel compensation

Salaries and other short-term benefits	4,143	4,975
Post employment benefits - gratuity provision	748	5,075
	<b>4,891</b>	<b>10,050</b>

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

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

## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

### 32. Related party transactions *(continued)*

#### 32.4 Advances to key management personnel

	2022 P'000	2021 P'000
Advance against gratuity	3,992	4,412

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 2022, credit loss allowances in respect of rental debts owed by the Government of Botswana amounted to Nil (2021: Nil).

#### 32.6 Joint ventures

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

**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

**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 2022.

	Sales of housing inventories	Rental income	Professional fees	Contractors Payments
	P'000	P'000	P'000	P'000
Botswana Defence Force	-	15,776	-	113,043
Botswana Prison Services	20,439	4,765	-	2,771
Botswana Unified Revenue Services	-	675	-	-
Ministry of Land Management, Water and Sanitation	-	-	-	8,851
Botswana Police Service	-	27,883	-	25,730
Self Help Housing Agency	-	-	-	94,734
Kweneng Land Board	-	665	-	764
Kgatleng Land Board	-	149	-	-
Malete Land Board	-	-	-	1,738
Palapye Land Board	2,327	2,571	-	4,160
District Housing	-	59,092	4,976	31,061
Office of the President	-	10,690	-	-
Ministry of Health and Wellness	6,193	444	-	-
Ministry of Finance and Economic Development	1,386	-	-	-
Water Utilities Corporation	-	758	-	-
Botswana Power Corporation	-	1,625	-	-
Botswana Railways	-	3,379	-	-
Botswana Ash	-	23,396	-	-
Botswana International University of Science and Technology	-	2	-	-
Ministry of Youth, Sports and Culture	2,252	-	-	-
Morupule Colliery Limited	25,694	1,201	-	-
Jwaneng Town Council	-	230	-	-
	<b>58,291</b>	<b>153,301</b>	<b>4,976</b>	<b>282,852</b>

## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

### 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 2021.

	Sales of housing inventories	Rental income	Professional fees	Contractors Payments
	P'000	P'000	P'000	P'000
Botswana Defence Force	-	12,787	5,958	77,972
Botswana Prison Services	21,017	4,538	221	3,823
Botswana Unified Revenue Services	-	658	-	-
Ministry of Land Management, Water and Sanitation	-	-	70	10,100
Botswana Police Service	32,317	22,100	-	12,916
Self Help Housing Agency	-	-	7,590	120,629
Kweneng Land Board	-	667	-	3,987
Kgatleng Land Board	-	149	-	1,373
Maletle Land Board	-	-	-	6,697
Palapye Land Board	-	2,501	-	5,754
District Housing	-	51,136	-	3,195
Office of the President	-	9,241	-	-
Ministry of Health and Wellness	27,374	444	-	-
Ministry of Infrastructure and Housing Development	-	-	-	32
Ministry of Finance and Economic Development	8,289	-	-	85
Water Utilities Corporation	-	238	-	-
Directorate on Corruption and Economic Crime	-	-	-	45
Botswana Power Corporation	-	1,411	-	-
Botswana Railways	-	2,922	-	-
Botswana Ash	-	25,581	-	-
Botswana International University of Science and Technology	-	137	-	-
Jwaneng Town Council	-	163	-	-
	<b>88,997</b>	<b>134,673</b>	<b>13,839</b>	<b>246,608</b>

**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

**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.

	2022 P'000	2021 P'000
Botswana Defence Force	8,271	8,467
Department of Lands	-	13,095
Administration of Justice	-	121
Botswana Police Service	1,503	1,503
Accountant General	940	940
Self Help Housing Agency	3,994	25,308
Tsabong Land Board	-	5,247
Maletse Land Board	-	4,251
Botswana Prison Services	247	-
	<b>14,955</b>	<b>58,932</b>

**32.9 Contract liabilities**

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



## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

### 33. Events after the reporting date

#### Outlook post year-end Change in Monetary Policy Rate (MoPR)

Subsequent to year end, the Monetary Policy Committee (MPC) of the Bank of Botswana decided to increase the Monetary Policy Rate (MoPR) by 51 basis points from the 1.14 percent yield on the 7-day Bank of Botswana Certificate to 1.65 percent. This will subsequently increase the borrowing costs on the Corporations floating rate borrowings. We expect the central bank to keep on reviewing the rate to stem inflation in the calendar year 2022. The Corporation remains alert to the fluidity of the macro economic environment and continues to effect forward looking management actions.

#### Covid-19 Pandemic

Improved distribution of vaccines and boosters across most parts of the world has enabled economies to maintain relative levels of resilience and maintain open and active markets to support economic recoveries. The Corporation has continued to create a safe and healthy working environment by encouraging employees to ensure they take booster vaccines. The Covid-19 infection rates in the country have been kept low with the anticipation that the status may change as the country approaches the winter season. The Corporation will monitor the situation on an on-going basis.

#### Impact of Russia - Ukraine war

The ongoing Russia and Ukraine conflict poses a significant downside risk to Global economic prospects for 2022 and 2023. The Corporation assumes a scenario of a lengthy conflict and resultant international response lasting more than six months from the onset of the conflict. In this scenario, Corporation identifies energy and commodity crisis, food insecurity, aggravated supply chain bottlenecks and heightened risk of cyber war as the immediate ramification of the conflict. Global GDP growth is likely to be weakened and only likely to pick up growth trend in the last quarter of 2023. Sub Saharan Africa, already trailing global GDP growth since 2021, is also expected to record a disrupted growth momentum in 2022 into 2023. Beyond energy and commodity crisis, the Corporation expects costs of agricultural inputs such as fertilizers to rise significantly, potentially severing Agricultural production for Sub Saharan economies that are agriculture driven. Commodity exporting countries in Sub Saharan countries may become alternative supply sources for Oil & Gas and metals during the period of the conflict but the impact may not be fully offset by the overall stressed global trading conditions and expected run away inflation.

The Corporation is closely monitoring the stress scenario and constantly simulating impact on its strategy for proactive management response as the conflict evolves.



## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

### 34. Non-financial instruments - fair value hierarchy

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

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

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

This category includes instruments valued using:

- > quoted market prices in active markets for similar instruments;
- > quoted prices for identical or similar instruments in markets that are considered less than active; or
- > other valuation techniques where all significant inputs are directly or indirectly observable from market data.

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
<b>2022</b>			
Investment property (P'000)	-	-	5,274,000
<b>2021</b>			
Investment property (P'000)	-	-	5,265,000

There have been no transfers between any of the hierarchy levels during the year (2021: 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)*

(for the year ended 31 March 2022)

### 34. Fair value hierarchy *(continued)*

Sensitivity analysis	Effects on fair value			
	Sensitivity analysis	Investment properties	Land	Total
<b>2022</b>				
Investment property (P'000)		3,827,289	1,446,265	5,273,554
Increase in development and land rates	1%	38,273	14,463	
<b>2021</b>				
Investment property (P'000)		3,821,081	1,443,919	5,265,000
Increase in development and land rates	1%	38,211	14,439	

### Valuation techniques underlying management's estimation of fair value

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

#### Unobservable inputs:

Development rates

The current market cost of reproduction or replacement of an asset specific to the nature of the property, components and structure of the property.

Land rates

Based on the data on recently transacted properties duly adjusted to reflect the subject asset's uniqueness.

### 35. Contingent liabilities

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

### 36. Restatement

#### Statement of cash flows

In the prior years, the Corporation incorrectly excluded from cash and cash equivalents for purposes of the statement of cash flows P609 832 914 received from government entities. The money is used to meet short term cash commitments related to the construction of housing projects which form part of normal operations of the business rather than a specific purpose or investment purposes.

These balance meet the definition of cash and cash equivalents as they comprise bank balances and short-term investments balances which are highly liquid, readily convertible to known amounts of cash and are subject to an insignificant risk of changes and held for use in the normal course of business.

This has resulted in the restatement of cash flows from operating activities and cash and cash equivalents as follows:

**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

**36. Restatement** *(continued)*

	Restated	As previously reported	Impact of restatement	Note
	2021	2021	2021	
	P'000	P'000	P'000	
<b>Net cash from/ (utilised in) operating activities</b>				
Profit before taxation	1,759	1,759	-	
Adjustments for:				
Gain on sale of property, plant and equipment (note 11)	-	-	-	
Gains from sale of investment property (note 12)	(24,459)	(24,459)	-	
Depreciation - investment property (note 15)	14,419	14,419	-	
Depreciation - property, plant and equipment (note 17)	4,903	4,903	-	
Amortisation - leasehold land (note 15)	1,685	1,685	-	
Amortisation - intangible assets (note 18)	3,782	3,782	-	
Depreciation right of use asset (note 25)	5,698	5,698	-	
Interest expense - leases (note 25)	982	982	-	
Impairment expenses / (reversal) (note 10)	25,363	25,363	-	
Transfer of investment property to inventory (note 15) (A)	-	442	(442)	B
Transfer of inventory to investment property (note 7) (A)	-	(10,722)	10,722	B
Capitalised interest (note 14) (A)	-	25,812	(25,812)	B
Movement in bond and loan accrued interest (note 26.6)	(2,871)	(2,871)	-	
Deferred Bond arrangement fees (note 26.6)	(509)	(509)	-	
Share of profit or loss of equity accounted investees of joint ventures (note 19)	(16,776)	(16,776)	-	
Finance income (note 13)	(4,600)	(4,600)	-	
Finance cost (note 14)	12,602	12,602	-	
	21,978	37,510	(15,532)	
Changes in working capital:				
(Decrease) / increase in trade and other receivables (note 22)	(53,162)	(53,162)	-	
Decrease in trade and other payables (note 27)	(47,358)	(47,358)	-	
(Decrease) / increase in deferred income	(19,466)	(19,466)	-	
Decrease in customer deposits (note 29)	(1,133)	(1,133)	-	
Increase in housing inventories (note 16)	58,825	43,293	15,532.00	B
Decrease in contract liabilities (note 28)	(206,876)	-	(206,876.00)	A
<b>Cash flow (utilised in) / from operating activities</b>	<b>(247,192)</b>	<b>(40,316)</b>	<b>(206,876)</b>	

**BHC NOTES TO THE FINANCIAL STATEMENTS** *(continued)*

(for the year ended 31 March 2022)

**36. Restatement** *(continued)*

A	Restated P'000	Previously reported P'000	Impact of restatement P'000
i) Cash flows from operating activities:			
Decrease in contract liabilities	(206,876)	-	(206,876)
ii) Net (decrease)/increase in cash and cash equivalents	(277,012)	(70,135)	(206,877)
Cash and cash equivalents at beginning of year	1,183,548	366,839	816,709
Cash and cash equivalents at end of year	906,536	296,704	609,832

- B The following items were included as non-cash adjustments to profit before tax although these items were not included in profit of loss.

The balances have been appropriately reclassified to changes in working capital (movement in housing inventory) and have no impact on the net cash flows from operating activities.

	Restated P'000	Previously reported P'000	Impact of restatement P'000
Transfer of investment property to inventory	-	442	(442)
Transfer of inventory to investment property(note 7)	-	(10,722)	10,722
Capitalised interest (note 14)	-	25,812	(25,812)
<b>Total</b>	-	<b>15,532</b>	<b>-</b> <b>15,532</b>

**Changes in working capital:**

Increase in housing inventories

	Restated P'000	Previously reported P'000	Impact of restatement P'000
Increase in housing inventories	58,825	43,293	15,532

## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

### 36. Restatement *(continued)*

The note on cash and cash equivalents in the prior year included the following disclosure

Cash and cash equivalents include P609.8 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.

	P'000
Money markets deposits	121,845
Fixed deposits	125,000
Current and call accounts deposits	49,858
	296,703

This has been removed from the comparative disclosures, and the restricted amounts has been appropriately disclosed in note 23.

#### Contract assets

In the prior year, the financial statements included a disclosure on contract assets of P58 932 000 which did not relate to contract assets, but trade receivables at the reporting date. However, the balance was appropriately disclosed as part of trade and other receivables on the statement of financial position and the related note. The disclosure relating to contract assets has been removed from the financial statements as the Corporation did not have contract assets at the current and previous reporting dates.



## BHC NOTES TO THE FINANCIAL STATEMENTS *(continued)*

(for the year ended 31 March 2022)

### 37. 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.



