accommodating your future

BHC ANNUAL REPORT 2019

We are at the forefront of building Botswana with you...

MANDATE OF BHC

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

a. To provide for housing, office and other building needs of the Government and local authorities.

b. To provide for, and to assist and to make arrangements for other persons to meet the requirements of paragraph a).

c. To undertake and carry out and to make arrangements for other persons to undertake and carry out building schemes in Botswana.

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

THE MAIN ACTIVITIES OF THE CORPORATION ARE:

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

CONTENTS

Building Dreams From Ground Up!

SINCE 1971

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.

BOARD OF DIRECTORS

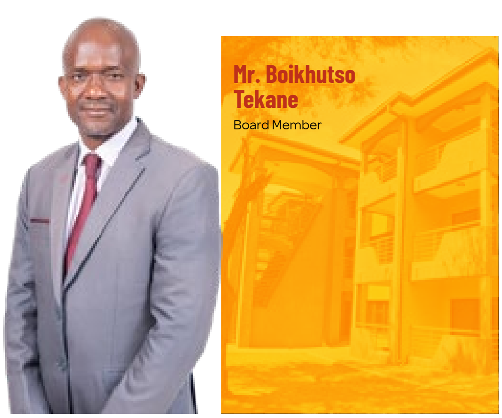
Mr. Joseph B. Mosimane
CHAIRPERSON

Ms. Sithabile Mathe
Deputy Board Chairman

Mr. Chilisana Marobela
Board Member

Mr. Roy Davies
Board Member

BOARD OF DIRECTORS



CHAIRPERSON'S REPORT

It is with great pleasure that I present to you Botswana Housing Corporation's 2018/19 annual report.

In this report I will focus, mainly, on housing schemes which the Corporation is implementing, with the support of Government, to deliver housing to specific customer segments.

I will briefly touch on another growth area for the Corporation, being the provision of Facilities Management Services.

Tsholofelo 372 housing project

The Corporation is tasked by the Botswana Government with the responsibility of providing accommodation to the nation's populace. It discharges this responsibility by developing housing units targeted at various identified customer segments. For the first time in the history of the Corporation, in the 2018/19 financial year, it delivered a development that gave youth an opportunity. The development is located in Tsholofelo in the city of Gaborone.

The Tsholofelo Housing Project, which comprises of three hundred and seventy – two (372) housing units, being two – bedroomed apartments, was launched by the Minister of Infrastructure and Housing Development in November 2018. Subsequent to its launch, the project attracted a lot of interest from prospective buyers, mainly the youth. The Tsholofelo Project is only the first of such projects as the intention is to roll out similar projects at locations across the country.

The overwhelming interest the project has attracted is an affirmation of what the Corporation had come to realise; that there is a customer segment of new entrants into the market This customer segment, therefore, needs a product that is tailored to meet its specific requirements and affordability.

I find it to be gratifying to be part of an organisation that identifies a gap in the provision of accommodation, comes up with an appropriate product to address the identified gap and sees the product receive such widespread acceptance, as this project did.

Self – Help Housing Agency (SHHA) turnkey scheme

The SHHA scheme is a flagship government scheme targeting low income groups. It is offered to citizens earning P52 000 per annum or less. The beneficiaries are given an interest free grant to ensure that the repayment is affordable. This flagship scheme is rolled out through all the 56 constituencies across the country and the Corporation is tasked with delivering this scheme on behalf of government. I have to say that, despite the challenges in terms of a wider geographic coverage, the roll out of the turnkey scheme by the Corporation has been successful.

Another targeted housing product in whose delivery the Corporation plays a big part is the SHHA turnkey scheme. On a cumulative basis, since the Corporation started constructing and delivering housing units under this scheme, in 2013, it has managed to deliver four thousand two hundred and eighty one (4 281) housing units across the country.

In the reporting period, the Corporation managed to deliver one thousand and fifty housing (1050) units.

Public Officers Housing Initiative (POHI)

At the request of Government, the Corporation has built and delivered four hundred and sixty – five (465) housing units countrywide, under the Public Officers Housing Initiative (POHI) scheme. As the name suggests, the POHI scheme was aimed at providing the much – needed accommodation to civil servants across the country. Two hundred and fifty (250) of the POHI housing units were delivered in the Northern part

CHAIRPERSON'S REPORT

of the country whilst the remaining two hundred and fifteen (215) were delivered in the South.

Facilities Management

Over the years, since it was founded, the Corporation has accumulated a wealth of experience in the area of property maintenance and has put in place appropriate processes and systems to ensure a cost – effective delivery of the maintenance service. Government has realised that it can improve the speed and cost at which its properties are maintained by tapping into the Corporation's expertise in this area.

To this end, a number of entities and departments are channelling the maintenance of their properties through the scheme to the Corporation. In the 2018/19 financial year, the value of maintenance works which was channelled through the scheme the Corporation amounted to P47.7 million, having grown by 156% from the previous financial year's P18.6 million.

As at the year end, the Corporation was in the process of negotiating memoranda of understanding with various Government departments, having signed two such agreements during the financial year, so as to formalise the arrangement.

Electronic Records Management Systems (EDRMS)

The Corporation continues to embark on activities geared at improving service delivery and operational efficiencies, with the primary focus being on facilitating excellent customer satisfaction. As a result, BHC found a need to implement an Electronic document and Records Management system (EDRMS), which is expected to rekindle efficiency and effectiveness in the conduct of its operations.

The EDRMS comes as an uncontested investment which will go a long way in ensuring smooth flow of information and maximum benefit of the automation. The EDRMS will also remove constraints that have been presented by the manual/ paper-based system and earn the Corporation a competitive niche as the world transforms into a knowledge-based economy.

The EDRMS came as part of the recommendations of the Records Management Strategy that was implemented in 2017. The strategy was implemented in two parts, where the first part focused on development and implementation of records management tools. The second part focused on system implementation phase.

Strategy

The Corporation is at half year of its 6-year strategic plan is the plan is due for review in 2019/20. The major milestone is this strategy was to delivery 20 000 housing units across the country and this targste included both social and commercial housing schemes. The strategy has been faced with challenges, especially shortage of water and sewerage insfratrusture in the Southern part of the country, which led to some projects being suspended. We are hopeful that the water situation will improve in the near future to allow the business to develop housing projects in the greater Gaborone area like Pilane, Thamaga, Molepolole, Kanye and Kgale. Our research has confirmed that there is huge demand for housig in these areas by individuals and government departments. The review of the plan in the next financial year will give Management and the Board an opportunity to reflect on the achievements so far, the challenges and the new change agenda in the remaining 3 years of the plan.

Risks

Like any other business undertaking, the Corporation encounters and manages risks that are inherent in its operations. These risks affect the Corporation's ability to deliver houses at a steady and predetermined rate as well as cost effectively. The biggest risk which the Corporation faces is lack of serviced land, especially in those areas which there is effective demand for the Corporation's products. To minimise the impact of this risk on the Corporation's operations, is implementing the following mitigation strategies:

- Consolidating some plots, so as to form high density plots; and
- Demolishing some units and replacing them with more densified developments.

The Board

During the financial year under review the Board bid farewell to three of its members, being Mr Reginald Ketshabile, who was the Board Chairman at the time of his departure, Mr Baemedi Mmopi and Ms Esther Serati. They three left the Board in September 2018. On behalf of the Board, I would like to take this opportunity to thank them for the sterling service they rendered to the Corporation during their tenure as Board members.

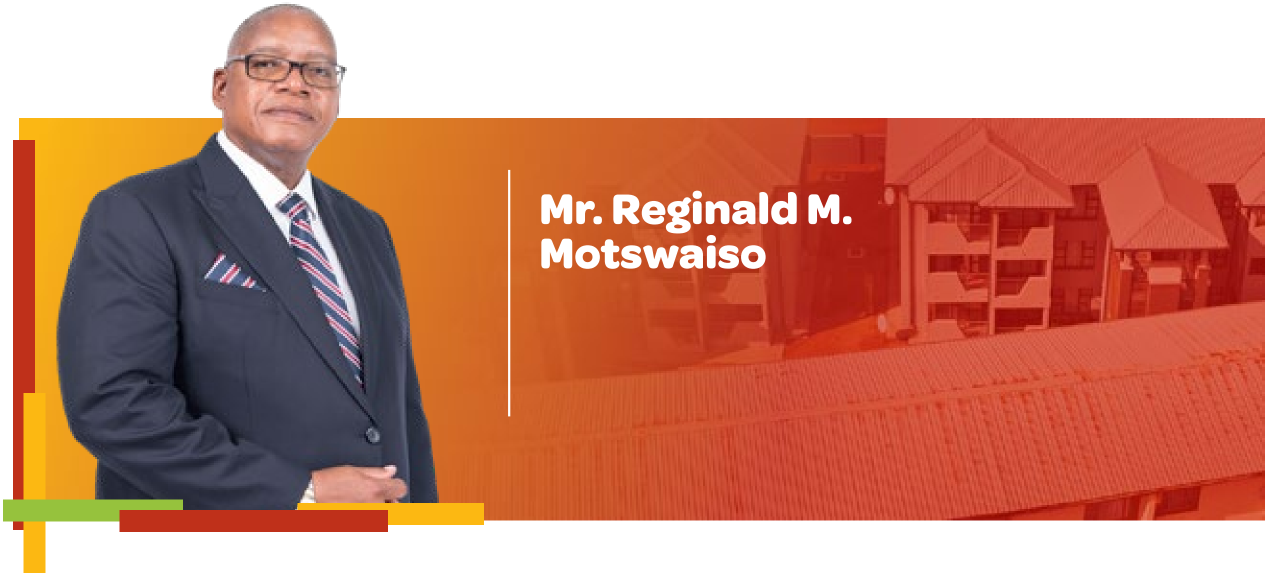
In their place, the Board welcomed Mr Malatsi, Mr. Bennet Maifala and Mr Boikhutso Tekane, who joined in December 2018. I would like to take this opportunity to welcome them all to the Corporation's Board and wish them all a mutually beneficial stay.

Gratitude

Let me take this opportunity to thank management and staff for their dedication to delivering the Corporation's mandate. The results which the Corporation continues to achieve, in terms of providing accommodation to the nation, would not be possible if it wasn't for their commitment and hard work.

Joseph B. Mosimane
CHAIRPERSON

CEO'S REPORT



I am pleased present to you the 2018-2019 annual report for the Botswana Housing Corporation. 2018/19. I will focus on the Corporation's financial performance, major projects undertaken as well and the future outlook.

This year marks the mid-term of our six-year strategic plan. the main thrust of this strategy was delivery of 20 000 units across the country in terms of social and commercial housing. During these three years a total of 5302 housing units were delivered countrywide. The Corporation had also set itself a very important theme of inculcating a high-performance culture. As part of this culture journey we embarked on new change initiatives and named our change strategy 'Bosele'. The 'Bosele initiative was launched in December 2018 with an endeavour to boost the morale of BHC employees and get them to commit towards the new strategic agenda. This initiative will be carried throughout our 6 year strategic planning period and it is supported by various change activities throughout the business.

Economic environment

The challenging economic conditions in Botswana has negatively affected our business, especially the of sales of our housing stock. The high levels of unemployment, coupled with high levels of indebtedness of Batswana led to many first time home buyers being unable to afford BHC houses. This negatively affected our sales revenue which eventually affected our bottom line. Our research has shown that individuals are now prioritising other basic needs like food instead of investing in property. The high level of indebtedness also means that individual Batswana do not have room for mortgages.

Financial performance

Despite the challenging operating environment, the Corporation recorded a revenue of P511 million, an increase of 7% when compared with financial year 2018/19. The increase in total revenue was mainly due to the increase in facilities management and professional fees. Sale revenue went down 19% due to the sluggish economic environment. In total 208 housing units were sold throughout the country. Our second major revenue stream, rental decreased by 3% when compared to prior year because of sales of investment properties and the fact that rental revenue is stagnant. This revenue is regulated by the shareholder and has not been increased in a long time. The Corporation however closely manages this revenue as it is core to the sustainability model of the business. New properties are being added to the rental portfolio at current market rates to mitigate the stagnant rentals of old properties. This also cushions the revenue against significant decline. We expect this line to remain flat going forward.

Facilities management, which is a new revenue stream for the business also boosted revenue growth at a growth rate of 132%. This is the income that the Corporation earns from doing maintenance work on behalf of third parties and is part of our revenue diversification strategy. Another important source of revenue is professional fees, which we earn from doing consultancy services for third parties and in this reporting period P37 million was recorded.

On the expenditure side the Corporation incurred cost of sales of housing inventories and facilities management of P51 million are a reduction of 14% compare to the previous financial year. The cost of sales therefore declined as a result of decline in sales of housing inventories. Overall profit margin earned from the sales of housing stock was 12%.

Employees expenses increased by 29% to P103 million as a result of filling vacant positions post the 2017/18 restructuring exercise. These expenses are expected to grow at a normal rate going forward. Repairs and maintenance of housing properties increased by 15% to P39 million. These expenses account to 20% of the rental revenue, while the industry standard is 7% because of the stagnant rentals charged by the Corporation. Management closely manages these expenses to ensure that they don't erode the revenue through planned maintenance. Planned maintenance is done to ensure that our properties are not left to dilapidate and are proactively fully maintained every 5 years.

CEO'S REPORT

In terms of profitability the Corporation recorded a profit after tax of P16.7 million, a decrease of 81% when compared with financial year 2017/18. The decrease was mainly due to reversal of impairment of P44 million which boosted the prior year revenue. This was a once off transaction and going forward the profit growth for the business will normalise. The current operating environment also led to sluggish growth in profitability, mainly stagnant rentals, low sales, increase of costs due to inflation and increased business activity. Management continues to closely monitor expenses to ensure that the organisation remains profitable.

The balance sheet of BHC remains strong, with total assets of P3.4 billion, an increase of 13% year on year. The Corporation derives its strength from the investment property portfolio of P1.2 billion. These properties represent 36% of the total assets. The financial position remains healthy, with low debt to equity ratios, growing retained earnings and a healthy liquidity position.

Corporation's 6 year strategy

The Corporations 6-year strategy is premised on the following priority areas;improve project delivery; develop partnerships and joint ventures; design for specific/ target markets; serve unserved market segments; explore alternative technologies; innovate around procurement methods; optimise research function; improve stakeholder engagement; cost management; financial sustainability; shape the desired performance culture. During these first three years of the strategic plan the Corporation has managed to achieve some of its objectives while some will be achieved in the remaining 3 years of the plan. The business has continued to be resilient, making profits during the three years, project delivery has greatly improved, with some flagship projects like Tsholofelo 372 being delivered in this planning period. The Corporation also successfully implemented the new organisational structure post the restructuring exercise of 2016/17. Areas of risk management and health and safety have been strengthened and we have started to see results especially on housing projects. There is pro-activity in the way we do business, risks are managed at early stage to ensure they don't result in calamities.

Property development

Property Development is our core business at BHC, and our major activities of development and sale of housing units is core to our mandate. We pride ourselves in being able to provide housing to Batswana across the country both through social and commercial housing development. Social housing uplifts the lives of Batswana and we are proud as BHC to have been given an opportunity by the shareholder to deliver this important scheme on their behalf.

During the year under review one thousand and fifty houses(1050) were delivered across the country through the Self Help Housing Agency(SHHA) scheme. At the end of the financial year 877 SHHA houses were at various stages of construction across Botswana. In 2019/20 716 SHHA houses will be started at various constituencies country wide.

On the commercial housing side the Corporation delivered 655 housing units in Gaborone, Palapye, Tutume and Tati. By the end of the financial year 394 units were at various stages of construction in Gaborone, Jwaneng, Palapye, Tonota and Francistown. A notable project in this financial year was in the Gaborone suburb of Tsholofelo where 372 housing units were delivered. This project was targeted at low income earners and was sold at an affordable price of P440 000. This is indeed a flagship project and it was bought mainly by individual Batswana and wholly financed by the local commercial banks.

In the next financial year 550 housing units will be started in different places across the country and these are areas where the Corporation has established effective demand.

Outlook

In financial year 2019/20 our focus as the business would be on increasing our property portfolio through partnerships and joint ventures. This is an area of our mandate which we have not fully exploited and has been identified as a strategy priority area. We plan to fully utilise technology and alternative housing methods to enhance our project deliveries. Alternative technologies are also a way in which we can deliver houses quickly to market, which will result in costs savings, especially in terms of project supervision. In order to fully achieve these priority areas, we need to increase our research capability, so data is always available to inform future decisions. We are in the process of reviewing our market segments to ensure that we identify unserved markets and develop products suitable for those markets.

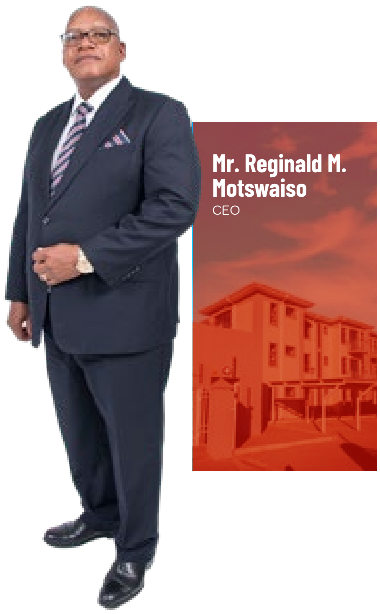
Gratitude

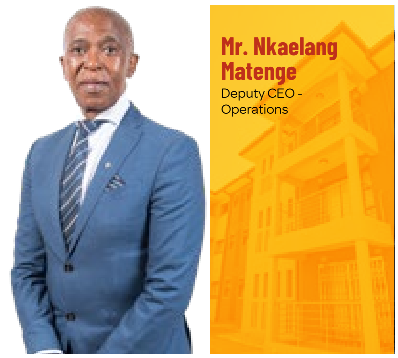
Our leadership team, our employees and our board members play a key role in ensuring that several initiatives are fully implemented and are successful. I would therefore like to thank them for the support they gave me during this year.

Finally let me thank our customers, for without them we would not exist as a business.

Reginald M. Motswaiso
CHIEF EXECUTIVE OFFICER

SENIOR LEADERSHIP TEAM

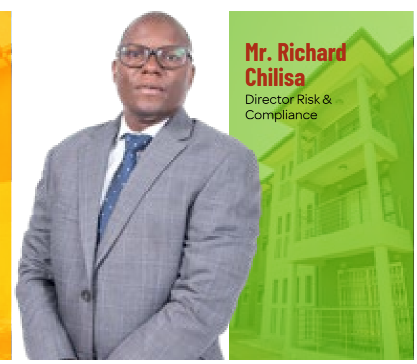

Mr. Reginald M. Motswaiso
CEO

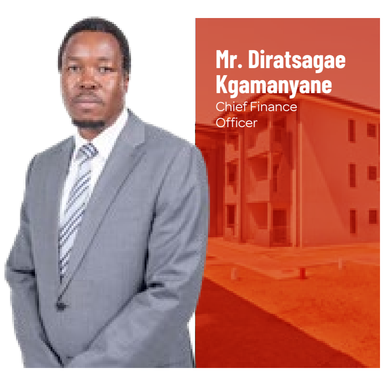

Mr. Nkaelang Matenge
Deputy CEO - Operations


Ms. Pascaline Sefawe
Deputy CEO - Corporate Services

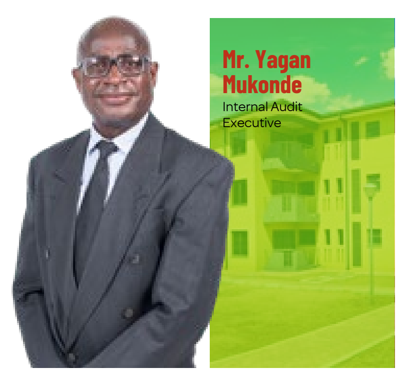

Ms. Elizabeth Galeforolwe
Chief Legal Counsel & Board Secretariat


Mr. Batanani Nkhumisang
Director Property Development


Mr. Richard Chilisa
Director Risk & Compliance


Mr. Diratsagae Kgamanyane
Chief Finance Officer


Mr. Sekgele Ramahobo
Director Human Capital & Administration


Mr. Yagan Mukonde
Internal Audit Executive

SENIOR LEADERSHIP TEAM

Mr. Kesebonye Khimbele
Regional Director-South

Ms. Bridget Mtonga
Regional Director-North

Mr. Octavian Seitshiro
Head Of Facilities Management

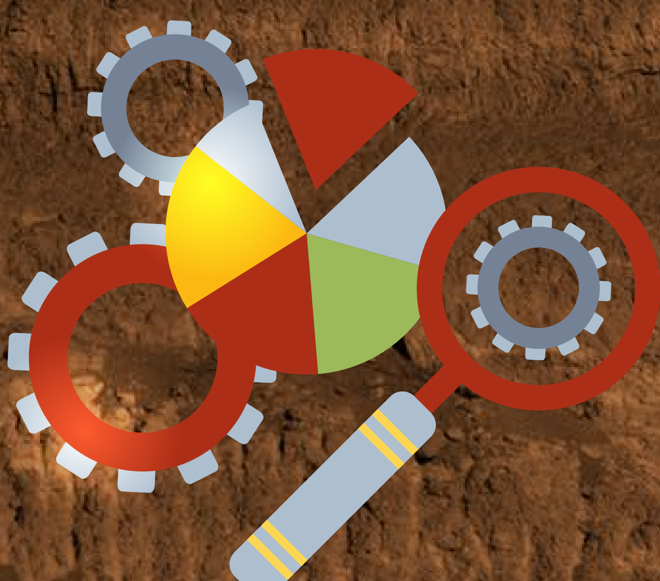
Mr. Ntshekisang Ofetotse
Head of Project Quality Assurrance

Mr. Thupa Thupa
Head Of Strategy Policy & Planning

Ms. Samantha Chabata
Head Of Information Technology

Mr. Gomolemo Zimona
Head Of Marketing & Communcation

FINANCIAL HIGHLIGHTS



FINANCIAL REVIEW

6%

REVENUE

P511
MILLION
2018
P478 MILLION

81%

PROFIT AFTER TAX

P17
MILLION
2018
P88 MILLION

NUMBERS OF HOUSES DELIVERED

1144

2018: 1320

97%

OPERATING SURPLUS

P3
MILLION
2018
P94 MILLION

13%

TOTAL ASSETS

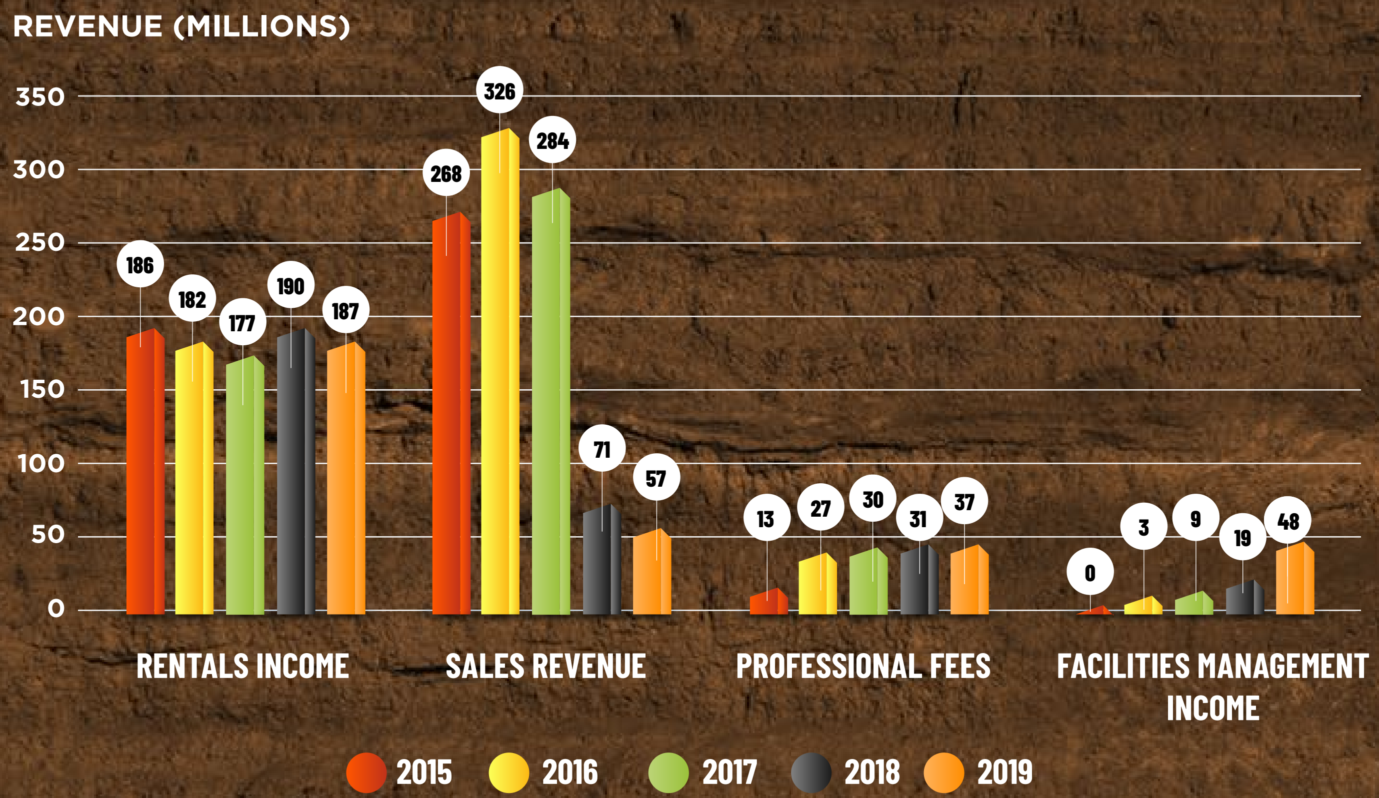
P3.4
BILLION
2018
P3.0 BILLION

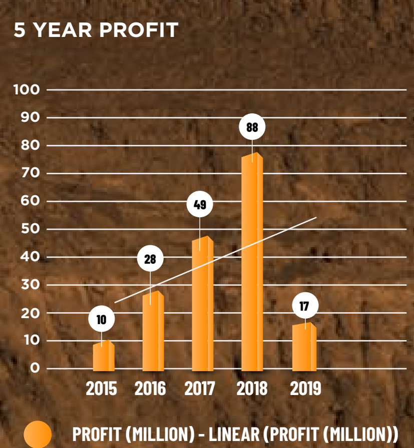
NUMBERS OF HOUSES SOLD

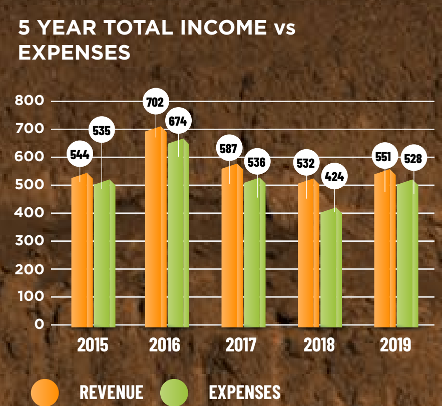
208

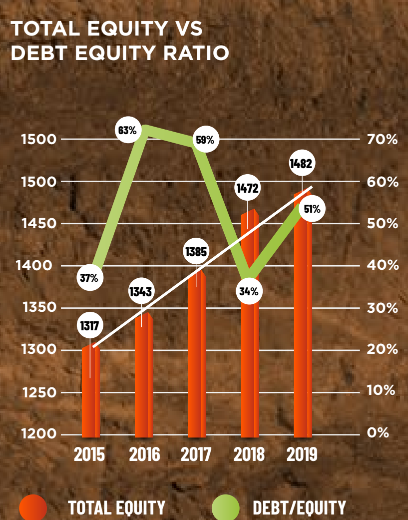
2018: 185

FINANCIAL REVIEW









FINANCIAL REVIEW

ANALYSIS OF REVENUE

The Corporation recorded total revenue of P511 million, 6% increase when compared to the P478 million recorded in the prior year. The increase in total revenues was mainly due to increase in sales revenue which increased significantly by P23 million or 32%, from P71 million recorded in the prior year. In terms of sales revenue during the period under review 150 new properties were sold from housing inventories and 58 units were sold from investment properties. Facilities management income, which is income from maintenance of properties for third parties, increased year on year by 153% or P29 million. This income stream is showing an upward trend year on year.

Rental revenue decreased by 3% to P193 million from P198 million recorded in the prior year. The decrease was mainly caused by disposal of some investment properties. The total rental stock at the end of the reporting period was 9 691 units and these units are rented to house Batswana across the country. The Corporation's strategy is to maintain the rental units at 10 000 units to meet the Corporation's operating costs. At the end of the financial year, the Corporation recorded a vacancy rate of 2.1% on its investment properties, which translate to 200 vacant units. Rental revenue is the second major revenue stream for the Corporation after sales revenue and it remains the pillar of the Corporation's financial sustainability model.

Professional fees revenue is the third significant revenue stream and has been showing an upward trend year on year. Income from professional fees increased by 19% to P37 million from P31 million in the prior year. Professional fees and facilities management income are income lines which are to be grown going into the future as part of the Corporation's strategy to diversify its revenue streams.

The Corporation's revenue has shown a steady growth over the years. The Corporation's revenue grew significantly from P450 million in 2015 to P539 million in 2016 as a result of sale of Phakalane project. The revenue then declined in 2017 to P493 million and further went down to P478 million in 2018 on the back of slow sales as a result of low housing stock inventories. The revenue increased in 2019 to P511 million as a result of increase in revenue from third party contracts and facilities management.

During the 2019 financial year the Corporation adopted new accounting standard (IFRS 9) that deals with impairment of receivables. The transition arrangements for this standard allow for the effects of the adoption to be treated in two ways. This can be done through the restatement of prior period financial statements or the effect of the prior year adjustment can be recognized in the statement of changes in equity through retained earnings. The Corporation chose to use the latter approach to deal with the effects. The overall effect was P7.4 million reduction in prior year retained earnings. The Corporation also adopted IFRS 15 Revenue from Contracts with Customers for the 2019 financial year. The overall effect of adoption of this standard was the revision of 2018 revenue by P163 million with a matching amount being recognised as cost of sales on construction contracts. This resulted in a nil effect on the overall financial position of the Corporation.

ANALYSIS OF TOTAL EXPENSES

The Corporation recorded total expenses of P528 million for the financial year ended March 2019, an increase of 25% when compared to P424 million in 2018. The increase in total expenses is mainly due to increase in cost of sale of construction and management contracts by P41 million or 25% from P163 million recorded in 2018 and increase in staff costs by P29 million as result of filling vacant position which were vacant in the prior year.

The cost of sale of housing inventories

The cost of sale of housing inventories is the total costs

FINANCIAL REVIEW

of houses earmarked for sales. These costs include cost of infrastructure, capitalisation of direct labour costs and interest costs. The major component of cost of sales is the cost of putting up the infrastructure which the Corporation has to do as part of the project, which averaged about 35% total building costs of new houses. During the period under review, cost of sales declined slightly by 13% from P59 million to P 51 million on the back of a decline in sales by 19% year on year.

Repairs and maintenance costs

Repairs and maintenance expenses were at P39 million and increased by 15% year on year. These expenses account to 20% of rental income, which is considered to be too high relative to the industry range of between 9% to 12%. The anomaly is a result of the stagnant rentals as this income stream is regulated. Management continues to closely manage these expenses to ensure that they are controlled without compromising the state of the investment properties.

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

Employee expenses

Employee expenses increased by 29% to P103 million compared to prior year when there were vacancies following the restructuring exercise which was concluded in December 2017.

Other expenses

Other expenses went up by 6% to P72 million compared to the prior year and Management closely manages controllable costs.

OPERATING PROFIT

Operating surplus declined by 81% compared to the prior year mainly as a result of decrease in sales and increase in both employee expenses and administrative expenses on the back of the new structure being at full complement compared to the prior year. The Corporation is still experiencing high costs of construction mainly due to putting up the infrastructure. This results in increased cost of sales of new properties, this result in profit margin on sales of 17% on our new properties. The costs of infrastructure account for 35% of the building costs of our new properties.

SURPLUS FOR THE YEAR

The Corporation recorded a comprehensive income after tax of P17 million, a significant decrease of P71 million when compared with P88 million recorded in the prior year. The prior year results were significantly influenced by the positive impairments movement of P45 million on the receivables after collections were made from one major rental customer.

The Corporation recorded cost to income ratio of 96% compared to 72% in the prior year. The increased cost to income ratio compared to the prior year is mainly as a result of increase in total costs year on year. The cost

-to income ratio is too high and is influenced mainly by stagnant rentals of the investment properties and increasing costs of repairs and maintenance of these properties.

STATEMENT OF FINANCIAL POSITION

ASSETS GROWTH

The Corporation's balance sheet remains strong with total assets amounting to P3.4 billion an increase of 13% year on year. The Corporation derives its strength from the investment properties portfolio that stood at P1.2 billion at the end of financial year under review. These properties represent 36% of the Corporation's total assets. Housing inventories, which are properties held for sale and those still under construction closed at P839 million compared to P585 million in 2018. The 43% increase in inventories indicate the Corporation's potential to generate more sales revenue into the future.

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

TOTAL EQUITY

The Corporation total equity has been steadily increasing in the past years and the same trend is expected going forward. In 2019 the Corporation's total equity remained flat at P1.5 billion compared to the prior year. Debt to equity increased from 34% in 2018 to 51% recorded during the period under review. The listing of a P300 million bond increased long-term loan balances resulting in the recorded 51% gearing ratio. Though the gearing ratio increased it is below the strategic target of 1.

SUSTAINABILITY REPORT

The rental review for the Corporation was in the last 15 years and the rental escalation is regulated by the Government of Botswana who is the sole shareholder. The Corporation has shown growth in profits in the past years despite stagnant rentals and increasing costs of repairing and maintaining the rental properties. This is mainly as a result of some cost containment initiatives put in place by Management. The rental portfolio is currently maintained at 10,000 houses mainly to cover operating costs and financing costs. As the Corporation dispose of some rented properties, they are being replaced by new houses at market rental to maintain the rental threshold. The Corporation has established a fully fleshed Facilities Management Department to engage in maintenance of third party houses and charges professional fees. The Corporation will continue to grow this income stream to augment stagnant income from rentals.

Development Projects

During the period under review, 1 050 houses were delivered under the Self-Help Housing Agency (SHHA) scheme and 94 houses under the Public Officers Housing Initiative (POHI). At the end of the financial year, 877 SHHA houses were at different stages of construction and are all expected to be delivered in the next financial year. In the 2019/20 financial year, 716 additional houses will be started under this scheme across different constituencies.

On the commercial side, the Corporation delivered 655 units and 394 units were under construction at different stages in Gaborone, Francistown, Tonota and Palapye, and are expected to be delivered during the 2019/20 financial year. A notable project delivered this financial year is the Tsholofelo housing project, where 372 units were delivered. These units are being sold to Batswana at an affordable price of P440 000. It is important to state that the demand for this project was high, with the units being oversubscribed. Of note is that, approximately 75% this project has been taken by the youth or people under 35 years. The high take up challenges the Corporation to deliver more units under this scheme going forward. An additional 264 units will be delivered in 2019/20 under this scheme in Tsholofelo East while 120 units will be started in Block 7 Gaborone.

During 2019/20 financial year, 551 units will be started in Gaborone, Palapye, Jwaneng and Tutume. These are areas where the Corporation has established that there is effective demand and the houses are expected to be taken by the market.

Outlook

The Corporation continues to deliver on its 6-year strategy from 2017 – 2023 which is due for review in the next six months. During this strategic period the Corporation is expected to deliver on average of 1 500 social housing projects and 1 800 commercial housing projects per annum.

Strategies to diversify the revenue streams are starting to bear fruits, with professional fees and facilities management income growing as the Corporation reaches out to more clients. Going forward, the Corporation will aggressively market and sell consultancy and facilities management services to its existing and new clients. This will allow the Corporation to offer a one stop service to its clients.

The Corporation remains financially sustainable with strong a balance sheet and low gearing ratios. The Corporation prides itself in providing affordable housing to Batswana country wide through social housing projects and schemes. The Corporation is however, not losing sight of its commercial mandate, as this ensures financial sustainability.

STRATEGY, PLANNING & POLICY

STRATEGY, PLANNING AND POLICY

STRATEGY FORMULATION

The Corporation has institutionalized the Plan, Do, Check and Act (PDCA) model of planning as part of its business processes. Guided by the planning model, the Corporation has developed a six years strategic plan covering the period from April 2017 to March 2023. This was developed in alignment with National Development Plan Eleven.

The BHC strategic plan has four themes which guides the strategic initiatives required to deliver its broad mandate following it being declared as a Single Housing Authority. The themes are:

a) Positioning the brand and products

- To actively influence and change market perceptions to position BHC products as affordable, as of high quality and as of value for money.

b) Driving financial sustainability

-To be financially sustainable by proactively managing and leveraging the key drivers of revenue maximisation and cost optimisation.

c) Optimising Organisational Efficiency

-Manage resources optimally, delivering projects efficiently and effectively and generally eliminating inefficiencies across the Corporation's value chain.

d) Driving High Performance

- To build a high-performance culture by creating an accountable and results - driven environment amongst its pool of skilled staff.

There from and in line with the planning cycle, the Corporation develops annual performance plans deriving focus from the long-term strategic plan. The 2018/19 financial year was the second year of the long-term strategic plan. The strategic focus of the Corporation remains on "developing communities through innovative and sustainable housing solutions".

In addition to the PDCA model, the Corporation uses the Balanced Scorecard as the performance management and reporting system. Therefore, the annual performance plans are developed along the Balanced Scorecard framework.

STRATEGY FOCUS AREAS

In the process of strategy execution, Management assesses and reports on performance to the Board on quarterly basis. The strategic performance areas for the 2018/19 financial year included the following;

a) Delivering social and commercial houses to the nation.

b) Empowering citizens through home ownership.

c) Responding to and addressing issues pertaining to stakeholders/customer's interests.

d) Ensuring organisational sustainability through efficient management of resources.

e) Reviewing business processes to improve efficiency in the organisation.

f) Developing competencies and capabilities for the various operations.

g) Leadership development.

h) Developing and implementing risks management initiatives and interventions.

STRATEGY PERFORMANCE LEVELS

The Corporation achieved expected performance levels in eighty (80%) percent of the key performance areas. This was in the areas of improving organisational efficiency, effective management of resources and re-positioning products in the market thus driving their acceptability.

The challenges that the Corporation managed in the process include the following;

a) Unavailability of serviced land in strategic areas that have effective demand for houses.

b) Shortage of water leading to water restrictions impacted on the planned development projects.

c) Inadequate project management and contractor's performance affected projects delivery.

d) Strict credit assessments limited the customer base as the TPS scheme could not perform as expected.

ANNUAL PERFOMANCE PLAN FOR 2019/20

As per the PDCA planning model, the Corporation held a strategic retreat in November 2018. The retreat facilitated for the Board to engage with Management and develop the performance plan for 2019/20.

The plan maintained the focus on the four strategic themes. The 2019/20 is the third year, and is the mid-point, of the long-term strategic plan.

The planning process ensured that there was a performance plan in place before commencement of the following financial year. The plan has specific performance targets to be achieved and strategic initiatives to drive delivery in strategic areas. The Corporation then cascaded the plan to all employees to ensure alignment.

The Corporation maintains focus on its mandate by ensuring proper planning of business operations and continuous monitoring, evaluation and reporting on performance being achieved on an on-going basis to various structures including the Shareholder.

Business Processes Review

The Corporation rolled out its reviewed organisational structure in January 2018. The reviewed organisational structure required business processes re-engineering. This was to ensure alignment of business activities in line with the new organisation.

The Corporation reviewed and documented all the business processes in the organisation. These processes were prepared in line with ISO 9000:2015 standard which is under implementation.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OPERATIONS

PROPERTY DEVELOPMENT

The function plays a pivotal role in the delivery of development projects for the Corporation.

Some of the responsibilities are as stated below:

- Acquisition and preparation of land to be ready for construction.
- Development of project proposals/appraisals to assist in the assessment of projects' viability.
- Preparation of property development schemes with design briefs and costs.
- Ensuring product quality through supervision and monitoring progress of the projects during construction phase.

To achieve the above-mentioned activities, the Property Development Function employs various skills in the areas of Architecture, Engineering, Quantity Surveying and Quality Assurance, Project and Product Research.

The section also plays a key role in the provision of housing units and offices and other developments to Government departments, parastatals, private companies and to individual Batswana.

Business Development

Market development and research is considered key to the BHC mandate and it informs decisions on which products to undertake and which markets to go into. The Business Development Unit exists to provide timely research to the business and to facilitate the property development function in the delivery of housing units. The unit undertakes the following;

- It promotes business growth by leading, directing and managing market research and business development activities that are aligned with the organisational strategy and provide guidance in the determination of housing needs of the market.
- The Unit receives housing requirements from the Corporation's regional offices, directly or through third party suppliers, undertakes comprehensive market research to determine the exact requirements of potential customers or recipients of decent and affordable housing.
- The Unit researches and recommend/advises

on initiatives that will diversify and grow the Corporation's income streams.

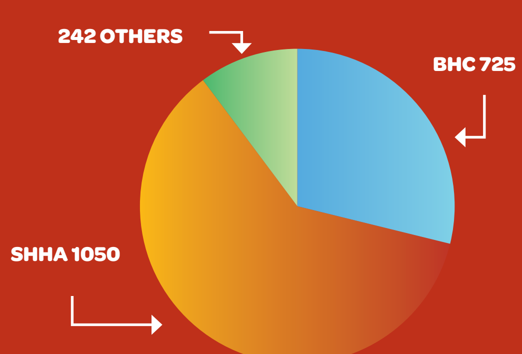
- The Unit develops and strengthens business development, client and stakeholder relations in alignment with the conditions stipulated or prescribed by the Mandate with the aim of driving social/community development.

Land Preparation

The Corporation continues to strive for improvements in its land preparation processes to facilitate speedy delivery of houses to Batswana. In this regard, the Corporation undertakes land preparation activities such as; land surveying, environmental impact assessment, architectural designs and plot layouts and infrastructure layout a year in advance to reduce delays encountered upon project take off.

Due to inadequate land in strategic areas, the Corporation has devised means of optimising land usage by densifying existing developments. In undertaking densification work, pockets of undeveloped land within existing developed areas are built. All these developments were in Gaborone in Phase 4 and Village areas, Central Partial. This has improved delivery of housing units to Batswana to alleviate shortage of accommodation in urban areas.

Projects Delivered



The Corporation has prioritised the facilitation of home ownership to Batswana in-line with National Development Plan 11 (NDP11). The Corporation has challenged itself to develop 20 000 housing units throughout the period. 1050 housing units were delivered in various areas as follows;

- Gaborone Tsholofelo – 372 units
- Gaborone Phase 4 – 138 units
- Gaborone Extension 9 – 17 units
- Gaborone Central – 48 units
- Gaborone Village – 24 units
- Gaborone Extension 12 – 18 units

External projects- these are the houses BHC builds on behalf of third parties. In addition, the Corporation provided project management services for these projects;

- Rakhuna – 192 units
- Mmadinare - 7 units
- Molapowabojang - 7 units
- Glen valley – 24 units
- Glen Valley - 12 units

Self-Help Housing Agency (SHHA)

The Corporation has been tasked with implementing social housing projects on behalf of Government, notably the Self-Help Housing Agency (SHHA) Turnkey, Special SHHA for Public Officers at D4 and below. These schemes are housed under the Corporation and are driven by Project Quality Assurance function as the designs are fairly standard and the focus is on delivering a quality product.

The Corporation has managed to deliver 1,050 SHHA units during the year under review. This was against a target of 1,500.

Public Officers Housing Initiative

This scheme was started 3 years ago to provide housing to civil servants country wide. The objective of the scheme was to alleviate shortage of accommodation for public workers, especially in the most remote areas. The implementation of the POHI has been completed and the units are now being disposed of through sale to Government departments. A total of 465 POHI units have been completed, 250 in the Northern Botswana and 215 in the South.

PROPERTY DEVELOPMENT

Tsholofelo Housing Scheme

This is a flagship project borne out of the need to cater for low income groups across the country. The scheme mainly targeted individual Batswana earning P14,000 or less. The plan is to build a total of 636 units in Gaborone, after which the scheme will be rolled out to other major cities and towns. To date 372 units have been delivered and are being sold to individual Batswana. The next lot of 264 units will be delivered in 2019/20 financial year, while the remaining 114 units are expected to start in the same financial year.

The first 372 housing units were oversubscribed, with over 700 applications having been received. The sales for the scheme are ongoing with all units having been taken. The commercial banks have also been keen on financing this development, something which greatly assisted buyers, especially the youth as they could access 100% mortgage finance. Notably, 75% of the prospective buyers are under 35, the age of making this Government initiative a success.

Employment creation

The implementation of projects created a total of 13,495 jobs. Due to the nature of construction, these jobs cut across the whole spectrum in the industry, from casual labourers through technical experts all the way to the professional at the top end.

SHHA Beneficiary – Ms. Khumoyame Kgalaeng

Khumoyame Kgalaeng has just recently turned 35 years of age and is a proud home owner after having benefitted from the SHHA Turnkey Housing Initiative. Before benefitting from the scheme, Khumoyame had an undeveloped plot in Letlapeng in Tlokweng and had no funds to develop it. She them approached the South East District Council to inquire about SHHA Turnkey Programmes upon which she applied and later her request was approved. Botswana Housing Corporation which is responsible for implementation of SHHA Turnkey developments and other low income housing initiatives then took up the project and delivered it during the 2018/19 financial year. When asked about her experience and what it means to be a homeowner, Khumoyame had this to say "I am really proud of myself as a youth to have benefitted from the scheme, I now have something which is a clear demonstration to other Batswana especially the youth that these initiatives are available for everyone. It only takes one to reach out and inquire about such initiatives."

PROJECT QUALITY ASSURANCE

PROJECT QUALITY ASSURANCE

The Botswana Housing Corporation considers quality to be very key in its business operations and therefore a function within the property development department ensures that the final product delivered to the customer is of high quality. Initially quality assurance was within the property development function, but in realisation that quality assurance has to be independent of construction, A deiberate decision was taken to setup as an independent department during the organisational review and restructuring exercise.

The Corporation undertakes multi-million projects across the country and on average there are over 2000 housing units under construction annually. This calls for close supervision and monitoring of projects and contractors. The quality assurance function ensures that all capital development projects carried out by the Corporation are undertaken according to set standards and specifications. This includes internal and external projects. This function plays a pivotal role in providing quality assurance and monitoring the implementation of projects. Policies, guidelines and procedures have been developed in line with international best practices to provide guidance to the Corporation on issues of quality assurance and control.

FACILITIES MANAGEMENT

FACILITIES MANAGEMENT

Botswana Housing Corporation underwent an organisational review and restructuring in 2016-2017. This organisational review was in response to BHC having been charged with full responsibilities for housing delivery for the Government and Government related agencies. In response to the expanded mandate from Government the Corporation established a facilities management function, whose main objective is to offer maintenance and property management services to Government. Facilities management is considered a key strength at BHC, with the Corporation having successfully maintained its rental portfolio over many years and been able to keep these properties in an acceptable state of repair. Facilities management has also been identified as an avenue through which the Corporation plans to diversify its revenue streams.

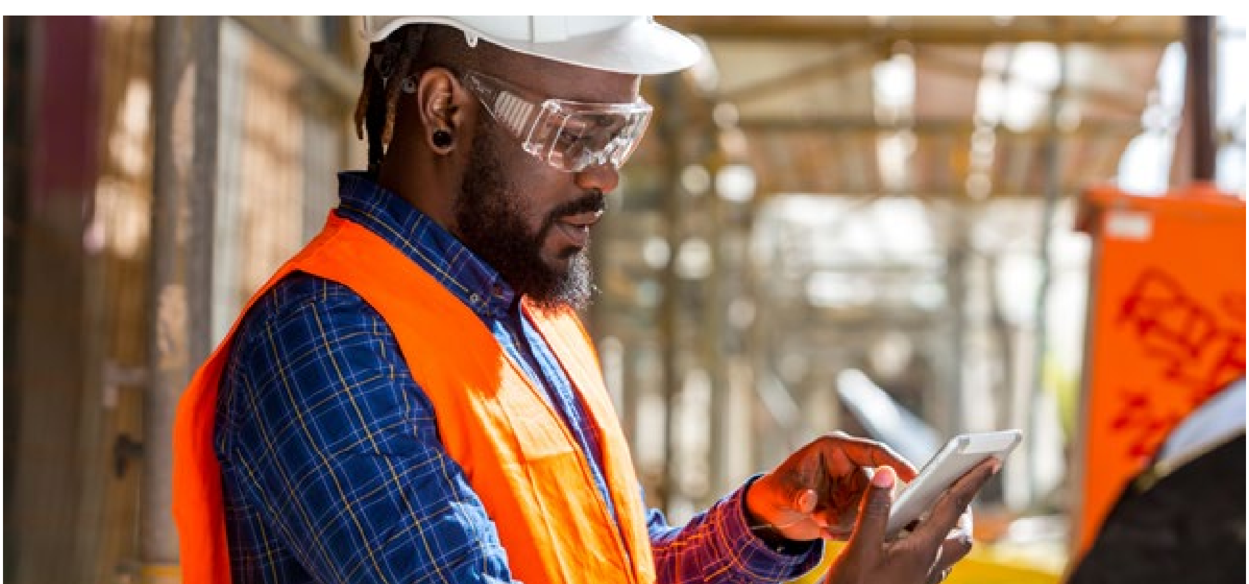
The purpose of the Facilities Management function is to plan, organise, manage and lead the implementation of the Corporation's strategies that optimise the delivery of cost-effective facilities management solutions.

The main customers for this service are Government departments namely; the Department of Housing, National Assembly, the Department of Surveys and Mapping, Administration of Justice, the Ombudsman, the Office of the President and Botswana Defence Force. The Corporation has already signed Memoranda of Understanding (MoU) with the various organisations that engage its Facilities Management function as a way to formalise the service relationship. Such MOUs have been signed with the Administration of Justice and Office of the Ombudsman.

The Corporation also leverages on its wide geographical presence across Botswana and has been able to provide maintenance services to its external clients in places such as Masunga, Xere, Tutume, Selebi Phikwe, Molepolole, Tsabong, Gantsi, Kasane, Maun, Gaborone and Francistown. The total number of housing units maintained for third parties in this financial year was 156 and this contributed a total revenue of P47.6 million and this revenue is expected to grow by over 25% in the next financial year.

Key gains attained by our clients include:

- Timely delivery of works,
- Quality of work,
- Efficient procurement processes, and
- Reduced cost of maintenance



PROPERTY MANAGEMENT

Botswana Housing Corporation boasts one of the biggest residential portfolios in the country, with a good geographical spread and presence in all towns and major villages in Botswana as depicted in Table 1 below.

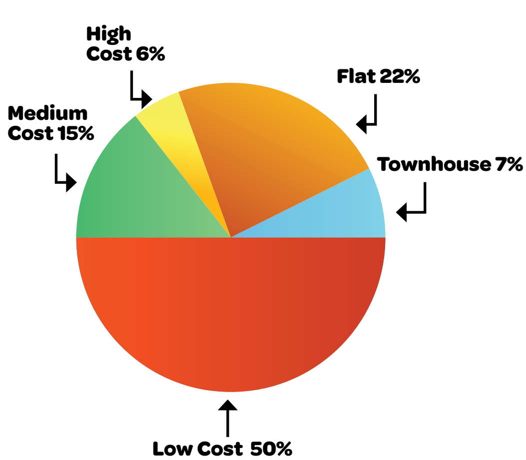
Table 1: Botswana Housing Corporation's Portfolio – 2018/19

LOCATION	No. of UNITS	% PORTFOLIO
Gaborone	4,413	45%
Francistown	1,681	17%
Sowa	795	8%
Lobatse	502	5%
Selebi-Phikwe	456	5%
Palapye	411	4%
Jwaneng	361	4%
Mahalapye	302	3%
Kasane	264	3%
Maun	254	3%
Serowe	221	2%
Metsimotlhabe	163	2%
Tlokweng	26	0.3%
TOTAL PORTFOLIO	**9,849**	

Table 1 reveals that over 60% of the properties lie in high demand areas like Gaborone and Francistown, significantly contributing to social upliftment of individuals in these areas and supporting economic growth opportunities.

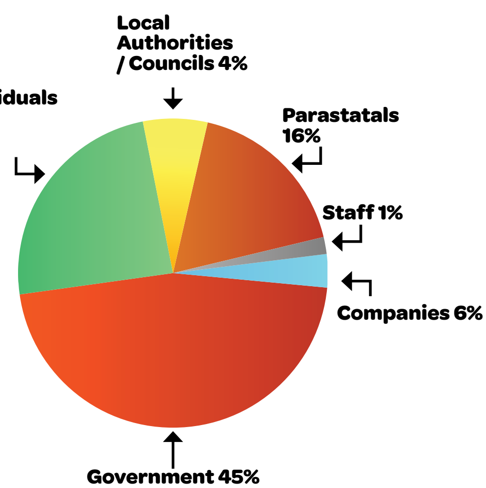
Although largely present in urban areas, the portfolio's mix is skewed towards low- and medium-income housing, highlighting the Corporation's targeted market. See Figure 1.

Figure 1: BHC Portfolio by Property Type



A portfolio of 9,849 housing units translates into decent and affordable housing for about 40,000 people, offering a steady and secure source of income for the Corporation as 45% of the units is leased with strong covenants to high grade tenants such as Government, followed by individuals at 28%. See Figure 2 below.

Figure 3; Rental Revenue over the past 5years



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

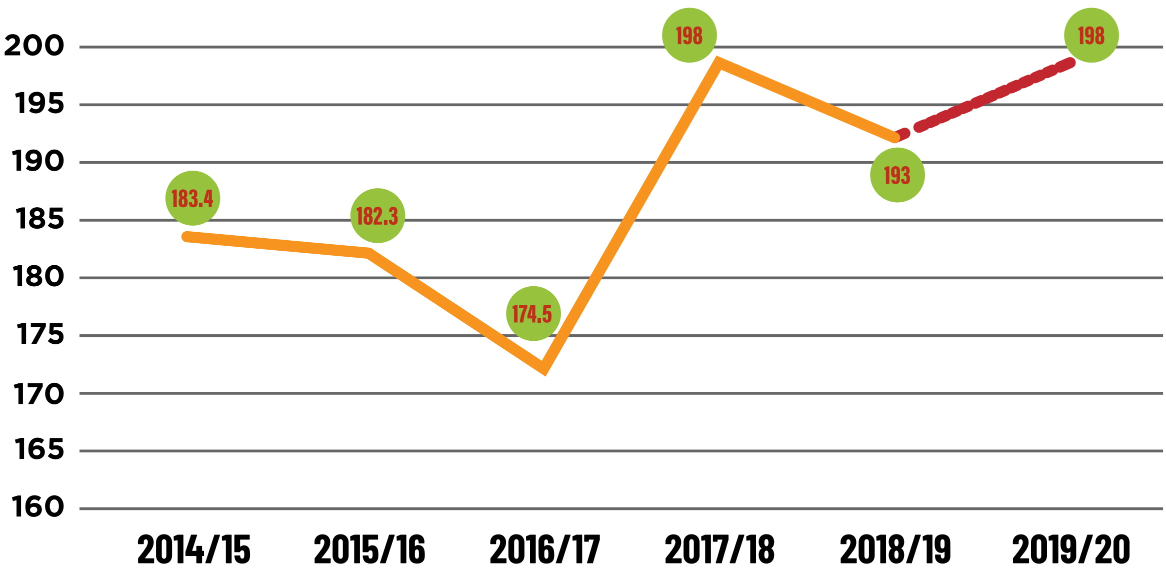
However, this model has been challenged by absence of rental adjustment to the Corporation's portfolio for over 15 years, leading to sub economic rentals for 85% of the rented properties. The Corporation has therefore intensified engagements with Government during the year under review with a view to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

Notwithstanding absence of rental review in the last 15 years, revenue received from rental portfolio has shown modest growth over the last five years at an average of 5%, mainly due to addition of new properties at market related rentals prices. However, year-on-year comparison shows that rental revenue decreased by 3% to BW P193 million from BW P198 million recorded in the prior year, mainly due to the disposal of some investment or rental properties. Despite this year-on-year decrease in rental revenue,

PROPERTY MANAGEMENT

the revenue is forecasted to grow by 5% in the coming financial year with addition of over 155 units which are undergoing construction.

Figure 1: BHC Portfolio by Property Type



In line with the Corporation's strategic objective to maximize revenue, the Corporation has a target to keep rental portfolio at an occupancy level of at least 98.5%, representing a stretched vacancy rate target of at most 1.5% against 5% industry rate. Vacancy rate has averaged to 1.83% during the year under review, well within the industry rates, and indicating good performance.

1. PROPERTY SALES

Since its establishment in 1971, Botswana Housing Corporation has delivered over 25, 000 houses, 60% (or over 15,000) of which have been sold through various modes of sale which include outright sale, Tenant Purchase Scheme (TPS) and Step Ownership Scheme (SOS), and in line with National Housing Policy of 2000 objective of empowering Batswana through home ownership.

During the year under review, the Corporation sold a total 208 housing units at BW P87 million. The year-on-year sales revenue comparison shows 7% decrease in sales revenue, from BW P93 million in the previous year.

To sustain increase in sales, a strategy has been drawn to thoroughly engage with financial institutions with a view to develop customer-orientated solutions that will facilitate sales. This is in recognition of the pivotal role banks play in assisting the Corporation's customers realize their home ownership goals.

Further to relationship building with financial institutions to improve sales, the Corporation has committed to undertake only demand-led developments.

Outside solutions offered by financial institutions to facilitate sales, there is the Tenant Purchase Scheme (TPS) developed by the Corporation. The TPS is geared towards assisting tenants who could not be assisted by financial institutions, .

PROPERTY MANAGEMENT

2. LAND RESOURCES

In line with the Corporation's six (6) year strategy to deliver 20,000 units, the Corporation continually acquires land throughout the country in strategic areas that experience demand for housing to facilitate developments towards the 20,000 milestone. The Corporation had therefore by the end of the financial year 2018/19 acquired 1,369 hectares into its land bank, with an estimated yield of 17,797 stand-alone housing units, 18% of which lie in major towns.

In an effort to ensure speedy delivery of houses, the Corporation undertakes land preparation processes one year before housing development projects start. However, lack of water supply in some areas such as Molepolole, Pilane/Mochudi, Mmatseta/Metsimotlhabe and Kanye has hampered projects starts in those areas.

As such, the Corporation continues to vigorously look within its portfolio for densification opportunities, while simultaneously intensifying efforts to engage all stakeholders to assist in land preparation and readiness.

CORPORATE SERVICES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CORPORATE GOVERNANCE STATEMENT 2018/2019

CORPORATE GOVERNANCE STATEMENT 2018/2019

The Board of the Botswana Housing Corporation (BHC) is guided by the Botswana Housing Corporation Act No. 75/70, other relevant legislation and Principles of the King III Report on Corporate Governance.

The Board of the Corporation in accordance with King III acts as the focal point for corporate governance and has a Board Charter which sets out its responsibilities; its relationship with the Shareholder, Management and other Stakeholders.

IMPLEMENTATION OF THE ACT AND PRINCIPLES OF KING III CODE OF CORPORATE GOVERNANCE

The mission and vision of the Corporation together with its values were reviewed in 2017 when the Board approved the Corporation's 2017 – 2023 strategy and are continuously reinforced at performance reviews and through making these visible throughout the organizations premises and literature.

The Board has also received reports on the whistleblowing facility of the Corporation to ensure that the organization's ethics are managed effectively and that the Corporation is acting as a responsible corporate citizen in relation to its various stakeholders.

Through the Finance and Audit Committee, the Board is assured that the strategy, risk and opportunity management, corporate performance and sustainability are aligned. The Board receives reports on these aspects at the Ordinary Board meetings which are held quarterly.

The Committee ensures that adequate disclosures are made in the financial statements of information considered pertinent to the understanding of the Corporations financial performance and financial position, to enable stakeholders to make an informed assessment of the organizations performance and ability to create value in a sustainable way.

CORPORATE GOVERNANCE STATEMENT 2018/2019

ADEQUATE AND EFFECTIVE CONTROL

The structure and composition of the Board and its committees is addressed under the Legal Services function section of the report.

It deals with the Committees of the Board, to which the Board has delegated certain responsibilities. The Committees report to and make recommendations to the Board, thus ensuring that the Board maintains full control of its responsibilities.
In terms of the BHC Act, the appointment of the General Manager and senior management is the remit of the Board, while recruitment at lower levels is dealt with by the General Manager and Director Human Capital and Administration.

The Board in recognition of the fact that human capital is its key resource, ensures that the Corporation recruits and retains competent staff. The Corporation on an annual basis reviews staff remuneration and is guided by local remuneration surveys.

To ensure that staff efforts are aligned and focused towards achieving the strategic goals set by the Board, all staff have performance contracts and performance is tracked throughout the year with formal evaluations biannually. The results of these are reported to the Board.

Each department within the organization on a annual basis develops a risk register and this is monitored monthly and reported on to the Board on a quarterly basis.

The risk registers of the departments would address the Corporate risks identified during the annual strategy retreat of the Board and senior management as well as operational risks. The risks and opportunities are monitored to ensure that the mandate and strategic goals of the Corporation are supported/attained. (Ref. risk management section).

During the reporting period, the Corporation did not have a compliance policy, with each function overseeing compliance with relevant legislation and codes in relation to its function. This however, is to change in the 2019/2020 financial year as a lot of effort has been devoted to developing the necessary policies and structures.

The Corporation is alive to the leverage provided by the use of information technology as well as the risks and has on a continuous basis, reviewed this area of its operations as is set out in the report.

TRUST AND GOOD REPUTATION

The Corporation as a parastatal is always alive to the position of trust it holds in relation to the Government and its other stakeholders.

The Board has ensured therefore that stakeholder satisfaction and engagement are at the core of what it does, and this is reflected in the Corporate Scorecard and its communication strategy and policies. It also monitors public perceptions of the organization and takes appropriate remedial action.

BOARD ATTENDANCE

NAME	BOARD	FINANCE &AUDIT COMMITTEE	HUMAN RESOURCE COMMITTEE	TENDER COMMITTEE
Mr J. Mosimane Term: 1/9/2013-31/8/2016 1/9/2016-30/11/2019 Chairman: 1/10/208-30/11/2019	6/7	2/2	3/3	
Ms S. Mathe Term: 1/8/2017-31/7/2021	6/7	2/2		3/5
Mr C. Marobela Term: 1/12/2016-30/11/2019	6/7			5/5
Mr K. Kgabo Term: 1/12/2016-30/11/2019	3/7		3/5	
Mr. T. Kewakae Term: 1/12/2016-30/11/2019	6/7	6/6	5/5	
Mr. R. Davies Term: 1/8/2017-31/7/2020	6/7	4/4		3/5
MS. O. Radira Term: 1/8/2017-31/7/2020	3/7		5/5	3/5
Mr. B. Maifala Term: 1/10/2018-30/9/2021	4/4		2/2	
Mr. B. Tekane Term: 1/10/2018-30/9/2021	4/4	2/2		
Mr. B. Malatsi Term: 1/12/2018--	2/5			1/1
Mr B. Mmopi	2/3	2/3		
Mr R. Ketshabile	2/3			
Ms E. Serati	3/4	4/4	3/3	

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.

THE BOARD

The primary role of the Board of Diredtor's for 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).

This the Board achieves by selecting and maintaining a succession plan for the position of the General Manager and senior officers (as designed by the Board); (i) developing and reviewing the strategic direction and goals of the Corporation, and (iii) overseeing the business and affairs of the Corporation in light of emerging risks and opportunities.

COMPOSITION OF THE BOARD

The BHC Board consists of ten members who are, subject to any special or general directions of the Minister, responsible for the overall direction of the affairs of the Corporation, and for such other matters as may be specified in the BHC Act. Members are appointed by the Minster responsible for Housing and all appointments to the Board and of the Chairman are signified by notice in the Government Gazette.

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

Between April and September,2018 six members of the Board were independent non-executive members which is intended to establish a clear divide between execution of the strategy by management and the oversight function of the Board.

During the reporting period the following were Board members:

1. Joseph B. Mosimane—Independent Member

Qualifications: B.Com. (Accounting), MBA (Finance) Certified Balanced Scorecard Professional. Associate Member of Association of Cost and Executive Accountants (UK)

Experience: Mr Joseph Mosimane is the founding CEO of Ecsponent Asset Management since January 2015. He has held leadership positions at a number of parastatal organisations. He has served as the Director Financial Services as well as General Manager. He holds directorships in a number of companies and has also served in Boards of parastatals and private companies.

Mr Mosimane was Deputy Board Chairman of BHC from August,2017 until October 2018 when he became Chairman of the Board. Before his appointment as Chairman of the Board, he was Chairman of the Finance and Audit Committee of the Board and a member of the Human Resource Committee.

2. Sithabile Mathe—Independent Member

Qualifications: Hons Degree in Architecture and a Post Graduate Degree in Architecture.

Experience: Ms Mathe has 19 years of post-graduate experience in the built environment through working in the academic and the professional sphere, with both design and implementation. She is registered with 4 professional bodies, Member of the Architect's Registration Council of Botswana, the Architect's Association in Botswana, Member of Botswana Institute of Development Professionals and the Norwegian Association of Architects.

She established Moralo Designs, an Architectural Practice in 2006. Her professional career has given her a strong foundation in contractual matters related to the built environment, project management of building projects, and assessments of the financial viability of building projects. She has extensive work experience from Botswana, South Africa, Norway, South Sudan and Tanzania and thus flourish with a work environment that has an international aspect to it.

Ms Mathe is Chairperson of the Architect's Registration Council of Botswana and Chair of the Registration Committee. She is a former Council Member for the Commonwealth Association of Architects (CAA) where she served as Vice President for the Africa Region and is the Chair of Validation as well as a former member of the Validation Panel for the CAA responsible for the validation of programs of Architecture across the Commonwealth. She is a board member of the Botswana Housing Corporation and currently Deputy Chairperson of the BHC Board.

3. Thato Kewakae—Non-Independent Member

Qualifications: Master of Business Administration, Bachelor of Engineering (Computer Science), Executive Development Program.

Experience: Has worked in various organisations in the private and parastatal sector. Career experience in the management of Information and Communications Technologies (ICT), project and business operations. Has played a senior leadership role in several organisations including being Chief Operations Officer at Botswana Post.

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

4. Chilisana Marobela—Independent Member

Qualifications: Bachelor of Science (Geology); Post Graduate Diploma (Hydrogeology); Master of Science (Hydrogeology)

Experience: Mr Chilisana Marobela is an entrepreneur and participates in economic diversification initiatives. He is a former and founding board member of the Botswana Ostrich Company and former and founding committee member of the Botswana Wildlife Producers Association.
Mr Marobela also participated as a member of the Botswana Bureau of Standards technical committee for development of water quality standards (drinking water, waste water, bottled water, etc).

He is a co-founder and former Director of Geoflux (Pty) Ltd, one of the first citizen owned Geoscience/ Engineering Consulting Firms in Botswana.

His professional experience includes working as a hydrogeologist for Botswana Government and in the private sector and he is involved in planning and executing projects, participated in project steering committees such as the Southern Okavango Integrated Water Development Project, groundwater consultancy, water supply and environmental risk assessment projects of different magnitudes in the SADC region.
Mr Marobela is the Chairman of the Board Tender Committee and prior to November 2018. He also sat on the Finance and Audit Committee.

5. Kennedy Kgabo—Independent Member

Qualifications: Bachelor of Laws Degree (LLB); National Diploma Deeds Registration Law.

Experience: Mr Kgabo has worked for the Government of Botswana in a legal advisory capacity. He joined Barclays Bank of Botswana in 2011 and worked in the Collateral and Securities section of the Bank , then as Legal Advisor and he currently works under the Procurement Function as Sourcing Manager (Contracts)

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

6. Roy Davies—Independent Member

Qualifications: Bachelor of Accountancy plus several insurance industry certificates. Member of BICA since 1990.

Experience: Mr Roy Davies is currently the Managing Director of Royal Advisory Services, a consultancy firm that offers financial planning advice to individuals and companies with an emphasis on long-term financial security, capital preservation and retirement provision. He has worked for a number of companies in the private sector in both Zimbabwe and Botswana such as KPMG, PG Industries and AON Corporation. Positions he held include Financial Director, Managing Director and Head of Financial Advisory Services, with over 35 years' experience in the financial and general management.

Mr Davies is also former Board member of BOCRA.

Mr. Davies is the Chairman of the Finance and Audit Committee and prior to November, 2018 he was a member of the Board Tender Committee.

7. Ontibile Radira—Non-Independent Member

Qualifications: Bachelor of Arts (Hons.) Personnel Management; Certification in Restaurant Management and Operations Management

Experience: Ms Ontibile Radira is currently the Director of Organizational Development at Botswana Investment and Trade Centre. She started her career in Human Resources at Debswana, later joining several organizations in the private and Government sector in Botswana. Ms. Radira has worked in managerial positions for many years and has vast experience in her field.

Ms Radira is the Chairperson of the Human Resource Committee and prior to November, 2018 was also a member of the Board Tender Committee.

8. Bennet Maifala— Independent Member

Qualifications: Degree in Public Administration and Political Science; MSC-Human Resource Management and a Master's in Business Administration.

Experience: Mr. Maifala currently works as an independent HR consultant. He previously worked as

CORPORATE GOVERNANCE

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

Mr Maifala is a member of the Human Resource Committee.

9. Boikhutso Tekane—Independent Member

Qualifications: Bachelor of Arts with a combined major in Accounting & Economics; Masters Degree in Business Administration.

Experience: He has a banking career spanning over 23 years covering both Retail and Corporate banking. He was most recently the CEO of Letshego Financial Services Botswana from February to June 2017. Prior to that, he was the CEO of Botswana Savings Bank from April 2015 to January 2017. He was the Director Resources at Botswana Savings Bank for nine years (Jan 2007 – March 2015). He was also a business entrepreneur from 2004 till 2006 involved in mining supplies where he held the role of Managing Director, Lakeview Mining (Botswana) and Industrial Supplies and Managing Consultant at Sunset Bay Mining Supplies (RSA).

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

10. Bareng Malatsi—Non-Independent Member

Qualifications: BSc (Hons.) Surveying Science; MSc Land Surveying.

Experience: He has held a number of senior positions in Government and is currently Deputy Permanent Secretary, Ministry of Infrastructure and Housing Development. Is a member of the Governing Council of the Regional Centre of Mapping of Resources for Development (RCMRD), Board member of CEDA Young Farmers Fund, Board member of the National Environmental Fund (NEF).

Mr Malatsi is a member of the Board Tender Committee.

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.

BOARD CHANGES DURING REPORTING PERIOD

During the reporting period the Chairman of the BHC Board was Mr. Reginald Ketshabile whose term expired at the end of July 2018 (extended to 30/9/2018) and was replaced by Mr. Joseph Mosimane who had been the Deputy chairman.

RESPONSIBILITIES OF THE BOARD AND ITS COMMITTEES

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

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

amongst others.

The Board determines strategic direction, approves policy and planning, oversees and monitors the performance of the organization and ensures accountability.

There are three Board Committees:

1) The Finance and Audit Committee

2) The Board Tender Committee

3) The Human Resource Committee

REPORT OF THE FINANCE & AUDIT COMMITTEE

Presented below is the Finance & Audit Committee's report for the financial year ended 31 March 2019, in terms of the King III Report on Corporate Governance.

1) Mandate of the Finance & Audit Committee

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

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

2) Execution of the Committee's mandate in 2018/19

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

During the financial year under review, the Committee comprised of four(4) members and met six times. The names, qualifications and experience of Committee members are detailed elsewhere in the annual report.

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

The Chief Executive Officer, Deputy Chief Executive Officer (operations and corporate the Chief Audit Executive, the Director – Risk & Compliance, the Chief Financial Officer, the Chief Legal Counsel & Board Secretary and the Head – Information Technology attend all Committee meetings, to present reports and provide other information considered necessary by the Committee to discharge its duties, while the Corporation's external auditors attend Committee meetings on invitation.

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

2.1 Assessment of external auditors' independence

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

a) Reviewed the independence and objectivity of KPMG as well as the proposed scope for the audit of the financial statements;

b) Reviewed the proposed audit fees

c) Reviewed the compliance of their appointment with the Botswana Housing Corporation Act

d) the objective of ensuring that the fees charged for such services do not become so significant as to call into question their independence. KPMG did not provide any non – audit services during the year under review

e) Reviewed the nature and extent of future non – audit services, ensuring that such services have been defined and have been pre – approved. No non – audit services are envisaged to be provided by the Corporation's external auditors in the foreseeable future.

2.2 Review of accounting policies and financial statements

The Committee reviewed the accounting policies adopted in the preparation of the Corporation's annual financial statements for the financial year ended 31 March 2019, and the financial statements themselves. Based on the information provided to it, the Committee is of the view that the accounting policies adopted are appropriate and comply with the relevant provisions of the Botswana Housing Corporation Act and International Financial Reporting Standards.

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

a) They have been properly prepared in accordance with the adopted accounting policies

b) Adequate disclosures have been made in the notes to the financial statements of information considered pertinent to the understanding of the Corporation's financial performance and financial position;

c) The financial results and financial position have been fairly presented.

2.3 Effectiveness of internal financial controls

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

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

Based on these reviews, the Committee is satisfied that the Corporation's internal financial controls operated effectively throughout the financial year ended 31 March 2019 and can be relied upon.

2.4 Working relationship with the Internal AuditDepartment

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

a) It considers and recommends the Internal Audit Charter to the Board for approval

b) It approves Internal Audit's annual audit plan

c) It monitors the Internal Audit's adherence to the approved annual audit plan.

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

2.5 Evaluation of the expertise and experience of the Corporation's Chief Financial Officer and the finance function

The Committee has satisfied itself that the Corporation's Chief Financial Officer possesses an appropriate level of expertise and experience to execute the designated functions of his position. The Committee has also considered and has satisfied itself regarding the appropriateness of the expertise, experience and adequacy of resources available in the finance function.

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.

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.

The Committee consists of five members.

During the period under consideration the Committee had five sittings.

Chairman

The Chairman of the Board, Mr. Joseph Mosimane is an independent non-executive member.

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

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

Remuneration of the Board

The remuneration of Board Members is determined by the Minister and during this reporting period the Board fees were increased to the following:

Board Chairman: P2 250.00

Members: P1 800.00

RISK & COMPLIANCE

OVERVIEW

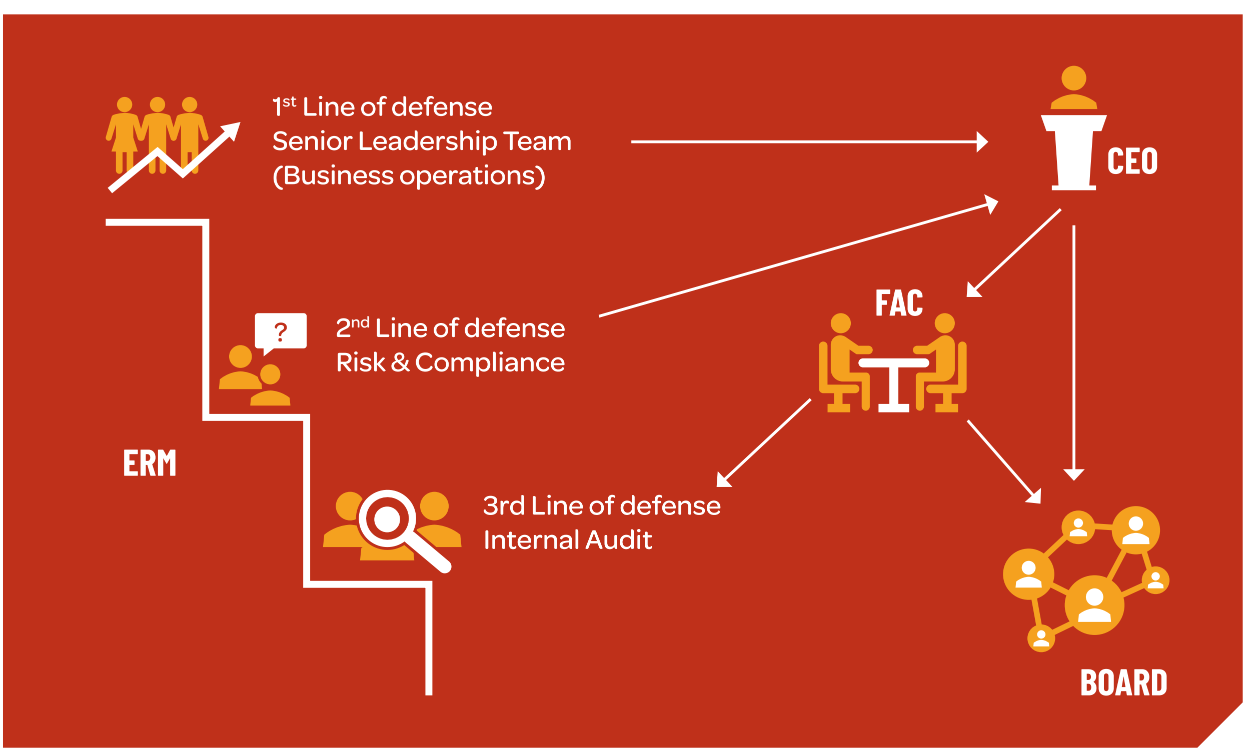
Management of Botswana Housing Corporation recognizes Enterprise Risk Management as part of the Corporation's culture and a system to develop the operations and achieve the business objectives. The Corporation successfully set the foundation for effective enterprise risk management and embarked on building capabilities throughout the Corporation in the 2018/2019 financial year. The effective management of risks give the Corporation a competitive advantage and ensure it delivers on the mandate as a business, hence it is every employees' responsibility.

The Corporation's key focus areas this year included:

- Risks integration with strategic planning.
- Expanded risk assessments on key activities with a focus on construction projects management.
- Development of the quality management system.
- Review of the Corporation's policies, processes and procedures.

1. RISK MANAGEMENT AND GOVERNANCE

2.1 Risk Governance



RISK & COMPLIANCE

The 1st line of defenses responsibility is to establish the management of risks generated from the business functions to within approved appetite and tolerable limits. The Corporation's management has continuously been accountable and responsible for the management of risk performance. Management monitors and reviews the risk control action plans.

The role of the 2nd line of defense is to ensure risks are managed according to the established enterprise risk management framework and embbed risk culture across the Corporation. The Risk and Compliance department also provides guidance, advice and expert opinion in all key risk-related issues as an independent line of management.

The Internal Audit is the 3rd line of defense. Their responsibility is to give assurance to the adequacy and effectiveness of the overall enterprise risk management framework and controls in place.

Effective risk management is imperative to BHC, given the Corporate risk profile. The Board of BHC acknowledges that it is responsible for the process of risk management and the need to establish an informed opinion on the effectiveness of the process. During the year under review the Board and Management were kept abreast using the quarterly Board meetings and Management forums of the controls and initiatives being undertaken as a means of managing the identified risks.

2.1 Risk Management Processes and Tools

- **Objectives Settin:** Corporation's business objectives are set and cascaded to departmental and individual level. In pursuit of the objectives, risks will be encountered.
- **Risk Assessments:** Risks and opportunities to the achievement of the Corporation's objectives are identified, assessed and risk profiles at Corporate and departmental level generated for easy management and monitoring. The Corporation conducted strategic risk review workshops to identify the risks that could impact on the ability to achieve strategic objectives.
- **Mitigation:** For every risk profile generated, a risk control action plan is developed to monitor the implementation of mitigation actions.
- **Monitoring:** Regularly reporting and updates are provided by the relevant risk and action owners. This allows the Corporation to monitor performance against risk control action plans.
- **Reporting:** The risk reporting process include submission of relevant and up to date risk information to appropriate audience for decision making.

2.1 Corporate Risk Profile

The top ten risks that were identified and managed for the financial year under review are indicated below.

1.2.1. Low Sales

The Corporation's is highly exposed to low house sales risk. The risk could impact adversely to the Corporation's ability to deliver the mandate ,as the Corporation relies mostly on internally generated funds to finance further developments.

The low house sales are as a result of delayed delivery of projects due to delays in utility connections to the completed properties. Low rentals charged on the rental portfolio has affected house sales as customers are accustomed to paying low rentals than mortgage instalment. Some financial institutions tightened their lending criteria or ratios in some areas across the country.

However, stakeholder engagements have improved the turnaround time in utility connections which is expected to translate into timely sales. In addition, the Corporation has engaged financial institutions and urged them to revise the lending ratios.

1.2.2. Inadequate Project Management Controls

Projects' adherence to the delivery schedule was a challenge to the Corporation in the financial year under review. The late delivery of projects could result in cost escalations and can affect the budgeted sales. Projects are undertaken based on a demand survey, and projects that are delivered late are often affected by the economic forces that could change the market dynamics and decrease the market demand for the product.

In lessening the risk exposure, the Corporation has taken an initiative by developing the project management teams through various project management trainings to enhance their skills. The Corporation has introduced the Projects Quality Assurance and Risk and Compliance departments to enhance quality assurance, monitoring and project risk management.

1.2.3. Lack of Serviced Land from Government

Serviced Land is a key input into the delivery of a housing project. As such, its unavailability could have a serious impact on the Corporation's ability to deliver on its mandate. Serviced land continues to be a challenge to the Corporation; hence the Corporation has adopted to building high rise buildings to maximize yield on the available serviced land and densify estates where spaces for additional buildings exists in Gaborone and Francistown. Public Private Partnerships have remained an alternative route for the Corporation to access serviced land in strategic areas.

1.2.4. Increasing Construction Costs

Managing costs in all our construction projects is key because of its direct relationship to the sales price of our housing units. The Corporation has continued to monitor construction costs at all stages of the projects to ensure projects are delivered on budget. The Corporation continues to engage the shareholder and stakeholders on land servicing and utility costs respectively. BHC has recognized the importance of using affordable innovative technologies in certain areas across the country.

1.2.5. Delays in Utilities Connections

Utilities are a critical component to our housing units. Houses cannot be handed over or sold to Customers without Botswana Power Corporation and Water Utilities Corporation having connected utility services. The three Corporations have established the stakeholder technical committees to minimize the delays and ease of planning during projects implementation.

1.2.6. Fraud and Corruption

The construction industry is prone to fraud and corruption risks, hence BHC has taken a zero-tolerance stance towards fraud and corruption. A policy on fraud and corruption is in place and awareness workshops and training will be regularly conducted to sensitize staff on fraud risk management. The Corporation has provided specific mechanisms such as the whistle blowing or hot line for staff to confidentially report their suspicions about fraud and corruption.

1.2.7. Cyber Security

Worldwide cyber risks are on the rise and organizations are at a high-risk of malware attacks and of being hacked. The Corporation has an established a disaster recovery policy to mitigate against the cyber risks. Business Continuity framework is also an important component to managing cyber risks. The Corporation has put in place a layered defense to manage the cyber risks.

1.2.8. Insufficient Funding Impacting on Projects

The Corporation is exposed to the risk of insufficient funding for new development due to the non-cost reflective rentals and low sales which have impacted on the revenue generation. New projects need funding or capital to undertake to completion, hence availability of funding at competitive interest rates is key to the Corporation. The Corporation has been able to access funds (a bond) from the capital markets and will continue to do so to fund new projects.

1.2.9. Delays in Delivery of SHHA Projects

SHHA projects cover the breadth of the country and some places are difficult to access. In other instances, materials are expensive because of the distance to site. To manage the risks in SHHA projects to ensure timely delivery, BHC procures labour and materials from the communities in which the houses are being built.

1.2.10. Water shortages and/or restriction

Botswana is prone to drought spells and as such water is a scarce commodity. Contractors are always advised to use grey water where water is in short supply or not available near the construction site.

1. Corporate compliance

The Corporation has assumed responsibility for the governance of compliance with applicable laws, non-binding rules, codes and standards by setting up a Legal function and a Risk and Compliance department. The functions have been established to enhance compliance within the Corporation. However, the Corporation has continued to comply with the applicable instruments or statutory requirements.

As a way forward in improving oversight of compliance the Corporation is in the process of developing a compliance framework that will further enhance our management, monitoring of compliance related risks and ensuring that any developments to the regulations, legislations and specifications/standards are always timely responded. The Corporation is cognizant of the consequences of non-compliance on its reputation; hence all employees always have responsibility to ensure compliance.

2. Safety Health Environment and Quality

Botswana Housing Corporation adheres to the highest standards of Safety, Health and Environment. The Corporation has aligned its Occupational Health and Safety Management to the OHSAS 18001 Standard by developing a SHE Policy which is implemented throughout our offices and projects. In order to comply with the environmental statutes relating to the Environmental Impact Assessment and Environmental Management Plans the Corporation has developed processes and procedures that are aligned to the requirements of the ISO 14001 standard. The Corporation has aligned to these standards with a view to achieve international best practices and to guide the SHE Management benefit immensely in the following:

- Reducing workplace injuries/illnesses/diseases,
- Management of environmental issues
- Compliance to applicable legislation

The Corporation has established structures to enhance implementation of SHE across the Corporation.

The Corporation is in the process of implementing a Quality Management System (QMS) according to the requirements of ISO 9001:2015 standard. This will allow for all processes within BHC to be documented, controlled and communicated to all employees. The system will assist in employee engagement in the day to day activities in identifying non-conformances, corrective actions and prevention measures to prevent future recurrences in order to continuously improve BHC processes and ensuring customer satisfaction. The system will be continually verified through quality management system internal audits. The Corporation continues to capacitate employees to ensure effective implementation of the QMS.

INTERNAL AUDIT REPORT

INTERNAL AUDIT REPORT

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

Independence of the audit function

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

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

On an annual basis the Chief Audit Executive confirms to the Board the independence of the internal audit function over the preceding twelve months.

INTERNAL AUDIT FUNCTION'S RESPONSIBILITY

The internal audit function is responsible for:

a) Providing assurance to both the Board and management on the effective design and operation of internal controls in key areas of the Corporation's operations

b) Providing consultancy services to both the Board and management upon request and;

c) Investigating suspected improprieties.

Internal audit's workplan

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

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

Quality Assurance & Improvement Programme

In line with the requirements of internal auditing standards issued by the Institute of Internal Auditors, its function has developed a quality assurance and improvement programme. The objectives of the programme are to:

a) Ensure compliance to internal auditing standards

b) Ensure compliance to the code of ethics

c) Ensure quality and consistency in the management of the audit function as well as the execution of individual audit engagements

d) Ensure development of internal audit staff through continuous feedback as well as engagement in continuing professional development activities

e) Ensure continuous improvement in service delivery through seeking and receiving feedback from stakeholders on service rendered as well as periodic self – assessment and external assessment

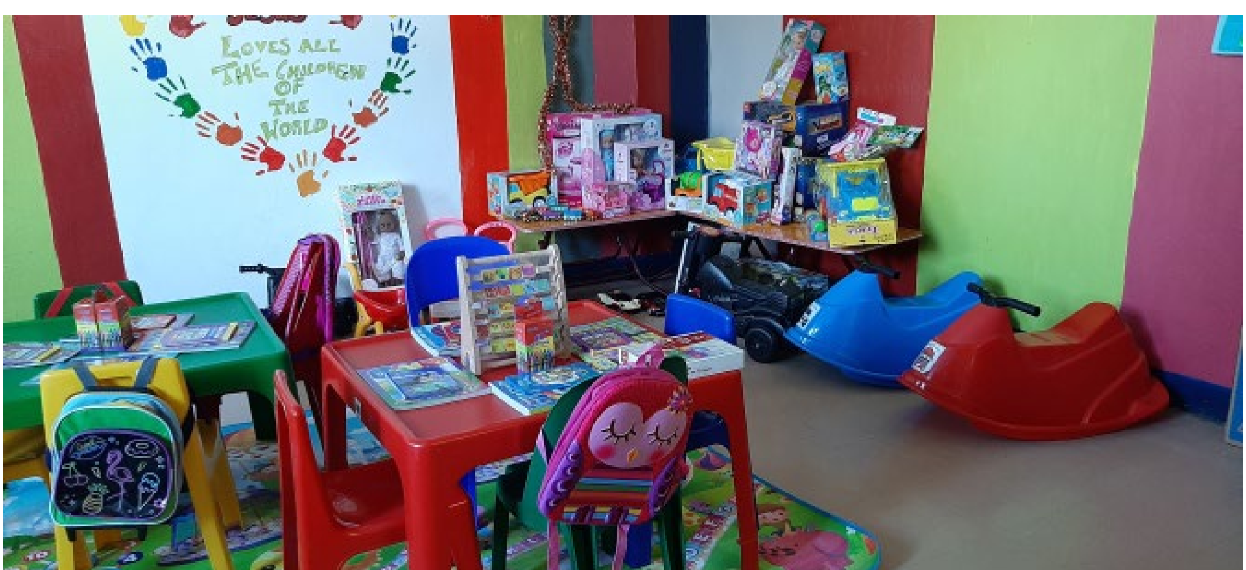
CORPORATE SOCIAL RESPONSIBILITY REPORT

To create a positive impact in the communities it operates, the Corporation has a Corporate Social Responsibility Policy. The policy is used as a mechanism for the Corporation to proactively take an assessment of its impact on the society and where it would in turn put ethical measures in place to support local communities and the environment it operates in and most importantly to leverage organisational brand.

The policy is further used as a guide through which the Corporation identifies various community initiatives that are worth of donating towards. This is in line with one of its Corporate Values of Botho, which seeks the Corporation and its employees to be dignified, humane and offer respectful service always in its dealings with people.

It is against this background that the Corporation has adopted a culture of setting aside a budget for donating to various charitable initiatives annually. Through the CSR Initiative, the Corporation receives several requests from various community-based organisations with varying needs for assistance. These includes organisations contributing towards the socio-economic development of Botswana with specific focus on the youth and women empowerment. The Corporation also donated towards price giving ceremonies to several schools as a way of encouraging good performance amongst students especially in rural areas.

Every year the Corporation assesses and donates to paediatric wings of various hospitals across Botswana. The Corporation has so far donated to Ghanzi Primary Hospital, Athlone District Hospital, Deborah Retief Memorial Hospital, etc. for the year 2018/19, the CSR Committee assessed and recommended for the Corporation to donate to the Palapye Primary Hospital paediatric wing. Palapye is one the fastest growing towns in terms of population in Botswana and is experiencing challenges including shortage of resources in most of its wards. The hospital caters for Tswapong and Palapye areas. The hospital is congested and had no room for children to play or exercise. The Corporation repainted all the children's ward rooms with bright, lively colours and children's characters such as Mickey Mouse to brighten up the rooms. The Corporation also set up an outdoor play area for the children to exercise and play during the day. Play is essential to development because it contributes to the cognitive, physical, social, and emotional well-being of children. It also offers an ideal opportunity for parents to engage fully with their children during play time. Over and above that, the Corporation donated medical equipment, recreational and educational toys.



HUMAN CAPITAL

HUMAN CAPITAL AND ADMINISTRATION

The Human Capital & Administration function provides leadership in the development and execution of human capital management best practices in support of the execution of the Corporation's strategy. The function is responsible for, inter alia, issues pertaining to human capital management and administration, records management, organizational development, industrial relations, talent management, knowledge management, succession planning and employee benefits management, including pension fund administration, employee loan facilities administration and management of employee wellness activities and interventions.

LEADERSHIP AND MANAGEMENT DEVELOPMENT

The Corporation recognizes that leadership and management development are important in building leadership and management effectiveness within the organisation. In that regard, the Corporation has intensified the development of its senior and middle management in leadership and management practices. The Corporation has taken advantage of several international leadership programmes to enhance leadership competencies of members of the senior leadership. The programmes exposed officers to international best practice in leadership and the officers have shared their experiences with the Corporation to facilitate improvements in the Corporation's internal processes and systems.

During the reporting period, the Corporation conducted a Management Development Programme for its middle management. The programme was conducted in association with the University of Stellenbosch, South Africa. It is intended that all middle managers should go through similar programmes to equip them with relevant competencies and therefore enhance their productivity as well as contributing to their professional growth.

The Corporation has recently refocused its effort from traditional training and has redirected its resources towards employee learning and development, to ensure that it facilitates competencies development amongst its workforce and embracing concepts and practices that fosters and support growth and attainment of pinnacles of a learning organisation.

WELLNESS PROGRAMME

Botswana Housing Corporation subscribes to the notion that a healthy workforce is a productive workforce. The Corporation therefore continuously explores ways and means to improve employees' working conditions. One such effort centres around the issue of employee wellness and employee welfare. To ensure effectiveness in management of employee wellness initiatives, the Corporation has developed a wellness programme. The programme covers wellness initiatives and activities for the whole year. Activities under the programme includes sporting activities, inter-departmental team building activities and management of various wellness conditions.

CHANGE MANAGEMENT AND TRANSFORMATION

Following employee satisfaction surveys carried out in the preceding year, Management has put in place several transformation platforms to address issues and recommendations arising from the employee satisfaction surveys. One such major development was the establishment of a Transformation Team and Focus Groups; whose mandates include coming up with initiatives intended to address issues established from employee surveys. The two structures were established to manage the Corporation's change management processes.

Management has put in place focus groups intended to solicit feedback from employees and their suggestions have led to the resuscitation of different activities, including sporting clubs, BHC family fun day and strengthening team building activities.

Review and re-branding-BOSELE

The Corporation reviewed and re-branded its change management process. This is the vehicle through which the Corporation introduces initiatives in the organisation. The review and re-branding exercise involved all the employees of the Corporation. The process was named **Bosele**, a name that was proposed by a member of staff.

The name Bosele symbolises a new beginning for the Corporation as it was transitioning from the redeployment and restructuring exercise.

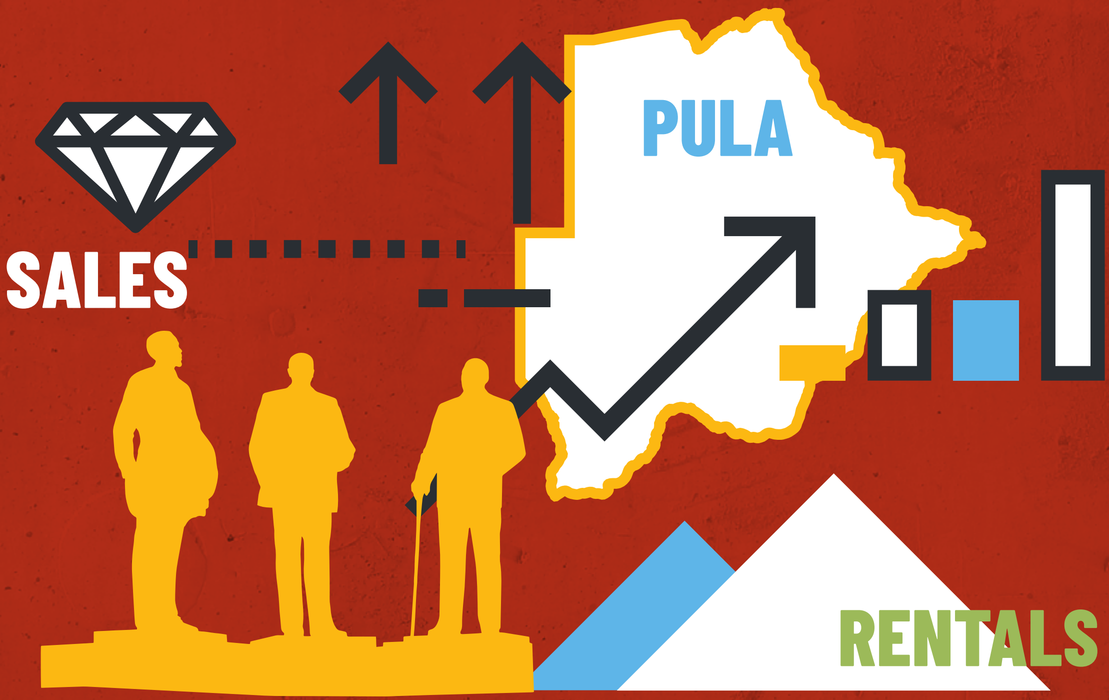
HUMAN CAPITAL

At the launch of the Botswana Housing Corporation BOSELE Transformation Initiative.

Activities undertaken through Bosele were meant to, and continue to, re-energize employees and give the Corporation a new outlook in terms of its processes and approach in doing business. Bosele inspires employees to have a sense of ownership of the Corporation's vision, mission and values. The new name was launched on the 1st of December 2018. Since then, the change management associated with the initiatives implemented in the Corporation was facilitated through the Bosele process.

GRADUATE INTERNSHIP PROGRAMME

Botswana Housing Corporation strongly believes in developing professionals as a contribution towards fulfilment of National aspirations of an enlightened and productive workforce. In pursuit of that ideal, the Corporation continues to support the Government's Graduate Internship Programme. In the year under review the Corporation absorbed graduate Interns within its various functions. A total of twenty-one (21) graduate interns were placed at different departments including in the Built Environment, Finance, Procurement, Marketing And Communication, Human Resources, Information Technology and Internal Audit. Four interns were absorbed as fulltime employees of the Corporation at the end of their internship assignment, as the Corporation continued to assess the interns' capabilities and potential during their internship period to assess their acceptability into the Corporation's workforce.



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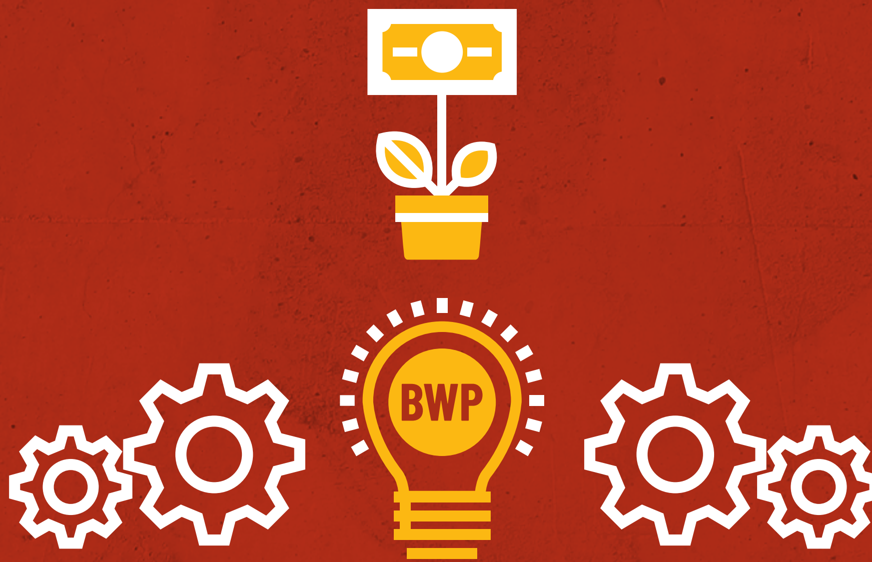

BOTSWANA HOUSING CORPORATION ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 MARCH 2019

DIRECTOR'S REPORT

For the year ended 31st March 2019

The Directors have had a pleasure in presenting their report together with the financial statements of Botswana Housing Corporation ("the Corporation") for the year ended 31 March 2019.

General Information

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

Review of Corporation's financial position and results

The Corporation's financial position and results are reflected in the financial statements set out on pages 10 to 72. The Corporation realised a profit before taxation of P21,826,000 (2018: P108,350,000).

Members of the Board

Mr. J. Mosimane	Chairperson
Ms. S. Mathe	Deputy Chairperson
Mr. T. Kewakae	
Mr. K. Kgabo	
Mr. C. Marobela	
Ms. S. Radira	
Mr. R. Davies	
Mr. B. Maifala	Appointed October 2018
Mr. B. Tekane	Appointed October 2018
Mr. B. Malatsi	Appointed December 2018
Ms. E. Serati	Retired September 2018
Mr. R. Ketshabile	Retired July 2018
Mr. B. K Mmopi	Retired July 2018

Senior leadership team

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

Registered office

Botswana Housing Corporation Head Office

Plot 5129 Corner Pilane & Queens Roads
P O Box 412
Gaborone

Independent Auditors

KPMG

Plot 67997, Off Tlokweng Road
Fairgrounds Office Park
Gaborone

Bankers and Investment Managers

First National Bank Botswana Limited

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

Events occurring after the reporting date

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

DIRECTORS' RESPONSIBILITY STATEMENT

For the year ended 31st March 2019

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 2019 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 are fairly presented 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 **13 November 2019** and are signed on their behalf by:

Mr. J. Mosimane

Chairperson

Mr. R. Motswaiso

Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

To the memmbers of Botswana Housing Coroporation

KPMG, Chartered Accountants Audit
Plot 67077, Off Tlokweng Road,
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Independent Auditor's Report
To the Members of Botswana Housing Corporation

OPINION

We have audited the financial statements of Botswana Housing Corporation ("the Corporation") set out on pages 10-72, which comprise the statement of financial position as at 31 March 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, significant accounting policies and the notes to the financial statements.

In our opinion, the financial statement give a true and fair view of the financial position of Botswana Housing Corporation as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Botswana Housing Corporation Act (CAP 74:03)

BASIS FOR OPINION

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

KEY AUDIT MATTER

Key audit matter is that matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current period. This matter was 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 this matter.

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Valuation of housing inventories

Refer to note 2.6 relating to the accounting policy on inventories, note 5(e) on accounting estimates and judgements and note 16 on housing inventories.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED
A significant portion of the Corporation's business is to develop property for sale. Housing inventories comprise land for development, housing under construction and completed houses. The Corporation recognises housing inventories at the lower of cost and net realisable values (NRV). The NRV is estimated as follows: • For land for development, NRV is estimated as the selling price of 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 selling expenses. • For completed houses NRV is estimated as the selling price in the ordinary course of business less selling expenses. Net realisable value is estimated by management, based on prevailing market day (including the most recent sale transactions in nearby locations, rate of new property sale and general market conditions) which represents the estimated selling prices less costs to be incurred in selling the properties. The estimation of the cost of housing under construction requires significant judgements regarding the allocation of the approved contract costs to the correct project, selling price, and the costs to complete housing under construction. In making these judgements, the Corporation makes use of internal valuers to assist in the determination of the selling price based on prevailing market data, and • Internal valuers, including engineers, architects and quantity surveyors, to provide assist in determining the costs to complete development for housing under construction.	Our procedures included the following: **NRV of housing inventories** In respect of the selling price: • We challenged the Corporation's future selling prices determined by the investment committee, which consists of internal valuers, quantity surveyors and other professionals, by comparing the estimated selling prices to selling prices subsequent to year end and prices of comparable properties located in the same vicinity as the housing inventories. **In respect of the cost to complete housing under construction:** • We obtained a status report at year end for housing under construction maintained by the internal quantity surveyors detailing costs to date and costs to complete housing under construction, and interviewed the quantity surveyors to understand the estimates applied in compiling the status report. • We challenged the costs to complete housing under construction in relation to costs incurred subsequent to year end and project budgets, obtaining explanation for and corroborating variances from budget against supporting documentation. **Comparison of cost to NRV** • We selected a sample of housing under construction projects and completed houses and inspected the NRV in relation to the costs allocated to each project, and ensured that the project was recorded at the lower cost and NRV

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Due to the significant judgements involved in estimating cost of housing under construction and in estimating the NRV of housing inventories, this matter was considered to be a key audit matter in our audit of the financial statements.	• We selected a sample of completed houses which are expected to sell below cost and assessed whether the computations of the estimated losses were accurately recognised in the provision for impairment at the reporting date. • We evaluated the adequacy of the financial statement disclosures and accounting policy in terms of IAS 2: Inventories **Cost of housing under construction** • We assessed the competency and objectivity of the quantity surveyors engaged by the Corporation in estimating the cost to complete development (used in the NRV calculation) of housing under construction, with reference to their professional qualifications. • We evaluated the operating effectiveness if internal controls over the authorisation and processing of contract costs are correctly allocated and capitalised to the respective projects. • We selected a sample of costs capitalised during construction and inspected supporting documents to ensure the expenses have been accurately allocated and capitalised • We obtained a breakdown of all costs allocated to a project for a sample of housing under construction projects and evaluated whether the costs were correctly allocated between the various construction projects.

Other Information

The directors are responsible for the other information. The other information comprises 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 responsibilities 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 on the other information prior to the date of this auditor's report, 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.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements which give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Botswana Housing Corporation Act (Cap 74:03), and for such internal control as the directors determine is necessary to enable the preparation of the 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 Corporations' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Corporation or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility 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. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

uncertainity 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 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 these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 audit.

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 descried 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 (Chapter 764:03) (the "Act") as amended, we confirm:

- We have received all the information and explanations which, to the best 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 compiled with all the financial provisions of the Act.

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Certified Auditors
Practicing Member: Francois Roos (20010078:45)
Certified Auditors
Practicing member: Gosego Motsamai (20030026)
Certified Auditor of Public Interest Entity
BAOA Certificate Number CAP 0035 2019
Gaborone
16 December 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March 2019

	Note	2019 P'000	2018 P'000 Restated*
Revenue	6.	510 634	477 682
Cost of sale of housing inventories	7.1	(51 071)	(58 898)
Cost of sale of construction and management contracts	7.2	(204 430)	(163 270)
Repairs and maintenance		(38 722)	(33 687)
Employee benefit expenses	8.	(132 048)	(103 132)
Depreciation and amortisation	9.	(26 671)	(17 344)
Other expenses	10.	(75 945)	(67 676)
Impairment expenses	10.	930	35 935
Other income	11.	2 584	9 472
Gains from sale of investment properties	12.	17 741	14 786
Operating profit		**3 002**	**93 868**
Finance income	13.	4 662	17 161
Finance costs	14.	(106)	(16 131)
Net finance income		**4 556**	**1 030**
Share of profit or loss of equity accounted investees of joint ventures	19.	14 268	13 452
Profit before taxation		**21 826**	**108 350**
Taxation	20.	(5 063)	(20 605)
Profit for the year		**16 763**	**87 745**
Other comprehensive income		-	-
Total comprehensive income for the year		**16 763**	**87 745**

* Information and details relating to the restatement are included in note 34.

STATEMENT OF FINANCIAL POSITION

For the year ended 31st March 2019

	Note	2019 P'000	2018 P'000 Restated*	1 April 2017 P'000 Restated*
Assets				
Non-current assets				
Investment properties	15.	1 225 645	1 235 316	1 141 376
Property, plant and equipment	17.	57 266	21 069	19 523
Intangible assets	18.	20 467	22 201	22 192
Investments in joint ventures	19.	27 400	22 982	20 776
Trade and other receivables	22.	8 949	9 693	9 284
Deferred tax asset	21.	1 693	–	5 731
Total non-current assets		**1 341 420**	**1 311 261**	**1 218 882**
Current assets				
Housing inventories	16.	838 902	584 765	407 264
Taxation receivable	20.	6 326	–	–
Trade and other receivables	22.	106 077	92 891	56 850
Cash and cash equivalents	23.	1 091 022	1 012 548	1 476 555
Total current assets		**2 042 327**	**1 690 204**	**1 940 669**
Total assets		**3 383 747**	**3 001 465**	**3 159 551**
Equity and liabilities				
Capital and reserves				
Irredeemable capital	24.	250 000	250 000	250 000
Retained earnings		1 231 607	1 222 287	1 129 584
Earnings reserve	25.	–	–	4 958
Total equity		**1 481 607**	**1 472 287**	**1 384 542**
Non-current liabilities				
Long term deferred Government revenue grant	26.	39 759	47 056	54 824
Long term borrowings	26.	661 502	391 417	423 071
Deferred tax liability	21.	–	860	–
Total non-current liabilities		**701 261**	**439 333**	**477 895**
Current liabilities				
Trade and other payables	27.	237 681	216 610	202 246
Taxation payable	20.	–	8 270	8 515
Provision for restructuring costs	33.	–	–	3 693
Contract liabilities	28.	870 032	794 516	718 635
Deferred income	28.1	25 210	1 640	5 228
Short term portion of deferred Government revenue grant	26.	7 297	7 768	8 211
Short term portion of borrowings	26.	44 080	48 051	337 484
Customer deposits	29.	16 579	12 990	13 102
Total current liabilities		**1 200 879**	**1 089 845**	**1 297 114**
Total liabilities		**1 902 140**	**1 529 178**	**1 775 009**
Total equity and liabilities		**3 383 747**	**3 001 465**	**3 159 551**

* Information and details relating to the restatement are included in note 34.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2019

	Irredeemable capital	Retained earnings	Earnings reserve	Total
	P'000	P'000	P'000	P'000
Balance at 01 April 2017	250 000	1 129 584	4 958	1 384 542
Comprehensive income				
Profit for the year	–	87 745	–	87 745
Transfer to retained earnings	–	4 958	(4 958)	–
Total comprehensive income	–	**92 703**	**(4 958)**	**87 745**
Balance at 31 March 2018	**250 000**	**1 222 287**	–	**1 472 287**
Balance at 01 April 2018	250 000	1 222 287	–	1 472 287
Effect of adoption of new IFRS	–	(7 443)	–	(7 443)
IFRS 9 adjustment for credit losses	–	(9 542)	–	(9 542)
Deferred tax thereon	–	2 099	–	2 099
Restated balance on 1 April 2018	**250 000**	**1 214 844**	**–**	**1 464 844**
Comprehensive income				
Profit for the year	–	16 763	–	16 763
Total comprehensive income	–	**16 763**	–	**16 763**
Balance at 31 March 2019	**250 000**	**1 231 607**	–	**1 481 607**

Earnings reserve

Net gains realised on disposal of investment properties through Tenant Purchase Scheme (TPS) and Step Ownership Scheme (SOS) for which payments have not been received were transferred to earnings reserve (accounting policy 2.2). Transfers were made annually to retained earnings at the rate which the individual TPS and SOS balances were repaid. Management made a decision to reclassify the balance of the earnings reserve to retained earnings at the 2018 reporting date.

STATEMENT OF CASH FLOWS

For the year ended 31st March 2019

	Note	2019 P'000	2018 P'000
Cash flows from operating activities			
Net cash utilised in operating activities	30.	(202 231)	(181 250)
Taxation paid	20.	(20 113)	(14 259)
Net cash utilised in operating activities		**(222 344)**	**(195 509)**
Cash flows from investing activities			
Acquisition of property, plant and equipment	17.	(10 920)	(4 536)
Acquisition of intangible assets	18.	(1 689)	(3 744)
Additions to investment properties	15.	(17 880)	(12 624)
Proceeds from sale of investment properties	12.	30 055	22 452
Dividends from joint ventures	19.	9 850	11 200
Interest received	13.	4 138	16 694
Net cash generated from investing activities		**13 554**	**29 442**
Cash flows from financing activities			
Repayment of long term borrowings	26.	(41 149)	(43 437)
Bond funds received	26.	300 000	–
Repayment of bond	26.	–	(286 000)
Dividends paid		(20 205)	(20 205)
Interest paid	14.	(26 898)	(24 179)
Net cash generated from / (utilised) in financing activities		**211 748**	**(373 821)**
Net increase/(decrease) in cash and cash equivalents		2 958	(539 888)
Cash and cash equivalents at beginning of year	23.	218 032	757 920
Cash and cash equivalents at end of year	23.	**220 990**	**218 032**

1. Statement of Compliance

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

(a) to provide for the housing, office and other building needs of the Government and local authorities;

(b) to provide for, and to assist and to make arrangements for other persons to meet the requirements of paragraph (a) above and;

(c) to undertake and carry out, and to make arrangements for other persons to undertake and carry out building schemes in Botswana.

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

These financial statements represent the Corporation's statutory financial statements. The financial statements for the year ended 31 March 2019 have been approved for issue by the Directors on **13 November 2019**.

2.1 Basis of preparation

The financial statements are expressed in Botswana 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 Management to exercise its 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 critical accounting estimates and judgement section.

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 1st April 2018. There have been no significant changes to the financial results of the entity arising from the adoption of the revised standards and new interpretations.

2.1 Basis of preparation (continued)

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

(a) Standards and interpretations effective in the current year (continued)

IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)

In the current year, the Corporation has adopted IFRS 15 Revenue from Contracts with Customers which was effective for all financial periods beginning on or after 1 January 2018. IFRS 15 superseded the following revenue Standards and Interpretations on its effective date: IAS 18 Revenue; IAS 11 Construction Contracts; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the Construction of Real Estate; IFRIC 18 Transfers of Assets from Customers; and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

IFRS 15 introduces a 5-step approach to revenue recognition. The core principle of IFRS 15 is that the Corporation should recognise revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for those services. The 5-step approach to revenue recognition is as follows:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the Corporation satisfies a performance obligation

Under IFRS 15, the Corporation recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. The new accounting policies are set out under the revenue heading of the significant accounting policies.

Apart from providing more extensive disclosures on the Corporation's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Corporation.

2.1 Basis of preparation (continued)

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

(a) Standards and interpretations effective in the current year (Continued)

IFRS 9 (amended) Financial Instruments [Reissue of a complete standard with all chapters incorporated (effective for annual periods beginning on or after 1 January 2018)]

In the current year, the Corporation has adopted IFRS 9 Financial Instruments which was effective for all financial periods beginning on or after 1 January 2018. On its effective date IFRS 9 superseded IAS 39 Financial Instruments: Recognition and Measurement. The new accounting policies as a result of the adoption of IFRS 9 are set out under the financial instruments heading of the significant accounting policies. The Corporation has applied IFRS 9 Financial Instruments effective 1 April 2018. The disclosures for the comparative periods follow the classification and measurement requirements under IAS 39.

The effect on the financial statements as a result of application of the IFRS 9 is laid out on page 20 under the Change in Accounting Policies section.

IAS 40 (amended) Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018)

The amendment clarifies that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. IAS 40 has not had an impact on the financial position and/or financial performance of the Corporation.

IFRIC 22 Foreign currency transactions and advance consideration (effective annual periods beginning on or after 1 January 2018)

The interpretation addresses foreign currency transactions or part of transactions where there is consideration that is denominated or priced in a foreign currency and the prepayment asset or deferred income liability is non-monetary. The interpretation has had no impact on the Corporation's financial statements.

2.1 Basis of preparation (continued)

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

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

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

- IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective annual periods beginning on or after a date to be determined)

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

- IFRIC 23 Uncertainty over tax treatments (effective for annual periods beginning on or after 1 January 2019)

- IFRS 9 (amended) Prepayment features with negative compensation (effective for annual periods beginning on or after 1 January 2019)

- IAS 28 (amended) Long-term interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019)

- IAS 19 (amended) Plan amendment, curtailment or settlement (effective for annual periods beginning on or after 1 January 2019)

Changes in Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the new or revised standards. The effect of the application of IFRS 9 in the current year is described below.

Impact of the application of IFRS 9 Financial Instruments

In the current year, the Corporation has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS's. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the Corporation's financial statements are described below.

The Corporation has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

2.1 Basis of preparation (continued)

Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Corporation has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 April 2018. Accordingly, the Corporation has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 1 April 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. Comparatives in relation to instruments that have not been derecognised as at 1 April 2018 have not been restated. Instead, cumulative adjustments to retained earnings, where applicable, have been recognised in retained earnings as at 1 April 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assetsand the contractual cash flow characteristics of the financial assets.

The measurement requirements are summarised below:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost.
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income.
- All other debt instruments and equity instruments are subsequently measured at fair value through profit or loss, unless specifically designated otherwise.

The Corporation may, on initial recognition, irrevocably elect to present subsequent changes in fair value of an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies in other comprehensive income.

The Corporation may irrevocably designate a debt instrument that meets the amortised cost or fair value through other comprehensive income criteria as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

When a debt instrument measured at fair value through other comprehensive income is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. In contrast, for an equity instrument designated as measured at fair value through other comprehensive income, the cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss.

Debt instruments that are subsequently measured at amortised cost or at fair value through other comprehensive income are subject to new impairment provisions using an expected loss model. This contrasts the incurred loss model of IAS 39.

The directors reviewed and assessed the Corporation's existing financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Corporation's financial assets as regards to their classification and measurement:

2.1 Basis of preparation (continued)

Classification and measurement of financial assets (continued)

Debt instruments

Debt instruments classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Corporation to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Corporation to recognise a loss allowance for expected credit losses on debt instruments subsequently measured at amortised cost and contract assets to which the impairment requirements of IFRS 9 apply.

In line with the provisions of IFRS 9, the Corporation has made a policy choice and opted to use the Simplified Model for its impairment assessment. Under the Simplified Model, the Corporation is required to measure the loss allowance at an amount equal to lifetime ECL at initial recognition and throughout its life.

As at 1st April 2018, the directors reviewed and assessed the Corporation's existing financial assets amounts for impairment using reasonable and supportable information that was available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 1 April 2017 and 1st April 2018. The result of the assessment is as follows:

Items existing on 1 January 2018 that are subject to the impairment provisions of IFRS 9:	Credit risk attributes at 1st April 2017 and 1st April 2018
Trade and other receivables	The Company applies the simplified approach and recognises lifetime expected credit losses for these assets. There was a P9 542 000 adjustment on the opening loss allowance resulting from the application of IFRS 9. (refer to 'financial impact of initial application of IFRS 9' for more details).
Bank balances	All bank balances are assessed to have low credit risk at each reporting date as they are held with a reputable banking institution. There was no loss allowance therefore recognised on the 1st January 2018.

2.1 Basis of preparation (continued)

Changes in Accounting Policy (continued)

Reconciliation of the reclassifications and remeasurements of financial assets as a result of adopting IFRS 9.

The following table presents a summary of the financial assets as at 1st April 2018. The table reconciles the movement of financial assets from their IAS 39 measurement categories and into their new IFRS 9 measurement categories.

	IAS 39 Carrying amount at 1 April 2018	Remeasurement	IFRS 9 Carrying amount at 1 April 2018	Change attributable to:
	P'000	P'000	P'000	
Impact on Trade and other receivables	102 584	(9 542)	93 042	Increase in allowance for credit losses

Impact on the tenant receivables

The transition arrangements for IFRS 9 allow for the effect of adoption of the new standard to be accounted for through the following options:

- Restatement of the prior period financial statements to reflect the prior year allowance for credit losses as if the standard was applicable in the prior year
- Recognising the effect of the prior year adjustment in the statement of changes in equity through retained earnings.

The Directors have opted to recognize the effect of the change in the statement of changes in equity through retained earnings.

Reconciliation of the reclassifications and remeasurements of financial liabilities as a result of adopting IFRS 9

The following table presents a summary of the financial liabilities as at 1st April 2018. The table reconciles the movement of financial liabilities from their IAS 39 measurement categories and into their new IFRS 9 measurement categories.

	IAS 39 Carrying amount at 1 April 2018	Remeasurement	IFRS 9 Carrying amount at 1 April 2018	Change attributable to:
	P'000	P'000	P'000	
Trade and other payables	216 610	–	216 610	No change
Borrowings	439 468	–	439 468	No change
Trade and other receivables	656 078	–	656 078	

2.1 Basis of preparation (continued)

Changes in Accounting Policy (continued)

Impact of application of IFRS 15 *Revenue from Contracts with Customers*

In the current year, the Corporation has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period beginning on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Corporation's financial statements are described below.

The Corporation has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15:C5(a), and (b), or for modified contracts in IFRS 15:C5 (c) but using the expedient in IFRS 15:C5 (d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1st April 2018.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Corporation has adopted the terminology used in IFRS 15 to describe such balances. The term deferred Government revenue grant and deferred income is used in respect of the Government grant balances that are disclosed in Note 26 and are not within the scope of IFRS 15.

The Corporation's accounting policies for its revenue streams are disclosed in detail in Note 2.2. Apart from providing more extensive disclosures for the Corporation's revenue transactions, the application of IFRS 15 has not had an impact on the financial position and/or financial performance of the Corporation.

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
- Professional fees

Revenue 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.

2.2 Revenue recognition (continued)

(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 property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of 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 the statement of 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 to the Corporation. The initial deposits are used to protect the Corporation from the other party failing to adequately complete some or all of its obligations under the contract. In addition, there is no non-cash consideration or consideration payable to customers.

(c) Tenant Purchase Scheme (TPS)

The sale of completed property constitutes a single performance obligation and the Corporation has determined that it is satisfied at the point in time when control transfers. The sale transaction is conditional among other things, the customer making the instalment payments as per the agreement of sale. Control generally transfers when all other significant conditions are satisfied.

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

2.2 Revenue recognition (continued)

(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 relates 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.

2.4 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 way 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 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.

2.5 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.

2.6 Inventories

Inventories arise with the commencement of development with a view to sale 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 latter 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. Obsolete and damaged inventories are identified on a regular basis and are written down to their estimated net realisable values.

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

(a) Land held for development

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

(b) Borrowing costs

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

Other borrowing costs are expensed.

(c) Capitalisation of development costs

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

2.7 Property, plant and equipment

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

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

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

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

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

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

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

2.8 Intangible assets

Intangible assets comprise of computer software and the 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.

2.9 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 recognize 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.

2.10 Trade receivables - policy applicable before 1 April 2018

Trade receivables are recognised initially at fair value including any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment for trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial re-organisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

In case of default, an allowance for impairment is made against the principal amount only to the extent that the principal amount would not be recovered through the repossession and sale of the subject property.

Interest and administration charges relating to the tenant purchase scheme (accounting policy 2.2c) are recognised in profit or loss as they fall due, save that where an account falls into arrears, an allowance for impairment is recognised to the extent that such charges are not considered to be recoverable through the repossession and sale of the subject property.

2.11 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.

2.12 Irredeemable capital

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

2.13 Borrowings - policy applicable before 1st April 2018

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

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

2.14 Trade and other payables - policy applicable before 1 April 2018

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. These amounts are classified as current liabilities if payment is due within twelve months (or in the normal operating cycle of the business, if longer). If not they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 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.

2.16 Leases

i. Determining whether an arrangement contains a lease

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

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

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

Where the Corporation is the lessee

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

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

Where the Corporation is the lessor

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

2.17 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.

2.18 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 (BWP), which is the Corporation's functional and presentation currency.

2.18 Foreign currency translation (continued)

(b) Transactions and balances

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

2.19 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

Employees are entitled to annual leave, bonuses, medical aid and housing benefits, which 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.

2.20 Financial instruments - policy applicable from 1 April 2018

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

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 receivable classification

Trade and other receivables, excluding, when applicable, VAT and pre-payments, 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.

2.20 Financial instruments - policy applicable from 1st April 2018 (continued)

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 pre-payments. 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 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 tenure of the Corporation's trade receivables. The impact of any forecast macro-economic changes on default rates would therefore only impact trade receivables that originated in the future. A key assumption that the Corporation has therefore made, is that any forecasted macro-economic changes are unlikely to affect the default behaviour of the current trade receivables. The ECL has therefore been calculated only with reference to probability of default used to calculate the lifetime ECL (i.e. no adjustments have been made for any forward-looking information).

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. Receivables written off may still be subject to enforcement activities under the Corporation's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

2.20 Financial instruments - policy applicable from 1 April 2018 (continued)

Credit risk

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

Trade and other payables and borrowings

Classification

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

Recognition and measurement

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

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be 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.

2.21 Current and deferred income tax

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

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

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

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

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

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

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

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

2.22 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'.

2.22 Customer deposits (continued)

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.

2.23 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.

2.24 Government grants

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

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

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

3.Financial risk management

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

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

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

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

3.1 Credit risk

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

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

The Credit Control Section, under the Property Management Department, assesses the credit quality of a customer, taking into account the customer's financial position, past experience and other factors. Individual risk limits are set based on internal or external information and in accordance with the Credit Control Policy, which was approved by the Board.

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

The Corporation provides for impairment of debtors based on the expected credit loss model in line with IFRS 9. Refer to Note 22 for additional details.

Financial risk management (continued)
Credit risk (continued)

	2019 P'000	2018 P'000
Credit risk exposures relating to recognised financial assets are as follows:		
Trade and other receivables	114 150	100 762
Cash and cash equivalents	1 091 022	1 012 548
	1 205 172	**1 113 310**

The above table represents the worst case scenario of credit risk exposure for the Corporation as at 31 March 2019 and 2018 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.

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

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

At March 2018	Rental debtors P'000	TPS P'000	SOS P'000	Other P'000	Total P'000
Neither past due nor impaired	–	11 636	79	51 533	63 248
Past due but not impaired	9 117	809	–	–	9 926
Individually impaired	5 500	1 583	–	–	7 083
Gross	**14 617**	**14 028**	**79**	**51 533**	**80 257**
Less: Provision for impairment	(5 500)	(1 583)	–	–	(7 083)
Net	**9 117**	**12 445**	**79**	**51 533**	**73 174**
Value of collateral held against trade receivables that are neither past due nor impaired	**–**	**56 421**	**827**	**–**	**57 248**

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

3.1 Financial risk management (continued)
Credit risk (continued)

Trade receivables, past due but not impaired

At March 2019	Rental and other debtors P'000	TPS P'000	Total P'000
Past due up to 30 days	1 597	56	1 653
Past due 30 - 60 days	677	36	713
Past due 60 - 90 days	2 059	269	2 328
Total	4 333	361	4 694
At March 2018			
Past due up to 30 days	3 360	151	3 511
Past due 30 - 60 days	2 243	105	2 348
Past due 60 - 90 days	3 514	553	4 067
Total	9 117	809	9 926

3.2 Market risk

(i) Foreign exchange risk

The Corporation's exposure to foreign exchange risk is minimal as the Corporation conducts most of its transactions using its functional currency. Nevertheless, management has set up a policy to require the Corporation to manage its foreign exchange risk against 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 2019 (2018: 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 2019 and 2018, the Corporation's borrowings at fixed rate were denominated in the functional currency.

**3. Financial risk management (continued)
Market risk (continued)**

3.2 Market risk (continued)

Interest rate sensitivity

Interest rate applicable during the current cash and cash equivalents are as follows:

	2019 Balance P'000	Interest rate	2018 Balance P'000	Interest rate
African Alliance	80 120	4.61%	73 980	3.56%
BIFM	50 381	5.04%	–	–
Stanlib	21 228	4.15%	85 706	3.81%
Call deposits	65 013	0.25% - 1.00%	18 616	0.25% - 1.00%
	216 742		**178 302**	

Loan and bond balances as at 31 March 2019 are as follows:

Long term borrowings - Debt securities	300 000	Bank rate +2.90%	–
	300 000		**–**
Net interest bearing	**(83 258)**		**178 302**
Interest rate variation at 50 basis point	**(416)**		**892**

With average interest rates disclosed above, an increase of 50 basis points in interest rates during the reporting period would have decreased the Corporation's profit before tax by P416 000 (2018: P892 000).

A 50 basis points 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 50 basis points in interest rates during the reporting period would have decreased the Corporation's equity by P324 000 (2018: P696 000).

3. Financial risk management (continued)

3.3 Liquidity risk

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

	Less than 1 year P'000	1 - 2 years P'000	2 - 5 years P'000	Over 5 years P'000	Total P'000
At 31 March 2019					
Borrowings	80 565	150 027	184 924	529 188	944 704
Trade and other payables	175 812	–	–	–	175 812
Customer deposits	16 579	–	–	–	16 579
Liabilities (contractual maturity)	**272 956**	**150 027**	**184 924**	**529 188**	**1 137 095**

	Less than 1 year P'000	1 - 2 years P'000	2 - 5 years P'000	Over 5 years P'000	Total P'000
At 31 March 2018					
Borrowings	63 539	56 865	226 833	242 488	589 725
Trade and other payables	161 938	–	–	–	161 938
Customer deposits	12 990	–	–	–	12 990
Liabilities (contractual maturity)	**238 467**	**56 865**	**226 833**	**242 488**	**764 653**

3.4 Financial instrument by category

Financial assets at amortised cost

	2019 P'000	2018 P'000
Assets as per statement of financial position:		
Trade and other receivables	114 150	100 762
Cash and cash equivalents	1 091 022	1 012 548
	1 205 172	**1 113 310**

Financial liabilities at amortised cost

	2019 P'000	2018 P'000
Liabilities as per statement of financial position:		
Borrowings	705 581	439 468
Trade and other payables	137 213	135 514
Customer deposits	16 579	12 990
	859 373	**587 972**

3. Financial risk management (continued)

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 the 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.

			2019	2018
			P'000	P'000
Total long term debt			701 261	438 473
Total capital and reserves			1 481 607	1 472 287
Debt : equity ratio			0.47	0.30

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.

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 business support activities not included in other segments

No operating segments have been aggregated.

4. Operating Segments (continued)

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

	Sale of Housing Inventories	Rental	Construction and management contracts	Others	Total
	P'000	P'000	P'000	P'000	P'000
Revenue	58 739	193 185	258 710	–	510 634
Cost of sale of housing inventories	(51 071)	–	–	–	(51 071)
Cost of sale of third party maintenance	–	–	(204 430)	–	(204 430)
Repairs and maintenance	–	(38 722)	–	–	(38 722)
Employee benefit expenses	(18 304)	(22 881)	–	(90 863)	(132 048)
Depreciation and amortisation	(135)	(885)	–	(25 651)	(26 671)
Other expenses	(10 552)	(30 975)	–	(34 418)	(75 945)
Impairment expenses	–	1 767	–	(837)	930
Gains from sale of investment properties	17 741	–	–	–	17 741
Other income	400	1 766	–	418	2 584
Operating profit/(loss)	**(3 182)**	**103 255**	**54 280**	**(151 351)**	**3 002**
Finance income	–	–	–	4 662	4 662
Finance costs	(85)	(21)	–	–	(106)
Net finance costs	**(85)**	**(21)**	**–**	**4 662**	**4 556**
Share of profit or loss of equity accounted investees of joint ventures	–	–	–	14 268	14 268
Profit/(loss) before taxation	**(3 267)**	**103 234**	**54 280**	**(132 422)**	**21 826**
Taxation	–	–	–	(5 063)	(5 063)
Total comprehensive income for the year	**(3 267)**	**103 234**	**54 280**	**(137 485)**	**16 763**
Total segment results above include:					
Revenue from Government and Government related entities (Note 32.7)	26 313	113 554	36 988	-	176 855
Segment assets	**733 659**	**1 354 644**	**887 889**	**138 698**	**3 114 890**
Reconciliation to total assets as reported in the statement of financial position					
Investment in joint ventures	–	–	–	27 400	27 400
Intangible assets	–	–	–	20 467	20 467
Cash and cash equivalents	–	–	–	220 990	220 990
Total assets as reported in the statement of financial position	**733 659**	**1 354 644**	**887 889**	**407 555**	**3 383 747**
Total liabilities	**660 126**	**216 530**	**870 032**	**155 452**	**1 902 140**

4. Operating Segments (continued)

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

Additions to non current assets	Sale of Housing Inventories P'000	Rental P'000	Construction & management contracts P'000	Others P'000	Total P'000
Investment properties	–	40 139	–	–	40 139
Property, plant and equipment	–	–	–	10 920	10 920
Intangible assets	–	–	–	1 689	1 689
	–	40 139	–	12 609	52 748

The segment information for the year ended 31 March 2018 has been restated in line with Note 34.

	Sale of Housing Inventories P'000	Rental P'000	Construction & management contracts P'000	Others P'000	Total P'000
Revenue	72 906	197 836	206 940	–	477 682
Cost of sale of housing inventories	(58 898)	–	–	–	(58 898)
Cost of sale of third party maintenance	–	–	(163 270)	–	(163 270)
Repairs and maintenance	–	(33 687)	–	–	(33 687)
Employee benefit expenses	(9 270)	(16 507)	–	(77 355)	(103 132)
Depreciation and amortisation	(135)	(11 504)	–	(5 705)	(17 344)
Other expenses	(18 608)	(40 767)	–	(8 301)	(67 676)
Impairment expenses	–	35 935	–	–	35 935
Gains from sale of investment properties	14 786	–	–	–	14 786
Other income	108	1 905	7 459	–	9 472
Operating profit/(loss)	**889**	**133 211**	**51 129**	**(91 361)**	**93 868**
Finance income	–	–	–	17 161	17 161
Finance costs	(12 905)	(3 226)	–	–	(16 131)
Net finance costs	**(12 905)**	**(3 226)**	**–**	**17 161**	**1 030**
Share of profit or loss of equity accounted investees of joint ventures	–	–	–	13 452	13 452
Profit/(loss) before taxation	**(12 016)**	**129 985**	**51 129**	**(60 748)**	**108 350**
Taxation	–	–	–	(20 605)	(20 605)
Total comprehensive income for the year	**(12 016)**	**129 985**	**51 129**	**(81 353)**	**87 745**

4. Operating Segments (continued)

Total segment results above include:

	Sale of Housing Inventories	Rental	Construction & management contracts	Others	Total
	P'000	P'000	P'000	P'000	P'000
Revenue from Government and Government related entities (Note 32.7)	59 804	113 863	31 251	–	204 918
Segment assets	**504 291**	**1 322 841**	**794 516**	**116 602**	**2 738 250**
Reconciliation to total assets as reported in the statement of financial position:					
Investment in joint ventures	–	–	–	22 982	22 982
Intangible assets	–	–	–	22 201	22 201
Cash and cash equivalents	–	–	–	218 032	218 032
Total assets as reported in the statement of financial position	**504 291**	**1 322 841**	**794 516**	**379 817**	**3 001 465**
Total liabilities	**407 047**	**155 597**	**794 516**	**172 018**	**1 529 178**
Additions to non current assets					
Investment properties	–	96 783	–	–	96 783
Property, plant and equipment	–	33	–	4 503	4 536
Intangible assets	–	–	–	3 744	3 744
	–	**96 816**	–	**8 247**	**105 063**

5. Accounting estimates and judgements

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

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

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

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

(b) Useful lives and amortisation of intangible assets

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

(c) Impairment of receivables

The Corporation reviews its debtors (Note 22) to assess impairment on a monthly basis. In determining whether an impairment loss should be recognised, the Corporation makes judgments as to whether there is any observable data indicating that there is a measurable decrease in estimated cash flows from a portfolio of accounts receivables. Management uses estimates based on historical loss experience of these assets. The assumptions used for estimating the amount and timing of cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(d) Taxation

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

(e) Valuation of housing inventories

Housing inventories consists of the following:

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

5. Accounting estimates and judgements (continued)

(e) Valuation of housing inventories (continued)

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

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

Net Realisable Value (NRV) is estimated as follows:

- For land for development, NRV is estimated as the selling price for the land in the ordinary course of business less selling expenses.

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

- For completed houses, NRV is estimated as the selling price in the ordinary course of business less selling expenses.

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

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

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

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

5. Accounting estimates and judgements (continued)

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 of 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.

Principal versus agent considerations

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

Determining the timing of revenue recognition on the sale of property

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

		2019 P'000	2018 P'000
6.	**Rental income and revenue from contract with customers**		
	Rental income - Residential properties	187 308	190 173
	Rental income - Commercial properties	5 877	7 663
	Rental income	193 185	197 836
	Professional fees	36 988	31 251
	External projects contracts income	94 549	74 860
	Self Help Housing Agency (SHHA) projects contracts income	68 061	69 493
	Capacitation fee	9 777	10 943
	Revenue from construction contracts	209 375	186 547
	Outright sales of housing units	57 039	70 799
	Facilities Management income	47 676	18 578
	Tenant Purchase Scheme income	1 689	2 095
	Step Ownership Scheme income	11	12
	Recoverable maintenance	1 659	1 815
	Revenue from contract with customers	108 074	93 299
		510 634	**477 682**

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.

A prior year error relating to revenue from professional fees and external projects contracts income has been corrected and the background information and financial impact has been disclosed as per Note 34.

		2019 P'000	2018 P'000
7	**Cost of sales**		
7.1	**Cost of sale of housing inventories**		
	At beginning of the year	**584 765**	**407 264**
	Land held for development	44 379	39 917
	Housing under construction	442 421	240 090
	Completed houses - Inventories (written down to net realisable value)	97 965	127 257
	Movements during the year	**305 208**	**236 399**
	Acquisition of land	763	1 805
	Capitalised construction costs	298 999	313 039
	Capitalised development costs - employee benefit expenses (note 8)	7 620	4 817
	Capitalised borrowing costs (Note 14)	34 585	14 949
	Transfer from investment properties	1 147	–
	Excess allowance on write down of inventory on final account written off	–	(15 590)
	Housing inventory written off	(3 471)	(2 314)
	Movement in the write down of inventory to net realisable value	–	3 863
	Accumulated depreciation on retired inventory transferred from investment property	–	(11)
	Transfer to investment property (Note 15)	(34 435)	(84 159)
	At end of year (note 16)	**(838 902)**	**(584 765)**
	Land held for development	(45 142)	(44 379)
	Housing under construction	(565 310)	(442 421)
	Completed houses - Inventories (written down to net realisable value)	(228 450)	(97 965)
		51 071	**58 898**
7.2	**Cost of sale of construction and management contracts**		
	External construction contracts	94 549	74 860
	SHHA construction contracts	68 061	69 493
	Facilities management contracts	41 820	18 917
		204 430	**163 270**

A prior year error relating to cost of sales of construction and management contracts has been corrected and the background information and financial impact has been disclosed as per note 34.

		2019 P'000	2018 P'000
8.	**Employee benefit expenses**		
	Salaries, wages and other benefits	119 888	97 328
	Incentive pay	7 911	–
	Pension contributions	7 331	6 488
	Gratuities	4 538	4 133
	Less : capitalised during the year (Note 7)	(7 620)	(4 817)
		132 048	**103 132**

Number of persons employed by the Corporation at the reporting date were 281 (2018: 255).

		2019 P'000	2018 P'000
9.	**Depreciation and amortisation**		
	Depreciation - investment properties (Note 15)	17 665	9 472
	Depreciation - property, plant and equipment (Note 17)	3 423	2 990
	Amortisation - leasehold land (Note 15)	2 160	1 147
	Amortisation - intangible assets (Note 18)	3 423	3 735
		26 671	**17 344**
10.	**Other expenses**		
	Audit fees - prior year under provision	8	163
	Audit fees - current year	946	790
	Board members' remuneration	268	480
	Operating lease rentals - motor vehicles	6 094	4 305
	Consultancy fees	2 116	2 271
	Rates	5 515	6 015
	Non capitalisable expenses	165	3 248
	Security expenses	6 295	6 196
	Telephone expenses	4 969	5 554
	Training expenses	6 782	3 263
	Insurance	3 398	2 812
	Travelling and accommodation	5 859	4 693
	IT expenses	4 456	6 996
	Advertising and marketing	4 593	4 429
	Call centre expenses	1 515	2 147
	Administration expenses	19 879	10 865
	Training levy	408	443
	Utilities	2 537	2 160
	Penalty charges - Tax	142	846
		75 945	**67 676**
	Impairment expense / (reversal)		
	Rental debtors	(1 767)	(35 935)
	Professional fees	837	–
		(930)	**(35 935)**
11.	**Other income**		
	Sundry income	2 389	5 609
	Income from auction sales	195	3 863
		2 584	**9 472**

A prior year error relating to construction and management contracts has been corrected and the background information and financial impact has been disclosed as per note 34.

		2019 P'000	2018 P'000
12.	**Gains from sale of investment properties**		
	Proceeds from sale of investment properties	30 055	22 452
	Cost (Note 15)	(14 336)	(9 069)
	Accumulated depreciation (Note 15)	2 022	1 403
		17 741	**14 786**

		2019 P'000	2018 P'000
13.	**Finance income**		
	Interest income received on short term bank deposits	4 138	16 694
	Interest accrued on short term bank deposits	524	467
		4 662	**17 161**
14.	**Finance costs**		
	Interest expense paid on loans	9 024	10 764
	Interest expense paid on debt securities in issue	13 083	13 228
	Other financing costs paid	4 793	187
		26 900	**24 179**
	Interest accrued on loans	3 134	3 737
	Interest accrued on debt securities in issue	4 657	3 164
	Less: capitalised to housing inventories during the year (Note 7)	(34 585)	(14 949)
		106	**16 131**

A capitalisation rate of 5.73% (2018: 5.73%) was used for projects whose development was financed out of long term debt (Note 26).

		2019 P'000	2018 P'000 Restated	1 April 2017 P'000W Restated
15.	**Investment properties**			
	Opening carrying amount	1 235 316	1 141 376	1 107 561
	Transfer to property, plant and equipment (Note 17)	(28 700)	–	–
	Transfer to inventory	(1 147)	–	(2 391)
	Additions to investment properties (including improvements)	17 880	28 066	53 528
	Additions to investment properties - transfer from inventory (Note 7)	34 435	84 159	–
	Disposals	(14 336)	(9 069)	(8 750)
	Depreciation on disposals	2 022	1 403	1 312
	Depreciation - housing properties	(17 665)	(9 472)	(8 706)
	Amortisation - leasehold land	(2 160)	(1 147)	(1 178)
	Closing carrying amount	**1 225 645**	**1 235 316**	**1 141 376**
	Cost	1 555 296	1 547 165	1 444 009
	Accumulated depreciation	(329 651)	(311 849)	(302 633)
	Carrying amount	**1 225 645**	**1 235 316**	**1 141 376**

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

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

A prior year error relating to investment properties has been corrected and the background information and financial impact has been disclosed as per Note 34.

15. Investment properties (continued)

Investment properties were valued as at 31 March 2019 by estate management professionals based on the latest prevailing market prices. The value of the investment properties was estimated at P4,919 million on 31 March 2019 (2018: P4,867 million). The Corporation uses the cost model to determine the fair values of property. The model uses current replacement cost less the depreciation due to physical deterioration. The current replacement cost is the current cost of constructing a property type using estimated gains from the in-house Quantity Surveyors. The land component is estimated separately and added to come up with the final fair value of the property. The fair value of measurement for all investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

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

The value of housing properties which the Corporation has not received title deeds amount to P3.9 million (2018: P8.1 million). The members of the Board believe that title deeds for these properties will be received in due course.

	2019	2018
	P'000	P'000
16. Housing inventories		
Land for development (Note 7)	45 142	44 379
Housing under construction (Note 7)	565 310	442 421
Completed houses (Note 7)	230 789	100 304
Less: Write down of inventory to net realisable value (Note 7)	(2 339)	(2 339)
	838 902	**584 765**
Detailed analysis of the inventories at the end of the year is shown below.		
Land for development	45 142	44 379
Housing under construction	565 310	442 421
Completed houses	228 450	97 965
	838 902	**584 765**

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
At 31 March 2019						
Opening carrying amount	10 409	2 546	4 492	3 461	161	21 069
Additions	–	3 902	2 440	4 578	–	10 920
Disposals	–	(146)	(96)	–	(35)	(277)
Accumulated depreciation on disposal	–	146	96	–	35	277
Transfer from investment property (Note 15)	28 700	–	–	–	–	28 700
Depreciation charge	(98)	(901)	(814)	(1 584)	(26)	(3 423)
Closing carrying amount	**39 011**	**5 547**	**6 118**	**6 455**	**135**	**57 266**
Cost	45 722	19 801	13 865	15 287	2 336	97 011
Accumulated depreciation	(6 711)	(14 254)	(7 747)	(8 832)	(2 201)	(39 745)
Closing carrying amount	**39 011**	**5 547**	**6 118**	**6 455**	**135**	**57 266**
At 31 March 2018						
Opening carrying amount	8 457	1 730	4 997	4 070	269	19 523
Additions	1 966	1 584	355	629	2	4 536
Depreciation charge	(14)	(768)	(860)	(1 238)	(110)	(2 990)
Closing carrying amount	**10 409**	**2 546**	**4 492**	**3 461**	**161**	**21 069**
Cost	17 022	16 045	11 521	10 709	2 372	57 669
Accumulated depreciation	(6 613)	(13 499)	(7 029)	(7 248)	(2 211)	(36 600)
Closing carrying amount	**10 409**	**2 546**	**4 492**	**3 461**	**161**	**21 069**

18. Intangible assets

	ERP System	Computer software	Total
	P'000	**P'000**	**P'000**
At 31 March 2019			
Opening carrying amount	22 201	–	22 201
Additions	1 689	–	1 689
Amortisation charge	(3 423)	–	(3 423)
Closing carrying amount	**20 467**	**–**	**20 467**
Cost	45 392	5 367	50 759
Accumulated amortisation	(24 925)	(5 367)	(30 292)
Closing carrying amount	**20 467**	**–**	**20 467**
At 31 March 2018			
Opening carrying amount	22 192	–	22 192
Additions	3 744	–	3 744
Amortisation charge	(3 735)	–	(3 735)
Closing carrying amount	**22 201**	**–**	**22 201**
Cost	38 337	5 367	43 704
Accumulated amortisation	(16 136)	(5 367)	(21 503)
Closing carrying amount	**22 201**	**–**	**22 201**

Remaining amortisation period for ERP system is 4 years (2018: 5 years).

19. Investments in joint ventures

	2019 P'000	2018 P'000	2019 P'000	2018 P'000	2019 P'000	2018 P'000	2019 P'000	2018 P'000
		Plot 7 (Plaza Centre)		**Plot 1471/2 (Galo Complex)**		**Boiketlo (Phakalane)**		**Total**
At the beginning of the year	923	805	22 059	19 925	–	46	22 982	20 776
Share of equity accounted earnings for the year	771	818	13 497	12 634	–	–	14 268	13 452
Dividends declared during the year*	(250)	(1 050)	(4 500)	(15 250)	–	–	(4 750)	(16 300)
Prior year dividends received in the current year	(350)	–	(4 750)	–	–	–	(5 100)	–
Less: dividends paid after year end*	–	350	–	4 750	–	–	–	5 100
Partnership liquidation	–	–	–	–	–	(46)	–	(46)
At the end of the year	**1 094**	**923**	**26 306**	**22 059**	**–**	**–**	**27 400**	**22 982**

* Dividends relate to the Corporation 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 at the Station, Gaborone.

(b) Boiketlo Estates Partnership (Phakalane)

The Corporation had a 50% interest in a partnership, Boiketlo Estates Partnership established in December 2002 for the specific purpose of constructing, marketing and selling 147 residential housing units on Plots 42785 and 42787, Gaborone. The construction of these residential units was completed in August 2009 and the partnership was liquidated in the prior financial year.

(c) 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.

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-19 P'000	Apr-18 P'000 Plot 7 (Plaza Centre)	Apr-19 P'000	Apr-18 P'000 Plot 1471/2 (Galo Complex)	2019 P'000 Total	2018 P'000
Assets:						
Non-current assets						
Investment property	2 064	2 130	45 465	39 983	47 529	42 113
Other non- current assets	–	–	3 567	4 491	3 567	4 491
	2 064	**2 130**	**49 032**	**44 474**	**51 096**	**46 604**
Current assets						
Cash and cash equivalents	1 739	435	20 017	6 883	21 756	7 318
Other current assets excluding cash	186	345	437	492	623	837
	1 925	**780**	**20 454**	**7 375**	**22 379**	**8 155**
	3 989	**2 910**	**69 486**	**51 849**	**73 475**	**54 759**
Liabilities:						
Non-current liabilities						
Deferred income	–	–	676	747	676	747
	–	**–**	**676**	**747**	**676**	**747**
Current liabilities						
Trade and other payables	401	355	3 216	3 649	3 617	4 004
	401	**355**	**3 216**	**3 649**	**3 617**	**4 004**
	401	**355**	**3 892**	**4 396**	**4 293**	**4 751**
Net assets	**3 588**	**2 555**	**65 594**	**47 453**	**69 182**	**50 008**
Income						
Revenue	1 826	1 922	38 985	37 104	40 811	39 026
Sundry income	–	1	118	63	118	64
Finance income	4	3	149	117	153	120
	1 830	**1 926**	**39 252**	**37 284**	**41 082**	**39 210**
Expense						
Operating expenses	231	223	10 572	10 355	10 803	10 578
Depreciation	66	66	1 540	1 540	1 606	1 606
	297	**289**	**12 112**	**11 895**	**12 409**	**12 184**
Profit and total comprehensive income	**1 533**	**1 637**	**27 140**	**25 389**	**28 673**	**27 026**

19.1 Investments in joint ventures (continued)

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

Plot 7	May 2018 to April 2019
Plot 1471/2	May 2018 to April 2019

These are the reporting periods as elected by the partnership.

20. Taxation

	2019 P'000	2018 P'000
Amount recognised in the statement of financial position		
Taxation payable at the beginning of the year	8 270	8 515
Normal company taxation	5 517	14 014
Income tax paid during the year	(20 113)	(14 259)
Taxation payable at end of the year	**(6 326)**	**8 270**
Taxation charge reconciliation		
Profit before taxation	21 826	108 350
Taxation at the statutory rate of 22%	**4 802**	**23 837**
Tax effects of adjustments on taxable income		
Disallowed expenditure	530	2 648
Exempt income	–	(11 867)
Prior year deferred tax (over) / under provision	(269)	5 987
Taxation	5 063	20 605
Amount recognised in profit or loss		
Current tax expense		
Current year taxation	5 517	14 014
Deferred tax movement		
Prior year deferred tax under provision	269	5 987
Deferred tax movement during the year	(723)	604
Taxation per profit or loss	5 063	20 605

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

		2019 P'000	2018 P'000
21.	**Deferred tax**		
	Movement in deferred tax		
	Balance at the beginning of the year as previously stated	(860)	5 731
	Deferred tax on IFRS 9 adjustment	2 099	–
	Restated balance as at 1 April 2019	1 239	5 731
	Prior year under provision	(269)	(5 987)
	Movement during the year	723	(604)
	Balance at the end of the year	**1 693**	**(860)**
	Analysis of deferred taxation		
	Temporary differences relating to :		
	Accelerated capital allowances on property, plant and equipment	(1 576)	(860)
	Credit loss allowances	3 269	–
		1 693	**(860)**
22.	**Trade and other receivables**		
	Trade receivables	107 348	80 257
	Less: allowance for impairment of trade receivables	(14 858)	(7 083)
	Trade receivables - net	**92 490**	**73 174**
	Other receivables	22 536	29 410
		115 026	**102 584**
	Less: non-current portion	(8 949)	(9 693)
	Current portion	**106 077**	**92 891**

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	7 083	43 018
IFRS 9 adjustment for credit losses (accounted for in retained earnings)	8 705	–
Accumulated impairment losses at beginning of the year - restated	15 788	43 018
Movement in allowance for impairment per profit or loss (Note 10)	(930)	(35 935)
Accumulated impairment losses at end of the year	**14 858**	**7 083**

		2019	2018
		P'000	**P'000**
23.	**Cash and cash equivalents**		
	Cash at bank and on hand	280 449	242 890
	Short term bank deposits	810 573	769 658
		1 091 022	**1 012 548**

Cash and cash equivalents include P870.3 million (2018: P794.5 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.

		2019	2018
	Money markets deposits	151 729	159 686
	Current and call accounts deposits	69 261	58 346
		220 990	**218 032**
24.	**Irredeemable capital**		
	Irredeemable capital contribution	**250 000**	**250 000**
25.	**Earnings reserve**		
	At beginning of the year	–	4 958
	Transfer to retained earnings	–	(4 958)
	At end of the year	**–**	**–**

	2019 P'000	2018 P'000
26. Borrowings		
Irredeemable loan (Note 26.1)	212	212
Foreign loans on-lent by the Government of Botswana (note 26.2)	5 528	15 469
Government of Botswana loans (Note 26.3)	294 355	317 623
	300 095	**333 304**
Debt securities in issue (Note 26.5)	405 487	106 164
	705 582	**439 468**
Less: current portion	(44 080)	(48 051)
Non-current portion	661 502	391 417

Debt securities in issue include accrued interest of P4.657 million (2018: P3.164 million) at year end.

All borrowings are denominated in Pula.

Government revenue grant (note 26.4)		
Balance at the beginning of the year	54 824	63 035
Amortisation during the year	(7 768)	(8 211)
Deferred Government revenue grant	47 056	54 824
Less: current portion	(7 297)	(7 768)
Non-current portion	39 759	47 056

26.1 Irredeemable loan

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

26.2 Foreign loan on-lent by the Government of Botswana

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

26.3 Government of Botswana loan

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

26. Borrowing (continued)

26.4 Deferred Government revenue grant

The deferred Government revenue grant relates to a Government loan which was granted to the Corporation at a rate of 3% per annum which was below the market interest rate. The loan was granted specifically to fund the Instalment Purchase Scheme and Youth Housing projects. The grant is recognised in the financial statements in terms of accounting policy 2.28 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 15years.

26.5 Debt securities in issue

Floating rate notes

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

Fixed rate notes

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

26.6 Movement in loans

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

26.6 Movement in loans (continued)

Lender	Contractual interest rate (%)	Period of repayment	Balance at 01 April 2017 P'000	Interest unwinding during the year P'000	Repayment during the year P'000	Balance at 31 March 2018 P'000
Irredeemable loan						
Government of Botswana	8%	Irredeemable	212	–	–	212
Foreign loans on-lent by the Government of Botswana						
Government of the Peoples' Republic of China	8.40%	2011-2019	24 089	940	(9 560)	15 469
			24 089	**940**	**(9 560)**	**15 469**
Government of Botswana	3.00%	2015-2029	340 450	7 943	(30 770)	317 623
			340 450	**7 943**	**(30 770)**	**317 623**
Debt Participation Capital Funding Limited loans						
Debt Participation Capital Funding Limited	9.50%	1993-2016	2	–	–	2
Debt Participation Capital Funding Limited	12.00%	1994-2017	3 192	(87)	(3 107)	(2)
			3 194	**(87)**	**(3 107)**	**–**
			367 945	**8 796**	**(43 437)**	**333 304**

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

	2019 P'000	2018 P'000
Balance at the beginning of the year	494 292	823 590
Repayment of long term borrowings	(74 174)	(67 616)
Repayment of bond	–	(286 000)
Proceeds from issue of debt securities less transaction costs and related amortisation	297 830	–
Interest expense	34 690	24 318
Balance at the end of the year	**752 638**	**494 292**

	2019 P'000	2018 P'000 Restated	1 April 2017 P'000 Restated
27. Trade and other payables			
Financial liabilities			
Trade payables	120 059	101 842	99 857
Dividend payable	–	20 205	40 410
Sundry creditors	17 154	13 467	8 601
Advance payment by customers	–	–	15 485
	137 213	135 514	164 353
Non financial liabilities			
Advance payment by customers	29 760	26 822	–
Contractors withholding tax	491	331	–
Other accruals and VAT payable	70 217	53 943	37 893
	100 468	**81 096**	**37 893**
Total trade and other payables	**237 681**	**216 610**	**202 246**

A prior year error relating to VAT previously claimed in error been corrected and the background information and financial impact has been disclosed as per Note 34.

28. Contract balances

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

	2019 P'000	2018 P'000
Receivables which are included in trade and other receivables - note 32.8		
Contract assets	17 857	–
Contract liabilities	870 032	794 516
Contract liabilities		
At the beginning of the year	794 516	718 635
Funds received during the year	487 889	298 021
Expenditure on projects during the year	(449 753)	(249 052)
Interest earned on temporary investment of funds	37 380	26 912
At the end of the year	**870 032**	**794 516**
Balances relating to related parties are as follows		
Botswana Defence Force	487 390	480 359
Botswana Unified Revenue Services	11	855
Department of Housing	51 251	56 586
Self Help Housing Agency	258 289	201 065
Malete Land Board	10 622	343
Directorate of Corruption and Economic Crime	9 559	5 522
Independent Electoral Commission	–	298
Kgatleng Land Board	1 705	1 703
Administration of Justice	(341)	(341)
Botswana Prisons Services	32 671	36 118
Ministry of Finance	(11)	(13)
Tawana Land Board	2 287	2 322
Botswana Police Service	688	2 216
Kweneng Land Board	4 724	5 977
Letlhakeng Sub Land Board	1 515	1 506
Palapye Sub Land Board	9 672	–
	870 032	**794 516**

28. Contract balances (continued)

The relationship is through common ownership by the Government of Botswana

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

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

	2019 P'000	2018 P'000
28.1 Deferred income		
At the beginning of the year	1 640	5 225
Funds received during the year	24 839	–
Expenditure on projects during the year	(1 269)	(3 585)
At the end of the year	**25 210**	**1 640**
Balances relating to deferred income are as follows		
Administration of Justice	20 340	–
SHHA	708	1 640
Ombudsman	4 500	–
Botswana Government - ESP projects	(310)	–
Botswana Government - Malaysian trip	(28)	–
	25 210	**1 640**
29. Customer deposits		
Rental deposits	12 180	11 868
Sale of properties deposits	4 399	1 122
	16 579	**12 990**

30. Net cash utilised in operating activities

	2019 P'000	2018 P'000
Surplus before taxation	21 826	108 350
Adjustments for:		
Gains from sale of investment property (Note 12)	(17 741)	(14 786)
Depreciation - investment property (Note 15)	17 665	9 472
Depreciation - property, plant and equipment (Note 17)	3 423	2 990
Amortisation - leasehold land (Note 15)	2 160	1 147
Amortisation - intangible assets (note 18)	3 423	3 735
IFRS 9 adjustment for credit losses	(9 542)	–
Impairment expenses (Note 10)	(930)	(35 935)
Transfer of investment property to inventory (Note 15)	1 147	–
Transfer from inventory (Note 7)	(34 435)	(84 159)
Release of impairment provision - housing inventory (Note 11)	–	3 863
Partnership liquidation adjustment (Note 19)	–	46
Provision for restructuring expenses (Note 34)	–	(3 693)
Capitalised interest	34 585	14 949
Interest unwinding on loans	774	1 284
Movement in bond and loan accrued interest	890	(1 145)
Deferred Bond arrangement fees	(2 170)	–
Deferred income - third party projects	–	–
Share of profit or loss of equity accounted investees of joint ventures (Note 19)	(14 268)	(13 452)
Finance income (Note 13)	(4 662)	(17 161)
Finance cost (Note 14)	106	16 131
	2 251	(8 364)
Changes in working capital:		
Trade and other receivables (Note 22)	(10 988)	(47)
Trade and other payables (excluding dividend payable) (Note 27)	33 484	12 226
Deferred income	23 570	(3 589)
Customer deposits (Note 29)	3 589	(112)
Housing inventories (Note 16)	(254 137)	(181 364)
Cash flow utilised in operating activities	**(202 231)**	**(181 250)**

31. Commitments

(a) Capital commitments

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

	2019 P'000	2018 P'000
Investment properties and housing inventories	111 028	177 177
Intangible assets	–	6 250
	111 028	**183 427**

The capital commitments are to be financed through internally generated cash resources and borrowings.

(b) Operating lease commitments

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

	2019 P'000	2018 P'000
Not later than 1 year	5 344	57
Later than 1 year but not later than 5 years	6 459	–
	11 803	**57**

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

32. Related party transactions

The Botswana Housing Corporation is a parastatal, wholly owned by the Government of the Republic of Botswana. Accordingly, the 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 the Government of Botswana.

32.1 Loans from Government

Details of these loans are disclosed in note 26 to these financial statements.

	2019 P'000	2018 P'000
32.2 Transactions with board members		
Board sitting fees	266	480

32.3 Key management personnel compensation

Salaries and other short-term benefits	4 139	4 043
Post employment benefits - gratuity provision	3 195	2 409
	7 334	**6 452**

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

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

32.4 Advances to key management personnel

	2019 P'000	2018 P'000
Advance against gratuity	1 973	1 613

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 2019, credit loss allowances in respect of rental debts owed by the Government of Botswana amounted to Nil (2018:Nil).

32. Related party transactions (continued)

32.6 Joint ventures

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

32.7 Revenue

Significant income the Corporation earned from related parties include professional services carried out, rental income and sale of housing inventories for the year ended 31 March 2019.

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

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 2018.

	Sales of housing	Rental income	Professional fees	Contractors Payments
	P'000	P'000	P'000	P'000
Botswana Defence Force	–	11 730	10 581	110 167
Botswana Prison Services	–	4 211	–	19 895
Botswana Unified Revenue Services	–	491	198	2 546
Ministry of Land Management, Water and Sanitation	927	51 094	–	–
Botswana Police Service	8 695	14 475	15 567	7 210
Self Help Housing Agency	–	–	4 829	–
Kgalagadi Land Board	1 530	–	–	–
Kgatleng Land Board	–	–	–	21
Kweneng Land Board	–	–	–	858
Tawana Land Board	–	–	–	46
Office of the President	33 978	3 229	–	–
Ministry of Basic Education	3 687	–	–	–
Ministry of Health and Wellness	1 453	–	–	–
Ministry of Agricultural Development and Food Security	518	–	–	–
Department of Buildings and Engineering Services	548	–	–	–
Water Utilities Corporation	–	238	–	–
Attorney General	5 900	–	–	–
Administration of Justice	–	–	–	6 323
Ghanzi District Council	2 568	–	–	–
Accountant General	–	–	76	–
Ministry of Finance and Economic Development	–	–	–	1 424
Directorate on Corruption and Economic Crime	–	–	–	56
Independent Electoral Commission	–	–	–	5 076
District Housing	–	–	–	6 133
Botswana Ash	–	27 685	–	–
Botswana International University of Science and Technology	–	546	–	–
Jwaneng Town Council	–	164	–	–
	59 804	**113 863**	**31 251**	**159 755**

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.

	2019 P'000	2018 P'000
Botswana Defence Force	10 900	1 865
Department of Lands	2 567	–
Administration of Justice	122	122
Botswana Police Service	15 017	–
Directorate on Corruption and Economic Crime	435	35
Accountant General	939	180
Self Help Housing Agency	37 190	34 637
Kgatleng Land Board	201	201
Tsabong Land Board	5 247	1 399
Tawana Land Board	4 764	–
Kweneng Land Board	3 233	–
Malete Land Board	154	–
Botswana Unified Revenue Services	3 540	2 884
Botswana Prison Services	1 551	9 952
	85 860	**51 275**

32.9 Contract liabilities

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

33. Provision for restructuring expenses

At the beginning of the year	–	3 693
Payments during year	–	(3 693)
Balance at the end of the year	–	–

As a part of a strategic restructuring programme, the Board approved a new establishment which resulted in retrenchment of certain employees of the Corporation in the previous year. The Corporation had signed an agreement with the Workers Union on 30 March 2016 detailing the proposed compensation package for employees who were to be retrenched as a result of the proposed restructuring. The provision account was to cater for non-acceptance to re-deployment of some officers and also to some Senior Leadership Team (SLT) members who were released. The restructuring programme was completed in December 2017.

34. Prior period errors

Revenue

The Corporation enters into various contracts with its customers and in performing its obligations under these contracts, the Corporation engages third party service providers. In the previous years, when the Corporation evaluated the relationships between the customers and itself, it incorrectly concluded that it was acting as an agent instead of principal. With respect to revenue from construction services (professional fees), the Corporation was only recognising the "fee" portion and not the entire contract amount thereby understating its revenue and cost of sales. However with respect to revenue from management contracts (maintenance services) the Corporation was correctly accounting for revenue and cost of sales, considering themselves the principal in the arrangements with customers but these were allocated to the incorrect financial statement captions. As a result, this necessitated a restatement of the affected captions to align to the requirements of IFRS 15 - ***revenue from contracts withcustomers.***

For both revenue from construction services and management contracts, the revenue not recognised equals the cost of sales thus there was no impact on the profit for the previous periods.

As a result of this error, revenue and cost of sales were understated by P163 270 000 in the year ended 31 March 2018. In addition, certain revenue streams amounting to P34 945 000 that were previously incorrectly classified as Other income were reclassified to revenue. Cost of sales of construction and management contracts amounting to P14 863 000 was incorrectly classified as repairs and maintenance expense in the prior year. The affected captions were reinstated to correct this error in line with the requirements of IAS 8 - ***Accounting Policies, Changes in Accounting Estimates and Errors.***

Although the error affects prior periods before the comparative, the effect of the depreciation which should have been recognised was considered insignificant. There is therefore no requirement to disclose an opening statement of financial position as at 1 April 2017.

The effect of the restatement on the financial statements is described below. The effect in the current year financial year has been corrected in the current statement of profit or loss and other comprehensive income. There is no impact in the statement of cashflows.

	Amount previously stated	**Restatement**	**Amount after restatement**
	P'000	**P'000**	**P'000**
Revenue	294 330	198 215	492 545
Cost of sales of construction and management contracts	(107 448)	(178 133)	(285 581)
Repairs and maintenance	(48 550)	14 863	(33 687)
Other income	44 417	(34 945)	9 472
Profit for the year	87 745	–	87 745
Equity	1 472 287	–	1 472 287

34. Prior period errors (continued)

VAT accrual

In terms of the Value Added Tax (VAT) Act, the Corporation is designated as a mixed supplies vendor as construction of investment property is an exempt supply. The Corporation has been using a fixed apportionment ratio as opposed to updating it annually to reflect its current mixed supply levels. This VAT input treatment has resulted in a liability for VAT which affects prior years and the effect of accruing for this liability has no profit or loss impact:

	Amount previously stated	Restatement	Amount after restatement
	P'000	P'000	P'000
2018			
Investment properties	1 208 892	26 424	1 235 316
Trade and other payables	(190 186)	(26 424)	(216 610)
1 April 2017			
Investment properties	1 130 394	10 982	1 141 376
Trade and other payables	(191 264)	(10 982)	(202 246)

35. Events after the reporting date

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

36. Fair value hierarchy

Non- financial instruments - fair value hierarchy

This analysis categorises the non-financial instruments carried 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 similarinstruments
- quoted prices for identical or similar instruments in markets that are considered less than active
- 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.

36. Fair value hierarchy (continued)

Non- financial instruments - fair value hierarchy (continued)

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

	Level 1	Level 2	Level 3
2019			
Investment property (P'000)	–	–	4 919 000
2018			
Investment property (P'000)	–	–	4 867 000

There have been no transfers between any of the hierarchy levels during the year (2018: nil). Fair values for the investment property were determined for impairment testing and disclosure purposes and have not been recognised in the financial statement.

Valuation techniques underlying management's estimation of fair value

For all properties with a total carrying amount of P1,187 million (2018: P1,209 million), the valuation was determined using the cost approach (also known as contractor's method) based on significant unobservable inputs. The Corporation determine inputs with regard to the development rates and land rates from property experts such as Quantity Surveyors, Estate Agents, Property Valuers and Developers.

Unobservable inputs:

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

37. Contingent liabilities

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

38. 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.