



# BHC ANNUAL REPORT 2023

*Reshape Tomorrow*





## MISSION

Developing dignified communities through decent housing solutions.



## VISION

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

## BOTHO



Dignified, humane and respectful service.

## EXCELLENCE



Service with distinction, timeliness.

## INNOVATION



Providing creative housing solutions.

## TRANSPARENCY



Honesty and accountability.

## TEAMWORK



A unified team spirit working for a common purpose.



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Botswana Housing Corporation is actively working towards a sustainable future that is more inclusive and responsive to the needs of its communities. This journey involves advocating for and adopting sustainable practices in the delivery of its mandate of provision of housing. Our commitment towards addressing climate change by reducing carbon print, promoting renewable energy initiatives, minimizing waste and supporting eco-friendly initiatives will be part and parcel of our activities going into the future.

We endeavour to promote equality and inclusion in all aspects of our society in line with the Government's Citizen Economic Empowerment and Inclusion Acts and create an environment where everyone can participate and feel valued. One of our top priorities moving into a sustainable future is to innovate responsibly and to contribute towards solving global challenges while being mindful of ethical considerations and potential impacts on society and most importantly our environment. We will be a catalyst for positive change and ensure that our actions can inspire others to contribute to reshaping tomorrow for the betterment of our local communities and generations to come

*Reshape Tomorrow*





# **FINANCIAL HIGHLIGHTS**





21%

Revenue  
**P553 million**  
2022:  
P702 million



13%

Gross Profit  
**P314 million**  
2022:  
P278 million



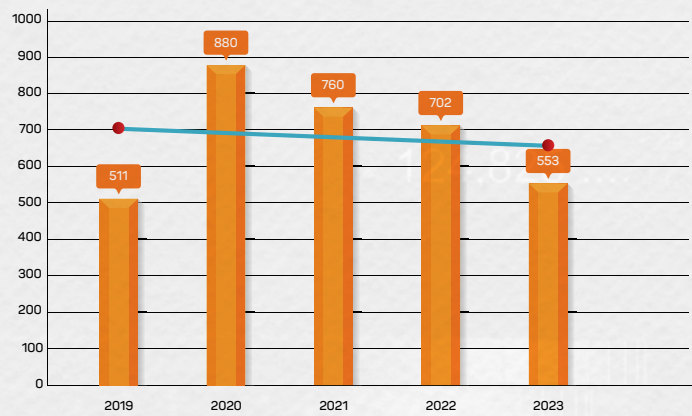
58%

Profit Before Tax  
**P30 million**  
2022:  
P72 million

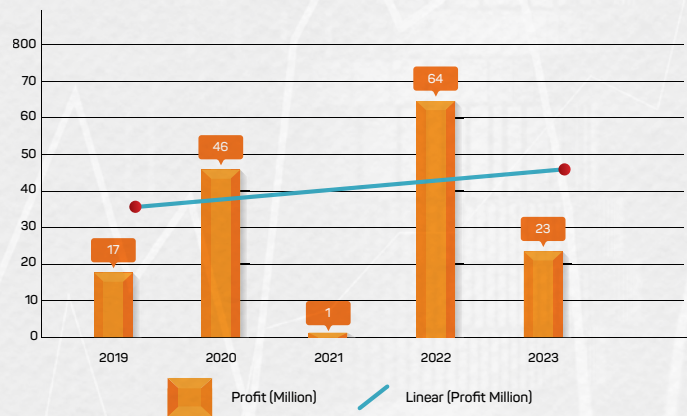
# FINANCIAL REVIEW

## FINANCIAL GRAPHS

5 YEAR REVENUE TREND



5 YEAR PROFIT



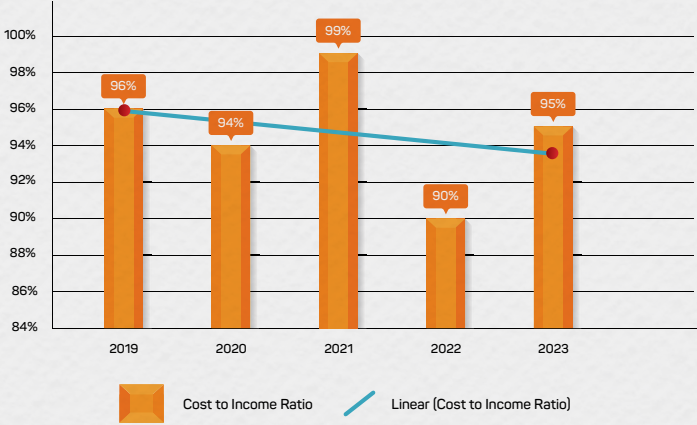
5 YEAR TOTAL INCOME VS EXPENSES



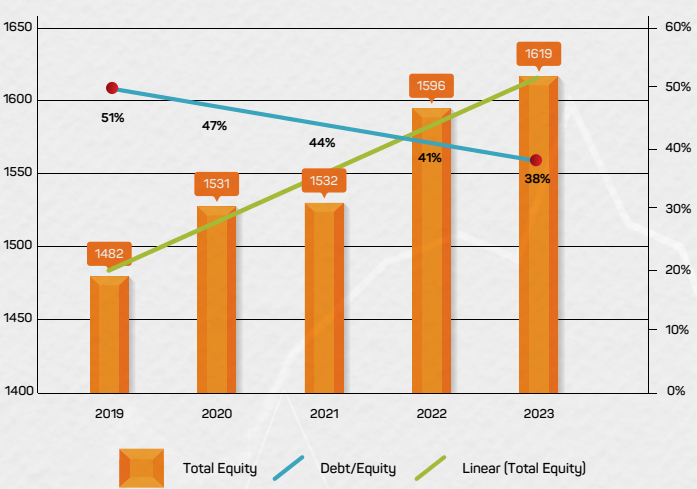
# FINANCIAL REVIEW

## FINANCIAL GRAPHS

5 YEAR COST TO INCOME RATIO



5 YEAR TOTAL EQUITY VS DEBT RATIO



## FINANCIAL REVIEW

### REVENUE

The Corporation recorded a total revenue of P553 million, 21% decrease when compared to the P702 million recorded in the prior year. The decrease in total revenues was mainly as a result of a decline in sales revenues, and external projects contract income with an aggregate reduction of P201 million. Sales revenue declined on the back of the decline in inventories in the same period. However, the Corporation is in the process of starting a number of high value projects and these revenues streams are expected to recover going forward.

Rental revenue increased by 17% to P280 million from P240 million recorded in the prior year. The increase was mainly due to the rental adjustment and new properties which were added to the rental stock. The total rental stock at the end of the reporting period was 10 125 units and these units are geographically spread across the country in major towns and peri urban areas. The Corporation's target is to maintain its rental portfolio at approximately 10 000 units to ensure financial sustainability. At the end of the financial year, the Corporation recorded a vacancy rate of 1.5% on its rental portfolio, which is within the industry standard vacancy rate of 1.5%.

Professional fees revenue, which is the revenue from project management for third parties, is one of the Corporation's major revenue streams. This revenue line went down by 38% because fewer third-party projects were carried out during the year. The major contributor reduction in this revenue line was due to scaling down of projects by our customers. Facilities Management revenue, which is revenue from maintenance of properties for third parties, decreased by 7% from the prior year of P45 million. Though professional fees and facilities management revenue did not perform well during the period under review the Corporation expects these revenue streams to recover over the next two years.

### OPERATING EXPENSES

During the review period, operating costs went up on the back of high inflationary pressures and unfavorable economic environment.

Most operating expenses went up when compared to the previous year. Employee benefits expenses, repairs and maintenance of investment properties and other operating costs remained the major costs for the period under review. Employee benefits expenses remained flat year on year at P142 million on the back of cost containment interventions. Repairs and maintenance expenses for the year under review increased by 22% to P62 million from P51 million in the prior year. The Corporation continuously assesses and maintains its properties over a five-year cycle to preserve the value of its investment properties portfolio. Other expenses went up by 16% compared to prior year from P66 million to P77 million.

The major contributors to other expenses are administration expenses, property rates, telephone expenses, information technology expenses, security, consultancy and advertising costs.

### PROFITABILITY

The Corporation recorded an operating profit of P13 million representing a significant decrease against the P61 million operating profit realized in the prior year. Profit before income tax also declined from P72 million in the prior year to P30 million. This resulted in an overall decrease in profit after tax from P64 million in prior year to P23 million for the year under review. This decline in profitability was influenced by an overall increase in operating expenses largely driven by high inflation during the year under review. Depreciation and amortization charges also went up due to adjustments performed during the period under review putting more pressure on profitability. In the prior year, there was a once off receivables impairment reversal of P24 million which contributed to prior year profits being higher.

### STATEMENT OF FINANCIAL POSITION

The Corporation's statement of financial position is healthy with total assets base amounting to P2.78 billion, a decrease of 4% from prior year. The Corporation's investment properties portfolio stood at P1.3 billion at the end of the reporting period. These properties represent 47% of the Corporation's total assets. Housing inventories, which are properties held for sale and those still under construction closed the year at P451 million compared to P444 million in prior year, an increase of 2%. The P451 million worth of inventories is an indication of the Corporation's potential to generate more sales revenue in the coming financial year.

This healthy statement of financial position coupled with low debt/equity ratio and strong cash position makes the Corporation resilient to the current economic environment. The low debt/equity ratio gives the Corporation leverage to raise more funding from the market to finance planned projects in its quest to house Batswana.

### OUTLOOK

The Corporation will be implementing its two years transitional plan from the year 2023 to 2025. The Corporation expects to deliver a total of 1,400 housing units in various locations across the country during the transitional period. Based on current projections by major economic institutions locally and internationally the Corporation expects the local economy to rebound during this period. These projections are also buoyed by the Government's drive to expedite the implementation of infrastructure developments. This drive by the Government is likely to positively impact some of the Corporation's major revenue streams coming from its third-party customers.

## CHAIRMAN'S REPORT



## CHAIRMAN'S REPORT

I am pleased to present the annual report and audited accounts for the year ended March 2023 on behalf of Botswana Housing Corporation Board. This period marks the end of our six-year long-term strategic plan covering the period from 1st April 2017 to 31st March 2023. This report reflects the last year of the six year journey towards the delivery of our mandate to house Batswana. As you go through this report, you will appreciate the strides we have made through a period marked by a myriad of challenges amidst slow economic growth due to the Covid -19 pandemic and the Russia-Ukraine war.

### STRATEGIC INITIATIVES AND MILESTONES

The 2022/23 financial year marks the conclusion of our six-year long-term strategic plan, which covered the period from 1st April 2017 to 31st March 2023. Following the mid-term review of this strategic plan, we have had to scale down one of the planned major milestone which was to deliver 20 000 housing units across the country. The target was revised down to 12 300 housing units owing to several challenges.

The BHC planning process requires that at the end of every planning cycle like the six year planning cycle that has just ended, the Corporation should start the process to develop another six year strategic plan. However, this time around the process to develop the next long term strategic plan was deferred and instead a two year transitional strategic plan was developed to align to the Transitional National Development Plan (TNDP).

The new six year Strategic Plan will start at the end of the two year transitional plan. As already stated, in the last quarter of the period under review, we embarked on an exercise to develop the Corporation's Two-year transitional plan, which is aligned to that of the Nation. The Corporation conducted a strategy review to determine the extent to which the 6-year strategy was implemented by reflecting on the performance achieved and developing appropriate interventions to close identified gaps.

During the year under review, the Board and Management remained committed to the delivery of strong corporate performance. To achieve this, the Corporation leveraged on several key strategic drivers of its mandate. Our stakeholders play a pivotal role in the success and delivery of our mandate, hence the need to constantly engage them to solicit feedback and respond to their ever-evolving expectations. Although the research we undertook to gain a deeper understanding of customer satisfaction levels remains satisfactory. It also presents an opportunity for us to address some of the gaps identified such as enhancing overall customer service.

In line with Government's plans to increase citizen participation in development projects, we continued to engage 100 percent citizen owned contractors for both our commercial and social housing projects. Going forward some projects will be unbundled to allow for participation of more demographic groups such the youth, women and people living with disabilities and small-scale service providers. The Corporation collaborated with various financial institutions

to improve uptake of products by Batswana in Gaborone and Palapye respectively. This enabled the Corporation to complete its sales cycle within a reasonable time, while at the same time ensuring access to homeownership opportunities by both the youth and other Batswana.

To ensure sustainability during the post covid economic period, the Corporation leveraged on consistent optimization of its processes and resource utilization. This was accomplished through identifying and mitigating risks associated with process changes to guard against compromising quality, non-compliance as well as a decline in customer satisfaction. The use of cross functional teams in core business helped to address inefficiencies and ultimately improved delivery of projects. Going forward, the Corporation positioned itself to strengthen competencies on project management and contract administration to address challenges around delivery of projects.

### FINANCIAL PERFORMANCE

The fiscal year was very challenging owing to the impact of Covid-19 and other global economic challenges in the local market. However, I am pleased to report that the Corporation posted positive results with a profit after tax of P23 Million. Overall, the Corporation recorded a total revenue of P553 Million, a decline of 22% as compared to the revenue posted in the prior year. The decline in sales revenue was attributed to a decrease in sales inventories during the year under review as the development projects were adversely affected by the covid-19 restrictions. To make up for this, the Corporation will expedite the completion of ongoing projects and embark on new projects across the country which will contribute significantly to our income streams.

On another positive note, rental revenue increased by 17% from P240 Million posted in the previous year to P280 Million. This came against the backdrop of rental adjustments and additional inventory on the rental stock. Rental stock at the end of the reporting period stood at 10 125 units spread throughout the rest of the country. The Corporation maintains its rental stock at approximately 10 000 units to sustain its operations. Furthermore, the vacancy rate was well within an industry target vacancy rate of 1.5%.

The Corporation responded very well to declining revenues by closely managing costs and prioritizing projects which will bring value to the Corporation. The close management of costs led to the organisation remaining profitable despite the

## CHAIRMAN'S REPORT

turbulent economic environment. I am pleased to share with our stakeholders that the Corporation remains financially sustainable, has sufficient cash resources to deliver on its projects' pipeline and has a very strong balance sheet which will support business growth going forward.

### CORPORATE GOVERNANCE

The Corporation subscribes to principles of good corporate governance in accordance with King III code. The Board is ultimately accountable for the Corporation's performance and hence acknowledging that strategy, risk management, performance and long-term sustainability are inextricable. To this end the Board on behalf of the shareholder continues to offer strategic guidance and direction to ensure prudent management of the Corporation's affairs.

### FUTURE OUTLOOK

As the Corporation's six-year strategic plan comes to an end, the country and indeed the world is still reeling in shock from the effects of Covid-19 as well as other Geopolitical events such as the Russia/ Ukraine war, which has put more pressure on availability of certain commodities. These events underscore the importance of preparing for future crises. To this end, preparations to implement a business continuity management programme are at an advanced stage. We are confident that this will improve resilience and adaptability in the face of unforeseen challenges. The two-year transitional strategic plan will focus on several key performance drivers such as the following:

- Project financing
- Robust stakeholder engagement
- Smart partnerships and collaboration
- Customer segmentation
- Business processes re-engineering
- Technology and innovation
- Dynamic people and culture
- Environment, social and governance

At the end of the fiscal year, the Board and Management convened to review the Corporation's objectives to align them to Transitional National Development Plan imperatives. We take cognizance of the fact that this presents a great opportunity for the Corporation to re-position itself to drive both social and economic growth. Our relationship with the shareholder and key stakeholders remains solid in line with our vision to reclaim our position as a provider of housing solutions for dignified lives of Batswana.

### ACKNOWLEDGEMENTS

We thank the shareholder, which is the Government of Botswana for demonstrating confidence on us amidst all

the economic and geopolitical uncertainties that beset us during the fiscal period. As we reflect on this journey, it is with profound gratitude and appreciation that I extend my heartfelt thanks to our esteemed Board of Directors. Your unwavering commitment, dedication and continued guidance have all played a critical role in shaping the course of our journey and dedication during these tumultuous times and have made many sacrifices, for which I am truly grateful.

Furthermore, I want to take this moment to appreciate the immense contribution by the committed Management team. Your unwavering support and tireless efforts have been the cornerstone of our successes.

I would like to extend my heartfelt gratitude to our dedicated employees, who have been instrumental in our success story. Your unwavering support and trust are the driving force behind our accomplishments, and together, we will continue to reach new heights.

In conclusion, our success as a Corporation would be incomplete without acknowledging the role our customers play in the delivery of our mandate. Your loyalty and trust in the BHC brand are a source of inspiration to us to even do more to deliver exceptional service continuously. Thank you once again for your feedback, suggestions and concerns, your input is extremely important and will help us serve you better.

On behalf of the Board, Management and Staff of the Botswana Housing Corporation, we would like to assure the nation of our unwavering commitment to execute our mandate to provide sustainable housing solutions to Batswana.

.....  
**Mr. Moemedi Gabana**  
 Board Chairman



CHIEF EXECUTIVE OFFICER'S  
REPORT



## CHIEF EXECUTIVE OFFICER'S REPORT

The Corporation has produced positive results for the financial year ended 31st March 2023.

This performance was achieved in an environment of extreme and, in some cases, unprecedented challenges both globally and in Botswana, demonstrating the resilience of the Corporation's business model. These challenges during the year under review have been widely documented and have more recently been exacerbated by several global issues. These include the continuing war in Ukraine leading to global and rising inflation as well as domestic issues such as growing levels of unemployment and declining consumer purchasing power eroded by inflation.

### GLOBAL ECONOMY

In its most recent World Economic Outlook (WEO) the International Monetary Fund (IMF), estimates global GDP to fall from the estimated 3.5 in 2022 to 3% in 2023. The rise in central bank policy rates to fight inflation continues to weigh on economic activity. Global headline inflation is expected to fall from 8.7 percent in 2022 to 6.8 percent in 2023 and 5.2 percent in 2024. Underlying (core) inflation is projected to decline more gradually, and forecasts for inflation in 2024 have been revised upward.

### REGIONAL ECONOMY

In its most recent Regional Economic Outlook (REO) the IMF indicates that the confluence of higher global interest rates, elevated sovereign debt spreads, and exchange rate depreciations, among other factors, has created a funding squeeze for many countries in sub-Saharan Africa. This challenge comes on top of policy struggles from the ramifications of the COVID-19 pandemic and the cost-of-living crisis. Reflecting these considerations, economic activity in the region will remain subdued in 2023, with growth at 3.6 percent before rebounding to 4.2 percent in 2024 predicated on a global recovery, subsiding inflation, and the winding down of monetary policy tightening.

### BOTSWANA ECONOMY

In their most recent economic outlook report, the International Monetary Fund (IMF) estimates that Botswana's Real GDP at 3.9% in 2022, 3.6% in 2023 and 4.2% in 2024.

The economy continues to respond positively to the growth-enhancing economic transformation reforms and supportive macroeconomic policies being implemented. These include accommodative monetary conditions, improvement in water and electricity supply, implementation of the Economic Recovery and Transformation Plan and the two-year Transitional National Development Plan, as well as reforms to further improve the business environment. In addition, the recently signed agreement between the Government of Botswana and De Beers Group on a new Debswana Mining License and new Sales Agreement is expected to be positive for medium-term growth.

In addition to the dissipating impact of increases in administered prices in 2022, the economy is expected to operate below full capacity in the short term and, therefore, not generate demand-driven inflationary pressures. However, inflation is forecast to be within the objective range in the medium term and closer to the upper bound.

### BUSINESS AND OPERATING PERFORMANCE

Overall, 2022/23 was a challenging financial year due to unfavourable economic conditions in the local market. However, the Corporation still managed to post positive results leading to profit after tax of P23 million. Our continued focus on our customers and execution of our strategy underpinned 2023 financial performance and operational performance. We have focused on marketing our investment properties or old stock which resulted in growth in profitability due to the sales of high margin products. Our operating performance was higher because of the continued growth in rentals.

The Corporations revenues declined from P702 million in the previous year to P553 during the 2022/23 financial year. This was on the back of a decrease in sales revenues, and external projects contract income with an aggregate reduction of P201 million. Sales revenue declined on the back of the decline in inventories in the same period. However, the Corporation is in the process of starting several high value projects and these revenues streams are expected to recover going forward.

During the review period, operating costs went up on the back of high inflationary pressures and unfavorable economic environment. Most operating expenses went up when compared to the previous year. Employee benefits expenses, repairs and maintenance of investment properties and other operating costs remained the major costs for the period under review.

This healthy statement of financial position coupled with low debt/equity ratio and strong cash position makes the Corporation resilient to the current economic environment. The low debt/equity ratio gives the Corporation leverage to raise more funding from the market to finance planned projects in its quest to house Batswana.

# CHIEF EXECUTIVE OFFICER'S REPORT

## OUR STRATEGY

This was the last year of the six-year strategy that was implemented from the 2017 financial year and revamped during the 2019/20 financial year. The balance of deliverables not attained during the strategy period will be delivered during the two-year transitional period covering the 2023/24 and 2024/25 financial years. The major strategy thrusts during the last years were still Superior customer experience, Stakeholder engagement, financial sustainability, Operational efficiency, High-performance culture, and Market segmentation.

## HOUSING DEVELOPMENTS

During the period under review, 686 houses were delivered under the Self-Help Housing Agency (SHHA) scheme. At the end of financial year there were 54 SHHA houses at various stages of construction and are all expected to be delivered in the next financial year. In the coming financial year, 470 additional SHHA houses will be started under this scheme across different constituencies in the country.

The Corporation plans to start 1 256 units across the country. Planned projects during 2023/24 financial year are in Gaborone, Francistown, Maun, Kazungula, Pilane, Nata, Tati siding, Sese, Rakops, Palapye and Letlhakane. These projects are expected to be delivered at various times in the next three years to increase housing stock.

## OUR CUSTOMERS

Our customers are at the heart of our business and their continued patronage enables us to offer value through the provision of housing solutions throughout the country. To better understand demand patterns for housing products, the Corporation completed a customer segmentation study. The objective of this study was to gain a better understanding of the different market segments in the country. Recommendations from this customer segmentation study will assist the Corporation to design products and services tailored to meet various customer needs in the future. With the increased use of digital platforms, the Corporation can respond to customer queries in real time and reduce turnaround complaints in customer service. Our digital platforms continue to offer leverage in terms of response turnaround times to customer queries. We plan to continue harnessing these to offer enhanced value in delivery of our mandate to Botswana.

## OUR STAKEHOLDERS

We remain committed to our stakeholders as a critical component our operations and part of our efforts are dedicated to constantly being on the look-out to deliver

superior customer service. One of the initiatives we undertook during the year under review was to develop a customer care charter, which is more aligned to the ever-changing needs of our customers. We have also leveraged the use of digital platforms to engage our customers and deliver superior service. Engagements with various stakeholders are key to understanding the ever-evolving needs of our customers with a view to address emerging challenges. We are deeply indebted to all our stakeholders made up of our Shareholder, our customers, our staff members, local communities, vendors, contractors, and Local Authorities.

## RISKS

During the year under review, the geopolitical and macro-economic uncertainty risk increased. Botswana was not spared from the effects of the geopolitical and macro-economic uncertainty risks. During the year inflation remained above the Bank of Botswana target of 3 – 6%, with the highest recorded in August at 14.6%. However, the Corporation has managed to be resilient to these effects.

In addition, during the year under review, the Corporation experienced substantive operational risks related to the project management which were therefore managed to tolerable levels to ensure efficiency in project delivery. The Corporation has Enterprise Risk Management Framework which is based on the principles of ISO 31000 risk management standard and the COSO framework. The framework is ancillary to the strategic performance of the Corporation as it sets out key risk management principles and practices for the effective management of strategic and operational risks. Even though there are COVID 19 residual effects, the Corporation continued to consistently enforce the credit control policies throughout the business, keeping the credit risk particularly for the private and corporate Segments or clients under control.

## REGULATORY

The Corporation is subject to numerous laws, regulations and internal policies which govern the operations. The Corporation is not immune to the changes in the regulatory environment, importantly the Data Protection Act, Public Procurement Act, Transfer Duty (Amendment) Act. These regulatory changes come with uncertainty. The Corporation has developed a compliance management framework, therefore it continues to conduct compliance audits on a regular basis.

The Corporation continues to review the policies and establishing structures responding to the regulatory environment changes. The Corporation will embark on automation of some of risk and compliance functions as a way of enhancing management of compliance risks.

## CHIEF EXECUTIVE OFFICER'S REPORT

### LOOKING AHEAD

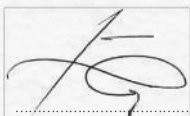
Looking forward, we currently expect the economic environment in Botswana to remain challenging, particularly given the unstable commodity prices particularly the fuel cost which impacts most sectors of the economy. However, the inflation outlook is encouraging thus building the confidence that consumer purchasing power will improve. The downside risks remain elevated due to the prevailing global challenges like unpredictable weather patterns and the continuing war in Europe.

We remain focused on playing our part to support our customers, the broader economy, and our people in an uncertain environment. While we are facing a period of economic uncertainty at the moment, we are optimistic about the medium to long-term opportunities for Botswana that lie ahead and always remain committed to offering our clients quality products and value for many. We will remain focused on our role in supporting the economy, promoting homeownership, and encouraging investment in property.

As in the previous year we continue to develop new markets in the form of new development projects in other geographic locations across the country. We believe that strong customer engagement and deeper relationships with our stakeholders will continue to underpin growth and performance. The Corporation will use the two years transitional period covering 2023/24 and 2024/25 to close the performance gaps from its six years strategy from April 2017 to March 2023.

### ACKNOWLEDGEMENTS

Putting our people first is, and will continue to be, very important for our corporate culture. Our greatest strength has always been the quality of our people. They are dedicated, diligent and they are committed to making this wonderful organization even better. It's a privilege to work at their side. The Board and Executive Committee are grateful for their help during another year of uncertainty created by the volatile global economy. Finally, on behalf of the Botswana Housing Corporation family I would like to thank our Board for their commitment to the Corporation and our stakeholders.



**Mr. Nkaelang Matenge**  
Acting Chief Executive Officer





# STRATEGY REVIEW

## STRATEGY REVIEW

Botswana Housing Corporation (Corporation) develops long – term strategic plans to guide its priorities, focus resources allocation, and facilitate its responses to the continued changing environment. The 2022/23 strategic plan is the last year of the six-year long – term strategic plan, covering the period 2017 – 2023.

The strategic plan was fine tuned in 2019 and a refocused three – year strategic plan was developed covering the period 2020 – 2023.

The Corporation's strategic intent remains *"to deliver 12,300 safe, dignified and sustainable houses for Botswana by 2023"*. This strategic intent is underpinned by five pillars which are:

1. **Superior customer experience**  
The Corporation positions customers at the forefront of its business model. It determines their needs and delivers high quality products and services in record time.
2. **Stakeholder engagement**  
The Corporation builds and sustains strategic relationships with key stakeholders to co – create value in society.
3. **Financial sustainability**  
The Corporation ensures financial sustainability by balancing its social and commercial responsibilities.
4. **Operational efficiency**  
The Corporation optimises its key value chain processes to ensure delivery of all services in accordance with standards of quality, efficiency, and transparency.
5. **High performance culture**  
The Corporation inculcates a winning organizational culture reflective of its corporate values.

## STRATEGY PRIORITY AREAS

The Corporation has the following main priority areas of the mandate:

1. **Project Financing**  
The Corporation needs to strengthen project management and contract administration to ensure project delivery, and thereafter off – load units to unlock capital and revenue tied up in stock.
2. **Stakeholder engagement**  
The Corporation creates societal value and impact through its products and services. It therefore needs to develop a comprehensive stakeholder engagement strategy that identifies stakeholders' needs and guides the development of appropriate products for specific market segments.
3. **Partnership and collaboration**  
The Corporation needs to leverage on and fast track products delivery through strategic partnerships and collaboration with both the Government and the private sector. Partnerships accelerates projects delivery and collaboration with financial institutions improves on products uptake.
4. **Market segmentation and sales**  
Market segmentation drives sales. There are emerging market segments of the youth and the low-income earners who are currently not being served. Therefore, improving market intelligence and segmentation would identify specific and unique needs of these segments which the Corporation would then tailor make products and services for.
5. **Technology and innovation**  
Intensive research on available technologies allows the Corporation to be innovative and incorporate alternative solutions that ensure delivery of affordable and sustainable housing.

## STRATEGY REVIEW

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### STRATEGY PERFORMANCE - 2022/23

The 2022/23 performance plan built on the previous year's performance plan and also focused on driving initiatives intended to deliver the corporate mandate. The Corporation has achieved 8,729 housing units of the targeted 12,300 units by the end of the financial year. The strategic drivers of the mandate included the following:

1. Implementing initiatives and interventions in line with stakeholder's feedback and ever evolving expectations. This resulted with satisfactory customer satisfaction level.
2. Continue engaging local contractors for the development of both commercial and social housing projects.
3. Collaborating with financial institutions to fast-track products update thus empowering citizens through home ownership.
4. Optimising resources utilisation by improving efficiencies of processes to ensure continued organisational sustainability.
5. Developing competencies on project management and contract administration.
6. Entrenching risk management in processes and promoting good corporate governance in operations of the Corporation.
7. Promoting positive organisational culture, acquisition of requisite competencies and capabilities, and implementing effective performance management processes.



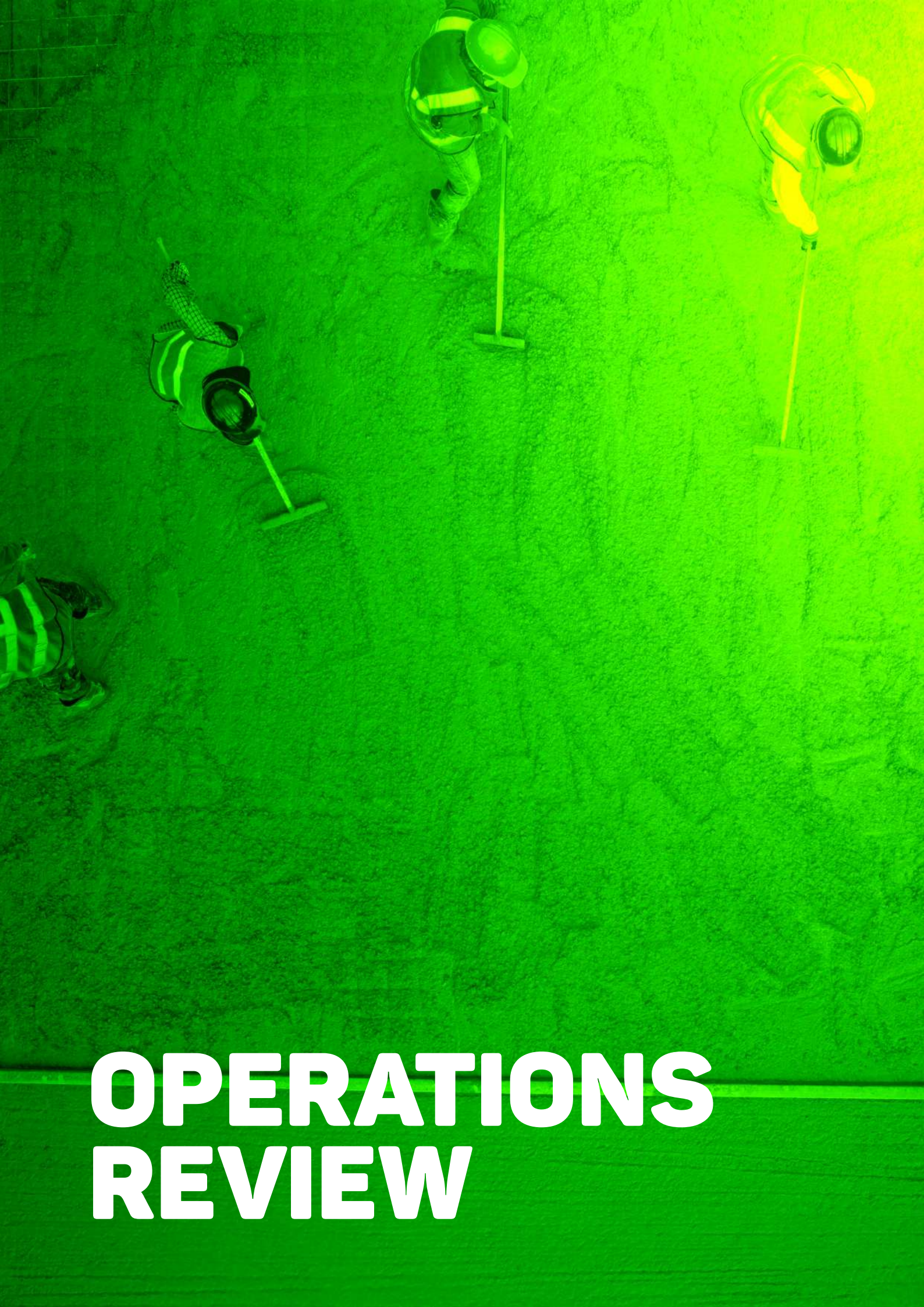
## STRATEGY REVIEW

### BHC OUTLOOK

Economies continue to recover from the effects of Covid – 19. The two-year transitional strategic plan is guiding the Corporation in identifying and deploying initiatives that are adaptive to the changes that continue occurring in the environment.

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

1. **Project Financing**  
The Corporation will diversify its income model by developing and growing its sources of income to ensure continued projects financing while remaining financially sustainable.
2. **Stakeholder engagement**  
The Corporation will proactively engage stakeholders critical being local authorities and utilities providers to harmonise development plans to ensure timely delivery of houses.
3. **Smart partnership and collaboration**  
The Corporation will partner with the private sector to optimise skills exchange, leverage on and fast-track delivery of products and services. It will capacitate the projects delivery value chain. Further, it will continue collaborating with financial institutions to improve on products uptake.
4. **Customer Segmentation**  
The Corporation will expand its products mix offering through tailor making products and services for specific and unique needs of the unserved market segments.
5. **Business processes re – engineering**  
The Corporation will set up a Project Management Office to improve efficiency by optimizing business processes focused on project management and contract administration to enhance delivery of projects and services.
6. **Technology and innovation**  
The Corporation will partner with research institutions to accelerate research on available technologies and incorporate alternative solutions that would ensure delivery of affordable and sustainable houses.
7. **Dynamic people and culture**  
The Corporation will promote a high-performance culture driven by corporate values (of botho, teamwork, transparency, excellence, and innovation) and effective talent management practices.
8. **Environment, social and governance**  
The Corporation recognises the importance of Environment, Social, and Governance (ESG) and will embed ESG practices in its business model by developing a strategy that allows for ESG reporting as part of risk management. The Corporation will actively manage potential risk to the environment and communities it undertakes projects in. Through its corporate social responsibilities plan, it will make investments through donations that positively impact communities. All these will be carried out with accountability, and responsibility.



# OPERATIONS REVIEW

## PROPERTY DEVELOPMENT

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

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

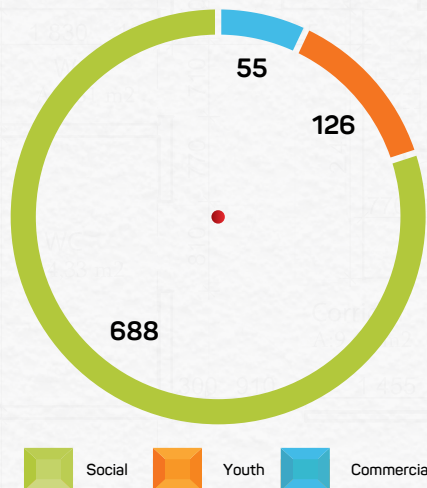
The Corporation has a team of professionals in the built industry who are full time employees to ensure that all projects are well resourced. In instances where skills are not available internally, or there is a need to increase capacity, the Corporation outsources some of the technical work to local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

### PLANNED PROJECTS

The period under review, Botswana Housing Corporation had planned to deliver 869 units.. These units were comprised of internal, third-party and social housing.

Figure 1 below shows the distribution of the planned units.

**NUMBER OF HOUSING UNITS PLANNED TO BE DELIVERED**



**FIG. 1**

### CHALLENGES

The Corporation was faced with some inhibitors to perform its mandate. Some of the challenges were related to the following:

#### Budgetary constraints

Though some government departments were to implement some project; the projects were shelved as projects were re-prioritised to respond to the meagre budget available at the time. This impacted negatively on both the planned deliveries as well as the starts. .

## PROPERTY DEVELOPMENT

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### CITIZEN ECONOMIC EMPOWERMENT

The Government of Botswana has enacted numerous acts and policies to catalyse citizen participation in the economy of the country. One of the many policies geared towards creating a conducive environment for citizen participation is the Citizen Economic Empowerment Policy of 2012. The policy defines Citizen Economic Empowerment as a set of inter-related interventions aimed at strengthening the ability of citizens to own, manage and control resources, and the flexibility to exercise options, which will enable Botswana to generate income and wealth through a sustainable, resilient, and diversified economy.

The Corporation continues to play a critical role in the development of citizen businesses including the construction sector. Congruant to the dictates of the requirements of the policy, projects are deliberately unbundled to create opportunities for a wider bracket of contractors. The Corporation has revamped the Invitation To Tender (ITT) to encourage those awarded projects to engage citizens in the subcontracting arrangements.

### EMPLOYMENT CREATION

In Botswana, youth unemployment has been attributed to lack of skills, low levels of education and skills mismatch i.e. the mismatch between labour supply and demand. A combination of these negative factors reduces participation of the youth in the labour market as well as the economic activity in the country. Unemployment rate in the reporting year was said to be 25.40, which is a major challenge to citizen economic inclusion.

Construction is a major contributor to employment creation, whether permanent or seasonal. Botswana Housing Corporation, through the implementation of construction projects, contribute significantly to the reduction of unemployment rate. These projects have given opportunities to all cadres cutting across the spectrum of human resource requirement in the field. The beneficiaries are the technical skilled people as well as the unskilled labour found in our youth of today.

The benefits also extends to other sectors in the value chain of the build industry like building material suppliers, manufactures, transport and logistics, and business entrepreneurship.

In this regard, the Corporation has managed to contribute a total of 3,505 jobs for the period under review.



## PROJECT QUALITY ASSURANCE

### QUALITY MANAGEMENT PLAN

The Corporation's quality assurance policy has been designed to be consistent with the Corporation's strategic objectives. The policy continuously reinvigorates our commitment to deliver quality products and services to our stakeholders and customers.

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

**FIG. 1**



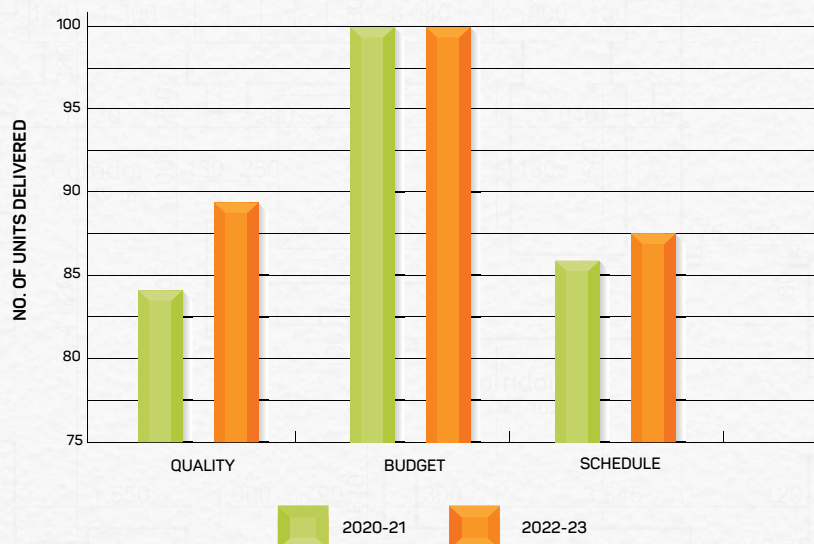
The Corporation recognises the central positioning of the quality aspect in project implementation, the impact it has on projects delivery and its critical relation with the three primary forces in a project: Schedule, Scope, and Budget. The Corporation therefore has made it its objective to periodically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

Botswana Housing Corporation rolled-out the Contractor Mentorship Programme in March 2022 for category OC contractors engaged in implementation of Self-Help Housing Agency turnkey projects initiated as a response action not only to improve contractors' performance and profitability but also to ensure that quality products are delivered to customers on time and within budget. Contractors' performance measured over two (2) financial years; 2020-21 and 2022-23 has yielded positive results. (Fig 2)

## PROJECT QUALITY ASSURANCE *(Continued)*

### DATA ANALYSIS

#### CONTRACTORS PERFORMANCE (%)

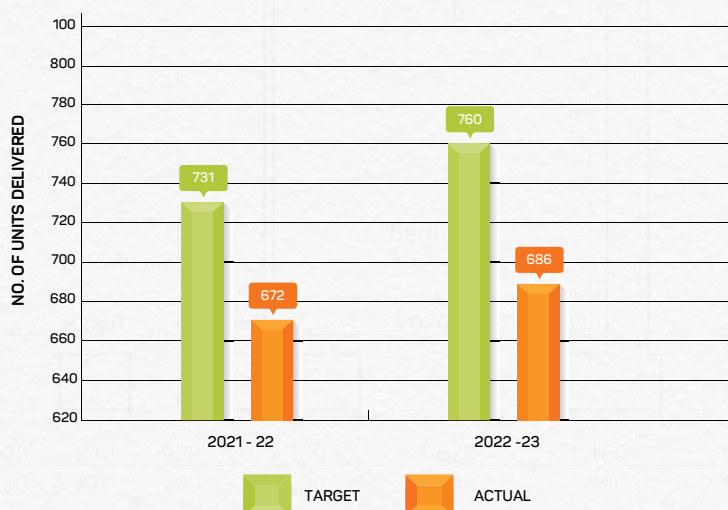


Equally, the Corporation continuously challenges itself to improve and guarantee product quality by developing or improving processes and procedures, reviewing integrity of testing laboratories and ensuring calibration of testing tools /equipment used in both our commercial and social housing projects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

### SOCIAL HOUSING

During the year under review, the Corporation delivered a total of **686** units against a target of 760 in various location around the country under the Self-Help Housing Agency (SHHA) Turnkey scheme. The implementation of the scheme is decentralised to the District Councils with the Department of Housing providing funding. The beneficiary identification process is handled by the District Councils, while the construction and project management of the beneficiary houses is undertaken by the Corporation.

#### SHHA PERFORMANCE



PROJECT QUALITY ASSURANCE *(Continued)*

The Organisation continuously strives to achieve the Government's initiative of providing shelter timeously to all Batswana especially the low-income group and creating employment for the same. In the past two (2) consecutive financial years, 2021-22 and 2022-23, BHC has housed 2688 and 2744 people respectively. (Fig 3). It has also created 3360 and 3430 skilled jobs respectively. (Fig 4)

FIG. 3

No. of Jobs Created

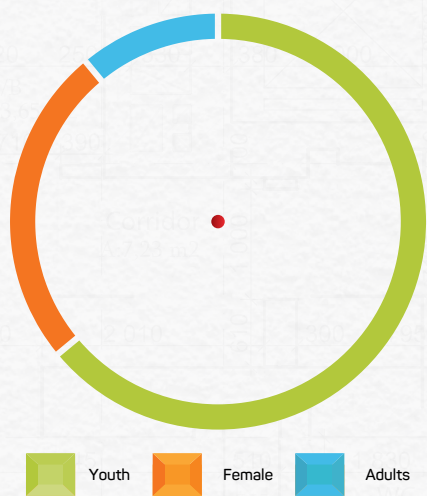
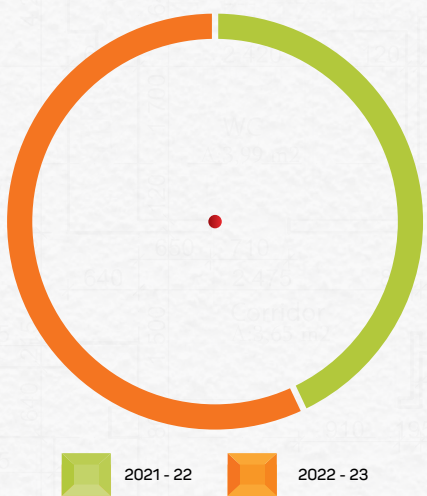


FIG. 4

No. of People Housed



## PROPERTY MANAGEMENT

Property management strategies anchor the Corporation's efforts to maximize its socio-economic impact and drive self-financial sustainability amid a constrained fiscal space. The targeted socio-economic impact extends beyond providing shelter, and includes affordable housing through capped rentals, job creation through caretakership and maintenance activities, financial inclusion by offering rental and sale options, and social upliftment to promote good education and healthy living.

Management of the Corporation's property portfolio is guided by a comprehensive strategy to achieve the above-mentioned impact and secure a stable and consistent income for the Corporation. This approach facilitates a healthy cash flow, enabling the Corporation to effectively fund its operational, financial, and investment activities, thereby promoting overall financial sustainability.

### PROPERTY PORTFOLIO

As of the conclusion of the 2022/23 financial year, the property management portfolio comprised **10 125 properties (Table 1)**, strategically distributed across the country. This diverse geographical distribution aligns to the Corporation's broader objectives for increasing footprint countrywide and promoting accessibility. The portfolio also provides opportunities for both rental seekers and home buyers, through rental and sale options.

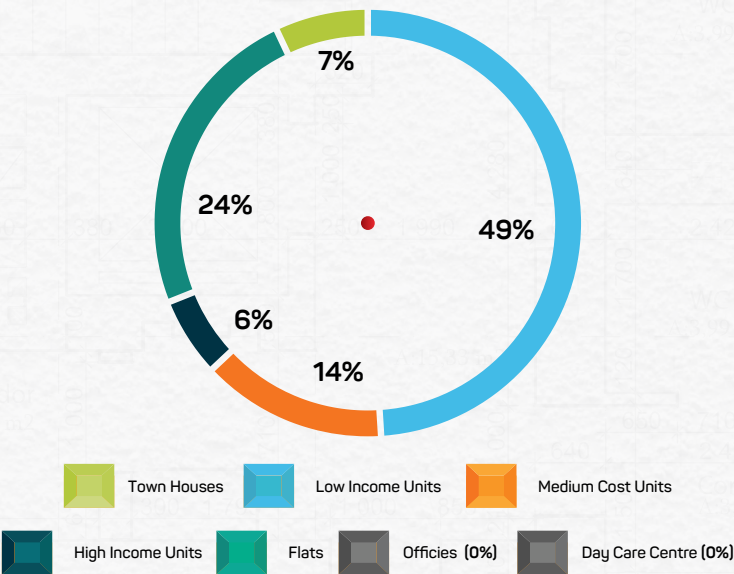
Location	No. of Units	Percentage of Portfolio
Gaborone	4,488	44%
Francistown	1,698	17%
Sowa Town	792	8%
Palapye	585	6%
Lobatse	490	5%
Selebi Phikwe	434	4%
Jwaneng	360	4%
Mahalapye	262	3%
Kasane	254	3%
Maun	250	2%
Serowe	186	2%
Tati Siding	146	1%
Metsimotlhabe	136	1%
Tlokweng	23	0%
Tutume	21	0%
<b>TOTAL</b>	<b>10,125</b>	<b>100%</b>

The rental portfolio consists mainly of low and medium-income housing units reflecting the Corporation's target market (**Figure 1**), and commitment to inclusivity as it caters for all income groups. It also illustrates amenities such as daycare centers and office buildings for enhancement of community living.

PROPERTY MANAGEMENT

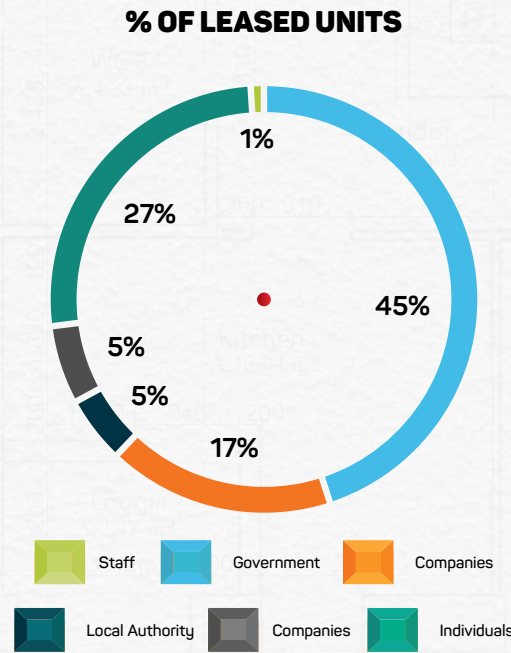
TABLE 1: PORTFOLIO PER LOCATION

FIGURE 1: PORTFOLIO MIX PER CLASS



The Corporation’s rental revenue from its portfolio is characterized by both security and diversification, with a robust tenant mix. Notably, 67% of leases are secured from the Government and Government-owned institutions, representing high-grade tenants known for their reliability. Figure 2 provides an illustrative breakdown of the tenant mix by classification.

FIGURE 2: PORTFOLIO MIX BY TENANT TYPE



This diversified tenant base, particularly with a substantial proportion from esteemed government entities, not only enhances the stability of the rental revenue but also underscores the Corporation’s prudent approach to risk mitigation and sustainable financial management.

## PROPERTY MANAGEMENT

### RENTAL REVENUE

Adhering to the criteria for affordable housing, the Corporation ensures that its rentals are capped at 80% of market rates to enhance affordability. The revenue generated from the management of the Corporation's portfolio through rental activities reached BWP272.2 million during the financial year 2022/2023. This achievement is underscored by an average annual vacancy rate of 1.5%, aligning precisely with the targeted objective.

Notably, the Corporation continued to experience a revenue boost in the third year of a five-year plan to adjust its rentals to 80% of market rates.

Consequent to this rental adjustment plan, rental revenue recorded 17% growth and aligned portfolio rentals to 55% of market rates. Disposal of new properties in Palapye (Sphala Estates, Palapye 107 and 99) through rental also boosted the rental revenue for the financial year.

### PROPERTY SALES

The Botswana Housing Corporation (BHC) steadfastly pursues the objectives outlined in the National Housing Policy of 2000, particularly the empowerment of Botswana through home ownership. This objective is achieved by employing diverse sales modalities, including outright sales encompassing conventional titles and sectional titles, as well as installment purchase scheme sales such as the Tenant Purchase Scheme (TPS).

The revenue generated from property sales remains a pivotal source of income for the Corporation, serving as a primary means to sustain the ongoing development of additional housing units to meet the nation's growing accommodation needs. The driving force behind our sales initiatives encompasses strategic collaborations with financiers, proactive stakeholder engagement and management, including interactions with government entities such as Ministries and Departments, as well as various other stakeholders.

Stakeholder engagement is a recurring theme throughout the sales cycle, involving various parties such as attorneys, the Deeds Registry, and financiers. This comprehensive engagement ensures that all stakeholders are informed, aligned, and actively contribute to the smooth progression of the sales process. By fostering collaborative relationships and vigilantly monitoring the sales cycle, the Corporation aims to enhance the efficiency and effectiveness of our sales initiatives.

In the financial year 2022/2023, the Corporation successfully sold 143 housing units, generating a sales revenue of BWP80.8 million. This financial achievement not only contributes to the Corporation's ongoing developmental efforts but also aligns with its broader mission of facilitating widespread access to home ownership, thereby reinforcing the objectives set forth in the National Housing Policy of 2000.

A breakdown of the purchasers reveals a diversified landscape, with 58% of the units acquired by individual buyers, followed by the government at 40%, and companies accounting for 2% (Figure 3).

## PROPERTY MANAGEMENT

**FIGURE 3: % NO. OF UNITS SOLD**

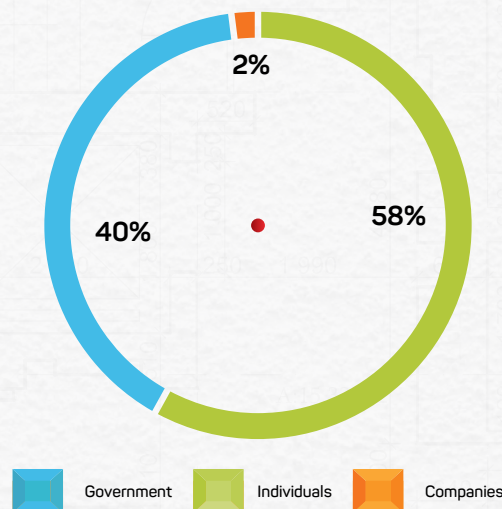


Figure 3 above underscores the diverse nature of our clientele, showcasing the proportional distribution among individual buyers, government entities, and companies. This diversified clientele reflects the Corporation's commitment to inclusivity and reaching a broad spectrum of buyers, aligning with its mission to serve the diverse housing needs of the community.

## PROPERTY MAINTENANCE & CARETAKERSHIP

Alongside Property Management services, the Corporation provides maintenance and caretakership for its properties through outsourced Call Center and maintenance contractors for an effective, responsive and customized services. A total of **23 maintenance companies** have been engaged on three-year service contracts at an annual combined value of **BWP53million** to provide reactive and planned maintenance for properties owned by the Corporation. Furthermore, **36 companies** employing over **220 targeted citizens** have also been engaged on three-year service contracts to provide cleaning services for common areas at high density units, and BHC offices.

The Corporation's maintenance strategy is centered around citizen economic empowerment to demonstrate its commitment to Government's localization, reservation, and preference policies under the public procurement, and address skills gaps, enable citizen and private sector participation in development and growth of the economy. To this end, all maintenance work is reserved for citizens and citizen owned companies, 30% of which is further reserved for Youth/Women citizen owned companies. Key performance indicators to maintenance are percentage level of responsiveness to both reactive maintenance and planned maintenance calls, to drive customer satisfaction and maintain value of the Corporation's assets. During the year under review, the Corporation achieved 84% maintenance implementation efficiency measured along time, quality and budget.



# **CORPORATE REVIEW**



## SENIOR LEADERSHIP TEAM



**Mr. Nkaelang Matenge**  
Acting Chief Executive Officer



**Ms. Pascaline Sefawe**  
Deputy CEO - Corporate Services



**Mr. Batanani Nkumisang**  
Acting Deputy CEO - Operations



**Mr. Diratsagae Kgamanyane**  
Chief Finance Officer



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



**Mr. Richard Chilisa**  
Director Risk & Compliance



**Mr. Paar Frank**  
Acting Director Property Development



**Mr. Kesebonye Khimbele**  
Regional Director South

## SENIOR LEADERSHIP TEAM



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



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



**Ms. Samantha Chabata**  
Head Information Technology



**Mr. Kgato Phetlhu**  
Acting Head - Facilities Management



**Mr. Keithusitse Ookeditse**  
Acting Regional Director - North



**Mr. Babose Balule**  
Acting Chief Corporate Counsel



**Ms. Elizabeth Ferguson**  
Acting Chief Audit Executive



**Mr. Tebogo Mmokele**  
Acting Head - Marketing and Communications

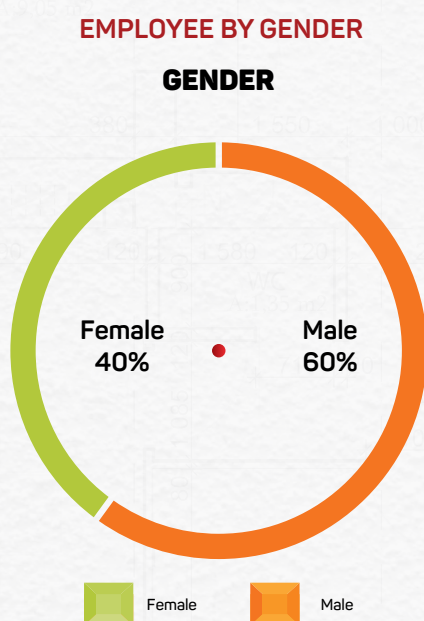
## HUMAN CAPITAL & ADMINISTRATION DEPARTMENT

BHC continuously explores ways of enhancing its human capital management systems and processes, by considering ways and means of enhancing its Employee Value Proposition (EVP). This is done with the objective of entrenching a high-performance culture amongst its employees. The Corporation has implemented some initiatives that involves participation of its employees in finding workable solutions to challenges faced within the Corporation. Central to this process is the review of various human capital management policies, such as Conditions of Service, Performance Management, Business Ethics and Talent Management. Employees participation is encouraged through participation in change management structures and ideation/innovation structures. This offers employees a platform through which they could share their creativity, as a way of value creation in the Corporation's business operations, as well as recognition of employees importance in being partners in growing the Corporation's business.

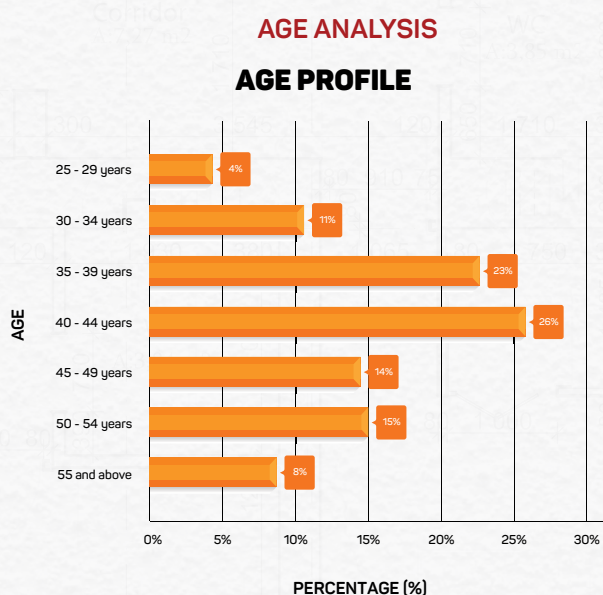
### HUMAN RESOURCES

The Corporation's establishment is Three Hundred and Sixteen (316), with 185 (58%) of employees being at the two regional offices, being the Southern Regional Office, centrally coordinated from Gaborone and the Northern Regional Office coordinated from Francistown. The graphs below show the gender and age analysis of the workforce;

#### 1. Gender Analysis



#### 2. Age Analysis



BHC prides itself in its human capital, which comprises of an extensive mix of young professionals with diverse skills, expertise and experience in both the core business, centred around the built environment, and fully-fledged support services functions, in the areas of finance, procurement, risk & compliance management, legal services, human capital management, marketing & communications, strategy, planning & policy and information technology.

### STAFF INNOVATION INITIATIVE

The Corporation developed and launched a Staff Innovation Initiative during the period under review. The Corporation further established a Staff Innovation Committee, whose mandate is to guide and facilitate the process of generating innovative ideas from within and outside the Corporation. The establishment of the committee culminated into several activities that were undertaken, and these includes innovation competitions aimed at soliciting ideas from members of staff on appropriate solutions to some challenges facing the Corporation.

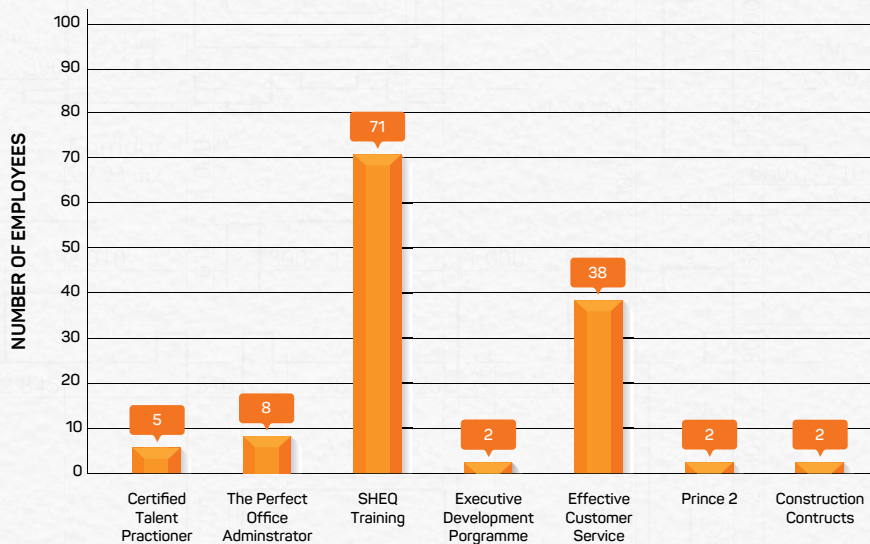
## HUMAN CAPITAL & ADMINISTRATION DEPARTMENT

### LEADERSHIP EFFECTIVENESS

The Corporation continues to implement leadership effectiveness programmes intended to close gaps that have been identified within the Corporation. This process follows on a leadership effectiveness assessment exercise that was carried out to evaluate the level of leadership effectiveness within the Corporation. The developmental programmes identified are expected to also feed into the Corporation's talent management systems and processes, therefore addressing the Corporation's business continuity ideals.

### EMPLOYEE LEARNING AND DEVELOPMENT

#### EMPLOYEES TRAINED PER PROGRAMME



The Corporation values leadership development and employee learning and development as components of the Corporation's key strategic imperatives. In this regard, the BHC Board annually approves learning and development plans and budget to ensure that the Corporation continuously addresses any competency and capability gaps. The Corporation continuously encourages its employees to self-develop, by utilising the educational loans availed, whereby successful completion of a programme by an employee results in the loan being converted into a grant. The Corporation continuously enrolls its employees for the following development programmes; Executive, Management, Supervisory Skills, Professional, Risk Management, Corporate Governances and Business Continuity. This is to enhance the Corporation strategic and operational efficiencies, as well professional development of its employees.

### EMPLOYEE ENGAGEMENT

Employees at BHC are engaged through the several platforms such as; CEO's consultative meetings, Departmental meetings, Weekly newsletter, Lekgotla platform in Alfresco, Strategy Cascading and Review Sessions.

An Employee Engagement Survey was conducted in 2022 which gave an index of 48.7%. An implementation plan that was put in place for monitoring implementation of the recommendations raised by employees through the surveys. Through this plan the Corporation has implemented several initiatives intended to enhance the work environment which amongst others include:

1. Installation of internet at home for all employees, which gave employees access to the Corporation's IT systems and hence enabled working from home arrangements.
2. Conducting innovation competitions to get ideas from employees for further research and implementation with a view of improving products and services. Employees are awarded prize money for coming up with the best idea which has been approved by management for implementation.
3. Reviewing all Human Capital and Administration policies to improve the employee conditions of service.
4. Conducting inductions or employee awareness workshops on human resources key issues.
5. Establishing different Task/Project Teams in the Corporation inclusive of diverse members from different departments. This is to encourage teamwork, collaboration and creativity.

# STAKEHOLDER ENGAGEMENT REPORT

Stakeholder engagement is a critical component of our business, and it is important that we establish meaningful connections and respond to our stakeholders ever-evolving interests and needs. These engagements guide and shape our decisions in creating value and offering the best products and services. Our engagements are meant to share critical information in a consistent and timely manner. It is also important that feedback from stakeholders is carefully analyzed to help the Corporation enhance and build mutually beneficial relationships with all its stakeholders.

The Corporation through various indexes and surveys analyses issues and concerns coming from various stakeholders for purposes of prioritizing those and eventually responding accordingly. Below is a matrix with some of the issues, engagement platforms adopted and value created during the period under review.

STAKEHOLDER	ROLE	ENGAGEMENT METHOD	VALUE CREATED
Staff	Our staff are at the core of the Corporation and critical towards overall corporate performance	<ul style="list-style-type: none"> <li>• CEO's consultative meetings</li> <li>• Departmental Meetings</li> <li>• Engagement forums i.e. project briefings, staff welfare events etc</li> <li>• Training and performance management system</li> </ul>	<b>48.7%</b> - Employee Engagement Survey Score.
Shareholder	Key to provision of affordable accommodation to the nation.	<ul style="list-style-type: none"> <li>• Meetings, presentations, performance reports</li> <li>• Product launches</li> <li>• Shareholder Perception Index</li> </ul>	SHHA turnkey houses delivered – <b>686</b>  <b>150</b> Flats Delivered in Palapye  <b>19</b> Houses delivered in Tsabong
Tenants	Tenants are the live blood of the Corporation. They interact with our products and service offerings.	<ul style="list-style-type: none"> <li>• Maintenance Requests Closed</li> <li>• Customer Satisfaction Index</li> <li>• Customer Complaints Closed.</li> </ul>	Reactive Maintenance requests closed – <b>91%</b>  CSI – <b>70.78%</b> Customer complaints resolved – <b>76%</b>
The General Public	Their perception on the Corporation's brand and its product and service offerings is critical.	<ul style="list-style-type: none"> <li>• Exhibitions and Fairs</li> <li>• Digital presence growth</li> <li>• Perception Index</li> </ul>	Facebook visits – <b>60,911</b> Perception Index – <b>68.58%</b>
Contractors & Suppliers	Our operations are reliant on their service, which in turn plays a critical role on our efficiency.	<ul style="list-style-type: none"> <li>• Management of SLAs</li> <li>• Capacity building</li> </ul>	Projects completed within duration – <b>86%</b>  Improved quality of houses – <b>89%</b>  Dependency on direction payments – <b>74%</b>
Media	Building knowledge around the Corporation's mandate, products and services and reporting on the impact of the business on the livelihoods of citizens	<ul style="list-style-type: none"> <li>• Media coverage</li> <li>• Press conferences</li> </ul>	Positive Media Coverage – <b>79%</b>  <b>1</b> - Press Conference
Communities	Support of community initiatives in the areas of operation.	<ul style="list-style-type: none"> <li>• Corporate Social Responsibility Initiatives</li> </ul>	Total amount spent on CSR initiatives – <b>P820,686.45</b>

## CORPORATE SOCIAL RESPONSIBILITY REPORT

The Corporation is committed to giving back, uplifting, and advancing communities it operates in. This is supported by embarking on various community initiatives in alignment with the Corporation's Corporate Social Responsibility guidelines as follows;

- (a) **Education**- e.g. Assisting in equipping students' laboratories (computer, science, and design), providing educational materials, etc.
- (b) **Health Care** - Donation of medical equipment, refurbishment of hospital wards, etc.
- (c) **Environment** - Organizing, funding, and participating on environment management activities, tree planting activities, etc.
- (d) **Social Empowerment** - Assisting communities in activities that will ultimately make them economically dependent on their available resources including support for training programs focused on vocational courses like embroidery designs, painting.
- (e) **Sports and Culture** - Support of sports development activities in rural areas, providing sports equipment and kits as well as to sponsor sports events.
- (f) **Generation of Employment** - Use of local human resources especially the youth in areas where CSR activities are undertaken.
- (g) **Infrastructure Support** - The Corporation endeavours to assist where possible with the construction, repair, extension etc. of the following:
  - Educational institutions
  - Health facilities such as hospitals. Clinics, etc.
  - Community centres and other buildings
  - Development of parks
  - Playground or sports complex
- (h) **Grant, donation, financial assistance/sponsorship** to reputable NGOs of the society/locality doing or involved in upliftment of the standard of the society.

## CORPORATE SOCIAL RESPONSIBILITY REPORT

### CORPORATE SOCIAL RESPONSIBILITY INITIATIVES FOR THE YEAR UNDER REVIEW

During the year under review, the Corporation identified and implemented various CSR and sponsorship initiatives to a total of P820,686.45.

#### DONATION TO SEDIBENG SA LERATO TRUST IN GABANE

The Corporation built a kitchen, completed ablutions, and painted the Centre's Hall. This was to capacitate the Trust to prepare food and carry out educational activities in a clean and secure environment. Sedibeng sa Lerato Community Trust is an orphanage and vulnerable children Centre in Gabane which seeks to address crucial needs and problems of orphaned and vulnerable children from as early as 2-14 years. These children are mostly orphans or children living in an abusive environment, poverty-stricken families unable to access basic services.



Official hand over of the Sedibeng Sa Lerato Kitchen and ablutions in Gabane.



#### TSOGANG TRUST RENOVATIONS

The Corporation embarked on a project to complete and renovate the building structures including ablutions at Tsogang Trust in Mogoditshane. The Trust deals with adults and young people living with HIV/AIDS. It assists them with shelter, medication, clothes, and food.

#### TSHOLOFELO 264 JUNGLE GYM

The Corporation installed and equipped a jungle gym at the Tsholofelo 264 flats as part of the CEO's initiatives towards enhancing customer relations.

## CORPORATE SOCIAL RESPONSIBILITY REPORT



### DONATION OF A PRINTER/ PHOTOCOPYING MACHINE TO KGORO PRIMARY SCHOOL

The Corporation donated a printer/ photocopying machine to Kgoro Primary School in Borolong. The donation was meant to help the school carry out administration duties such as printing and photocopying documents and student learning materials.

BHC Board Chairperson, Mr. Moemedi Gabana with Kgoro Primary School pupils at the school's prize giving ceremony.

### WATER CONNECTION FOR A DESTITUTE PERSON IN KAZUNGULA

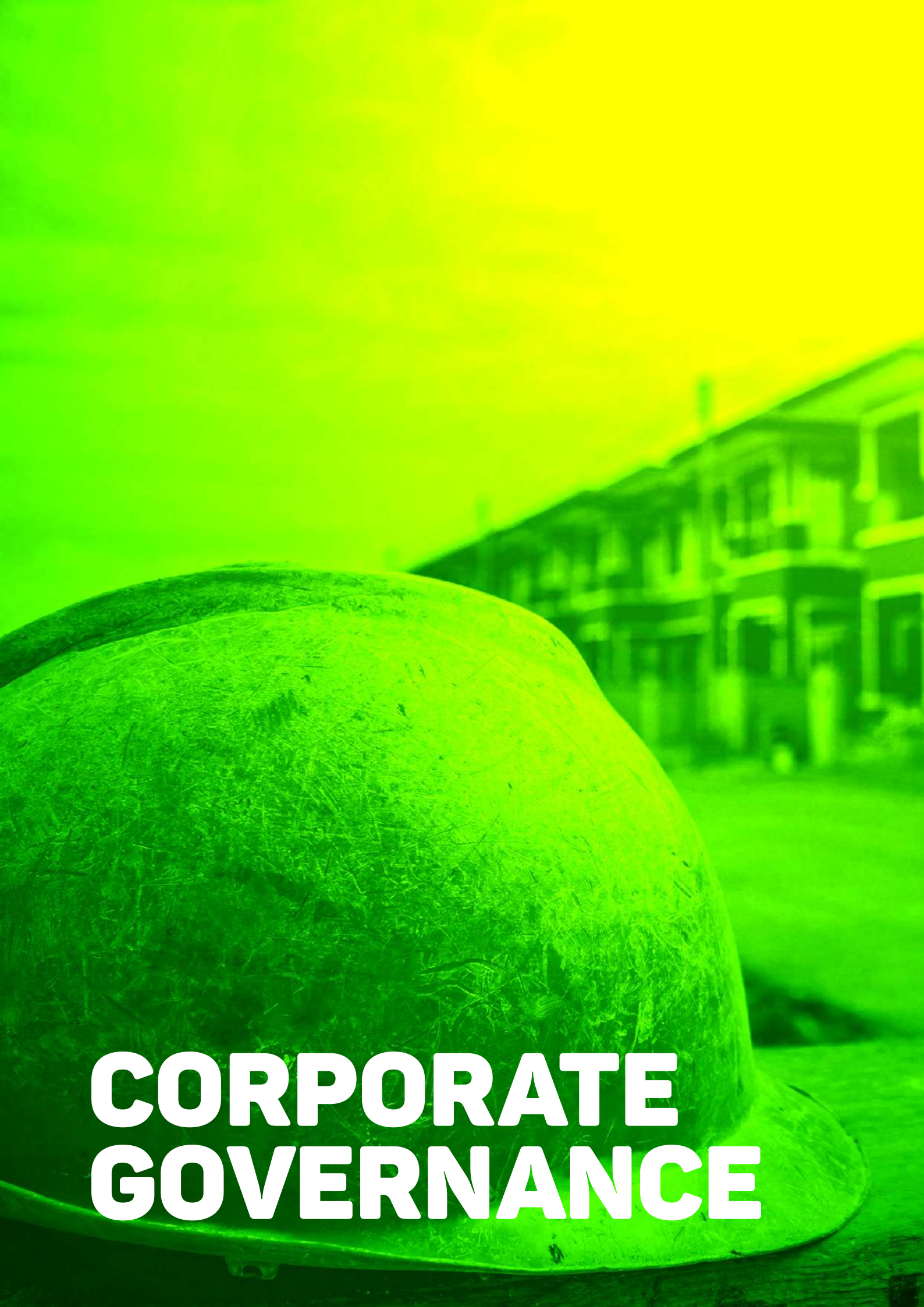
The Corporation assisted the Chobe District Council with water connection for a destitute in Kazungula in the Chobe District.

### SPONSORSHIPS

1. Architect Association Botswana Conference
2. BIUST 4th International Conference on Smart Applications, Communications and Networking
3. Mr. and Miss RADP 2022 Fashion Show
4. Mr. & Miss Beauty with Albinism Botswana 2022







# **CORPORATE GOVERNANCE**



## BOARD OF DIRECTORS

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

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

During the reporting period the following were Board members:

### Mr. Moemedi Gabana

Board Chairman and Independent  
Member

Mr Gabana holds a Master of Science in Urban Development and Bachelor of Arts (Hons) in Architecture. He is a lecturer on Architecture and Planning at the University of Botswana. He is a registered member of the Architects Association of Botswana. Mr. Gabana was appointed Chairman of the BHC Board for a period of two years effective 1st October 2022 to 30th September 2024.



### Ms. Boitsheko Vanessa Ntshingane

Deputy Board Chairperson and Independent  
Member

Ms. Ntshingane is an admitted attorney with experience in commercial, financial services, as well as entrepreneurship development industries. She has experience in litigation management, legal insurance, corporate governance, legal/statutory compliance, and regulatory risk management. She is currently the Legal Advisor to the Local Enterprise Authority. She obtained a Bachelor of Laws from the University of Botswana, post graduate certificates in Compliance and Risk Management from the University of Cape Town, and Management Development Programme from the University of Stellenbosch.



## BOARD OF DIRECTORS *(Continued)*



### **Ms. Carol Naiko Ralebala**

#### **Independent Member**

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



### **Ms. Tebogo Pulane Mogotsi**

#### **Independent Member**

Ms. Mogotsi is currently the Deputy Director of Public Service Management (DPSM). She holds a Bachelor of Commerce (BCom), MSc in Human Resources Management, and SAP HR Consultancy Certification. She is also a Member of the Institute of People Management South Africa. She is a Board Member of the Botswana Housing Corporation and Human Resource Development Council. Prior to her appointment by the DPSM, she was employed by Botswana Competition and Consumer Authority and was responsible for Overall Human Resources Management of the Authority.

She has also worked at Botswana Savings Bank as the Head of Human Capital from 2019 to 2020. In 2010 to 2018, she served the Southern African Development Community (SADC) as a Human Resource Management Expert in charge of Overall HR Management of Project Staff and Staff in the SADC Desk Office in Addis Ababa. She joined Barclays Bank of Botswana in 2008 as a Senior Human Resources Advisor. In 2001 she joined Debswana Diamond Company - (Jwaneng Mine) as an HR Learner Official and rose through the following ranks in the Organisation: Industrial Relations Officer, Human Resources Officer, HR Business Analyst, and HR Business Partner. She has served in Orapa Mine as Human Resources Business Partner – Services as well. Her career started in the Public Service in 1997 as an Assistant Industrial Officer under the then Ministry of Commerce and Industry. In the year 2000, she was appointed as a Management Analyst under the Directorate of Public Service Management. She is the Chairperson of the Human Resources Committee.

## BOARD OF DIRECTORS *(Continued)*



### Mr. Phenyo Shigie Nthaga

Independent Member

Mr. Nthaga holds a Master of Public Administration in Human Resources Management Degree from the University of Botswana and another Master of Education: Policy Analysis, Leadership and Management from the University of the Western Cape, South Africa. He holds a Bachelor of Arts Degree in Humanities and a Post Graduate Diploma in Education both attained from the University of Botswana. He holds certificates in Managing the Learning and Development Function from Reed Learning, London UK (American Society for Training & Development) as well as Managing the Training and Development Function Programme from ESAMI, Kenya, certificates in Human Resource Planning and Development from Institute of Applied Manpower Research, New Delhi, India. He has undertaken ILO-organized Training of Trainers course on Effective Information Management as well as the Vocational Training Under Economic Restructuring course at ARLAC in Harare, Zimbabwe.

He has done a Gender and Development course at the University of Botswana. He has over twenty years of experience in the Tertiary Education sector and is currently employed by the University of Botswana as a Faculty Administrator. Prior to joining the University of Botswana, he worked for Botswana Confederation of Commerce, Industry and Manpower (BOCCIM) now Business Botswana as a Training Officer. He has served in several University of Botswana Committees and Task Forces. He is a Member of the Human Resource Committee and Finance, Risk and Audit Committee.



### Mr. Tumisang Mogwe

Independent Member

Mr. Mogwe holds a BSc (Hons) Quantity Surveying degree and has over 23 years' experience working in Botswana and UK as a Quantity Surveyor, project manager and mentor. He is the current Managing director of Temo Construction Services (QS Firm) and Axis Tech (ICT Firm). He also holds numerous short courses in business development, construction contracts and management consultancy. He has been providing mentoring and technical due diligence to local banks and institutions in Botswana for the past 10 years. He offers mentoring to UNDP through the Supplier Development Program (SDP). He is a registered member of the Quantity Surveyor's Registration Council (QSRC). He sits on the Quantity Surveyor's Registration Council (QSRC) Board. His expertise is cost planning, sustainable construction, benchmarking & cost modeling, project monitoring & project management, training & mentoring, and providing solutions for digitizing processes in the construction industry.

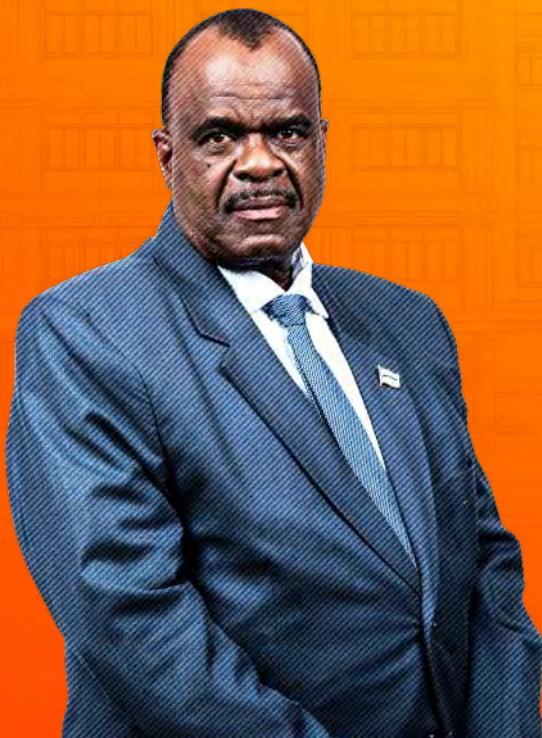
## BOARD OF DIRECTORS *(Continued)*

### Mr. Bareng Malatsi

Non - Independent Member

Mr. Malatsi holds a BSc (Hons.) Surveying Science; MSc Land Surveying.

He has held a number of senior positions in Government and is currently Deputy Permanent Secretary, Ministry of Transport and Public Works. He is also a member of the Governing Council of the Regional Centre of Mapping of Resources for Development (RCMRD); Board member of CEDA Young Farmers Fund; Board member of the National Environmental Fund (NEF). He is a Member of the Human Resource Committee.



### Mr. Jimmy Thibedi Sechele

Independent Member

Mr. Sechele is an Architect and a member of Botswana Institute of Development Professional (BIDP), Architects Association of Botswana and the Architects Registration Council. He obtained his Master of Science in Architecture from Roston-On-Don, USSR and a Certificate in Building Construction from Botswana Polytechnic. He possesses over thirty-five years of experience in the field of architecture. He is currently the Director to Okanda Consulting, an Architectural firm based in Gaborone. He previously worked for the Group 9 Architects, KMM Architects (Partner) and the Gaborone City Council. He is a member of the Finance Risk and Audit Committee and the Human Resource Committee.



## BOARD OF DIRECTORS

In the execution of its mandate, the Board is guided by the principles of the King III Code on Corporate Governance and endeavours to embed as many principles of the Code as possible. Such guidance is however subject to the Botswana Housing Corporation Act and other applicable statutes. The Corporation continues with its endeavours to improve governance standards with the assistance and guidance of the Botswana Accountancy Oversight Authority (BAOA).

### COMPOSITION OF THE BOARD

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

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

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

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

### MEETINGS OF THE BOARD

The Board meets quarterly or as and when necessary for the proper operation of the Corporation. Ordinary and Special meetings of the Board are convened by the Chairman at such times and places as he may in his discretion determine. The Board meets annually to review the Corporation's long-term strategy and monitors implementation of the strategic plan throughout the year. At the start of every meeting, Members must declare any conflict of interest that they may have in relation to any matters under discussion by the board at such meeting. Where a member has a conflict of interest as stated above, such member is recused from the meeting while the matter in which the member has an interest is being discussed. The Members may further, not vote in relation to such matter.

### 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 two Board Committees:

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

## BOARD OF DIRECTORS

### HUMAN RESOURCE COMMITTEE

#### The Role of the Committee

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

#### Activities of the Committee

During the reporting period the Committee provided guidance to the BHC Management in coordination of human capital management systems. The Committee has considered and endorsed, amongst others, the following initiatives intended to enhance human capital management systems and processes; a leadership effectiveness exercise, whose objective was to enhance senior leadership capability, hence effectiveness in the stewardship of the Corporation's strategy and mandate, employee learning and development plans and programmes, employee engagement initiatives, a staff ideation/innovation drive (as a way of value creation by stimulating creativity amongst employees in respect of the Corporation's products and services). These initiatives have proven to be value adding in addressing stakeholders and customer concerns regarding the Corporation's products and services. As part of the Committee's aspirations for business continuity, the Committee has been fast tracking recruitment for senior leadership team positions. The Committee continuously monitors Management's efforts in enhancement of employee relations systems and processes within the Corporation, as a way of managing employee relations risks that are inherent within the Corporation and thus promoting a conducive work environment.

#### Meetings of the Committee

In line with its Charter, the Committee is expected to hold meetings quarterly. During the reporting period the Committee held four (4) ordinary meetings, which considered several human capital management issues, as well five (5) special meetings. Special meetings of the Committee were in response to ad hoc necessities that required the Committee to speedily make decisions on emerging issues.

#### Attendance of Committee meetings

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

NAME OF MEMBER	POSITION	DATE OF MEETING									
		13/04/2022	03/05/2022	01/08/2022	26/08/2022	07/11/2022	16/02/2023	08/03/2023	20/03/2023	28/03/2023	NO. PRESENT
Tebogo Mogotsi	Chairperson	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Jimmy T. Sechele	Member	✓	✓	○	○	✓	✓	✓	✓	✓	7
Phenyo Nthaga	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Bareng Malatsi	Member	○	○	✓	✓	○	✓	✓	✓	✓	6

Present: ✓

Absent: ○

## BOARD OF DIRECTORS

### CHAIRMAN

Mr Moemedi Gabana, an independent non-executive Member is the Chairman of the Board.

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

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

### REMUNERATION OF THE BOARD

The remuneration of Board Members is determined by the Minister and currently the Board fees are:

Board Chairman: P2 250.00

Members: P1 800.00

### BOARD ATTENDANCE

NAME	BOARD	Finance & Audit Committee	Human Resource Committee
Mr Moemedi Gabana Term 1: 01/09/2021 - 31/10/2024	19/19		
Ms Boitsheko V Ntshingane Term 1: 01/09/2021 - 31/10/2025	18/19		
Ms Carol N. Ralebala Term 1: 01/09/2021 - 31/10/2025	10/19	7/7	
Ms. Tebogo P. Mogotsi Term 1: 01/09/2021 - 31/10/2025	17/19		7/9
Mr Phenyio Nthaga Term 1: 01/09/2021 - 31/10/2025	19/19	6/7	9/9
Mr Tumisang Mogwe Term 1: 01/09/2021 - 31/10/2025	19/19		
Mr Bareng Malatsi Term: 1/12/2018 -	14/19		6/9
Mr Jimmy T. Sechele Term 1: 01/09/2021 - 31/10/2024	19/19	7/7	7/9

### 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.





**BHC  
COMPLIANCE  
WITH KING III**

## REPORT ON THE FINANCE RISK AND AUDIT COMMITTEE

I submit herewith the Finance Risk and Audit Committee's Annual Report for the year ended March 31, 2023. The report presents an overview of the activities carried out by the Committee and outlines how it performed its duties, as necessary in relation to the Corporations financial reporting, risk management, Internal Audit function and the relationship and interactions with the external auditors.

### ROLE OF THE COMMITTEE

The Finance Risk and Audit Committee is a subcommittee of the Main Board. The responsibilities and mandate of the Committee is set out in its Charter, which is approved by the Board and reviewed regularly, as required.

The Board has delegated the following key functions to the Committee:

- Managing the appropriateness and the effectiveness of Risk Management function which includes operational risk and regulatory compliance,
- Overseeing and ensuring the integrity of the Corporations financial reporting process.
- Reviewing the Corporations internal controls and assurance processes.
- Managing and overseeing the performance, conduct, quality and effectiveness of the Corporations internal audit function.
- Reviewing the annual work plan, capacity, scope and staffing of internal audit.
- Managing, and overseeing the relationship with the external auditors, including scope, fees, quality control, effectiveness and independence of the external audit function.

The Finance Risk and Audit committee must report to the Board on the effectiveness of these functions.

### COMMITTEE COMPOSITION AND MEETINGS

The committee is comprised of Carol Naiko Ralebala, Phenyo Nthaga and Jimmy Sechele. All the members of the Finance Risk and Audit Committee are independent non-executive directors. They are financially literate, with diverse business experience which bring perspective and insight to the Committee's considerations and decisions. The Committee is mandated to meet a minimum of four times a year, however during the financial year under review, they met a total of seven times, of which three were special meetings that were convened.

### SUMMARY OF WORK IN 2022/2023

With the external auditor and Management, reviewed the methodology and audit approach to be applied during the external audit.
Reviewed significant issues raised by the external auditors, the Internal Audit Department, and the adequacy of Management's response to their recommendations.
Approved the internal audit plan for 2023 and conducted quarterly review of the internal audit activities.
Approved new revisions to the Internal Audit Charter.
Reviewed the results of the external consultant's report on the Quality Assurance Improvement programme and approved the implementation plan for their recommendations.
Reviewed quarterly reports and updates on legal and regulatory compliance matters, as well as fraud, anti-corruption matters and whistleblowing disclosures.
Reviewed and monitored the relationship with the external auditor, including overseeing its appointment, independence, remuneration, tenure, rotation of the engagement partner and engagement for non-audit services.
Approved the 2023 external audit engagement letters and fees.
Reviewed the adequacy and effectiveness of the Corporations internal control systems and its accounting, financial reporting, and internal audit functions.

## REPORT ON THE FINANCE RISK AND AUDIT COMMITTEE *(Continued)*

### REVIEW OF ACCOUNTING POLICIES AND FINANCIAL STATEMENTS

The Committee reviewed the 2023 Annual Financial Statements in conjunction with the external auditor. Based on this review and discussions with Management, the FRAC was satisfied that the Annual Financial Statements were prepared in accordance with applicable accounting standards, the relevant provisions of the Botswana Housing Corporation Act and fairly present the Corporations financial position and results for the year ended 31 March 2023. The FRAC therefore recommended that the Annual Financial Statements for the year ended 31 March 2023 be approved by the Board.

### EXTERNAL AUDIT

The Finance Risk and Audit Committee is satisfied with the independence of the external auditors of the BHC. This assessment was made after taking into consideration the independence confirmations received from the external auditors, through continuous monitoring and by approval of any non-audit services through the defined and appropriate safeguards that are in place, such as the formal partner rotation process and audit firm rotation.

### REVIEWING THE EFFECTIVENESS OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board, through the Finance Risk and Audit Committee is responsible for the Corporations system of internal control and for reviewing its effectiveness. The Committee continued to monitor the control environment to ensure that it is robust, resilient and sufficiently agile to respond appropriately to any challenges that may arise in the operating environment. The risk appetite for the Corporations was reviewed and approved by the Committee, oversight was exercised over the financial, operational, risk management and compliance controls through review of reports submitted from assurance units over the course of the year. Fraud, cyber security and IT systems controls that impact financial reporting were also considered.

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

The Committee also reviews the external auditor's management letter, which incorporates Management's responses to the findings raised.

### REVIEWING THE EFFECTIVENESS OF INTERNAL AUDIT

The Committee assesses the work of internal audit on a regular basis through receipt of reports on the progress of the internal audit plan. It reviews significant issues raised during the internal audit process and highlights any material issues arising from the audits to the Board. The Committee also oversees the resources of Internal audit to ensure the department has appropriate expertise, budget and authority within the Corporation to enable it to discharge its duties effectively.

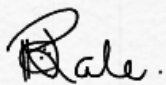
The Chief Audit Executive has unfettered access to the FRAC chairperson and in line with best practice, regular meetings were held between the FRAC chairperson and Chief Audit Executive in the absence of Management. In conformance with the Institute of Internal Auditors Standards, an external quality assessment was performed. The Department received a "Generally Conforms Rating", which means that, the Internal Audit (IA) activity has a charter, policies, and processes that are judged to be in conformance with the Standards is overall effective.

## REPORT ON THE FINANCE RISK AND AUDIT COMMITTEE *(Continued)*

### LOOKING AHEAD

The Committee will remain focused on:

- Discharging its functions in terms of its charter;
- Ensuring the effective functioning of the Corporations financial systems and processes;
- Ensuring the Corporations control processes and internal audit capabilities continue to evolve alongside any developments in the business;
- Reviewing any new and emerging risks, with continuous monitoring of improvements to the IT environment and the control framework.
- Considering the implications of any ESG risk in measuring the sustainability and societal impact of the Corporation together with any Environmental, Social & Governance (ESG) accounting disclosures that may apply.
- Continuing the monitoring of and embedding of a risk management system; and analysing any compliance and regulatory developments in accounting, reporting and auditing.



Naiko C. Ralebala  
Chairperson  
Finance, Risk and Audit Committee

## BHC COMPLIANCE WITH KING III

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

## BHC COMPLIANCE WITH KING III

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

## BHC COMPLIANCE WITH KING III

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

## BHC COMPLIANCE WITH KING III

	2.14 The Board and its directors should act in the best interests of the company	At the start of every meeting of the Board Members make a declaration of interest and copies are filed by the Board Secretary. A member who has a conflict of interest is recused from the meeting when the item in which the member is conflicted is discussed.	√
	2.15 The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Companies Act	The Corporation's financial position is reported on every quarter. Any signs of distress of cashflow issues are adequately discussed and mitigated.	√
	2.16 The Board should elect a chairman of the board who is an independent non executive director. The CEO of the Corporation should not also fulfil the role of chairman of the board	The Chairman of the Board is appointed by the Minister and is an independent member. (BHC Act) The role of the Chairman and the General Manager are separate and are not held by the same individual.	X
	2.17 The board should appoint the chief executive officer and establish a framework for the delegation of authority	The General Manager is appointed by the Board with the approval of the Minister (BHC Act) Appointments to positions designated as senior are considered by the Human Resource Committee and recommendations made to the Board for approval.	X
Composition of the Board	2.18 The Board should comprise a balance of power with the majority of non -executive directors should be independent	None of the Board members is an executive member. Ref. section of the composition and appointment of the Board with regard to the gender balance, diversity in skills; board rotation and the number of terms a member can serve.  The General Manager; Chief Finance Officer; Chief Audit Executive; Director Risk and Compliance attend all Board meetings on invitation by the Board.	X
Board appointment process	2.19 Directors should be appointed through a formal process.	Directors are appointed through a formal process. The appointments are recommended to cabinet by the line ministry and are formally approved.	√

## BHC COMPLIANCE WITH KING III

	2.26 Companies should disclose the remuneration of each individual director and certain senior executives	<p>The remuneration of the Board and the executives is disclosed in the financial statements under related party disclosures.</p> <p>The Corporation has implemented an Incentive Policy that guides payment of performance incentives. The policy was approved by the Board.</p>	√
	2.27 Shareholders should approve the company's remuneration policy	The Minister of Transport and Public Works, assisted by the Minister of Finance, approves the Corporation's remuneration policy.	√
<b>3. AUDIT COMMITTEES</b>			
	3.1 The Board should ensure that the company has an effective and independent audit committee.	The Board has a three-member Finance, Risk & Audit Committee made up entirely of non – executive Board members, whose combination of skills and experience makes the Committee effective at delivering on its mandate. The Committee's Charter is approved by the Board. The Committee meets quarterly to conduct its ordinary business and as often as necessary to deal with other urgent matters. The Committee, through its Chairman, meets with the Chief Audit Executive quarterly in the absence of management.	√
Membership and resources of the Audit committee	3.2 Audit committee members should be suitably skilled and experienced independent non-executive directors	The Finance, Risk & Audit Committee is made up of three highly skilled members one with a finance background. The Board Chairman is not a member of the Finance, Risk & Audit Committee.	√
	3.3 The audit committee should be chaired by an independent non- executive director	The Chairman of the Finance & Audit Committee is an independent non-executive director and is elected by the Board.	√
Responsibilities of the Audit committee	3.4 The audit committee should over-see integrated reporting	The Finance, Risk & Audit Committee reviews the draft audit annual financial statements prior to the financial statement's approval by the Board. They also oversee the integrated report and ensure that it is adequately reviewed by the external auditors.	√
	3.5 The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities	<p>Combined Assurance Model is not yet in place. It will be implemented over the next three financial years.</p> <p>The Finance Risk &amp; Audit Committee recommends the appointment of external auditors together with their proposed audit fees to the Board and reviews their proposed audit plan.</p>	X

## BHC COMPLIANCE WITH KING III

Internal assurance providers	3.6 The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	The Finance, Risk & Audit Committee annually reviews the finance function and this is disclosed in its report in the integrated report.	√
	3.7 The audit committee should be responsible for overseeing internal audit	The Committee oversees the Internal Audit Department and plays a key role in ensuring that the company's Internal Audit function is independent and has the necessary resources, budget, standing and authority within the Corporation to enable it to discharge its duties effectively. The Finance Risk and Audit Committee on an annual basis considers and approves the internal audit plan and oversees the staffing and objectives of the function. It reviews significant issues raised during the internal audit process, and highlights any material issues arising from the audits to the Board	√
	3.8 The audit committee should be an integral component of the risk management process	The Finance Risk & Audit Committee has overall responsibility for the risk management process.	√
External assurance providers	3.9 The audit committee is responsible for the appointment of the external auditor and overseeing the external audit process	<p>The Finance, Risk &amp; Audit Committee recommends the appointment of external auditors as well as their proposed remuneration to the Board for approval.</p> <p>The Finance, Risk &amp; Audit Committee reviews and recommends the main terms of engagement of external auditors, including their term of office, remuneration and audit team composition.</p> <p>The Committee monitors external auditors' independence annually, when considering the audit plan for that year.</p> <p>The Committee receives and considers the external auditors' management letter when considering the adoption of the audited financial statements.</p>	√
Reporting	3.10 The audit committee should report to the Board and shareholders on how it has discharged its duties.	The Committee reports to the Board quarterly on how it has discharged its duties.	√

## BHC COMPLIANCE WITH KING III

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

## BHC COMPLIANCE WITH KING III

	4.6 The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	This is assured through quarterly reviews.	√
Risk response	4.7 The Board should ensure that management considers and implements appropriate risk responses.	This is done on a quarterly basis through review of risk reports.	√
Risk monitoring	4.8 The Board should ensure continual risk monitoring by management	This is done on a quarterly basis.	√
Risk assurance	4.9 The Board should receive assurance regarding the effectiveness of the risk management process	This is done on a quarterly basis. Internal Audit reports to the FRAC on the effectiveness of internal controls on a quarterly basis.	√
Risk disclosure	4.10 The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	Risk management is adequately covered in the annual report, including risk governance structures.	√
<b>5. THE GOVERNANCE OF INFORMATION TECHNOLOGY</b>			
	5.1 The Board should be responsible for information technology IT governance	<p>The board has overall authority on the Governance of IT, and at its quarterly sitting, IT issues are presented and reviewed.</p> <p>IT Policies and strategies are approved by the Board.</p> <p>COBIT Framework is adopted for IT Governance</p> <p>Annual IT Audit is carried out by audit firm, as a part of the Financial Audit.</p>	√
	5.2 IT should be aligned with the performance and sustainability objectives of the company	The IT Strategy is aligned with the Corporate Strategy.	√

## BHC COMPLIANCE WITH KING III

	5.3 The Board should delegate to management the responsibility for the implementation of an IT governance framework	<p>Management is responsible for implementation of all IT Processes, structures in accordance with the Governance Framework</p> <p>There is an established Management Audit and Risk Committee which assists with the governance of IT</p> <p>This committee is chaired by the CEO</p> <p>IT is managed by the Head – Information Technology, whose qualifications and experience are aligned to the job profile.</p>	√
	5.4 The Board should monitor and evaluate significant IT investments and expenditure	The Board reviews the value delivery of IT on a quarterly basis. Issues of Governance and Security are covered in the quarterly reports	√
	5.5 IT should form an integral part of the company's risk management	<p>The Corporation has a Disaster Recovery Policy and Plan in place which is tested twice a year to ensure its effective.</p> <p>These are reported to the board on a quarterly basis.</p>	√
	5.6 The Board should ensure that information assets are managed effectively	The Board has approved policies for Information Security, Management of IT Assets and other policies that ensure the management and security of the Corporation's information	√
	5.7 A risk committee and audit committee should assist the board in carrying out its IT responsibilities	The Board has a Finance, Risk and Audit Committee which ensures all risks, including IT Risks are addressed and mitigations are implemented accordingly.	√
<b>6. COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS</b>			
	6.1 The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	The Corporation has approved a Compliance Policy which integrates all compliance efforts, from compliance with external regulations to compliance with internal rules, policies and procedures. This assists the Corporation maintain compliance in all areas of its operation. Corporate risks are reported on at every Board meeting.	√
	6.2 The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.	Members are advised of changes in the law which will impact the operations of the Corporation. These are also covered as part of the induction process	√

## BHC COMPLIANCE WITH KING III

	6.3 Compliance risk should form an integral part of the company's risk management process	The Corporation has a Risk and Compliance function which provides the Board with assurance in this area	√
	6.4 The Board should delegate to management the implementation of an effective compliance framework and processes	The Board has a standing agenda item on compliance with Governance. There is also the Business Ethics policy which is undergoing revision to make it more robust in terms of application and measure.	√
<b>7. INTERNAL AUDIT</b>			
The need for and role of internal audit	7.1 The Board should ensure that there is an effective risk based internal audit	<p>The Corporation has established an in-house internal audit function whose mandate includes:</p> <ul style="list-style-type: none"> <li>a) Review of the Corporation's governance, risk management and control systems.</li> <li>b) Review of business processes and associated controls.</li> </ul> <p>The internal audit function receives and investigates whistle blowing reports and is, therefore, a source of information about instances of fraud, corruption and unethical behaviour.</p> <p>The internal audit function is guided by an Internal Audit Charter, which was approved by the Board.</p> <p>The Internal Audit function adheres to the Institute of Internal Auditors (IIA) standards and code of ethics.</p>	√
Internal audit's approach and plan.	7.2 Internal audit should follow a risk-based approach to its plan	<p>The internal audit function's audit plan is informed, amongst other things, by the Corporation's strategic risk register which, itself, is informed by the Corporation's strategy.</p> <ul style="list-style-type: none"> <li>a) The internal audit function reports functionally to the Finance, Risk &amp; Audit Committee and administratively to the Chief Executive Officer.</li> <li>b) Execution of a strategic risk – informed audit plan results in the internal audit function providing assurance on risks that could affect strategy execution.</li> <li>c) Audit reports highlight the absence of or inadequately designed controls aimed at mitigating risks. Reports also include opportunities for enhancing strategy realization.</li> </ul>	√

## BHC COMPLIANCE WITH KING III

	7.3 Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	<p>The Corporation has not yet implemented a Combined Assurance model. However, the Corporation intends to implement such a model over the next three financial years.</p> <p>The internal audit function reviews all controls which management has put in place including those related to financial reporting, operations, sustainability and compliance with laws and regulations.</p> <p>The internal audit function does not currently provide a written statement to the Board giving an overall assessment of the Corporation's risk management and internal controls, including controls over financial reporting. This will be done going forward.</p>	X
	7.4 The audit committee should be responsible for overseeing internal audit	<p>The three – year and annual audit plans are approved by the Finance, Risk &amp; Audit Committee.</p> <p>Currently, the Finance, Risk &amp; Audit Committee does not formally evaluate the performance of the internal audit function. Going forward, a template for such an evaluation will be developed.</p> <p>Per the function's Quality Assurance &amp; Improvement Programme, the function will undergo an external quality assessment at least once every five (5) years.</p> <p>The Board, collectively, is responsible for the appointment and dismissal of the Chief Audit Executive (CAE). However, performance appraisal of the CAE is done by the Chief Executive Officer. Practicality of the CAE being assessed by the Finance Risk &amp; Audit Committee will be reviewed.</p> <p>The function reports to the Finance &amp; Audit Committee at all the Committee's ordinary meetings.</p>	√
Internal audit's status in the company	7.5 Internal audit should be strategically positioned to achieve its objectives	<p>a) The internal audit function reports functionally to the Finance, Risk &amp; Audit Committee and administratively to the Chief Executive Officer.</p> <p>b) To further enhance the independence of the function, on a quarterly basis, the CAE meets with the Chairman of the Finance Risk &amp; Audit Committee in the absence of management.</p> <p>c) The internal audit function has identified IT auditing as the one area in which it needs to develop its auditing skills. To this end, it has enrolled two of its staff members on an IT Auditing Course (CISA).</p> <p>The internal audit function has got a Quality Assurance &amp; Improvement Programme in place.</p>	√

## BHC COMPLIANCE WITH KING III

8. GOVERNING STAKEHOLDER RELATIONSHIPS			
	8.1 The Board should appreciate that stakeholders' perceptions affect the company's reputation	During strategy planning, the Board and management identify important stakeholder groups and Management, when developing the Corporate and departmental scorecards, develop Stakeholder engagement plans. The Marketing and Communications department carry out annual perception surveys which are shared with the Board and remedial action is taken.	√
	8.2 The Board should delegate to management to proactively deal with stakeholder relationships.	Ref 8.1 above. A stakeholder engagement strategy has been developed. This strategy derives its mandate from the BHC Communications Policy which was approved by the BHC Board. In addition, an annual stakeholder engagement plan, customer engagement plan and public education and engagement plan have been developed and are currently being implemented. These plans are intended to support the Corporation's operational business objectives, to achieve growth, effectiveness and influence, but also to maintain and protect the Corporation's reputation.	
	8.3 The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.	Every two years and biannually, the Corporation undertakes public perception surveys, demand surveys and customer satisfaction surveys with a view to get feedback and live to expectations and aspirations of its customers, the Board, the shareholder and the general public. The aim is to develop products and services that are influenced by the desires of BHC stakeholder groups, shareholder, the Board, customers and the general public.	√
	8.4 Companies should ensure the equitable treatment of shareholders.	BHC is wholly owned by the Botswana Government	√
	8.5 Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	The Corporation communicates with stakeholders through various platforms and media such as its website, Annual Report; newsletters; social media.  Ref 8.1	√

## BHC COMPLIANCE WITH KING III

Dispute resolution	8.6 The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible	The internal dispute resolution processes are contained in the General Conditions of Service and the Industrial Relations Manual and there are assigned officers who deal with such issues. More and more, mediation and arbitration are provided for in the Corporations contracts. However, the Corporation also recognizes that it should strive to reach amicable resolution to disputes wherever possible.	√
<b>9. INTEGRATED REPORTING AND DISCLOSURES</b>			
Transparency and accountability	9.1 The Board should ensure the integrity of the company's integrated report	An integrated report on the Corporation's financial and sustainability performance is prepared annually and incorporates financial performance, sustainability and environmental issues.	√
	9.2 Sustainability reporting and disclosure should be integrated with the company's financial reporting	This is being done and part of the financial review in the annual report. The issue of going concern is adequately covered in the annual financial statements and in the directors report.	√
	9.3 Sustainability reporting and disclosure should be independently assured.	The FRAC reviews the integrated report as well as the external auditors to ensure that it contains reliable information.	√

## RISK AND COMPLIANCE MANAGEMENT

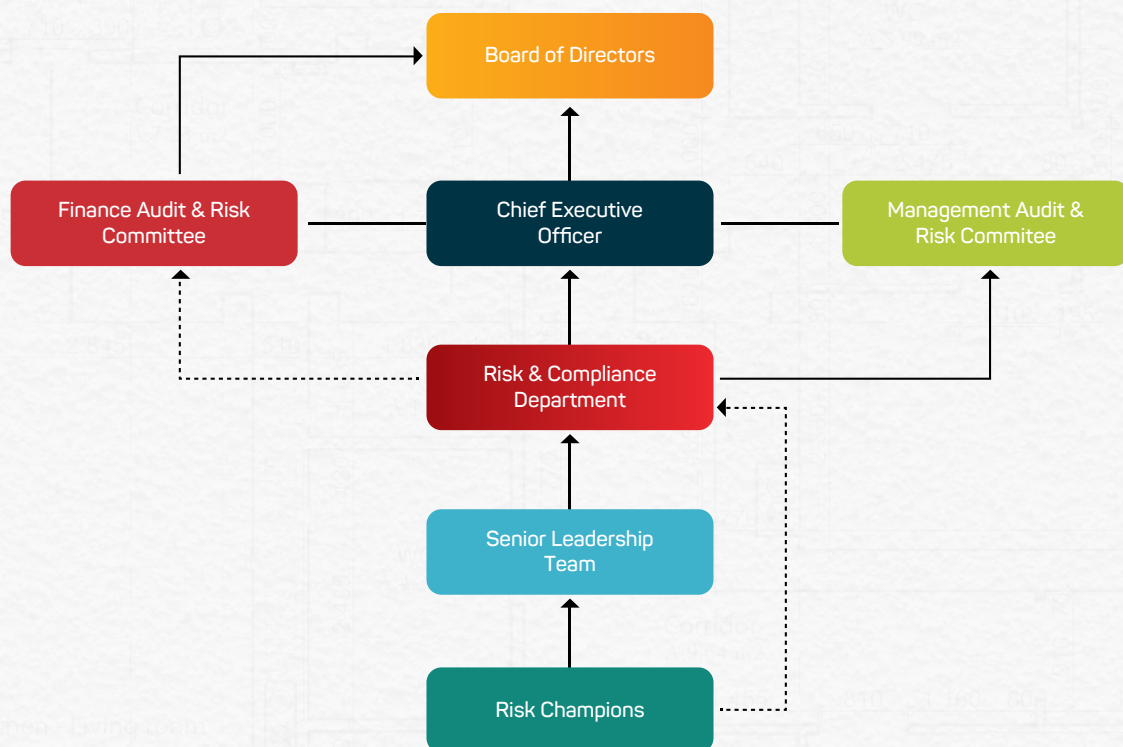
During its business activities, the Corporation was exposed to several risks and opportunities that it had to effectively manage and explore respectively to ensure the business achieve its objectives and goals.

The Corporation reviewed its enterprise risk management framework in the 2022-2023 financial year. In addition, internal audit department independently reviewed the adequacy and effectiveness of the enterprise risk management framework.

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

### RISK GOVERNANCE

#### GOVERNANCE STRUCTURE



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

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

## RISK AND COMPLIANCE MANAGEMENT

### RISK CULTURE AND MATURITY

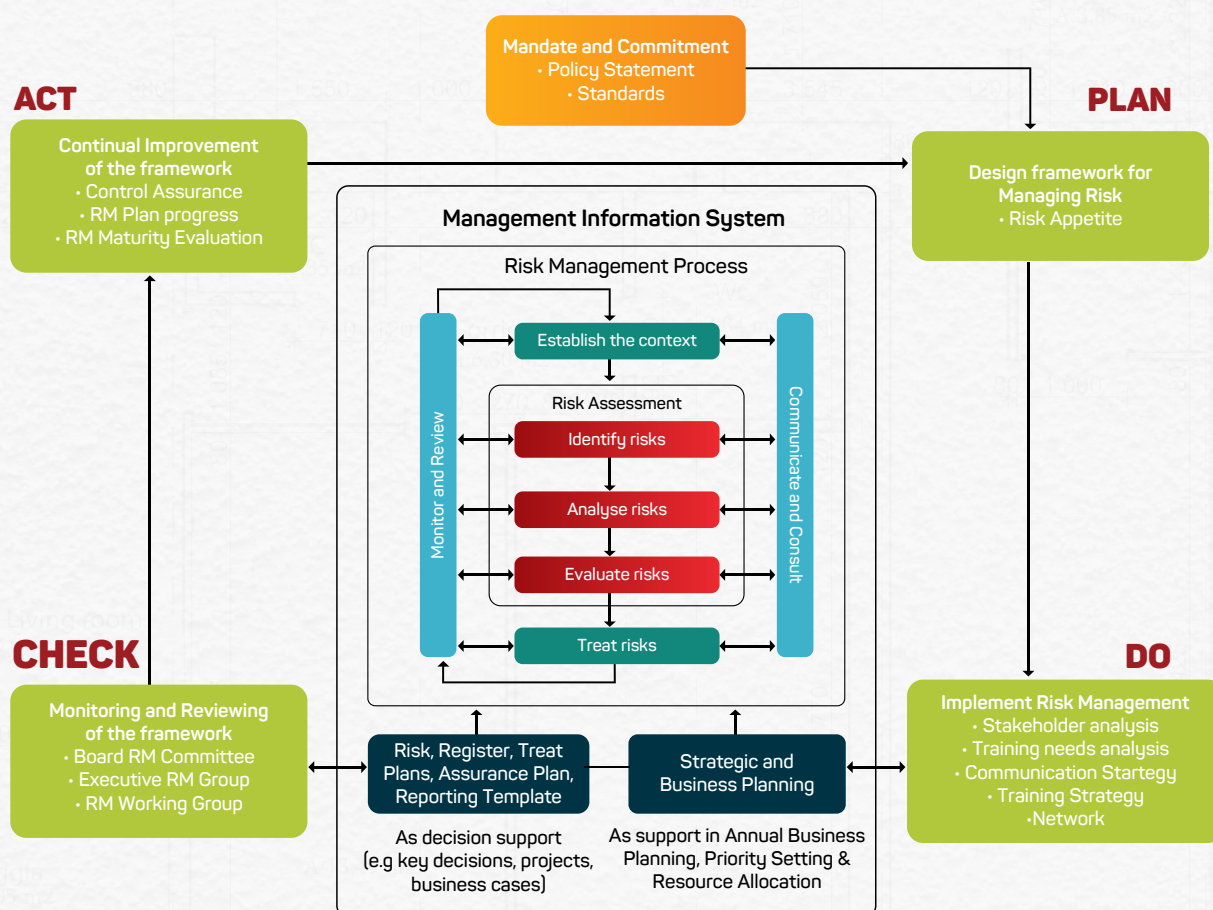
The Corporation is committed to continually improving its risk culture that underlines the importance of managing risk and encourages transparent and timely risk reporting across the business where every employee is a risk manager.

On an annual basis the Corporation assesses its effectiveness in identifying, assessing, managing and monitoring risks to determine areas of improvement. This is done through a survey administered to all Staff.

### RISK MANAGEMENT PROCESSES

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

The Corporation's risk management process is presented below.



(ADAPTED FROM THE ISO 31000 STANDARD RISK MANAGEMENT FRAMEWORK)

## RISK AND COMPLIANCE MANAGEMENT

### CORPORATE RISK PROFILE

During the reporting period, the risk profile of the Corporation remained high, due to the uncertainties and negative effects from high inflation, interest rates and high cost of living. Although inflation rate tended to decrease as the year progressed, price level for many commodities and interest rates remained high. This affected our business in particular sales and rentals.

BHC continuously monitors the internal and external environment developments to identify risks and opportunities. On an annual basis the Risk and Compliance department conducts risk assessment workshops with all departments.

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

### PROJECT MANAGEMENT RISKS

The Corporation is exposed to project risks. This is in relation to construction projects impacting on projects starts and delivery. BHC's revenue is heavily dependent on the number of housing units available for sale or rental. The dependence of the Corporation on the start and delivery of construction projects makes this a key risk for the business.

The Corporation is actively focused on achieving efficiencies in the project management processes to ensure projects are started and completed on time and within budget.

### LOW SALES

This refers to the uncertainty that sales will be lower than expected for the Corporation. The risk is driven by the late delivery of projects, late project starts and general consumer preferences, tastes, and affordability due to the rising cost of living and higher interest rates.

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

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

### DEFAULT IN RENTAL PAYMENTS

This refers to the risk that tenants will not honour their rent payment obligation to BHC when it is due. With the high cost of living the rental arrears have been steadily increasing.

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

### FRAUD, CORRUPTION AND EMBEZZLEMENT

The risk of fraud, corruption and embezzlement remains one of the top risks for BHC. Through this risk the Corporation is exposed to financial losses that could exceed millions of pula given the nature of its business.

BHC is proactively engaging employees and contractors to conduct themselves ethically and report any violations of our code of conduct and ethics policy.

## RISK AND COMPLIANCE MANAGEMENT

### CYBER SECURITY

The ever-increasing reliance on digital technologies has brought with it a corresponding rise in cyber-related risks. BHC is at risk of cyber security risks attributed to system hacking and data security breaches. In the event that this risk materializes, the Corporation could be exposed to business continuity risks, thereby disrupting critical business operations which may result in a loss of planned revenue.

The Corporation has a robust ICT framework and IT security strategies. Business continuity, disaster recovery and crisis management plans are in place and are tested on a regular basis.

### COMPLIANCE

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

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

### SAFETY, HEALTH, ENVIRONMENTAL AND QUALITY

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

### HEALTH

During the reporting period, the COVID-19 pandemic had subsided, but the Corporation continued maintaining and implementing mitigation measures aimed at addressing and preventing any effects of long COVID-19 and COVID-19 remnants on its employees. Risk and Compliance Department in collaboration with internal stakeholders (Human Capital and Administration, SHEQ Representatives) continued ensuring that moral support was availed to all employees through individual counselling sessions provided by a contracted supplier, to deal with the aftereffects of COVID-19 and any troubling issues.

### SAFETY

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

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

With efforts to continually inculcate a SHE mindset to its employees, the Corporation declared and implemented as a standing agenda item, SHE Moments, in all gatherings. The initiative seemed to have a positive impact, as all staff started volunteering in giving SHE moments as opposed to the initial fear, of which could be attributed to lack of comprehension of the topic, as related to the work environment.

## RISK AND COMPLIANCE MANAGEMENT

### 5.3 QUALITY MANAGEMENT SYSTEM

#### 5.3.1. QUALITY MANAGEMENT SYSTEM FRAMEWORK

The Botswana Housing Corporation established and certified its Quality Management System to the requirements of BOS ISO 9001:2015 standard. The certification to the standard is a commitment and assurance to customers and stakeholders that the Corporation strives for continual improvement in its endeavour to deliver quality products and services.

The system operates according to the framework illustrated below:

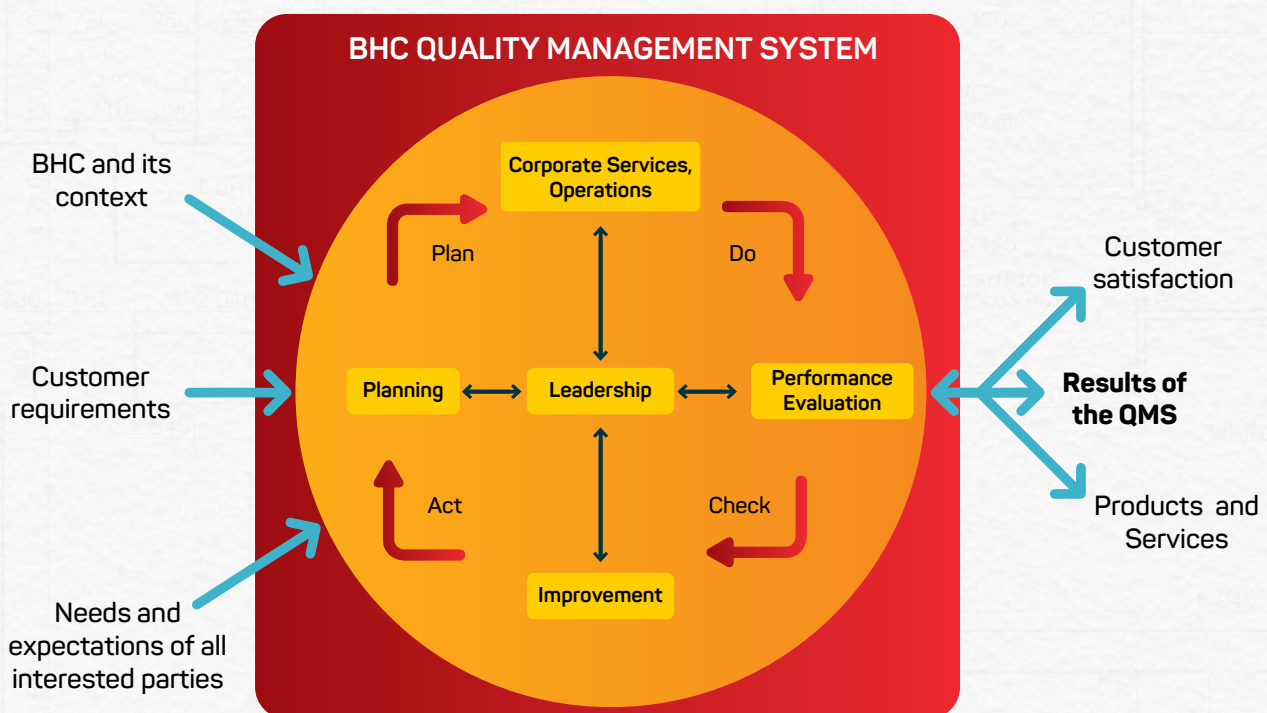


FIGURE 1: PDCA CYCLE FOR QMS

The system is aimed at identifying customer and stakeholder needs and planning for the delivery of products and services to the satisfaction of those customers and stakeholders.

During the reporting period, Botswana Housing Corporation retained its certification status to the requirements of BOS ISO 9001:2015 standard after a successful surveillance audit that was conducted during the 2nd Quarter, from 19th - 26th September 2022.

The BHC Quality Management System (QMS) is certified for a period of three (3) years from December 2020 to December 2023 and renewable at the end of the certification period. During the certification period, BHC is expected to maintain the Quality Management System through continual implementation and continual improvement of established processes to enhance service delivery. It is through this certification achievement that BHC continues to assure its customers of service delivery excellence, quality products that exceed customer expectations.

During the reporting period it was evident that the system was improving, from the decline in the number of non-conformances identified from QMS Internal Audits. However, the Corporation will during Q2 of the next reporting period, start a project to review the Quality Management System, for continual improvement purposes.



**BOTSWANA  
HOUSING CORPORATION**  
**Annual Financial Statements**  
**For the year ended 31 March 2023**

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## BHC DIRECTOR'S REPORT

for the year ended 31 March 2023

The Directors have pleasure in presenting their report together with the annual financial statements of Botswana Housing Corporation ("the Corporation") for the year ended 31 March 2023.

### GENERAL INFORMATION

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

### BUSINESS

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

### CAPITAL AND FINANCE

The Corporation listed unsecured debt instrument of P400 million (2022: P400 million) through Botswana Stock Exchange. Additionally the Corporation has unsecured long term loan of P215 million (2022: P246 million) from Botswana Government.

### REVIEW OF CORPORATION'S FINANCIAL POSITION AND RESULTS

The Corporation's financial position and results are reflected in the financial statements set out on pages 9 to 66. The Corporation realised a profit before taxation of P30,238,000 (2022: P72,169,000).

### MEMBERS OF THE BOARD

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

### SENIOR LEADERSHIP TEAM

Mr. N Matenge	Acting Chief Executive Officer
Ms. P Sefawe	Deputy Chief Executive Officer (Corporate Services)
Mr. B Nkhumsang	Acting Deputy Chief Executive Officer (Operations)
Mr.P Frank	Acting Director Property Development
Mr. S Ramahobo	Director Human Capital and Administration
Mr. R Chilisa	Director Risk and Compliance
Mr. D Kganyane	Chief Finance Officer
Mr. B Balule	Acting Chief Corporate Counsel and Board Secretariat
Mr. K Khimbele	Regional Director- South
Mr. K Ookeditse	Acting Regional Director - North
Ms. S Chabata	Head Information Technology
Ms. E Fergusson	Acting Chief Audit Executive
Mr. T Mmokele	Acting Head Marketing and Communications
Mr. N Ofetotse	Head Projects Quality Assurance
Mr. K Phetlhu	Acting Head Facilities Management
Mr. T Thupa	Head Strategy, Planning and Policy

## BHC DIRECTOR'S REPORT *(Continued)*

for the year ended 31 March 2023

### REGISTERED OFFICE

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

### INDEPENDENT AUDITOR

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

### BANKERS AND INVESTMENT MANAGERS

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

### EVENTS OCCURRING AFTER THE REPORTING DATE

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.

## DIRECTOR'S RESPONSIBILITY STATEMENT

for the year ended 31 March 2023

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 2023 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements in accordance with International Financial Reporting Standards and in the manner required by the Botswana Housing Corporation Act (Chapter 74:03).

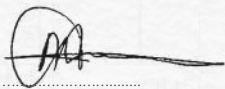
The Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error and for maintaining adequate accounting records and an effective system of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

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

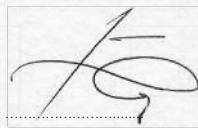
The Auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

### Approval of the financial statements:

The financial statements of Botswana Housing Corporation as identified in the first paragraph, were approved by the Board of Directors on **28 June 2023** and are signed on their behalf by:



Mr. M. Gabana  
Board Chairman



Mr. N. Matenge  
Acting General Manager

# BHC INDEPENDENT AUDITOR'S REPORT

for the year ended 31 March 2023



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## INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF BOTSWANA HOUSING CORPORATION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION

We have audited the financial statements of Botswana Housing Corporation ("the Corporation") set out on pages 9 to 66, which comprise the statement of financial position as at 31 March 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Botswana Housing Corporation as at 31 March 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Botswana Housing Corporation Act (CAP 74:03).

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

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

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

## BHC INDEPENDENT AUDITOR'S REPORT *(Continued)*

for the year ended 31 March 2023

Key Audit Matter	How the matter was addressed in the audit
<p><b>Valuation and measurement of housing inventories</b></p> <p>The Corporation's main operations comprise the construction and development of residential properties either to be held and leased as investment properties or sold upon completion.</p> <p>The calculation of costs associated with the construction of the housing and property units comprises a critical component in determining the value of housing inventories. The cost of the property units includes direct construction costs, indirect costs and interest cost capitalised during the construction of the housing and property units.</p> <p>Significant judgement is applied in the allocation of indirect costs to the respective projects, as the allocation involves different methods, calculations and measurements depending on the nature of the individual projects and the type of cost incurred.</p> <p>The continued significance of the housing inventories balance and the environmental factors including changes in macro-economic fundamentals within Botswana in the current year meant that this required significant audit focus. Specifically, our attention was focussed on changes in interest rates during the year as this impacted the estimates and judgements applied in the calculation of the Weighted Cost of Capital (WACC) and the finance costs capitalised.</p> <p>Significant audit attention was required in assessing the different methods used by management in calculating and allocating the indirect and interest costs to the housing projects. This necessitated increased robust discussions with management.</p> <p>The disclosures related to housing inventories are disclosed in:</p> <ul style="list-style-type: none"> <li>• Note 5 "Accounting estimates and judgements"</li> <li>• Note 14 "Finance Costs"</li> <li>• Note 16 "Housing Inventories"</li> </ul>	<p><b>Our procedures included but were not limited to:</b></p> <ul style="list-style-type: none"> <li>• We updated our understanding, evaluated the design, and tested the operating effectiveness of the internal controls over the allocation of direct construction and indirect costs to the appropriate housing projects.</li> <li>• We selected a sample of direct construction costs and inspected the supporting documents to assess whether these costs were accurately processed and allocated to the respective housing projects.</li> <li>• We selected a sample of indirect costs and inspected the supporting calculations and documents to assess whether these costs were accurately calculated and allocated to the respective housing projects using appropriate allocation methods.</li> <li>• We evaluated the judgements involved in selecting the method of calculating and allocating indirect costs to projects by: <ul style="list-style-type: none"> <li>• Comparing the methods used to allocate indirect costs of housing inventories to the most recent historical or comparable projects completed by the Corporation;</li> <li>• Corroborating the estimated costs of complete projects to signed contracts, and recent or actual costs incurred; and</li> <li>• Assessing the consistency of indirect cost allocation methods in various locations by comparing to similar projects in various locations.</li> </ul> </li> <li>• We recalculated the interest costs capitalised to the respective housing projects for specific borrowings and recalculated the WACC in respect of the general borrowings, based on the interest costs incurred during the year and assessed whether interest cost capitalisation was suspended when the housing projects were put on hold during the year.</li> <li>• We assessed the capitalisation of interest cost in accordance with IAS 23 by evaluating whether general borrowings are capitalised to the extent of costs incurred and specific borrowings are fully capitalised.</li> </ul>

## BHC INDEPENDENT AUDITOR'S REPORT *(Continued)*

for the year ended 31 March 2023

Key Audit Matter	How the matter was addressed in the audit
	<ul style="list-style-type: none"> <li>Our assessment also included the evaluation of the macroeconomic environment and assessing the correlation between the interest costs capitalised to the housing projects and the costs and activities incurred on the respective housing projects incurred during the year.</li> <li>We assessed the adequacy of the disclosures regarding housing inventories in the financial statements to determine whether they were in accordance with IAS 2: Inventories and IAS 23: Borrowing Costs.</li> </ul>

The directors are responsible for the other information. The other information comprises the information included in the 66-page document titled "Botswana Housing Corporation Annual Financial Statements for the year ended 31 March 2023" which includes the Directors' Report and the Directors' Responsibility Statement, which we obtained prior to the date of this report and the Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

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

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

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

### Responsibilities of the Directors for the Financial Statements

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

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

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

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

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

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

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

## BHC INDEPENDENT AUDITOR'S REPORT *(Continued)*

for the year ended 31 March 2023

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Corporation's audit. We remain solely responsible for our audit opinion.

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

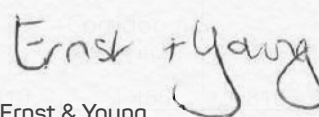
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

### Report on other Legal and Regulatory Requirements

In accordance with Section 24 (4) of the Botswana Housing Corporation Act (CAP 7 4:03) ("the Act") as amended, we confirm:

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



**Ernst & Young**  
**Firm of Certified Auditors )**  
**Practicing Member: Thomas Chitambo (CAP00II 2023)**  
**Gaborone**

30 June 2023

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2023

	Note	2023 P'000	2022 P'000
Revenue and rental income	6.	553,072	701,546
Cost of sale of housing inventories*	7.	(26,454)	(102,618)
Cost of sale of construction and management contracts	7.	(212,628)	(320,632)
<b>Gross profit</b>		<b>313,990</b>	<b>278,296</b>
Repairs and maintenance		(62,111)	(50,612)
Employee benefit expenses	8.	(142,842)	(141,617)
Depreciation and amortisation	9.	(41,461)	(30,285)
Other expenses	10.	(77,014)	(68,192)
Impairment (expenses) / reversal*	10.	(4,216)	24,291
Other income	11.	2,240	6,642
Gains from sale of investment properties	12.	24,505	42,612
<b>Operating profit</b>		<b>13,091</b>	<b>61,135</b>
Finance income	13.	13,700	9,308
Finance costs	14.	(17,371)	(17,889)
<b>Net finance costs</b>		<b>(3,671)</b>	<b>(8,581)</b>
Share of profit or loss in equity accounted joint ventures for the year	19.	20,817	19,615
<b>Profit before taxation</b>		<b>30,237</b>	<b>72,169</b>
Taxation	20.	(7,164)	(8,045)
<b>Profit for the year</b>		<b>23,073</b>	<b>64,124</b>
<b>Total comprehensive income for the year</b>		<b>23,073</b>	<b>64,124</b>

\*As per IAS1- Presentation of financial statements, which requires the separate presentation of the impairment of financial assets on the statement of profit or loss and other comprehensive income, the Corporation has revised the presentation on impairments which were reported aggregated. Effective 2023, impairment for housing inventories are presented as part of cost of sales to enhance the disclosure as per requirements of IAS 2. The comparative information for 2022 has been revised to align to the improved presentation. This does not have any impact on the statement of profit or loss and other comprehensive income.

## STATEMENT OF FINANCIAL POSITION

as at 31 March 2023

	Note	2023 P'000	2022 P'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	15.	1,309,022	1,356,727
Property, plant and equipment	17.	50,612	50,384
Intangible assets	18.	7,368	11,565
Investments in joint ventures	19.	17,633	15,491
Right of use asset	25.	3,578	4,140
Trade and other receivables	22.	21,030	16,166
Deferred tax asset	21.	4,390	3,209
<b>Total non-current assets</b>		<b>1,413,633</b>	<b>1,457,682</b>
<b>Current assets</b>			
Housing inventories	16.	451,125	444,154
Taxation refundable	20.	5,221	8,636
Trade and other receivables	22.	29,639	45,378
Cash and cash equivalents	23.	875,859	939,500
<b>Total current assets</b>		<b>1,361,844</b>	<b>1,437,668</b>
<b>Total assets</b>		<b>2,775,477</b>	<b>2,895,350</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Irredeemable capital	24.	250,000	250,000
Retained earnings		1,369,202	1,346,128
<b>Total equity</b>		<b>1,619,202</b>	<b>1,596,128</b>
<b>Non-current liabilities</b>			
Long term deferred government revenue grant	26.	15,885	20,993
Long term borrowings	26.	562,150	586,775
Long term lease liabilities	25.	3,366	3,870
<b>Total non-current liabilities</b>		<b>581,401</b>	<b>611,638</b>
<b>Current liabilities</b>			
Trade and other payables	27.	99,826	146,870
Short term portion of lease liabilities	25.	3,308	2,523
Contract liabilities	28.	404,924	468,042
Deferred income	28.1	13,742	17,923
Short term portion of deferred government revenue grant	26.	5,107	5,704
Short term portion of borrowings	26.	34,968	35,110
Customer deposits	29.	12,999	11,412
<b>Total current liabilities</b>		<b>574,874</b>	<b>687,584</b>
<b>Total equity and liabilities</b>		<b>2,775,477</b>	<b>2,895,350</b>

## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2023

	Irredeemable capital	Retained earnings	Total
	P'000	P'000	P'000
Balance as at 01 April 2021	250,000	1,282,004	1,532,004
<b>Comprehensive income</b>			
Profit for the year	-	64,124	64,124
<b>Total comprehensive income</b>	-	64,124	64,124
<b>Balance as at 31 March 2022</b>	<b>250,000</b>	<b>1,346,128</b>	<b>1,596,128</b>
Balance as at 01 April 2022	250,000	1,346,128	1,596,128
<b>Comprehensive income</b>			
Profit for the year	-	23,073	23,073
<b>Total comprehensive income</b>	-	23,073	23,073
<b>Balance as at 31 March 2023</b>	<b>250,000</b>	<b>1,369,202</b>	<b>1,619,202</b>

## STATEMENT OF CASH FLOWS

for the year ended 31 March 2023

	Note	2023 P'000	2022 P'000
<b>Cash flows from operating activities</b>			
Net cash (utilised in) / from operating activities	30.	(56,573)	11,331
Taxation paid	20.	(9,210)	(9,634)
With-holding tax paid	20.	(2,738)	(1,369)
Taxation refund	20.	7,018	5,407
<b>Net cash (utilised in) / generated from operating activities</b>		<b>(61,503)</b>	<b>5,735</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	17.	(7,070)	(1,775)
Proceeds from sale of investment properties	12.	43,200	64,845
Proceeds from sale of property, plant and equipment		197	968
Dividends from joint ventures	19.	18,675	24,800
Interest received		13,700	7,668
<b>Net cash generated from investing activities</b>		<b>68,702</b>	<b>96,506</b>
<b>Cash flows from financing activities</b>			
Repayment of long term borrowings	26.5	(30,770)	(30,999)
Lease payments - principal	25.	(5,672)	(5,483)
Lease payments - interest	25.	(554)	(726)
Interest paid	14.	(33,844)	(32,069)
<b>Net cash utilised in financing activities</b>		<b>(70,840)</b>	<b>(69,277)</b>
Net (decrease) / increase in cash and cash equivalents		(63,641)	32,964
Cash and cash equivalents at beginning of year	23.	939,500	906,536
<b>Cash and cash equivalents at end of year</b>	<b>23.</b>	<b>875,859</b>	<b>939,500</b>

# BHC SIGNIFICANT ACCOUNTING POLICIES

for the year ended 31 March 2023

## 1. STATEMENT OF COMPLIANCE

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

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

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

These financial statements represent the Corporation's statutory financial statements. The financial statements for the year ended 31 March 2023 have been approved for issue by the Directors on **28 June 2023**.

## 2.1 BASIS OF PREPARATION

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

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

## ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

### a) Standards and interpretations effective in the current year

In the current year, the Corporation adopted all of the new and revised Standards and Interpretations of the International Accounting Standards Board (the IASB) and the IFRS Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the annual reporting period beginning on 1 April 2022. The adoption of the new and revised standards and new interpretations did not have a significant impact on the financial results or financial position of the Corporation. The Corporation has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37)

The amendments apply prospectively to contracts existing at the date when the amendments are first applied. The Corporation has analysed all contracts existing at 1 January 2022 and determined that none of them would be identified as onerous upon applying the revised accounting policy – i.e. there is no material impact to the corporation in respect of this standard.

## BHC SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

*for the year ended 31 March 2023*

### Reference to the Conceptual Framework – Amendments to IFRS 3

The Corporation has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. However, since no business combinations took place during the current financial year, the amendments have had no impact on the financial statements as at 31 March 2023."

### Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The Corporation has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year, which prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. In light of the business of the Corporation being that of property management and property development, its property and equipment is not utilised for production of items for sale, and these amendments therefore had no impact on the financial statements of the Corporation."

### Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

The Corporation has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to the following standards, which are relevant to the Corporation's operations, but had no impact on the financial statements for the current reporting period:

IFRS 1 First-time Adoption of International Financial Reporting Standards.

IFRS 9 Financial Instruments.

The amendment also include IAS 41 Agriculture which is not relevant to the Corporation's operations.

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

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

- IFRS 17 Insurance Contracts - effective 1 January 2023 - Following an assessment performed on contracts held in order to determine those that result in a transfer of significant insurance risk to the Corporation, it was determined that there was no impact.
- Classification of liabilities as Current or Non-current – Amendments to IAS 1 – effective 1 January 2024 - Assessment performed and no major impact expected.
- Definition of accounting estimates - Amendments to IAS 8 - effective 1 January 2023 - Assessment performed and no major impact expected.
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 - effective 1 January 2023 - Assessment performed and no major impact expected.
- Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transactions - 1 January 2023 - Assessment performed and no major impact expected.
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 - 1 January 2024- Assessment performed and no major impact expected.
- Amendments to IFRS 10 and ISA 28 - Sale or contributions of assets between an Investor and its Associate of Joint Venture (effective date deferred indefinitely) - Assessment not yet performed as effective date has been deferred.

## BHC SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

for the year ended 31 March 2023

### 2.2 REVENUE RECOGNITION

The Corporation recognises revenue from the following major streams:

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

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

#### (a) Rental income

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

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

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

#### (b) Outright sales of housing units

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

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

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

#### (c) Tenant purchase scheme (TPS)

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

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

## BHC SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

for the year ended 31 March 2023

### (d) Facilities management income

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

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

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

### (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. This policy also applies to External projects and SHHA projects income.

### (f) Recoverable maintenance

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

### (g) Capacitation fees

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

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

## BHC SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

for the year ended 31 March 2023

### 2.3 FINANCE INCOME AND COSTS

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

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

### 2.4 INVESTMENT PROPERTY

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

#### Initial Measurement and Recognition

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

#### Subsequent Measurement

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

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

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

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

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

#### Derecognition of Investment Property

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

## BHC SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

for the year ended 31 March 2023

### 2.5 INVENTORIES

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

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

#### (a) Land held for development

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

#### (b) Borrowing costs

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

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

#### (c) Capitalisation of development costs

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

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

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

#### (e) Housing inventories

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

## BHC SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

for the year ended 31 March 2023

### 2.6 PROPERTY, PLANT AND EQUIPMENT

#### Initial Recognition

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

#### Subsequent recognition and Measurement

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

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

The estimated useful lives are as follows:

<b>Buildings</b>	<b>40 years</b>
<b>Furniture and office equipment</b>	<b>10 years</b>
<b>Computer equipment</b>	<b>5 years</b>
<b>Motor vehicles</b>	<b>4 years</b>
<b>Plant and equipment</b>	<b>4 years</b>

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

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

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

#### Derecognition of Property, Plant and Equipment

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

## BHC SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

for the year ended 31 March 2023

### 2.7 INTANGIBLE ASSETS

#### Initial Recognition

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

#### Subsequent Recognition and Measurement

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

#### Derecognition of Intangible Assets

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

### 2.8 JOINT VENTURES

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

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

### 2.9 CASH AND CASH EQUIVALENTS

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

## BHC SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

for the year ended 31 March 2023

### 2.10 LEASES

#### The Corporation as lessee

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

Lease payments included in the measurement of the lease liability comprise:

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

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

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

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

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

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

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Corporation expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

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

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

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease.

## BHC SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

for the year ended 31 March 2023

### The Corporation as lessor

The Corporation enters into lease agreements as a lessor with respect to its investment properties. Leases for which the Corporation is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

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

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

### 2.11 CONTRACT LIABILITIES

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

### 2.12 FOREIGN CURRENCY TRANSLATION

#### (a) Functional and presentation currency

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

#### (b) Transactions and balances

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

## BHC SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

for the year ended 31 March 2023

### 2.13 EMPLOYEE BENEFITS

#### (a) Pension obligations

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

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

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

#### (b) Terminal benefits

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

#### (c) Short term employee benefits

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

#### (d) Gratuity

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

### 2.14 FINANCIAL INSTRUMENTS

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

#### Financial assets which are debt instruments:

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.

## BHC SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

for the year ended 31 March 2023

### 2.15 FINANCIAL INSTRUMENTS (CONTINUED)

#### Financial liabilities:

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

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

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

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

#### Trade and other receivables

##### Classification

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

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

#### Recognition and measurement

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

#### Impairment

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

## BHC SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

for the year ended 31 March 2023

### Measurement and recognition of expected credit losses

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

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

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

### Write off policy

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

### Credit risk

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

### Definition of default

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

### Definition of Credit Impaired

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

### Trade and other payables

#### Classification

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

#### Recognition and measurement

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

## BHC SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

for the year ended 31 March 2023

### Cash and cash equivalents

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

### Derecognition

#### Financial assets

The Corporation derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### Financial liabilities

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

## 2.16 CURRENT AND DEFERRED INCOME TAX

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

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

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

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

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

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

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

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

## BHC SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

for the year ended 31 March 2023

### 2.17 CUSTOMER DEPOSITS

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

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

### 2.18 SEGMENT REPORTING

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

### 2.19 GOVERNMENT GRANTS

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

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

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

### 2.20 BORROWINGS

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

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

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

## BHC SIGNIFICANT ACCOUNTING POLICIES

*(Continued)*

for the year ended 31 March 2023

### 2.21 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

#### Reversal of Impairment Loss

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

## BHC NOTES TO FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Corporation continues to recover from the COVID-19 effects. The outlook however, is considered promising based on the robust containment measures put in place across the economies and by the Corporation towards the effective management of business risks. The Corporation embed the Enterprise Risk Management Framework (ERMF) to effectively manage its exposure. It is through this integrated risk management approach that it identifies, assesses, measures, monitors and controls the effects of the constantly evolving risks. This note presents information about the Corporation's exposure to each of the identified risks, the Corporation's objectives, policies and processes for measuring and managing the risks and the management of capital. The note also includes quantitative disclosures.

The risk management policies guide the Corporation in identifying and analysing risks, setting appropriate risk limits and controls, and monitoring risks and adherence to limits. Risk management policies and systems are reviewed regularly in response to changes in the market conditions and business activities.

#### 3.1 CREDIT RISK

COVID 19 brought with it challenges of increased credit risk in the local economy. Credit risk arises from investments in cash and cash equivalents, deposits with banks and financial institutions, credit exposures to customers, and outstanding receivables. For banks and financial institutions, the Board makes an assessment of their financial position before a decision to do business is made. These assessments are done annually through the review of audited financial statements of banks.

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

The Corporation used its Credit Control section and various media platforms to mitigate against the increased exposure brought by the effect of COVID 19. 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.

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

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

## BHC NOTES TO FINANCIAL STATEMENTS

(Continued)

for the year ended 31 March 2023

### 3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### 3.1 CREDIT RISK (CONTINUED)

	2023 P'000	2022 P'000
As at the reporting date the credit risk exposures relating to recognised financial assets was as follows:		
Trade and other receivables	48,574	59,284
Cash and cash equivalents	875,859	939,500
	<b>924,433</b>	<b>998,784</b>

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

#### Trade receivables

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

As at March 2023	Rental debtors P'000	TPS P'000	Professional fees P'000	Other receivables P'000	Total P'000
Neither past due nor impaired	-	22,615	4,071	-	26,686
Past due but not impaired	7,001	1,896	-	12,991	21,888
Individually impaired	11,741	-	815	6,888	19,444
<b>Gross</b>	<b>18,742</b>	<b>24,511</b>	<b>4,886</b>	<b>19,879</b>	<b>68,018</b>
Less: Provision for expected credit loss	(11,741)	-	(815)	(6,888)	(19,444)
<b>Net</b>	<b>7,001</b>	<b>24,511</b>	<b>4,071</b>	<b>12,991</b>	<b>48,574</b>
Value of collateral held against trade receivables that are neither past due nor impaired	-	62,608	-	-	62,608

As per IAS1-Presentation of financial statements, the Corporation has revised the presentation on credit risk exposure in relation to trade and other receivables which were reported aggregating professional fees (trade receivable) with other receivables. Effective 2023, these are disclosed separately to enhance the disclosure. The comparative information for 2022 has been revised to align to the improved presentation. This does not have any impact on the statement of financial position.

As per IAS1-Presentation of financial statements, the Corporation has revised the presentation on credit risk exposure in relation to trade and other receivables which were reported aggregating professional fees (trade receivable) with other receivables. Effective 2023, these are disclosed separately to enhance the disclosure. The comparative information for 2022 has been revised to align to the improved presentation. This does not have any impact on the statement of financial position.

**BHC NOTES TO FINANCIAL STATEMENTS***(Continued)**for the year ended 31 March 2023*

As at March 2022	Rental debtors P'000	TPS P'000	Professional fees P'000	Other receivables P'000	Total P'000
Neither past due nor impaired	-	17,095	14,147	-	31,242
Past due but not impaired	7,601	1,818	-	18,623	28,042
Individually impaired	13,102	-	808	3,584	17,494
<b>Gross</b>	<b>20,703</b>	<b>18,913</b>	<b>14,955</b>	<b>22,207</b>	<b>76,778</b>
Less: Provision for expected credit loss	(13,102)	-	(808)	(3,584)	(17,494)
<b>Net</b>	<b>7,601</b>	<b>18,913</b>	<b>14,147</b>	<b>18,623</b>	<b>59,284</b>
Value of collateral held against trade receivables that are neither past due nor impaired	-	61,735	-	-	61,735

**Trade receivables, past due but not impaired**

As at 31 March 2023	Rental and other debtors P'000	TPS P'000	SOS P'000	Total P'000
Past due up to 30 days	3,976	193	-	4,169
Past due 30 - 60 days	6,619	684	-	7,303
Past due over 60 days	9,397	1,019	-	10,416
<b>Total</b>	<b>19,992</b>	<b>1,896</b>	<b>-</b>	<b>21,888</b>
<b>As at 31 March 2022</b>				
Past due up to 30 days	7,671	182	-	7,853
Past due 30 - 60 days	6,418	542	-	6,960
Past due over 60 days	12,135	1,094	-	13,229
<b>Total</b>	<b>26,224</b>	<b>1,818</b>	<b>-</b>	<b>28,042</b>

## BHC NOTES TO FINANCIAL STATEMENTS

(Continued)

for the year ended 31 March 2023

### 3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### 3.1 CREDIT RISK (CONTINUED)

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

At 31 March 2023	0 - 30 days	31 - 60 days	Over 60 days	Suffix & other 5 years	
Expected credit loss rate	25%	50%	75%	100%	
	P'000	P'000	P'000	P'000	Total
Estimated total gross carrying amount at default	2,876	5,253	8,867	1,745	18,741
Expected credit loss	719	2,627	6,650	1,745	11,741
At 31 March 2022	0 - 30 days	31 - 60 days	Over 60 days	Suffix & other 5 years	
Expected credit loss rate	25%	50%	75%	100%	
	P'000	P'000	P'000	P'000	Total
Estimated total gross carrying amount at default	4,091	4,098	9,934	2,580	20,703
Expected credit loss	1,023	2,049	7,450	2,580	13,102

#### 3.2 MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2023 and 2022

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of debt and derivatives and the proposition of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 March 2023.

##### (i) Foreign exchange risk

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

There were no assets or liabilities denominated in foreign currencies as at 31 March 2023 (2022:-Nil).

## BHC NOTES TO FINANCIAL STATEMENTS

(Continued)

for the year ended 31 March 2023

### 3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### 3.2 MARKET RISK (CONTINUED)

##### (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 2023 and 2022, the Corporation's borrowings at fixed rate were denominated in the functional currency.

#### 3.3 INTEREST RATE SENSITIVITY

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

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

Interest rates applicable to financial instruments are as follows:

	2023 Balance P'000	Interest rate	2022 Balance P'000	Interest rate
Short-term deposits				
African Alliance Botswana	37,492	7.44%	51,009	5.99%
Botswana Investment Fund Managers	14,902	7.15%	21,984	5.03%
Vunani Fund Managers Botswana	30,081	7.13%	22,724	5.44%
Absa Botswana	149,222	8.40%	-	
Bank Gaborone	35,613	8.40%	-	
Standard Chartered Bank Botswana Limited	-		59,692	6.38%
Stanbic Bank Botswana Limited	-		106,098	7.20%
Access Bank Botswana	121,452	8.95%	113,409	7.05%
Call deposits	73,397	0.25% - 1.00%	65,868	0.25% - 1.00%
	<b>462,159</b>		<b>440,784</b>	
Floating debt securities balances at the reporting date are as follows:				
Floating debt securities	300,000	Bank rate +2.90%	300,000	Bank rate +2.90%
	<b>300,000</b>		<b>300,000</b>	
<b>Net Interest Bearing</b>	<b>162,159</b>		<b>140,784</b>	
<b>Interest rate variation at 0.50%</b>	<b>811</b>		<b>704</b>	

## BHC NOTES TO FINANCIAL STATEMENTS

(Continued)

for the year ended 31 March 2023

### 3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

#### 3.3 INTEREST RATE SENSITIVITY (CONTINUED)

With average interest rates disclosed above, an increase of 0.50% in interest rates during the reporting period would have increased the Corporation's profit before taxation by P811 000 (2022: increased in the Corporation's profit before taxation by P704 000).

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

With average interest rates disclosed above, an increase of 0.50% in interest rates during the reporting period would have increased the Corporation's equity by P633 000 (2022: increased the Corporation's equity by P549 000).

#### 3.4 LIQUIDITY RISK

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

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

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

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

	Less than 1 year	1 - 2 years	2 - 5 years	Over 5 years	Total
	P'000	P'000	P'000	P'000	P'000
<b>At 31 March 2023</b>					
Borrowings	149,315	63,777	539,825	63,846	816,763
Trade and other payables	73,179	-	-	-	73,179
Lease liabilities	3,150	4,465	-	-	7,615
Customer deposits	12,999	-	-	-	12,999
<b>Liabilities (contractual maturity)</b>	<b>238,643</b>	<b>68,242</b>	<b>539,825</b>	<b>63,846</b>	<b>910,556</b>
	Less than 1 year	1 - 2 years	2 - 5 years	Over 5 years	Total
	P'000	P'000	P'000	P'000	P'000
<b>At 31 March 2022</b>					
Borrowings	165,623	64,700	559,181	114,154	903,658
Trade and other payables	93,958	-	-	-	93,958
Lease liabilities	7,371	3,734	-	-	11,105
Customer deposits	11,412	-	-	-	11,412
<b>Liabilities (contractual maturity)</b>	<b>278,364</b>	<b>68,434</b>	<b>559,181</b>	<b>114,154</b>	<b>1,020,133</b>

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 3.5 FINANCIAL INSTRUMENTS BY CATEGORY

#### Financial assets at amortised cost

	2023 P'000	2022 P'000
Assets as per statement of financial position:		
Trade and other receivables	50,668	61,542
Cash and cash equivalents	875,859	939,500
	<b>926,527</b>	<b>1,001,042</b>

#### Financial liabilities at amortised cost

	2023 P'000	2022 P'000
Liabilities as per statement of financial position:		
Borrowings	618,109	648,581
Trade and other payables	73,179	93,958
Lease liabilities	6,674	6,393
Customer deposits	12,999	11,412
	<b>710,961</b>	<b>760,344</b>

### 3.6 CAPITAL RISK MANAGEMENT

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

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

	2023 P'000	2022 P'000
Total long term debt	618,109	648,581
Total capital and reserves	1,619,202	1,596,128
Debt : equity ratio	0.38	0.41

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

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 4. OPERATING SEGMENTS

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

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

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

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

No operating segments have been aggregated.

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

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

	Sale of housing inventories P'000	Rental P'000	Construction and management contracts P'000	Others P'000	Total P'000
Revenue	35,192	279,760	238,120	-	553,072
Cost of sale of housing inventories	(26,454)	-	-	-	(26,454)
Cost of sale of third party maintenance	-	-	(212,628)	-	(212,628)
<b>Gross profit</b>	<b>8,738</b>	<b>279,760</b>	<b>25,492</b>	<b>-</b>	<b>313,990</b>
Repairs and maintenance	-	(62,111)	-	-	(62,111)
Employee benefit expenses	(51,293)	(12,823)	-	(78,726)	(142,842)
Depreciation and amortisation	(561)	(30,581)	-	(10,319)	(41,461)
Other expenses	(8,500)	(40,974)	-	(27,541)	(77,015)
Impairment expenses	-	(906)	-	(3,310)	(4,216)
Gains from sale of investment properties	24,505	-	-	-	24,505
Other income	87	113	-	2,040	2,240
<b>Operating profit</b>	<b>(27,023)</b>	<b>132,478</b>	<b>25,492</b>	<b>(117,855)</b>	<b>13,090</b>
Finance income	-	-	-	13,700	13,700
Finance costs	(13,897)	(3,473)	-	-	(17,371)
<b>Net finance (costs) / income</b>	<b>(13,897)</b>	<b>(3,473)</b>	<b>-</b>	<b>13,700</b>	<b>(3,671)</b>
Share of profit or loss of equity accounted investees of joint ventures	-	-	-	20,817	20,817
<b>Profit before taxation</b>	<b>(40,920)</b>	<b>129,005</b>	<b>25,492</b>	<b>(83,338)</b>	<b>30,237</b>
Taxation	-	(7,164)	-	-	(7,164)
<b>Total comprehensive income for the year</b>	<b>(40,920)</b>	<b>121,841</b>	<b>25,492</b>	<b>(83,338)</b>	<b>23,073</b>
Total segment results above include:					
Revenue from Government and Government related entities (note 32.7)	40,743	174,007	-	3,063	217,813
<b>Segment assets</b>	<b>434,546</b>	<b>1,395,965</b>	<b>-</b>	<b>40,528</b>	<b>1,871,039</b>
<b>Reconciliation to total assets as reported in the statement of financial position</b>					
Investment in joint ventures	-	-	-	17,633	17,633
Right of use assets	-	-	-	3,578	3,578
Intangible assets	-	-	-	7,368	7,368
Cash and cash equivalents	-	-	-	875,859	875,859
<b>Total assets as reported in the statement of financial position</b>	<b>434,546</b>	<b>1,395,965</b>	<b>-</b>	<b>941,388</b>	<b>2,775,477</b>
<b>Total liabilities</b>	<b>491,545</b>	<b>161,603</b>	<b>-</b>	<b>503,127</b>	<b>1,156,274</b>

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 4. OPERATING SEGMENTS (CONTINUED)

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

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

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

	Sale of housing inventories	Rental	Construction and management contracts	Others	Total
	P'000	P'000	P'000	P'000	P'000
Revenue	113,569	239,765	348,212	-	701,546
Cost of sale of housing inventories	(102,618)	-	-	-	(102,618)
Cost of sale of third party maintenance	-	-	(320,632)	-	(320,632)
<b>Gross Profit</b>	<b>10,951</b>	<b>239,765</b>	<b>27,580</b>	<b>-</b>	<b>278,296</b>
Repairs and maintenance	-	(50,612)	-	-	(50,612)
Employee benefit expenses	(51,293)	(12,823)	-	(77,501)	(141,617)
Depreciation and amortisation	(1,345)	(18,629)	-	(10,311)	(30,285)
Other expenses	(11,563)	(27,204)	-	(27,436)	(66,203)
Impairment expenses	1,198	9,047	-	14,046	24,291
Gains from sale of investment properties	42,612	-	-	-	42,612
Other income	101	75	-	6,466	6,642
<b>Operating profit</b>	<b>(9,339)</b>	<b>139,619</b>	<b>27,580</b>	<b>(94,736)</b>	<b>63,124</b>
Finance income	-	-	-	9,308	9,308
Finance costs	(14,312)	(3,577)	-	-	(17,889)
<b>Net finance (costs) / income</b>	<b>(14,312)</b>	<b>(3,577)</b>	<b>-</b>	<b>9,308</b>	<b>(8,581)</b>
Share of profit or loss of equity accounted investees of joint ventures	-	-	-	19,615	19,615
<b>Profit before taxation</b>	<b>(23,651)</b>	<b>136,042</b>	<b>27,580</b>	<b>(65,813)</b>	<b>74,158</b>
Taxation	-	(8,045)	-	-	(8,045)
<b>Total comprehensive income for the year</b>	<b>(23,651)</b>	<b>127,997</b>	<b>27,580</b>	<b>(65,813)</b>	<b>66,113</b>

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 4. OPERATING SEGMENTS (CONTINUED)

	Sale of Housing Inventories P'000	Rental P'000	Construction and management contracts P'000	Others P'000	Total P'000
<b>Total segment results above include:</b>					
Revenue from Government and Government related entities (note 32.7)	58,291	153,301	-	4,976	216,568
<b>Segment assets</b>	<b>408,625</b>	<b>1,429,495</b>	<b>-</b>	<b>86,534</b>	<b>1,924,654</b>
<b>Reconciliation to total assets as reported in the statement of financial position:</b>					
Investment in joint ventures	-	-	-	15,491	15,491
Right of use assets	-	-	-	4,140	4,140
Intangible assets	-	-	-	11,565	11,565
Cash and cash equivalents	-	-	-	939,500	939,500
<b>Total assets as reported in the statement of financial position</b>	<b>408,625</b>	<b>1,429,495</b>	<b>-</b>	<b>1,057,230</b>	<b>2,895,350</b>
<b>Total liabilities</b>	<b>524,152</b>	<b>177,185</b>	<b>-</b>	<b>597,885</b>	<b>1,299,222</b>
<b>Additions to non current assets</b>					
Investment properties*	-	118,339	-	-	118,339
Property, plant and equipment	-	-	-	1,775	1,775
	<b>-</b>	<b>118,339</b>	<b>-</b>	<b>1,775</b>	<b>120,114</b>

\*The addition to investment properties were all transfers from work in progress

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 5. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 5. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

#### (e) Valuation of housing inventories (note 16)

Housing inventories consists of the following:

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

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

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

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

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

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

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

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

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

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

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

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 5. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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

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

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

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

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

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

Determination of performance obligations.

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

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

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 5. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

Principal versus agent considerations

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

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.

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

	2023 P'000	2022 P'000
<b>6. RENTAL INCOME AND REVENUE FROM CONTRACTS WITH CUSTOMERS</b>		
Rental income - Residential properties	276,456	236,315
Rental income - Commercial properties	3,304	3,450
<b>Rental income</b>	<b>279,760</b>	<b>239,765</b>
Professional fees	3,063	4,976
External projects contracts income	65,392	188,117
Self Help Housing Agency (SHHA) projects contracts income	112,305	94,734
Capacitation fee	13,386	15,140
<b>Revenue from construction contracts (Over time)</b>	<b>194,146</b>	<b>302,967</b>
Outright sales of housing units	33,139	111,382
Facilities management income	42,337	44,516
Tenant purchase scheme income	2,053	2,177
Step ownership scheme income	-	10
Recoverable maintenance	1,637	729
<b>Revenue from contracts with customers (Point in time)</b>	<b>79,166</b>	<b>158,814</b>
	<b>553,072</b>	<b>701,546</b>

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

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

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 7. COST OF SALE OF HOUSING INVENTORIES

At beginning of the year	444,154	604,502
Land held for development	40,526	32,557
Housing under construction	274,585	247,987
Completed houses - Inventories (written down to net realisable value)	129,043	323,958
<b>Movements during the year</b>	<b>33,425</b>	<b>(57,730)</b>
Acquisition of land	1,017	7,969
Capitalised construction costs	32,959	27,509
Capitalised development costs - employee benefit expenses (note 8)	8,418	7,752
Capitalised borrowing costs (note 14)	21,226	19,246
Interest earned on borrowed funds	(16,889)	(9,340)
Transfer from investment properties (note 15)	-	13,120
Contract write-up	(13,306)	(5,647)
Transfer to investment property (note 15)	-	(118,339)
<b>At end of year (note 16)</b>	<b>(451,125)</b>	<b>(444,154)</b>
Land held for development	(41,544)	(40,526)
Housing under construction	(319,315)	(274,585)
Completed houses - Inventories (written down to net realisable value)	(90,266)	(129,043)
	<b>26,454</b>	<b>102,618</b>
<b>Cost of sale of construction and management contracts</b>		
External construction contracts	65,392	188,117
SHHA construction contracts	112,305	94,734
Facilities management contracts	34,931	37,781
	<b>212,628</b>	<b>320,632</b>

### 8. EMPLOYEE BENEFIT EXPENSES

Salaries, wages and other benefits	135,657	134,432
Pension contributions	12,306	11,417
Gratuities	3,297	3,520
Less : capitalised during the year (note 7)	(8,418)	(7,752)
	<b>142,842</b>	<b>141,617</b>

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

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 9. DEPRECIATION AND AMORTISATION

	2023 P'000	2022 P'000
Depreciation - right of use asset (note 25)	6,515	6,176
Depreciation - investment properties (note 15)	22,143	14,655
Depreciation - property, plant and equipment (note 17)	4,625	4,539
Depreciation - leasehold land (note 15)	3,982	1,134
Amortisation - intangible assets (note 18)	4,196	3,781
	<b>41,461</b>	<b>30,285</b>

### 10. OTHER EXPENSES

Audit fees - current year	1,015	996
Board members' remuneration	547	445
Consultancy fees	2,323	2,307
Rates	5,836	5,313
Security expenses	5,488	5,526
Telephone expenses	7,999	9,763
Training expenses	3,863	2,545
Insurance	3,586	2,528
Travelling and accommodation	5,362	3,687
IT expenses	11,035	8,473
Advertising and marketing	5,473	5,231
Call centre expenses	2,445	2,474
Administration expenses	18,795	15,275
Training levy	363	552
Utilities	2,884	3,077
	<b>77,014</b>	<b>68,192</b>

#### Impairment expenses

Rental debtors	906	(12,634)
Professional fees	7	(15,243)
Other receivables	3,303	3,585
	<b>4,216</b>	<b>(24,291)</b>

Impairment expenses excluding housing inventories impairment reversal	<b>4,216</b>	<b>(24,292)</b>
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## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 11. OTHER INCOME

	2023 P'000	2022 P'000
Sundry income	2,077	6,090
Gains on sale of property, plant and equipment	163	552
	<b>2,240</b>	<b>6,642</b>

\* The Corporation has analysed costs/income associated with this account and concluded that they are administrative in nature, therefore, reclassified to other income.

### 12. GAINS FROM SALE OF INVESTMENT PROPERTIES

Proceeds from sale of investment properties (outright sales)	43,200	64,845
Sale of investment properties (TPS sales)	5,068	2,633
Cost (note 15)	(26,435)	(30,277)
Accumulated depreciation (note 15)	2,672	5,411
	<b>24,505</b>	<b>42,612</b>

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 13. FINANCE INCOME

Using effective interest rate

Interest income received on short term bank deposits

Interest accrued on short term bank deposits

Capitalised interest earned on borrowed funds

2023  
P'000

2022  
P'000

27,622

17,008

2,967

1,640

(16,889)

(9,340)

13,700

9,308

### 14. FINANCE COSTS

Using effective interest rate

Interest expense paid on loans

Interest accrued on loans

Less: government grant income

Interest expense paid on debt securities in issue

Interest accrued on debt securities in issue

Less: capitalised to housing inventories during the year (note 7)

10,579

11,966

1,877

2,279

(5,704)

(6,267)

28,272

25,639

2,321

2,061

(21,226)

(19,246)

16,119

16,432

#### Other finance costs

Interest expense - leases

Other financing costs paid

554

726

698

731

1,252

1,457

17,371

17,889

A capitalisation rate of 7.31% (2022: 6.93%) was used for projects whose development was financed out of debt securities (note 26).

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 15. INVESTMENT PROPERTIES

	2023 P'000	2022 P'000
Opening carrying amount	1,356,727	1,311,567
Transfer to inventory	-	(13,120)
Transfer from property, plant and equipment	5,336	-
Additions to investment properties - transfer from inventory ( note 7)	-	118,339
Adjustment to investment properties*	-	(19,404)
Disposals	(26,435)	(30,277)
Accumulated depreciation on disposals	2,672	5,411
Accumulated depreciation on transfer from PPE	(3,153)	-
Depreciation - housing properties	(22,143)	(14,655)
Depreciation - leasehold land	(3,982)	(1,134)
<b>Closing carrying amount</b>	<b>1,309,022</b>	<b>1,356,727</b>
Cost	1,695,725	1,716,825
Accumulated depreciation	(386,703)	(360,098)
<b>Carrying amount</b>	<b>1,309,022</b>	<b>1,356,727</b>

\* The prior year adjustment of P19 million relate to costs allocation upon finalisation of project accounts.

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

Future minimum rentals receivables under operating leases as at 31 March 2023 are as follows:

	2023 P'000	2022 P'000
Less than one year	209,014	188,800
One to two years	185,790	167,822
Two to three years	176,501	159,431
Three to four years	162,566	146,844
Four to five years	157,922	142,649
More than five years	67,349	60,836
<b>Total</b>	<b>959,142</b>	<b>866,383</b>

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 15. INVESTMENT PROPERTIES (CONTINUED)

Investment properties were valued as at 31 March 2023 by estate management professionals based on the latest prevailing market prices. The value of the investment properties was estimated at P7.258 million on 31 March 2023 (2022: P5.274 million). The model uses current replacement cost less the depreciation due to physical deterioration. The current replacement cost is the current cost of constructing a property type using estimated gains from the in-house Quantity Surveyors. The land component is estimated separately using market comparables and added to calculate the final fair value of the property. The fair value of measurement for all investment properties has been categorised as a level 3 fair value based on the inputs to the valuation technique used.

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

The cost value of housing properties which the Corporation has not received title deeds amounts to P3.8 million (2022: P3.8 million). The members of the Board believe that title deeds for these properties will be received in due course.

### 16. HOUSING INVENTORIES

	2023 P'000	2022 P'000
Land for development (note 7)	41,544	40,526
Housing under construction (note 7)	319,315	274,585
Completed houses (note 7)	94,252	130,185
Less: Impairment provision of inventory	(3,986)	(1,142)
	<b>451,125</b>	<b>444,154</b>

# BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

## 17. PROPERTY, PLANT AND EQUIPMENT

	Land & buildings	Computer equipment	Furniture & office equipment	Motor vehicles	Plant & equipment	Total
	P'000	P'000	P'000	P'000	P'000	P'000
<b>As at 31 March 2023</b>						
Opening carrying amount	37,120	5,161	4,822	3,131	150	50,384
Additions	-	1,809	730	4,531	-	7,070
Transfer to investment properties	(5,336)	-	-	-	-	(5,336)
Accumulated depreciation on transfer to IP	3,153	-	-	-	-	3,153
Disposals	-	(64)	(88)	-	-	(152)
Accumulated depreciation on disposal	-	54	64	-	-	118
Depreciation charge	(840)	(1,979)	(810)	(984)	(12)	(4,625)
<b>Closing carrying amount</b>	<b>34,097</b>	<b>4,981</b>	<b>4,718</b>	<b>6,678</b>	<b>138</b>	<b>50,612</b>
<b>Cost</b>	<b>42,791</b>	<b>26,393</b>	<b>15,814</b>	<b>18,052</b>	<b>2,386</b>	<b>105,436</b>
<b>Accumulated depreciation</b>	<b>(8,694)</b>	<b>(21,412)</b>	<b>(11,096)</b>	<b>(11,374)</b>	<b>(2,248)</b>	<b>(54,824)</b>
<b>Closing carrying amount</b>	<b>34,097</b>	<b>4,981</b>	<b>4,718</b>	<b>6,678</b>	<b>138</b>	<b>50,612</b>
<b>As at 31 March 2022</b>						
Opening carrying amount	37,960	6,118	5,530	3,794	162	53,564
Additions	-	855	203	717	-	1,775
Disposals	-	-	(387)	(2,482)	-	(2,869)
Accumulated depreciation on disposal	-	-	343	2,110	-	2,453
Depreciation charge	(840)	(1,812)	(867)	(1,008)	(12)	(4,539)
<b>Closing carrying amount</b>	<b>37,120</b>	<b>5,161</b>	<b>4,822</b>	<b>3,131</b>	<b>150</b>	<b>50,384</b>
<b>Cost</b>	<b>48,127</b>	<b>24,648</b>	<b>15,170</b>	<b>13,521</b>	<b>2,386</b>	<b>103,852</b>
<b>Accumulated depreciation</b>	<b>(11,007)</b>	<b>(19,487)</b>	<b>(10,348)</b>	<b>(10,390)</b>	<b>(2,236)</b>	<b>(53,468)</b>
<b>Closing carrying amount</b>	<b>37,120</b>	<b>5,161</b>	<b>4,822</b>	<b>3,131</b>	<b>150</b>	<b>50,384</b>

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 18. INTANGIBLE ASSETS

	ERP System	Computer software	Total
	P'000	P'000	P'000
<b>As at 31 March 2023</b>			
Opening carrying amount	11,565	-	11,565
Amortisation charge	(4,196)	-	(4,196)
<b>Closing carrying amount</b>	<b>7,368</b>	<b>-</b>	<b>7,368</b>
Cost	47,765	5,367	53,132
Accumulated amortisation	(40,396)	(5,367)	(45,763)
<b>Closing carrying amount</b>	<b>7,368</b>	<b>-</b>	<b>7,368</b>
<b>As at 31 March 2022</b>			
Opening carrying amount	15,346	-	15,346
Additions	-	-	-
Amortisation charge	(3,781)	-	(3,781)
<b>Closing carrying amount</b>	<b>11,565</b>	<b>-</b>	<b>11,565</b>
Cost	47,765	5,367	53,132
Accumulated amortisation	(36,200)	(5,367)	(41,567)
<b>Closing carrying amount</b>	<b>11,565</b>	<b>-</b>	<b>11,565</b>

Remaining amortisation period for ERP system is nil years (2022: 1 year).

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 19. INVESTMENTS IN JOINT VENTURES

	2023 P'000	2022 P'000	2023 P'000	2022 P'000	2023 P'000	2022 P'000
	Plot 7 (Plaza Centre)		Plot 1471/2 (Galo Complex)		Total	
At the beginning of the year	669	653	14,822	20,023	15,491	20,676
Adjustments between the partnerships**	(249)	249	249	(249)	-	-
Share of profit or loss for 2023 in equity accounted joint ventures for the year	692	823	20,214	19,025	20,906	19,848
Profit for 2023 for 1 month not recognised in the current year (April 2023)	(58)	(69)	(1,684)	(1,585)	(1,742)	(1,654)
Profit for 2022 for 1 month not recognised in prior year (April 2022)	69	63	1,585	1,358	1,654	1,421
Share of profit or loss in equity accounted joint ventures for the year	703	817	20,114	18,798	20,817	19,615
Dividends declared during the year*	(863)	(1,050)	(20,400)	(23,750)	(21,263)	(24,800)
Less: dividends paid after year end*	88	-	2,500	-	2,588	-
<b>At the end of the year</b>	<b>348</b>	<b>669</b>	<b>17,285</b>	<b>14,822</b>	<b>17,633</b>	<b>15,491</b>

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

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

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

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

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

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

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

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

These Joint Ventures operate in Botswana.

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

#### 19.1 INVESTMENTS IN JOINT VENTURES

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

	Apr-23 P'000	Apr-22 P'000	Apr-23 P'000	Apr-22 P'000	Apr-23 P'000	Apr-22 P'000
	Plot 7 (Plaza Centre)		Plot 1471/2 (Galo Complex)		Total	
<b>Assets:</b>						
<b>Non-current assets</b>						
Investment property	1,801	1,867	125,335	129,360	127,136	131,227
Other non-current assets	-	-	8,153	6,591	8,153	6,591
	<b>1,801</b>	<b>1,867</b>	<b>133,488</b>	<b>135,951</b>	<b>135,289</b>	<b>137,818</b>
<b>Current assets</b>						
Cash and cash equivalents	200	461	7,574	14,236	7,774	14,697
Other current assets excluding cash	314	339	5,848	5,151	6,162	5,490
	<b>514</b>	<b>800</b>	<b>13,422</b>	<b>19,387</b>	<b>13,936</b>	<b>20,187</b>
	<b>2,315</b>	<b>2,667</b>	<b>146,910</b>	<b>155,338</b>	<b>149,225</b>	<b>158,005</b>
<b>Liabilities:</b>						
<b>Non-current liabilities</b>						
Borrowings	-	-	87,617	96,299	87,617	96,299
Deferred income	-	-	396	466	396	466
	<b>-</b>	<b>-</b>	<b>88,013</b>	<b>96,765</b>	<b>88,013</b>	<b>96,765</b>
<b>Current liabilities</b>						
Borrowings	-	-	9,356	7,854	9,356	7,854
Trade and other payables	409	420	5,884	6,688	6,293	7,108
Dividends payable	-	200	-	6,500	-	6,700
	<b>409</b>	<b>620</b>	<b>15,240</b>	<b>21,042</b>	<b>15,649</b>	<b>21,662</b>
Total liabilities	<b>409</b>	<b>620</b>	<b>103,253</b>	<b>117,807</b>	<b>103,662</b>	<b>118,427</b>
<b>Net assets</b>	<b>1,906</b>	<b>2,047</b>	<b>43,657</b>	<b>37,531</b>	<b>45,563</b>	<b>39,578</b>
<b>Income</b>						
Revenue	1,972	1,961	67,934	63,439	69,906	65,400
Other operating income	-	-	60	128	60	128
Finance income	67	38	581	477	648	515
	<b>2,039</b>	<b>1,999</b>	<b>68,575</b>	<b>64,044</b>	<b>70,614</b>	<b>66,043</b>
<b>Expenses</b>						
Finance costs	-	-	7,835	6,922	7,835	6,922
Operating expenses	589	288	16,288	15,048	16,877	15,336
Depreciation	66	66	4,025	4,025	4,091	4,091
	<b>655</b>	<b>354</b>	<b>28,148</b>	<b>25,995</b>	<b>28,803</b>	<b>26,349</b>
<b>Profit and total comprehensive income</b>	<b>1,384</b>	<b>1,645</b>	<b>40,427</b>	<b>38,049</b>	<b>41,811</b>	<b>39,694</b>

These are the reporting periods as elected by the partnership.

Plot 7

May 2022 to April 2023

Plot 1471/2

May 2022 to April 2023

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 19. INVESTMENTS IN JOINT VENTURES (CONTINUED)

#### 19.2 RECONCILIATION OF NET ASSETS TO CARRYING AMOUNT

	Apr-23 P'000	Apr-22 P'000	Apr-23 P'000	Apr-22 P'000	Apr-23 P'000	Apr-22 P'000
	Plot 7 (Plaza Centre)		Plot 1471/2 (Galo Complex)		Total	
Closing net assets	1,906	2,047	43,657	37,531	45,563	39,578
Fair value of land contributed as equity	(1,271)	(1,271)	(10,720)	(10,720)	(11,991)	(11,991)
Adjustment to align financial year end	(115)	(137)	(3,369)	(3,171)	(3,484)	(3,308)
Dividends paid after year end	175	200	5,000	6,500	5,175	6,700
	695	839	34,568	30,140	35,263	30,979
Adjustment		249		(249)	-	-
Interest in Joint Venture at 50%	347	668	17,284	14,821	17,631	15,490
Summarised comprehensive income						
Carrying amount	1,384	1,645	40,427	38,049	41,811	39,694
Adjustments						
Adjustment in current year profit	(115)	(137)	(3,369)	(3,171)	(3,484)	(3,308)
Adjustment in prior year profit	137	126	3,171	2,717	3,308	2,843
	1,406	1,634	40,229	37,595	41,635	39,229
Adjustment	-	249	-	(249)	-	-
Share of surplus at 50%	703	1,066	20,114	18,549	20,817	19,615

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

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

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 20. TAXATION

#### Amount recognised in the statement of financial position

	2023 P'000	2022 P'000
Taxation refundable at the beginning of the year	(8,636)	(12,509)
Normal company taxation	8,345	9,468
Tax refund	7,018	5,408
With-holding tax paid during the year	(2,738)	(1,369)
Income tax paid during the year	(9,210)	(9,634)
Taxation refundable at end of the year	(5,221)	(8,636)

#### Effective tax reconciliation

Profit before taxation	30,237	72,169
Taxation at the statutory rate of 22%	6,652	15,877

#### Tax effects of adjustments on taxable income

Donation not taxable	574	268
Exempt income*	(62)	(8,100)
<b>Taxation per profit or loss</b>	<b>7,164</b>	<b>8,045</b>
<b>Effective Tax Rate</b>	<b>24%</b>	<b>11%</b>

#### Amount recognised in profit or loss

<b>Current tax expense</b>		
Current year taxation	8,345	9,468
<b>Deferred tax movement</b>		
Deferred tax movement during the year	(1,181)	(1,424)
<b>Taxation per profit or loss</b>	<b>7,164</b>	<b>8,045</b>

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

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

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 21. DEFERRED TAX

	2023 P'000	2022 P'000
Movement in deferred tax		
Balance at the beginning of the year	3,209	1,785
Movement during the year	1,181	1,424
<b>Balance at the end of the year</b>	<b>4,390</b>	<b>3,209</b>
<b>Analysis of deferred taxation</b>		
Temporary differences relating to :		
Accelerated depreciation on property, plant and equipment	5,330	5,257
Accelerated capital allowances on intangible assets	(1,621)	(2,544)
Right of use asset	(787)	(911)
Lease liability	1,467	1,407
	<b>4,390</b>	<b>3,209</b>

### 22. TRADE AND OTHER RECEIVABLES

Trade receivables*	48,138	54,571
Less: allowance for impairment of trade receivables	(12,556)	(13,910)
<b>Trade receivables - net</b>	<b>35,582</b>	<b>40,661</b>
Other receivables**	21,973	24,467
Less: allowance for impairment of other receivables***	(6,888)	(3,585)
<b>Other receivables -net</b>	<b>15,085</b>	<b>20,882</b>
<b>Trade and other receivables - net</b>	<b>50,668</b>	<b>61,543</b>
Less: non-current portion	(21,030)	(16,166)
<b>Current portion</b>	<b>29,639</b>	<b>45,377</b>

\*As per IAS1-Presentation of financial statements, the Corporation has revised the presentation on trade and other receivables which were reported aggregating allowances for impairments. Effective 2023, these are disclosed separately to enhance the disclosure. The comparative information for 2022 has been revised to align to the improved presentation. This does not have any impact on the statement of financial position.

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

\*\*\*Allowance for impairment of other receivables has increased due to increase in provision for impairment of facilities management fees.

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:

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 22. TRADE AND OTHER RECEIVABLES (CONTINUED)

	2023 P'000	2022 P'000
<b>Accumulated impairment losses at beginning of the year</b>	<b>13,910</b>	<b>41,786</b>
Accumulated impairment losses at beginning of the year - trade receivables	13,910	41,786
Movement in allowance for impairment per profit or loss - trade receivables (note 10)	913	(27,876)
Amount written off during the year as uncollectable	(2,267)	-
<b>Accumulated impairment losses at end of the year</b>	<b>12,556</b>	<b>13,910</b>
Accumulated impairment losses at the end of the year - trade receivables	12,556	13,910
Movements in the accumulated impairment losses on other receivables were as follows:		
<b>Accumulated impairment losses at beginning of the year</b>	<b>3,585</b>	<b>-</b>
Accumulated impairment losses at beginning of the year - other receivables	3,585	-
Movement in allowance for impairment per profit or loss - other receivables (note 10)	3,303	3,585
Amount written off during the year as uncollectable	-	-
<b>Accumulated impairment losses at end of the year</b>	<b>6,888</b>	<b>3,585</b>
Accumulated impairment losses at the end of the year - other receivables	6,888	3,585

### 23. CASH AND CASH EQUIVALENTS

	2023 P'000	2022 P'000
Cash at bank and on hand	206,922	237,684
Short term bank deposits	668,937	701,816
	<b>875,859</b>	<b>939,500</b>

Cash and cash equivalents includes P404 million (2022: P468.0 million) received from government entities to carry out its construction of housing projects. These balances are ring-fenced for their specific purpose. The Corporation has no rights to the interest earned on investments from this cash. These balances relate to the project management and construction services provided to these projects. The corresponding liability has been recognised in note 28.

### 24. IRREDEEMABLE CAPITAL

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

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 25. LEASES

As at 31 March 2023

Right of use of assets	Leased offices	Leased Vehicles	Leased equipment	Total
	P000	P000	P000	P000
Opening balance	2,196	1,756	188	4,140
New leases	-	5,953	-	5,953
Depreciation expense for the year	(375)	(5,953)	(187)	(6,515)
<b>Carrying amount as at 31 March 2023</b>	<b>1,821</b>	<b>1,756</b>	<b>1</b>	<b>3,578</b>
Cost	3,324	22,068	1,820	27,212
Accumulated depreciation	(1,503)	(20,312)	(1,819)	(23,634)
<b>Carrying amount</b>	<b>1,821</b>	<b>1,756</b>	<b>1</b>	<b>3,578</b>
<b>Reconciliation of lease liabilities</b>				
Opening balance				6,393
Finance costs				554
New leases				5,953
Less: Repayment of lease liabilities				(6,226)
<b>Closing balance</b>				<b>6,674</b>
<b>Lease liabilities</b>				
Amounts due for settlement within 12 months				3,308
Amounts due for settlement after 12 months				3,366
<b>Maturity profile for discounted lease liabilities</b>				
Not later than 1 year				2,378
Later than 1 year and not later than 5 years				4,296
				<b>6,674</b>
<b>Maturity profile for undiscounted lease liabilities</b>				
Not later than 1 year				3,150
Later than 1 year and not later than 5 years				4,465
				<b>7,615</b>
<b>Amounts recognized in statement of profit or loss</b>				
Depreciation expense on right-of-use assets				6,515
Interest expense on lease liabilities				554
<b>Amounts recognised in statement of cash flow</b>				
Lease payments				5,672
Interest payment				554
<b>Total cash out flows for the year related to leases</b>				<b>6,226</b>

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 25. LEASES (CONTINUED)

As at 31 March 2022

Right of use of assets	Leased offices	Leased Vehicles	Leased equipment	Total
	P000	P000	P000	P000
Opening balance	2,572	1,027	6	3,605
Adjustments	-	5,985	726	6,711
Depreciation expense for the year	(376)	(5,256)	(544)	(6,176)
<b>Carrying amount as at 31 March 2022</b>	<b>2,196</b>	<b>1,756</b>	<b>188</b>	<b>4,140</b>
Cost	3,324	16,018	1,094	20,436
Adjustments	-	5,985	726	6,711
Accumulated depreciation	(1,128)	(20,247)	(1,632)	(23,007)
<b>Carrying amount</b>	<b>2,196</b>	<b>1,756</b>	<b>188</b>	<b>4,140</b>
<b>Reconciliation of lease liabilities</b>				
Opening balance				5,165
Finance costs				726
Adjustments				6,711
Less: Repayment of lease liabilities				(6,209)
<b>Closing balance</b>				<b>6,393</b>
<b>Lease liabilities</b>				
Amounts due for settlement within 12 months				2,523
Amounts due for settlement after 12 months				3,870
<b>Maturity profile for discounted lease liabilities</b>				
Not later than 1 year				2,523
Later than 1 year and not later than 5 years				3,870
				<b>6,393</b>
<b>Maturity profile for undiscounted lease liabilities</b>				
Not later than 1 year				7,371
Later than 1 year and not later than 5 years				3,734
				<b>11,105</b>
<b>Amounts recognized in statement of profit or loss</b>				
Depreciation expense on right-of-use assets				6,176
Interest expense on lease liabilities				726
<b>Amounts recognised in statement of cash flow</b>				
Lease payments				5,483
Interest payment				726
<b>Total cash out flows for the year related to leases</b>				<b>6,209</b>

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 26. BORROWINGS

	2023 P'000	2022 P'000
Government of Botswana loans ( note 26.5 )	196,271	221,739
Debt securities in issue (note 26.5)	400,847	400,146
	<b>597,118</b>	<b>621,885</b>
Less: current portion	(34,968)	(35,110)
<b>Non-current portion</b>	<b>562,150</b>	<b>586,775</b>
Debt securities in issue include accrued interest of P2.321 million (2022: P2.279 million) at year end.		
<b>Reconciliation of borrowings</b>		
Contractual payments including interest:		
Government of Botswana loans	224,231	297,308
Debt securities in issue	592,533	606,350
	<b>816,764</b>	<b>903,658</b>
Less: future interest costs	(219,646)	(281,773)
<b>Capital portion of borrowings</b>	<b>597,118</b>	<b>621,885</b>
All borrowings are denominated in Pula.		
<b>Government revenue grant ( note 26.3 )</b>		
Balance at the beginning of the year	26,697	32,964
Amortisation during the year	(5,706)	(6,267)
Deferred Government revenue grant	20,992	26,697
Less: current portion	(5,107)	(5,704)
<b>Non-current portion</b>	<b>15,885</b>	<b>20,993</b>

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 26. BORROWINGS (CONTINUED)

#### 26.1 IRREDEEMABLE LOAN

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

#### 26.2 GOVERNMENT OF BOTSWANA LOAN

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

#### 26.3 DEFERRED GOVERNMENT REVENUE GRANT

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

#### 26.4 DEBT SECURITIES IN ISSUE

##### FLOATING RATE NOTES

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

##### FIXED RATE NOTES

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

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 26.5 MOVEMENT IN BORROWINGS

Lender	Contractual Period of interest rate repayment	Balance at 01 April 2022	Interest costs	Interest payment during the year	Transaction costs amortised during the year	Balance at 31 March 2023
		P'000	P'000	P'000	P'000	P'000
Debt securities BHC025	2018-2025	299,953	22,842	(22,582)	321	300,534
Debt securities BHC028	2021-2028	100,193	7,750	(7,750)	120	100,313
		400,146	30,592	(30,332)	441	400,847
Government of Botswana loan	Contractual Period of interest rate repayment	Balance at 01 April 2022	Interest costs	Interest payment during the year	Principal repayment during the year	Balance at 31 March 2023
Government of Botswana	2015-2029	221,739	12,456	(7,154)	(30,770)	196,271
		221,739	12,456	(7,154)	(30,770)	196,271
		221,739	12,456	(7,154)	(30,770)	196,271
Lender	Contractual Period of interest rate repayment	Balance at 01 April 2021	Interest costs	Interest payment during the year	Transaction costs amortised during the year	Balance at 31 March 2022
		P'000	P'000	P'000	P'000	P'000
Debt securities BHC025	2018-2025	299,632	19,950	(19,950)	321	299,953
Debt securities BHC028	2021-2028	100,073	7,750	(7,750)	120	100,193
		399,705	27,700	(27,700)	441	400,146
Irredeemable loan	Contractual Period of interest rate repayment	Balance at 01 April 2021	Interest costs	Interest payment during the year	Principal repayment during the year	Balance at 31 March 2022
Government of Botswana	Irredeemable	212	18	(18)	(212)	-
		246,375	14,245	(8,112)	(30,769)	221,739
Government of Botswana	2015-2029	246,375	14,245	(8,112)	(30,769)	221,739
		246,587	14,263	(8,130)	(30,981)	221,739

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 27. TRADE AND OTHER PAYABLES

#### Financial liabilities

	2023 P'000	2022 P'000
Trade payables	59,945	82,179
Sundry creditors*	13,234	11,779
	<b>73,179</b>	<b>93,959</b>

#### Non financial liabilities

Advance payment by customers	11,138	23,074
Contractors withholding tax	77	147
Other accruals and VAT payable**	15,432	29,691
	<b>26,647</b>	<b>52,912</b>

<b>Total trade and other payables</b>	<b>99,826</b>	<b>146,870</b>
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\*Sundry creditors is predominantly gratuity for employees on contract.

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

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 28. CONTRACT BALANCES

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

Contract liabilities	404,924	468,042
<b>Contract liabilities</b>		
At the beginning of the year	468,042	609,833
Funds received during the year	85,911	116,617
Expenditure on projects during the year	(176,345)	(282,595)
Interest earned on temporary investment of funds	27,316	24,187
<b>At the end of the year</b>	<b>404,924</b>	<b>468,042</b>
Revenue recognised in the current year	194,146	302,967
<b>Amount from previous period</b>	<b>194,146</b>	<b>302,967</b>
Balances relating to related parties are as follows :		
Botswana Defence Force	289,817	295,854
Department of Housing	10,977	10,954
Self Help Housing Agency	48,918	88,197
Malete Land Board	7,576	711
Directorate of Corruption and Economic Crime	17,229	18,853
Botswana Prisons Services	24,108	24,633
Ministry of Finance	(1,997)	132
Tawana Land Board	2,302	2,302
Botswana Police Service	1,308	6,631
Kweneng Land Board	1,758	-
Lethakeng Sub Land Board	1,525	1,525
Ministry of Lands	(1,155)	17,073
Chobe Land Board	1,509	1,509
Ministry of Infrastructure	279	489
Palapye Sub Land Board	770	(821)
	<b>404,924</b>	<b>468,042</b>

The relationship is through common ownership by the Government of Botswana

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 28. CONTRACT BALANCES (CONTINUED)

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

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

#### 28.1 DEFERRED INCOME

	2023 P'000	2022 P'000
At the beginning of the year	17,923	23,454
Funds received during the year	5,438	3,553
Expenditure on projects during the year	(9,619)	(9,084)
<b>At the end of the year</b>	<b>13,742</b>	<b>17,923</b>
Balances relating to deferred income are as follows:		
Administration of Justice	7,945	12,983
Self Help Housing Agency	5,171	1,180
Ombudsman	150	512
National Assembly of Botswana	277	3,049
Botswana Government -Abu Dhabi exhibition	199	199
	<b>13,742</b>	<b>17,923</b>

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

#### 29. CUSTOMER DEPOSITS

Rental deposits	13,405	12,999
Sale of properties deposits	(406)	(1,587)
	<b>12,999</b>	<b>11,412</b>

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 30. NET CASH FROM/ (UTILISED IN) OPERATING ACTIVITIES

	2023 P'000	2022 P'000
Profit before taxation	30,237	72,169
Adjustments for:		
Gain on sale of property, plant and equipment (note 11)	(163)	(552)
Gains from sale of investment property (note 12)	(24,505)	(42,612)
Depreciation - investment property (note 15)	22,143	14,655
Depreciation - property, plant and equipment (note 17)	4,625	4,539
Depreciation - leasehold land (note 15)	3,982	1,134
Amortisation - intangible assets (note 18)	4,196	3,781
Depreciation right of use asset (note 25)	6,515	6,176
Interest expense - leases (note 25)	554	726
Impairment expenses / (reversal) (note 10)	4,216	(24,292)
Housing inventories impairment reversal (note 10)	2,844	-
WIP cost written off	-	(2,530)
Contract creditors written off	(13,306)	(6,187)
Contract write off	-	(341)
Movement in bond and loan accrued interest	(141)	(143)
Deferred bond arrangement fees (note 26.5)	441	441
Share of profit or loss of equity accounted investees of joint ventures (note 19)	(20,817)	(19,615)
Finance income (note 13)	(13,700)	(9,308)
Finance cost (note 14)	16,817	17,163
	<b>23,938</b>	<b>15,204</b>
Changes in working capital:		
Decrease in trade and other receivables (note 22)	7,528	72,710
Decrease in trade and other payables (note 27)	(47,044)	(5,467)
Decrease in deferred income	(4,181)	(5,531)
Increase / (Decrease) in customer deposits (note 29)	1,587	(2,639)
Decrease in housing inventories (note 16)	24,717	78,844
Decrease in contract liabilities (note 28)	(63,118)	(141,791)
<b>Net cash (utilised in) / generated from operating activities</b>	<b>(56,573)</b>	<b>11,331</b>

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

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 31. COMMITMENTS

#### Capital commitments

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

Investment properties and housing inventories	7,786	22,962
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The capital commitments are to be financed through internally generated cash resources and borrowings.

### 32. RELATED PARTY TRANSACTIONS

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

#### 32.1 LOANS FROM GOVERNMENT

Details of these loans are disclosed in note 26.5 to these financial statements.

2023	2022
P'000	P'000

#### 32.2 TRANSACTIONS WITH BOARD MEMBERS

Board sitting fees	547	445
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#### 32.3 KEY MANAGEMENT PERSONNEL COMPENSATION

Salaries and other short-term benefits	3,390	4,975
Post employment benefits - gratuity provision	(943)	5,075
	2,447	10,050

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

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

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 32. RELATED PARTY TRANSACTIONS (CONTINUED)

#### 32.4 ADVANCES TO KEY MANAGEMENT PERSONNEL

	2023 P'000	2022 P'000
Advance against gratuity	295	4,412

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

#### 32.5 CREDIT LOSS ALLOWANCES

As at 31 March 2023, credit loss allowances in respect of rental debts owed by the Government of Botswana amounted to Nil (2022: Nil).

#### 32.6 JOINT VENTURES

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

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 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 2023.

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

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 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 2022.

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

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 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.

	2023 P'000	2022 P'000
Botswana Defence Force	-	8,271
Department of Lands	2,845	-
Administration of Justice	-	-
Botswana Police Service	1,226	1,503
Accountant General	-	940
Self Help Housing Agency	-	3,994
Tsabong Land Board	-	-
Malete Land Board	-	-
Botswana Prison Services	-	247
	<b>4,071</b>	<b>14,955</b>

#### 32.9 CONTRACT LIABILITIES

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

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 33. EVENTS AFTER THE REPORTING DATE

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

### OUTLOOK POST YEAR-END

#### DOMESTIC ECONOMY

After reaching an average of 9.4 percent in the first quarter of 2023 inflation is expected to fluctuate throughout the year before trending downwards and fall within the objective range of 3-6 percent in the second quarter of 2024 (Bank of Botswana MPC report April 2023). The projected decrease in inflation in the medium term will be due to the dissipating impact of administered prices; lower fuel prices; modest domestic demand; current monetary policy posture; increase in interest rates and constrained supply of credit globally; expected decrease in global inflation and international commodity prices. However, the downside risks exist that inflation could be higher than projected. Those are, likelihood of an increase in international commodity prices beyond current forecasts, persistence of supply and logistical constraints, as well as reversal of global economic integration (geoeconomic fragmentation) that may lead to higher inflation. Domestically, the risks of higher inflation include possible adjustment in administered prices that are not factored in the current projection; any realised upward pressure on wages; and any. These risks are, however, moderated by the possibility of weak domestic and global economic activity; possible disinflationary effects of tighter monetary policy globally; as well as restrained international commodity prices.

#### SUB-SAHARAN AFRICA

As per the International Monetary Fund's (IMF) World Economic Outlook of April 2023 economic activity in the sub-Saharan Africa region is expected to remain subdued in 2023. Growth in the region is expected to decline to 3.6 percent in 2023. Amid a global slowdown, activity is expected to decelerate for a second year in a row. Still, this headline figure masks significant variation across the region. Many countries are expected to register a small pickup in growth in 2023, especially non-resource-intensive economies, but the regional average will be weighed down by sluggish growth in some key economies, such as South Africa. Persistent global inflation and tighter monetary policies are expected to lead to higher borrowing costs for sub-Saharan African countries and will place greater pressure on exchange rates. A shortage of funding is expected to force countries to reduce resources for critical development sectors like health, education, and infrastructure.

#### WORLD ECONOMY

According to the International Monetary Fund (IMF)'s April 2023 World Economic Outlook (WEO), global growth will bottom out at 2.8 percent this year before rising modestly to 3.0 percent in 2024. On the surface, the global economy appears poised for a gradual recovery from the effects of the pandemic and of Russia's war on Ukraine. China is rebounding strongly following the reopening of its economy. Supply-chain disruptions are unwinding, while the dislocations to energy and food markets caused by the war are receding. Global inflation will decrease, although more slowly than initially anticipated, from 8.7 percent in 2022 to 7.0 percent this year and 4.9 percent in 2024. Risks to the outlook are heavily skewed to the downside, with the chances of a hard landing having risen sharply. Financial sector stress could amplify and contagion could take hold, weakening the real economy through a sharp deterioration in financing conditions and compelling central banks to reconsider their policy paths.

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 34 NON- FINANCIAL INSTRUMENTS - FAIR VALUE HIERARCHY

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

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

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

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

This category includes instruments valued using:

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

Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between instruments.

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

	Level 1	Level 2	Level 3
<b>2023</b>			
Investment property (P'000)	-	-	7,258,000
<b>2022</b>			
Investment property (P'000)	-	-	5,274,000

There have been no transfers between any of the hierarchy levels during the year (2022: nil). Fair values for the investment property were determined for disclosure purposes and have not been recognised in the financial statements.

## BHC NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2023

### 34 NON- FINANCIAL INSTRUMENTS - FAIR VALUE HIERARCHY (CONTINUED)

Sensitivity analysis		Effects on fair value		
	Sensitivity analysis	Investment properties	Land	Total
<b>2023</b>				
Investment property (P'000)		5,272,044	1,986,339	7,258,383
Increase in development and land rates	1%	52,720	19,863	
<b>2022</b>				
Investment property (P'000)		3,827,289	1,446,265	5,273,554
Increase in development and land rates	1%	38,273	14,463	

### VALUATION TECHNIQUES UNDERLYING MANAGEMENT'S ESTIMATION OF FAIR VALUE

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

#### Unobservable inputs:

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

### 35. CONTINGENT LIABILITIES

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

### 36. GOING CONCERN

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

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

