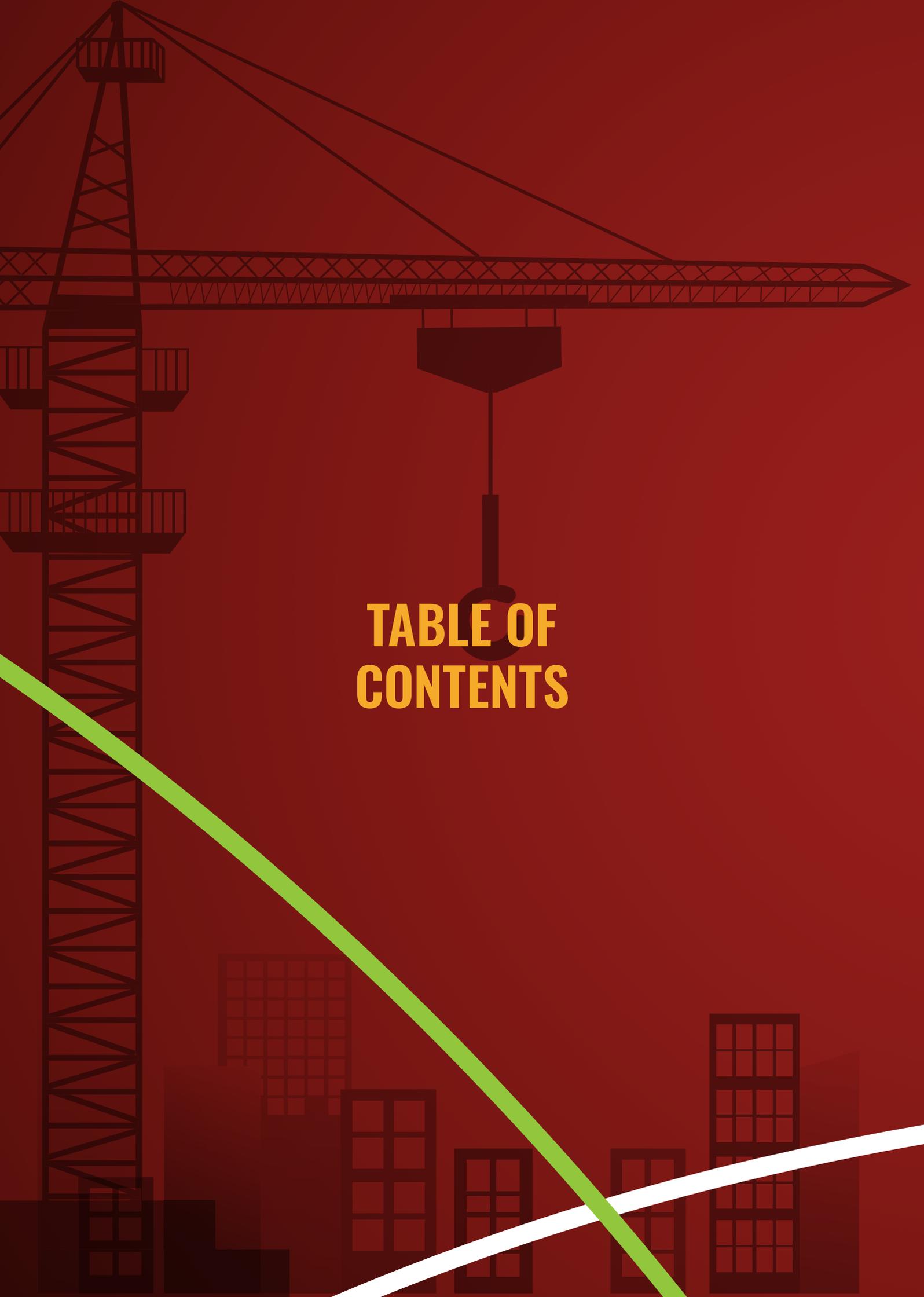




2021 ANNUAL REPORT



A STORY OF IMPACT



**TABLE OF
CONTENTS**

06

**Financial
Highlights**

12

**Chief Executive
Officer's Report**

16

**Chairman's
Report**

18

Strategy

22

**Operations
Review**

- Property Development
- Project Quality Assurance

34

**Corporate
Review**

- Human Capital
- Stakeholder Engagement
- Corporate Social Responsibility

44

**Corporate
Governance**

- Board of Directors
- BHC Compliance with King III
- Governance
- Risk Management
- Internal Audit

60

**Annual
Financial
Statements**



BHC MANDATE

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

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

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

THE MAIN ACTIVITIES OF THE CORPORATION ARE:

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



Mission

Developing communities through innovative and sustainable housing solutions.



Vision

The leading provider of housing Solutions for dignified lives.

EXCELLENCE



Service with distinction, timeliness.

INNOVATION



Providing creative housing solutions

BOTHO



Dignified, humane and respectful service

TRANSPARENCY



Honesty and accountability

TEAMWORK



A unified team spirit working for a common purpose

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BUSINESS
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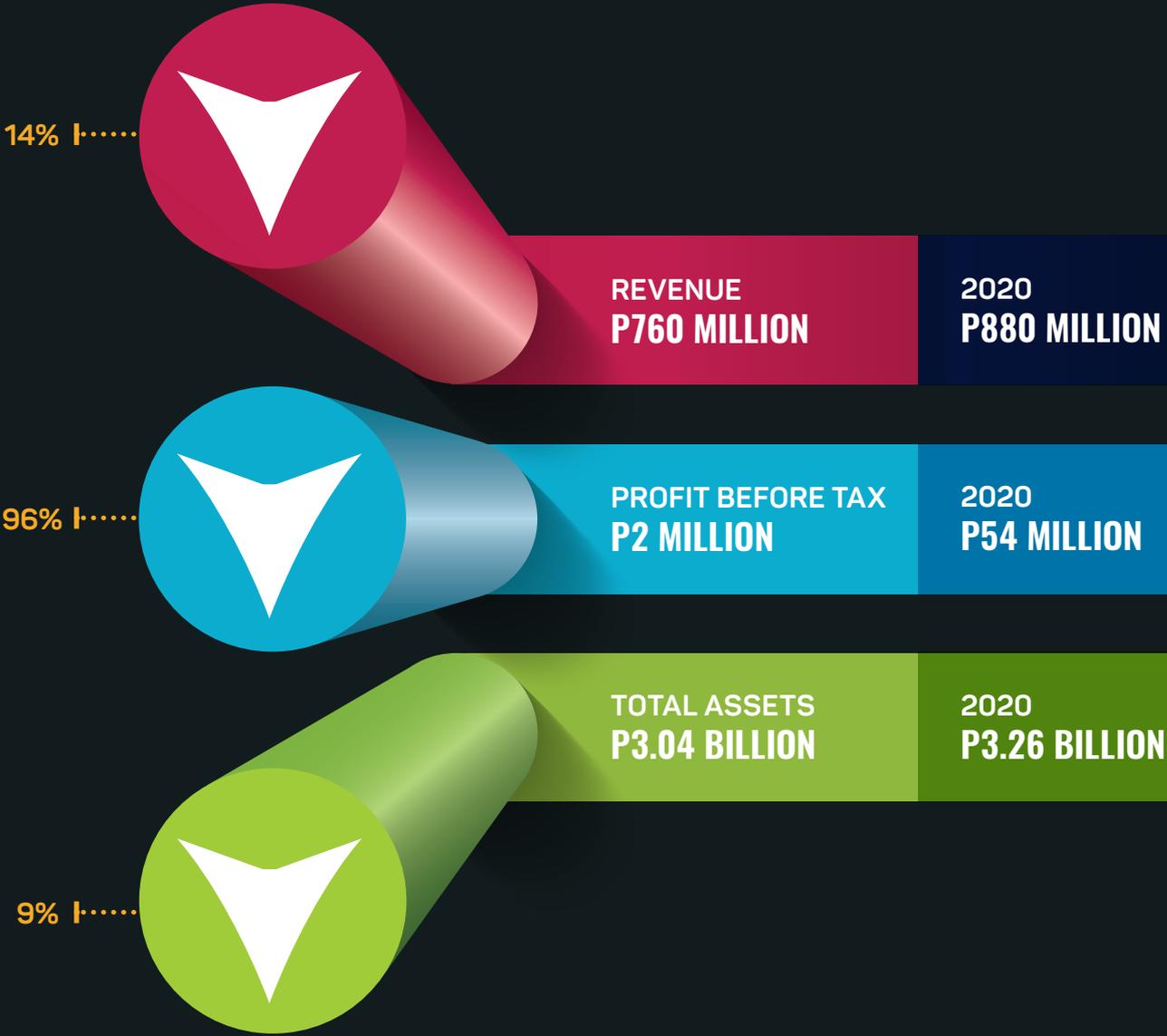


FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED
31ST MARCH 2021

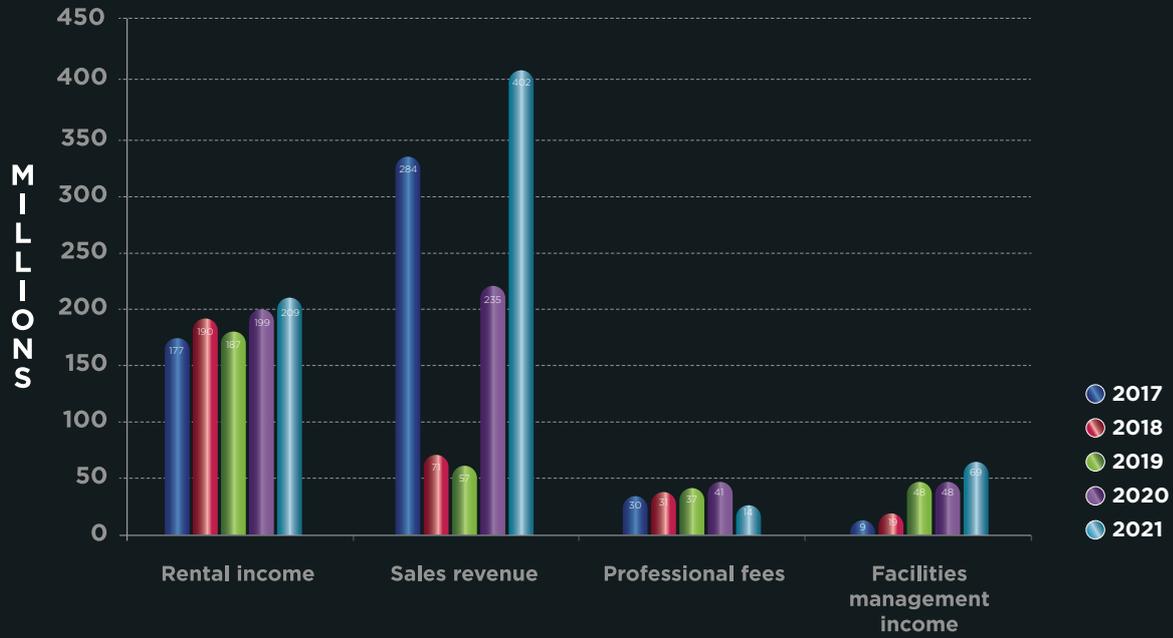


FINANCIAL HIGHLIGHTS



FINANCIAL REVIEW

5 YEAR MAJOR REVENUE STREAMS (MILLIONS)



5 YEAR TOTAL REVENUE TREND (MILLIONS)



5 YEAR PROFIT (MILLIONS)



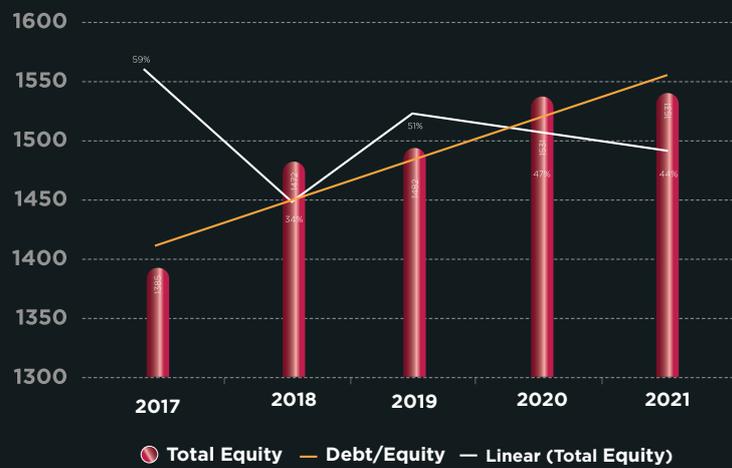
5 YEAR TOTAL INCOME VS EXPENSES



5 YEAR COST TO INCOME RATIO



TOTAL EQUITY (MILLIONS) VS DEBT EQUITY RATIO



ANALYSIS OF REVENUE

The Corporation recorded total revenue of P760 million, 14% decrease when compared to the P880 million recorded in the prior year. The decline in total revenues was mainly due to decrease in sales revenue which declined significantly by P153 million from P350 million recorded in the prior year. During the period under review, 405 properties were sold from housing inventories and investment properties compared to 829 in the previous year. This revenue stream was impacted negatively by the Covid 19 pandemic as government being the major client reduced spending on house purchases as it redirected resources to the fight against the pandemic. This trend is expected to persist in the short term whilst the economy recovers.

Rental revenue increased by 5% to P209 million from P199 million recorded in the prior year. The increase was mainly caused by addition of new properties to investment properties, at cost recovery rentals. Rental revenue is the second major revenue stream for the Corporation after sales revenue. The total rental stock at the end of the reporting period was 9 911 units and these units are rented to house Batswana across the country. The Corporation's strategy is to maintain the rental units at 10 000 units to meet the Corporation's operating costs. At the end of the financial year, the Corporation recorded a vacancy rate of 1.04% on its rental portfolio, which translate to 103 vacant units. The vacancy rate is below the industry target of 1.5%.

Professional fees revenue, which is the revenue from project management for third parties, is the Corporation's third major revenue stream. This revenue line declined by 66% to P14 million from P41 million in the prior year. This reduction was on the back of the Covid 19 pandemic as construction activities were affected by the intermittent lockdowns. There were few third-party projects during the review period, as the Government and Government owned entities had to suspend some of the planned projects to dedicate resources towards the fight against the Covid 19 pandemic.

Facilities Management revenue, which is revenue from maintenance of properties for third parties, increased by P21 million from P48 million recorded in prior year. This is one of the Corporation's key revenue streams and is expected to grow year on year as more customers are taken on board. Professional fees and facilities management revenue are revenue lines which are to be grown going into the future as part of the Corporation's strategy to diversify and grow its revenue streams.

Operating Expenses

Total operating expenses for the period under review were P241 million compared to P263 million for prior year. The main costs drivers were employee benefits expenses, repairs, and maintenance of investment properties.

Employee benefits expenses decreased by 2% on the back of some vacant positions, from P141 million in prior year to P138 million. Repairs and Maintenance costs for the year under review were P42 million against P49 million for prior year. The Corporation from time to time routinely assesses and maintains its properties on a five-year cycle to preserve the value of its investment properties portfolio. Other expenses went down by 16% compared to prior year from P 73 million to P61 million. The major contributors to other expenses are administration, rates, telephone expenses, IT expenses, security, consultancy, and advertising costs.

IMPAIRMENT EXPENSES

Total impairment expenses for the year under review is P25 million and this is a significant increase of P23 million from the previous year and this has affected the Corporation's profitability. A significant increase was experienced mainly due to some of the of Corporation's clients being affected by the Covid 19 pandemic. A dispute with one major client compounded the situation. The Corporation is confident that the issue with the concerned client will be resolved during 2021/22 financial year.

PROFITABILITY

The Corporation recorded an operating loss of P6 million representing a significant decrease against the P51 million operating profit realized in the prior year. Profit before income tax decreased by 96% from P54 million in the prior year to P2 million. This resulted in an overall decrease in profit after tax of 98% from P49 million prior year to P1 million for the year under review. This significant decrease in profitability was driven by low sales revenue from property inventories and investment properties, decrease in professional fees revenue and increase in impairment expenses.

STATEMENT OF FINANCIAL POSITION

The Corporation's statement of financial position remains strong with total assets amounting to P3.04 billion, a decrease of 9% year on year. The Corporation's strength is on its investment properties portfolio that stood at P1.3 billion at the end of the reporting period. These properties represent 43% of the Corporation's total assets. Housing inventories, which are properties held for sale and those still under construction closed the year at P605 million compared to P648 million in prior year. Housing inventories declined by 7% on the back of sales. The P605 million worth of inventories indicate the Corporation's potential to generate more sales revenue into the future.

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

THE IMPACT OF COVID 19

The Corporation's business was not spared by the impacts of the Covid 19 pandemic. During the year under review the Corporation experienced a decline in its major revenue streams on the back of the intermittent lockdowns and movement restrictions imposed by government to curb the spread of the Covid 19 virus. Sales revenue and professional fees on third party projects were the most hard-hit income streams as they declined by 44 percent and 66 percent respectively. Rental revenue which sustains the Corporation was however resilient and returned a 5 percent growth. Impairments on rental and professional fees receivables posted a significant upward movement.

The Corporation used targeted marketing strategies to improve sales and rental revenue despite the challenging economic conditions. The Corporation built further resilience through cost containment strategies that led to 16% reduction in operating expenses. The reduction in spending enabled the Corporation to achieve a near break-even point results during a very challenging year.

Cash preservation remained key for the year under review as another strategy to build resilience. Rolling cashflow forecasts were used to monitor cash balances closely. Only immediate business expenses were met with the available cash to preserve liquidity.

LOOKING AHEAD

The Corporation's strategy to diversify its revenue streams are bearing fruits, with facilities management income stream significantly growing as the Corporation undertakes more third-party maintenance projects. Even though professional fees income declined during the reporting period, the Corporation is confident that once Covid 19 pandemic subsides, this income stream will start growing as more of the suspended third-party projects would be undertaken. The Corporation is also happy with the uptake of the low income Tsholofelo projects, with most of the apartments now sold and will continue to build for this market category and there is a plan to build similar apartments in Gaborone Block 7. The Corporation prides itself with financially stable and strong balance sheet coupled with low gearing ratios. The Corporation continues to provide affordable housing to Batswana all over the country through social housing projects. The Corporation will continue to focus on its commercial mandate, to ensure financial sustainability.

CHIEF EXECUTIVE OFFICER'S REPORT

INTRODUCTION

To all our valuable stakeholders, I am delighted to present to you the 2020/21 Botswana Housing Corporation annual report.

This was the most unusual and difficult year in living memory. In the face of a difficult year, we are proud that we have stayed true to our purpose of using our operational expertise to do good, supporting our clients and employees through the Covid-19 crisis and contributing to society. We have remained resilient on key operational, liquidity and capital requirements, and our leadership has done a commendable job in managing the health and safety of stakeholders, including employees and clients. What the Corporation has managed to achieve resonates in the local housing market space. We balanced the challenges we faced in our business, with the strides made in progressing our strategy and building a BHC that is more client-centered and more competitive. Our products continued to perform well within the youth segment with our Tsholofelo projects buoying our sales. With our strong foundations we can withstand the severe conditions and flourish once the environment has improved.

OUR COVID-19 RESPONSE

Our pandemic response was focused on:

- Ensuring the safety and wellbeing of our employees.
- Supporting customers who required assistance through payment relief.
- Leveraging our Corporate Social responsibility programmes to contribute to broader community efforts to fight the pandemic.

For the safety of our frontline employees and our customers, we put in place strict hygiene protocols at our offices and branches. These measures will remain in place until the risk of infection has abated. We also maintained high availability of our maintenance services across even during the lockdown period. Our employees deserve special recognition for their dedicated service and willingness to help our customers during difficult times. Enabled by our technology capabilities, we switched quickly and relatively seamlessly to both rotational and remote-working models. We rapidly increased access through our virtual private network. To date, approximately we still have a good number of our staff working on a rotational basis.



CUSTOMER RELIEF

Acknowledging the difficulties our customers were facing, we provided a platform for our customers to come forth and make flexible payment arrangements to assist them during the period of state of emergency imposed by government.

SOCIAL RESPONSIBILITY AND CITIZENRY

In line with our commitment to being a good citizen, we used our corporate social responsibility fund to assist as Covid-19 quickly evolved into a humanitarian crisis, pivoting on our financial resources to ensure we could play our part in protecting lives and livelihoods. We contributed over P1 million in support of the government initiatives across the country.

GLOBAL ECONOMY

In its most recent World Economic Outlook (WEO) the International Monetary Fund (IMF), estimates global GDP to moderate from 5.9% in 2021 to 4.4% in 2022 largely reflecting forecast markdowns in the two largest economies. China's GDP is estimated to contract 0.8% on the back of pandemic-induced disruptions related to the zero-tolerance COVID-19 policy. Global growth is expected to slow to 3.8 percent in 2023. Although this is 0.2 percentage point higher than in the previous forecast, the upgrade largely reflects a mechanical pickup after current drags on growth dissipate in the second half of 2022. The forecast is conditional on adverse health outcomes declining to low levels in most countries by end-2022, assuming vaccination rates improve worldwide, and therapies become more effective.

REGIONAL ECONOMY

In its most recent Regional Economic Outlook (REO) the IMF estimates the Sub-Saharan Africa's economy to expand by 3.7% in 2021 and 3.8% in 2022. This follows the sharp contraction in 2020 and represents the slowest recovery relative to other regions. In particular, the economic outlook points to divergences at three levels: between sub-Saharan Africa and other regions, within sub-Saharan Africa, and within countries. These divergences reflect the region's slower vaccines rollout, more limited fiscal space, and regional disparities in resilience. The outlook remains extremely uncertain, and risks are tilted to the downside. In particular, the recovery depends on the path of the global pandemic and the regional vaccination effort, food price inflation, and is also vulnerable to disruptions in global activity and financial markets. However, looking ahead sub-Saharan Africa's potential remains undiminished. The region is at a critical juncture to implement bold transformative reforms to capitalize on this potential.

BOTSWANA ECONOMY

In their most recent economic outlook report, the African Development Bank estimates that Botswana's Real GDP growth is projected to recover to 7.5% in 2021 and 5.5% in 2022.

This is based on a revival in domestic demand as the effects of the pandemic recede and a rebound in commodity prices as economies reopen globally. Upside risks to the growth outlook hinge on the steadfast implementation of business environment reforms and government interventions against COVID- 19, including the Economic Recovery and Transformation Plan (ERTP). Downside risks include lower diamond demand if the global economic recovery is weakened by renewed waves of infection. There are also threats from persistent drought and the adverse effects of poor economic conditions in South Africa on Botswana's exports and SACU receipts. The fiscal deficit is projected to narrow to 6.3% of GDP in 2021 as domestic revenues pick up. Growth prospects continue to be clouded by Botswana's relatively high poverty, unemployment, and inequality, particularly among youth and female-led households, both likely to be disproportionately affected by the pandemic. The estimated cost of the ERTP is \$1.3 billion (7.6% of GDP) over two and a half years. Because of its low debt levels, Botswana can fund the plan from both domestic and foreign sources. On the domestic side, the government has increased its bond issuances by 50%. Other options include increasing domestic revenue mobilization and reprioritizing public expenditure. The government also has the fiscal space to borrow externally.

FINANCIAL PERFORMANCE

OVERVIEW

BHC recorded a profit after tax of P1m for the Financial year under review, a decrease of 98% compared to P49m recorded in the previous year. This is mainly attributable to a 14% decrease in total revenue to P760m (FY20: P880m). Operating costs were under control and declined by 8% to P241m (FY20: P263m). Repairs and maintenance costs decreased by 14% to P42m (FY20: P49m) on the back of lockdown induced reduction in planned maintenance of properties. This resulted in a 54% decrease in earnings before interest, taxation, depreciation and amortisation (EBITDA) to P41m (FY20: P90m). The overall decline in revenue is mainly attributable to a reduction in sales due to low stock levels resulting in an overall P153m drop in sales revenue. Other revenue lines, such as rental and facilities management fee, remained relatively flat. Professional fees revenue, which is the revenue from project management for third parties, is the third Corporation's major revenue stream. This revenue line decreased significantly by 66% to P14 million from P41 million in the prior year. This reduction was on the back of the Covid 19 pandemic as construction activities were affected by the intermittent lockdowns.

OUR STRATEGY

During the period under review the Corporation was on its first year of its refreshed strategy. This strategy was refreshed in November 2019 and is coming to an end in March 2023. The major thrusts of the revised strategy were; to offer Superior customer experience, Stakeholder engagement, financial sustainability, Operational efficiency; High-performance culture and Market segmentation. However, the first year of this refreshed strategy was met with challenges brought about by the movement restrictions due to the Covid 19 pandemic.

CHIEF EXECUTIVE REPORT *(Continued)*

HOUSING DEVELOPMENTS

During the period under review, 1 073 houses were delivered under the Self-Help Housing Agency (SHHA) scheme. At the end of the financial year, 486 SHHA houses were at different stages of construction and are all expected to be delivered in the next financial year. In the 2021/22 financial year, 731 additional houses will be started under this scheme across different constituencies. On the commercial side, the Corporation delivered 356 units and 187 units were under construction at different stages in Tsabong, Tonota and Palapye, and are expected to be delivered during the 2021/22 financial year. The high uptake of Tsholofelo projects which were sold at affordable price of P440,000, challenges the Corporation to focus on delivering similar units under this category going forward. The Corporation plans to start 759 units in Gaborone, Francistown, Nata, Mmadinare, Tsabong, Maun, Kazungula and Letlhakane during 2021/22 financial year.

OUR CUSTOMERS

We believe that it is our responsibility as the lead provider of housing solutions to provide our customers with the highest quality products and services anywhere in the country at a competitive price. Customers remain at the core of the housing solutions we provide. To fulfill this commitment, our efforts are focused on the development of products that are tailored to meet the customers' requirements and preferences. Continued interest by our customers in our products targeted towards the youth and low to middle income segments in Gaborone's Tsholofelo east persisted. This market segment going to be critical going into the future. Our digital platforms were more interactive with real time responses to customer queries. There was a significant increase in inquiries on products, services and processes of the Corporation by Batswana and the turnaround times in response were impressive. Improvement of security and upkeep of the high-density areas was continued during the year under review as a direct response to our customer requests.

OUR STAKEHOLDERS

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

RISKS

During the year under review, we did not experience any substantive operational risks, for the project management related risks which were managed to ensure efficiencies in project delivery. In recognizing the presence of risk in the enterprise the Corporation has developed an Enterprise Risk Management framework based on the principles of ISO 31000 risk management standard and the COSO framework. This has enhanced the capability of identifying, assessing, and managing risk across the Corporation. The Corporation conducts risk assessments at strategic and operational level to identify risks facing the organisation. Consistent enforcement of the credit control policies throughout the business, kept the credit risk particularly in the private and corporate Segments under control.

LOOKING AHEAD

The COVID-19 pandemic and its containment measures had a severe impact on economic activity in Botswana.

The Corporation's business remains resilient. The liquidity ratios are positive, indicating the ability to fund projects going forward. The Corporation will start and deliver key projects in the following year in line with its mandate. The Corporation will continue to focus in the low income segment of the market.

ACKNOWLEDGEMENTS

2020/21 was a year of challenges and opportunities. I am satisfied that we solidified our relationships with our customers through our response which will assist us to execute our continuing strategy and achieve our plans. As challenging as this past year has been, our employees' ingenuity, hard work, and resilience have been inspiring. The support and guidance of my Executive Committee colleagues and the Board have also been invaluable as we navigated uncharted waters. Finally, I wish to thank our customers and Shareholder. As without them we would not exist as a business



.....
Ms. Pascaline L. Sefawe

Acting Chief Executive Officer

CHAIRMAN'S REPORT

On behalf of the Board, I am pleased to present the Corporation's annual report and financial statements for the financial year ended 31 March 2020. As the Board, we are proud of the great strides the Corporation continues to make in contributing to the socio-economic landscape of the country despite that challenges it faces.

FINANCIAL HIGHLIGHTS

The Corporation recorded a total revenue of P760 million compared to P880 million achieved in the previous financial year. The drop in revenue is attributed to a decrease in sales revenue, which fell significantly by P153 million from P350 million recorded in the prior year.

Rental revenue however rose slightly by 5% to P209 million from P199 million recorded in the prior year. This was due to addition of new rental stock to the investment portfolio at cost recovery rentals. Rental revenue is the second major revenue stream for the Corporation after sales revenue. The strategy is to maintain the rental units at 10,000 units to meet the Corporation's operating costs. The net effect of the Corporation's financial performance is a decrease in total comprehensive income from P49.3 million in the previous financial year to P1 million.

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

REVIEW OF THE CORPORATION'S SIX – YEAR STRATEGIC PLAN

The Corporation developed a refocused three-year strategic plan to cover the remaining period. The strategic focus remains "developing communities through innovative and sustainable housing" while the strategic intent is "to deliver 12,300 safe, dignified and sustainable houses for Batswana by 2023".

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



The strategic plan covers five broad themes which will guide on the key results areas that will help deliver on the mandate of the Corporation. The themes are;

- Superior customer experience
- Stakeholder engagement
- Financial sustainability
- Operational efficiency
- High performance culture

In addition, the Corporation has identified several priority areas to drive the mandate. Firstly, the Corporation need to strengthen project management and contract management to ensure timely delivery of projects. A comprehensive engagement strategy is also key to identify stakeholders' needs to guide appropriate products for specific market segments.

Partnerships and collaborations have also been found prudent in leveraging and fast-tracking product delivery. In order to drive sales, a proactive approach in market segmentation is also critical to ensure that appropriate products are released into the market. Lastly there is a need to intensify research on available alternative technologies to deliver affordable and sustainable housing solutions to all Batswana.

DELIVERY OF HOUSING UNITS

During the year under review, the Corporation delivered 1073 against a target of 1167 SHHA turnkey units. The Corporation continues to experience challenges in delivery of social housing project some of which include unavailability of building materials from local suppliers, failure by contractors to deliver projects on time as well as noncompliance by some beneficiaries. To address these, the Corporation has implemented some measures such as submission of monthly reports to track progress, issuance of default notice to contractors. Direct payment to suppliers and a mentoring plan offering technical, project management and financial mentoring to contractors.

On the commercial side, the Corporation delivered 356 units and 187 units were under construction at different stages in Tsabong, Tonota and Palapye, and are expected to be delivered during the 2021/22 financial year. The high take up of Tsholofelo projects which was sold at affordable price of P440,000, challenges the Corporation to focus on delivering similar units under this category going forward. The Corporation plans to start 759 units in Gaborone, Francistown, Nata, Mmadinare, Tsabong, Maun, Kazungula and Letlhakane during 2021/22 financial year.

IMPACT OF THE CORONAVIRUS

During the year under review the Corporation put in place measures aimed at mitigating the risk of COVID-19 among employees, contractors and suppliers. Guidelines and procedures were developed as a way to counter the effects of this deadly pandemic.

The guidelines and procedures, though, crafted based on COVID-19 protocols as prescribed by the World Health Organization (WHO) as well as the Ministry of Health, was targeted and streamlined to ensure that staff at BHC, customers and contractors had convenient information to fight the deadly virus.

The Corporation came up with initiatives to ensure that staff at BHC is protected from being negatively impacted by the virus through; provision of personal protective amenities, installation of hygiene systems, provision of psychological counselling and constant communication on COVID-19 and related matters.

As at the end of Quarter 4 of 2020/2021, BHC had recorded only thirty-one (31) positive cases of COVID-19 across all its nine (9) Area Offices and Head Office.

ACKNOWLEDGEMENTS

Finally on behalf of the board, I wish to take this opportunity to thank the former board members who retired from the board in August 2021. I wish to thank them for their immense contribution to the BHC board during their tenure of office. Furthermore, I wish to commend fellow board members for their continued guidance of the Corporation in the delivery of its mandate to house Batswana.

I wish to express my sincere gratitude to the Corporation's Management and staff for their hard work and unwavering commitment to drive the business despite the many challenges they continue to experience. It is through TEAMWORK that we can all achieve our set objectives.



Mr. Moemedi Gabana
Chairman

STRATEGY REVIEW

STRATEGY FORMULATION

The delivery of the Corporation's mandate is guided by its long-term strategic plan. The Corporation has adopted and embedded the Plan, Do, Check and Act (PDCA) model of planning onto its business processes. The Corporation plans its performance in alignment with the National Development Plan.

The National Development Plan (NDP):

- a) The NDP defines policy direction within which the Corporation need to operate to support drive the Government agenda on social development as well as international protocols that forecast future economic outlook.
- b) One of the development strategies planned by the Government is achieving a dignified life for all citizens through delivery of among others, housing programmes and projects that ensure the upliftment of the economically disadvantaged. As the Single Housing Authority, the Corporation's finetuned strategic plan covering the period to March 2023 aims to deliver 12,300 housing units country wide.
- c) This alignment with NDP facilitates the Corporation to, in addition to its commercial mandate, drive the Government's social housing programmes such as Self-Help Housing Agency – Turnkey, District Housing, Public Officers Housing Initiative and Youth Housing Scheme.

STRATEGIC PLAN – 2020/23

The Corporation undertook a comprehensive mid-term review of its six years strategic plan in November 2019 and developed a refocused three-year strategic plan covering the period from April 2020 to March 2023. The strategic focus remains “developing communities through innovative and sustainable housing solutions” while the strategic intent is “to deliver 12,300 safe, dignified and sustainable houses for Batswana by 2023”.

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



a) Superior customer experience

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



b) Stakeholder engagement

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



c) Financial sustainability

The Corporation is continually innovating its income model to ensure sustainability by balancing the social and commercial housing mandates.



d) 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.



e) High performance culture

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

STRATEGY PRIORITY AREAS

The strategy has the following strategic priority areas of the Mandate:

a) Projects financing

The Corporation needs to strengthen project management and contract administration to ensure timely project delivery, and also off-load units to unlock capital and revenue tied up in stock. Further Government funding for social housing and other development projects was impacted by the advent of Covid-19 hence the need to diversify the current income model to ensure sustainability.

b) Stakeholder engagement

The Corporation is a key player in creating societal value and impact through its products. It has therefore been paramount to develop a comprehensive engagement strategy that identifies stakeholders' needs and guides the development of appropriate products for specific market segments.

c) Partnerships and collaborations

The Corporation continued to leverage on and fast track products delivery through strategic partnerships and collaborations with both Government and the private sector. Partnerships accelerated projects delivery and collaborations with financial institutions improved on products uptake.

d) Market segmentation and sales

Market segmentation drive sales. There have been emerging market segments of the youth and the low-income earners who continue not to be adequately served. Therefore, improved market intelligence and segmentation would identify the specific and unique needs of these segments which the Corporation then tailor make products and services for.

e) Technology and innovation

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

STRATEGY PERFORMANCE

The Corporation continue to monitor strategy execution through the Balanced Scorecard performance management tool. The annual plan for 2020/21 financial year had specific performance areas to be delivered on. These strategic aspirations included the following:

- a) Proactively undertaking initiatives and interventions addressing stakeholders and customers' interests.
- b) Developing and delivering social and commercial housing to empower the citizens through home ownership.
- c) Ensuring organisational sustainability through efficient and effective management of resources.
- d) Incorporating alternative technologies to ensure continual improvement in products.
- e) Entrenching risk management and good corporate governance in operations.
- f) Developing requisite competencies and capabilities in pursuit of driving a high-performance culture and subsequent effective strategy execution.

The Corporation attained expected performance levels in seventy one percent (71%) of the strategic performance areas.

ANNUAL PERFORMANCE PLAN FOR 2021/22

The Corporation has developed the performance plan for 2020/21 financial year deriving it from the three years strategic plan. This is the second year of the revised strategic plan. The strategic performance areas planned for the 2021/22 financial year are as follows:

- a) Undertaking initiatives to improve the satisfaction of stakeholders with the Corporation's products and services.
- b) Timely delivery of social and commercial housing that meet customers' expectations.
- c) Providing affordable housing units for different market segments to empower the citizens through home ownership.
- d) Diversifying income streams to improve on revenue generation to ensure sustainability.
- e) Implementing an enterprise-wide risk management framework to mitigate potential losses.
- f) Driving performance through promoting positive organisational culture, strong talent management practices, and implementation of effective performance management processes.

BHC OUTLOOK

In response to the volatile economic situation, the Corporation continues scanning the business environment to understand the changes as they occur and develop appropriate interventions to positively respond. The strategic plan is flexible to allow the Corporation to timeously adapt to the changes as they occur. The following are the key performance drivers for the Corporation going forward.

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

Alternative Technologies – The Corporation continues the searching and incorporation of alternative technologies that could improve on products or the speed of delivery. The Corporation will be rolling out its ideation framework to facilitate this initiative.

Financial Stability – The Corporation will continue with its prudent financial resources management initiatives. Effective financial management will ensure that the Corporation honours and service its financial obligations.

Market Segmentation – Market segmentation identified the unique needs for each market and the Corporation will be developing targeted products that satisfy those needs. This is offering the Corporation an opportunity to expand its products mix offering.

Review the Governance Structures – The Corporation has reviewed its internal governance structures and empowered them to speedily make decisions. This will enhance operational efficiency.

Establishing Project Management Office (PMO) – The Corporation will be setting up a Project Management Office that will improve on projects management and contract administration. This will ensure projects are delivered as planned.

Development Projects – The Corporation's development plan is challenged by the unavailability of serviced land in strategic areas with effective demand. The strategy will therefore be to concentrate on building high rise accommodation.

ISO 9001:2015 Certification – The Corporation has obtained a Quality Management System certification as per the International Standard BOS ISO 9001:2015. As a result the certification, the Corporation is expected to effectively drive the strategic objectives and ensure delivery of quality products and services that satisfy the needs of the stakeholders.

Environmental Management – The Corporation integrated Safety, Health and Environment (SHE) in its processes. This is after the realisation that SHE aspects contribute immensely to achieving strategic objectives. Going forward consideration will be made on the use of alternative building materials such as solar roofing sheets that can reduce energy consumption from coal powered electricity. This will decrease emissions.





OPERATIONS REVIEW





PROJECT MANAGEMENT

1. PROPERTY DEVELOPMENT

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

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

2. BUSINESS DEVELOPMENT

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

The Corporation through its business development initiative promotes business growth by leading, directing and managing market research. All these activities are aligned to the organisational strategy and provide guidance in the determination of housing needs in the market including those expressed explicitly and those determined via research. From time to time, Corporation undertakes initiatives incorporating innovation in its developments to provide creative housing solutions. In addition the Corporation strives to make its products more appealing and user friendly by constantly researching innovative solutions to adopt. In the year under review, the Corporation facilitated installation of smart metres at some of its developments in Palapye to encourage efficient electricity usage by customers. The Corporation also put up modern fire suppression systems at all record centres for its clients help prevent damage and loss property and records. Other innovation initiatives adopted during the year of reporting include waste management system at the Botswana Police Service Hanger in Gaborone.

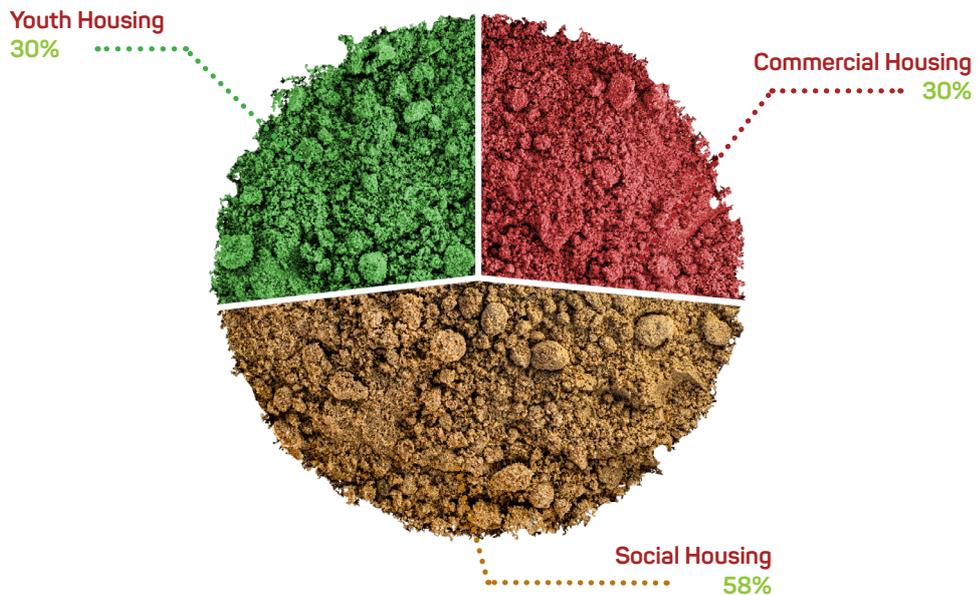
As part of its research on alternative methods of construction, the Corporation adopted the use of sand bricks for it housing development project in Tsabong in conjunction with Botswana Institute of Technology Research and Innovation (BITRI) during the year under review.



3. PROJECTS STARTS AND DELIVERY

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

FIGURE 3.1
(Number of Housing Units)



3.1.1 HOUSING DELIVERIES

TATI SIDING HOUSING DEVELOPMENT

This housing development consists of 100 low income housing units situated in Tati Siding which is about 15 kilometres from the City of Francistown. These units targeted first come home buyers as well as various institutions in the vicinity of the city to address shortage of accommodation. The project was completed at a cost of P48 Million and offered for, sale and rental to qualifying individuals. The houses were priced in the range of P643,000 and P783,000.

TSHOLOFELO EAST HOUSING DEVELOPMENT

The project comprises 264 two bedroomed units of low income family housing units situated at Gaborone Tsholofelo East. The development targeted mainly youth, institutions and Government Departments in the area who were experiencing shortage of accommodation for their employees. The project was constructed at a total sum of P94.49 Million by citizen contractors. The houses were sold at a price of P453,000.

FRANCISTOWN HOUSING DEVELOPMENT

This housing development is situated in donga and comprises 13 low income housing units. There is only one house type in this development which is type 67sqm² with modern fittings inside to suit the needs of customers. The project was constructed by a citizen owned construction company, Twinco Enterprises Pty (Ltd) at a contract sum of P6.9 Million and targeted mainly Government Departments and individual Batswana.

PROJECT MANAGEMENT

3.2 COMMERCIAL HOUSING

The Corporation undertakes projects on behalf of third-party clients and facilitates private sector participation mainly in Government projects. The major beneficiaries are Government Institutions and Parastatals. The projects are undertaken mainly through citizen owned companies. During the period under review 741 units were being started of which 529 units were for the Corporation while 206 were for different clients as indicated in the figure 3.1. A total of 193 units were under construction at different stages in Palapye, Mahalapye Tsabong, Tonota and , and are expected to be delivered during the 2021/2022 financial year.

3.3 SOCIAL HOUSING

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

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

3.4 YOUTH/IPS SCHEME

Following the Government's decision to facilitate development of housing targeting specifically the youth and low-income group to encourage home ownership among Batswana, the Corporation is to start yet another youth development of 114 in block 7 Gaborone, to add to the already delivered total of 636 housing units in Tsholofelo, Gaborone.

4.0 CITIZEN ECONOMIC EMPOWERMENT

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

5.0 EMPLOYMENT CREATION

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

In the year under review, the Corporation through its development projects created a total of 4860 jobs for the local communities in Palapye, Tati Siding, Tsabong and Francistown respectively. To the locals, employment is source of livelihood for many families in most of these localities and the economic impact created a ripple effect that moved beyond the building related professions to the entire local community. Moreover these developments provided support for local businesses, and as is custom, construction workers generally live in close proximity to the construction sites and thus spend a substantial part of their wages in the local businesses.



The journey continues



PROJECTS QUALITY ASSURANCE

PROPERTY MANAGEMENT

RENTAL PORTFOLIO

Botswana Housing Corporation remains market leader with residential property portfolio of over 10,000 units which are geographically spread in all cities, towns and major villages of Botswana. Table 1 below illustrates the geographical spread of the portfolio, while Figure 1 illustrates the portfolio mix per class or house type by the end of financial year 2020/21.

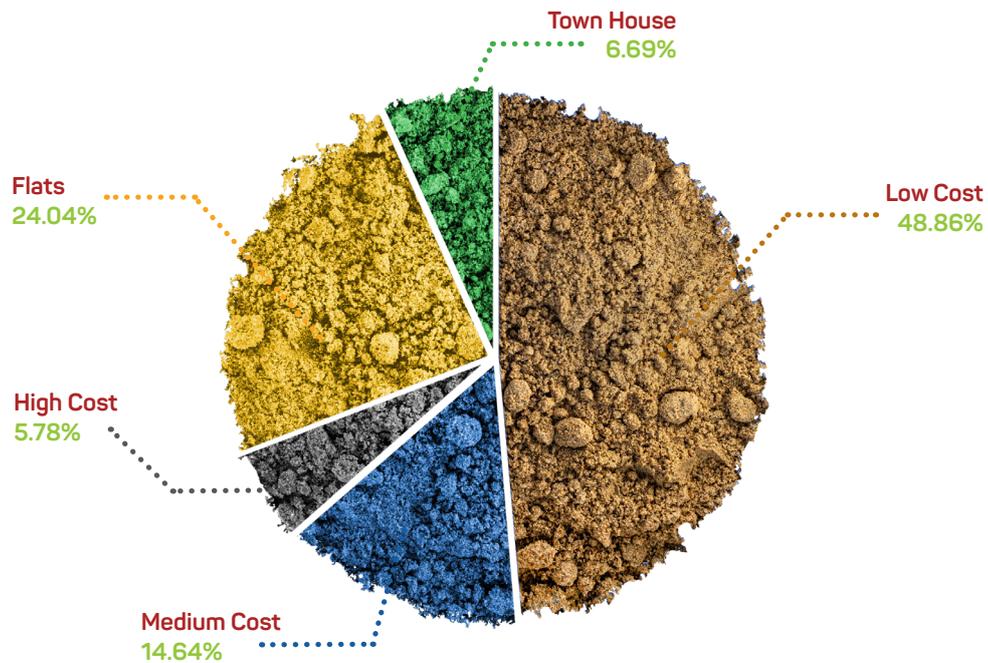
Table 1: Portfolio per location

LOCATION	NO. OF UNITS	% OF PORTFOLIO
Gaborone	4717	45.33%
Francistown	1728	16.61%
Lobatse	509	4.89%
Jwaneng	361	3.47%
Selebi Phikwe	442	4.25%
Kasane	257	2.47%
Palapye	521	5.01%
Mahalapye	291	2.80%
Maun	254	2.44%
Sowa Town	792	7.61%
Tati Siding	147	1.41%
Metsimotlhabe	150	1.44%
Serowe	186	1.79%
Tlokweng	25	0.24%
Tutume	24	0.23%
Ghanzi	2	0.02%
TOTAL PORTFOLIO	10,406	

Table 1 above illustrates that the City of Gaborone has notably larger portfolio than all areas with close to 50% of the total portfolio. City of Francistown follows with approximately 17% of the portfolio. All the other areas have less than 5%. Since BHC properties are normally built as estates, promoting community living, Gaborone and Francistown economies are obviously much more enhanced by the presence of BHC properties in such large numbers in the form of estates across most wards of the cities, hence socially uplifting people living in those areas and indeed supporting economic growth opportunities.

PROPERTY MANAGEMENT

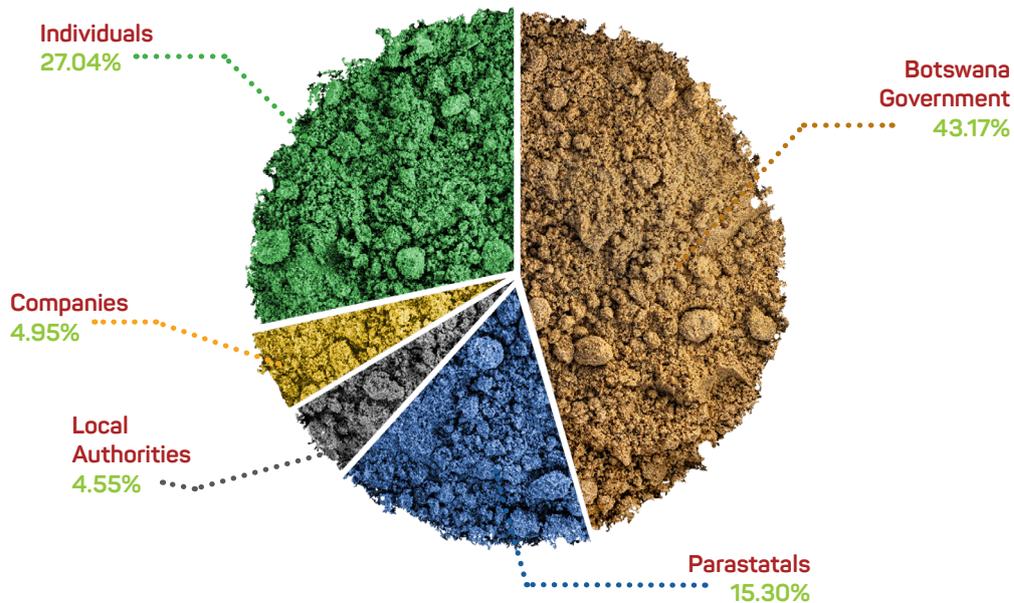
Figure 1: Portfolio mix per class



As depicted by Figure 1 above, the BHC portfolio predominantly consists of low and medium-income housing units, which has always been and is BHC's target market.

During the financial year under review, the Corporation strategically continued to peg the vacancy rate of its investment portfolio at a stretched target of 1.5%, albeit the industry rate be at 5%. This has been a deliberate decision because the rental revenue from the investment portfolio covers the Corporation's operational costs. The stretch target was well surpassed with actual rate of 1.15% by the end of the financial year, perhaps owing to inter alia the secure tenancies to the portfolio with a significant ratio of over 60% being high grade tenants which include Botswana Government, Parastatals and Local Authorities as illustrated in Figure 2 below.

Figure 2: Portfolio Mix by Tenants



For the financial year under review, BHC realized rental revenue of BWP201.9 million from the portfolio, which reflected a growth of 4.6% compared to the preceding financial year. The main contributor to the rental revenue growth was the rent adjustments which were effected at the beginning of the financial year as an effort to gradually align the portfolio rentals to economic rates.

PROPERTY SALES

Pursuant to the National Housing Policy of 2000 with emphasis on the objective of empowering Batswana through home ownership, the Corporation continues to sell its housing units, both stand alone houses through conventional titles and high density units through sectional titles. The modes of sale have been and continue to be on an outright basis and through installment purchase schemes. Since inception, BHC has sold over 15,000 housing units. In the 2020/21 financial year, the Corporation sold 405 housing units, raising revenue of BWP194.3 million.

Revenue from property sales remain a very key income stream for the Corporation, especially for purposes of developing more housing units to accommodate the nation.

Stakeholders such as financial institutions, in particular banks, continue to collaboratively play a very crucial role of ensuring that the homeownership drive is achieved through the provision of mortgage schemes, often deliberately tailor made for BHC housing projects such as the youth flats.

OPERATIONS REVIEW

PROJECTS QUALITY ASSURANCE 2020/21

Once the scope has been set, the Quality Assurance Department ensures that construction of BHC projects meets specified standards. It is critical for the department to fully understand the relationship and appreciate a balance between Quality, Schedule, and Cost. For Botswana Housing Corporation to remain competitive, deliverables must be good, fast and cheap. These three primary areas sometimes referred to as iron triangle in project management are defined as follows; a.) time - the available time to deliver the project, b.) cost represents the amount of money or resources available, c.) quality represents the fit-for-purpose that the project must achieve in order for it to be deemed successful.

QUALITY ASSURANCE DEPARTMENT ROLES

The primary roles of the department are as defined below:

QUALITY

Providing confidence that quality requirements will be fulfilled and ensure that quality requirements are fulfilled at operational phase. The department engages all stakeholders at pre-contract phase to ensure client or client representatives have complied with all requirements and that all resources required at operation phase are made available. Quality Control verifies design standards specified by the quality assurance by way of inspections and tests.

TIME

The contractor must compile a live work programme to enable the department to carry out program analysis. Programs are reviewed each time an occurrence of unexpected nature makes changes to the project during implementation. The Department monitors contractors' work process to prevent and avoid poor quality outputs which may result in work being redone, which can cause delays with the project. The Quality Assurance Department ensures that the contractor has the appropriate machinery and equipment, adequate and qualified personnel, procures timeously and delivers construction material on site in a timely manner and as per agreed schedules. Quality assurance officers are responsible for communicating the status of projects to relevant stakeholders to enable decision making.

BUDGET

Projects need to be completed on time but if delays are caused by slow work progress, adverse financial implications may be experienced. Cost, quality, and schedule are inter-dependent as already mentioned. BHC'S Quality Assurance Onsite Officer examines and reviews all project contract tender documents which includes; BOQs, drawings, specifications and forecasts issues that could cause cost escalations, coordinates and communicates with relevant stakeholders, enforces adherence to planning and advises on unnecessary activities that could have financial implications. Failure to effectively manage project could result in escalating costs if the contractor fails to meet task-based deadlines, hence the need to track all activities. The general view is that projects that take longer than scheduled lead to encountering risks of increased costs. Even if cost increases are not severe, delayed completion of projects consequently delays its purpose to perform its intended purpose and therefore reduces its value to the client.

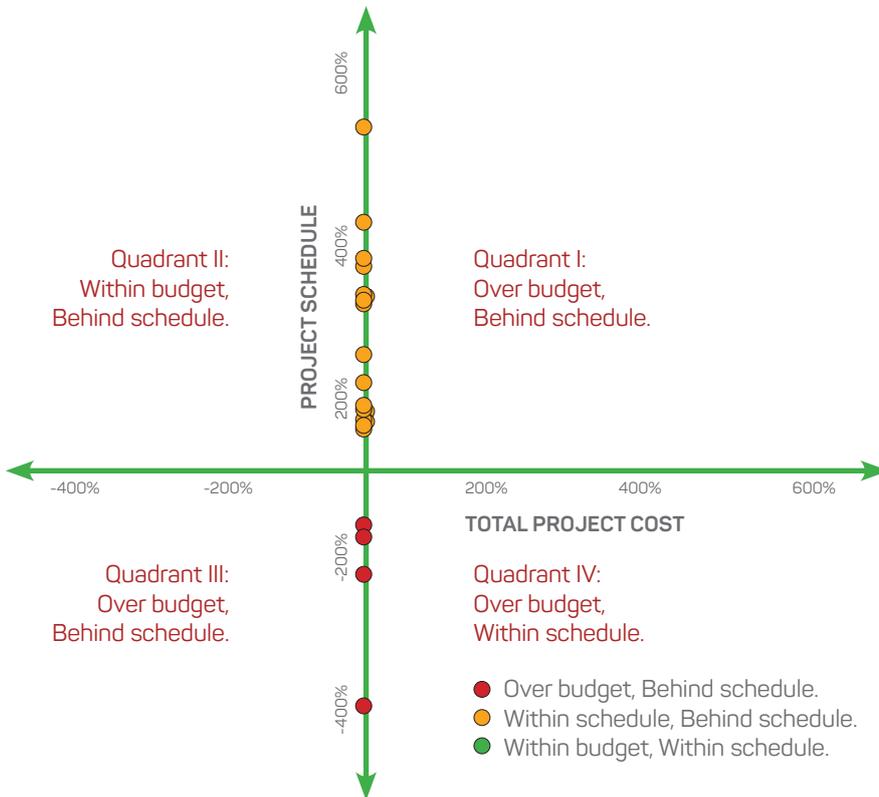
REPORTING

During project implementation, the Quality Assurance Department plays a key role of ensuring that a good product is delivered through collecting project data, compiling weekly and monthly reports, making the necessary recommendations and disseminating the information to the team to ensure that everyone has the same understanding and expectations of the project. The reports contain information on project achievements, challenges, expenditure against budget, work delays or stoppages, variations, machinery and personnel, provision of site offices, weather conditions, etc. The information is vital in informing all stakeholders, especially the project team, to allow them to make decisions timeously. The Department also carries out quarterly site audits to ensure adherence to specifications, availability of resources and to be able to identify underlying causes of problems that may arise with the project and failures.

The information shared with the departments within BHC are a result of various computations of information collected across projects' status update and the reports are shared with so that all stakeholders for their appreciation of the status of the project, identification of risks and apply mitigation strategies where required. Figure 1 below shows the status of quality assurance team-monitored projects during the financial year under review.

BHC PROJECTS STATUS AS AT END OF MARCH 2021

FIGURE 1



During the financial year 2020/2021 the Projects Quality Assurance Department monitored the construction of 23 commercial projects; 13 of these projects have been handed over and 10 are ongoing. Budget calculations used in populating the project status graph (Fig. 1) are based on contract sum of projects and do not include any other expenses incurred in the running of the project.

Projects implemented in the financial year consisted of four (4) with cost overruns; (i) Mogoditshane Records Centre, (ii) 156 Units in Tsholofelo, (iii) 2 x 96 Men Thebephatshwa, (iv). 60 units - 264 Tsholofelo. The rest of the projects (19) are behind schedule, within budget. No project was completed within budget and within schedule.

The department's analysis of projects statuses has revealed that even though there are challenges with cost overruns the factor that appears to be the main cause for concern is delayed schedules.

SHHA TURNKEY PROJECTS

Projects Quality Assurance Department mandate of implementing accommodation for low-income groups is ongoing. The Department's scope management plan is in place to ensure that projects are delivered on time, within budget and of acceptable quality. For the financial year 2020/2021 the Corporation delivered 1073 units against a target of 1167. Some of the challenges associated with the delivery of these social housing units include:

- Unavailability of building materials from local suppliers
- Inefficiency of the contractors lead to late delivery of projects
- Failure to meet compliance requirements by beneficiaries
- National Covid-19 lockdown

The department has devised mitigation and assurance processes to ensure that risks associated with challenges encountered in the year are minimized or eliminated. Table 1 below illustrates documentation in place and mitigations:

TABLE 1

SCOPE	DOCUMENTATION	PURPOSE
Quality	<ul style="list-style-type: none"> · Inspection Checklist · End of DLP Certificate 	<ul style="list-style-type: none"> · Inspection of all stages of construction and at the end of defects liability period (DLP)
Schedule	<ul style="list-style-type: none"> · Monthly reports · Contract Document · Default notice · Communication plan · Direct Payment letter · Mentoring plan 	<ul style="list-style-type: none"> · Tracking Progress. · Sharing project status with stake holders · The contactor fully understands his obligations. · Under performing contractors will get a default notice followed by termination. · Communication plan all stake holders are equally engaged to minimize delays. · Direct payment letters assist contractors source construction materials from suppliers and the corporation paying the suppliers directly · Technical, project management and financial mentoring to contractors
Budget	<ul style="list-style-type: none"> · Interim Payment Certificate · Material list 	<ul style="list-style-type: none"> · Payment against work done · Ensure supply of only materials required for turnkey projects are supplied.



CORPORATE REVIEW





SENIOR LEADERSHIP TEAM



Ms. Pascaline Sefawe
Acting Ceo



Mr. Nkaelang Matenge
Deputy Ceo - Operations



Ms. Samantha Chabata
Acting Deputy Ceo - Corporate Services



Mr. Batanani Nkhumisang
Director Property Development



Mr Babose Balule
Acting Chief Legal Counsel & Board Secretariat



Ms. Bridget Ntonga
Regional Director North



Mr. Diratsgae Kgamanyane
Chief Finance Officer



Ms. Elizabeth Ferguson
Acting Internal Audit Executive



**Mr. Kesebonye
Khimbele**
Regional Director South



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



**Mr. Thupa
Thupa**
*Head Of Strategy Policy
& Planning*



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



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



**Mr.
Tshepho Molale**
*Acting Head Of Facilities
Management*



**Mr. Tumo
Kgatlwane**
*Acting Head Of Marketing And
Communication*

HUMAN CAPITAL & ADMINISTRATION DEPARTMENT

EMPLOYEE ENGAGEMENT PROCESSES

The Corporation continues to implement recommendations from employees after an Employee Engagement Survey was carried at the beginning of the reporting period. The survey was intended to gauge employee engagement levels within the Corporation. The survey followed immediately after the Corporation's Organisational Review and Restructuring Exercise of 2015.

The survey assisted in coming up with interventions that would help capacitate and drive the workforce towards achieving a desired high performing culture and ensuring impactful implementation of the new organisational structure. Interventions were developed through an employee consultative process where the Corporation has established employee Focus Groups to discuss employee engagement issues and coming up with recommendations for implementation.

The Corporation put in place an Employee Engagement Plan, which was intended to facilitate monitoring and implementation of employee engagement recommendations. With the effective implementation of the employee engagement plan, the Corporation has started to realise an increased level of employee involvement in finding solutions to employee engagement issues. It is hoped that this will lead to enhanced commitment from employees on their contribution to the delivery of the Corporation's business objectives and finally fulfilment of the Corporation's Mandate of housing Batswana.

IMPLEMENTATION OF CULTURE CHANGE TRANSFORMATION

The Corporation undertook to initiate a culture change programme and in order to develop a robust corporate culture, with the view of creating and maintaining a high-performance culture within the organisation, which would support the Corporation's new Business Operating Model following the restructuring exercise. In preparing for this critical exercise, the Corporation has unpacked its existing five (5) Core Values (Botho, Excellence, Innovation, Transparency, Teamwork) by defining the behaviours of each value that would be used as guiding principles for employees' actions and attitudes in the workplace. The value behaviours will also assist in shaping and maintaining the desired culture in the Corporation. A Value booklet has been developed through the involvement of both Staff and Management. The values form part of the Corporate Culture.

IMPLEMENTAION OF ELECTRONIC DOCUMENT RECORDS MANAGEMENT SYSTEM (EDRMS)

The Botswana Housing Corporation continues to implement its hybrid Records Management system where manual paper based and the electronic version are running concurrently. The Corporation's internal processes are increasingly being carried out through the electronic system, through an Alfresco platform, which proves to be very efficient and less costly than the manual system. Since implementation of the Electronic Document Records Management System (EDRMS) the Corporation has witnessed reduction in the use of paper and benefited from simplified business processes. The operations of this system have been streamlined in a manner that allows for instant collaborations of members in different locations. In addition, the system came at the right time during the Covid-19 pandemic situation, as sharing of records and documents was by way of electronic means making the work environment safe and efficient in remote access to Corporation's records.

CORPORATE SOCIAL RESPONSIBILITY

According to ISO 26000 Official Definition, **Corporate Social Responsibility (CSR)** is “the responsibility of an organization for the impacts of its decisions and activities on the society and the environment, resulting in ethical behavior and transparency which contributes to sustainable development, including the health and well-being of society; takes into account the expectations of stakeholders; complies with current laws and is consistent with international standards of behavior; and is integrated throughout the organization and implemented in its relations.”

According to the international standard, a good organizational performance on social responsibility can have a positive impact in the organizational Human Resources, as it attracts and retains workers, members and clients as well as have a positive impact on its relationship with stakeholders such as governments, media, other companies and communities and their perceptions on the organization’s performance and commitments.

Source: <https://youmatter.world/en/definition/definitions-iso-26000-standards-csr-definition/>

The Botswana Housing Corporation has a Corporate Social Responsibility (CSR) policy and fund through which the Corporation gives back to communities within which it operates. The policy ensures that the Corporation inculcates a culture of caring for the disadvantaged members of society, engaging in CSR activities that are geared towards uplifting the lives of those in need and providing assistance to ameliorate their psychosocial and economic conditions. From time to time, the Corporation reviews requests from members of society and nonprofit making organizations. The Corporation also reviews requests received and assesses them to determine where assistance could be given.

The Corporations set aside a budget provision for the Donations Fund. The budget provision is also extended to each internal departments and area offices to facilitate them to give to communities within which they operate.

1. OBJECTIVES OF THE CORPORATE SOCIAL RESPONSIBILITY POLICY



2. CORPORATE SOCIAL RESPONSIBILITY POLICY FOCUS AREAS



CSR REPORT

3. CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

3.1 Government of Botswana COVID-19 Relief Fund

Botswana Housing Corporation is committed to the fight against the COVID-19 pandemic and has therefore seen it fit to heed to the Botswana Government's call to citizens and Corporates to join hands in the fight against the pandemic. In line with its corporate value of BOTHO, which seeks to restore human dignity and reach out to those amongst us who are less fortunate, the Corporation through its Corporate Social Responsibility Program contributed P1,000,000.00 (One Million Pula) towards the Government COVID-19 Relief Fund. In addition, the BHC Leadership Team further contributed a total of P110,000.00 to the fund.

3.2 Education

Article 23 of the of the United Nations' Universal Declaration of Human Rights identifies education as a basic human right. The Corporation's CRS Policy has Education as an area of focus. To this end, the Corporation continued to invest in various education related activities to assist in ensuring that Botswana is an educated and informed nation. The Corporation identified and provided assistance to the following schools.

- i. **Mokgenene Primary School** - donated a printer and toners, jerseys, shoes, socks and masks and as well as P4,030.00.
- ii. **Tsetseng Primary School** - donated revision books, masks, a laptop and a printer.
- iii. **Ncaang Primary School** - donated blankets, books, school bags and toiletries.
- iv. **Sehunou Primary School** - donated toiletries (sanitary pads, washing powders, bar soaps, toothpastes, and body lotions) worth P10 000 to boarding students who were in dire need of toiletries.
- v. **Boikhutso Junior Secondary School, Boitshoko Primary School and Boitumelo Primary School** - donated face masks and sanitizers.
- vi. **Satau Primary School** - donated shoes to needy children.
- vii. **Camphill Community Trust** - refurbished a jungle gym, donated learning materials, protective wear, tracksuits, sanitizers, and thermometers.
- viii. **Tshwaane Primary School** - donated library furniture (bookshelves, tables, and chairs) and books.

3.3 Infrastructure Support – Donations to Customary Courts

The traditional Kgotla continues to play a critical role in Botswana with regard to the administration of justice. The Kgotla system coexists with the modern judiciary system. People in rural areas find the justice administered by the customary courts to be inexpensive, speedy and easy to access. It is against this background, that the Corporation chose to contribute and to some Customary Courts by providing office equipment, which included computers and printers. The donations were meant to ease their way of doing business in the execution of their administration of justice and in working with communities. The Corporation donated as follows:

- i. **Artesia Customary Court** - three computers, a laptop, a printer and internet connection for 12 months.
- ii. **Rakops Customary Court** - conference room furniture (16-seater table and 16 chairs), three computers and printer, kitchen furniture (fridge, microwave, vacuum cleaner and urn kettle), renovated the conference room and provided new curtains/blinds.

3.4 Health Care

The Corporation has been donating to paediatric wards in various hospitals across Botswana yearly. For the year 2020/21, the Corporation focused on Gweta Primary Hospital. The Corporation made an equipment donation of P100,000 which covered the construction of a jungle gym, provision of educational and recreational toys and redecorated the children's ward.

3.5 Environment

Environmental CSR is the obligation to contain environmental consequences of a particular company's operations, products and facilities. The major components of environmental CSR are elimination of waste and emissions, maximizing energy efficiency and productivity and minimizing practices that may adversely affect natural resources particularly the land scape and its vegetation.

Sustainability and carbon footprint occupies an increasingly important position on the corporate agenda around the world. A growing number of companies are realizing the importance of environmental initiatives in business development. It is for this reason that the Corporation embarked on a tree planting initiative at the Tsholofelo 372 and 264 projects in Gaborone to restore the vegetation which was destroyed during Construction.



**WITHOUT A
SENSE OF
CARING,
THERE IS NO
SENSE OF
COMMUNITY.**



INFORMATION TECHNOLOGY

The Information Technology function is responsible for ensuring that the Corporation has the necessary information technology infrastructure to allow it to discharge its mandate efficiently.

As a result of the COVID-19 pandemic, the Corporation had to greatly rely on an effective and efficient information communication and technology platform to allow employees to work remotely. These ICT enhancements, ensured that the Corporation's employees and stakeholders were protected from exposure and contraction of the COVID-19 virus. The Information Technology Department introduced secure, virtual, private network access to the Corporation's ICT resources from home to ensure the continued provision of service to the Corporation's customers.

Increased online use brought about its disadvantages where an increase in ransomware cyberattacks on corporate entities across the world was noticeable. The Corporation was not spared. Due to these attacks, BHC accelerated the implementation of its information technology security strategy. The implementation of the security strategy included seeking Board approval on reviewed policies, data classification, introduction and monitoring of security metrics and procedures. The Corporation continues to monitor the changing security landscape and adapts appropriately.

The Corporation is planning to upgrade its enterprise resource management system. The upgrade will extend the life span of the system and ensure that the Corporation continues to realise a return on investment. The upgraded system will give the Corporation access to best practise processes and readiness for the adoption and integration to cloud-based services.



CORPORATE GOVERNANCE





BOARD OF DIRECTORS



1
**Mr. Moemedi
Gabana**
Acting Board
Chairperson
Independent Member



2
**Mr. Jimmy
Thibedi Sechele**
Independent Member



3
**Mr. Tumisang
Mogwe**
Independent Member



4
**Ms. Carol
Naiko Ralebala**
Independent Member



5
**Ms. Tebogo
Pulane Mogotsi**
Independent Member



6
**Ms. Boitshoko
Vanessa Ntshingane**
Independent Member



7
**Mr. Phenyo
Nthaga**
Independent Member



8
**Mr. Bareng
Christopher Malatsi**
Non-Independent Member

THE BOARD

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

This the Board achieves 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.

NEW BOARD MEMBERS

1. Mr Moemedi Gabana:

He holds a Master of Science in Urban Development and a 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 is currently the Acting Board Chairman.

2. Mr Jimmy Thibedi Sechele:

An Architect who holds a Master of Science in Architecture and a Certificate in Building Construction.

3. Mr Tumisang Mogwe:

Mr Mogwe holds a Bachelor of Science (Hons) in Quantity Surveying and a Bachelor of Science Part 1 in General Science. He is a seasoned Quantity Surveyor who also specializes in Project Management. He is the Chairperson of the Board Tender Committee.

4. Ms Carol Naiko Ralebala:

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

5. Ms Tebogo Pulane Mogotsi:

She holds a post graduate diploma in Human Resources Management. Ms Mogotsi is an HR Consultant and Advisor with experience in Industrial Relations. She is also a Management Analyst. She is the Chairperson of the Human Resources Committee.

6. Ms Boitsheko Vanessa Ntshingane:

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

7. Mr Phenyo Nthaga:

Mr Nthaga holds a Master's Degree in Education - Higher Education Studies; Policy Analysis. He is a Faculty Administrator at the University of Botswana.

8. Mr Bareng Malatsi:

Mr Malatsi is holds a BSc (Hons.) Surveying Science; MSc Land Surveying. He has held a number of senior positions in Government and is currently Deputy Permanent in the Ministry of Infrastructure and Housing Development. He is a member of the Governing Council of the Regional Centre of Mapping of Resources for Development (RCMRD); Board member of CEDA Young Farmers Fund; Board member of the National Environmental Fund (NEF).



Committed to
working nonstop
to provide
sustainable
housing solutions
for Batswana



THE BOARD

During the reporting period the following were Board members:

1. Sithabile Mathe - Independent Member

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

She has 20 years post graduate experience in the built environment through working in the academic and professional sphere, with both design and implementation. Through her professional career Ms Mathe has gained a strong foundation in contractual matters related to the built environment, project management of building projects and assessments of the financial viability of building projects. She founded Moralo Designs (Pty) Ltd in 2006 having previously worked in various professional capacities in Oslo, Norway.

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

Ms Mathe has been the Chairman of the Board since her appointment to the position in December 2019.

2. Thato Kewakae - Independent Member

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

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

Mr Kewakae is a member of the Finance, Risk and Audit Committee as well as the Human Resources Committee.

3. Chilisana Marobela - Independent Member

Mr Chilisana Marobela holds a Bachelor of Science (Geology); Post Graduate Diploma (Hydrogeology) and Master of Science (Hydrogeology). He has vast experience as a hydrogeologist having worked for the Botswana Government from 1984 until 1990 when he co-founded Geoflux (Pty)Ltd. He later became the Managing Director of Thakadu Drilling (Pty)Ltd, a subsidiary of Geoflux from 2005 to 2007.

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

Mr Marobela is the Chairman of the Board Tender Committee.

4. Ontibile Shado Radira - Non-Independent Member

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

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

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

5. Bennet Maifala - Independent Member

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

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

Mr Maifala is the Deputy Board Chairman and a member of both the Human Resource Committee and the Finance, Risk and Audit Committee.

THE BOARD

6. Boikhutso Tekane - Independent Member

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

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

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

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

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

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

Mr Tekane Chairs the Finance, Risk and Audit Committee and is also a member of the Board Tender Committee.

7. Bareng Malatsi - Non-Independent Member

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

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

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

8. Sapelo Bantsi - Independent Member

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

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

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

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

9. Roy Davies - Independent Member

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

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

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

He is a former Board member of BOCRA.

Mr Davies was the Chairman of the Finance and Audit Committee until the lapse of his term on the 31st July 2020.

10. Sethunya Garebatho - Independent Member

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

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

Ms Garebatho's forte is in human resources and Employee relations and she has worked with restructuring and recruitment for a number of entities. Ms Garebatho has since 2002 run her own company People Connections (Pty) Ltd. The company is a Human Resources (HR) and Employee Relations (ER) practice offering a wide range of HR Consultancy services.

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

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. The Corporation continues with its endeavours to improve governance standards with the assistance and guidance of the Botswana Accountancy Oversight Authority (BAOA). The Corporation is currently preparing to upgrade to the King Code IV.

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 as 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.

CORPORATE GOVERNANCE

RESPONSIBILITIES OF THE BOARD AND ITS COMMITTEES

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

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

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

There are three Board Committees:

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

REPORT OF THE FINANCE, RISK & AUDIT COMMITTEE

Presented below is the Finance, Risk & Audit Committee's report for the financial year ended 31 March 2021, in terms of the King III Report on Corporate Governance.

1. Mandate of the Finance & Audit Committee

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

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

2. Execution of the Committee's mandate in 2020/21

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

During the financial year under review, the Committee comprised of four members and met seven times. The names, qualifications and experience of Committee members are detailed elsewhere in the annual report. As per Principle 3.3 of the King III Report on Corporate Governance, the Committee is chaired by an independent non – executive Board member.

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

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

2.1. Assessment of external auditors' independence

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

- a) Reviewed the independence and objectivity of Ernst Young as well as the proposed scope for the audit of the financial statements.
- b) Reviewed the proposed audit fees.
- c) Reviewed the compliance of their appointment with the Botswana Housing Corporation Act;
- d) Reviewed the nature and extent of non – audit services, if any, provided by them, with the objective of ensuring that the fees charged for such services do not become so significant as to call into question their independence. Ernst Young did not provide any non – audit services during the year under review.
- e) Reviewed the nature and extent of future non – audit services, ensuring that such services have been defined and have been pre – approved. No non – audit services are envisaged to be provided by the Corporation's external auditors in the foreseeable future.

2.2. Review of accounting policies and financial statements

The Committee reviewed the accounting policies adopted in the preparation of the Corporation's annual financial statements for the financial year ended 31 March 2021, and the financial statements themselves. Based on the information provided to it, the Committee is of the view that the accounting policies adopted are appropriate and comply with the relevant provisions of the Botswana Housing Corporation Act and International Financial Reporting Standards.

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

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

2.3. Effectiveness of internal financial controls

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

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

Based on these reviews, the Committee is satisfied that the Corporation's internal financial controls operated effectively throughout the financial year ended 31 March 2021 and can be relied upon.

2.4. Working relationship with the Internal Audit Department

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

- a) It considers and recommends the Internal Audit Charter to the Board for approval;
- b) It approves Internal Audit's annual audit plan;
- c) It monitors Internal Audit's adherence to the approved annual audit plan.

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

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

The Committee has satisfied itself that the Corporation's Chief Financial Officer possesses an appropriate level of expertise and experience to execute the designated functions of his position. The Committee has also considered and has satisfied itself regarding the appropriateness of the expertise, experience and adequacy of resources available in the finance function. The Committee consisted of four Members and subsequently three after the departure of a member, Mr Roy Davies.

During the period under consideration the Committee had eight sittings

CORPORATE GOVERNANCE

BOARD TENDER COMMITTEE

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

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

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

The Committee consists of five members.

During the period under consideration the Committee had seven sittings.

HUMAN RESOURCE COMMITTEE

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

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

The Committee consists of five members.

During the period under consideration the Committee had four sittings.

CHAIRMAN

- The Chairman of the Board, Ms Sithabile Mathe is an independent non-executive member.
- The Chairman of the Board convenes and presides over meetings of the Board; ensures that the content and order of the Board agenda are appropriate; guides discussions of the Board to ensure that members are informed on the performance and sustainability of the business and are always furnished with relevant and appropriate information.
- The Chairman also maintains regular dialogue with the General Manager over the performance of the business.

REMUNERATION OF THE BOARD

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

Currently the Board fees are:

Board Chairman: P2 250.00

Members: P1 800.00

BOARD ATTENDANCE

NAME	BOARD	FINANCE & AUDIT COMMITTEE	HUMAN RESOURCE COMMITTEE	TENDER COMMITTEE
Ms S. Mathe Term:1/8/2017-31/7/2021	8/8			
Mr C. Marobela Term:1/12/2016-30/11/2019; 01/12/2019-30/11/2023	7/8			7/7
Mr T. Kewakae Term:1/12/2016-30/11/2019; 1/12/2019-30/11/2023	8/8	8/8	2/4	
Ms. O. Radira Term:1/8/2017-31/7/2020 01/08/2024	7/8		4/4	7/7
Mr B. Maifala Term:1/10/2018-30/9/2021	7/8		4/4	
Mr B. Tekane Term:1/10/2018-30/9/2021	7/8	8/8		7/7
Mr B. Malatsi Term:1/12/2018-30/9/2022	4/8			2/7
Ms Sethunya Garebatho 1/12/2019-30/11/2022	6/8		3/4	3/7
Ms Sapelo Bantsi 1/12/2019-30/11/2022	7/8	7/8		
Mr R. Davies Term:1/8/2017-31/7/2020	4/8	5/8		

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.

RISK MANAGEMENT

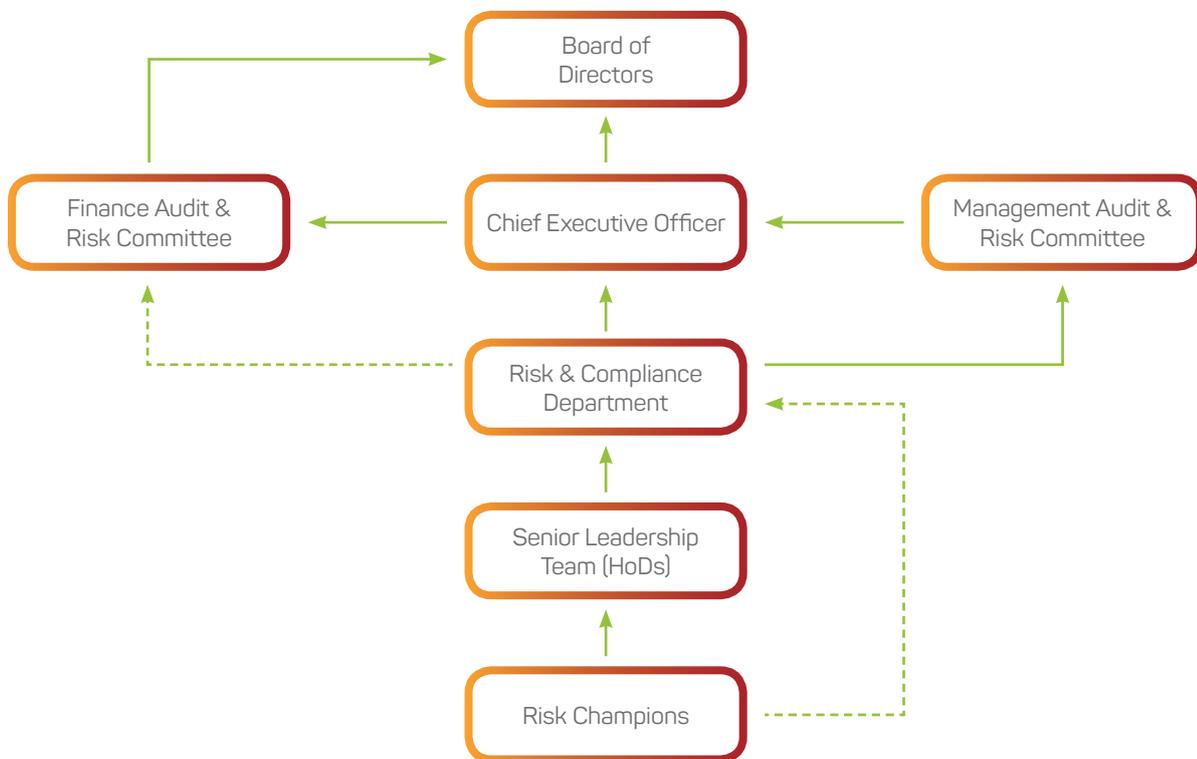
1. RISK AND COMPLIANCE MANAGEMENT OVERVIEW

In its commitment to good Corporate Governance, the Corporation has established a Risk and Compliance Department responsible for Enterprise-Wide Risk Management. Enterprise – Wide Risk Management gives BHC greater visibility into the health of the business, influences better strategic decision making and ultimately demonstrates value proposition.

To achieve high standards of risk governance, the Corporation has set out an enterprise-wide risk management framework, which is essential in delivering consistent and sustainable performance for all our stakeholders and is an integral part of strategic and operational management of the Corporation. The Corporation has continued to deliver value to all stakeholders through the strengthened risk governance activities in the financial year. As a result, the Corporation has established risk governance structures to enhance oversight of risk management throughout the Corporation.

2. RISK GOVERNANCE

2.1. Governance Framework



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

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

2.2. Risk Culture and Maturity

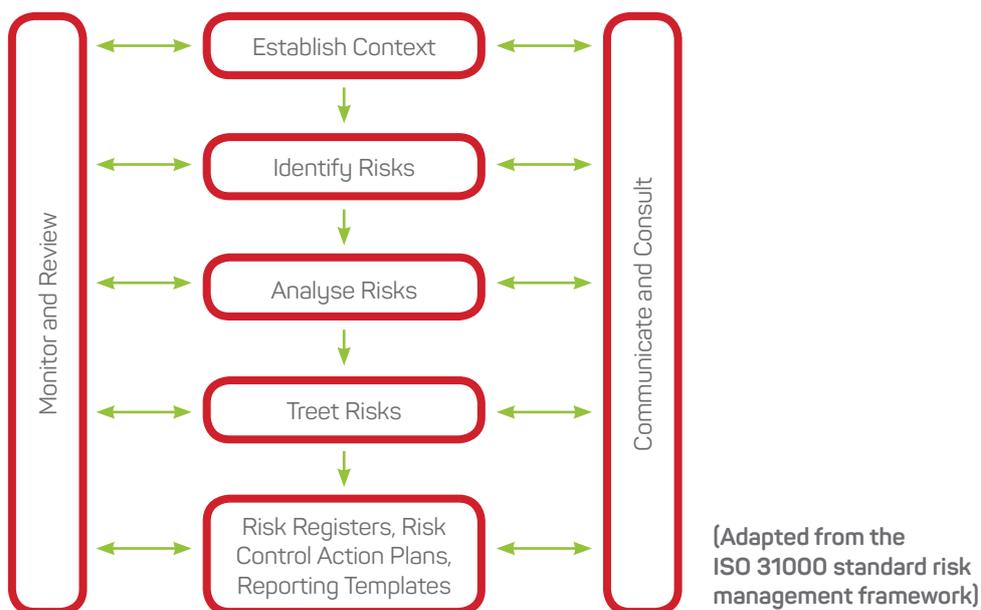
The Corporation recognises that effective risk management requires commitment to an appropriate risk culture. In order to build the required risk culture, the Corporation intensified risk management awareness activities by ensuring Risk Owners (the Senior Leadership Team) and Champions were provided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

On an annual basis the Corporation conducts risk management maturity to establish the effectiveness in the implementation enterprise risk management framework against the best practice of ISO 31000. The overall objective is to enhance the implementation of risk management and achieve optimal maturity. The figure below depicts the current maturity level of the Corporation.



2.3. Risk Management Processes

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



RISK MANAGEMENT

3. CORPORATE RISK PROFILE

During the reporting period the risk profile of the Corporation remained high, due to the uncertainties and negative effects of COVID 19 on the socio-economic activity of Botswana. The risks from the effects of COVID 19 impacted negatively on the Corporation's sales, rental income, progress of projects and business operations. However, through initiatives mitigating against these risks the Corporation has remained resilient through the pandemic and was able to maintain business operations running efficiently. The Corporation has continued to manage the top ten risks as indicated below;

3.1 Delays in the Commencement of Projects

The Corporation considers the timely delivery of houses as critical to its business operations. As a result of this, housing units can only be delivered once projects commence. This risk is a key priority for the Corporation due to its domino effect on the entire business. Projects were delayed in starting due disruptions caused by COVID-19 regulations and lockdowns. In addition, the Corporation's operations and procurement processes were adversely affected thus delaying the commencement of projects.

3.2 Low Sales

As a result of the pandemic, a risk emerged that sales will be lower than expected for the Corporation. The risk is driven by the late delivery of projects due delays in utility connections to completed properties. The Corporation's major client, being the Government of Botswana through its ministries and departments, had a downward trajectory in terms of its fiscal position, therefore impacting Government's ability to buy as a result of the Covid-19 pandemic.

In addition, the stringent lending conditions to potential buyers were imposed by financiers as a result of the pandemic, which hampered potential buyers' ability to borrow. This in turn resulted in low sales of the Corporation's housing units. In order to mitigate against this risk, the Corporation intensified its marketing activities. An improvement in the uptake of the housing units was realised and saw the corporation exceeding its sales targets for the financial year.

3.3 Project Delivery Delays

Timely delivery of projects is a major challenge within the Corporation. Inadequate project management controls are mainly attributed to existing skills gaps in project management and inadequate project supervision. During the period under review, there has been an increase in the number of projects behind schedule and projects delivered beyond the expected completion dates. This risk could have a financial and reputational impact on the Corporation because the late delivery of projects results in cost escalations which directly impacts the affordability of BHC products.

In reducing the risk exposure, the Corporation has implemented a Project Management Framework and introduced the application of project risk management principles in all projects.

3.4 Default in Rental Payments

This refers to the risk that a counterparty to a transaction or contract will not honour their payment obligation to BHC when it is due. This risk increased during the reporting period due the extended State of Emergency that was introduced by the Government due to the pandemic and the devastating economic effects of COVID 19. This led to an increase in rental arrears in the reporting period. The Corporation continues to engage the respective tenants to collect on the outstanding amounts.

3.5 Increasing Construction Costs

Managing construction costs is key to the Corporation, as the construction can affect the pricing of housing units. Increased construction costs continues to be a challenge for the Corporation and it is anticipated that this risk will increase due to the COVID 19 pandemic. This risk is exacerbated by the high utility connection costs and building material (i.e. steel, cement etc.) prices increases. The Corporation continues to engage the shareholder and stakeholders on land servicing and utility connection.

3.6 Fraud and Corruption

The Corporation is exposed to fraud and corruption risks and as such has put in place mitigations to monitor and reduce this risk. Regular fraud and corruption awareness workshops are held as well as periodic audit of projects. The Corporation has in place other detective mechanisms such as the whistle blowing platform for staff and external stakeholders to confidentially report any suspected incidents of fraud and corruption.

3.7 Cyber Security

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 loss of planned revenue. A Disaster Recovery Plan has been put in place and continuously monitored to manage cyber risks.

3.8 Loss of Clients

The Corporation has ongoing projects in construction and third-party maintenance on behalf of Government institutions. These projects are guided by the Memorandum of Agreement with various Government Departments. The expectation from these clients is for the Corporation to deliver projects on time and within the agreed scope. Late delivery of these projects could result in the Corporation losing business or its clients.

In mitigating the risk, the Corporation is enhancing its processes to ensure timely delivery of projects, improved quality, efficient procurement process and reduced cost of maintenance.

3.9 Risk of Leakage of Confidential Information

The Corporation like any other corporate entity has confidential information which if leaked can result in reputational damage. This is the risk that if sensitive or confidential information and/or data escapes the Corporation's infrastructure, can lead to the misuse or disclosure of the information to sources or users that may use it maliciously. This risk has potential to cause reputational damage to the Corporation and expose it to bad publicity. As mitigation, Management has planned awareness workshops on all policies including the Business Ethics Policy requirements which covers the handling of confidential information.

3.10 Insufficient Funding of Self-Help Housing Agency (SHHA) scheme

The Corporation has been tasked with implementing SHHA turnkey. The scheme is 100 % funded by Government to deliver more than 1000 units per year. The impact of COVID 19 on Government's fiscal position, has resulted in limited funding of the scheme. This has affected the mandate of the Corporation of housing low income earners and caused the Corporation not to meet its strategic objective of the total number of housing units required to be delivered.

The Corporation is currently working on enhancing the social housing scheme to make it an attractive and affordable low-income housing scheme. In addition, the Corporation is exploring alternative sources of funding for the SHAA Scheme.

4. COMPLIANCE

BHC is exposed to uncertainty and increasing and complex regulatory requirements. Due to these requirements, the Corporation is subject to numerous laws and regulations which govern its operations. The Corporation continues to implement its Compliance Management Framework and conducts compliance audits on a regular basis.

The Corporation continues to ensure compliance to the industry through the enforcement of the Code of Ethics. All new employees are inducted on the Code of Ethics, and policies adopted by the Corporation. Training and awareness programmes are in place to ensure an ethical and compliant culture is cultivated in the Corporation.

RISK MANAGEMENT

5. SAFETY, HEALTH, ENVIRONMENTAL AND QUALITY

Good health and a safe working environment are essential in ensuring that quality service is delivered effectively and efficiently to clients, in manner that is cost-effective to the Corporation. It is through the understanding of this imperative principle that BHC ensures that its Health, Safety, Environment and Quality initiatives are adhered to at all times.

5.1. Health

Since the beginning of 2020, the world experienced the shocking effects of the deadly Corona Virus Disease. BHC had to put measures in place to mitigate against the risks associated with COVID-19 on its employees, contractors and customers.

The following Guidelines and Procedures were developed and adopted to specifically deal with COVID-19:

- Preparedness and Response Against Covid-19 BHC Guidelines
- Procedure for Contractor Management (SHHA Projects) - COVID-19
- Procedure for Contractor Management (Major Projects) - COVID-19

The guidelines and procedures were developed in accordance with the COVID-19 protocols as prescribed by the World Health Organization (WHO) and the Ministry of Health and Wellness. BHC disseminated the information to its customers and contractors to ensure that they were well equipped to fight the deadly virus.

Risk and Compliance Department worked closely with the Human Capital and Administration Department as well as the Communications Department in ensuring that staff is protected from being negatively impacted by the virus through; the provision of personal protective equipment, installation of hygiene systems, provision of psychological counselling and constant communication on COVID-19 and related matters.

As at the end of the fourth quarter of 2020/2021, BHC had recorded only thirty-one (31) positive cases of COVID-19 across all its nine (9) Area Offices and Head Office. They all fully recovered from the virus.

5.2. Safety

Safety in the workplace remained BHC's top priority as the Corporation believes a safe workplace is a healthy workplace for the delivery of products and services. BHC continued with its endeavour to maintain a safe work environment through implementation of planned Safety, Health and Environment (SHE) inspection processes at all its offices and projects sites. SHE Inspection Reports were produced. The findings identified gaps in SHE Management and recommendations for improvements were made. During inspection, BHC seeks to identify gaps in compliance to different SHE regulations and requirements established by the Corporation, eventually closing those gaps for continued SHE Management improvement.

For the year ended 31st March 2021, BHC realised great improvement on the management of SHE protocols and in its response to corrective actions.

5.3. Quality Management System

In an effort to improve the Corporation's performance in delivery of quality products and services, BHC took an initiative to certify its established Quality Management System (QMS) to the requirements of BOS ISO 9001:2015 standard.

After a successful audit by the Certifying Body, Botswana Bureau of Standards, during the third quarter of 2020/2021, BHC received its Certificate of Registration against the requirements of the standard, during the same quarter after closure of the identified non-conformances.

The Quality Management System certificate was assurance by the Certifying Body that, having successfully audited the BHC System, it had satisfied all the requirements of the BOS ISO 9001:2015 standard, in terms of establishment and implementation thereof. The BHC Quality Management System was certified for a period of three (3) years from December 2020 to December 2023 which is renewable at the end of the certification period. During the certification period, BHC is expected to maintain the Quality Management System through continual implementation of established Policies, Processes and Procedures. The Certifying Body will continue to carry out surveillance audits every six months to monitor continued implementation of the system.

INTERNAL AUDIT

MANDATE AND REPORTING

The Corporation in line with international best practice has an in-house Internal Audit function which operates in accordance with the approved Board Charter. The function provides risk-based, objective assurance and related advisory services to both the Board and to Management on the design and operation of key controls, including controls over the risk and governance processes.

ORGANISATIONAL INDEPENDENCE

The Chief Audit Executive reports functionally to the Finance Risk and Audit Committee Chairperson and administratively to the CEO. Furthermore, the Chief Audit Executive has direct and unrestricted access to the Chairman of the Finance Risk & Audit Committee.

Internal Audit follows a risk-based methodology to develop the annual audit plan, which is reviewed and approved by the Finance Audit and Risk Committee. The Chairperson of the Committee appraises the Board on the duties of the Internal Audit function on a quarterly basis.

QUALITY ASSURANCE & IMPROVEMENT PROGRAMME

The Corporation's Internal Audit department developed and implemented a Quality Assurance and Improvement Program as required by the International Standards for Professional Practice of Internal Auditing.

The program has assisted in improving the quality and value of internal audit services and has also ensured that there is conformance with relevant policies, procedures, internal auditing standards and an adherence to the Corporation's Code of Ethics. The performance of periodic self – assessment and external assessments ensure that there is continuous improvement in service delivery through seeking and receiving feedback from stakeholders on services rendered.

TIP OFF ANONYMOUS

Through a 24-hour anonymous tip-offline managed by an independent service provider, Internal Audit serves as the point of contact between the Corporation and the service provider that receives and summarizes all whistle blowing reports. Internal audit oversees this facility and investigates all reported cases and conveys its findings and recommendations to the Executive Management and the Finance Audit and Risk Committee as they arise.

The Corporation is fully committed to fostering a strong ethical environment and good governance practices. A Whistle Blowing Policy is in place to protect that whistle blowers that honestly disclose information related to fraud, corruption or any other unethical conduct.



BOTSWANA HOUSING CORPORATION

ANNUAL FINANCIAL STATEMENTS

**For the Year Ended
31 March 2021**



CONTENTS**PAGE**

Directors' report

62

Directors' responsibility statement

64

Independent auditors' report

65 - 68

Statement of profit or loss and
other comprehensive income

69

Statement of financial position

70

Statement of changes in equity

71

Statement of cash flows

72

Significant accounting policies

73

Notes to the financial statements

86

BOTSWANA HOUSING CORPORATION DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

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 2021.

GENERAL INFORMATION

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

BUSINESS

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

REVIEW OF CORPORATION'S FINANCIAL POSITION AND RESULTS

The Corporation's financial position and results are reflected in the financial statements set out on pages 11 to 60. The Corporation realised a profit before taxation of P1,759,000 (2020: P53,851,000).

MEMBERS OF THE BOARD

Mr M Gabana	Deputy chairperson	Appointed September 2021
Mr J T Sechele		Appointed September 2021
Mr T Mogwe		Appointed September 2021
Ms N Ralebala		Appointed September 2021
Ms T Mogotsi		Appointed September 2021
Ms B V Ntshingane		Appointed September 2021
Mr P Nthaga		Appointed September 2021
Mr B C Malatsi		Appointed September 2021
Mr B Maifala		Retired August 2021
Mr T Kewakae		Retired August 2021
Mr C Marobela		Retired August 2021
Ms S Radira		Retired August 2021
Mr B. Tekane		Retired August 2021
Ms S Bantsi		Retired August 2021
Ms S Makepe-Garebatho		Retired July 2021
Ms S Mathe		Retired July 2021
Mr R Davies		Retired July 2020

SENIOR LEADERSHIP TEAM

Mr. R Motswaiso	Chief Executive Officer (Contract term ended 31 May 2021)
Mr. N Matenge	Deputy Chief Executive Officer (Operations)
Ms. P Sefawe	Deputy Chief Executive Officer (Corporate Services)
Mr. B Nkhumisang	Director Property Development
Mr. S Ramahobo	Director Human Capital and Administration
Mr. R Chilisa	Director Risk and Compliance
Mr. D Kgamanyane	Chief Finance Officer
Mr. B Balule	Acting Chief Corporate Counsel and Board Secretariat
Mr. K Khimbele	Regional Director- South
Ms. B Mtonga	Regional Director - North
Ms. S Chabata	Head Information Technology
Ms. E Ferguson	Acting Chief Audit Executive
Mr. G Zimona	Head Marketing and Communications
Mr. N Ofetotse	Head Property Quality Assurance
Mr. T Molale	Acting Head Facilities Management
Mr. T Thupa	Head Strategy, Planning and Policy

BOTSWANA HOUSING CORPORATION DIRECTORS' REPORT (Continued)

FOR THE YEAR ENDED 31 MARCH 2021

REGISTERED OFFICE

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

INDEPENDENT AUDITORS

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

BANKERS AND INVESTMENT MANAGERS

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

EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to year end, the Minister dissolved the Board on 17 August 2021 and a new Board of directors was appointed on 1 September 2021.

The economic impact of the Covid-19 second wave and the new strains identified in various parts of the world for 2021 remains to be seen. With the rollout of vaccines, infection rates are likely to start coming down but of importance will be the rollout of these vaccines across the African continent. What prevailed at the beginning of 2021 was the general preference by African governments for restricted trading hours and daily curfews as opposed to total lockdowns, which could further hurt economies still recovering from the 2020 national lockdowns.

BOTSWANA HOUSING CORPORATION DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

"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 2021 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 26 October 2021 and are signed on their behalf by:

.....
Mr. M. Gabana
Deputy Chairperson



.....
Ms. P Sefawe
Ag. Chief Executive Officer

BOTSWANA HOUSING CORPORATION INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2021



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

Tel: +267 397 4078 / 365 4000
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Partnership registered in Botswana
Registration No: 10829
VAT No: P0362540112
www.ey.com

OPINION

We have audited the financial statements of Botswana Housing Corporation ("the Corporation") set out on pages 9 to 58, which comprise the statement of financial position as at 31 March 2021, 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 end, and 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 31st March 2021, 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 Standard 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 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 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 matters below, provide the basis for our audit opinion on the accompanying financial statements.

BOTSWANA HOUSING CORPORATION INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2021

Key Audit Matter	How the matter was addressed in the audit
<p>Inventories and Investment Properties Cost Determination</p> <p>The Corporations' main operations comprise the construction and development of residential houses either to be held and leased as investment properties or sold upon completion.</p> <p>The calculation of costs associated with the construction of housing units comprises a critical component in determine the value of housing inventories and investment properties. The cost of housing units includes direct construction costs, indirect costs and interest cost capitalized during the construction of the housing units.</p> <p>Significant judgement is applied in the allocation of indirect costs to the respective projects, as the allocation involves different methods, calculations and measurements depending on the nature of the individual projects and the type of cost incurred.</p> <p>The Corporation uses specialists including Quantity Surveyors and Real Estate professionals to calculate costs incurred and the allocation of costs to the respective housing projects.</p> <p>The interest cost capitalized to the housing projects comprise both interests incurred on borrowing obtained for specific housing projects and interest cost incurred on general borrowings obtained for funding of the Corporation's activities.</p> <p>The Corporation experienced a slowdown in the approval and completion of housing projects compared to prior financial years due to the impact of COVID-19. This resulted in significant judgement applied in the calculation of interest costs capitalized to housing inventories and investment properties due to prolonged periods in the finalization of housing projects.</p> <p>Significant audit attention was required in assessing the different methods used by management in calculating and allocating the indirect and interest costs to the housing projects. This necessitated robust discussions with management. The matter was considered a key Audit Matter.</p> <p>The disclosures related to Inventory and Investment Property are presented in Note 5 Accounting estimates and judgements, Note 16 Housing Inventories, Note 15 Investment Properties and Note 14 Finance Costs of the financial statements.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • We obtained an 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. • We selected a sample of direct construction costs and inspected the supporting documents to assess whether these costs were accurately processed and allocated to the respective housing projects. • We selected a sample of indirect costs and inspected the supporting calculations and documents to assess whether these costs were accurately calculated and allocated to the respective housing projects using appropriate allocation methods. • We assessed the competence and objectivity of management's specialists involved in estimating and allocating costs to the respective housing projects with reference to their professional qualifications and affiliations. <p>We evaluated the judgments involved in selecting the method of calculating and allocating indirect costs to projects by:</p> <p>Comparing the methods used to allocate Indirect costs of housing inventories to the most recent historical or comparable projects completed by the Corporation:</p> <p>Corroborating the costs of complete projects to signed contracts, and recent or actual costs incurred; and</p> <p>Assessing the consistency of indirect cost allocation methods in various locations by comparing to similar projects in various locations.</p> <ul style="list-style-type: none"> • We calculated the interest costs capitalized to the respective housing projects for specific borrowings and general borrowings, based on the interest costs incurred during the year and assessed whether interest was capitalized when the housing projects were put on hold during the year. • We assessed the capitalization of interest cost according to the requirements of IAS 23 Borrowing Costs, by evaluating whether general borrowings are capitalized to the extent of costs incurred and specific borrowings are fully capitalized. • We assessed the correlation between the interest costs capitalized to the housing projects and the costs and activities incurred on the respective housing projects to the costs and project activities incurred during the year. • We assessed the adequacy of the financial statement disclosures in accordance with IAS 2 Inventories, IAS 40 Investment Properties and IAS 23 Borrowing Costs in accordance with the International Financing Reporting Standards.

BOTSWANA HOUSING CORPORATION INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2021

Other information

The directors are responsible for the other information. The other information comprises the information included in the 58-page document titled "Botswana Housing Corporation Annual Financial Statements for the year ended 31 March 2021" which includes the Directors' Report and Director's 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 material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements, the directors are responsible for assessing the Corporation's ability to continue as going concern we need, 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. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

BOTSWANA HOUSING CORPORATION INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2021

- Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Corporation audit. We remain solely responsible for our audit.

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

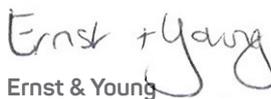
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 Requirement

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

- We have received all the information and explanations which, to the best of our knowledge and belief were necessary for the performance of our duties as auditor;
- 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
Practicing Member: Francois Roos Partner
Certified Auditor
Membership number: 20010078
Gaborone

28 October 2021

BOTSWANA HOUSING CORPORATION
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 P'000	2020 P'000
Revenue and rental income	6.	759,981	880,462
Cost of sale of housing inventories	7.	(191,624)	(302,624)
Cost of sale of construction and management contracts	7.	(303,193)	(265,961)
Gross profit*		265,164	311,877
Repairs and maintenance		(42,462)	(48,618)
Employee benefit expenses	8.	(138,195)	(141,203)
Depreciation and amortisation	9.	(30,488)	(25,832)
Other expenses	10.	(60,761)	(73,300)
Impairment expenses	10.	(25,363)	(1,565)
Other income	11.	1,613	433
Gains from sale of investment properties	12.	24,459	28,843
Operating profit		(6,033)	50,635
Finance income	13.	4,600	1,408
Finance costs	14.	(13,584)	(11,950)
Net finance costs		(8,984)	(10,542)
Share of profit or loss in equity accounted joint ventures for the year	19.	16,776	13,758
Profit before taxation		1,759	53,851
Taxation	20.	(701)	(4,512)
Profit for the year		1,058	49,339
Other comprehensive income		-	-
Total comprehensive income for the year		1,058	49,339

The gross profit line item has been added to enhance the annual financial statement with no impact on the numbers presented

BOTSWANA HOUSING CORPORATION STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 P'000	2020 P'000
Assets			
Non-current assets			
Investment properties	15.	1,311,567	1,330,608
Property, plant and equipment	17.	53,564	56,803
Intangible assets	18.	15,346	19,128
Investments in joint ventures	19.	20,674	14,998
Right of use asset	25.	3,605	15,190
Trade and other receivables	22.	14,084	11,324
Deferred tax asset	21.	1,785	2,486
Total non-current assets		1,420,625	1,450,537
Current assets			
Housing inventories	16.	604,502	647,795
Taxation refundable	20.	12,509	5,775
Trade and other receivables	22.	97,518	71,303
Cash and cash equivalents	23.	906,536	1,183,548
Total current assets		1,621,065	1,908,421
Total assets		3,041,690	3,358,958
Equity and liabilities			
Capital and reserves			
Irredeemable capital	24.	250,000	250,000
Retained earnings		1,282,003	1,280,946
Total equity		1,532,003	1,530,946
Non-current liabilities			
Long term deferred government revenue grant	26.	26,697	32,963
Long term borrowings	26.	611,039	535,520
Long term lease liabilities	25.	1,413	9,308
Total non-current liabilities		639,149	577,791
Current liabilities			
Trade and other payables	27.	177,928	220,804
Short term portion of lease liabilities	25.	3,752	6,683
Contract liabilities	28.	609,833	816,709
Deferred income	28.1	23,454	42,919
Short term portion of deferred government revenue grant	26.	6,267	6,797
Short term portion of borrowings	26.	35,252	141,123
Customer deposits	29.	14,053	15,186
Total current liabilities		870,538	1,250,221
Total equity and liabilities		3,041,690	3,358,958

BOTSWANA HOUSING CORPORATION STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Irredeemable capital	Retained earnings	Total
	P'000	P'000	P'000
Balance as at 01 April 2019	250,000	1,231,607	1,481,607
Comprehensive income			
Profit for the year	-	49,339	49,339
Total comprehensive income	-	49,339	49,339
Balance as at 31 March 2020	250,000	1,280,946	1,530,946
Balance as at 01 April 2020	250,000	1,280,946	1,530,946
Comprehensive income			
Profit for the year	-	1,058	1,058
Total comprehensive income	-	1,058	1,058
Balance as at 31 March 2021	250,000	1,282,003	1,532,003

BOTSWANA HOUSING CORPORATION STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	Note	2021 P'000	2020 P'000
Cash flows from operating activities			
Net cash (utilised in) / from operating activities	30.	(40,316)	159,187
Taxation paid	20.	(5,863)	(11,080)
With-holding tax paid	20.	(872)	-
Taxation refund	20.	-	6,326
Net cash (utilised in) / from operating activities		(47,051)	154,433
Cash flows from investing activities			
Acquisition of property, plant and equipment	17.	(1,664)	(6,272)
Acquisition of intangible assets	18.	-	(2,373)
Additions to investment properties	15.	(486)	-
Proceeds from sale of investment properties	12.	38,162	52,054
Dividends from joint ventures	19.	11,100	26,160
Interest received	13.	3,425	853
Net cash generated from investing activities		50,537	70,422
Cash flows from financing activities			
Repayment of long term borrowings	26.	(30,769)	(36,288)
Bond funds received	26.	100,000	-
Repayment of bond	26.	(103,000)	-
Lease payments	25.	(4,939)	(4,445)
Interest expenses - leases	25.	(982)	(1,367)
Interest paid	14.	(33,931)	(36,906)
Net cash utilised in financing activities		(73,621)	(79,006)
Net (decrease) / increase in cash and cash equivalents		(70,136)	145,849
Cash and cash equivalents at beginning of year	23.	366,839	220,990
Cash and cash equivalents at end of year	23.	296,703	366,839

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2021

1. STATEMENT OF COMPLIANCE

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

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

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

These financial statements represent the Corporation's statutory financial statements. The financial statements for the year ended 31 March 2021 have been approved for issue by the Directors on **26 October 2021**.

2.1 BASIS OF PREPARATION

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

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

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Standards and interpretations effective in the current year

In the current year, the Corporation adopted all of the new and revised Standards and Interpretations of the International Accounting Standards Board (the IASB) and the IFRS Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the annual reporting period beginning on 1 April 2019. With the exception of the implementation of IFRS16 as discussed below, the adoption of the new and revised standards and new interpretations did not have a significant impact on the financial results or financial position of the Corporation.

The below new amendments and interpretations that took place during the year did not have a material impact on the financial statements.

- * Definition of Material – Amendments to IAS 1 and IAS 8 - effective 1 January 2020
- * The Conceptual Framework of Financial Reporting - effective 1 January 2020
- * Amendments to IFRS 3 – Business combinations – effective 1 January 2020

The below accounting standard was amended during the year and management is assessing its impact to the Corporation:

- * Amendment to IAS 39, IFRS 7, IFRS 9 in respect of IBOR – effective 1 January 2020

BOTSWANA HOUSING CORPORATION STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

2.1 BASIS OF PREPARATION (Continued)

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

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

A number of new standards and amendments to standards are issued but not yet effective for year ended 31 March 2021. Those which may be relevant to the Corporation are set out below.

The Corporation does not plan to adopt these standards or amendments to standards early. These will be adopted in the period that they become mandatory.

* Covid-19 Related rent concessions – Amendment to IFRS 16 - effective 1 June 2020

* IBOR phase 2 – effective 1 January 2021

* Onerous contracts- Costs to fulfil a contract – effective 1 January 2022

* IFRS 17- effective 1 January 2023

* Classification of liabilities as Current or Non-current – Amendments to IAS 1 – effective 1 January 2023

* Definition of accounting estimates - Amendments to IAS 8 - effective 1 January 2023

Other standards/amendments to standards

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16 – effective 1 January 2022

2.2 REVENUE RECOGNITION

The Corporation recognises revenue from the following major streams:

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

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

(a) Rental income

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

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

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

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2021

2.2 REVENUE RECOGNITION (Continued)

(b) Outright sales of housing units

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

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

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

(c) Tenant purchase scheme (TPS)

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

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

(d) Property maintenance fees

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

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

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

(e) Professional fees

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

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

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2021

2.2 REVENUE RECOGNITION (Continued)

(f) Capacitation fees

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

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

2.3 FINANCE INCOME AND COSTS

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

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

2.4 INVESTMENT PROPERTY

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

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

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

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

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

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

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

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2021

2.5 INVENTORIES

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

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

(a) Land held for development

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

(b) Borrowing costs

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

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

(c) Capitalisation of development costs

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

(d) Work in progress (WIP)

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

(e) Housing inventories

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

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2021

2.6 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

2.7 INTANGIBLE ASSETS

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

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

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.

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2021

2.9 CASH AND CASH EQUIVALENTS

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

2.10 IRREDEEMABLE CAPITAL

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

2.11 PROVISIONS

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

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

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

2.12 LEASES

The Corporation as lessee

The Corporation assesses whether a contract is or contains a lease, at inception of the contract. The Corporation recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Corporation recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Corporation uses its incremental borrowing rate.

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

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

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2021

2.12 LEASES (Continued)

The Corporation as lessee (Continued)

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

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

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

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

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

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

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

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

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.

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2021

2.13 CONTRACT LIABILITIES

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

2.14 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2.15 EMPLOYEE BENEFITS

(a) Pension obligation

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.

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2021

2.16 FINANCIAL INSTRUMENTS

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

Financial assets which are debt instruments:

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

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

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

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

Financial liabilities:

Amortised cost; or

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

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

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

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

Trade and other receivables

Classification

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

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

Recognition and measurement

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

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2021

2.16 FINANCIAL INSTRUMENTS (Continued)

Impairment

The Corporation recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date. The Corporation measures the loss allowance for balances receivable at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

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

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

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.

Trade and other payables and borrowings

Definition of Credit Impaired

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

Classification

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

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2021

2.16 FINANCIAL INSTRUMENTS *(Continued)*

Recognition and measurement

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

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which approximates its fair value.

Derecognition

Financial assets

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

Financial liabilities

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

2.17 CURRENT AND DEFERRED INCOME TAX

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

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

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

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

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.

BOTSWANA HOUSING CORPORATION SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2021

2.17 CURRENT AND DEFERRED INCOME TAX (Continued)

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

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

2.18 CUSTOMER DEPOSITS

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

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

2.19 SEGMENT REPORTING

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

2.20 GOVERNMENT GRANTS

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

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

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

2.21 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The current Covid-19 pandemic has increased the Corporation's exposure to market, interest rate, liquidity and credit risks. These risks arise in the normal course of the Corporation's business. The Corporation increased its efforts to embed the Enterprise Risk Management Framework (ERMF) to manage the increased exposure. The embedding helped with integrated risk management approach that adequately identifies, assesses, measures, monitors and controls the constantly evolving risks. This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing these risks and the Corporation's management of capital. Further quantitative disclosures are included.

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

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

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

3.1 CREDIT RISK

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

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

The Corporation used its Credit Control section and various media platforms to mitigate against the increased exposure brought by the Covid 19 pandemic. The Credit Control Section, under the Property Management Department, assesses the credit quality of a customer, taking into account the customer's financial position, past experience and other factors. Individual risk limits are set based on internal or external information and in accordance with the Credit Control Policy, which was approved by the Board.

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

The Corporation provides for impairment of debtors based on the expected credit loss model (ECL) in line with IFRS 9. During the year under review, as a result of the Covid 19 pandemic a stress testing led to additional provision made. Refer to note 22 for additional details. The Corporation's write off policy is documented on accounting policy note 2.16.

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

3.1 CREDIT RISK (Continued)

	2021 P'000	2020 P'000
As at 31 March 2021 credit risk exposures relating to recognised financial assets are as follows:		
Trade and other receivables	111,602	82,627
Cash and cash equivalents	906,536	1,183,548
	1,018,138	1,266,175

The above table represents the worst case scenario of credit risk exposure for the Corporation as at 31 March 2021 and 2020 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 2021	Rental debtors P'000	TPS P'000	SOS P'000	Other P'000	Total P'000
Neither past due nor impaired	-	16,385	65	52,489	68,939
Past due but not impaired	2,779	1,761	-	47,698	52,238
Individually impaired	25,711	25	-	6,475	32,211
Gross	28,490	18,171	65	106,662	153,388
Less: Provision for expected credit loss	(25,711)	(25)	-	(6,475)	(32,211)
Net	2,779	18,146	65	100,187	121,177
Value of collateral held against trade receivables that are neither past due nor impaired	-	54,309	1,024	-	55,333

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

As at March 2020	Rental debtors P'000	TPS P'000	SOS P'000	Other P'000	Total P'000
Neither past due nor impaired	-	13,017	68	47,111	60,196
Past due but not impaired	934	2,101	-	19,396	22,431
Individually impaired	9,923	25	-	6,475	16,423
Gross	10,857	15,143	68	72,982	99,050
Less: Provision for expected credit loss	(9,923)	(25)	-	(6,475)	(16,423)
Net	934	15,118	68	66,507	82,627
Value of collateral held against trade receivables that are neither past due nor impaired	-	45,255	799	-	46,054

Title of property held as collateral is retained by the Corporation until the full outstanding balance is repaid. Collateral figure for previous year has been corrected from P28 788 to P45 255. This has no impact on the current year figures.

Previous year's figures for "Other Receivables" have been reinstated but have not impact on current year's numbers

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

3.1 CREDIT RISK (Continued)

Trade receivables, past due but not impaired

As at 31 March 2021	Rental and other debtors P'000	TPS P'000	SOS P'000	Total P'000
Past due up to 30 days	13,477	649	-	14,126
Past due 30 - 60 days	19,013	393	-	19,406
Past due over 60 days	17,987	719	-	18,706
Total	50,477	1,761	-	52,238
As at 31 March 2020				
Past due up to 30 days	6,152	567	5.00	6,724
Past due 30 - 60 days	10,023	882	12.00	10,917
Past due over 60 days	3,946	652	8.00	4,606
Total	20,121	2,101	25	22,247

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

At 31 March 2021	0 - 30 days	31 - 60 days	Over 60 days	Suffix & other 5 years	Total
Expected credit loss rate	25%	50%	75%	100%	
	P'000	P'000	P'000	P'000	
Estimated total gross carrying amount at default	1,844	1,355	2,871	22,420	28,490
Expected credit loss	461	678	2,153	22,420	25,712
At 31 March 2020					
Expected credit loss rate	25%	50%	75%	100%	
	P'000	P'000	P'000	P'000	Total
Estimated total gross carrying amount at default	553	516	1,094	8,704	10,867
Expected credit loss	138	258	821	8,704	9,921

3.2 MARKET RISK

(i) Foreign exchange risk

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

There were no assets or liabilities denominated in foreign currencies as at 31 March 2021 (2020:-Nil).

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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 2021 and 2020, the Corporation's borrowings at fixed rate were denominated in the functional currency.

3.2 INTEREST RATE SENSITIVITY

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

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

Interest rates applicable to financial instruments are as follows:

	2021		2020	
	Balance P'000	Interest rate	Balance P'000	Interest rate
Short-term deposits				
African Alliance	55,500	4.67%	63,529	4.03%
BIFM	24,335	3.92%	99,837	4.10%
Vunani	42,010	4.47%	60,935	3.79%
Standard Chartered Bank	100,000	5.50%	-	
BancABC	25,000	5.35%	-	
Call deposits	50,755	0.25% - 1.00%	88,166	0.25% - 1.00%
	297,600		312,467	

Floating debt securities balances as at 31 March 2021 are as follows:

Floating debt securities	300,000	Bank rate +2.90%	300,000	Bank rate +2.90%
	300,000		300,000	
Net Interest Bearing	(-2,400)		12,467	
Interest rate variation at 0.50%	(-12)		62	

With average interest rates disclosed above, an increase of 0.50% in interest rates during the reporting period would have decreased the Corporation's profit before taxation by P12 000 (2020: increased in the Corporation's profit before taxation by P62 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 decreased the Corporation's equity by P9 000 (2020: increased the Corporation's equity by P48 000).

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

3.3 LIQUIDITY RISK

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

	Less than 1 year	1 - 2 years	2 - 5 years	Over 5 years	Total
	P'000	P'000	P'000	P'000	P'000
At 31 March 2021					
Borrowings	166,565	65,641	586,936	134,258	953,400
Trade and other payables	128,855	-	-	-	128,855
Lease liabilities	7,147	5,065	-	-	12,212
Customer deposits	14,053	-	-	-	14,053
Liabilities (contractual maturity)	316,620	70,706	586,936	134,258	1,108,520
	Less than 1 year	1 - 2 years	2 - 5 years	Over 5 years	Total
	P'000	P'000	P'000	P'000	P'000
At 31 March 2020					
Borrowings	174,641	60,315	475,405	169,412	879,773
Trade and other payables	139,336	-	-	-	139,336
Lease liabilities	6,759	9,755	1,861	-	18,375
Customer deposits	15,186	-	-	-	15,186
Liabilities (contractual maturity)	335,922	70,070	477,266	169,412	1,052,670

3.4 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets at amortised cost

	2021 P'000	2020 P'000
Assets as per statement of financial position:		
Trade and other receivables	111,601	82,959
Cash and cash equivalents	906,536	1,183,548
	1,018,137	1,266,507

Financial liabilities at amortised cost

	2021 P'000	2020 P'000
Liabilities as per statement of financial position:		
Borrowings	679,254	716,402
Trade and other payables	128,855	139,336
Customer deposits	14,053	15,186
	822,162	870,924

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

3.5 CAPITAL RISK MANAGEMENT

The Corporation is a parastatal established by an Act of Parliament. The Corporation is supported by its owner, the Government of Botswana. Capital consists of irredeemable capital and retained earnings reserve. The Corporation's objectives when managing capital are to safeguard 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.

	2021 P'000	2020 P'000
Total long term debt	679,254	716,402
Total capital and reserves	1,532,003	1,530,946
Debt : equity ratio	0.44	0.47

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

3.6 IMPACT OF COVID-19 TO THE CORPORATION'S OPERATIONS

As all organizations adjusted to the new normal of living with Covid-19 during the year, no significant operational losses were incurred during the year. However, increase in rental impairments remain a challenge to the Corporation. In mitigating against this exposure, the Corporation strengthened its communication strategies to improve collections and recoveries in the new normal. Furthermore, appropriate measures were put in place around safety, health and environment factors affecting employees, customers and business operations across the Corporation. These include:

- Provision of personal protective equipment (PPE) to employees.
- Educating employees and customers on Covid-19 transmission.
- Emergency response plan which includes employee communications, simulations and work place procedures.
- Working with authorities and providing support to affected employees and their families.
- Remote working guidelines put in place and working from home established.
- Continuous communication with employee

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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 2021 is as follows:

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

4. OPERATING SEGMENTS (Continued)

	Sale of Housing Inventories	Rental	Construction and management contracts	Others	Total
	P'000	P'000	P'000	P'000	P'000
Revenue	199,641	209,316	351,024	-	759,981
Cost of sale of housing inventories	(191,624)	-	-	-	(191,624)
Cost of sale of third party maintenance	-	-	(303,193)	-	(303,193)
Gross profit	8,017	209,316	47,830	-	265,163
Repairs and maintenance	-	(42,462)	-	-	(42,462)
Employee benefit expenses	(51,293)	(12,823)	-	(74,079)	(138,195)
Depreciation and amortisation	(2,278)	(18,493)	-	(9,715)	(30,486)
Other expenses	(13,674)	(23,732)	-	(23,355)	(60,761)
Impairment expenses	-	(15,788)	-	(9,575)	(25,363)
Gains from sale of investment properties	24,459	-	-	-	24,459
Other income	363	240	-	1,011	1,613
Operating (loss) / profit	(34,407)	96,258	47,831	(115,714)	(6,032)
Finance income	-	-	-	4,600	4,600
Finance costs	(10,868)	(2,717)	-	-	(13,584)
Net finance (costs) / income	(10,868)	(2,717)	-	4,600	(8,984)
Share of profit or loss of equity accounted investees of joint ventures	-	-	-	16,776	16,776
(Loss) / profit before taxation	(45,275)	93,541	47,831	(94,338)	1,759
Taxation	-	(701)	-	-	(701)
Total comprehensive income for the year	(45,275)	92,840	47,831	(94,338)	1,058
Total segment results above include:					
Revenue from Government and Government related entities (note 32.7)	88,997	134,673	-	13,839	237,509
Segment assets	575,558	1,372,693	-	150,883	2,099,134
Reconciliation to total assets as reported in the statement of financial position					
Investment in joint ventures	-	-	-	20,674	20,674
Intangible assets	-	-	-	15,346	15,346
Cash and cash equivalents	-	-	-	906,536	906,536
Total assets as reported in the statement of financial position	575,558	1,372,693	-	1,093,439	3,041,690
Total liabilities	556,195	179,467	-	774,024	1,509,686

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

4. OPERATING SEGMENTS *(Continued)*

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

	Sale of Housing Inventories	Rental	Construction and management contracts	Others	Total
Additions to non current assets	P'000	P'000	P'000	P'000	P'000
Investment properties	-	10,722	-	-	10,722
Property, plant and equipment	-	-	-	1,664	1,664
Intangible assets	-	-	-	-	-
	-	10,722	-	1,664	12,386

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

4. OPERATING SEGMENTS (Continued)

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

	Sale of Housing Inventories	Rental	Construction and management contracts	Others	Total
	P'000	P'000		P'000	P'000
Revenue	352,102	199,325	329,035	-	880,462
Cost of sale of housing inventories	(302,624)	-	-	-	(302,624)
Cost of sale of third party maintenance	-	-	(265,961)	-	(265,961)
Repairs and maintenance	-	(48,618)	-	-	(48,618)
Employee benefit expenses	(51,293)	(12,823)	-	(77,087)	(141,203)
Depreciation and amortisation	(4,173)	(12,500)	-	(9,159)	(25,832)
Other expenses	(26,105)	(23,382)	-	(23,813)	(73,300)
Impairment expenses	-	(1,565)	-	-	(1,565)
Gains from sale of investment properties	28,843	-	-	-	28,843
Other income	105	109	-	219	433
Operating profit/(loss)	(3,145)	100,546	63,074	(109,840)	50,634
Finance income	-	-	-	1,408	1,408
Finance costs	(9,561)	(2,389)	-	-	(11,950)
Net finance (costs) / income	(9,561)	(2,389)	-	1,408	(10,542)
Share of profit or loss of equity accounted investees of joint ventures	-	-	-	13,759	13,759
Profit before taxation	(12,706)	98,157	63,074	(94,673)	53,851
Taxation	-	(4,512)	-	-	(4,512)
Total comprehensive income for the year	(12,706)	93,645	63,074	(94,673)	49,339
Total segment results above include:					
Revenue from Government and Government related entities (note 32.7)	257,903	128,051	-	40,954	426,908
Segment assets	596,638	1,410,788	-	133,858	2,141,284
Reconciliation to total assets as reported in the statement of financial position:					
Investment in joint ventures	-	-	-	14,998	14,998
Intangible assets	-	-	-	19,128	19,128
Cash and cash equivalents	-	-	-	1,183,548	1,183,548
Total assets as reported in the statement of financial position	596,638	1,410,788	-	1,351,532	3,358,958
Total liabilities	612,676	199,157	-	1,016,178	1,828,011
Additions to non current assets					
Investment properties	-	138,314	-	-	138,314
Property, plant and equipment	-	-	-	6,272	6,272
Intangible assets	-	-	-	2,373	2,373
	-	138,314	-	8,645	146,959

BOTSWANA HOUSING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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)

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

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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.

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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

Principal versus agent considerations

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

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

5. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(i) Revenue from contracts with customers

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.

6. RENTAL INCOME AND REVENUE FROM CONTRACTS WITH CUSTOMERS

	2021 P'000	2020 P'000
Rental income - Residential properties	206,389	196,799
Rental income - Commercial properties	2,927	2,526
Rental income (Point in time)	209,316	199,325
Professional fees	13,839	40,954
External projects contracts income	125,940	120,383
Self Help Housing Agency (SHHA) projects contracts income	120,629	107,014
Capacitation fee	19,395	10,953
Revenue from construction contracts (Over time)	279,803	279,304
Outright sales of housing units	197,392	350,099
Facilities management income	69,053	47,722
Tenant purchase scheme income	2,237	1,991
Step ownership scheme income	12	12
Recoverable maintenance	2,168	2,008
Revenue from contracts with customers (Point in time)	270,862	401,832
	759,981	880,462

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

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

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

	2021 P'000	2020 P'000
7. COST OF SALE OF HOUSING INVENTORIES		
At beginning of the year	647,795	838,902
Land held for development	40,471	45,142
Housing under construction	342,878	565,310
Completed houses - Inventories (written down to net realisable value)	264,446	228,450
Movements during the year	148,331	111,517
Acquisition of land	7,914	4,671
Capitalised construction costs	124,805	228,295
Capitalised development costs - employee benefit expenses (note 8)	7,311	8,048
Capitalised borrowing costs (note 14)	25,812	33,676
Non capitalised borrowing costs	(7,231)	(17,355)
Transfer from investment properties	442	1
Housing inventory written off	-	(7,505)
Transfer to investment property (note 15)	(10,722)	(138,314)
At end of year (note 16)	(604,502)	(647,795)
Land held for development	(32,557)	(40,471)
Housing under construction	(247,987)	(342,878)
Completed houses - Inventories (written down to net realisable value)	(323,958)	(264,446)
	191,624	302,624
Cost of sale of construction and management contracts		
External construction contracts	125,944	120,383
SHHA construction contracts	120,629	107,014
Facilities management contracts	56,621	38,564
	303,193	265,961

8. EMPLOYEE BENEFIT EXPENSES

Salaries, wages and other benefits	129,752	125,250
Incentive pay	76	8,449
Pension contributions	10,951	9,733
Gratuities	4,727	5,819
Less : capitalised during the year (note 7)	(7,311)	(8,048)
	138,195	141,203

Number of persons employed by the Corporation at the reporting date were 286 (2020: 278).

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

	2021 P'000	2020 P'000
9. DEPRECIATION AND AMORTISATION		
Depreciation - right of use asset (note 25)	5,698	5,246
Depreciation - investment properties (note 15)	14,420	7,498
Depreciation - property, plant and equipment (note 17)	4,903	6,735
Amortisation - leasehold land (note 15)	1,685	2,641
Amortisation - intangible assets (note 18)	3,782	3,712
	30,488	25,832

10. OTHER EXPENSES

Audit fees - prior year under provision	-	214
Audit fees - current year	968	1,058
Board members' remuneration	407	311
Lease rentals - motor vehicles, offices and office equipments	144	623
Consultancy fees	4,763	5,280
Rates	5,503	5,558
Non capitalisable expenses	(4,765)	(147)
Security expenses	5,469	7,270
Telephone expenses	8,319	6,568
Training expenses	1,680	7,018
Insurance	1,928	2,368
Travelling and accommodation	2,839	5,338
IT expenses	8,293	6,047
Advertising and marketing	5,612	4,228
Call centre expenses	2,475	2,150
Administration expenses	13,342	15,781
Training levy	4	880
Utilities	3,761	2,755
Penalty charges - Tax	19	-
	60,761	73,300
Impairment expenses		
Rental debtors	15,788	1,565
Professional fees	9,575	-
	25,363	1,565

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

	2021 P'000	2020 P'000
11. OTHER INCOME		
Sundry income	1,608	398
Income from auction sales	5	35
	1,613	433

12. GAINS FROM SALE OF INVESTMENT PROPERTIES

Proceeds from sale of investment properties	38,162	52,054
Cost (note 15)	(16,204)	(26,885)
Accumulated depreciation (note 15)	2,501	3,674
	24,459	28,843

13. FINANCE INCOME

Interest income received on short term bank deposits	3,425	853
Interest accrued on short term bank deposits	1,175	555
	4,600	1,408

14. FINANCE COSTS

Interest expense paid on loans	6,178	7,209
Interest expense paid on debt securities in issue	27,003	29,136
Other financing costs paid	751	561
	33,932	36,906
Interest expense - leases	982	1,367
Interest accrued on loans	2,421	2,840
Interest accrued on debt securities in issue	2,061	4,513
Less: capitalised to housing inventories during the year (note 7)	(25,812)	(33,676)
	13,584	11,950

A capitalisation rate of 8.46% (2020: 8.46%) was used for projects whose development was financed out of debt securities (note 26).

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

15. INVESTMENT PROPERTIES

	2021 P'000	2020 P'000
Opening carrying amount	1,330,608	1,225,645
Transfer to inventory	(442)	(1)
Additions to investment properties (including improvements)	486	-
Additions to investment properties - transfer from inventory (note 7)	10,722	138,314
Disposals	(16,204)	(26,885)
Depreciation on disposals	2,501	3,674
Depreciation - housing properties	(14,419)	(7,498)
Amortisation - leasehold land	(1,685)	(2,641)
Closing carrying amount	1,311,567	1,330,608
Cost	1,661,287	1,666,724
Accumulated depreciation	(349,721)	(336,116)
Carrying amount	1,311,567	1,330,608

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

Future minimum rentals receivables under operating leases as at 31 March 2021 are as follows:

	2021 P'000	2020 P'000
After one year but less than five years	221,186	206,389
After five year	442,373	412,778
	663,559	619,167

Investment properties were valued as at 31 March 2021 by estate management professionals based on the latest prevailing market prices. The value of the investment properties was estimated at P5,265 million on 31 March 2021 (2020: P4,877 million). The Corporation uses the cost model to determine the fair values of property. The model uses current replacement cost less the depreciation due to physical deterioration. The current replacement cost is the current cost of constructing a property type using estimated gains from the in-house Quantity Surveyors. The land component is estimated separately and added to calculate the final fair value of the property. The fair value of measurement for all investment properties has been categorised as a level 3 fair value based on the inputs to the valuation technique used.

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

The value of housing properties which the Corporation has not received title deeds amount to P3.8 million (2020: P3.8 million). The members of the Board believe that title deeds for these properties will be received in due course.

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

	2021 P'000	2020 P'000
16. HOUSING INVENTORIES		
Land for development (note 7)	32,557	40,471
Housing under construction (note 7)	247,987	342,878
Completed houses (note 7)	326,297	266,785
Less: Write down of inventory to net realisable value (note 7)	(2,339)	(2,339)
	604,502	647,795

BOTSWANA HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

17. PROPERTY, PLANT AND EQUIPMENT

	Land & buildings	Computer equipment	Furniture & office equipment	Motor vehicles	Plant & equipment	Total
	P'000	P'000	P'000	P'000	P'000	P'000
As at 31 March 2021						
Opening carrying amount	38,800	6,850	6,037	4,987	129	56,803
Additions	-	1,141	485	-	38	1,664
Depreciation charge	(840)	(1,873)	(992)	(1,193)	(5)	(4,903)
Closing carrying amount	37,960	6,118	5,530	3,794	162	53,564
Cost	48,127	23,792	15,354	15,287	2,386	104,946
Accumulated depreciation	(10,167)	(17,675)	(9,824)	(11,492)	(2,224)	(51,382)
Closing carrying amount	37,960	6,117	5,530	3,795	162	53,564
As at 31 March 2020						
Opening carrying amount	39,011	5,547	6,118	6,455	135	57,266
Additions	2,405	2,852	1,005	-	10	6,272
Depreciation charge	(2,616)	(1,549)	(1,086)	(1,468)	(16)	(6,735)
Closing carrying amount	38,800	6,850	6,037	4,987	129	56,803
Cost	48,127	22,653	14,870	15,287	2,346	103,283
Accumulated depreciation	(9,327)	(15,803)	(8,833)	(10,300)	(2,217)	(46,480)
Closing carrying amount	38,800	6,850	6,037	4,987	129	56,803

Office	Location	Size (SQM)	Original Cost P'000
BHC Head Office (GA4773)	Gaborone	3,527	5,423
Gaborone Area Office (GA1211)	Gaborone	2,815	4,057
BHC New Head Office (GA5129)	Gaborone	4,899	31,106
Broadhurst Area Office (GA10236)	Gaborone	2,925	1,767
Francistown Offices (FT1283)	Francistown	1,238	2,626
Palapye	Palapye	974	629
Selebi Phikwe (SP2711)	Selebi Phikwe	872	219
Mahalapye	Mahalapye	133	189
Kasane	Kasane	134	59
Maun/17223 (MA11) -Current BHC Offices	Maun	528	224
Lobatse (LO6392)	Lobatse	1,390	1,830
Total			48,127

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

18. INTANGIBLE ASSETS

	ERP System	Computer software	Total
	P'000	P'000	P'000
As at 31 March 2021			
Opening carrying amount	19,128	-	19,128
Amortisation charge	(3,782)	-	(3,782)
Closing carrying amount	15,346	-	15,346
Cost	47,765	5,367	53,132
Accumulated amortisation	(32,419)	(5,367)	(37,786)
Closing carrying amount	15,346	-	15,346
As at 31 March 2020			
Opening carrying amount	20,467	-	20,467
Additions	2,373	-	2,373
Amortisation charge	(3,712)	-	(3,712)
Closing carrying amount	19,128	-	19,128
Cost	47,765	5,367	53,132
Accumulated amortisation	(28,637)	(5,367)	(34,004)
Closing carrying amount	19,128	-	19,128

Remaining amortisation period for ERP system is 2 years (2020:3years)

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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-21 P'000	Apr-20 P'000	Apr-21 P'000	Apr-20 P'000	2021 P'000	2020 P'000
	Plot 7 (Plaza Centre)		Plot 1471/2 (Galo Complex)		Total	
Assets:						
Non-current assets						
Investment property	1,932	1,998	133,344	113,159	135,276	115,157
Other non-current assets	-	-	6,166	4,198	6,166	4,198
	1,932	1,998	139,510	117,357	141,442	119,355
Current assets						
Cash and cash equivalents	958	630	13,795	16,078	14,753	16,708
Other current assets excluding cash	226	163	3,736	3,727	3,962	3,890
	1,184	793	17,531	19,805	18,715	20,598
	3,116	2,791	157,041	137,162	160,157	139,953
Liabilities:						
Non-current liabilities						
Borrowings	-	-	87,300	74,557	87,300	74,557
Deferred income	-	-	536	606	536	606
	-	-	87,836	75,163	87,836	75,163
Current liabilities						
Borrowings	-	-	10,866	7,640	10,866	7,640
Trade and other payables	414	402	4,857	12,473	5,271	12,875
	414	402	15,723	20,113	16,137	20,515
	414	402	103,559	95,276	103,973	95,678
Net assets	2,702	2,389	53,482	41,886	56,184	44,275
Income						
Revenue	1,953	1,978	54,162	39,677	56,115	41,655
Sundry income	-	-	53	60	53	60
Finance income	21	4	752	167	773	171
	1,974	1,982	54,967	39,904	56,941	41,886
Expenses						
Finance costs	-	-	3,278	-	3,278	-
Operating expenses	395	296	16,156	12,569	16,551	12,865
Depreciation	66	66	2,935	1,545	3,001	1,611
	461	362	22,369	14,114	22,830	14,476
Profit and total comprehensive income	1,513	1,620	32,598	25,790	34,111	27,410

Plot 7

May to April 2021

Plot 1471/2

May to April 2021

These are the reporting periods as elected by the partnership.

BOTSWANA HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

19.2 RECONCILIATION OF NET ASSETS TO CARRYING AMOUNT

	Apr-21 P'000	Apr-20 P'000	Apr-21 P'000	Apr-20 P'000	2021 P'000	2020 P'000
	Plot 7 (Plaza Centre)		Plot 1471/2 (Galo Complex)		Total	
Closing net assets	2,702	2,389	53,482	41,886	56,184	44,275
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	(126)	(136)	(2,717)	(2,149)	(2,843)	(2,285)
	1,305	982	40,046	29,017	41,350	29,999
Interest in Joint Venture at 50%	652	491	20,023	14,508	20,675	14,999
Summarised comprehensive income						
Carrying amount	1,513	1,620	32,598	25,790	34,111	27,410
Adjustments						
Adjustment in current year profit	(126)	(135)	(2,717)	(2,149)	(2,843)	(2,284)
Adjustment in prior year profit	135	128	2,149	2,263	2,284	2,391
	1,522	1,613	32,031	25,904	33,553	27,517
Share of surplus at 50%	761	807	16,015	12,952	16,776	13,759

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

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

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

20. TAXATION

	2021 P'000	2020 P'000
Amount recognised in the statement of financial position		
Taxation refundable at the beginning of the year	(5,775)	(6,326)
Normal company taxation	-	5,305
Tax refund	-	6,326
With-holding tax paid during the year	(872)	-
Income tax paid during the year	(5,863)	(11,080)
Taxation refundable at end of the year	(12,509)	(5,775)
Taxation charge reconciliation		
Profit before taxation	1,759	53,851
Taxation at the statutory rate of 22%	387	11,847
Tax effects of adjustments on taxable income		
Donation not taxable	1,420	86
Exempt income	(1,106)	(7,421)
Taxation	701	4,512
Amount recognised in profit or loss		
Current tax expense		
Current year taxation	-	5,305
Deferred tax movement		
Deferred tax movement during the year	701	(793)
Taxation per profit or loss	701	4,512

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

21. DEFERRED TAX

Movement in deferred tax		
Balance at the beginning of the year as previously stated	2,486	1,693
Restated balance as at 1 April 2019	2,486	1,693
Movement during the year	(701)	793
Balance at the end of the year	1,785	2,486
Analysis of deferred taxation		
Temporary differences relating to :		
Accelerated depreciation on property, plant and equipment	4,818	6,518
Accelerated capital allowances on intangible assets	(3,376)	(4,208)
Right of use asset	(793)	(3,342)
Lease liability	1,136	3,518
	1,785	2,486

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

22. TRADE AND OTHER RECEIVABLES

	2021 P'000	2020 P'000
Trade receivables	105,690	79,863
Less: allowance for impairment of trade receivables	(41,786)	(16,423)
Trade receivables - net	63,904	63,440
Other receivables*	47,698	19,187
	111,602	82,627
Less: non-current portion	(14,084)	(11,324)
Current portion	97,518	71,303

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

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

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

Accumulated impairment losses at beginning of the year	16,423	14,858
Movement in allowance for impairment per profit or loss (note 10)	25,363	1,565
Accumulated impairment losses at end of the year	41,786	16,423

23. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	214,980	392,777
Short term bank deposits	691,556	790,771
	906,536	1,183,548

Cash and cash equivalents include P609.8 million (2020: P816.4 million) received from government entities to carry out its construction of housing projects. These balances have been excluded from cash and cash equivalents for the purpose of statement of cash flows and are ring-fenced for their specific purpose. These balances relate to the project management and construction services provided to these projects. The corresponding liability has been recognised in note 28.

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

Money markets deposits	121,845	224,301
Current and call accounts deposits	174,858	142,538
	296,703	366,839

24. IRREDEEMABLE CAPITAL

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

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

25. LEASES

As at 31 March 2021

Right of use of assets	Leased offices	Leased Vehicles	Leased equipment	Total
	P000	P000	P000	P000
Opening balance	718	11,692	2,780	15,190
Adjustments	2,230	(5,887)	(2,230)	(5,887)
Depreciation expense for the year	(376)	(4,778)	(544)	(5,698)
Carrying amount as at 31 March 2021	2,572	1,027	6	3,605
Cost	3,324	16,018	1,094	20,436
Adjustments	-	(5,888)	-	(5,888)
Accumulated depreciation	(752)	(9,103)	(1,088)	(10,943)
Carrying amount	2,572	1,027	6	3,605
Reconciliation of lease liabilities				
Opening balance				15,991
Finance costs				982
Adjustment				(5,887)
Less: Repayment of lease liabilities				(5,921)
Closing balance				5,165
Lease liabilities				
Amounts due for settlement within 12 months				3,752
Amounts due for settlement after 12 months				1,413
Maturity profile for discounted lease liabilities				
Not later than 1 year				3,752
Later than 1 year and not later than 5 years				1,413
				5,165
Maturity profile for undiscounted lease liabilities				
Not later than 1 year				7,147
Later than 1 year and not later than 5 years				5,065
				12,212
Amounts recognized in statement of profit or loss				
Depreciation expense on right-of-use assets				5,698
Interest expense on lease liabilities				982
Amounts recognised in statement of cash flow				
Lease payments				4,939
Interest payment				982
Total cash out flows for the year related to leases				5,921

BOTSWANA HOUSING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

25. LEASES *(continued)*

As at 31 March 2020

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

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

26. BORROWINGS

	2021 P'000	2020 P'000
Irredeemable loan (note 26.1)	212	212
Government of Botswana loans (note 26.2)	246,375	270,766
	246,587	270,978
Debt securities in issue (note 26.4)	399,704	405,665
	646,291	676,643
Less: current portion	(35,252)	(141,123)
Non-current portion	611,039	535,520

Debt securities in issue include accrued interest of P2.061 million (2020: P4.513 million) at year end.

Reconciliation of borrowings

Contractual payments including interest:		
Irredeemable loan	2,965	2,965
Government of Botswana loans	316,385	356,154
Debt securities in issue	634,050	520,653
	953,400	879,772
Less: future interest costs	(307,109)	(203,129)
Capital portion of borrowings	646,291	676,643

All borrowings are denominated in Pula.

Government revenue grant (note 26.3)

Balance at the beginning of the year	39,760	47,056
Amortisation during the year	(6,797)	(7,296)
Deferred Government revenue grant	32,963	39,760
Less: current portion	(6,267)	(6,797)
Non-current portion	26,697	32,963

26.1 IRREDEEMABLE LOAN

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

26.2 GOVERNMENT OF BOTSWANA LOAN

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

26.3 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.

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

26. BORROWINGS *(continued)*

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.

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

26.5 MOVEMENT IN BORROWINGS

Lender	Contractual interest rate (%)	Period of repayment	Balance at 01 April 2020 P'000	Addition P'000	Interest unwinding during the year P'000	Repayment during the year P'000	Balance at 31 March 2021 P'000
Debt securities BHC020	10.10	2010-2020	103,000	-	-	(103,000)	-
Debt securities BHC025	Bank rate plus 2.90	2018-2025	300,000	-	-	-	300,000
Debt securities BHC028	7.75	2021-2028	-	100,000	-	-	100,000
			403,000		-	(103,000)	400,000

Irredeemable loan

Government of Botswana	8.00%	Irredeemable	212	-	-	-	212
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Government of Botswana loan

Government of Botswana	3.00%	2015-2029	270,766	-	6,378	(30,769)	246,375
			270,766	-	6,378	(30,769)	246,375

			270,978		6,378	(30,769)	246,587
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Lender	Contractual interest rate (%)	Period of repayment	Balance at 01 April 2019 P'000	Addition P'000	Interest unwinding during the year P'000	Repayment during the year P'000	Balance at 31 March 2020 P'000
Debt securities BHC020	10.10	2010-2020	103,000	-	-	-	103,000
Debt securities BHC025	Bank rate plus 2.90	2018-2025	300,000	-	-	-	300,000
			403,000	-	-	-	403,000

Irredeemable loan

Government of Botswana	8%	Irredeemable	212	-	-	-	212
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Foreign loans on-lent by the Government of Botswana

Government of the Peoples' Republic of China	8.40%	2011-2019	5,528	-	(9)	(5,519)	-
			5,528	-	(9)	(5,519)	-

Government of Botswana	3.00%	2015-2029	294,355	-	7,180	(30,769)	270,766
			294,355	-	7,180	(30,769)	270,766

			300,095	-	7,171	(36,288)	270,978
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BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

	2021 P'000	2020 P'000
26.6 RECONCILIATION OF BORROWINGS MOVEMENT TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Balance at the beginning of the year	716,402	752,638
Repayment of long term borrowings	(30,769)	(36,288)
Repayment of debt securities	(103,000)	-
Proceeds from issue of debt securities	100,000	-
Transactional costs on debt securities issued	(839)	-
Amortised funding transactional costs	331	321
Interest expense accrued (movement)	(2,871)	(269)
Balance at the end of the year	679,254	716,402

27. TRADE AND OTHER PAYABLES

Financial liabilities

Trade payables	121,305	126,040
Sundry creditors*	7,551	13,295
	128,855	139,336

Non financial liabilities

Advance payment by customers	17,435	21,521
Contractors withholding tax	147	332
Other accruals and VAT payable**	31,491	59,615
	49,074	81,469

Total trade and other payables	177,929	220,805
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*Sundry creditors is predominantly gratuity for employees on contract.

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

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

2021
P'000

2020
P'000

28. CONTRACT BALANCES

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

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

Contract assets	58,932	53,587
Contract liabilities	609,833	816,709
Contract liabilities		
At the beginning of the year	816,709	870,032
Funds received during the year	21,878	219,784
Expenditure on projects during the year	(259,494)	(299,561)
Interest earned on temporary investment of funds	30,740	26,454
At the end of the year	609,833	816,709

Revenue recognised in the current year	279,803	279,304
Amount included in the contract liabilities in the beginning of the period	-	31,717
Amount from previous period	279,803	248,086

**This disclosure has been added to enhance the AFS with no impact on the numbers presented **

Balances relating to related parties are as follows

Botswana Defence Force	391,275	460,329
Department of Housing	41,306	42,564
Self Help Housing Agency	93,568	206,262
Maletle Land Board	2,450	9,112
Directorate of Corruption and Economic Crime	18,381	8,287
Kgatleng Land Board	-	1,575
Administration of Justice	(341)	(341)
Botswana Prisons Services	26,476	31,376
Ministry of Finance	132	(69)
Tawana Land Board	2,302	2,292
Botswana Police Service	31,939	42,071
Kweneng Land Board	(134)	852
Letlhakeng Sub Land Board	1,525	1,518
Palapye Sub Land Board	-	5,763
Ministry of Lands	(1,048)	3,094
Chobe Land Board	1,509	1,502
Ministry of infrastructure	489	-
Palapye Sub Land Board	4	522
	609,833	816,709

The relationship is through common ownership by the Government of Botswana

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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.

	2021 P'000	2020 P'000
28.1 DEFERRED INCOME		
At the beginning of the year	42,919	25,210
Funds received during the year	-	39,136
Expenditure on projects during the year	(19,465)	(21,427)
At the end of the year	23,454	42,919

Balances relating to deferred income are as follows

Administration of Justice	15,398	22,002
SHHA	1,967	2,754
Ombudsman	2,000	2,000
National Assembly of Botswana	4,308	16,381
Botswana Government - Abu Dhabi exhibition	211	212
Botswana Government - ESP projects	(402)	(402)
Botswana Government - Malaysian trip	(28)	(28)
	23,454	42,919

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

29. CUSTOMER DEPOSITS

Rental deposits	12,672	12,579
Sale of properties deposits	1,381	2,607
	14,053	15,186

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

2021
P'000

2020
P'000

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

Surplus before taxation	1,759	53,851
Adjustments for:		
Gains from sale of investment property (note 12)	(24,459)	(28,843)
Depreciation - investment property (note 15)	14,419	7,498
Depreciation - property, plant and equipment (note 17)	4,903	6,735
Amortisation - leasehold land (note 15)	1,685	2,641
Amortisation - intangible assets (note 18)	3,782	3,712
Depreciation right of use asset (note 25)	5,698	5,246
Interest expense - leases (note 25)	982	1,367
Impairment expenses / (reversal) (note 22)	25,363	1,565
Transfer of investment property to inventory (note 15)	442	1
Transfer from inventory to investment property (note 7)	(10,722)	(138,314)
Capitalised interest (note 14)	25,812	33,676
Interest unwinding on loans	-	169
Movement in bond and loan accrued interest	(2,871)	(438)
Deferred Bond arrangement fees	(509)	322
Housing inventory written off (note 7)	-	7,505
Share of profit or loss of equity accounted investees of joint ventures (note 19)	(16,776)	(13,758)
Finance income (note 13)	(4,600)	(1,408)
Finance cost (note 14)	12,602	10,583
	37,509	(47,890)
Changes in working capital:		
(Decrease) / increase in trade and other receivables (note 22)	(53,162)	31,388
Decrease in trade and other payables (note 27)	(47,358)	(24,230)
(Decrease) / increase in deferred income	(19,466)	17,709
Decrease in customer deposits (note 29)	(1,133)	(1,393)
Increase in housing inventories (note 16)	43,293	183,602
Net Cash (utilised in) / from operating activities	(40,316)	159,187

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	44,597	111,158
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The capital commitments are to be financed through internally generated cash resources and borrowings.

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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.

2021	2020
P'000	P'000

32.2 TRANSACTIONS WITH BOARD MEMBERS

Board sitting fees	407	311
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32.3 KEY MANAGEMENT PERSONNEL COMPENSATION

Salaries and other short-term benefits	4,975	4,667
Post employment benefits - gratuity provision	5,075	4,321
	10,050	8,988

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

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

32.4 ADVANCES TO KEY MANAGEMENT PERSONNEL

Advance against gratuity	4,412	2,570
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Like any other employee of the Corporation, key management personnel become eligible for an advance against gratuity when they have served a minimum of one year on their current employment contracts. The advance against gratuity is recovered from the officer's gratuity at the end of their contract.

32.5 CREDIT LOSS ALLOWANCES

As at 31 March 2021, credit loss allowances in respect of rental debts owed by the Government of Botswana amounted to Nil (2020: Nil).

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

32. RELATED PARTY TRANSACTIONS (Continued)

32.6 JOINT VENTURES

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

32.7 REVENUE

Significant income the Corporation earned from related parties include professional services carried out, rental income and sale of housing inventories for the year ended 31 March 2021.

	Sales of housing inventories	Rental income	Professional fees	Contractors Payments
	P'000	P'000	P'000	P'000
Botswana Defence Force	-	12,787	5,958	77,972
Botswana Prison Services	21,017	4,538	221	3,823
Botswana Unified Revenue Services	-	658	-	-
Ministry of Land Management, Water and Sanitation	-	-	70	10,100
Botswana Police Service	32,317	22,100	-	12,916
Self Help Housing Agency	-	-	7,591	120,629
Kweneng Land Board	-	667	-	3,987
Kgatleng Land Board	-	149	-	1,373
Maletle Land Board	-	-	-	6,697
Palapye Land Board	-	2,501	-	5,754
District Housing	-	51,136	-	3,195
Office of the President	-	9,241	-	-
Ministry of Health and Wellness	27,374	444	-	-
Ministry of Infrastructure and Housing Development	-	-	-	32
Ministry of Finance and Economic Development	8,289	-	-	85
Water Utilities Corporation	-	238	-	-
Directorate on Corruption and Economic Crime	-	-	-	45
Botswana Power Corporation	-	1,411	-	-
Botswana Railways	-	2,922	-	-
Botswana Ash	-	25,581	-	-
Botswana International University of Science and Technology	-	137	-	-
Jwaneng Town Council	-	163	-	-
	88,997	134,673	13,839	246,608

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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 2020.

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

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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.

	2021 P'000	2020 P'000
Botswana Defence Force	8,467	11,329
Department of Lands	13,095	13,766
Administration of Justice	121	122
Botswana Police Service	1,503	14,507
Directorate on Corruption and Economic Crime	-	533
Accountant General	940	939
Self Help Housing Agency	25,308	-
Kgatleng Land Board	-	201
Tsabong Land Board	5,247	5,247
Malete Land Board	4,251	4,252
Botswana Unified Revenue Services	-	584
Botswana Prison Services	-	2,107
	58,932	53,587

32.9 CONTRACT LIABILITIES

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

33. EVENTS AFTER THE REPORTING DATE

- (i) Subsequent to year end, the Minister dissolved the Board on 17 August 2021 and a new Board of directors was appointed on 1 September 2021.
- (ii) The economic impact of the Covid-19 second wave and the new strains identified in various parts of the world for 2021 remains to be seen. With the rollout of vaccines, infection rates are likely to start coming down but of importance will be the rollout of these vaccines across the African continent. What prevailed at the beginning of 2021 was the general preference by African governments for restricted trading hours and daily curfews as opposed to total lockdowns, which could further hurt economies still recovering from the 2020 national lockdowns

Non- financial instruments - fair value hierarchy

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

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

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

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

This category includes instruments valued using:

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

BOTSWANA HOUSING CORPORATION NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

34. FAIR VALUE HIERARCHY (Continued)

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

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

	Level 1	Level 2	Level 3
2021			
Investment property (P'000)	-	-	5,265,000
2020			
Investment property (P'000)	-	-	4,877,000

There have been no transfers between any of the hierarchy levels during the year (2020: nil). Fair values for the investment property were determined for disclosure purposes and have not been recognised in the financial statements.

Valuation techniques underlying management's estimation of fair value

Fair value of the investment property is determined by using market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property. As at the date of valuation 31 March 2021, the investment property's fair values were based on valuations performed by Corporation's qualified valuers.

For all properties with a total carrying amount of P1,312 million (2020: P1,331 million), the valuation was determined using the cost approach (also known as contractor's method) based on significant unobservable inputs. The Corporation determine inputs with regard to the development rates and land rates from property experts such as Quantity Surveyors, Estate Agents, Property Valuers and Developers.

Unobservable inputs:

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

35. CONTINGENT LIABILITIES

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

36. GOING CONCERN

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

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



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