



AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2021

The Board of Directors of Botswana Housing Corporation is pleased to announce the Corporation's audited financial results for the year ended 31 March 2021. This has been a rather challenging year due to the impact of the Covid 19 pandemic on the Corporation's operations. The Corporation recorded a drop in profitability compared to the previous year. There has been a significant decline in most revenue streams and increase in impairments on receivables. However, operating expenses were kept under control.

Basis of preparation

The Corporation prepares its financial statements in accordance with International Financial Reporting Standards (IFRSs).

These financial statements have been audited by Ernst and Young, Plot 22 Khama crescent road, Gaborone, P. O. Box 41015, Gaborone Botswana, the Corporation's auditors and they have issued an unqualified audit opinion on the financial statements. The audit opinion is available for inspection at the Botswana Housing Corporation head office.

Financial Highlights



	2021 P (Million)	2020 P (Million)	% age
BALANCE SHEET			
Total Assets	3,042	3,359	9.4%
Shareholders' Funds	250	250	0.0%
Total Debt	679	716	5.2%
Total Equity	1,532	1,531	0.1%
INCOME STATEMENT			
Revenue	760	880	-14%
Cost of Sales	(495)	(569)	13%
Expenses	(272)	(289)	6%
Operating (loss)/profit	(6)	51	-112%
Profit after tax	1	49	-98%
Gross profit margin	35%	35%	0%
Net profit margin	0.1%	6%	-5%
Debt/Equity Ratio	44%	47%	3%
Cost to income ratio	99%	94%	5%

Statement of Profit or Loss and Other Comprehensive Income

Revenue

The Corporation recorded total revenue of P760 million, 14% decrease when compared to the P880 million recorded in the prior year. The decrease in total revenues was mainly due to decrease in sales revenue which decreased 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 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. 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 focus on fighting 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 P283 million for prior year. The main costs drivers were employee benefits expenses, repairs and maintenance of investment properties and other operating costs.

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 Corporation's clients being affected by the Covid 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 decreased by 7% because of some 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 debt gives the Corporation an opportunity to raise more funding for future projects in its endeavour to deliver more houses to accommodate Batswana.

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 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 Covid 19 and our response

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 decline 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 led to the Corporation achieving a near break even during these challenging times.

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.

Future Outlook

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.

By order of the Board,

Moemedi Gabana
Deputy Board Chairman

Pascaline L. Sefawe
Acting General Manager

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2021

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

STATEMENT OF FINANCIAL POSITION

as at 31 March 2021

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2021

	Irredeemable capital	Retained earnings	Total
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

STATEMENT OF CASH FLOWS

for the year ended 31 March 2021

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



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Excellence



Innovation



Transparency



Teamwork