

ENGEN BOTSWANA LIMITED

UNAUDITED GROUP RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2023



ABRIDGED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2023				
	Unaudited 6 Months to 30.06.23 P'000	Unaudited 6 Months to 30.06.22 P'000	% change	Audited 12 Months to 31.12.22 P'000
		Restated		
Revenue from contracts with customers**	1,584,602	1,907,053	-17%	4,112,311
Costs of goods sold*	(1,454,556)	(1,488,738)		(3,650,301)
Gross Profit	130,047	418,315	-69%	462,010
Other revenue**	6,281	6,437		13,636
Other operating income*	936	473		1,569
Foreign currency gains	1,788	3,949		9,432
Administrative expenses*	(8,730)	(8,606)		(18,190)
Distribution and marketing expenses	(54,301)	(52,094)		(111,846)
Other operating expenses	(2,019)	(1,170)		(4,040)
Share of profit of joint ventures	1,790	1,698		5,596
Finance income	3,747	3,296		5,085
Finance costs*	(10,039)	(7,419)		(9,819)
Profit before taxation	69,500	364,879	-81%	353,433
Taxation	(32,258)	(88,163)		(87,330)
Profit for the period attributable to equity holders of the parent	37,242	276,715	-87%	266,103
Other comprehensive income	-	-		-
Total comprehensive income for the period	37,242	276,715	-87%	266,103
Profit before taxation is stated after taking into account the following:				
Depreciation*	18,618	22,072		46,528
Staff costs	8,619	9,044		17,660

Note:

Accounting Policies

The financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee of the IASB and the requirements of the Companies Act of Botswana (CAP 42:01).

The group's 2022 interim financial results were restated due to correction of prior period errors. The restated figures have been marked with Asterisk*.

During the 2022 financial year, in order to achieve clearer distinction between revenue from trading activities and those from other sources, the Group and Company re-presented revenue (previously presented as a single line item in the Statement of Profit or Loss and Other Comprehensive Income) as two separate line items. The Revenue from contracts with customers and Other revenue figures are marked with Double Asterisk**.

SUPPLEMENTARY GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 30 JUNE 2023				
Replacement cost results	Unaudited 6 Months to 30.06.23 P'000	Unaudited 6 Months to 30.06.22 P'000	% change	Audited 12 Months to 31.12.22 P'000
		Restated		
Historical cost net profit*	37,242	276,715		266,103
Less: Inventory effects	13,369	238,866		162,061
Inventory profits/(losses)	17,140	306,239		207,770
Taxation @ 22%	(3,771)	(67,373)		(45,709)
Replacement cost net profit	23,873	37,849	-37%	104,042
Shares in issue	159,722,220	159,722,220		159,722,220
Historical cost earnings per share (thebe)*	23.3	173.2		166.6
Replacement cost earnings per share (thebe)*	14.9	23.7		66.1
Dividend per share paid and provided (thebe)	63.8	57.3		71.5
Historical cost dividend cover	0.4	3.0		2.3
Replacement cost dividend cover	0.2	0.4		0.9

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2023				
	Stated Capital	Non Distributable Reserves	Retained Earnings	Total
	P'000	P'000	P'000	P'000
Balance at 31 December 2022	8,136	2,200	837,903	848,240
Profit for six months ended 30 June 2023			37,242	37,242
Other comprehensive income for the period			-	-
Dividends on ordinary shares			(101,919)	(101,919)
Balance at 30 June 2023	8,136	2,200	773,226	783,562

ABRIDGED GROUP STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2022				
	Stated Capital	Non Distributable Reserves	Retained Earnings	Total
	P'000	P'000	P'000	P'000
Balance at 31 December 2021	8,136	2,200	685,924	696,260
Profit for six months ended 30 June 2022*	-	-	276,715	276,715
Other comprehensive income for the period	-	-	-	-
Dividends on ordinary shares	-	-	(91,569)	(91,569)
Balance at 30 June 2022	8,136	2,200	871,071	881,407

ABRIDGED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023				
	Unaudited As at 30.06.23 P'000	Unaudited As at 30.06.22 P'000	% change	Audited As at 31.12.22 P'000
		Restated		
ASSETS				
Non current assets				
Property, plant and equipment*	336,747	320,482		320,418
Right of Use of Assets	84,189	75,956		74,974
Investments	37	37		37
Investments in joint ventures	42,018	39,890		42,268
Deferred tax asset	-	-		4,022
	462,991	436,365		441,719
Current assets				
Inventories	52,993	45,071		65,335
Trade and other receivables	238,124	778,688		493,243
Tax receivable	14,725	-		10,156
Forward exchange contract asset	399	-		1,262
Cash and cash equivalents	548,295	314,136		345,586
	854,536	1,137,895		915,582
Total Assets	1,317,527	1,574,260	-16%	1,357,301

EQUITY AND LIABILITIES

Equity				
Stated capital	8,136	8,136		8,138
Non distributable reserves	2,200	2,200		2,200
Retained earnings*	773,226	871,071		837,903
	783,562	881,407		848,241
Non current liabilities				
Deferred tax liabilities*	1,685	4,296		-
Lease liabilities	94,031	79,694		80,550
Provisions*	35,573	48,277		35,573
	131,289	132,267		116,123
Current Liabilities				
Trade and other payables	297,013	502,392		366,650
Tax payable	-	48,645		-
Lease liabilities	1,150	2,867		2,299
Dividend payable	103,327	1,575		23,988
Forward exchange contract liability	1,187	5,106		-
	402,676	560,586		392,937
Total Liabilities	533,965	692,853		509,060
Total Equity and Liabilities	1,317,527	1,574,260	-16%	1,357,301

ABRIDGED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 JUNE 2023				
	Unaudited 6 Months to 30.06.23	Unaudited 6 Months to 30.06.22	% change	Audited 12 Months to 31.12.22
		Restated		
Net cashflow from operations*	85,001	425,913		395,267
Movement in working capital	197,824	(241,280)		(103,710)
Taxation paid	(20,634)	(60,740)		(106,970)
Cash flow available from operations	262,191	123,893		184,587
Dividend paid	(22,569)	(91,569)		(91,555)
Net cash flows from operating activities	239,623	32,324		93,032
Net cash flows used in investing activities	(31,359)	(7,497)		(36,711)
Net cash flows used in financing activities	(5,437)	(4,574)		(4,999)
Net increase in cash and cash equivalents	202,827	20,253		51,322
Net foreign exchange differences	(118)	(280)		101
Cash and Cash equivalents at the beginning of the period	345,586	294,163		294,163
Cash and Cash equivalents at the end of the period	548,295	314,136	75%	345,586

SEGMENTAL REPORTING FOR THE HALF YEAR ENDED 30 JUNE 2023				
Operating segments				
2023				
	Petrochemical Activities	Property Letting	Consolidated	
	P'000	P'000	P'000	
Revenues	1,584,602	-	1,584,602	
Profit before taxation	67,710	1,790	69,500	
Taxation	(32,258)	-	(32,258)	
Net profit for the period	35,452	1,790	37,242	
Total assets	1,275,509	42,018	1,317,527	
Total liabilities	533,965	-	533,965	
2022				
	Petrochemical Activities	Property Letting	Consolidated	
	P'000	P'000	P'000	
		Restated		
Revenues*	1,907,053	-	1,907,053	
Profit before taxation*	363,181	1,698	364,879	
Taxation	(88,163)	-	(88,163)	
Net profit for the period	275,017	1,698	276,715	
Total assets*	1,534,370	39,890	1,574,260	
Total liabilities*	692,853	-	692,853	

Executive Comments

All our service stations, with the exception of one site which was closed for remedial works, were able to operate without any stockouts during the period. We did notice a decline in the demand of petroleum products during the half year which affected the sales volumes.

Economic Outlook

Real GDP growth was 5.4% for the first quarter and this was a slight decline from 5.8% for the same period in 2022. This increase was driven mainly by the growth in the mining sector with diamonds in particular. All sectors experienced growth during the period with agriculture experiencing the slowest growth. There was a marked increase in tourist activity during the period owing to the relaxation of international travel restrictions. The Russia/Ukraine conflict has continued and will affect the global economic outlook.

Inflation dropped to 4.6% in June 2023 and was within the Bank of Botswana target range. This was mainly due to the reduction in fuel prices that have a significant contribution to transportation costs. It is expected that inflation will rise towards the end of 2023 albeit within the target range.

Industry Issues

Crude oil prices steadily declined during the period under review resulting in significant inventory effects losses accruing during the period. Losses accruing during the period, however, created a positive impact on working capital. There was a Memorandum of Agreement that was entered into between the Department of Energy and the Botswana Unified Revenue Service for the collection of levies which include National Petroleum Fund levy, Road Fund levy and Security of Supply Margin levy. This initiative should ensure seamless collection of the levies at the border points when fuel enters the country.

Financial Performance

Net Profit Before Tax decreased by 81% during the period under review compared to the previous

year. This was mainly as a result of the significant decrease in global crude oil prices and lower disposable incomes caused by high food and consumable prices. The replacement cost net profit declined by 37% for the period under review and the comparative period. The slate receivable from Government was P67 million as at 30 June 2023 compared to P537 million as at 30 June 2022. Earnings per share decreased from 173.2 thebe per share during the same period in 2022 to 23.3 thebe per share for the period under review.

Operating Review

The performance of the retail sales channel of the business declined by 7% in comparison to the same period in 2022 due to a general reduction in disposable income caused by high food and consumable prices. There was one new retail outlet that were streamed in this period in Lobatse and we expect that there will be two new to industry service stations before the end of the year. This is in line with our strategic intent to leverage on a strong retail position. It is expected that the performance of this sales channel will improve for the remainder of the year.

The commercial sales channel declined by 46% compared to the previous year. This performance was mainly attributable to the reduction in the supply to parastatals and other government entities that have a requirement to procure their fuel products from 100% citizen owned companies. The lubricants sales channel performance was below 2022 due to challenges in the rising costs of base oils and additives. These increases in the cost of goods sold affected margins negatively. It is expected that this performance will recover during the second half of the year.

The company achieved an outstanding level of Health, Safety, Environment and Quality performance with no injuries and no loss of primary containment or contaminations, which are critical KPIs, recorded in the period under review.

Conclusion

The Directors of the company acknowledge the contribution of the management, staff, valued customers, shareholders and all other stakeholders for the support toward the success of Engen Botswana Limited during the first half of 2023.

By order of the Board

Dr. S Ndzingo
(Chairman)

B F Sameke
(Acting Managing Director)

Declaration of Interim Dividend

Notice is hereby given that an interim gross dividend of 162.0 thebe per share in respect of the half year ended 30 June 2023 has been declared payable to ordinary shareholders registered in the books of the Group at the close of business on 20 October 2023 with an ex-dividend date of 18 October 2023.

In compliance with the requirements of the Income Tax Act, withholding tax at the rate of 10% will be deducted by the company from all dividends. Dividend cheques and transfers will be dispatched by the Transfer Secretaries on or about 26 October 2023. A shareholder who requires the company to make any changes regarding the payment of their dividend must lodge a written request with the Transfer Secretaries on or before 23 October 2023.

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