



UNAUDITED RESULTS FOR SIX MONTHS ENDED 30 SEPTEMBER 2020

Introduction

The Botswana Housing Corporation (BHC) Board is pleased to announce the Corporation's unaudited financial results for the half year ended 30 September 2020.

Basis of preparation

The accounting policies adopted for the half-year comply with International Financial Reporting Standards (IFRS) and the BHC Act. These accounting policies are consistent with those applied in the audited financial results for the year ended 31 March 2020.

Financial Highlights

| | 6 months Ended 30 Sept 2020 P' 000 Unaudited | 6 months Ended 30 Sept 2019 P' 000 Unaudited | 12 months Ended 31 March 2020 P' 000 Audited |
|--|--|--|--|
| Revenue | 334 682 | 391 098 | 880 462 |
| Operating Profit | 3 373 | 14 407 | 50 635 |
| Impairment expenses | (1 453) | 42 | (1 565) |
| Financing costs | (11 436) | (4 537) | (11 950) |
| Total Profit and Comprehensive income | 5 320 | 17 371 | 49 339 |
| Total Assets | 3 224 879 | 3 314 129 | 3 358 958 |
| Shareholders' Funds | 250 000 | 250 000 | 250 000 |
| Total Debt | 700 890 | 731 221 | 716 403 |
| Total Equity | 1 536 267 | 1 498 978 | 1 530 946 |

Revenue down 14%, to P335 million
 Operating expenses decreased by 6%
 Total assets decreased by 2%
 Debt to equity ratio is at 0.46 within the Corporations target ratio of below 1

Comments on the results

The Corporation recorded a profit after tax of P5.3 million for the period under review, a decrease of P12.1 million compared to P17.4 million in 2019. The Corporation has experienced a decline in profitability on the back of low margins from sales of its stock in areas further away from its main markets of Gaborone and Francistown. The intermittent lockdowns imposed by Government to control the spread of the COVID-19 virus resulted in low activity levels at our construction projects. This affected the rate of capitalization of interest expenses to projects resulting in an increase in interest expenses year on year by 152% to P11 million. Operating costs and staff costs reduced year on year on the back of reduced business activity, however, these were eclipsed by interest expenses as above.

Statement of comprehensive income

Revenue

The Corporation recorded revenues of P335 million for the six months, a decline of 14% when compared to the P391 million recorded in the same period in the prior year. The decrease in revenue was mainly a result of reduction in revenue from construction and management contracts which decreased by P69 million representing 41% decrease year on year. The reduction in this revenue stream was on the back of low activity on construction projects due to the economic lockdowns.

Sales revenue, which is the Corporation's major revenue stream, performed well during the first half of the financial year increasing year on year by 15% to P90 million. This positive performance was driven by high sales volumes. However, the margins on the sales were low due to the sales mix between old stock and new stock. During the period under review, new stock, which has relatively lower margins dominated the sales mix. This was further exacerbated by the fact that some of the sales were in areas away from the main markets of Gaborone and Francistown.

The rental income, which is the second major revenue stream for the Corporation increased by P7 million to P103 million compared to the same period in the prior year. This income line has increased due to some additional housing units added to investment properties portfolio during the first half of the year. The units added to investment portfolio were leased at cost recovery rentals. During the first half of the year the amount of rental arrears increased from P10 million to P14 million representing a 45% increase. This increase in default rate put further pressure on profitability due to impairment adjustments. The vacancy

rate at the end of the review period was 1.05% which is below the Corporations benchmark rate of 1.5%. Income from professional fees were P3 million, a decrease of 88% when compared to the prior year. COVID 19 has negatively impacted on this revenue line as some projects which were planned could not start. Professional fees income is the third largest revenue stream for the Corporation.

Operating Expenses

On the expenditure side of the business, employee expenses went down by 4% to P70 million compared to the same period in prior year, as a result of some vacant positions which were not filled during the reporting period. Other operating expenses went down by 10% from prior year. Financing costs increased year on year by 152% representing P7 million increase, because of slow down in project activities during the locked down period and therefore loan interest could not be capitalized on projects. This has significantly affected the Corporation's profitability.

Profitability

The Corporation recorded a profit after tax of P5.3 million for the period under review, a decrease of P12.1 million compared to P17.4 million in 2019 representing a 70% decline. This is despite the revenue having dropped by only 14% year on year. As sales revenue was the major revenue contributor during the period the Corporation's profitability was impacted by low margins from sales. The sales mix was predominately made up of new stock which has lower margins compared to old stock which has appreciated in value over time.

Statement of financial position

The Corporation's total assets amounting to P3.22 billion, a decrease of 2.7% from P3.31 billion in prior year. The decline in total assets is mainly due to payment of long-term borrowings of P30 million and contract liabilities of P94 million. Investment properties increased by P104 million, which represent 9% increase year on year because of additions to the investment properties. The Corporation's housing inventories decreased by P329 million representing 35% decrease year on year as a result of good performance in sales recorded in the reporting period and some transfers to investment properties. The Corporation's cash position remains strong, with total cash balances of P359 million, a significant increase of P243 million from prior year.

The Corporation's total reserves increased by 2.5% to P1.5 billion from prior year. The Corporation has over the years managed to increase shareholder value.

Housing Projects

During the review period, 403 houses were delivered under Self Help Housing Agency (SHHA) scheme. At the end of the review period, 810 SHHA houses were at different stages of construction and are expected to be delivered before the end of the financial year.

On the commercial wing, 209 units were delivered during the review period in Gaborone, Tati Siding and Palapye. As at the reporting period, there were 176 units at different stages of construction and 158 units are expected to be delivered by end of the financial year. The Corporation plans to start 312 units in Gaborone Block 7 before end of the financial year.

Outlook

Though the local economy is likely to remain downbeat for the rest of the financial year due to Covid-19, the Corporation remains confident of positive results by the end of the financial year. This is buoyed by the anticipated continued positive performance from the sales revenue. The Corporation further anticipates that consumer appetite for its products and services will remain unaffected in the short term. The growing impairments due to the increase in default rate in residential rental space will require close monitoring. This will be greatly influenced by the prevailing state of emergency (SOE) where entities are constrained in the form of action they can take against defaulters. The Corporation will continue to apply its existing mitigation strategies against this risk. Construction which is a major part of the Corporation's activities has been earmarked by government to be a main stimulant to the economy. It is anticipated that both global and local economies will go back to positive growth in 2021. This further gives the Corporation confidence that it will see improvements during the last quarter of the financial year from January to March 2021.

By order of the Board,

Reginald M. Motsaiso
 Chief Executive Officer

20 November 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the 6 months ended 30 September 2020

| | 6 months ended 30/09/2020 P'000 Unaudited | 6 months ended 30/09/2019 P'000 Unaudited | 12 months ended 31/03/2020 P'000 Audited |
|---|---|---|--|
| Revenue and rental income | 334,682 | 391,098 | 880,462 |
| Cost of sale of housing inventories | (91,388) | (63,073) | (302,624) |
| Cost of sale of construction and management contracts | (121,346) | (184,357) | (265,961) |
| Repairs and maintenance | (13,019) | (22,025) | (48,618) |
| Employee benefit expenses | (70,212) | (72,731) | (141,203) |
| Depreciation and amortisation | (15,111) | (9,930) | (25,832) |
| Other expenses | (34,780) | (38,705) | (73,300) |
| Impairment (expense) / reversal | (1,453) | 42 | (1,565) |
| Other income | 643 | 204 | 433 |
| Gains from sale of investment properties | 15,357 | 13,884 | 28,843 |
| Operating profit | 3,373 | 14,407 | 50,635 |
| Finance income | 6,309 | 2,363 | 1,408 |
| Finance costs | (11,436) | (4,537) | (11,950) |
| Net finance (costs) / income | (5,127) | (2,174) | (10,542) |
| Share of profit or loss of equity accounted investees of joint ventures | 8,574 | 8,620 | 13,758 |
| Profit before taxation | 6,820 | 20,853 | 53,851 |
| Taxation | (1,500) | (3,482) | (4,512) |
| Profit for the year | 5,320 | 17,371 | 49,339 |
| Other comprehensive income | - | - | - |
| Total comprehensive income for the year | 5,320 | 17,371 | 49,339 |

STATEMENT OF FINANCIAL POSITION

as at 30 September 2020

| | 6 months as at 30/09/2020 P'000 Unaudited | 6 months as at 30/09/2019 P'000 Unaudited | 12 months as at 31/03/2020 P'000 Audited |
|---|---|---|--|
| Assets | | | |
| Non-current assets | | | |
| Investment properties | 1,313,295 | 1,208,724 | 1,330,608 |
| Property, plant and equipment | 55,362 | 57,479 | 56,803 |
| Intangible assets | 17,237 | 20,955 | 19,128 |
| Investments in joint ventures | 18,873 | 36,020 | 14,998 |
| Right of use asset | 12,568 | - | 15,190 |
| Trade and other receivables | 12,322 | 9,334 | 11,324 |
| Deferred tax asset | 2,486 | 1,693 | 2,486 |
| Total non-current assets | 1,432,143 | 1,334,205 | 1,450,537 |
| Current assets | | | |
| Housing inventories | 609,373 | 937,878 | 647,795 |
| Taxation refundable | 7,206 | 6,326 | 5,775 |
| Trade and other receivables | 86,047 | 93,550 | 71,303 |
| Cash and cash equivalents | 1,090,110 | 942,170 | 1,183,548 |
| Total current assets | 1,792,736 | 1,979,924 | 1,908,421 |
| Total assets | 3,224,879 | 3,314,129 | 3,358,958 |
| Equity and liabilities | | | |
| Capital and reserves | | | |
| Irredeemable capital | 250,000 | 250,000 | 250,000 |
| Retained earnings | 1,286,267 | 1,248,978 | 1,280,946 |
| Total equity | 1,536,267 | 1,498,978 | 1,530,946 |
| Non-current liabilities | | | |
| Long term deferred government revenue grant | 29,761 | 36,550 | 32,963 |
| Long term borrowings | 523,758 | 649,994 | 535,520 |
| Long term lease liabilities | 9,702 | - | 9,308 |
| Total non-current liabilities | 563,221 | 686,544 | 577,791 |
| Current liabilities | | | |
| Trade and other payables | 187,214 | 214,908 | 220,804 |
| Short term portion of lease liabilities | 7,028 | - | 6,683 |
| Contract liabilities | 731,412 | 826,045 | 816,709 |
| Deferred income | 38,853 | 29,964 | 42,919 |
| Short term portion of deferred government revenue grant | 6,536 | 6,797 | 6,797 |
| Short term portion of borrowings | 140,835 | 37,880 | 141,123 |
| Customer deposits | 13,513 | 13,013 | 15,186 |
| Total current liabilities | 1,125,391 | 1,128,607 | 1,250,221 |
| Total equity and liabilities | 3,224,879 | 3,314,129 | 3,358,958 |

STATEMENT OF CHANGES IN EQUITY

for the 6 months ended 30 September 2020

| | Irredeemable capital P'000 | Retained earnings P'000 | Total P'000 |
|--|----------------------------|-------------------------|------------------|
| Balance as at 01 April 2019 | 250,000 | 1,231,607 | 1,481,607 |
| Effect of adoption of new IFRS | - | - | - |
| IFRS 9 adjustment for credit losses | - | - | - |
| Deferred tax thereof | - | - | - |
| Restated balance as at 1 April 2019 | 250,000 | 1,231,607 | 1,481,607 |
| Comprehensive income | | | |
| Profit for the year | - | 49,339 | 49,339 |
| Transfer to retained earnings | - | - | - |
| 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 | - | 5,320 | 5,320 |
| Profit for the year | - | 5,320 | 5,320 |
| Total comprehensive income | - | 5,320 | 5,320 |
| Balance as at 30 September 2020 | 250,000 | 1,286,267 | 1,536,267 |

STATEMENT OF CASH FLOWS

for the 6 months ended 30 September 2020

| | 6 months ended 30/09/2020 P'000 Unaudited | 6 months ended 30/09/2019 P'000 Unaudited | 12 months ended 31/03/2020 P'000 Audited |
|---|---|---|--|
| Cash flows from operating activities | | | |
| Net cash from / (utilised in) operating activities | (8,795) | (87,647) | 159,187 |
| Taxation paid | (2,931) | (3,482) | (11,080) |
| Taxation refund | - | - | 6,326 |
| Net cash generated from / (utilised in) operating activities | (11,726) | (91,129) | 154,433 |
| Cash flows from investing activities | | | |
| Acquisition of property, plant and equipment | (1,074) | (2,136) | (6,272) |
| Acquisition of intangible assets | - | (2,315) | (2,373) |
| Additions to investment properties | - | (3) | - |
| Proceeds from sale of investment properties | 24,588 | 24,624 | 52,054 |
| Dividends from joint ventures | 4,700 | - | 26,160 |
| Interest received | 4,628 | 2,155 | 853 |
| Net cash generated from investing activities | 32,842 | 22,325 | 70,422 |
| Cash flows from financing activities | | | |
| Repayment of long term borrowings | (15,385) | (20,904) | (36,288) |
| Lease payments | 739 | - | (4,445) |
| Interest expenses - leases | (739) | - | (1,367) |
| Interest paid | (13,872) | (15,157) | (36,906) |
| Net cash (utilised in) / generated from financing activities | (29,257) | (36,061) | (79,006) |
| Net increase in cash and cash equivalents | (8,141) | (104,865) | 145,849 |
| Cash and cash equivalents at beginning of year | 366,839 | 220,990 | 220,990 |
| Cash and cash equivalents at end of year | 358,698 | 116,125 | 366,839 |

