



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. Motswiso
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



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Excellence



Innovation



Transparency



Teamwork