



UNAUDITED RESULTS FOR SIX MONTHS ENDED 30 SEPTEMBER 2022

Introduction

The Botswana Housing Corporation (BHC) Board is pleased to announce the Corporation's unaudited financial results for the half year ended 30 September 2022.

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 2022.

Financial Highlights

	6 months ended 30 Sept 2022	6 months ended 30 Sept 2021	12 months ended 31 March 2022
	P'000 Unaudited	P'000 Unaudited	P'000 Audited
Revenue	251 430	331 639	701 546
Operating Profit/(Loss)	(446)	21 672	61 135
Impairment reversal	1 798	17 015	25 488
Financing costs	(17 681)	(14 242)	(17 889)
Total Profit and Comprehensive income	3 514	18 086	64 124
Total Assets	2 835 570	2 942 808	2 895 350
Shareholders' Funds	250 000	250 000	250 000
Total Debt	633 239	663 964	643 582
Total Equity	1 599 642	1 550 089	1 596 128

Revenue down 24%, to P251 million
Operating expenses increased by 12%, to P160 million
Total assets decreased by 3.6%, to P2.836 billion
Debt to equity ratio is at 0.40 within the Corporations target ratio of below 1

Comments on the results

The Corporation recorded a profit after tax of P3.5 million for the period under review, a decrease of P14.5 million compared to P18 million in 2021. The Corporation experienced a decrease in profitability on the back of an increase in operating expenses and financing costs. The Corporation did not start any project during the period under review and this has affected the rate of capitalization to projects of both interest expenses and staff costs resulting in an increase in interest expenses year on year by 24% to P18 million. Operating costs also increased year on year on the back of increased repairs and maintenance. However, there are three major projects which are scheduled to start in the second half of the financial year, and this is expected to mitigate against this negative performance.

Statement of comprehensive income

Revenue

The Corporation recorded revenues of P251 million for the six months, a decline of 24% when compared to the P332 million recorded in the same period in the prior

year. The decrease in revenue was mainly because of reduction in sales revenue which decreased by P69 million representing 93% decrease year on year. Facilities management income declined by 25% year on year. The reduction in these revenue streams was on the back of low activity on construction projects due to the Corporation's key stakeholders' decisions to defer some of the planned third-party projects.

Sales revenue, which is the Corporation's major revenue stream, did not perform well during the first half of the financial year decreasing year on year by 93% to P5 million from P74 million. This negative performance was driven by low sales volumes compared to the prior year. During the period under review, old stock, which has relatively higher margins dominated the sales mix at 30 units compared to new stock which sold 11 units.

The rental income, which is the second major revenue stream for the Corporation increased by P18 million to P139 million compared to the same period in the prior year. This income line has increased due to rental adjustment which was effected from April 2022 and some additional housing units added to the investment properties portfolio. There was also an overall receivables impairment reversal of P1.8 million. This contributed positively to the Corporations

performance for the six months. The vacancy rate at the end of the review period was 1.61% which is above the Corporations benchmark rate of 1.5% representing 161 vacant units across the country. Rental revenue continues to be the cornerstone of the Corporation's financial sustainability and the strategy of maintaining a rental threshold of 10,000 units will continue.

Income from professional fees and facilities management was P17 million, a decrease of 25% when compared to the prior year. The reduction was on the back of low activity on construction projects due to clients' decisions to defer some of the planned third-party projects.

Operating Expenses

On the expenditure side of business, employee expenses were flat at P69 million compared to the same period in the prior year. There were some vacant positions which were not filled during the reporting period. Repairs and maintenance expenses increased by 40% to P31 million. This is due to an increase in planned maintenance activities during review period compared to the prior year. Other expenses went up by 11% from the prior year due to increase in inflation. Owing to the slowdown in project activities, loan interest expenses could not be capitalized, leading to financing costs increasing by 24% year on year

representing P3million. This has negatively affected the Corporation's profitability.

Profitability

The Corporation recorded a profit after tax of P3.5 million for the period under review, a decrease of P14.5 million compared to P18 million in 2021 representing an 81% decrease.

Statement of financial position

The Corporation's total assets stood at P2.836 billion, a decrease of 4% from P2.943 billion in the prior year. The decline in total assets is mainly due to payment of long-term borrowings of P37 million and contract liabilities of P80 million. Investment properties decreased by P35 million, which represent 3% decrease year on year because of sale of some investment properties. The Corporation's housing inventories decreased by P107 million representing a 19% decrease year on year because of the sale of housing inventories and transfers of some to the investment properties during the reporting period. The Corporation's cash position remained strong, with total cash balances of P449 million, an increase of P105 million from the prior year.

The Corporation's total reserves increased by 3.2% to P1.60 billion from the prior year. The Corporation has over the years

consistently managed to create value for the Shareholder.

Housing Projects

The Corporation plans to start 531 housing units in Gaborone Block 7 (196 units), Kazungula (212 units), Maun (100 units), Phakalane (13 units) and Tsabong (10 units) before end of the financial year. Interest expenses and staff costs of professionals supervising these projects would be capitalized, therefore reducing financing and staff costs thus improving profitability.

Conclusion

BHC remains a financially sustainable and resilient State-Owned Entity. The planned projects are expected to continue to provide the much-needed shelter for individual buyers, government, and local authorities. The Corporation will continue to work closely with its major stakeholders to ensure that it delivers value to them.

By order of the Board,

Moemedi Gabana
Board Chairman
15 November 2022

Nkelaung Matenge
Acting Chief Executive Officer

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the 6 months ended 30 September 2022

	6 months ended 30/09/2022	6 months ended 30/09/2021	12 months ended 31/03/2022
	P'000 Unaudited	P'000 Unaudited	P'000 Audited
Revenue and rental income	251,430	331,639	701,546
Cost of sale of housing inventories	(5,170)	(75,644)	(105,804)
Cost of sale of construction and management contracts	(100,281)	(129,953)	(320,632)
Gross profit	145,978	126,043	275,110
Repairs and maintenance	(31,188)	(22,212)	(50,612)
Employee benefit expenses	(69,899)	(69,288)	(141,617)
Depreciation and amortisation	(21,722)	(17,356)	(30,285)
Other expenses	(37,109)	(33,375)	(66,203)
Impairment (expense) / reversal	1,798	17,015	25,488
Other income	1,312	4,117	6,642
Gains from sale of investment properties	10,384	16,729	42,612
Operating (loss) / profit	(446)	21,673	61,135
Finance income	14,830	7,560	9,308
Finance costs	(17,681)	(14,242)	(17,889)
Net finance costs	(2,851)	(6,682)	(8,581)
Share of profit or loss of equity accounted investees of joint ventures	8,954	8,197	19,615
Profit before taxation	5,657	23,188	72,169
Taxation	(2,143)	(5,101)	(8,045)
Profit for the year	3,514	18,087	64,124
Other comprehensive income	-	-	-
Total comprehensive income for the year	3,514	18,087	64,124

STATEMENT OF FINANCIAL POSITION

as at 30 September 2022

	6 months as at 30/09/2022	6 months as at 30/09/2021	12 months as at 31/03/2022
	P'000 Unaudited	P'000 Unaudited	P'000 Audited
Assets			
Non-current assets			
Investment properties	1,340,580	1,305,546	1,356,727
Property, plant and equipment	51,421	51,029	50,384
Intangible assets	9,466	13,455	11,565
Investments in joint ventures	15,995	16,571	15,491
Right of use asset	6,813	5,929	4,140
Trade and other receivables	19,144	17,264	16,166
Deferred tax asset	3,665	1,384	3,209
Total non-current assets	1,447,084	1,411,178	1,457,682
Current assets			
Housing inventories	454,284	560,847	444,154
Taxation refundable	4,746	4,930	8,636
Trade and other receivables	23,057	84,562	45,378
Cash and cash equivalents	906,399	881,291	939,500
Total current assets	1,388,486	1,531,630	1,437,668
Total assets	2,835,570	2,942,808	2,895,350
Equity and liabilities			
Capital and reserves			
Irredeemable capital	250,000	250,000	250,000
Retained earnings	1,349,642	1,300,089	1,346,128
Total equity	1,599,642	1,550,089	1,596,128
Non-current liabilities			
Long term deferred government revenue grant	18,363	23,772	20,993
Long term borrowings	574,534	599,077	586,775
Long term lease liabilities	3,705	2,991	3,870
Total non-current liabilities	596,602	625,840	611,638
Current liabilities			
Trade and other payables	111,583	146,967	146,870
Short term portion of lease liabilities	6,062	6,576	2,523
Contract liabilities	457,494	537,413	468,042
Deferred income	12,538	21,252	17,923
Short term portion of deferred government revenue grant	5,410	5,989	5,704
Short term portion of borrowings	34,932	35,126	35,110
Customer deposits	11,307	13,556	11,412
Total current liabilities	639,326	766,879	687,584
Total equity and liabilities	2,835,570	2,942,808	2,895,350

STATEMENT OF CHANGES IN EQUITY

for the 6 months ended 30 September 2022

	Irredeemable capital	Retained earnings	Total
	P'000	P'000	P'000
Balance as at 1 April 2021	250,000	1,282,004	1,532,004
Comprehensive income			
Profit for the year	-	64,124	64,124
Transfer to retained earnings	-	-	-
Total comprehensive income	-	64,124	64,124
Balance as at 31 March 2022	250,000	1,346,128	1,596,128
Balance as at 01 April 2022	250,000	1,346,128	1,596,128
Comprehensive income			
Profit for the year	-	3,514	3,514
Total comprehensive income	-	3,514	3,514
Balance as at 30 September 2022	250,000	1,349,642	1,599,642

STATEMENT OF CASH FLOWS

for the 6 months ended 30 September 2022

	6 months ended 30/09/2022	6 months ended 30/09/2021	12 months ended 31/03/2022
	P'000 Unaudited	P'000 Unaudited	P'000 Audited
Cash flows from operating activities			
Net cash from / (utilised in) operating activities	(32,827)	(35,847)	11,331
Taxation paid	(2,878)	(2,292)	(9,634)
With-holding tax paid	(1,315)	(490)	(1,369)
Taxation refund	5,484	5,408	5,407
Net cash generated from / (utilised in) operating activities	(31,536)	(33,221)	5,735
Cash flows from investing activities			
Acquisition of property, plant and equipment	(3,393)	(132)	(1,775)
Acquisition of intangible assets	-	-	-
Additions to investment properties	-	-	-
Proceeds from sale of investment properties	12,539	21,654	64,845
Proceeds from sale of property, plant and equipment	43	926	968
Dividends from joint ventures	8,450	12,300	24,800
Interest received	13,061	5,512	7,668
Net cash generated from investing activities	30,700	40,260	96,506
Cash flows from financing activities			
Repayment of long term borrowings	(15,385)	(15,385)	(30,999)
Lease payments	(2,579)	(2,349)	(5,483)
Interest expenses - leases	(393)	(702)	(726)
Interest paid	(13,908)	(13,848)	(32,069)
Net cash (utilised in) / generated from financing activities	(32,265)	(32,284)	(69,277)
Net increase in cash and cash equivalents	(33,101)	(25,245)	32,964
Cash and cash equivalents at beginning of year	939,500	906,536	906,536
Cash and cash equivalents at end of year	906,399	881,291	939,500



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