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AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2020

The Board of Directors of Botswana Housing Corporation is pleased to announce the Corporation's audited financial results for the year ended 31 March 2020. The Corporation recorded impressive set of results compared to the previous year. There has been growth in all revenue streams whilst operating expenses were under control.

Basis of preparation

The Corporation prepares its financial statements in accordance with International Financial Reporting Standards (IFRSs). In the year under review, the Corporation also adopted IFRS 16 which became effective 1 January 2019 for financial year 1 April 2019 to 31 March 2020. There have been no significant changes to the financial results of the Corporation arising from the adoption of the revised standards and new interpretations.

These financial statements have been audited by Ernst and Young, 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

72%	Revenue P880 million	2019: P511 million
145%	Profit before tax P54 million	2019: P22 million
188%	Profit after tax P49 million	2019: P17 million
0.7%	Total Assets P3.36 billion	2019: P3.38 billion

	2020 P (Million)	2019 P (Million)	% age
BALANCE SHEET			
Total Assets	3,359	3,384	0.7%
Shareholders' Funds	250	250	0.0%
Total Debt	716	753	4.9%
Total Equity	1,531	1,482	3.3%
INCOME STATEMENT			
Revenue	880	511	72%
Cost of Sales	(569)	(256)	-122%
Expenses	(289)	(273)	-6%
Operating profit	51	3	1600%
Profit after tax	49	17	188%
Gross profit margin	35%	50%	3%
Net profit margin	6%	4%	2%
Debt/Equity Ratio	44%	48%	4%
Cost to income ratio	84%	93%	9%

Statement of Profit or Loss and Other Comprehensive Income

Revenue

The Corporation recorded an impressive total revenue of P880 million, 72% increase when compared to the P511 million recorded in the prior year. The increase in total revenues was mainly due to increase in sales revenue which increased significantly by P293 million from P57 million recorded in the prior year. Driving the high sales revenue was significantly high sales volume of new properties. During the period under review 745 properties were sold from new housing developments compared to 236 in the previous year whilst only 84 units were sold from old housing stock portfolio.

Rental revenue increased by 3% to P199 million from P193 million recorded in the prior year. The increase was mainly due to additional new properties. The total rental stock at the end of the reporting period was 9, 798 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 1.81% on its investment properties, which translate to 177 vacant units. Though this vacancy rate exceeded the target of 1.5% it is within acceptable levels within the industry. Rental revenue is the second major revenue stream for the Corporation after sales revenue and it is the pillar of the Corporation's financial sustainability model.

Professional fees revenue, which is revenue generated through provision of pre contract and project management services on construction contracts for third parties, is the third major revenue stream. This revenue line increased by 11% to P41 million from P37 million in the prior year.

Facilities Management revenue, which is revenue from maintenance of properties for third parties, remained relatively flat at P48 million year on year. This is one of the Corporation's key revenue streams. This income stream is expected to grow going forward as more customers are taken on board and proper Facilities Management projects are undertaken beyond just Maintenance. 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 P289 million compared to P273 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 increased by 7% on the back of inflation adjustment and other performance-based pay increment from P132 million prior year to P141 million. Repairs and Maintenance costs for the year under review were P49 million against P39 million for prior year. The Corporation routinely maintains its properties on a five-year cycle to preserve the value of its investment properties portfolio. Other expenses went down by 4% compared to prior year from P 76 million to P73 million. Other expenses include administration, training, security, rates, consultancy, information technology licenses and utilities.

Profitability

The Corporation posted an operating profit of P51 million representing a significant increase against the P3 million realised in the previous year. Profit before income tax increased by 147% from P22 million in the prior year to P54 million. This resulted on an overall increase in profit after tax of 188% from P17 million prior year to P49 million for the year under review. This significant increase in profit was driven by high sales volume of new stock as well as old units.

Statement of Financial Position

The Corporation's statement of financial position remains strong with total assets amounting to P3.36 billion, a decrease of 0.7% year on year. The Corporation derives its strength from the investment properties portfolio that stood at P1.3 billion at the end of financial year. These properties represent 40% of the Corporation's total assets. Housing inventories, which are properties held for sale and those still under construction closed the year at P648 million compared to P839 million in 2019. The 23% decrease in inventories was a result of good performance in sales. However, the P648 million worth of inventories indicate the Corporation's sustained 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 even greater opportunity to raise more funding for future projects in its endeavour to deliver more houses to accommodate Batswana.

Financial Ratios

The sales mix for the period under review was dominated by inventories which have lower gross margins when compared to investment properties. This resulted in a reduced gross margin of 35% compared to 50% in prior year. In the prior year sales mix the higher margin Investment properties dominated. The net profit margin for the period under review, however, went up slightly by 2% from 4% prior year to 6%. The improved net margin indicates that Management's strategies to control costs were successful during the period under review.

The Corporation was more efficient in its income generation operations during the year under review as it achieved a significantly lower cost to income ratio of 84% against 93% prior year.

During the period under review the Corporation did not take on additional debt and made loan repayments of P36 million resulting in an improvement in debt to equity from 48% to 44% compared to prior year. This ratio is backed by a strong balance sheet and a significant improvement in profitability for the period under review.

Housing Developments

During the period under review, 1,026 houses were delivered under the Self-Help Housing Agency (SHHA) scheme. At the end of the financial year, 662 SHHA houses were at different stages of construction and are all expected to be delivered in the next financial year. In the 2020/21 financial year, 673 additional houses will be started under this scheme across different constituencies.

On the commercial side, the Corporation delivered 708 units and 413 units were under construction at different stages in Gaborone, Francistown, Tsabong, Tonota and Palapye, and are expected to be delivered during the 2020/21 financial year. The high take up of 372 Tsholofelo project which was sold at affordable price of P440,160 challenges the Corporation to deliver similar units under this category going forward. The Corporation will deliver 264 units in 2020/21 under the same scheme in Tsholofelo while 312 will be started in Block 7 Gaborone.

Outlook

The Corporation continues to deliver on its 6-year strategy covering the periods 2018 – 2023. This strategy was reviewed at mid-term, in 2019 and the revised targets set for the remaining 3 years, 2020-2023. During the entire 6-year strategy period the Corporation is to deliver 12, 200 housing units comprising both social and commercial housing units.

Strategies to diversify the revenue streams are starting to bear fruits, with professional fees and facilities management income streams growing as the Corporation reaches out to more clients. The Corporation is also happy with the uptake of the low income Tsholofelo apartments and will continue to build for this market as part of its future housing strategy. The future looks very bright for BHC going forward.

The Corporation remains financially stable with a strong balance sheet and low gearing ratios. The Corporation continues to successfully provide affordable housing to Batswana country wide through social housing projects. The Corporation will also bolster its commercial mandate as this operation cross-subsidize the social housing function and ensures financial sustainability of the whole Corporation.

By order of the Board,

Reginald M. Motswaiso
General Manager

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2020

	2020 P'000	2019 P'000
Revenue and rental income	880,462	510,634
Cost of sale of housing inventories	(302,624)	(51,071)
Cost of sale of construction and management contracts	(265,961)	(204,430)
Repairs and maintenance	(48,618)	(38,722)
Employee benefit expenses	(141,203)	(132,048)
Depreciation and amortisation	(25,832)	(26,671)
Other expenses	(73,300)	(75,945)
Impairment (expense) / reversal	(1,565)	930
Other income	433	2,584
Gains from sale of investment properties	28,843	17,741
Operating profit	**50,635**	**3,002**
Finance income	1,408	4,662
Finance costs	(11,950)	(106)
Net finance (costs) / income	**(10,542)**	**4,556**
Share of profit or loss of equity accounted investees of joint ventures	13,758	14,268
Profit before taxation	**53,851**	**21,826**
Taxation	(4,512)	(5,063)
Profit for the year	**49,339**	**16,763**
Other comprehensive income	-	-
Total comprehensive income for the year	**49,339**	**16,763**

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STATEMENT OF FINANCIAL POSITION

as at 31 March 2020

	2020 P'000	2019 P'000
Assets		
Non-current assets		
Investment properties	1,330,608	1,225,645
Property, plant and equipment	56,803	57,266
Intangible assets	19,128	20,467
Investments in joint ventures	14,998	27,400
Right of use asset	15,190	-
Trade and other receivables	11,324	8,949
Deferred tax asset	2,486	1,693
Total non-current assets	**1,450,537**	**1,341,420**
Current assets		
Housing inventories	647,795	838,902
Taxation refundable	5,775	6,326
Trade and other receivables	71,303	106,077
Cash and cash equivalents	1,183,548	1,091,022
Total current assets	**1,908,421**	**2,042,327**
Total assets	**3,358,958**	**3,383,747**
Equity and liabilities		
Capital and reserves		
Irredeemable capital	250,000	250,000
Retained earnings	1,280,946	1,231,607
Total equity	**1,530,946**	**1,481,607**
Non-current liabilities		
Long term deferred government revenue grant	32,963	39,759
Long term borrowings	535,520	661,502
Long term lease liabilities	9,308	-
Total non-current liabilities	**577,791**	**701,261**
Current liabilities		
Trade and other payables	220,804	237,681
Short term portion of lease liabilities	6,683	-
Contract liabilities	816,709	870,032
Deferred income	42,919	25,210
Short term portion of deferred government revenue grant	6,797	7,297
Short term portion of borrowings	141,123	44,080
Customer deposits	15,186	16,579
Total current liabilities	**1,250,221**	**1,200,879**
Total equity and liabilities	**3,358,958**	**3,383,747**

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2020

	Irredeemable capital	Retained earnings	Total
	P'000	P'000	P'000
Balance as at 01 April 2018	250,000	1,222,287	1,472,287
Effect of adoption of new IFRS	-	(7,443)	(7,443)
IFRS 9 adjustment for credit losses	-	(9,542)	(9,542)
Deferred tax thereof	-	2,099	2,099
Restated balance as at 1 April 2018	**250,000**	**1,214,844**	**1,464,844**
Comprehensive income			
Profit for the year	-	16,763	16,763
Transfer to retained earnings	-	-	-
Total comprehensive income	**-**	**16,763**	**16,763**
Balance as at 31 March 2019	**250,000**	**1,231,607**	**1,481,607**
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**

STATEMENT OF CASH FLOWS

for the year ended 31 March 2020

	2020 P'000	2019 P'000
Cash flows from operating activities		
Net cash from / (utilised in) operating activities	159,187	(202,231)
Taxation paid	(11,080)	(20,113)
Taxation refund	6,326	-
Net cash generated from / (utilised in) operating activities	**154,433**	**(222,344)**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(6,272)	(10,920)
Acquisition of intangible assets	(2,373)	(1,689)
Additions to investment properties	-	(17,880)
Proceeds from sale of investment properties	52,054	30,055
Dividends from joint ventures	26,160	9,850
Interest received	853	4,138
Net cash generated from investing activities	**70,422**	**13,554**
Cash flows from financing activities		
Repayment of long term borrowings	(36,288)	(41,149)
Bond funds received	-	300,000
Dividends paid	-	(20,205)
Lease payments	(4,445)	-
Interest expenses - leases	(1,367)	-
Interest paid	(36,906)	(26,898)
Net cash (utilised in) /generated from financing activities	**(79,006)**	**211,748**
Net increase in cash and cash equivalents	145,849	2,958
Cash and cash equivalents at beginning of year	220,990	218,032
Cash and cash equivalents at end of year	**366,839**	**220,990**