

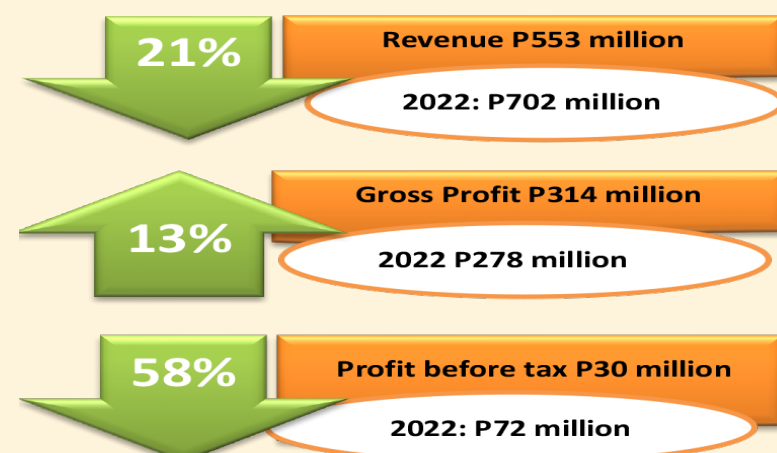
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

The Board of Directors of Botswana Housing Corporation is pleased to announce the Corporation's audited financial statements for the year ended 31 March 2023. Overall, 2022/23 was a challenging financial year due to unfavourable economic conditions in the local market. However, the Corporation still managed to post positive results leading to profit after tax of P23 million.

Basis of preparation

The Corporation prepares its financial statements in accordance with International Financial Reporting Standards (IFRSs). These financial statements have been audited by Ernst and Young, the Corporation's auditors. The auditors issued an unqualified audit opinion which is available for inspection at the Botswana Housing Corporation Head Office.

Financial Highlights



	2023 P (Million)	2022 P (Million)	% age
BALANCE SHEET			
Total Assets	2,775	2,895	-4.1%
Shareholders' Funds	250	250	0.0%
Total Debt	618	649	-4.8%
Total Equity	1,619	1,596	1.4%
INCOME STATEMENT			
Revenue	553	702	-21%
Cost of Sales	(239)	(423)	43%
Expenses	(328)	(266)	-23%
Operating profit	13	61	79%
Profit after tax	23	64	-64%
Gross profit margin	57%	39%	18%
Net profit margin	5.1%	9.0%	-4%
Debt/Equity Ratio	38%	41%	3%
Cost to income ratio	98%	90%	-8%

Statement of Profit or Loss and Other Comprehensive Income

Revenue

The Corporation recorded a total revenue of P553 million, 21% decrease when compared to the P702 million recorded in the prior year. The decrease in total revenues was mainly a result of a decline in sales revenues, and external projects contract income with an aggregate reduction of P201 million. Sales revenue declined on the back of the decline in inventories in the same period. However, the Corporation is in the process of starting a number of high value projects and these revenues streams are expected to recover going forward.

Rental revenue increased by 17% to P280 million from P240

million recorded in the prior year. The increase was mainly due to the rental adjustment and new properties which were added to rental stock. The total rental stock at the end of the reporting period was 9 961 units and these units are geographically spread across the country in major towns and peri urban areas. The Corporation's target is to maintain its rental portfolio at approximately 10 000 units to ensure financial sustainability. At the end of the financial year, the Corporation recorded a vacancy rate of 1.5% on its rental portfolio, which is within the industry standard vacancy rate of 1.5%.

Professional fees revenue, which is the revenue from project management for third parties, is one of the Corporation's major revenue streams. This revenue line went down by 38% because fewer third-party projects which were carried during the year. The major contributor to reduction in this revenue line was due to scaling down of projects by our customers.

Facilities Management revenue, which is revenue from maintenance of properties for third parties, decreased by 7% from the prior year of P45 million. Though professional fees and facilities management revenue did not perform during the period under review the Corporation expects these revenue streams to recover over the next two years.

Operating Expenses

During the review period, operating costs went up on the back of high inflationary pressures and unfavorable economic environment.

Most operating expenses went up when compared to the previous year. Employee benefits, expenses, repairs and maintenance of investment properties and other operating costs remained the major costs for the period under review.

Employee benefits expenses remained flat year on year at P142 million on the back of cost containment interventions. Repairs and maintenance expenses for the year under review increased by 22% to P62 million from P51 million in the prior year. The Corporation continuously assesses and maintains its properties over a five-year cycle to preserve the value of its investment properties portfolio. Other expenses went up by 16% compared to prior year from P 66 million to P77 million. The major contributors to other expenses are administration expenses, property rates, telephone expenses, information technology expenses, security, consultancy and advertising costs.

Profitability

The Corporation recorded an operating profit of P13 million representing a significant decrease against the P61 million operating profit realized in the prior year. Profit before income tax also declined from P72 million in the prior year to P30 million. This resulted in an overall decrease in profit after tax from P64 million in prior year to P23 million for the year under review. This decline in profitability was influenced by an overall increase in operating expenses largely driven by high inflation during the year under review. Depreciation and amortization charges also went up due to adjustments performed during the period under review putting more pressure on profitability. In the prior year

there was a once off receivables impairment reversal of P24 million which contributed to prior year profits being higher.

Statement of Financial Position

The Corporation's statement of financial position is healthy with total assets base amounting to P2.78 billion, a decrease of 4% from prior year. The Corporation's investment properties portfolio stood at P1.3 billion at the end of the reporting period. These properties represent 47% of the Corporation's total assets. Housing inventories, which are properties held for sale and those still under construction closed the year at P451 million compared to P444 million in prior year, an increase of 2%. The P451 million worth of inventories is an indication of the Corporation's potential to generate more sales revenue in the coming financial year.

This healthy statement of financial position coupled with low debt/equity ratio and strong cash position makes the Corporation resilient to the current economic environment. The low debt/equity ratio gives the Corporation leverage to raise more funding from the market to finance planned projects in its quest to house Batswana.

Housing Developments


During the period under review, 686 houses were delivered under the Self-Help Housing Agency (SHHA) scheme. At the end of financial year there were 54 SHHA houses at various stages of construction and are all expected to be delivered in the next financial year. In the coming financial year, 470 additional SHHA houses will be started under this scheme across different constituencies.


The Corporation plans to start 1 256 units across the country. Planned projects during 2023/24 financial year are in Gaborone, Francistown, Maun, Kazungula, Pilane, Nata, Tati siding, Sese, Rakops, Palapye and Letlhakane. These projects are expected to be delivered at various times in the next three years to increase housing stock.

Outlook

The Corporation will be implementing its two years transitional plan from the year 2023 to 2025. The Corporation expects to deliver a total of 1,400 housing units in various locations across the country during the transitional period. Based on current projections by major economic institutions locally and internationally the Corporation expects the local economy to rebound during this period. These projections are also buoyed by the government's drive to expedite the implementation of infrastructure developments. This drive by the Government is likely to positively impact some of the Corporation's major revenue streams coming from its third-party customers.

By order of the Board,


Nkaelang Matenge
Acting General Manager


Moemedi Gabana
Board Chairman

29 June 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2023

	2023 P'000	2022 P'000
Revenue and rental income	553,072	701,546
Cost of sale of housing inventories*	(26,454)	(102,618)
Cost of sale of construction and management contracts	(212,628)	(320,632)
Gross profit	313,990	278,296
Repairs and maintenance	(62,111)	(50,612)
Employee benefit expenses	(142,842)	(141,617)
Depreciation and amortisation	(41,461)	(30,285)
Other expenses	(77,014)	(68,192)
Impairment (expenses) / reversal*	(4,216)	24,291
Other income	2,240	6,642
Gains from sale of investment properties	24,505	42,612
Operating profit	13,091	61,135
Finance income	13,700	9,308
Finance costs	(17,371)	(17,889)
Net finance costs	(3,671)	(8,581)
Share of profit or loss in equity accounted joint ventures for the year	20,817	19,615
Profit before taxation	30,237	72,169
Taxation	(7,164)	(8,045)
Profit for the year	23,073	64,124
Total comprehensive income for the year	23,073	64,124

*As per IAS1- Presentation of financial statements, which requires the separate presentation of the impairment of financial assets on the statement of profit or loss and other comprehensive income, the Corporation has revised the presentation on impairments which were reported aggregated. Effective 2023, impairment for housing inventories are presented as part of cost of sales to enhance the disclosure as per requirements of IAS 2. The comparative information for 2022 has been revised to align to the improved presentation. This does not have any impact on the statement of profit or loss and other comprehensive income.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2023

	2023 P'000	2022 P'000
Assets		
Non-current assets		
Investment properties	1,309,022	1,356,727
Property, plant and equipment	50,612	50,384
Intangible assets	7,368	11,565
Investments in joint ventures	17,633	15,491
Right of use asset	3,578	4,140
Trade and other receivables	21,030	16,166
Deferred tax asset	4,390	3,209
Total non-current assets	1,413,633	1,457,682
Current assets		
Housing inventories	451,125	444,154
Taxation refundable	5,221	8,636
Trade and other receivables	29,639	45,378
Cash and cash equivalents	875,859	939,500
Total current assets	1,361,844	1,437,668
Total assets	2,775,477	2,895,350
Equity and liabilities		
Capital and reserves		
Irredeemable capital	250,000	250,000
Retained earnings	1,369,202	1,346,128
Total equity	1,619,202	1,596,128
Non-current liabilities		
Long term deferred government revenue grant	15,885	20,993
Long term borrowings	562,150	586,775
Long term lease liabilities	3,366	3,870
Total non-current liabilities	581,401	611,638
Current liabilities		
Trade and other payables	99,826	146,870
Short term portion of lease liabilities	3,308	2,523
Contract liabilities	404,924	468,042
Deferred income	13,742	17,923
Short term portion of deferred government revenue grant	5,107	5,704
Short term portion of borrowings	34,968	35,110
Customer deposits	12,999	11,412
Total current liabilities	574,874	687,584
Total equity and liabilities	2,775,477	2,895,350

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2023

	Irredeemable capital P'000	Retained earnings P'000	Total P'000
Balance as at 01 April 2021	250,000	1,282,004	1,532,004
Comprehensive income			
Profit for the year	-	64,124	64,124
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	-	23,073	23,073
Profit for the year	-	23,073	23,073
Total comprehensive income	-	23,073	23,073
Balance as at 31 March 2023	250,000	1,369,202	1,619,202

STATEMENT OF CASH FLOWS

for the year ended 31 March 2023

	2023 P'000	2022 P'000
Cash flows from operating activities		
Net cash (utilised in) / from operating activities	(56,573)	11,331
Taxation paid	(9,210)	(9,634)
With-holding tax paid	(2,738)	(1,369)
Taxation refund	7,018	5,407
Net cash (utilised in) / generated from operating activities	(61,503)	5,735
Cash flows from investing activities		
Acquisition of property, plant and equipment	(7,070)	(1,775)
Proceeds from sale of investment properties	43,200	64,845
Proceeds from sale of property, plant and equipment	197	968
Dividends from joint ventures	18,675	24,800
Interest received	13,700	7,668
Net cash generated from investing activities	68,702	96,506
Cash flows from financing activities		
Repayment of long term borrowings	(30,770)	(30,999)
Lease payments - principal	(5,672)	(5,483)
Lease payments - interest	(554)	(726)
Interest paid	(33,844)	(32,069)
Net cash utilised in financing activities	(70,840)	(69,277)
Net (decrease) / increase in cash and cash equivalents	(63,641)	32,964
Cash and cash equivalents at beginning of year	939,500	906,536
Cash and cash equivalents at end of year	875,859	939,500



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