

AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017



The Botswana Housing Corporation's Board is pleased to announce the Corporation's audited financial results for the year ended 31 March 2017. The Corporation recorded impressive results despite the current adverse economic conditions where our customers' purchasing power has been eroded by stagnant incomes over some time.

BASIS OF PREPARATION

The accounting policies adopted for the year comply with International Financial Reporting Standards (IFRS) and the Botswana Housing Corporation Act. The accounting policies used are consistent with those applied in prior financial years.

These financial statements have been audited by KPMG, 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



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The Corporation recorded total revenues of P493 million, a decline of 9% when compared to the P539 million recorded in the prior year. The decrease in revenue was mainly driven by sales revenue which decreased by a significant P43 million or 13%, from P326 million to P284 million. In the prior year, sales revenue was high in comparison with prior years and the largest contributor was the Phakalane project. The Phakalane project was delivered late due to water and sewage impasse experienced in 2012 and a majority of these properties were sold in 2016. The total number of houses sold in 2016/17 was 395 units.

Rental revenue declined by 3%, from P182 million in 2015/16 to the current P177 million. The decline was mainly caused by a once off sale of a major estate in the prior year, which was generating annual rental of P2.4 million. Gains from the sale of investment properties were P18 million, a decline of 83% from P107 million in 2016, still on the back of this once off sale. Rental revenue continues to be a significant and key revenue stream for the Corporation and it is the pillar of the Corporation's sustainability model.

Income from professional fees at P30 million increased by 10% when compared to prior year. Professional fees are revenues from project management done on behalf of third parties. This is the third largest revenue stream for BHC and demonstrates BHC's ability to use its skilled workforce to deliver projects on behalf of other people. Professional fee income has grown over the years and it is part of management's revenue diversification strategy going into the future.

On the expenditure side, employee expenses went down by 30% mainly as a result of restructuring expenses which were incurred in the prior year. Employee expenses also declined on the back of efficiencies brought about by the re-organization of the Corporation. Other expenses also went down by 11% and this combined with savings in employee expenses largely contributed to the increase in profitability.

The Corporation recorded a total impressive comprehensive income after tax of P49 million, a notable increase of P21 million when compared with P28 million in the prior year. This represented an increase of 73% and was mainly on the back of improved gross profit margins as well as overall savings in expenses.

TAXATION

The Corporation became liable to paying income tax with effect from 1 July 2016. The income tax expense of P2.8 million in the statement of surplus relates to a period of nine months and this amount is net of the deferred tax asset of P5.7 million.

STATEMENT OF FINANCIAL POSITION

The Corporation's balance sheet remains very strong with total assets amounting to P3.1 billion. The statement of financial position reflects strong net assets, low debt/equity ratios, comfortable liquidity position and sustained shareholder wealth. The continued reduction in borrowings through repayment of long term debt gives the Corporation an opportunity to raise funding for future projects and deliver more houses to the nation.

HOUSING DEVELOPMENTS

During the period under review, 1376 houses were delivered under the Self Help Housing Agency (SHHA) scheme and 177 houses under the Public Officers Housing Initiative (POHI). At the end of the financial year, 1125 SHHA houses, 372 houses for Instalment Purchase Scheme (IPS) and Youth Housing and 265 POHI houses were at different stages of construction. In the 2016/17 financial year, 1878 additional houses will be started under these schemes across different constituencies.

On the commercial side of the business, the Corporation has 192 units under construction at different stages in Gaborone and Jwaneng, and all are expected to be delivered during the 2017/18 financial year. In 2017/18 financial year, 1182 units will be started in Tutume, Tati Siding, Tonota, Francistown, Jwaneng, Palapye and Gaborone. These are areas where effective demand has been established and the houses are expected to attract huge interest from the market.

OUTLOOK

The Corporation recently developed a six year strategy from 2018 - 2023. The major strategic focus going forward is delivery of the new mandate which clearly encompasses the social housing aspect. In the strategy period BHC is expected to deliver an average of 1500 social housing projects and 1800 commercial housing projects per annum.

Through the Corporation's six year strategy some key priority areas have been identified and these are mainly; developing new partnerships with the private sector in housing delivery; responding to customer needs by building/designing for specific markets; serving the unserved markets, especially low income groups; exploring alternative technologies and optimization of the BHC research capabilities. These strategic priority areas will ensure focus in delivering the strategic plan and will guide Management in the implementation of the long term strategy.

The Corporation remains financially sustainable and financial sustainability is one of the key focus areas for the organisation. The strategic plan also pronounces and clearly articulates financial sustainability during the planning period.

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 2017

	2017 P'000	2016 P'000
Revenue	492,969	539,297
Cost of sale of housing inventories	(257,517)	(321,375)
Repairs and maintenance	(48,784)	(49,585)
Employee benefit expenses	(115,708)	(165,107)
Depreciation and amortisation	(16,932)	(16,842)
Other expenses	(58,090)	(65,299)
Impairment expenses	(12,401)	(24,083)
Gains from sale of investment properties	17,746	106,550
Other income	39,135	18,197
Operating profit	40,418	21,753
Interest income	24,961	24,133
Interest costs	(26,799)	(31,845)
Net finance costs	(1,838)	(7,712)
Share of equity accounted earnings of joint ventures	12,731	13,918
Profit before taxation	51,311	27,959
Taxation	(2,809)	-
Total profit and comprehensive income for the year	48,502	27,959

STATEMENT OF FINANCIAL POSITION

as at 31 March 2017

	2017 P'000	2016 P'000
Assets		
Non-current assets		
Investment property	1,130,394	1,107,561
Property, plant and equipment	19,523	20,985
Intangible assets	22,192	24,815
Investments in joint ventures	20,776	21,745
Trade and other receivables	9,284	11,228
Deferred tax asset	5,731	-
Total non-current assets	1,207,900	1,186,334
Current assets		
Housing inventories	407,264	443,923
Trade and other receivables	56,850	19,870
Cash and cash equivalents	1,476,555	1,682,953
Total current assets	1,940,669	2,146,746
Total assets	3,148,569	3,333,080
Equity and liabilities		
Capital and reserves		
Irredeemable capital	250,000	250,000
Retained earnings	1,129,584	1,086,604
Earnings reserve	4,958	6,426
Total equity	1,384,542	1,343,030
Non-current liabilities		
Agency funds	229,963	258,865
Long term deferred income	1,879	5,153
Long term deferred government revenue grant	54,824	63,035
Long term borrowings	423,071	743,258
Total non-current liabilities	709,737	1,070,311
Current liabilities		
Trade and other payables	191,264	213,253
Taxation payable	8,515	-
Provision for restructuring costs	3,693	42,298
Agency funds	488,672	550,088
Deferred income	3,349	3,139
Short term portion of deferred government revenue grant	8,211	7,957
Short term portion of borrowings	337,484	35,630
Customer deposits	13,102	67,374
Total current liabilities	1,054,290	919,739
Total equity and liabilities	3,148,569	3,333,080

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2017

	Irredeemable capital P'000	Retained earnings P'000	Investment properties insurance reserve P'000	Total P'000
Balance at 01 April 2015	250,000	1,058,874	8,657	1,317,531
Comprehensive income				
Surplus income for the year	-	27,959	-	27,959
Transfer to retained earnings	-	2,231	(2,231)	-
Total comprehensive income	-	30,190	(2,231)	27,959
Transaction with owners				
Dividend declared	-	(2,460)	-	(2,460)
Total transactions with owners	-	(2,460)	-	(2,460)
Balance at 31 March 2016	250,000	1,086,604	6,426	1,343,030
Balance at 01 April 2016	250,000	1,086,604	6,426	1,343,030
Comprehensive income				
Surplus income for the year	-	48,502	-	48,502
Transfer to retained earnings	-	1,468	(1,468)	-
Total comprehensive income	-	49,970	(1,468)	48,502
Transaction with owners				
Dividend declared	-	(6,990)	-	(6,990)
Total transactions with owners	-	(6,990)	-	(6,990)
Balance at 31 March 2017	250,000	1,129,584	4,958	1,384,542

STATEMENT OF CASH FLOWS

for the year ended 31 March 2017

	2017 P'000	2016 P'000
Cash flows from operating activities		
Net cash (utilised in)/generated from operating activities	(49,064)	262,248
Taxation paid	(25)	-
	(49,089)	262,248
Cash flows from investing activities		
Acquisition of property, plant and equipment	(2,169)	(4,898)
Acquisition of intangible assets	(800)	(1,656)
Additions to investment properties	(42,546)	(40,825)
Proceeds from sale of investment properties	25,184	136,009
Proceeds from sale of property, plant and equipment	6	50
Dividends from joint ventures	13,700	14,605
Loan capital repayments received from related parties	-	2,198
Interest received	21,972	18,411
Net cash generated from investing activities	15,347	123,894
Cash flows from financing activities		
Repayment of long term borrowings	(27,319)	(44,691)
Long term finance raised	-	400,000
Dividends paid	(27,197)	(22,665)
Interest paid	(27,823)	(28,903)
Net cash (utilised in)/generated from financing activities	(82,339)	303,741
Net (decrease)/increase in cash and cash equivalents	(116,080)	689,883
Cash and cash equivalents at beginning of year	874,000	184,117
Cash and cash equivalents at end of year	757,920	874,000



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Excellence



Innovation



Transparency



Teamwork