

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

Introduction

The Botswana Housing Corporation is pleased to announce its half year results for the period ended 30 September 2014.

Basis of preparation

The unaudited abridged financial statements for the half year ended 30 September 2014 have been prepared based on the same accounting policies and methods of computation used in the preparation of the Corporation's recent annual financial statements for the year ended 31 March 2014.

The audited comparative figures for the six months period to 30 September 2013 have been restated to account for the impact of the prior year adjustment effected in those financial statements. This adjustment relates to the operating lease asset.

Highlights

	6 months ended 30 Sept 2014 Unaudited P'000	6 months ended 30 Sept 2013 Unaudited P'000	Change (%)
Revenue	118,895	131,720	(10%)
Operating Surplus	7,692	22,464	(66%)
Comprehensive income / (loss)	1,023	17	5917%

COMMENTS ON THE RESULTS

Statement of comprehensive income

The Corporation recorded an operating surplus of P7.69 million during the half year ended 30 September 2014, a decrease of 66% when compared to the same period in the prior year. The year on year reduction in performance was as a result of lower than expected revenue from sale of housing inventories, mainly due to the delayed delivery of the Phakalane project.

The Corporation had planned to sell 265 houses from the Phakalane project and realise sales revenue of P229 million during the first half of current financial year. Due to challenges in getting these properties to a final occupation state, the properties could not be sold and transferred to the customers as per plan. The Corporation has received significant demand for the Phakalane properties and expects to sell the majority of them by the end of this financial year. Sales from this flagship project will boost BHC revenue growth by the end of the financial year.

Cost of sales decreased by 25% during the period in line with decline in sale of housing inventories. Despite challenges faced in terms of revenue growth, management continued to closely manage costs through cost saving initiatives, which led to maintenance costs reducing by 39%. Financing costs went down by 53% as result of reduction in our borrowings compared to the prior year. Employee costs increased by 27% on the comparable period as the reduced levels of projects undertaken during the period resulted in the Corporation expensing certain costs, which would otherwise have been capitalised to projects. The starting time of some projects was delayed due to external factors, mainly delays in availing water and sewerage in areas where BHC has land for development.

The Corporation recorded a total comprehensive surplus of P1 million for the half year compared to comprehensive surplus of P17,000 in the prior year. This positive performance was achieved despite the decline in revenues, thus indicating that cost saving initiatives are paying off. The initiative of cost reductions and optimisation will continue into the next reporting period in line with Management's strategy of ensuring that the Corporation remains financially sustainable.

Statement of Financial Position

The Corporation continues to have a strong balance sheet with total assets of P2.6 billion as at 30 September 2014 (2013: P2.5 billion). Plans are ongoing to liquidate some of the assets to improve returns, especially the houses on lease. This is being driven through the 'sitting tenants campaign' initiative, which at the same time aims to empower Botswana to own homes. Cash and cash equivalents of P486 million includes P379 million which was received from the Government and other institutions for which the Corporation constructs infrastructure and houses on an agency basis. Such cash is only available for the agency works and is not used for BHC projects.

Highlights of the period

The highlight of this period was when 514 houses from the much awaited Phakalane project became ready for occupation during late September 2014. We must acknowledge and thank our customers who waited patiently for the practical completion of this project and we assure them that BHC is working around the clock to ensure that there is smooth handover of these properties.

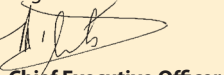
Another notable delivery was in Gantsi where 182 houses were delivered. This project will go a long way to reducing shortage of accommodation in the Gantsi area. The pre-commitment from most of our customers demonstrated that this is a strategic area for housing development for BHC now and into the future.

Outlook

The Corporation started new housing projects in Palapye (104 units), Jwaneng (75 units) and Phakalane (108 units) towards the end of September 2014. The demand for our houses in these areas is high and the houses are expected to be taken up quickly as commitments have been received from prospective customers.

We expect our end of year results to be much better than the first half results on the back of sales from the Phakalane project. The sales forecast for the remaining six months of the year from this project alone is P369 million, with the further sales expected well into the next financial year.

Reginald M. Motswaiso


Chief Executive Officer
26 November 2014

STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30/09/2014 (P'000) Unaudited	6 months ended 30/09/2013 (P'000) Unaudited (Restated)	12 months ended 31/03/2014 (P'000) Audited
Revenue	118,895	131,720	300,446
Cost of sale of housing inventories	(18,403)	(24,568)	(85,821)
Repairs and maintenance	(10,828)	(17,729)	(39,506)
Employee benefit expenses	(58,974)	(46,386)	(94,102)
Depreciation and amortisation	(13,003)	(10,377)	(16,350)
Other expenses	(30,849)	(27,512)	(58,373)
Gains on sale of investment property	14,189	16,245	28,145
Other income	6,664	1,071	9,442
Operating profit	7,692	22,464	43,881
Finance income	3,311	3,182	5,979
Finance costs	(13,913)	(29,447)	(44,015)
Finance (costs)/income - net	(10,602)	(26,265)	(38,036)
Share of surplus of joint ventures	3,933	3,818	10,411
Total comprehensive income for the period	1,023	17	16,256

STATEMENT OF FINANCIAL POSITION

	As at 30/09/2014 (P'000) Unaudited	As at 30/09/2013 (P'000) Unaudited (Restated)	As at 31/03/2014 (P'000) Audited
Assets			
Non-current assets			
Investment property	1,148,707	1,184,780	1,176,860
Property, plant and equipment	20,229	19,280	20,323
Intangible assets	25,558	28,525	27,759
Investments in joint ventures	25,646	19,168	22,271
Loans to related parties	5,661	7,935	6,644
Trade and other receivables	18,678	17,043	19,438
Total non-current assets	1,244,479	1,276,731	1,273,295
Current assets			
Inventories	799,163	768,730	782,772
Loans to related parties	2,441	2,312	2,288
Trade and other receivables	29,934	31,584	35,774
Cash and cash equivalents	486,210	392,223	499,160
Total current assets	1,317,748	1,194,849	1,319,994
Total assets	2,562,227	2,471,580	2,593,289
Equity and liabilities			
Capital and reserves			
Irredeemable capital	250,000	250,000	250,000
Retained earnings	1,051,082	1,035,807	1,050,059
Earnings reserve	11,697	15,851	11,697
Investment properties insurance reserve	-	2,590	-
Total equity	1,312,779	1,304,248	1,311,756
Non-current liabilities			
Agency funds	119,876	96,805	115,281
Borrowings	454,822	495,190	481,347
Total non-current liabilities	574,698	591,995	596,628
Current liabilities			
Trade and other payables	173,787	173,026	192,787
Agency funds	258,801	205,432	244,971
Borrowings	46,077	78,787	111,254
Customer deposits	196,085	118,092	135,893
Total current liabilities	674,750	575,337	684,905
Total equity and liabilities	2,562,227	2,471,580	2,593,289

STATEMENT OF CHANGES IN EQUITY

	Capital P'000	Retained earnings P'000	Earnings reserve P'000	Investment properties insurance reserve P'000	Total P'000
Balance at 1 April 2013 (restated)	250,000	1,095,386	15,851	2,590	1,363,827
Comprehensive income for the period (restated)	-	17	-	-	17
Balance as at 30 Sept 2013	250,000	1,095,403	15,851	2,590	1,363,844
Balance at 1 October 2013	250,000	1,095,403	15,851	2,590	1,363,844
Prior year adjustment	-	(59,596)	-	-	(59,596)
At October 2013 (restated)	250,000	1,035,807	15,851	2,590	1,304,248
Comprehensive income for the period	-	16,239	-	-	16,239
Transfer to retained earnings	-	6,744	(4,154)	(2,590)	-
Dividend paid	-	(8,731)	-	-	(8,731)
Balance at 31 March 2014	250,000	1,050,059	11,697	-	1,311,756
Balance at 1 April 2014	250,000	1,050,059	11,697	-	1,311,756
Comprehensive surplus for the period	-	1,023	-	-	1,023
Balance at 30 September 2014	250,000	1,051,082	11,697	-	1,312,779

- There were no inter segment revenue and all revenues were received from external customers.

- Basis of segmentation and the basis of measurement of segment profit/loss is consistent with the segment information as disclosed in annual financial statements for year ending 31 March 2014.

STATEMENT OF CASH FLOWS

	6 months ended 30/09/2014 (P'000) Unaudited	6 months ended 30/09/2013 (P'000) Unaudited	12 months ended 31/03/2014 (P'000) Audited
Cash flows from operating activities			
Net cash used in operating activities	53,485	62,690	152,239
Cash flows from investing activities			
Purchases of property, plant and equipment	(1,717)	(753)	(1,810)
Additions to intangible assets	(1,600)	(1,389)	(5,855)
Proceeds from sale of investment property	33,809	21,711	40,718
Proceeds from sale of property, plant and equipment	-	-	308
Distributions from joint ventures	558	3,500	6,990
Loan repayments received from related parties	830	697	2,011
Interest received	3,311	3,182	5,979
Net cash generated from investing activities	35,191	26,948	48,341
Cash flows from financing activities			
Capitalised interest on borrowings	-	-	-
Repayment of borrowings	(30,379)	(34,377)	(58,334)
Interest paid	(13,913)	(29,447)	(44,015)
Net cash used in financing activities	(44,292)	(63,824)	(102,349)
Net increase in cash and cash equivalents	44,384	25,814	98,231
Cash and cash equivalents at beginning of the period	441,565	343,334	343,334
Cash and cash equivalents at end of the period	485,949	369,149	441,565
Represented by:			
Cash at bank and on hand	110,555	99,091	135,482
Short term bank deposits	375,655	293,131	363,678
Bank overdrafts	(261)	(23,074)	(57,595)
	485,949	369,149	441,565

SEGMENT RESULTS

	Sale of housing inventories P'000	Rental P'000	Others P'000	Total P'000
For the six months ending 30 September 2014				
Revenue	23,521	93,074	2,300	118,895
Operating profit	6,751	40,793	(39,852)	7,692
Finance income	-	-	3,311	3,311
Finance costs	(11,130)	(2,783)	-	(13,913)
Share of surplus of joint ventures	-	-	3,933	3,933
Total comprehensive income/(loss)	(4,379)	38,011	(32,607)	1,023
For the six months ending 30 September 2013				
Revenue	31,509	93,483	6,728	131,720
Operating profit	12,941	36,037	(26,514)	22,464
Finance income	-	-	3,182	3,182
Finance costs	(23,558)	(5,889)	-	(29,447)
Share of surplus of joint ventures	-	-	3,818	3,818
Total comprehensive income	(10,617)	30,148	(19,514)	17
Total assets as at 30 September 2014	821,306	1,165,296	575,625	2,562,227
Total assets as at 31 March 2014	685,819	1,321,602	585,868	2,593,289