

AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

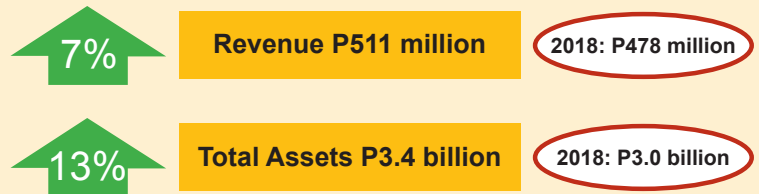
The Board of Directors of Botswana Housing Corporation is pleased to announce the Corporation's audited financial results for the year ended 31 March 2019. The Corporation recorded positive results despite the adverse economic conditions where our margins have declined on the back of increased operating costs.

BASIS OF PREPARATION

The Corporation prepares its financial statements in accordance with International Financial Reporting Standards (IFRSs). In the current year, the Corporation adopted all the new and revised Standards and Interpretations of the International Accounting Standards Board (the IASB) and the IFRS Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the annual reporting period beginning 1 April 2018. There have been no significant changes to the financial results of the Corporation arising from the adoption of the revised standards and new interpretations. In the current year, the Corporation adopted IFRS 9 and IFRS 15 which became effective 1 January 2018 for financial year 1 April 2018 to 31 March 2019.

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



Financial Highlights - comparative table	2019 P(million)	2018 P(million)	% Change
Revenue	511	478	7.0%
Profit Before Tax	22	108	-80.0%
Profit After Tax	17	88	-81.0%
Total Assets	3,400	3,000	13.0%

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The Corporation recorded total revenue of P511 million, 7% increase when compared to the P478 million recorded in the prior year. The increase in total revenues was mainly due to increase in sales revenue which increased significantly by P23 million or 32%, from P71 million recorded in the prior year. Facilities management income, which is income

from maintenance of properties for third parties, increased year on year by 153% or P29 million. This income stream is showing an upward trend year on year. This is one of the Corporation's key revenue streams going forward and is expected to continue growing. In terms of sales revenue during the period under review 150 new properties were sold from housing inventories and 58 units were sold from investment properties.

Rental revenue decreased by 3% to P193 million from P198 million recorded in the prior year. The decrease was mainly caused by disposal of some investment properties. The total rental stock at the end of the reporting period was 9 691 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 2.1% on its investment properties, which translate to 200 vacant units. 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 is the third significant revenue stream and has been showing an upward trend year on year. Income from professional fees increased by 19% to P37 million from P31 million in the prior year. Professional fees and facilities management income are income lines which are to be grown going into the future as part of the Corporation's strategy to diversify its revenue streams.

On the costs side, employee expenses increased by 29% to P103 million compared to prior year when there were vacancies following restructuring exercise which was concluded in December 2017.

Repairs and maintenance expenses were at P39 million and increased by 15% year on year. These expenses account to 20% of rental income, which is too high relative to the industry range of between 9% to 12%. The anomaly is a result of the stagnant rentals as this income stream is regulated. Management continues to closely manage these expenses to ensure that they are controlled without compromising the state of the investment properties. Other expenses went up by 6% to P72 million compared to prior year and Management closely manages controllable costs.

The Corporation recorded comprehensive income after tax of P17 million, a significant decrease of P71 million when compared with P88 million recorded in the prior year. The decrease was mainly on the back of impairment reversal of P44 million in the prior year after resolution of the long dispute with the Corporation's major tenant.

STATEMENT OF FINANCIAL POSITION

The Corporation's balance sheet remains strong with total assets amounting to P3.4 billion, an increase of 13% year on year. The Corporation derives its strength from the investment properties portfolio that stood at P1.2 billion at the end of financial year. These properties represent 36% of the Corporation's total assets. Housing inventories, which are properties held for sale and those still under construction closed at P839 million compared to P585 million in 2018. The 43% increase in inventories indicate the Corporation's 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 opportunity to raise more funding for future projects in its endeavour to deliver more houses to accommodate Batswana.

HOUSING DEVELOPMENTS

During the period under review, 1 050 houses were delivered under the Self-Help Housing Agency (SHHA) scheme and 94 houses under the Public Officers Housing Initiative (POHI). At the end of the financial year, 877 SHHA houses were at different stages of construction and are all expected to be delivered in the next financial year. In the 2019/20 financial year, 716 additional houses will be started under this scheme across different constituencies.

On the commercial side, the Corporation delivered 655 units and 394 units were under construction at different stages in Gaborone, Francistown, Tonota and Palapye, and are expected to be delivered during the 2019/20 financial year. A notable project delivered this financial year is the Tsholofelo housing project where 372 units were delivered. These units are being sold to Batswana at an affordable price of P440 000. The demand for this project is high, with the units being oversubscribed. Of note is that approximately 75% this project has been taken by the youth or Batswana under 35 years. The high take up challenges the Corporation to deliver more units under this category going forward. 264 units will be delivered in 2019/20 under this scheme in Tsholofelo while 120 will be started in Block 7 Gaborone.

During 2019/20 financial year, 551 units will be started in Gaborone, Palapye, Jwaneng and Tutume. These are areas where the Corporation has established that there is effective demand and the houses are expected to be taken by the market.

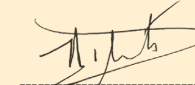
FORWARD LOOKING

The Corporation continues to deliver on its 6-year strategy from 2018 – 2023 which is due for review in the next six months. During this strategic period the Corporation is expected to deliver on average of 1 500 social housing projects and 1 800 commercial housing projects per annum.

Strategies to diversify the revenue streams are starting to bear fruits, with professional fees and facilities management income growing as the Corporation reaches out to more clients. Going forward the Corporation will aggressively market and sell consultancy and facilities management services to its existing and new clients. This allows the Corporation to offer a one stop service its clients.

The Corporation remains financially sustainable with strong balance sheet and low gearing ratios. The Corporation prides itself in providing affordable housing to Batswana country wide through social housing projects and schemes. The Corporation is however, not losing sight of its commercial mandate, as this ensures financial sustainability.

By order of the Board,



Reginald M. Motswaio
General Manager

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2019

	2019 P'000	2018 P'000 Restated
Revenue	510,634	477,682
Cost of sale of housing inventories	(51,071)	(58,898)
Cost of sale of construction and management contracts	(204,430)	(163,270)
Repairs and maintenance	(38,722)	(33,687)
Employee benefit expenses	(132,048)	(103,132)
Depreciation and amortisation	(26,671)	(17,344)
Other expenses	(75,945)	(67,676)
Impairment expenses	930	35,935
Other income	2,584	9,472
Gains from sale of investment properties	17,741	14,786
Operating profit	3,002	93,868
Finance income	4,662	17,161
Finance costs	(106)	(16,131)
Net finance income	4,556	1,030
Share of profit or loss of equity accounted investees of joint ventures	14,268	13,452
Profit before taxation	21,826	108,350
Taxation	(5,063)	(20,605)
Profit for the year	16,763	87,745
Other comprehensive income	-	-
Total comprehensive income for the year	16,763	87,745

STATEMENT OF CASH FLOWS

for the year ended 31 March 2019

	2019 P'000	2018 P'000
Cash flows from operating activities		
Net cash utilised in operating activities	(202,231)	(181,250)
Taxation paid	(20,113)	(14,259)
Net cash utilised in operating activities	(222,344)	(195,509)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(10,920)	(4,536)
Acquisition of intangible assets	(1,689)	(3,744)
Additions to investment properties	(17,880)	(12,624)
Proceeds from sale of investment properties	30,055	22,452
Dividends from joint ventures	9,850	11,200
Interest received	4,138	16,694
Net cash generated from investing activities	13,554	29,442
Cash flows from financing activities		
Repayment of long term borrowings	(41,149)	(43,437)
Bond funds received	300,000	-
Repayment of bond	-	(286,000)
Dividends paid	(20,205)	(20,205)
Interest paid	(26,898)	(24,179)
Net cash generated from / (utilised) in financing activities	211,748	(373,821)
Net increase/(decrease) in cash and cash equivalents	2,958	(539,888)
Cash and cash equivalents at beginning of year	218,032	757,920
Cash and cash equivalents at end of year	220,990	218,032

STATEMENT OF FINANCIAL POSITION

as at 31 March 2019

	2019 P'000	2018 P'000 Restated	2017 P'000 Restated
Assets			
Non-current assets			
Investment properties	1,225,645	1,235,316	1,141,376
Property, plant and equipment	57,266	21,069	19,523
Intangible assets	20,467	22,201	22,192
Investments in joint ventures	27,400	22,982	20,776
Trade and other receivables	8,949	9,693	9,284
Deferred tax asset	1,693	-	5,731
Total non-current assets	1,341,420	1,311,261	1,218,882
Current assets			
Housing inventories	838,902	584,765	407,264
Taxation receivable	6,326	-	-
Trade and other receivables	106,077	92,891	56,850
Cash and cash equivalents	1,091,022	1,012,548	1,476,555
Total current assets	2,042,327	1,690,204	1,940,669
Total assets	3,383,747	3,001,465	3,159,551
Equity and liabilities			
Capital and reserves			
Irredeemable capital	250,000	250,000	250,000
Retained earnings	1,231,607	1,222,287	1,129,584
Earnings reserve	-	-	4,958
Total equity	1,481,607	1,472,287	1,384,542
Non-current liabilities			
Agency funds	-	-	-
Long term deferred government revenue grant	39,759	47,056	54,824
Long term borrowings	661,502	391,417	423,071
Deferred tax liability	-	860	-
Total non-current liabilities	701,261	439,333	477,895
Current liabilities			
Trade and other payables	237,681	216,610	202,246
Taxation payable	-	8,270	8,515
Provision for restructuring costs	-	-	3,693
Contract liabilities	870,032	794,516	718,635
Deferred income	25,210	1,640	5,228
Short term portion of deferred government revenue grant	7,297	7,768	8,211
Short term portion of borrowings	44,080	48,051	337,484
Customer deposits	16,579	12,990	13,102
Total current liabilities	1,200,879	1,089,845	1,297,114
Total equity and liabilities	3,383,747	3,001,465	3,159,551

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019

	Irredeemable capital P'000	Retained earnings P'000	Earnings reserve P'000	Total P'000
Balance at 01 April 2017	250,000	1,129,584	4,958	1,384,542
Comprehensive income				
Profit for the year	-	87,745	-	87,745
Transfer to retained earnings	-	4,958	(4,958)	-
Total comprehensive income	-	92,703	(4,958)	87,745
Balance at 31 March 2018	250,000	1,222,287	-	1,472,287
Balance 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 thereon	-	2,099	-	2,099
Restated balance on 1 April 2018	250,000	1,214,844	-	1,464,844
Comprehensive income				
Profit for the year	-	16,763	-	16,763
Total comprehensive income	-	16,763	-	16,763
Balance at 31 March 2019	250,000	1,231,607	-	1,481,607

Earnings reserve

Net gains realised on disposal of investment properties through Tenant Purchase Scheme (TPS) and Step Ownership Scheme (SOS) for which payments have not been received were transferred to earnings reserve (accounting policy 2.2). Transfers were made annually to retained earnings at the rate which the individual TPS and SOS balances were repaid. Management made a decision to reclassify the balance of the earnings reserve to retained earnings at the reporting date.



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Excellence



Innovation



Transparency



Teamwork