



AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

The Board of Directors of Botswana Housing Corporation is pleased to announce the Corporation's audited financial results for the year ended 31 March 2022. The Corporation recorded a significant improvement in profitability compared to the previous year. Despite the challenging economic conditions posed by the pandemic, growth in rental revenue, sales of high margin properties and impairment reversals from customer payments contributed to the improved profitability. Expenditure was kept under control by implementation of cost containment strategies and only increased marginally due to inflationary pressures.

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 unqualified audit opinion is available for inspection at the Botswana Housing Corporation head office.

Financial Highlights



	2022 P (Million)	2021 P (Million)	% age
BALANCE SHEET			
Total Assets	2,895	3,042	-4.8%
Shareholders' Funds	250	250	0.0%
Total Debt	649	679	-4.4%
Total Equity	1,596	1,532	4.2%
INCOME STATEMENT			
Revenue	702	760	-8%
Cost of Sales	(426)	(495)	14%
Expenses	(214)	(272)	21%
Operating profit / (loss)	61	(6)	1117%
Profit after tax	64	1	6300%
Gross profit margin	39%	35%	4%
Net profit margin	9.0%	0.1%	9%
Debt/Equity Ratio	41%	44%	3%
Cost to income ratio	90%	99%	9%

Statement of Profit or Loss and Other Comprehensive Income Revenue

The Corporation recorded a total revenue of P702 million, 8% decrease when compared to the P760 million recorded in the prior year. The decrease in total revenues was mainly a result of a decline in professional fees and facilities management revenue streams with an aggregate reduction of P33 million. Sales revenue which is one of the major revenue streams returned impressive margins, contributing to the overall growth in the gross margin.

Rental revenue increased by 15% to P240 million from P209 million

recorded in the prior year. The increase was mainly due to the second-year rental adjustment of the on-going five years rental increase to get to 80% of market rate. New properties were also added to investment properties portfolio. During the period under review rental revenue surpassed sales revenue as the major revenue stream for the Corporation. The total rental stock at the end of the reporting period was 9 901 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 ensure sustainability. At the end of the financial year, the Corporation recorded a vacancy rate of 0.81% on its rental portfolio, which translate to 80 vacant units. The vacancy rate is below the industry standard 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 declined significantly by 64% to P5 million from P14 million in the prior year. There were fewer third-party projects carried during the review period. Government and Government owned entities being the main clients had to suspend some of the planned projects as a direct response to the effects of the Covid 19 pandemic.

Facilities Management revenue, which is revenue from maintenance of properties for third parties, decreased by P24 million from P69 million recorded in prior year to P45 million. This is one of the Corporation's key revenue streams and is expected to grow year on year as more customers are taken on board. 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

The corporation remained focused on cost control throughout the year to mitigate expenditure against inflationary pressures and general unfavourable trading environment.

Total operating expenses for the period under review were P258 million compared to P241 million for prior year, an increase of 7%. 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 increased by 3% year on year on the back of across-the-board inflation adjustment from P138 million in prior year to P142 million. Repairs and Maintenance costs for the year under review were P51 million against P42 million for prior year. The Corporation from time to time routinely assesses and maintains its properties on a five-year cycle to preserve the value of its investment properties portfolio. Other expenses went up by 10% compared to prior year from P 61 million to P66 million. The major contributors to other expenses are administration, property rates, telephone expenses, information technology expenses, security, consultancy, and advertising costs.

Impairment Expenses

During the year under review impairments movements were significantly influenced by payment of accounts in arrears by two major clients. The impairments were overall adjusted by P25 million because of the two significant receipts. In the previous year the Corporation had had a significant upward movement in impairments to the tune of P25 million.

Profitability

The Corporation recorded an operating profit of P61 million representing a significant increase against the P6 million operating loss realized in the prior year. Profit before income tax increased significantly from P2 million in the prior year to P72 million. This resulted in an overall increase in profit after tax from P1 million prior year to P64 million for the year under review. This significant increase in profitability was

driven by high rental revenue, high sales of investment properties that generated a high average margin of 65% and impairment reversals.

Statement of Financial Position

The Corporation's statement of financial position remains strong with total assets amounting to P2.90 billion. The Corporation's strength is on its investment properties portfolio that stood at P1.4 billion at the end of the reporting period. These properties represent 48% of the Corporation's total assets. Housing inventories, which are properties held for sale and those still under construction closed the year at P444 million compared to P605 million in prior year. Housing inventories decreased by 27% because of sales and slow project starts. The P444 million worth of 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, 672 houses were delivered under the Self-Help Housing Agency (SHHA) scheme. At the end of the financial year, 459 SHHA houses were at different stages of construction and are all expected to be delivered in the next financial year. In the 2022/23 financial year, 301 additional houses will be started under this scheme across different constituencies.

On the commercial side, the Corporation delivered 169 units and 35 units were under construction at different stages in Tsabong, Tonota and Gaborone, and are expected to be delivered during the 2022/23

financial year. The high take up of the Tsholofelo west and Tsholofelo east projects has encouraged the Corporation to focus on delivering similar units under the same category. An additional 114 units of a similar type will be built in Gaborone. The Corporation plans to start 1068 units in Gaborone, Francistown, Maun, Kazungula, Pilane and Letlhakane during 2022/23 financial year.

Outlook

The Corporation continues its strategy to diversify revenue streams despite both facilities management income and professional fees being challenged by the prevailing economic conditions that have seen its major client government curtailing spending. The Corporation intends to significantly increase the facilities management income stream by undertaking more third-party maintenance projects. The Corporation is confident that once the economy improves professional fees income stream will start growing as some of the suspended third-party projects would be undertaken. The Corporation is also happy with the uptake of the low income Tsholofelo projects, with most of the apartments now sold and will continue to build for this market category and there is a plan to build similar apartments in Gaborone Block 7.

The Corporation prides itself with financially stable and strong balance sheet coupled with low gearing ratios. The Corporation continues to provide affordable housing to Batswana all over the country through social housing projects. The Corporation will continue to focus on its commercial mandate, to ensure financial sustainability.

By order of the Board,

Mr. M. Gabana
Acting Board Chairman

Ms. P. Sefawe
Ag. General Manager

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2022	2022 P'000	2021 P'000
Revenue and rental income	701,546	759,981
Cost of sale of housing inventories	(105,804)	(191,624)
Cost of sale of construction and management contracts	(320,632)	(303,193)
Gross profit	275,110	265,164
Repairs and maintenance	(50,612)	(42,462)
Employee benefit expenses	(141,617)	(138,195)
Depreciation and amortisation	(30,285)	(30,488)
Other expenses	(66,203)	(60,761)
Impairment (reversal) / expenses	25,488	(25,363)
Other income	6,642	1,613
Gains from sale of investment properties	42,612	24,459
Operating profit / (loss)	61,135	(6,033)
Finance income	9,308	4,600
Finance costs	(17,889)	(13,584)
Net finance costs	(8,581)	(8,984)
Share of profit or loss in equity accounted joint ventures for the year	19,615	16,776
Profit before taxation	72,169	1,759
Taxation	(8,045)	(701)
Profit for the year	64,124	1,058
Other comprehensive income	-	-
Total comprehensive income for the year	64,124	1,058

STATEMENT OF FINANCIAL POSITION

as at 31 March 2022	2022 P'000	2021 P'000
Assets		
Non-current assets		
Investment properties	1,356,727	1,311,567
Property, plant and equipment	50,384	53,564
Intangible assets	11,565	15,346
Investments in joint ventures	15,491	20,674
Right of use asset	4,140	3,605
Trade and other receivables	16,166	14,084
Deferred tax asset	3,209	1,785
Total non-current assets	1,457,682	1,420,625
Current assets		
Housing inventories	444,154	604,502
Taxation refundable	8,636	12,509
Trade and other receivables	45,378	97,518
Cash and cash equivalents	939,500	906,536
Total current assets	1,437,668	1,621,065
Total assets	2,895,350	3,041,690
Equity and liabilities		
Capital and reserves		
Irredeemable capital	250,000	250,000
Retained earnings	1,346,128	1,282,004
Total equity	1,596,128	1,532,004
Non-current liabilities		
Long term deferred government revenue grant	20,993	26,697
Long term borrowings	586,775	611,039
Long term lease liabilities	3,870	1,413
Total non-current liabilities	611,638	639,149
Current liabilities		
Trade and other payables	146,870	177,928
Short term portion of lease liabilities	2,523	3,752
Contract liabilities	468,042	609,833
Deferred income	17,923	23,454
Short term portion of deferred government revenue grant	5,704	6,267
Short term portion of borrowings	35,110	35,252
Customer deposits	11,412	14,051
Total current liabilities	687,584	870,537
Total equity and liabilities	2,895,350	3,041,690

* Contract assets were shown separately from trade and other receivables as per IFRS 15

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2022	Irredeemable capital	Retained earnings	Total
	P'000	P'000	P'000
Balance as at 01 April 2020	250,000	1,280,946	1,530,946
Comprehensive income			
Profit for the year	-	1,058	1,058
Total comprehensive income		1,058	1,058
Balance as at 31 March 2021	250,000	1,282,004	1,532,004
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

STATEMENT OF CASH FLOWS

for the year ended 31 March 2022	2022 P'000	Restated 2021 P'000
Cash flows from operating activities		
Net cash from / (utilised in) operating activities	11,331	(247,192)
Taxation paid	(9,634)	(5,863)
With-holding tax paid	(1,369)	(872)
Taxation refund	5,407	-
Net cash generated from / (utilised in) operating activities	5,735	(253,927)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,775)	(1,664)
Additions to investment properties	-	(486)
Proceeds from sale of investment properties	64,845	38,162
Proceeds from sale of property, plant and equipment	968	-
Dividends from joint ventures	24,800	11,100
Interest received	7,668	3,425
Net cash generated from investing activities	96,506	50,537
Cash flows from financing activities		
Repayment of long term borrowings	(30,999)	(30,769)
Bond funds received	-	100,000
Repayment of bond	-	(103,000)
Lease payments - principal	(5,483)	(4,939)
Lease payments - interest	(726)	(982)
Interest paid	(32,069)	(33,932)
Net cash utilised in financing activities	(69,277)	(73,622)
Net increase / (decrease) in cash and cash equivalents	32,964	(277,012)
Cash and cash equivalents at beginning of year	906,536	1,183,548
Cash and cash equivalents at end of year	939,500	906,536

