CRESTA
MARAKANELO LIMITED

AUDITED SUMMARISED CONSOLIDATED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Financial Highlights

From Continuing Operations	Dec-21 P'000	Dec-20 P'000	% Change
Revenue	**216,352**	193,128	12%
Operating loss	**(30,834)**	(34,587)	11%
Loss before tax	**(52,920)**	(60,100)	12%
Loss after tax	**(43,218)**	(51,118)	15%
Profit/Loss from discontinued operations	**3,024**	(11,901)	125%
Loss for the year	**(40,194)**	(63,019)	36%
Loss per share (thebe) from continuing operations	**(23.89)**	(28.25)	15%
Total assets	**521,974**	537,844	(3%)
Total shareholders' equity	**122,768**	163,406	(25%)
Cash and cash equivalents	**53,241**	56,693	(6%)
Cash generated from operations	**33,776**	5,824	480%

Summarised Consolidated Statement of Comprehensive Income

for the year ended 31 December 2021

	2021 P'000	2020 P'000
Continuing Operations		
Revenue	**216,352**	193,128
Cost of sales	**(162,270)**	(142,899)
Gross profit	**54,082**	50,229
Sales and distribution expenses	**(6,323)**	(5,844)
Administration and operating expenses	**(78,593)**	(93,562)
Government wage subsidy	**—**	14,590
Operating loss	**(30,834)**	(34,587)
Finance income	**2,182**	1,080
Finance expense	**(24,268)**	(26,593)
Loss before income tax	**(52,920)**	(60,100)
Income tax credit	**9,702**	8,982
Loss for the year from continuing operations	**(43,218)**	(51,118)
Discontiued Operations		
Profit/(loss) for the year from discontinued operations	**3,024**	(11,901)
Loss for the year	**(40,194)**	(63,019)
Other comprehensive loss		
Currency translation differences (subject to subsequent recycling through profit or loss)	**(444)**	(932)
Other comprehensive loss for the year	**(444)**	(932)
Total comprehensive loss for the year	**(40,638)**	(63,951)
Earnings per share		
Basic and diluted loss per share (thebe)	**(22.21)**	(34.83)
Loss per share from continuing operations	**(23.89)**	(28.25)

Summarised Consolidated Statement of Financial Position

As at 31 December 2021

	2021 P'000	2020 P'000
ASSETS		
Non-current assets		
Property, plant and equipment	**353,373**	381,640
Right-of-use-assets	**76,708**	59,132
Intangible assets		
Goodwill	**5,274**	5,274
Lease rights/Software	**418**	1,119
Deferred tax asset	**17,821**	8,119
Total non-current assets	**453,594**	455,284
Currents assets		
Inventories	**2,027**	2,300
Trade and other receivables	**12,810**	23,353
Current income tax assets	**302**	214
Cash and cash equivalents	**53,241**	56,693
Total current assets	**68,380**	82,560
Total assets	**521,974**	537,844
EQUITY		
Capital and reserves		
Stated capital	**18,500**	18,500
Treasury shares	**(5,915)**	(5,915)
Foreign currency translation reserve	**—**	(1,222)
Retained earnings	**110,183**	152,043
Total equity	**122,768**	163,406
LIABILITIES		
Non-current liabilities		
Borrowings	**236,627**	237,500
Lease liabilities	**81,843**	64,389
Total non-current liabilities	**318,470**	301,889
Current liabilities		
Trade and other payables	**31,500**	29,260
Borrowings	**27,597**	16,428
Lease liabilities	**13,064**	18,774
Contract liabilities	**8,575**	8,087
Total current liabilities	**80,736**	72,549
Total liabilities	**399,206**	374,438
Total equity and liabilities	**521,974**	537,844

CAPITAL COMMITMENTS

Authorised: P12 million (2020: P4 million)

CONTINGENT LIABILITIES

There are no material contingent liabilities.

Summarised Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

	Stated capital P'000	Treasury shares P'000	Foreign currency translation reserve P'000	Retained earnings P'000	Total equity P'000
Year ended 31 December 2020					
Balance at 1 January 2020	18,500	(5,915)	(290)	215,062	227,357
Total comprehensive loss for the year	—	—	(932)	(63,019)	(63,951)
Loss for the year	—	—	—	(63,019)	(63,019)
Other comprehensive loss for the year	—	—	(932)	—	(932)
Balance at 31 December 2020	**18,500**	**(5,915)**	**(1,222)**	**152,043**	**163,406**
Year ended 31 December 2021					
Balance at 1 January 2021	18,500	(5,915)	(1,222)	152,043	163,406
Total comprehensive loss for the year	—	—	(444)	(40,194)	(40,638)
Loss for the year	—	—	—	(40,194)	(40,194)
Other comprehensive loss for the year	—	—	(444)	—	(444)
Transfer of reserves	—	—	1,666	(1,666)	—
Balance at 31 December 2021	**18,500**	**(5,915)**	**—**	**110,183**	**122,768**

Summarised Consolidated Statement of Cash Flows

for the year ended 31 December 2021

	2021 P'000	2020 P'000
Cash flows from operating activities		
Cash generated from operations	**33,776**	5,824
Interest paid	**(18,047)**	(19,479)
Tax (refund)/paid	**(88)**	5,068
Cashflows from discontinued operations	**3,403**	2,223
Net cash generated/(utilised) from operating activities	**19,044**	(6,364)
Cash flows utilised in investing activities		
Purchase of property, plant and equipment	**(8,309)**	(18,033)
Purchase of computer software	**(22)**	(928)
Proceeds on disposal of plant and equipment	**7**	166
Interest received	**2,182**	1,080
Cashflows from discontinued operations	**—**	(74)
Net cash utilised in investing activities	**(6,142)**	(17,789)
Cash flows (utilised)/from financing activities		
Interest paid - finance lease	**(6,221)**	(7,114)
Repayment of leases	**(14,245)**	(9,807)
Repayment of borrowings	**(14,941)**	(10,306)
Proceeds from borrowings	**25,000**	9,000
Cashflows from discontinued operations	**(3,700)**	(3,420)
Net cash utilised in financing activities	**(14,107)**	(21,647)
Net decrease in cash and cash equivalents	**(1,205)**	(45,800)
Cash and cash equivalents at beginning of year	**56,693**	103,138
Exchange loss on cash and cash equivalents	**(2,247)**	(644)
Cash and cash equivalents at end of year	**53,241**	56,693

Summarised Consolidated Segmental Information

for the year ended 31 December 2021

CONSOLIDATED	Cresta Urban Oasis P'000	Cresta Urban Heartbeat P'000	Cresta African Roots P'000	Cresta African Fingerprint P'000	Control Unit P'000	Combined P'000
Revenue	44,197	48,585	79,750	42,650	1,171	216,352
Operating loss	(4,930)	(3,605)	(2,005)	(18,179)	(2,116)	(30,834)
Reportable segment profit/(loss) before tax	(6,140)	(3,624)	(4,442)	(20,578)	(18,137)	(52,920)
Income tax credit						9,702
Loss for the year from continuing operations						**(43,218)**
Profit for the year from discontinued operations						3,024
Loss for the year						**(40,194)**
Total assets	**112,946**	**136,397**	**68,406**	**102,355**	**101,870**	**521,974**
Total liabilities	**18,726**	**3,619**	**30,677**	**35,369**	**310,815**	**399,206**

Summarised Consolidated Segmental Information

for the year ended 31 December 2020

CONSOLIDATED	Cresta Urban Oasis P'000	Cresta Urban Heartbeat P'000	Cresta African Roots P'000	Cresta African Fingerprint P'000	Control Unit P'000	Combined P'000
Revenue	40,942	47,005	66,094	37,601	1,487	193,128
Operating profit/(loss)	(13,987)	(4,864)	(12,901)	(21,864)	19,029	(34,587)
Reportable segment loss before tax	(15,310)	(4,891)	(15,839)	(24,432)	(10,200)	(60,100)
Income tax credit						8,982
Loss for the year from continuing operations						**(51,118)**
Loss for the year from discontinued operations						(11,901)
Loss for the year						**(63,019)**
Total assets	**121,714**	**147,213**	**87,768**	**117,707**	**63,442**	**537,844**
Total liabilities	**19,369**	**4,177**	**39,164**	**35,758**	**275,970**	**374,438**

The Directors present the summarised consolidated financial results of Cresta Marakanelo Limited for the year ended 31 December 2021.

INDEPENDENT AUDITOR'S REPORT

Deloitte & Touche, the Group's independent auditors, have audited the consolidated financial statements of the Group from which these summarised financial results have been derived, and have expressed an unmodified audit opinion on the consolidated financial statements. The full set of financial statements including the audit report are available for inspection at the Group's registered office. This abridged financial information and any reference to future financial performance has however not been audited by the auditors.

BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

The summarised consolidated financial results for the year ended 31 December 2021 have been prepared applying the recognition and measurement criteria in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and any Pronouncements if applicable.

The Group's underlying consolidated financial statements have been prepared in accordance with IFRS and in compliance with the Companies Act of Botswana (Companies Act, 2003). In the preparation of the summarised consolidated financial results, the Group has applied key assumptions concerning any inherent uncertainties in recording various assets and liabilities. These assumptions were applied consistently to the summarised consolidated financial results for the year ended 31 December 2020. The assumptions and estimates are subject to ongoing review. The critical estimates and areas of judgements are on the following elements of the consolidated financial statements:

- Going Concern;
- Impairment of assets and goodwill;
- Useful lives of property, plant and equipment;
- Income taxes;
- Contract liabilities.

New standards, interpretations and amendments adopted by the Group

In preparing the underlying consolidated financial statements from which these summarised consolidated results were extracted, all relevant and applicable IFRS and IFRIC interpretations issued and effective for annual periods ended 31 December 2021 have been applied. Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the summarised consolidated financial statements of the Group. These amendments and interpretations are Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39: Interest Rate Benchmark Reform, as well as Amendments to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021.

GOING CONCERN AND THE IMPACT OF COVID-19

For the financial year 2021, the Group incurred a net loss after taxation of P40 million (2020: P63 million) as a result of the continuing business disruptions caused by the COVID-19 pandemic on the travel and hospitality industry. The disruptions are expected to continue in varying degrees for the foreseeable future. It is not clear when the current operating environment and the remaining COVID-19 restrictions, in their relaxed state, will be fully lifted and return to 'normal' pre-pandemic levels. However, the Group has observed improved business levels towards the end of 2021 and into early 2022, particularly in the Northern region of the country. COVID 19 restrictions at the border still impact business levels due to cancellations but overall, improved occupancies and higher business levels are anticipated.

As soon as the business started experiencing cancellations due to COVID-19 during the 2020 financial year, Management was pro-active in reducing the operating leverage of the business. The following are highlights of the key actions taken:

- Management engaged with all key suppliers and landlords to agree on more favourable terms to preserve cash in the business;
- All non-critical and post lockdown capital expenditure was put on hold;
- All discretionary expenditure was put on hold;
- Significant reduction was made in marketing expenditure with a bias towards digital media;
- All guests especially the tour groups, were encouraged to postpone their trips rather than outright cancellations; and
- A staff recruitment freeze was implemented.

The above cost containment and cash preservation measures will continue to be implemented in the business.

As part of the Directors' consideration of the appropriateness of adopting the going concern basis in preparing the financial statements, a range of scenarios have been prepared and reviewed. The assumptions modelled in the scenarios are based on the estimated potential impact of COVID-19 restrictions and regulations, along with our proposed responses over the course of the next 15 months. These include a range of estimated impacts primarily based on length of time various levels of restrictions are in place and the severity of the consequent impact of those restrictions. The range of scenarios include a scenario of a 23% reduced revenue compared to 2019 pre-COVID-19 levels as the best case scenario, to a base case scenario which has a further 7% decline in revenue compared to the best case scenario, to an extreme scenario of continued low occupancy throughout the 2022 financial year which results in a further 5% decline in revenue compared to the base case.

In addition, the following assumptions and considerations have been made by the Directors in preparing the cash flow forecasts;

- Increased vaccination take up in source markets, regionally and locally;
- That foreign tourism arrivals will increase in 2022, albeit at levels significantly below the pre-pandemic levels;
- No further extended country lockdowns;
- Improved food and bar revenue following the easing of alcohol restrictions which will not be re-introduced and some level of increase in the level of conferencing.

Management performed a solvency and liquidity assessment for the 15-month forecast to 31 March 2023 and noted that the Group will be in a position to generate positive cashflows.

It is worth noting that when assessing solvency and liquidity of the Group from a current scenario and foreseeable future, the following observations were made:

- The Group and Company remain solvent with its assets exceeding its liabilities;
- The Company has not defaulted on any of its loan facilities and obligations and the forecasts indicate that the business will be able service its debts in future. Cash flow forecasts for the 15-month period to 31 March 2023 assume debt service will be made in accordance with the terms of the existing borrowings.
- The banking overdraft facility available to the Group as at 31 December 2021 is P10 million which has not been utilised and there is no reason why it will not remain available for the foreseeable future.
- Since the 2020 financial year, the Group's debt covenant requirements have been waived by the lender.

Should the improved trading environment not materialise as anticipated, Management will proactively reduce the operating leverage using cost containment and avoidance plus cash preservation measures, based on the past experiences of 2020 and 2021, as necessary.

Based on the reviews performed as outlined above, the Directors are satisfied that the Group has the ability to meet all obligations as they fall due and to trade as a going concern for a period of at least 12 months from the date of approval of the financial statements and is therefore of the opinion that the going concern assumption is appropriate in the preparation of the summarised consolidated and separate financial statements.

SIGNIFICANT EVENT - CLOSURE OF THE ZAMBIA HOTEL OPERATIONS

The Directors made the decision not to renew the lease for the Cresta Golfview Hotel in Lusaka Zambia, which was due to expire on 31 January 2022. The Group ceased operations at the hotel on 30 September 2021. The landlord of the property took over the operations of the hotel under a different brand name and hired a majority of the former Cresta staff members.

The Group has accounted for Cresta Golfview Hotel as a discontinued operation and as such, the hotel's results are excluded from the results of continuing operations and are presented as a single amount, as a profit or loss after tax from discontinued operations in the consolidated statement of comprehensive income.

The profit from discontinued operations of P3.0 million was primarily from the write back of the hotel lease liability, for the lease that was terminated early, on 30 September 2021, instead of on 31 January 2022.

OVERVIEW OF OPERATIONS

During the 2021 financial year, the Group continued to face challenges related to the COVID-19 pandemic on the industry. The measures introduced to curb the spread of COVID-19 included restrictions on inter-zonal travel, a ban on alcohol sales and limiting the number of conferencing delegates. These measures negatively impacted the business levels at all of the hotels during the greater part of the 2021 financial year. When the State of Emergency was lifted in October 2021 and a number of the COVID-19 restrictions were removed, the Group immediately saw a marked increase in revenue across all the properties, with the fourth quarter revenues exceeding the third quarter by 62%. The revenue growth compared to prior year was also tempered during the first three quarters of the year, with modest growth of 6% being registered. Following the lifting of the COVID-19 restrictions, revenue growth registered during the fourth quarter was 24% compared to the same period in the prior year. This is also an indicator in a general improvement in travel sentiment locally as a result of increasing COVID-19 vaccination rates.

In a drive to reduce the operating leverage of the business, several measures were implemented including the below:

- Suspension of all non-critical capital expenditure projects;
- Freeze on all discretionary expenditure;
- Restructuring of the bank loan facility repayments for 2021;
- Negotiations with strategic suppliers of the business to reduce contractual obligations;
- Where possible temporary closure of blocks or sections of the hotels to reduce related direct costs;
- Encouraging guests to postpone bookings rather than cancel; and
- Promotional rates towards cash generation and inducing demand at the hotels.

Revenue for the year from continuing operations was P216.4 million, 12% higher than the P193.1 million achieved in the prior year. The Group incurred a loss after tax from continuing operations of P43.2 million (2020: P51.1 million). The prior year results include P14.6 million wage subsidy received from the Government, which was not available during the current year. If this is excluded, the overall reduction in the loss compared to prior year is 34%, as a result of the increased revenue and the cost control measures in place.

The Group continued to focus on its enhanced health and safety protocols, catering both for staff and guests. All the hotels adhere to the COVID-19 protocols as stipulated by the Botswana Governments and World Health Organisation. In addition, the Group has engaged the services of medical practitioners to offer medical advice, treatment, and psychological support to all our employees. Over and above these, the Group has reduced touch points in its booking processes where guests can check in and check out of the hotels contactless via a WhatsApp platform and use of a chatbot.

STATEMENT OF FINANCIAL POSITION

Total assets decreased by 3% compared to the year ended 31 December 2020. The decrease in assets was primarily because of the capital expenditure freeze and the depreciation of assets. This decrease was partially offset by the increase in right of use assets, following the 10-year extension of the Cresta Mahalapye Hotel lease, as well as the increase in deferred tax assets recognised. Total liabilities increased following the recognition of P30 million Cresta Mahalapye lease liability as well as a P25 million working capital facility drawdown made during the year. The Group had cash resources of P53.2 million (2021: P56.7 million) at the end of the year.

CASH FLOW

During the year, P15.6 million was generated from continuing operations, a significant improvement from the prior year when P8.6 million was utilised in operating activities. The improvement was due to the increase in revenues and the improvement in working capital management. Net cash utilised in investing activities amounted to P6.1 million (2020: P17.7 million utilised). The reduction in cash outflow on investing activities was due to the capital expenditure freeze as well as the inclusion in the prior year of P9million related to the acquisition of a hotel property. With regards to financing activities from continuing operations, P10.4 million (2020: P18.2 million) was utilised, split between bank loan repayments of P14.9 million (2020: P10.3 million) and leasing hotel properties P20.5 million (2020: P16.9 million). 2021 financing activities were lower because of a receipt of P25 million (2020: P9.0 million) borrowings.

SUBSEQUENT EVENTS

Other than matters discussed in this publication, the Board and Management are not aware of any material events that have occurred subsequent to the end of the reporting period that require adjustments and or disclosure in the financial statements.

OUTLOOK

The Group's revenue in the 2022 financial year has been increasing steadily on a month-to-month basis and so far, the growth compared to the prior year is over 95%, while only 9% below the pre-COVID revenue levels in the 2019 financial year. This steady improvement in performance indicates the recovery trajectory of the hospitality and tourism industry. The Group expects to continue to see improved performance throughout the coming year. Despite these signs of the business rebounding, the Group will continue with its cash preservation measures, while building up cash resources for a phased refurbishment of the properties.

The Group believes in the future of the hospitality and tourism sector in Botswana and to that end has signed a lease for the development of a 62 roomed hotel in Mahalapye, that will complement the existing 64 roomed Cresta Mahalapye Hotel. The Group extended the lease for the existing Cresta Mahalapye Hotel, for an additional 10-year term, on 20 December 2021. Further to this, the Group is pursuing two additional leases, for developments in Botswana, which are expected to be signed during quarter two of 2022.

APPRECIATION

We would like to commend staff, management and our fellow directors for their continued commitment during this challenging COVID-19 pandemic period. We would also like to thank all our valued guests and various stakeholders that continue to support our business.

Signed on behalf of the Board.

M K Lekaukau
Chairman
31 March 2022

M Morulane
Managing Director

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