



CRESTA
MARAKANELO LIMITED

SUMMARISED CONSOLIDATED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Summarised Consolidated Statement of Comprehensive Income for the year ended 31 December 2022

	2022 P'000	2021 P'000
Continuing Operations		
Revenue	355,728	216,352
Cost of sales	(206,745)	(162,270)
Gross profit	148,983	54,082
Sales and distribution expenses	(9,283)	(6,323)
Administration and operating expenses	(94,024)	(78,593)
Operating profit/(loss)	45,676	(30,834)
Finance income	2,537	2,182
Finance expense	(26,547)	(24,268)
Profit/(loss) before income tax	21,666	(52,920)
Income tax (expense)/ credit	(2,422)	9,702
Profit/(loss) for the year from continuing operations	19,244	(43,218)
Discontinued Operations		
Profit for the year from discontinued operations	-	3,024
Profit/(loss) for the year	19,244	(40,194)
Other comprehensive loss		
Currency translation differences (subject to subsequent recycling through profit or loss)	-	(444)
Other comprehensive loss for the year		(444)
Total comprehensive profit/(loss) for the year	19,244	(40,638)
Earnings per share		
Basic and diluted earnings/(loss) per share (thebe)	10.64	(22.21)
Earnings/(loss) per share from continuing operations	10.64	(23.89)

Summarised Consolidated Statement of Financial Position for the year ended 31 December 2022

	2022 P'000	2021 P'000
ASSETS		
Non-current assets		
Property, plant and equipment	336,164	353,373
Right-of-use-assets	64,827	76,708
Intangible assets		
Goodwill	5,274	5,274
Lease rights/software	516	418
Deferred tax asset	15,399	17,821
Total non-current assets	422,180	453,594
Currents assets		
Inventories	3,072	2,027
Trade and other receivables	20,141	12,810
Current income tax assets	124	302
Cash and cash equivalents	56,129	53,241
Total current assets	79,466	68,380
Total assets	501,646	521,974
EQUITY		
Capital and reserves		
Stated capital	18,500	18,500
Treasury shares	(5,915)	(5,915)
Retained earnings	129,427	110,183
Total equity	142,012	122,768
LIABILITIES		
Non-current liabilities		
Borrowings	188,015	236,627
Lease liabilities	69,300	81,843
Total non-current liabilities	257,315	318,470
Current liabilities		
Borrowings	46,839	27,597
Trade and other payables	31,674	31,500
Lease liabilities	14,507	13,064
Contract liabilities	9,299	8,575
Total current liabilities	102,319	80,736
Total liabilities	359,634	399,206
Total equity and liabilities	501,646	521,974

Summarised Consolidated Statement of Changes in Equity for the year ended 31 December 2022

	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 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
Year ended 31 December 2022					
Balance at 1 January 2022	18,500	(5,915)	-	110,183	122,768
Total comprehensive income for the year	-	-	-	19,244	19,244
Balance at 31 December 2022	18,500	(5,915)	-	129,427	142,012

Summarised Consolidated Statement of Cashflows for the year ended 31 December 2022

	2022 P'000	2021 P'000
Cash flows from operating activities		
Cash generated from operations	85,485	33,776
Interest paid	(20,601)	(88)
Tax refund/(paid)	178	(18,047)
Cashflows from discontinued operations	-	3,403
Net cash generated from operating activities	65,062	19,044
Cash flows from/ (utilised in) investing activities		
Purchase of property, plant and equipment	(14,414)	(8,309)
Purchase of computer software	(472)	(22)
Proceeds on disposal of plant and equipment	56	7
Interest received	2,537	2,182
Net cash utilised in investing activities	(12,293)	(6,142)
Cash flows from / (utilised in) financing activities		
Repayment of lease liabilities	(13,433)	(14,245)
Repayment of borrowings	(29,397)	(14,941)
Interest paid - finance lease	(7,395)	(6,221)
Proceeds from borrowings	-	25,000
Cashflows from discontinued operations	-	(3,700)
Net cash utilised in financing activities	(50,225)	(14,107)
Net increase / (decrease) in cash and cash equivalents	2,544	(1,205)
Cash and cash equivalents at beginning of year	53,241	56,693
Exchange gain/(loss) on cash and bank balances	344	(2,247)
Cash and cash equivalents at end of year	56,129	53,241

Summarised Consolidated Segmental Information for the year ended 31 December 2022

	Cresta Urban Oasis P'000	Cresta Urban Heart-beat P'000	Cresta African Roots P'000	Cresta African Finger-print P'000	Control Unit P'000	Combined P'000
2022						
Revenue	74,308	70,170	115,530	93,490	2,230	355,728
Operating profit	7,502	7,927	14,994	13,333	1,920	45,676
Reportable segment profit/(loss) before tax	6,399	7,886	11,131	11,150	(14,900)	21,666
Income tax expense						(2,422)
Profit for the year						19,244
Total assets	106,972	135,358	88,183	97,225	73,908	501,646
Total liabilities	15,703	3,262	51,403	28,513	260,753	359,634
2021						
Revenue	44,197	48,585	79,750	42,650	1,170	216,352
Operating loss	(4,930)	(3,605)	(2,005)	(18,179)	(2,115)	(30,834)
Reportable segment profit/(loss) before tax	(6,140)	(3,624)	(4,442)	(20,578)	(18,136)	(52,920)
Income tax credit						9,702
Loss for the year from continuing operations						(43,218)
Discontinued operations: profit for the year						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

CAPITAL COMMITMENTS

Authorised: P77 million (2021: P12 million)

CONTINGENT LIABILITIES

There are no material contingent liabilities.

The Directors are pleased to present the summarised consolidated financial results of Cresta Marakanelo Limited for the year ended 31 December 2022.

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 with a key audit matter are available for inspection at the Group's registered office. This abridged financial information and any reference to future financial performance, however has 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 2022 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 its inherent uncertainties in recording various assets and liabilities. These assumptions were applied consistently to the summarised consolidated financial results for the prior year ended 31 December 2021. 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:

- Impairment of cash generating units;
- Impairment of assets and goodwill;
- Useful lives of property, plant and equipment;
- Income taxes; and
- 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 2022 have been applied. Several amendments and interpretations apply for the first time in 2022, but do not have a significant impact on the summarised consolidated financial statements of the Group. These amendments and interpretations are Amendments to IFRS 3, IAS 37, IAS 12, IAS 16, IFRS 9, IFRS 16, IAS 41, and Amendments to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021.

For the financial year 2022, the Group achieved a net profit after taxation of P19.2 million (2021: P40 million loss). Losses were made in 2021 due to disruptions caused by the COVID-19 pandemic on the travel and hospitality industry. The Group started observing improved business levels towards the end of 2021 and into early 2022 with improved occupancies and positive returns.

Based on the 2022 financial year performance and the forecast for the next 12 months, 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 these financial statements. The Directors have noted the net current liability position of the Group as at 31 December 2022. They have reviewed the expected timing of the settlement of the liabilities and are satisfied that the forecasted cash flows would be sufficient for the liabilities to be settled when due, while

Financial Highlights

From Continuing Operations	Dec 2022 P'000	Dec 2021 P'000	% Change
Revenue	355,728	216,352	64%
Operating profit/(loss)	45,676	(30,834)	248%
Profit/(loss) before tax	21,666	(52,920)	141%
Profit/(loss) after tax	19,244	(43,218)	145%
Profit from discontinued operations	-	3,024	100%
Profit/(loss) for the year	19,244	(40,194)	148%
Earnings/(loss) per share from continuing operations	10.64	(23.89)	145%
Total assets	501,646	521,974	(4%)
Total equity	142,012	122,768	16%
Cash and cash equivalents	56,129	53,241	5%
Cash generated from operations	85,485	33,776	153%

the P10 million unutilised overdraft facility would also be available for working capital requirements.

The Directors are therefore of the opinion that the going concern assumption is appropriate in the preparation of the consolidated and separate financial statements.

OVERVIEW OF OPERATIONS

2022 is the first year that the Group has made a profit since the start of the COVID-19 pandemic in 2020. There was no significant rise in new COVID-19 cases during the year under review, with vaccinations being availed worldwide. This resulted in the relaxing of the COVID-19 restrictions which included travel bans, alcohol sale bans and restrictions on gatherings. An improvement in business levels was noted with occupancies increasing across the hotels. The Group also noted a rise in the inflow of international tour series business at the key tourism properties.

With the adverse operating conditions for the industry having improved, the business registered some wins. The Group's full year profit before tax of P21.7 million, was P74.5 million higher than same period last year which reported a loss before tax of P52.9 million. Occupancies and average daily rates improved across all the hotels driven by increased conferencing levels as well as regional and international guest arrivals, leading to a 64% increase in revenue.

Direct operating costs increased in line with the revenue growth, with a significant increase in staff numbers after almost a two year recruitment freeze. Various cost reduction measures continued to be implemented across the business, to ensure improved margins in the future.

Cash generation improved significantly, with a continued focus on cash flow management. No additional borrowings were required during the year to fund the operations. Investments were made into uplifting the properties, with the Cresta Thapama Hotel refurbishment commencing during the year. The first phase of the refurbishment of a room block was completed during Quarter 3, with the rest of the refurbishment expected to be completed by July 2023.

ZAMBIA OPERATIONS

In the prior year, the Directors made the decision not to renew the lease for the Cresta Golfview Hotel in Lusaka, Zambia and the operation ceased trading on 30 September 2021. The entity was accounted for as a discontinued operation in the prior year.

STATEMENT OF FINANCIAL POSITION

Total assets decreased by 4% compared to the year ended 31 December 2021. The decrease in assets was primarily due to depreciation of assets, while capital expenditure during the year was low. Total liabilities decreased by 11% following repayment of borrowings and lease liabilities during the year. The Group had cash resources of P56.1 million (2021: P53.2 million) at the end of the year.

CASH FLOWS

During the year, P65.1 million was generated from operating activities, a significant improvement from the prior year when P19.0 million was generated. The improvement was due to the increase in revenues and the improvement in working capital management. Net cash utilised in investing activities amounted to P12.3 million (2021: P6.1 million utilised). The increase in cash outflow on investing activities was due to a rise in capital expenditure relating to refurbishment of hotels; which had been put on hold in 2021. With regards to financing activities, P50.2 million (2021: P14.1 million) was utilised, split between bank loan repayments of P29.4 million (2021: P14.9 million) and leasing hotel properties of P20.8 million (2021: P21.2 million). 2021 net financing activities were lower because of a receipt of P25 million bank loan proceeds.

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 adjustment and or disclosure in the financial statements.

OUTLOOK

The Group firmly believes in the future of the hospitality and tourism sector in Botswana and is prioritising the execution of expansion projects as a critical path to success for the year. One such project is the 60 room extension of Cresta Mahalapye Hotel which is scheduled to be completed during the third quarter of 2023.

Still on the expansion journey, we have signed a lease for the development of a 50 roomed boutique hotel in Jwaneng. Construction for Cresta Jwaneng Boutique Hotel commenced in November 2022, with completion scheduled for February 2024.

In addition to these expansion projects we are planning extensive refurbishments across other Group hotels.

The business will continue to search for ways to digitalise operations, service provision and the enabling departments to enhance efficiency and effectiveness. With inflationary pressure across all cost lines, Management will continue to keep a watchful eye on costs and find ways to rationalise them further.

APPRECIATION

We would like to commend Staff, Management and our fellow Directors for their continued commitment and contribution to the Group. 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

M K Lekaukau
Chairman
31 March 2023

M Morulane

M Morulane
Managing Director
31 March 2023

Sponsoring Broker:

motswedisecurities
Member of the Botswana Stock Exchange

Plot 113, Unit 30, Kgale Mews.
Private Bag 00223,
Gaborone, Botswana

Independent Auditors

Deloitte.

Deloitte & Touche
Deloitte House, Fairgrounds,
Gaborone, Botswana
P O Box 778, Gaborone, Botswana
Tel: +267 395 1611, Fax: +267 397 3137



CRESTA
MARAKANELO LIMITED

COMPANY REGISTRATION NO: BW00001308618

2nd Floor, Marula House, Prime Plaza,
New CBD, Gaborone, Botswana
Phone: +267 391 2222 Fax: +267 397 4321
Website: www.crestamarakanelo.com