

SUMMARISED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2023

Summarised Statement of Comprehensive Income for the year ended 31 December 2023

	2023 P'000	2022 P'000
Revenue	400 204	355 728
Cost of sales	(231 100)	(206 745)
Gross profit	169 104	148 983
Sales and distribution expenses	(11 276)	(9 283)
Administration expenses	(100 515)	(94 024)
Impairment reversal on trade receivables	1 046	-
Operating profit	58 359	45 676
Finance income	2 674	2 537
Finance expense	(27 078)	(26 547)
Profit before income tax	33 955	21 666
Income tax expense	(7 019)	(2 422)
Profit for the year	26 936	19 244
Other comprehensive income	-	-
Total comprehensive profit for the year	26 936	19 244
Earnings Per Share		
Basic and diluted earnings per share (thebe)	14.89	10.64

Summarised Statement of Financial Position for the year ended 31 December 2023

	2023 P'000	Restated 2022 P'000
ASSETS		
Non-current assets	503 781	422 180
Property, plant and equipment	365 324	336 164
Right-of-use-asset	119 763	64 827
Intangible assets		
Goodwill	5 274	5 274
Lease rights/software	309	516
Deferred income tax assets	13 111	15 399
Current assets	69 596	79 466
Inventories	3 802	3 072
Trade and other receivables	29 411	20 141
Current income tax assets	-	124
Short term investments	5 896	-
Cash and cash equivalents	30 487	56 129
Total assets	573 377	501 646
EQUITY		
Capital and reserves	168 948	142 012
Stated capital	18 500	18 500
Treasury shares *	(5 915)	(5 915)
Retained earnings *	156 363	129 427
LIABILITIES		
Non-current liabilities	272 788	257 315
Lease liabilities	124 330	69 300
Borrowings	148 458	188 015
Current liabilities	131 641	102 319
Trade and other payables	46 583	31 674
Current income tax liabilities	1 282	-
Borrowings	54 529	46 839
Lease liabilities	16 997	14 507
Contract liabilities	12 250	9 299
Total liabilities	404 429	359 634
Total equity and liabilities	573 377	501 646

* Refer to Note 1 for prior year restatement.

Summarised Statement of Cash Flows for the year ended 31 December 2023

	2023 P'000	Restated 2022 P'000
Cash flows from operating activities		
Cash generated from operations	115 050	85 485
Interest paid	(14 186)	(20 601)
Interest paid - finance lease *	(8 982)	(7 395)
Tax (paid)/refund	(3 325)	178
Net cash generated from operating activities	88 557	57 667
Cash flows from investing activities		
Purchase of property, plant and equipment	(60 952)	(14 414)
Purchase of computer software	(16)	(472)
Proceeds on disposal of plant and equipment	52	56
Purchase of short term investments (Income Fund)	(30 000)	-
Redemption of short term investments (Income Fund)	25 000	-
Interest received	830	2 537
Net cash utilised in investing activities	(65 086)	(12 293)
Cash flows from financing activities		
Repayment of lease liabilities	(14 283)	(13 433)
Repayment of borrowings	(35 778)	(29 397)
Net cash utilised in financing activities	(50 061)	(42 830)
Net (decrease)/increase in cash and cash equivalents	(26 590)	2 544
Cash and cash equivalents at beginning of year	56 129	53 241
Effect of exchange rate movement on cash and bank balances	948	344
Cash and cash equivalents at end of year	30 487	56 129

* Refer to Note 2 for restatement.

Summarised Statement in Equity for the year ended 31 December 2023

	Stated capital P'000	Treasury shares* P'000	Retained earnings* P'000	Total equity P'000
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
Year ended 30 June 2023				
Balance at 1 January 2023	18 500	(5 915)	129 427	142 012
Total comprehensive income for the year	-	-	26 936	26 936
Balance at 30 June 2023	18 500	(5 915)	156 363	168 948

* Refer to Note 1 for prior year restatement.

Note 1

In the prior year, consolidated financial statements were prepared, which included Group and Company financial statements. However, these balances relate to the Company instead of the Group. Therefore, the financial statements labelled as Group in the prior year should have been labelled and published as the Company's financial statements, considering that there was no Group since 30 September 2021 when Cresta Golfview Hotel was discontinued. The opening balances from 2021 in the financial statements labelled and published as Group, also pertain to the Company as there was no Group as at 31 December 2021.

The Company therefore restated the labelling of Group financial statements to Company financial statements to reflect that there were no consolidated financial statements in the prior year. The Company financial statements for 2022 are therefore replaced by those which were previously labelled and published as Group financial statements. The only difference between the Company financial statements published as Group financial statements in the prior year, and the replaced Company financial statements was the treasury shares and retained earnings balances. The balances of treasury shares and retained earnings of P5,915 000 and P 129,427 000 respectively, reported under Group (which is now restated to Company) in the prior year were correct. In the Company financial statements which are now replaced through the restatement, treasury shares were understated by P3,810,000 whilst the retained earnings was also understated by the same amount. However, the total equity remained the same as the two balances are part of equity.

Note 2

In the current year, the Company reclassified interest paid on finance leases from financing activities to operating activities. This reclassification corrects the previous misalignment with the Company policy for interest paid, where the interest is treated as an operating activity. The related accounting policy for leases was also corrected to reflect this change. The change only affects the cash flow statement and the accounting policy for leases. The impact of the restatement on the cash flow statement is shown below:

	As previously stated P'000	Restatement P'000	Restated P'000
Net cash generated from operating activities	65 062	(7 395)	57 667
Net cash utilised in financing activities	(50 225)	7 395	(42 830)

The restatement of P7 395 000 consists of lease interest paid.

Summarised Segmental Information for the year ended 31 December 2023

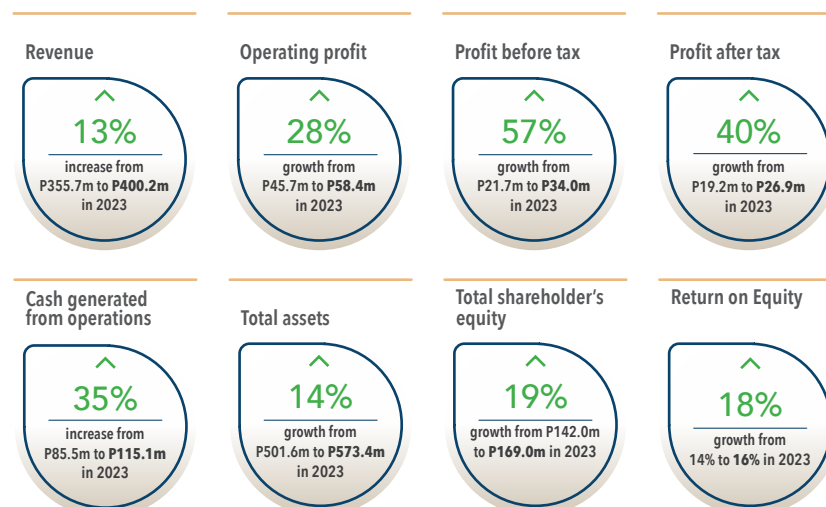
	Cresta Urban Oasis P'000	Cresta Urban Heart-beat P'000	Cresta African Roots P'000	Cresta African Finger-print P'000	Control Unit P'000	Combined P'000
Revenue	83 712	78 091	117 551	118 630	2 220	400 204
Operating profit	5 162	1 145	6 543	22 974	22 535	58 359
Reportable segment profit before tax	4 172	1 116	425	21 264	6 978	33 955
Income tax expense						(7 019)
Net profit after tax						26 936
Total assets	108 212	136 850	176 284	85 452	66 579	573 377
Total liabilities	19 280	6 688	120 125	33 946	224 390	404 429

Summarised 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
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)
Net profit after tax						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

COMMENTARY

Financial Highlights - 2023 v 2022



Capital commitments

Authorised: P81 million (2022: P77 million)
Contracted (included in authorised): P15 million (2022: P0.8 million)

Contingent liabilities

There are no material contingent liabilities

The Directors are pleased to present the summarised financial results of Cresta Marakanelo Limited for the year ended 31 December 2023.

INDEPENDENT AUDITOR'S REPORT

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

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

The summarised financial results for the year ended 31 December 2023 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 applicable.

The Company's underlying financial statements have been prepared in accordance with IFRS. In the preparation of the summarised financial results, the Company has applied key assumptions concerning its inherent uncertainties in recording various assets and liabilities. These assumptions were applied consistently to the summarised financial results for the prior year ended 31 December 2022. The assumptions and estimates are subject to ongoing review. The estimates and areas of judgements are on the following elements of the financial statements:

- Impairment of cash generating units;
- Impairment of assets and goodwill;
- Income taxes;
- Useful lives and residual values of property, plant, and equipment;
- Leases and
- Contract liabilities.

Based on the 2023 financial year performance and the forecast for the next 12 months, the Directors are satisfied that the Company 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. The Directors have noted the net current liability position of the Company as at 31 December 2023. 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 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 financial statements.

New standards, interpretations and amendments adopted by the Company

In preparing the underlying financial statements from which these summarised results were extracted, all relevant and applicable IFRS and IFRIC interpretations issued and effective for annual periods ended 31 December 2023 have been applied. The Company has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2023, but do not have a significant impact on the summarised financial statements of the Company. These amendments and interpretations are Amendments to IAS 1, IAS 8, IAS 12, IFRS Practice Statement 2, IFRS 4 and IFRS 17.

OVERVIEW OF OPERATIONS

The revenue for the year under review at P400 million was P44 million higher than what was achieved in 2022, a 13% year on year growth. This was predominantly on the back of increased standard tour operator business, meetings and events in the leisure destination hotels, especially Cresta Mowana Safari & Spa, enhanced conferencing, food and beverage offering in the city hotels in addition to improved revenue management following hotel refurbishments which were undertaken during the year. The business continues with the refurbishment programme in 2024, to deliver an improved product offering to guests.

Entrenching the ethos of service excellence has been a key focus during 2023, which culminated in the launch of the service code in quarter 3 called "Marakanelong". Marakanelong is encapsulated in four (4) pillars of Botho - Humility, Botswana - Excellence, Bonatla - Passion, Bofefo - Efficiency. This has seen an improvement in guest experience and sentiment, resulting in repeat business across Company hotels.

The stronger revenue performance, coupled with robust cost containment measures in place, culminated in operating profit of P58 million which was 28% ahead of 2022 and profit before tax which was 57% above same period last year. The business has seen an increase in its profitability margins with operating profit margin closing the year at 15% (2022: 13%) and profit before tax margin at 8% (2022: 6%). Earnings before interest, tax, depreciation, and amortisation ("EBITDA") achieved during the period was P104 million, a 15% improvement on the prior year's P90 million. The Company contributed P4.7 million in corporate income tax to the government, after registering its first year of taxable income since the COVID-19 pandemic.

To ensure sustainable profitability into the future, the Company strategically increased its

absolute spend on repairs and maintenance of properties and sales and marketing costs as a deliberate investment. This was complemented by increases in the remuneration and welfare of staff and companywide training programmes.

The finance cost on interest-bearing borrowings increased by 2% due to the increase in the prime lending rate from 6.26% in 2022 to 6.76% for most of the year with it being reduced to 6.51% in December 2023.

The Company continues to battle headwinds due to the proliferation of Airbnb and increases in rooms across the country, and more so in Gaborone. The inflationary pressures, coupled with continued industry price wars, continue to be a key risk to the business. The Board constantly monitors and guides management accordingly on navigating the diverse risks facing the business.

STATEMENT OF FINANCIAL POSITION

The Company has increased shareholder's equity during the period under review by 19% from P142 million in 2022 to P169 million in 2023. Total assets saw an increase of 14% year on year which was characterised by an increase in capital expenditure ("CAPEX") spend on property, plant, and equipment ("PP&E") and a significant increase in right-of-use-asset ("RoUA") from the additional lease at Cresta Mahalapye which added 60 rooms to the Company room inventory. The increase in RoUA was offset by an increase in lease liabilities.

The Return on Equity ("ROE") stood at 16% (2022: 14%) while Return on Invested Capital ("ROIC") closed the year at 10% (2022: 9%). These investment ratios are in context of finance cost on interest-bearing borrowings of 7.76%.

CASH FLOW

The business generated cash of P115 million (2022: P86 million) from operations which represented a cash conversion on EBITDA of 111% (2022: 95%). After spending 12% of the cash generated from operations ("CGFO") in finance cost on interest-bearing borrowings, 8% in finance cost on leases and 3% in prepayment of self-assessment corporate income tax, the Company closed the year on cash flow from operating activities of P89 million (2022: P88 million), a performance higher than 2022 by 54%.

The operational structure of the business saw 20% [P23 million] of the cash generated from operations being appropriated towards lease payments on the 5 leased properties while the capital structure of the business consumed 31% [P36 million] of cash generated from operations in borrowings capital repayment.

Cash and cash equivalents closed the year at P30 million (2022: P56 million) a decrease of 46% [P26 million] on the back of the strategic reinvestment into CAPEX and short term cash investment into a money market fund of P6 million. The Company reinvested P61 million (2022: P15 million) in CAPEX which is expected to primarily defend the Company's market share, retain its market leadership pole position, and foster sustainable profitability of the business into the foreseeable future. This was especially critical given the limited CAPEX spend in the three years of COVID-19 constrained periods of 2020 through to 2022.

SUBSEQUENT EVENTS

The Company acquired a P40 million facility from ABSA Bank Botswana, for capital expenditure funding. Apart from this facility, 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

As is explained by the refurbishment and growth drive, the Company intends to remain a key architect of the tourism and hospitality industry in the country. Going into 2024, the top strategic priority for the Company is the continued implementation of expansion projects and advancing refurbishments of the existing asset portfolio. The completion of a 50-roomed 4-star Cresta Jwaneng Hotel in Jwaneng with our development partner - Debswana Pension Fund - whose construction commenced in 2023 remains top priority. It is expected that the hotel will be launched to the market sometime in quarter 2 of 2024.

Digitalisation and entrenching the gains of service excellence already witnessed will continue to be on the strategic dashboard for the Company. The Board and Management will remain vigilant to closely monitor and proactively respond to the unique challenges and opportunities presented by the strategy in play.

APPRECIATION

It is our distinguished privilege and honour to proffer our utmost gratitude to Management, Staff and our fellow Directors for their dedicated commitment to ensuring sustainable profitability of the business and maintaining the Company's market leadership position. We present our heartfelt appreciation to our customers and all other stakeholders who are in partnership with the business for their continuous invaluable support and engagement.

Signed on behalf of the Board.

 
M K Lekaukau Chairman
M Morulane Managing Director
28 March 2024