

CRESTA
MARAKANELO LIMITED



Integrated

REPORT 2023

Performance Highlights

Cash flow from Operating Activities

↑ **P88.5**million

The Company closed the year on cash flow from operating activities of P88.5 million (2022: P57.5 million), a performance higher than 2022 by 54%.

Revenue

↑ **P400.2**million

The revenue for the year under review at P400.2 million was P44 million higher than what was achieved in 2022, a 13% year on year growth.

General Information

NATURE OF BUSINESS

Cresta Marakanelo Limited ("the Company") is a public limited company listed on the Botswana Stock Exchange and primarily operates hotels and related services in Botswana. Of the 11 properties, 6 are owned (Mowana Safari and Spa, Marang Gardens, Thapama Hotel, President Hotel, Cresta Lodge, Bosele Hotel and Rileys Hotel), 5 are leased from different landlords (Maun Hotel, Mahalapye Hotel, Jwaneng Hotel, Botsalo Hotel and Marang Residency). A part of Cresta Marang Hotel is owned which is Marang Gardens and the other part Marang Residency is leased. All hotels are operated as business hotels and they offer accommodation and conferencing facilities except for Mowana Safari Resort and Spa which is a leisure property, offering accommodation and conferencing facilities, health and beauty spa, curio shop, game drives and boat cruises.

DIRECTORS

M K Lekaukau – Chairman
J Y Stevens
T G Ondoko
O Majuru
P Molefe
D C Mphoeng
W M Bojosi
J M Hundah
M Morulane – Executive

COMPANY SECRETARY

Wise Leadership Proprietary Limited

TRANSFER SECRETARIES

Central Security Depository Botswana (CSDB)

REGISTERED OFFICE

2nd Floor, Marula House,
Prime Plaza, Plot 74538
Gaborone

INDEPENDENT AUDITORS

Deloitte & Touche

BANKERS

Absa Bank Botswana Limited
First National Bank of Botswana Limited
Stanbic Bank Botswana Limited

CURRENCY

Botswana Pula



Contents

OVERVIEW

- 02 Board of Directors
- 06 Chairman's Statement
- 10 Executive Management
- 12 Managing Director's Report

CORPORATE GOVERNANCE

- 18 The Board
- 18 Composition of the Board
- 19 Board Evaluation
- 19 Internal Control Systems
- 19 Board Delegated Committees
- 22 Remuneration Report
- 23 Key Management Compensation
- 24 King III Compliance Checklist
- 27 Communication with Stakeholders

SUSTAINABILITY REPORT

- 30 Basis of Preparation & Presentation
- 30 Company & Business Overview
- 31 Our Macro-Environment
- 33 Contribution to the Sustainable Development Goals
- 36 Our Six Capitals
- 38 Industry Related Headwinds
- 40 Cresta Business Model
- 42 Cresta Marakanelo Limited Key Risks
- 44 Our Key Stakeholders - Detailed Analysis

CORPORATE SOCIAL RESPONSIBILITY

- 50 Our Corporate Social Responsibility Commitment
- 50 Our CSR Impact Areas
- 51 Masiela Trust Fund Donation
- 51 Selibe-Phikwe Town Council's 'Cleanest Ward' Competition
- 52 Miss Botswana 'Beauty with a Purpose' Partnership
- 53 Michelle Dodo' Partnership with Kasane Police Station
- 53 Groupwide-Aids Day Commemorations
- 53 Conclusion

FINANCIAL STATEMENTS

- 56 Directors' Statement of Responsibility & Approval of the Financial Statements
- 57 Independent Auditor's Report
- 60 Statements of Profit and Loss and Other Comprehensive Income
- 61 Statements of Financial Position
- 62 Statements of Changes in Equity
- 63 Statements of Cash Flows
- 64 Summary of Significant Accounting Policies
- 78 Financial Risk Management
- 85 Accounting Estimates and Assumptions
- 87 Notes to the Financial Statements

SHAREHOLDER INFORMATION

- 108 Shareholder Information
- 109 Notice of Annual General Meeting
- 110 Proxy Form

Board of Directors



Moathodi Lekaukau
Independent
Non-Executive Chairman
Appointed 30 November 2017

Member of the Human Resources and Nominations Committee

Mr Lekaukau is the Managing Director of Kalahari Capital and the Executive Chairman of YMH Media Group, a diversified media holding company with interests in Botswana and Zambia. His previous roles include Acting Managing Director and Chief Investment Officer of Botswana Development Corporation, Chief Executive Officer of Standard Chartered Bank Botswana and Partner and Head of Mergers and Acquisitions at Deloitte in South Africa.

Mr Lekaukau is a member of the South African Institute of Chartered Accountants, a fellow member of the Botswana Institute of Chartered Accountants and holds a Bachelor of Commerce Degree and Postgraduate Diploma in Accounting from the University of Cape Town. Mr Lekaukau has served on several boards of listed and private companies.



John Yendall Stevens
Non-Executive Director
Lead Independent Director
Appointed 22 January 2010

Chairman of the Finance, Risk and Audit Committee

Mr Stevens served Deloitte in South Africa and Botswana for over 33 years. Eight of those years were as partner in charge of Deloitte Botswana. Mr Stevens retired from Deloitte in 2007 and took up the challenge of private consultancy. He holds a B.Comm Degree from Rhodes University, is a fellow member of the Botswana Institute of Chartered Accountants, a member of the South African Institute of Chartered Accountants and a member of the Institute of Chartered Accountants of England and Wales.

Board of Directors (continued)



Tshepidi Ondoko
Independent
Non-Executive Director
Appointed 30 November 2017

*Member of the Finance,
Risk and Audit Committee*

Mrs Ondoko holds a BA Degree in Economics and Political Science from Swathmore College and an MBA in Finance and International Business from Columbia University Business School. Mrs Ondoko has a career spanning 20 years in financial services in both private equity and investment banking. She has worked for various institutions in Africa and Europe, including Aureos Capital, Goldman Sachs and Rand Merchant Bank. Mrs Ondoko is currently the Chief Operating Officer for Africa50 a pan-African infrastructure investment platform.



Pius Komane Molefe
Independent
Non-Executive Director
Appointed 15 January 2011

*Chairman of the Human Resources
and Nominations Committee*

Mr Molefe holds a Post Graduate Diploma in Economics from the University of Sussex in the United Kingdom. Mr Molefe previously worked for BBS Limited, Barclays Bank of Botswana and Ministry of Finance among others. At the Ministry of Finance, he was involved in the handling of all development projects.

Mr Molefe was further involved in the development of policies regulating the financial services sector. He was involved in the establishment of the Botswana Stock Exchange and also served as a member in the exchange.



Osborne Majuru
Non-Executive Director
Appointed 22 January 2010

*Member of the Finance,
Risk and Audit Committee*

Mr Majuru is a Chartered Accountant (Z) with an Accounting (Honours) Degree from the University of Zimbabwe. Mr Majuru has more than 20 years senior management experience including as Financial Director for Anglogold Ashanti in Zimbabwe, Tanzania and Isle of Man; Chief Executive Officer for Cresta Group of Hotels and Zuva Petroleum (Pvt) Limited. In 2019, Mr Majuru was appointed Chief Executive Officer in charge of the Cresta Hotels Cluster for the Masawara Group. Prior to this, he was the Group Chief Finance Officer and thereafter the Group Chief Strategy Officer for Masawara Zimbabwe (Pvt) Limited.

Mr Majuru serves on various Boards including Cresta Holdings (Pty) Limited, Cresta Hotels (Pvt) Limited, Grand Reinsurance and Minerva Risk Advisors.

Board of Directors (continued)



Angelica Waibale Muganga Bojosi
Independent Non-Executive Director
Appointed 1 April 2022

Mr Bojosi holds a Bachelor of Arts degree and a Bachelor of Laws degree from the University of Cape Town and a Master of Law degree from the University of Queensland (Australia). She is admitted as an attorney of the High Courts of Botswana and as a solicitor of the Supreme Court of England and Wales. Mrs Bojosi has over 18 years of experience practicing law specialising in corporate finance, compliance and general commercial law in both Botswana and the United Kingdom. Mrs Bojosi worked for eight years in the United Kingdom, including as General Counsel for Quadriga Worldwide Limited, a leading multinational organisation that provides a range of services for the hospitality industry. Mrs Bojosi is now the managing partner at Bojosi Law, a niche law firm operating in Gaborone, Botswana specialising in Corporate Finance, Banking, Regulatory and general Commercial Law.



Ditirwa Mphoeng
Independent Non-Executive Director
Appointed 1 April 2022

Mr Mphoeng is a graduate of Coventry University (United Kingdom) having attained a BEng (Hons) Degree in Electrical and Electronics specialising in Telecommunications. Mr Mphoeng is a well experienced ICT practitioner with a wealth of management experience across various industries in Botswana. Mr Mphoeng is currently the Managing Director of Newline Technologies Ltd, an ICT company he founded and continues to run. Mr Mphoeng brings along a wealth of Board experience having served in the founding Board of Botswana Fibre Networks and Botswana Railways. He currently serves on the Board of Mining Development Company of Botswana.



Joseph Hundah
Non-Executive Director
Appointed 1 April 2022

Mr Hundah is the Group Chief Operating Officer of the Masawara Group, a diversified investment holding company with interests across Africa. He currently oversees the strategic focus of Masawara, leading in capital allocation and investments and pursuing business opportunities that align with the Group's vision and mission. He is an experienced executive and entrepreneur who has worked across the African continent building and growing organisations in both the private and public sector. His experience spans various sectors including media, technology, manufacturing, financial services and hospitality. He is passionate about creating, financing and transforming African businesses in the digital age into dominant local, regional and international brands.

Mr Hundah serves as a director on a number of Boards including Botswana Insurance Company, Masawara Plc and Minerva Risk Advisors amongst other entities.

Board of Directors (continued)



Mokwena Morulane
Executive Director -
Managing Director
Appointed 10 October 2017

Mr Morulane is the Managing Director of Cresta Marakanelo Limited. Mokwena started his career at Deloitte, and has held leadership roles in the mining, oil and financial services sectors.

Mr Morulane is a fellow of the Association of Chartered Certified Accountants (ACCA), and a member of the Chartered Institute of Secretaries in Southern Africa. He is also a fellow member of the Botswana Institute of Chartered Accountants. He holds a BA (Hons) in Accounting from the University of Luton, United Kingdom. He has also completed the Saïd Business School, University of Oxford Executive Leadership Programme.

Mr Morulane serves on the Boards of Minergy Limited, Masiela Trust Fund and Senthaga Pension Fund.



**Wise Leadership Proprietary Limited
(Represented by Ms Mpho Moletlo Kgosietsile)**
Company Secretary
Appointed 19 August 2021

Wise Leadership Proprietary Limited (“Wise Leadership”) is a 100% citizen owned company, which has been providing Corporate Secretarial and Corporate Governance Consultancy services in Botswana for over 10 years. Wise Leadership’s clients are from diverse industries and include public and private companies, non-profit organisations, and state-owned entities.

Ms Mpho Moletlo Kgosietsile is the Managing Director of Wise Leadership and is a Fellow with the Chartered Governance Institute of Southern Africa, possessing an MSc Corporate Governance from the London South Bank University (UK) and a Bachelor of Arts in Social Sciences from the University of Botswana. Ms Kgosietsile is a Director of Legal Aid Botswana.

Chairman's Statement



Chairman's Statement (continued)

Financial Highlights

	2023 P'000	2022 P'000	% Change
Revenue	400 204	355 728	▲ 13%
Operating profit	58 359	45 676	▲ 28%
Profit before tax	33 955	21 666	▲ 57%
Profit after tax	26 936	19 244	▲ 40%
Cash generated from operations	115 050	85 485	▲ 35%
Total assets	573 377	501 646	▲ 14%
Total shareholder's equity	168 948	142 012	▲ 19%
Return On Equity	16%	14%	▲ 18%

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, Botswere – 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 P5 million in corporate income tax to the government, following it 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.

Chairman's Statement (continued)

Cash flow from Operating Activities

↑ **P88.5** million

(2022: P57.5 million)

The Company closed the year on cash flow from operating activities of P88.5 million (2022: P57.5 million), a performance higher than 2022 by 54%.

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, 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 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 P88.5 million (2022: P57.5 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 P5 million.

Chairman's Statement (continued)



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 and a dividend declared after the issuance of the audited financial statements, 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.

Dividend

After the issuance of the audited financial statements, the Company declared a final dividend of 4.3 thebe per share in respect of the year ended 31 December 2023. The dividend was paid on 30 May 2024, net of applicable withholding taxes in terms of the Republic of Botswana Income Tax Act, to shareholders registered at the close of business on 21 May 2024.

Appreciation

It is my distinguished privilege and honour to proffer my utmost gratitude to Management, Staff, and my fellow Directors for their dedicated commitment to ensuring sustainable profitability of the business and maintaining the Company's market leadership position. I extend my 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

06 June 2024

Executive Management



Mokwena Morulane
Managing Director

Mokwena is the Managing Director of Cresta Marakanelo Limited, and has been at the helm of the Company since 2017. Mokwena started his career at Deloitte and has held leadership roles in the mining and financial service sectors. Mokwena is a fellow of the Association of Chartered Certified Accountants (ACCA), and a member of the Chartered Institute of Secretaries in Southern Africa. He holds a BA (Hons) in Accounting from the University of Luton, United Kingdom.



Tafadzwa Tafadzwa
Chief Finance Officer

Tafadzwa was appointed as the Chief Finance Officer in August 2023. He is a Chartered Accountant by profession and has more than 10 years senior management experience in the hospitality industry. Before he joined the Company, he was the Finance Director at Cresta Hotels in Zimbabwe. He trained with Ernst & Young Chartered Accountants (EY).

Tafadzwa is a member of the Institute of Chartered Accountants of Zimbabwe (ICAZ) and an Associate Member of the Botswana Institute of Chartered Accountants (BICA). Among other qualifications, he is a holder of Honours Bachelor of Accounting Science from the University of South Africa (UNISA), Bachelor of Commerce Honours Degree in Accounting from the National University of Science and Technology (NUST), a university in Zimbabwe and is a Certified Internal Auditor (CIA).



Karl Snater
Group Operations Manager

Karl serves as Head of Operations, delivering the heartbeat of the hotel through Cresta's exacting brand standards. He has extensive experience in the hospitality industry, having graduated from the M.L Sultan Hotel school and held Senior positions in leading hotels and hospitality companies across the region. Karl leads a team of dedicated professionals to deliver exceptional guest experiences, maximize revenues and uphold the highest standards of service across the Group.

Executive Management (continued)



Pearl Molomo
Group Risk & Internal Audit Manager

Pearl oversees the provision of assurance and consultancy services for the CML Board in relation to internal controls, risk management and governance processes. Pearl is a fellow member of the Association of Chartered Certified Association, FCCA (UK), a Certified Internal Auditor (CIA), a graduate of University of Stellenbosch Management Development Program. She also has a degree in Accounting from the University of Botswana. Mrs. Molomo has more than 15 years of managerial and leadership work experience in the auditing profession from various entities in different industries.



Galeboe Mmelesi
Group ICT Manager

Galeboe is responsible for the digital transformation of the Company, ensuring always-on hospitality technologies and experiences for guests and staff. Mmelesi's experiences span 24 years in the telecommunications and oil industries where he held senior positions. He holds a Bachelor of Computer Science from the University of Botswana and many professional certifications, including Board Director, ITIL, PRINCE2 and Managing Successful Programmes certificates.



Managing Director's Statement



Managing Director's Statement (continued)

It is my absolute pleasure to have the opportunity to keep our shareholders and all other stakeholders abreast on the performance of the Company for the year ended 31 December 2023.

Business Environment Synopsis

The Company registered a 13% growth in revenue and 57% increase in profit before tax compared to 2022, a performance achieved regardless of the unrelenting pressure on our market share on the back of the increasing number of rooms across the country and especially Gaborone. The increase in the room supply coupled with the reality that hotels business is more of a discretionary industry continues to intensify price wars amongst players, putting pressure on our ability to grow the average room rate. In response to these headwinds, the Company has strategically leveraged its size, geographical spread and combination of business and leisure hotels to overcome the impact of such headwinds.

Our Business Strategic Imperatives

Notwithstanding the significant headwinds against our sector, I am confident that the Company is strategically positioned, suitably experienced, and adequately capitalised to compete in this fluid, ever changing industry in order to deliver satisfactory returns on its shareholders' investment. Our confidence is founded on the following:

- **Service Excellence** – entrenching the ethos of service excellence has been a key focus during 2023, which culminated in the launch of our service code in quarter 3 called “Marakanelong”. Marakanelong is encapsulated in four (4) pillars of: **Botho** – Humility, **Botswerere** – Excellence, **Bonatia** – Passion, **Bofefo** – Efficiency. This has seen an improvement in guest experience and sentiment, resulting in repeat business across Company hotels.
- **Training and people development** continues to be at the centre of our strategy, service philosophy and tradition. It is how we deliver on our brand promise of excellent service filled with African heart and soul. To this end, in 2023 the business increased the investment into training by 220% when compared to 2022 whose training activities were to some extent reduced in trying to manage the residue of COVID-19 induced constraints.
- **Product improvements** – given the relatively low cost of entry into the sector by other participants through the Airbnb model, the Company is deliberate in focused hotel refurbishments and return on investment driven capital rationing, enabling us to compete effectively in all destinations we operate in. During the year, the Company commenced an offensive refurbishment programme at Cresta Thapama, Cresta Rileys and Cresta Botsalo while investing in significant repairs and maintenance at all the other properties in a bid to defend the existing market share.
- **Inorganic growth** – in December 2023, the Company launched to the market an additional 60 rooms at our existing Cresta Mahalapye hotel taking the total room inventory to 124 rooms. At Cresta Marang, the Company introduced to the market river chalets targeting the relatively high-end market travelling into Francistown. As discussed elsewhere, 2024 will see a launch of a 4-star 50 roomed establishment adjacent to our existing Cresta Jwaneng hotel in the mining town of Jwaneng.



Managing Director's Statement (continued)

Our Business Strategic Imperatives (continued)

- **Digitalisation** – leveraging technology is no longer a nice to have, it is now a core imperative in driving sustainably profitable business models. During the year, the Company embarked on a changeover journey on all our major systems – property management, banqueting management, point of sale and inventory control. We also completed the automation of one of the daily processes which was the single largest consumer of paper in the business. The Cresta Mahalapye new wing, saw the introduction of cutting-edge conferencing technology, ensuring that the market is competently looked after for their boardroom and hybrid virtual meetings alike. The business consolidated the usage of HiJiffy (our omni-channel pre and post check-in guest communication platform) enhancing convenience to our guests wherein check-in and check-out processes are largely done on one's mobile phone.

Revenue Growth

↑
13%

The Company registered a 13% growth in revenue and 57% increase in profit before tax compared to 2022, a performance achieved regardless of the unrelenting pressure on our market share on the back of the increasing number of rooms across the country and especially Gaborone.



Managing Director's Statement (continued)



- **Cost optimisation** – Despite persistent inflationary pressures, we managed our expenses optimally. Cost avoidance and cost reduction will remain a core frontier in delivering sustainable returns to our shareholders. We continue on a wide-ranging approach to this, constantly identifying and utilising opportunities for improved efficiencies in all areas of the business, extending from foods and materials usage to administrative & general expenditures.
- **Our Brand** – the business has leveraged the strong brand presence in the country and beyond our borders of Botswana. We have continued to grow the Cresta Hotels Pride Card loyalty programme, growing the year-on-year membership consistently over the years. The leisure hotel circuit we have created with our sister Cresta Hotels in Cape Town and Victoria Falls continues to deliver sustained performance for our leisure hotels, especially Cresta Mowana Safari Resort and Spa Hotel in Kasane.
- **Corporate Social Responsibility and Partnership with the Community** – As a good corporate citizen and a member in good standing with each of the communities we operate in, the Company continued to partner with our communities on various projects that answer to the needs of the community. In recognition of the inherent social license afforded to our hotels by these communities we will continue to add some value in various forms across the various segments of society and strive to make a positive impact in the social, economic, and environmental fabric of our society.

Conclusion

Given the ever-changing and fragile hospitality environment as well as the fast changing and evolving consumer preferences we are required to be agile and adaptive in responding to these challenges. The Cresta Team was able to successfully navigate the torrid Covid 19 period and remains poised to respond positively to future challenges. In this regard, my heartfelt gratitude goes to all the Staff of Cresta Marakanelo Limited, the Management, the Board of Directors, the Shareholders and all our guests, customers and service providers for their valued partnership and support.

A handwritten signature in black ink, appearing to be 'Mokwena Morulane'.

Mokwena Morulane

Managing Director

05 June 2024



Corporate Governance

- 18** The Board
- 18** Composition of the Board
- 19** Board Evaluation
- 19** Internal Control Systems
- 19** Board Delegated Committees
- 22** Remuneration Report
- 23** Key Management Compensation
- 24** King III Compliance Checklist
- 27** Communication with Stakeholders



Corporate Governance (continued)



The Board

The Board is committed to ensuring that good practice in corporate governance is observed throughout the Company and remains the responsibility of the whole Board.

The Board is committed to maintaining high standards of business integrity and professionalism in all its activities and continues to support the highest standards in corporate governance.

Over and above adhering to the Companies Act, the Company has adopted the King III Code of Corporate Governance and abides by the Botswana Stock Exchange (BSE) Listing Requirements.

Overall control of the Company is exercised by the Board, which has responsibility, among other things, for setting strategy and ensuring adequate resources are available and effective; and ethical leadership is provided to achieve the Company's strategy. It, therefore, considers and approves, among other things, all major investment decisions, the key risks to which the business is exposed, and measures to eliminate or minimise the impact of such risks, capital expenditure and the appointment of certain key executives. The Board mandatorily meets at least four times a year or as often as the circumstances may determine. In addition to the Board members, Executive Management and professional advisors of the Company are requested to attend Board and Committee meetings as and when required.

Executive Management is accountable to the Board for the Company's operational performance including implementing strategy as determined by the Board; maintaining adequate internal control systems and risk management processes; monitoring operational performance against plans and targets and reporting to the Board any significant variances, maintaining an effective management team and succession planning.

Composition of the Board

The Company's Constitution prescribes that the number of Directors on the Board shall not be more than 12 or less than four. The quorum for a Board meeting is five Directors, three of whom must be independent. The Board is comprised of nine individuals of high calibre with a diverse set of skills, expertise and experience which are adequate to allow the Board to discharge its duties effectively. In accordance with the Company's Constitution, each Director may from time to time appoint any person who is not already a Director and who is approved by a majority of the other Directors to be the Director's alternate director.

The mandate of the Board also incorporates the promotion of diversity in the Board's membership including field of knowledge, skills and experience, age, culture, and gender, including the setting of targets for gender representation. The board considers these gender targets when considering new appointments to the Board.

Non-executive directors are appointed through a formal process and the Human Resources and Nominations Committee assists with the process of identifying suitable candidates to be proposed. The term of office for non-executive members is three years. Thereafter non-executive members may be re-elected for three years subject to the rotation guidelines in the Constitution.

Corporate Governance (continued)

Composition of the Board (continued)

In accordance with the Company's Constitution, one-third of the non-executive directors are required to retire annually, and if available and eligible, may stand for re-election at the company's AGM. The Directors of Cresta Marakanelo Limited are:

Moatlhodi Lekaukau – Independent Non-Executive Chairman
John Stevens – Independent Non-Executive Director
Tshepidi Ondoko – Independent Non-Executive Director
Pius Molefe – Independent Non-Executive Director
Angelica Bojosi – Independent Non-Executive Director
Ditirwa Mphoeng – Independent Non-Executive Director
Joseph Hundah – Non-Executive Director
Osborne Majuru – Non-Executive Director
Mokwena Morulane – Managing Director

Each Director is expected to fulfil their duties for the benefit of all shareholders, and the independent non-executive Directors provide strong independent judgement to the deliberations of the Board. The Board has established agreed procedures for managing potential conflicts of interest. All Directors are required to disclose at each meeting their shareholding, additional directorships and any potential conflicts of interest to the Chairperson and the Company Secretary. The Board reviews these procedures on an annual basis. In order to assist the Board to deal with any actual or perceived conflicts of interest, Mr John Stevens was appointed as the Lead Independent Director. The Board is satisfied that the procedures for managing potential conflicts remain effective. The Board engaged an independent third party to conduct an Independence Assessment of Mr Pius Molefe and Mr John Stevens, as they have served as Independent Directors for over nine years and their continued independence was confirmed.

Board Evaluation

The performance of the Board, committees and individual board members are assessed annually whether internally or independently. The aim of the evaluation is to assist the Board in improving its effectiveness. The performance of the Chairman and the Managing Director is also assessed annually. The outcome of the evaluation is discussed at a Board meeting and relevant action points are noted for implementation.

On 21 March 2024 the Board considered the competence, qualifications and experience of the Company Secretary, Ms Mpho Moletlo Kgosietsile of Wise Leadership (Pty) Limited and concluded that she is competent to carry out her duties, and that it is satisfied that an arm's length relationship exists between the Board and the Company Secretary as envisaged in the Botswana Stock Exchange Listings Requirements.

Internal Control Systems

The Board is responsible for the Company's system of internal control, including the Company's financial reporting process and the Company's process for preparation of financial statements, and for monitoring its effectiveness. In establishing this system, the Directors have considered the nature of the Company's business, with regard to the risks to which the business is exposed to, the likelihood of such risks occurring, their potential impact and the costs of protecting against them. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process is reviewed by the Finance, Risk and Audit Committee on behalf of the Board and has been in place for the year under review, and up to the date of the approval of the annual report. Primary responsibility for the operation of the system of internal controls is delegated to executive management. The effectiveness of the operation of internal control system is reviewed by the internal audit function and, where appropriate, by the Company's external auditor, who report to the Finance, Risk and Audit Committee, and to Management.

In addition, responsibility delegated to executive management to monitor the effectiveness of the systems of control in managing identified risks as established by the Board. The internal audit function reviews the effectiveness of key internal controls as part of its standard work programme, and individual reports are issued to appropriate senior management. These reports are summarised and distributed to the Finance, Risk and Audit Committee, the Managing Director and senior management of the Company. They are subsequently reviewed by the Finance, Risk and Audit Committee, which ensures that, where necessary, recommendations on appropriate corrective action are drawn to the attention of the full Board.

Board Delegated Committees

In relation to certain matters, committees have been established with specific delegated authority and terms of reference that have been approved by the Board. The standing committees of the Board are the Finance, Risk and Audit Committee and the Human Resources and Nominations Committee. Both of these committees have terms of references approved by the Board.

Corporate Governance (continued)

2023 Board and Sub-Committee Meetings Attendance

The table below indicates the attendance by the Directors for Board and Committee meetings:

	Board Meetings		Finance, Risk & Audit Committee Meetings		Human Resources Committee Meetings	
	Maximum possible	Attended	Maximum possible	Attended	Maximum possible	Attended
Moatlhodi Lekaukau	6	6	—	—	4	4
John Stevens	6	6	4	4	—	—
Pius Molefe	6	5	—	—	4	4
Osborne Majuru	6	5	4	4	—	—
Tshepidi Ondoko	6	5	4	2	—	—
Ditirwa Mphoeng	6	6	—	—	—	—
Angelica Bojosi	6	6	—	—	—	—
Joseph Hundah	6	6	—	—	—	—
Mokwena Morulane	6	6	4	4	4	4

Finance, Risk and Audit Committee

Committee Chairman – John Stevens

Committee Members – Osborne Majuru, Tshepidi Ondoko

The Finance, Risk and Audit Committee is chaired by an independent non-executive Director, and had two non-executive Directors as members, one of whom is independent. All of the Directors have the relevant financial experience as required. The Finance, Risk and Audit Committee meets at least four times a year, and the Committee meets with the external auditors at least twice a year. The Managing Director, Chief Finance Officer, Group Risk and Internal Audit Manager, Group ICT Manager as well as the external auditors are invited to attend the Committee meetings, however, do not vote on any matters tabled for discussion.

The internal and external auditors have unrestricted access to the Finance, Risk and Audit Committee through the Chairman.

Mandate of the Committee:

- Assist the Board with the evaluation of adequacy and effectiveness of the internal control systems, accounting practices, information systems and auditing processes applied in the business.
- Ongoing reviews of the Company's risk management processes as well as ensuring legislative and regulatory compliance.
- Introduce such measures that would serve to enhance the credibility and objectivity of the financial statements.
- Reviewing the integrity of annual financial statements, reports, circulars and announcements made by the Company to shareholders.

- Monitoring and reviewing the effectiveness of the internal audit function.
- Making recommendations to the Board on the appointment and dismissal of the external auditor; and annual review of the independence and objectivity of the external auditor.
- Agreement of detailed scope of the external audit prior to commencement of their audit; reviewing the results of the audit and its cost effectiveness; and recommendation of the audit fee to the Board; monitoring and approving, when appropriate, the nature of any non-audit work and levels of fees paid.
- Ensuring the effectiveness of the finance function.
- Considering on an annual basis and satisfying itself of the appropriateness of the expertise and experience of the Chief Finance Officer.

The Finance, Risk and Audit Committee is of the view that it has discharged all of its mandated roles. Further to this, the Committee confirms that it reviewed the appropriateness and expertise of the Chief Finance Officer, Mr. Tafadzwa Tafadzwa and it is satisfied that he has the suitable expertise and skills for the position. Mr. Tafadzwa is a Chartered Accountant (Institute of Chartered Accountants of Zimbabwe) and an Associate member of the Botswana Institute of Chartered Accountants (BICA). He is a holder of Honours Bachelor of Accounting Science from the University of South Africa, Bachelor of Commerce Honours Degree in Accounting from the National University of Science and Technology (Zimbabwe) is a Certified Internal Auditor (CIA) under the global Institute of Internal Auditors.

Corporate Governance (continued)



Corporate Governance (continued)

Finance, Risk and Audit Committee (continued)

The Committee also confirms that it is satisfied with the audit work performed by the Company's external auditors, Deloitte & Touche, and that the external auditors continue to act with unimpaired independence. The Board, following a recommendation from the Committee, has therefore nominated Deloitte & Touche for re-appointment as the Company's external auditor for the ensuing year, at the forthcoming annual general meeting.

Human Resources and Nominations Committee

Committee Chairman – Pius Molefe
Committee Members – Moatlhodi Lekaukau,
Mokwena Morulane

The Human Resources and Nominations Committee is chaired by an independent non-executive director and has two non-executive Directors and one executive Director as members. The Human Resources Committee meets at least twice a year. It is responsible for considering and making recommendations to the Board, within agreed terms of reference, on the Company's remuneration policies, determining the remuneration packages of executive management and the operation of the Company's phantom share scheme. The mandate of the Committee also incorporates the regular review of the balance of skills, experience, independence and knowledge of the Board of Directors and its Committees. The Human Resources and Nominations Committee also leads the process for Board appointments and makes recommendations to the Board. Meetings convened to nominate new directors to the Board are chaired by Mr Lekaukau, the Board Chairman.

Other functions of the Committee include a review of the performance conditions used for long term incentives, review of short-term bonus arrangements and targets. The Committee takes independent advice as deemed necessary.

Remuneration Report

Directors' Remuneration

Non-executive Directors are remunerated as follows:

	Fee per meeting (P)	
	2023	2022
Board Chairman	22,000	20,000
Board Member	11,000	10,000
Sub Committee Chairman	11,550	10,500
Sub Committee Member	7,700	7,000

The fee per meeting is also for ad-hoc meetings of the Board and its sub committees and attendance at the Annual General Meeting.

The total remuneration paid by the Company to non-executive Directors for the 2023 and 2022 financial years for scheduled and ad-hoc meetings is listed below:

	2023 Directors' fees (P)	2022 Directors' fees (P)
Moatlhodi Lekaukau	204,000	150,000
John Stevens	127,350	72,000
Pius Molefe	116,850	87,000
Osborne Majuru	103,300	51,000
Tshepidi Ondoko	68,700	68,000
Ditirwa Mphoeng	61,700	35,000
Angelica Bojosi	77,200	30,000
Joseph Hundah	69,500	40,000
Total	828,600	533,000

The following Directors have direct or indirect shareholding in Cresta Marakanelo Limited:

John Stevens	200,000 shares
Moatlhodi Lekaukau	11,996 shares



Corporate Governance (continued)

Key Management Compensation

Key Management personnel of the Company includes the Managing Director, Chief Financial Officer, Group Operations Manager, Group ICT Manager, Group Risk and Internal Audit Manager and Group Human Resources Manager. They are all on fixed term employment contracts, renewable on three-to-five-year periods.

The guiding principles relating to the remuneration of key management are;

- Compensation arrangements shall emphasize performance-based remuneration and retention of key management.
- Compensation shall maintain an appropriate balance between base salary, long-term and annual incentive compensation.
- In approving remuneration, the recent remuneration history of key management, including special or unusual remuneration payments, shall be taken into consideration.

- Bonus cash incentives remuneration shall be linked to the agreed bonus formula, determined in relation to set annual targets.

The long-term incentive plan is not yet in place and is still being developed.

The Managing Director and Chief Finance Officer's remuneration is paid by the Management Company (Note 26). The Managing Director and Chief Finance Officer's short-term incentive is based on the achievement of the annual revenue and profit targets of the Company. The Management Company's remuneration is based on a percentage of turnover and a percentage of net operating profit. Refer to Note 26.5 for remuneration received by key management.



Corporate Governance (continued)

King III compliance checklist

The Company has largely complied with the guidelines of the King III Code of Corporate Governance. Explanations for the instances of partial compliance and non-compliance have been included below.

Key: ✓ Compliant # Partially compliant X Non-compliant

	Status	Note
Ethical leadership and corporate citizenship		
The board should provide effective leadership based on an ethical foundation	✓	
The board should ensure that the company is seen as a responsible corporate citizen	✓	
The board should ensure that the company's ethics are managed effectively	✓	
Board and Directors		
The board is the focal point for and the custodian of corporate governance	✓	
The board should appreciate that strategy, risk, performance and sustainability are inseparable	✓	
The board should ensure that the company is and is seen to be a responsible corporate citizen	✓	
The board should ensure that the company's ethics are managed effectively	✓	
The board should ensure that the company has an effective and independent audit committee	#	Note 1
The board should be responsible for the governance of risk	✓	
The board should be responsible for information technology (IT) governance	✓	
The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓	
The board should ensure that there is an effective risk-based internal audit	✓	
The board should appreciate that the stakeholders' affect the company's reputation	✓	
The board should ensure the integrity of the company's integrated annual report	✓	
The board should report on the effectiveness of the company's systems of internal controls	✓	
The board and its directors should act in the best interests of the company	✓	
The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the act	✓	
The board should elect a chairman of the board who is an independent non-executive director.	✓	
The CEO of the company should not also fulfil the role of chairman of the board.		
The board should appoint the chief executive officer and establish a framework for the delegation of authority	✓	
The board should comprise a balance of power, with a majority of non-executive directors.	✓	
The majority of non-executive directors should be independent	✓	
Directors should be appointed through a formal process	✓	
The induction of and ongoing training and development of directors should be conducted through formal processes	✓	
The board should be assisted by a competent, suitably qualified and experienced company secretary	✓	
The evaluation of the board, its committees and the individual directors should be performed every year	✓	
The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities	✓	
A governance framework should be agreed between the group and its subsidiary boards	✓	
Companies should remunerate directors and executives fairly and responsibly.	✓	
Companies should disclose remuneration of each individual director and prescribed officer	✓	
Shareholders should approve the company's remuneration policy	✓	

Corporate Governance (continued)

King III compliance checklist (continued)

Key: ✓ Compliant # Partially compliant X Non-compliant

	Status	Note
Audit Committee		
The board should ensure that the company has an effective and independent audit committee	#	Note 1
Audit committee members should be suitably skilled and experienced independent non-executive directors	#	Note 1
The audit committee should be chaired by an independent non-executive director	✓	
The audit committee should oversee integrated reporting	✓	
The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities	✓	
The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function	✓	
The audit committee should be responsible for overseeing of internal audit	✓	
The audit committee should be an integral component to the risk management process	✓	
The audit committee is responsible for recommending the appointment of the external auditors and overseeing the external audit process	✓	
The audit committee should report to the board and shareholders on how it has discharged its duties	✓	
The Governance of Risk		
The board is responsible for the governance of risk	✓	
The board should determine the levels of risk tolerance	✓	
The risk committee or audit committee assists the board in carrying out its risk responsibilities	✓	
The board should delegate to management the responsibility to design, implement and monitor the risk management plan	✓	
The board should ensure that risk assessments are performed on a continual basis	✓	
The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks	✓	
The board should ensure management considers and implements appropriate risk responses	✓	
The board should ensure continual risk monitoring by Management	✓	
The board should receive assurance regarding the effectiveness of the risk management process	✓	
The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to shareholders	✓	
The Governance of Information Technology ("IT")		
The board should be responsible for information technology (IT) governance	✓	
IT should be aligned with the performance and sustainability objectives of the company	✓	
The board should monitor and evaluate significant IT investments and expenditure	✓	
IT should form an integral part of the company's risk management	✓	
The board should ensure that the information assets are managed effectively	✓	
The risk committee and audit committee should assist the board in carrying out its IT responsibilities	✓	

Corporate Governance (continued)

King III compliance checklist (continued)

Key: ✓ Compliant # Partially compliant X Non-compliant

	Status	Note
Compliance with laws, codes, rules and standards		
The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards	✓	
The board and its individual directors should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business	✓	
Compliance risk should form an integral part of the company's risk management process	✓	
The board should delegate to management the implementation of an effective compliance framework and processes	✓	
Internal Audit		
The board should ensure that there is an effective risk based internal audit	✓	
Internal audit should follow a risk-based approach to its plan	✓	
Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management	✓	
The audit committee should be responsible for overseeing internal audit	✓	
Internal audit should be strategically positioned to achieve its objectives	✓	
Governing Stakeholder Relationships		
The board should appreciate that stakeholders' perceptions affect a company's reputation	✓	
The board should delegate to management to proactively deal with stakeholder relationships	✓	
The board should strive to achieve the appropriate balance between the various stakeholder groupings, in the best interests of the company	✓	
Companies should insure equitable treatment of shareholders	✓	
Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence	✓	
The board should ensure disputes are resolved as effectively, efficiently, and expeditiously as possible	✓	
Integrated reporting and disclosure		
The board should ensure the integrity of the company's integrated annual report	✓	
Sustainability reporting and disclosure is integrated with the company's financial reporting	✓	
Sustainability reporting and disclosure should be independently assured.	#	Note 2

Notes

Note 1. The Finance, Risk and Audit Committee members are suitably qualified, however the Committee includes one non-independent director.

Note 2. The Sustainability report has not been independently assured.

Corporate Governance (continued)

Communication with Stakeholders

The Company holds Annual General Meetings. At these meetings, there is an opportunity for all shareholders to question the Chairperson and other Directors (including Chairman of the Finance, Risk and Audit Committee, Human Resources and Nominations Committee). The Company prepares separate resolutions on each substantially separate issue put to shareholders and does not combine resolutions together inappropriately. A schedule of proxy votes cast is made available for inspection at the conclusion of the proceedings and the annual report is laid before the shareholders at the Annual General Meeting.

Notice of the annual general meeting and related papers are sent to shareholders at least 21 days prior to the date of the meeting, and the Company encourages all shareholders to make positive use of the annual general meeting for communication with the Board.

Further, the Company has made available an investor relations page on the Company's website: www.crestamarakanelo.com. All information about the Company and activities can be found on this page. Comments and questions can be channelled to management through this page.





Sustainability Report

- **30** Basis of Preparation & Presentation

- 30** Company & Business Overview

- 31** Our Macro-Environment

- 33** Contribution to the Sustainable Development Goals

- 36** Our Six Capitals

- 38** Industry Related Headwinds

- 40** Cresta Business Model

- 42** Cresta Marakanelo Limited Key Risks

- 44** Our Stakeholders - Detailed Analysis

**SWIMMING POOL
& POOL AREA**

CHILDREN MUST AT ALL
TIMES BE UNDER THE
SUPERVISION OF AN ADULT.
GUESTS USE THE SWIMMING
POOL AND POOL AREA
AT THEIR OWN RISK. NEITHER
THE HOTEL NOR ANY OF ITS
SERVANTS OR AGENTS SHALL
BE LIABLE FOR ANY LOSS,
INJURY OR DAMAGE,
HOWSOEVER CAUSED, ARISING
FROM THE USE OF THE
SWIMMING POOL AREA.

Sustainability Report (continued)



Basis of Preparation & Presentation

The non-financial information on Sustainability Reporting and Sustainable Development Goals (SDGs) has been prepared taking guidance contained in the following:

- Integrated Reporting Framework
- Global Reporting Initiative (GRI) Standards
- Botswana Stock Exchange (BSE) Listing Requirements
- King Report on Corporate Governance 2009 (King III)

The Group and Company financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

Company and Business Overview

Cresta Marakanelo Limited (“CML” or “Company”) operates in the hospitality and tourism sector with a significant part of its hotels focussed on the provision of hotel services to business travellers. Through its Cresta Mowana Safari Resort & Spa in Kasane, Cresta Maun and Cresta Riley’s hotels in Maun, the Company services the leisure market. In addition to accommodation, Cresta, as part of its services, offers customers restaurants, bars, safari tours, conference facilities, spa and outside catering. In its operations, CML derives marketing benefits and support from operating the “Cresta Hotels” brand, through its Management Agreement with Cresta Holdings Proprietary Limited.

The Company operates eleven (11) hotels in Botswana, geographically spread as below:

- **Gaborone** – Cresta Lodge and Cresta President
- **Francistown** – Cresta Thapama and Cresta Marang
- **Maun** – Cresta Riley’s and Cresta Maun
- **Palapye** – Cresta Botsalo which runs Tlou Sejie Lodge also in Palapye
- **Selebi Phikwe** – Cresta Bosele
- **Mahalapye** – Cresta Mahalapye
- **Jwaneng** – Cresta Jwaneng
- **Kasane** – Cresta Mowana Safari Resort & Spa

Relevant Laws and Regulations

- Companies Act
- Tourism Act
- Income Tax Act
- VAT Act
- Employment Act

Sustainability Report (continued)

Our Macro-Environment

Over and above the internal factors, the Company strategy and business model is shaped by the external factors whose impact on the business model affecting is shown below.

Forces	Factors that exist that are pertinent to CML	Impact on Business Model
<p>Political</p> <ul style="list-style-type: none"> - Trade policies - Tax policies - Health services - Public services policies 	<ul style="list-style-type: none"> - Preference given to 100% citizen owned entities - VAT increase from 12% to 14% - Regulated business environment - Increase in minimum wage on the downstream industry feeding into the hospitality sector. 	<ul style="list-style-type: none"> - Being a public interest entity, CML is considered a citizen owned Company with Botswana Development Corporation ("BDC") as the single largest shareholder. Individual retail investors are in excess of 1 200. - Increased pressure on cost lines due to VAT increase from 12% to 14% in April 2023 and increases in minimum wage on downstream industries. The business, given the price wars, could not pass on wholly the increase in costs to the guest. - Business processes in line with the regulations and maintaining of high standards for customer satisfaction and optimal service provision.
<p>Economic</p> <ul style="list-style-type: none"> - Decline in GDP growth - Cost of debt - Employment - Inflation 	<ul style="list-style-type: none"> - Decelerating GDP growth - Fluctuation of the bank lending rates - High unemployment rates 	<ul style="list-style-type: none"> - Decreased disposable income from low economic activity compared to prior year - Downward revision of the prime rate; in December 2023 enhanced the outlook profitability of the business. - Increased pressure on cost lines
<p>Social</p> <ul style="list-style-type: none"> - Lifestyle attitude - Purchasing habits/patterns - Demographics 	<ul style="list-style-type: none"> - Conscious and cautious spending habits. - Population trend towards middle aged population 	<ul style="list-style-type: none"> - Travelling for both business and leisure; inclusive coworking and co-living spaces for dynamic hotel experiences - Cool beans concept and business centres in some of our properties. - Social media reforms and marketing strategies to attract new customers and disseminate information on our product offering using different mediums. - Market understanding of our host communities with product inventiveness decentralized to properties with strategies geared towards specific markets for sales acquisition.

Sustainability Report (continued)

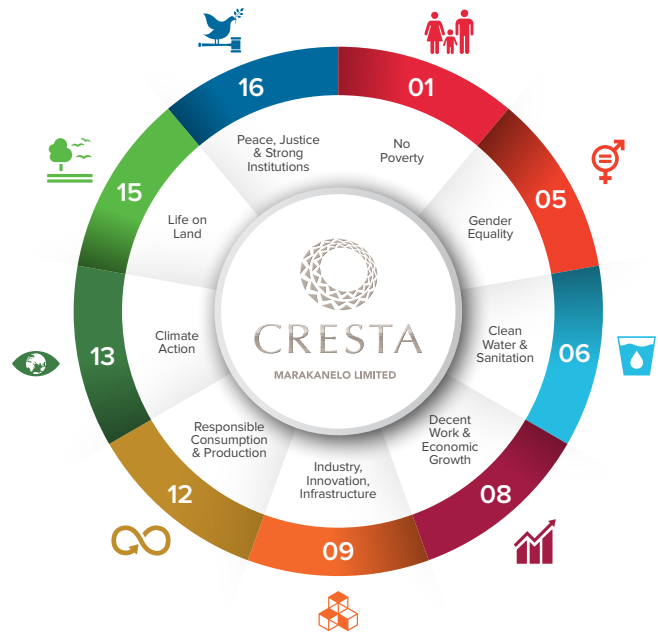
Our Macro-Environment (continued)

Forces	Factors that exist that are pertinent to CML	Impact on Business Model
<p>Technological</p> <ul style="list-style-type: none"> - Technological changes - Innovation and Automation - Research and development 	<ul style="list-style-type: none"> - Digitalisation of processes - Cybersecurity breaches - Cybercrime law - Data Protection law 	<ul style="list-style-type: none"> - Continuous monitoring of ways to enhance our service and product offering with improvements made where need be. - Staff sensitized and trained on avoidance of security breaches. - Robust firewalls and security mechanisms to keep our guests cybersecure.
<p>Environmental</p> <ul style="list-style-type: none"> - Environmental policies - Sustainability - Climate change 	<ul style="list-style-type: none"> - Land clearing for new builds/ infrastructure - Recycling mechanisms - Global warming - Pollution 	<ul style="list-style-type: none"> - Undertaking rehabilitative processes such as reforestation, and storm water drainage and water erosion management; promoting better livelihoods for the communities we operate in. - Promoting dry gardens and recycling and re-using grey water for irrigation of our gardens. - Onboarding of waterplants for re-filling distilled water to the guest, as an alternative to provision of bottled water. - Digitizing processes thereby reducing carbon footprint through saved paper materials.
<p>Legal</p> <ul style="list-style-type: none"> - Employment laws of the country - Laws related to the activity - Regulatory laws of the industry 	<ul style="list-style-type: none"> - Employment law - Trade policies and laws - Tax laws - Health and public hygiene laws 	<ul style="list-style-type: none"> - Continuous scan of our macro environment to ensure no legal breaches of the law pertaining to employee welfare. - Ensuring business activities are centered around the confines of the law and regulatory environment we operate in. - Tax and relevant levies duly paid.






Sustainability Report (continued)

Contribution to the Sustainable Development Goals



The UN through the 17 SDG's with 169 targets is rallying the world towards a common goal of ending poverty, protecting the planet and ensuring that all people enjoy peace and prosperity by 2030. CML as a corporate citizen of the world has taken heed of the call and is committed to contribute towards the achievement of the said goals, be it passively or actively. Outlined below are the 9 SDGs that the company is in pursuit of and a summary of activities showing contribution towards the same.

SDG		Outcome
 <p>SDG 1 End poverty in all its forms everywhere Targets relevant of the total targets of SDG 1. 3/7</p>	<ul style="list-style-type: none"> - Staff retention - Localised procurement of farm produce in host towns/cities 	<ul style="list-style-type: none"> - Provision of jobs both directly and indirectly through the value chain for provision of services and goods therefore increase in household incomes.
 <p>SDG 5 Achieve gender equality and empower all women and girls. Targets relevant of the total targets of SDG 5. 2/9</p>	<ul style="list-style-type: none"> - Diverse workforce with a balanced representation of males and females in leadership positions 	<ul style="list-style-type: none"> - Staff complement 480 males Vs 492 females - Diversity in the workplace where roles are assumed on merit and atypical to traditional gender norms and settings e.g. housekeeping role being taken up by a male. - Close in gender parity statistics with equal earning opportunities and outcomes across both genders.
 <p>SDG 6 Ensure access to water and sanitation for all. Targets relevant of the total target of SDG 6 3/8</p>	<ul style="list-style-type: none"> - Little to no degradation of water quality - No compromise of access for other users 	<ul style="list-style-type: none"> - Engagement with the water corporation for sewage management. - Sustainable use and grey water recycling for irrigation in some properties.



Sustainability Report (continued)

Contribution to the Sustainable Development Goals (continued)

SDG		Outcome
 <p>SDG 8 Promote inclusive and sustainable economic growth, employment and decent work for all. Targets relevant of the total targets of SDG 8 5/12</p>	<ul style="list-style-type: none"> - Provision of employment to 972 employees. - Initiatives to grow sales - Conducive working environment for all with staff welfare initiatives of utmost importance. - Career growth and advancements opportunities. - Employee training and continued professional development. 	<ul style="list-style-type: none"> - Job security for employees - Intensive yield management strategy thereby defending our market position. - Provision of meals to staff during working hours. - Open door policy to management for any grievances. - Inclusive work environment for people living with disabilities. - Skills development through departmental workshops. - Staff education loan - Onboarding graduates through the management training programme; aiding in the reduction of unemployment pool. - Tax contribution.
 <p>SDG 9 Build resilient infrastructure, promote sustainable industrialisation and foster innovation. Targets relevant of the total targets of SDG 9 2/8</p>	<ul style="list-style-type: none"> - Digitisation and smart technologies to be included in our processes and new builds and refurb. 	<ul style="list-style-type: none"> - Quality and reliable infrastructure aimed at easing business processes for both guests and staff.
 <p>SDG 12 Ensure sustainable consumption and production patterns Targets relevant of the total targets of SDG 12 8/11</p>	<ul style="list-style-type: none"> - Eliminating the use of single use guest amenities in our hotels. - Tracking of costs against production/ envisaged outcome. 	<ul style="list-style-type: none"> - Budget/cost analysis to ensure consumption is in alignment with revenues generated. - GP analysis and benchmarks with variances interrogated.
 <p>SDG 13 Take urgent action to combat climate change and its impacts Targets of the relevant total targets of SDG 13 3/5</p>	<ul style="list-style-type: none"> - Reduction of company carbon footprint. - Decarbonisation projects. 	<ul style="list-style-type: none"> - Digitisation of processes to reduce use of paper. - Use of reusable containers for amenities. - Gradual phasing out of single use plastics.

Sustainability Report (continued)

Contribution to the Sustainable Development Goals (continued)

SDG		Outcome
 <p>SDG 15 Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss. Targets of the relevant total targets of SDG 15 8/12</p>	<ul style="list-style-type: none"> - Conservation and preservation of natural habitats supporting terrestrial ecosystems. - Restoration and rehabilitation of degraded land. 	<ul style="list-style-type: none"> - Maintenance of animal corridors in properties where there's biodiversity/wildlife. - Use of designated pathways for safaris, with no offroad experiences to avoid animal/people conflicts and infringement of boundaries. - No kill policy in alignment with Botswana laws; engaging the department of wildlife for management of animals in our developed boundaries. - Retention wall on the riverbanks along the perimeters of our properties to manage water erosion.
 <p>SDG 16 Promote just, peaceful and inclusive societies. Targets of the relevant total targets of SDG 16 5/12</p>	<ul style="list-style-type: none"> - Commit to transparency across the scope of our activities. - Ensure participation and representative decision making. 	<ul style="list-style-type: none"> - Well controlled procurement process with an independent tender adjudication committee. - Well vetted suppliers on onboarding and updated supplier listing through KYC exercises. - Declaration of interest exercise companywide, with employees encouraged to update interest whenever there are changes. - Participation and representative decision making by way of committees and unions.



Sustainability Report (continued)

Our Six Capitals

The Company measures its value and performance on a triple bottom line yard stick of People, Planet and Profit.

The Company performance which in turn builds Company value is built by the blocks of physical capital and intangible capitals. Physical capitals in the form of manmade capital which aids in production such as property and equipment and intangible capitals come in human capital, brand, technology, systems and licenses to operate.




The fusion of these capitals with the financial capital underpins the growth of the business in the short, medium and long term. To ensure maximisation of the return on investment, CML has deployed a robust strategy development and execution process underpinned by effective and efficient enterprise risk management.

The Group has identified Six Capitals under which it drives the sustainability of the Triple Bottom Line. These are described below.

 Manufactured Capital	 Intellectual Capital	 Social and Relationship Capital
<p>The state of the properties operated by CML is a key success factor to its triple bottom line goals across its planning horizon. To achieve a sustainable bottom line, the Company is committed to drive its manufactured capital through:</p> <ul style="list-style-type: none"> • Reinvestment in maintenance and enhancement of capacity with significant spend being allocated towards property refurbishments (soft and hard refurbishments). • Expansion of capacity through: <ul style="list-style-type: none"> - Adding room inventory on existing properties - Developing new hotels (in partnership with Real Estate development partners) both domestically and regionally. <p>The Company has introduced some level of green efficiencies in its builds, e.g. water treatment plants for providing water to guests with recyclable bottles, to supersede the provision of pre-bottled water. This has been actioned at Cresta Mahalapye.</p>	<p>The CML Intellectual Capital is the sum total value of the brand equity, company employee knowledge, skills, business training and processes which all consolidates into the business' competitive advantage.</p> <p>The CML core levers in keeping this capital efficient and effective are:</p> <ul style="list-style-type: none"> • Brand maintenance. • Brand proliferation into gateways – Oasis, Urban Heartbeat, African Fingerprint and African Roots - to allow space to remain competitive in different customer segments. This enables price discrimination and optimisation of revenue from different markets. • Robust systems, processes and standard operating procedures, avoiding red tape through quarterly reviews of systems as first line of defence and internal audits as the second line of defence. 	<p>The Company is deliberate in developing and maintaining sound mutually beneficial business relationships with stakeholders – customers, investors, shareholders, employees and trade unions, government, financial institutions, suppliers including landlords and the communities we operate in.</p> <p>This capital is being propagated by:</p> <ul style="list-style-type: none"> • Compliance with the laws and regulations and honouring contracts and agreements in all spheres of operation. Management maintains a Compliance Checklist and quarterly audits are performed which includes testing of compliance. • Enhanced turnaround time on responses to customer feedback and as far as practical, meeting the raised needs. • Stakeholder engagement between CML Executive Management and the Labour Unions on an annual basis plus the regular Works Council Meetings between staff and Management. • Negotiation policy underpinned by a desire for win-win agreements with our suppliers, landlords and property development partners. • CML is involved in Corporate Social Responsibility activities including: Empowering the Youth in the education sector through: <ul style="list-style-type: none"> - Graduate Traineeship Programs - Being a Botswana Institute of Chartered Accountants (BICA) Authorised Training Employer.

Sustainability Report (continued)

Our Six Capitals (continued)

 Natural Capital	 Financial Capital	 Human Capital
<p>In its decision-making process, CML actively considers the impact of natural resources onto the business – both renewable and non-renewable. This has been significant in getting the Company to holistically identify and manage its Risk Universe and opportunities available for appropriation.</p> <p>Key utilisation of this capital has been driven by the underscored:</p> <ul style="list-style-type: none"> • Water harvesting - for example Cresta Maun runs entirely on non-municipal water. • Energy preservation initiatives in our builds– LED lighting across all hotels, and energy saving guest room access cards. <p>Water saving inventiveness – water regulation devices in all showers, central laundry at city / town level and rolling out of dry gardens.</p>	<p>Having put together all the other capitals, the Board and management are well cognisant for the need of funding to spearhead strategy and effectively realise value out of the other capitals.</p> <p>CML strives to have access to reasonably priced debt capital or equity contributions to fund its inorganic expansion strategy as well as financing some of the projects out of cash generated from operations.</p> <p>The Company pays special attention to the following:</p> <ul style="list-style-type: none"> • Judicious working capital management to ensure continued going concern and ability to finance organic growth. • Observance of the strategy and resource allocation process in place via quarterly Board meetings to review the progress on strategy execution. • Active management of cashflows to ensure adherence to the debt covenants and periodic business update engagements with the lender. 	<p>CML prides itself in the engine that drives the optimisation of all the other five identified capitals – Our People. The Company places importance on its staff engagement levels to ensure there is always adequate highly skilled talent to deliver on the strategy.</p> <p>Core Human Capital keys to CML are:</p> <ul style="list-style-type: none"> • Recruitment and retention of top skills. • Employee engagement surveys and implementation of recommendations or corrective actions. • Succession planning for key positions. • Fair and sustainable remuneration with annual performance-based bonus. • Career growth opportunities for our staff underpinned by internal promotions whenever possible. • Investing in staff training and development programs.



Sustainability Report (continued)

Industry Related Headwinds

Per expectation, along with the rest of the world, Botswana’s economic growth saw a deceleration in growth to ‘stabilisation’ over the course of 2023, and CML as a player in its macro-economic environment symmetrically reflected this trend in its topline growth.

The increase in global travel in 2023 has not only surpassed the 2022 travel statistics, but has also neared the pre-pandemic 2019 levels, thereby contributing to CML’s top line performance, and rubber-stamping its local prominence, credit to efforts of revising selling and marketing strategies.

The effected strategies effected included, but were not limited to the following;

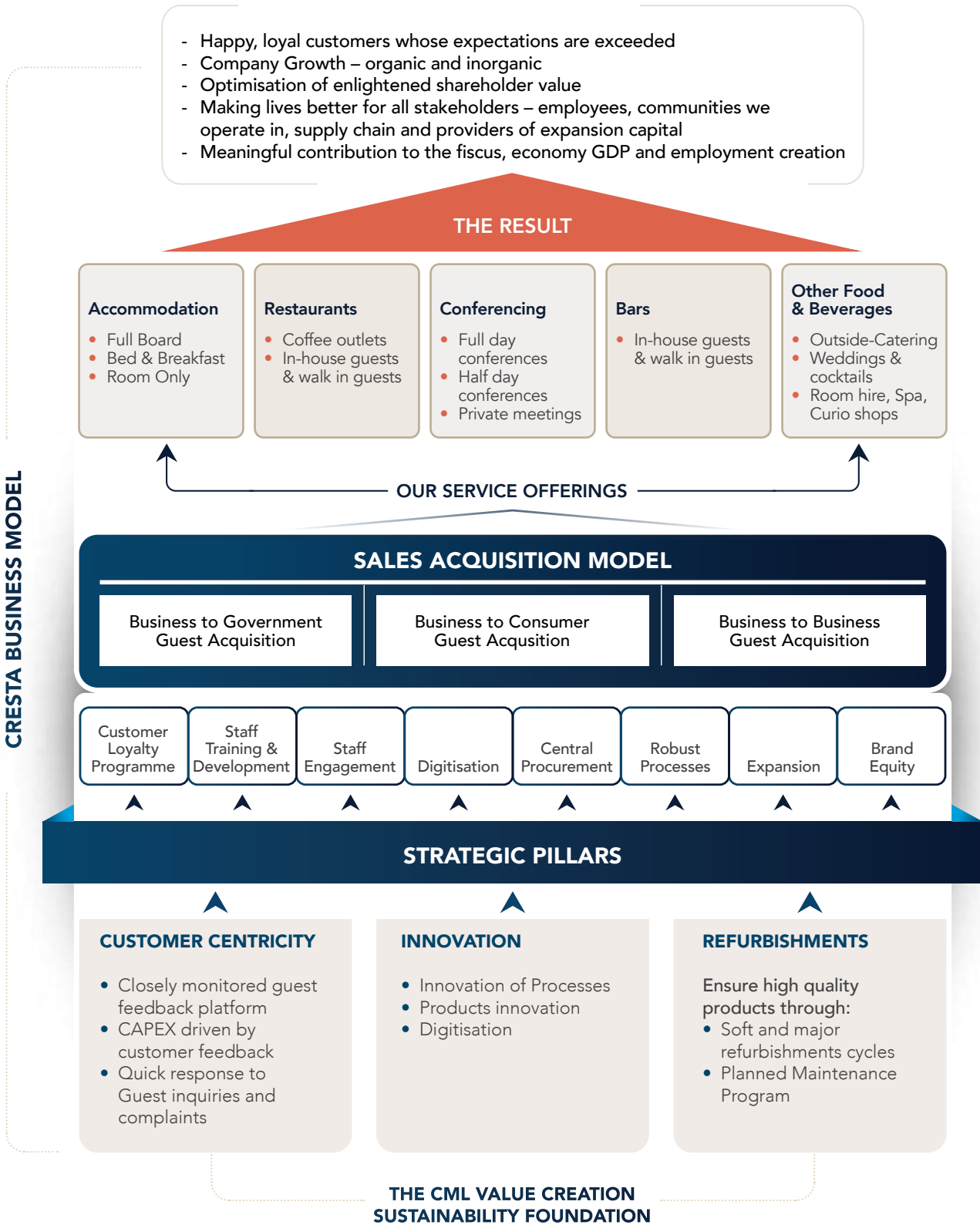
- Negotiation with suppliers/financiers for favourable rates
- Extensive use of digital media, expending and enhancing our digital footprint to achieve widespread reach both domestically and internationally.
- More localised procurement of produce/inventory and supplies to reduce logistics costs.
- Encouraging guests to postpone trips rather than outright cancellations.

Our resumption in intensive CAPEX especially in refurbishments and expansions generated a positive perception of our brand and product offering; defending our market share and competitive edge from mushrooming establishments countrywide. While tangible return on investment on the already refurbished properties is yet to be yielded, average daily rates on the properties are comparatively impressive against industry standards and statistics.





Sustainability Report (continued)





Sustainability Report (continued)

Cresta Marakanelo Limited Key Risks

CML board, supported and augmented by the executive and risk committees, has through the ERM process established a framework of identifying and methodically addressing potential events that serve as hindrances in the overall achievement of strategic objectives and our competitive advantage. The following risks, after thorough analysis and comprehension of our operating environment were identified and closely monitored during the financial year ended December 2023 and controls to the same effected.

Risk Category	Detailed Risk	Potential Impact	Risk Mitigation
Regulatory Risks	Concentration risk on Government business	Loss of revenue base from the Government.	<ul style="list-style-type: none"> - Customer diversification marketing strategies to appeal to corporates, STO business and individual travellers.
Operational Risks	Service provision inconsistency, failing to meet expectations of guests.	Market share loss	<ul style="list-style-type: none"> - Upskilling and continuous training of key service delivery staff members. - Monitoring guest review feedback with minimal turnaround time in implementing corrective measures.
	Loss of key skills and skillsets from staff turnover.	<p>Unmitigated expenditure on continuous training of new employees.</p> <p>Lapse in succession planning.</p>	<ul style="list-style-type: none"> - Succession and retention plans formulated and implementation is ongoing. - CML to benchmark from other industry players on competitive remuneration packages commensurate with key skills.
	Asset misappropriation, theft, insider dealing/ conflict of Interest and corrupt practices due to financial pressures and weak internal control environments creating opportunities for fraud.	Revenue and profit loss.	<ul style="list-style-type: none"> - Fraud awareness training - Revision of operational SOPs and training on them. - Fraud detection procedures in internal audit programmes.
Information Technology Risks	Change management risk from both guests and staff with envisaged disruptive technologies.	Slow take up and implementation of processes and system resulting in possible over expenditure from duplication of efforts by running systems parallel.	<ul style="list-style-type: none"> - Change management plan implemented with coaching and on-site database testing conducted from time of Go-Live.
	Cybersecurity threats and breaches	Loss on revenue and profits, compromised guest databases and potential breaches to data protection laws.	<ul style="list-style-type: none"> - Cybersecurity training for all users - Spot phishing campaigns simulated and victims engaged to improve their skillset.

Sustainability Report (continued)

Cresta Marakanelo Limited Key Risks (continued)

Risk Category	Detailed Risk	Potential Impact	Risk Mitigation
Financial Risks	- Reduced market size due to an almost saturated market.	Decreased incremental revenue growth from prior years.	- Regional sales calls. - Product innovation with marketing and sales activities decentralised to hotel units and morphed to suit host communities needs and wants.
	- Properties wear and tear.	- Below par product offering with resultant revenue loss to competition	- Refurbishment plans ongoing to revitalise our entire product portfolio with properties yielding higher return on investment prioritised.
	- Constricted internally generated cash to fund expansion and Refurbishments.	- Lag in projects execution and refurbishment plans consequently delaying CMLs optimal revenue generation from industry competitive facilities.	- Implementation of robust working capital management systems and continuous engagement with financiers for debt restructuring.
	- Pressure on operating cost lines from high inflationary rates.	- Low profit yield.	- Lean staff complement structure that optimises revenue generation per employee. - Supplier rates negotiations and effective cost containment measures.



Sustainability Report (continued)

Our Key Stakeholders – Detailed Analysis

Stakeholder Group	Point of Engagement with Stakeholder	Stakeholder Expectations of Us	Our Engagement method with stakeholder	The Engagement Expected Outcome
Guests are at the heart of our existence	We endeavour to accurately identify our guests needs, their view of our brand and spending patterns	<ul style="list-style-type: none"> - Hygienic facilities - Warm staff for a friendly stay - Uninterrupted bandwidth experience - Value for money - Loyalty recognition 	<ul style="list-style-type: none"> - Guest feedback mechanisms are in place - Management check-ups while guests are in-house - 24/7 Reception Help Desk - Cresta Pride Loyalty Card which offers up to 50% discount 	<ul style="list-style-type: none"> - Happy and brand loyal customer, leading to repeat business - Customer word of mouth advertising
Potential Guests Market wide customers not yet staying with Cresta hotels.	Understanding their needs, perception of our brand and service, feedback from our existing clients, what would make our potential guests patronise our properties.	<ul style="list-style-type: none"> - Increased awareness of our product offerings and value proposition - Better rates than their current service provider 	<ul style="list-style-type: none"> - Reference to the Trip Advisor and other social media positive feedback - Word of mouth from existing guests whose expectations are continuously exceeded - Marketing efforts and sales calls 	<ul style="list-style-type: none"> - New business - Enhanced brand perception based on experience - Market word of mouth advertising
Staff are the engine driving the business model to meet eventual guest customer satisfaction.	Empathising in their socio-economic needs, career aspirations and training needs	<ul style="list-style-type: none"> - Job security Improve in household income by way of salary increments. - Friendly conducive working environment. - Provision of training opportunities and career advancement. 	<ul style="list-style-type: none"> - Open door policy up to the office of the Managing Director - Staff engagement surveys - Town hall meetings with the Executive Management team - Formalised representation of staff through the trade union. - Training opportunities for staff where there are identified gaps in training. 	<ul style="list-style-type: none"> - Reassured staff members who are enabled to consistently exceed guests' expectations - Innovation and creativity - Well trained and fulfilled staff members.

Sustainability Report (continued)

Our Key Stakeholders — Detailed Analysis (continued)

Stakeholder Group	Point of Engagement with Stakeholder	Stakeholder Expectations of Us	Our Engagement method with stakeholder	The Engagement Expected Outcome
Landlords Strategic partners in delivering Cresta standard properties.	Identification of salient features of the lease agreements and adherence to them.	<ul style="list-style-type: none"> - Adherence to the lease agreements duties and responsibilities - Business going concern - Timely payment of lease obligations. 	<ul style="list-style-type: none"> - Scheduled periodic meetings plus ad-hoc engagements from time to time. 	<ul style="list-style-type: none"> - Secured tenure beyond stated lease period to foster long-term business sustainability. - Expansion into new properties with existing landlords. - Remission of lease payments on time.
Shareholders, including potential investors. Providers of equity capital.	Understanding their business growth vision and required return on investment	<ul style="list-style-type: none"> - Business going concern - Growth, both organic and inorganic - Consistent dividend payment - Transparent and ethical management 	<ul style="list-style-type: none"> - Annual General Meetings - Press Releases, whenever necessary - Website, in particular the Investor Relations tab - Publishing Audited Financial Statements and Reports - Results presentation meetings 	<ul style="list-style-type: none"> - Enhanced market capitalisation - Sought after counter on Botswana Stock Exchange - Dividend payments - Increasing profitability
Suppliers Strategic partners in delivering the Cresta guest promise.	Gathering information on their going concern, price fairness and products quality	<ul style="list-style-type: none"> - Objectivity on tender adjudication and placing of orders - Fairness on pricing and payments terms - Timely payments of amounts due to them - Business going concern 	<ul style="list-style-type: none"> - Communication of tender adjudication results - Supplier by supplier meetings - Three quotations system on orders - Tipoff forum, independently managed by Internal Audit 	<ul style="list-style-type: none"> - Fair pricing and payment terms - Strong brand equity and perception - Reciprocal business and word of mouth advertising
Communities Providers of natural resources in our space	Understanding their points of needs – ecological and socio-economic.	<ul style="list-style-type: none"> - Ecological approach to business, conserving and preserving natural resources - Payback to the Communities we are doing business in 	<ul style="list-style-type: none"> - Corporate Social Responsibility engagements - Donations 	<ul style="list-style-type: none"> - Enhanced goodwill within communities - Building brand equity

Sustainability Report (continued)

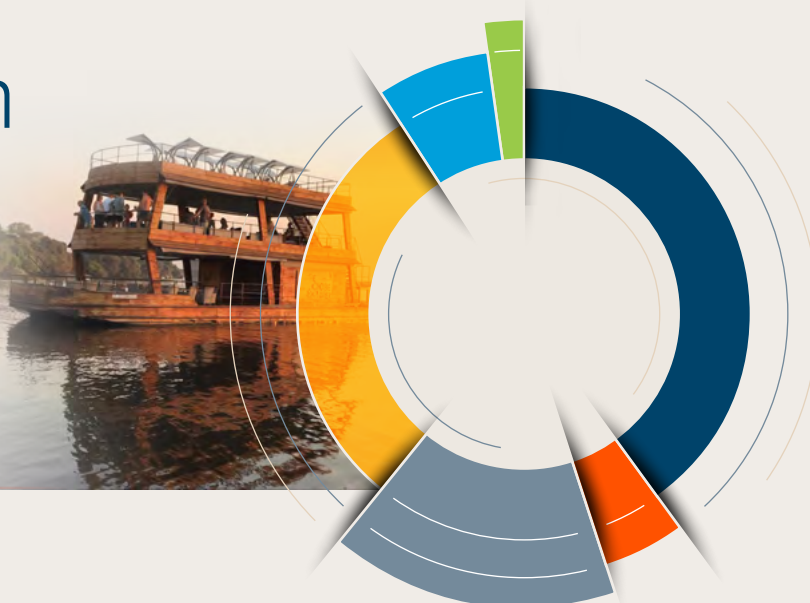
Our Key Stakeholders — Detailed Analysis (continued)

Stakeholder Group	Point of Engagement with Stakeholder	Stakeholder Expectations of Us	Our Engagement method with stakeholder	The Engagement Expected Outcome
Media Partners in reaching our markets and guests	Engage them to ensure dissemination of the correct, objective narrative about the Company	- Providing content for various media channels - Transparency and honest response to questions - Advertising spend	- Radio appearances - Active social media presence - Press releases - Advertising spend	- Information enriched market
Government Sets the tourism policy parameters within which Cresta operates	Consistency of economic policies and even more especially Tourism policy is critical to the sustainable success of Cresta business	- Compliance to laws and regulations - Contribution to the fiscus in taxation - Contribution to Gross Domestic Product (GDP) - Employment creation	- Engagement through the hospitality industry body from time to time - Annual returns filing - Taxation returns - Co-Marketing the Country during the global and regional tourism expos	- Tourism friendly and consistent policies
Financial Institutions Providers of debt capital	Banks and lenders, from time to time fund Cresta's organic and inorganic growth.	- Adherence to debt covenants - Sustainable company performance - Meeting debt obligations	- Periodic business update meetings - Sharing periodic financial reports	- Favourable cost of capital - Access to expansionary capital

Value Created for Our Stakeholders

P375million

- **40%** Paid to Suppliers & Service Providers
- **5%** Providers of Debt Capital
- **16%** Fiscal Contribution
- **30%** Employees
- **7%** Landlords
- **2%** Marketing & Advertising



Sustainability Report (continued)

Our Key Stakeholders (continued)

Cresta Pride Card Loyalty Programme

As a way of recognising and thanking our loyal and valued customers, Cresta operates a loyalty programme under the Cresta Pride Card banner as a direct reward for continued and consistent support of our business.

The Cresta Pride Card offers our customers discounts on accommodation that would otherwise not be availed to non-card holders, this includes accommodation discounts of up to 50% off and discounts from other merchant partners, industry/ industry related partners.



Cresta Pride Card members reconciliation

As at 31 December 2023

	Loyal Customers
Members as at 1 January 2022	28 045
Additions	2 344
Exits	(293)
Total Number of Pride Card Members as at 31 December 2022	30 096
Members as at 1 January 2023	30 096
Additions	1 980
Exits	(250)
Total Number of Pride Card Members as at 31 December 2023	31 826

There was a net growth of 6% in Cresta Pride Card holders in 2023 compared to 8% in 2022.

Guest Satisfaction Surveys

Daily Guest Feedback is collected, received, analysed and acted upon to impact our service offering. We achieve this through Centricity (a guest feedback collection application), social media sites and through verbal face to face interaction with our guests.

The Feedback is collected on the following:

- Likelihood of recommending to family and friends
- Overall impression of the hotel
- Food quality
- Wi-Fi
- Cleanliness of hotel
- Standard of room
- Standard of conference facilities
- Friendliness of staff

The Overall Guest Feedback Ratings stood at 84% for the year, a slight improvement from the prior year reviews of 83%.

Staff Training & Development

As customers' needs continue to evolve, creating a paradigm shift within the industry that we operate in, Cresta rolled out an intensive training program that was mandated to deal with the dynamics of the pandemic, these protocols and standard operating procedures still form an integral part of our creeds and the blueprint from which we strive to gain competitive advantage. Although spend has radically decreased from time of updating these protocols and initial rollout of the program, with focus extended to other service delivery facets, management is still headfast on perpetuating operations excellence and mitigating risks identified for the scope of operations and has thus still allocated a handsome budget to training in 2023. Which can be analysed as follows;

Our training budget for the period was therefore largely allocated to operations focus (97%). Support functions and Risk training took up the remaining 3% of the training budget.

Investment in Staff Training & Development

	2023 BWP'000	2022 BWP'000
Investment for the year	1 389	434
Operations focus	1 351	32
Support functions	6	161
Risk training	13	241

Staff compliment demographics

	Head Count	
The composition of our staff compliment is:	972	941
- Males	480	467
- Females	492	474
Of the total number of employees, total non-citizens is:	7	8
- Males	7	6
- Females	—	2



Corporate Social Responsibility

- 50** Our Corporate Social Responsibility Commitment
- 50** Our CSR Impact Areas
- 51** Masiela Trust Fund Donation
- 51** Selibe-Phikwe Town Council's 'Cleanest Ward' Competition
- 52** Miss Botswana 'Beauty with a Purpose' Partnership
- 53** 'Michelle Dodo' Partnership with Kasane Police Station
- 53** Groupwide-Aids Day Commemorations
- 53** Conclusion

PRESTA
Hotels

one smile starts another



Corporate Social Responsibility (continued)

Social, Economic, Environmental and Cultural Impact

in The Communities We Operate In

Our Corporate Social Responsibility Commitment

As a leading operator in the hospitality sector, being a responsible corporate citizen is a key component of our own sustainability and a strategic imperative across the Cresta Marakanelo Limited (CML) Group. As such we are dedicated to the empowerment, development and growth of the communities in which we operate, in recognition of the social license exchanged between CML and our communities. In this light, CML continuously endeavours to have a positive social, economic, environmental and cultural impact in Botswana, and to uplift the various disadvantaged community segments in various ways.

Our main aim is to engage in projects where there are shared goals and values with communities while looking for opportunities to create and nurture partnerships with reputable societal organisations.

The Group seeks to be responsive to the needs of the communities by engaging in high quality, cost effective, sustainable, need based community activities through short and long term partnerships.

Our CSR Impact Areas

The CML CSI Policy provides for three Impact Areas (IAs) that are aligned to three (3) of the four(4) Vision 2036 Pillars, namely *Sustainable Economic Development, Human and Social Development and Sustainable Environment*, and with the Sustainable Development Goals (SDGs). These IA's therefore aim to ensure that CML is aligned to the national transformative agenda driven by the Government of Botswana, while remaining globally relevant and alive to the global sustainability imperatives driven by the UNDP, in the midst of a society and a world economy progressively operating as a global village.

i. Social Impact

It is common cause that the social fabric of the community has a direct impact on the level of social ills in the community, and in turn its ability to function efficiently and maintain a conducive environment for prosperity for all. It is therefore imperative to invest in a coordinated and focused Human and Social Development agenda in order to foster, strengthen and support societal wellbeing, culture, strong family institution, health and wellness, social inclusion and equality, education and skills development, gender equality, the youth and children's wellbeing in the communities we operate in.



Corporate Social Responsibility (continued)

Our CSR Impact Areas (continued)

ii. Environmental Impact

CML seeks to minimise its impact on the environment and proactively protect the environment. Our responsible hospitality policies aim to ensure operational compliance with all relevant environmental laws, and this Policy aims to promote sustainable and optimal use of natural resources. This IA includes respecting the ecosystem functions and services, sustainable utilisation of natural resources, water security, energy security, sustainable land use and management, sustainable human settlements, climate resilience and disaster risk reduction and pollution and waste, still in tandem with Vision 2036 and SDG priorities.

iii. Economic Impact

It is CML's ambition to contribute to reducing poverty in our communities, with the realisation that a resilient and diversified economy is central to this ambition. We therefore aim to contribute positively to *Sustainable Economic Development* in the communities in which we operate, by aligning with relevant institutional Partners that provide business mentorship for various strata of SME's, and providing opportunities and programmes to strengthen the economic value chain in the various areas in which we do business.

The 3 IA's are actionable through the CML Group's footprint, networks, partnerships and resources, and present an opportunity for the Company to make the biggest contribution to society, leave a lasting legacy that makes a sustainable impact in the communities within which we operate and beyond.

For the year 2023, the following are some of the initiatives undertaken as part of CML's Corporate Social Responsibility (CSR) agenda, which aims to make a positive impact in the country and to contribute to uplifting the communities in which we operate;

- **P1 per bed Night Initiative**

In 2023 we continued with our 'P1 Per Bed Night' initiative, through which CML pledges P1 per room night sold towards the CML CSR Fund. It is through the proceeds that the Company accumulates from this fund that we are able to support the various CSI projects in our communities, and make a difference in the lives of Batswana.



- **Masiela Trust Fund Donation**

In 2023 CML continued its support of the Masiela Trust Fund, as we donated P100,000.00 to the foundation to facilitate for the various ongoing projects that the organisation is doing in Botswana to protect and advocate for the rights of orphaned and vulnerable children.

- **Selibe-Phikwe Town Council's 'Cleanest Ward' Competition**

Championed through Cresta Bosele in and other sponsors from the Selibe-Phikwe area, CML partnered with Selibe-Phikwe Town Council in a "Cleanest Ward Competition" in which all Selibe-Phikwe wards, organisations and social institutions were encouraged to clean the town. Staff at Cresta Bosele participated in the clean-up campaign, and CML sponsored the prize for the 3rd place winner to the tune of P5,000.00.



Corporate Social Responsibility (continued)

Our CSR Impact Areas (continued)

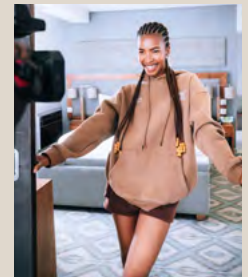
- **Botswana Under 12 Tennis Team Championships**

CML partnered with Botswana Tennis Association and contributed P36,000.00 towards the Under 12 Tennis team's participation at the Southern African Junior Teams' Competitions in Maputo, Mozambique. The team performed encouragingly, wherein the girls' team finished on 3rd position behind Zimbabwe and South Africa out of five countries and the boys' team finished on position 5 out of six countries.



- **Miss Botswana 'Beauty with a Purpose' Partnership**

In 2023 CML partnered with Miss Botswana 2022 Lesego Chombo as her Beauty with a Purpose partner for her Genesis Project in which she worked with remote communities to tackle various social ills with her team consisting of teachers, psychologists and other necessary professionals. CML came on board as the Accommodation Partner for the Beauty with a purpose project offering accommodation at Cresta Hotels in the various areas the project took place.



Corporate Social Responsibility (continued)

Our CSR Impact Areas (continued)

- **'Michelle Dodo' Partnership with Kasane Police Station**

Implemented through the Cresta Mowana unit, we partnered with Kasane Police Station for a year-long sponsorship of a 12-year-old orphan, Michelle Dodo. In support of this commitment, the Mowana Rebels FC participated in and were victorious in the Michelle Dodo's Charity Tournament, which serves as a fundraising event, with proceeds going towards Michelle's upbringing under the guardianship of her grandparents. Mowana Rebels FC's participation and victory in the tournament contributed to this meaningful cause, reinforcing the spirit of unity and community support that defines the team.



- **Airborne Life Foundation Partnership**

CML partnered with Airborne Life Foundation to provide 50% discount on accommodation for the year, to a team of pilots and doctors who volunteered for the organisation and flew into remote areas to provide much needed medical attention to distressed women and children in areas with no access to healthcare.

- **Painting of Kasane Hospital**

Championed through the Cresta Mowana unit, in 2023 we sponsored the repainting of the Kasane Hospital paediatric wing and other key areas which were previously dilapidated by providing paint and equipment to the tune of P20,000.00. The maintenance team from the Cresta Mowana led the project and worked hand in hand with a local supplier to paint the ward.

- **Sponsorship of the Maun Youth Awards 2023**

Working with the community through our Maun units, we sponsored the 'Best Youth in Tourism' award to the tune of P5,000.00. The awards were held at the Maun Stadium and aimed to celebrate various youth who were making an impact in the communities of Maun and surrounding areas.

- **Groupwide-Aids Day Commemorations**

On the 1st of December 2023, all the 11 units across the country undertook an exercise to hand over toys and stationery to an orphanage in their locality to the value of P5,000.00 per unit, and to host the children from their chosen orphanage for a 'festive kick off' session at their hotel. Most of the children are orphans as their parents have died of HIV/AIDS, and some of the children themselves live with the virus due to parents not taking the Prevention of Mother to Child Transmission (PMTCT) treatment.



Conclusion

Looking into the future, CML will continue to be sensitive towards monitoring the interests of the local population in the areas in which we operate and to identify key areas of collaboration where we can make the most impact; particularly with regard to progressing the social, economic and environmental priorities of the communities. We will continue to support initiatives of various magnitudes and foci, partnering with various institutions and capacitating relevant structures to enable them to sustain the social ecosystems and strengthen the economic value chains in our community.



Consolidated Financial Statements

-
- 56 Directors' Statement of Responsibility & Approval of the Financial Statements
-
- 57 Independent Auditor's Report
-
- 60 Statements of Profit and Loss and Other Comprehensive Income
-
- 61 Statements of Financial Position
-
- 62 Statements of Changes in Equity
-
- 63 Statements of Cash Flows
-
- 64 Summary of Significant Accounting Policies
-
- 78 Financial Risk Management
-
- 85 Accounting Estimates and Assumptions
-
- 87 Notes to the Financial Statements
-



Directors' Statement of Responsibility and Approval of The Financial Statements

for the year ended 31 December 2023

Directors' Statement of Responsibility

The Board of Directors of Cresta Marakanelo Limited ("the Company") is required by the Botswana Companies Act (CAP 42:01), to maintain adequate accounting records and to prepare financial statements for each financial year which show a true and fair view of the state of affairs of the Company at the end of the financial year and of the results and cash flows for the period. In preparing the accompanying Company financial statements, International Financial Reporting Standards have been followed, suitable accounting policies have been used, and reasonable and prudent judgements and estimates have been made. Any changes to accounting policies are approved by the Company's Board of Directors and the effects thereof are fully explained in the financial statements. The financial statements incorporate full and responsible disclosure in line with the material accounting policies of the Company.

For the financial year 2023, the Company achieved a net profit after tax of P26.9 million (2022: P19.2 million) on the back of increased standard tour operator business, enhanced conferencing, food and beverage activity and improved yielding following hotel refurbishments.

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 these 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 (Note 2.3) and are satisfied that the forecasted cash flows would be sufficient for the liabilities to be settled when due, while the P10 million 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.

The Board of Directors recognises and acknowledges its responsibility for the Company's systems of internal financial control. Cresta Marakanelo Limited has adopted policies on business conduct, which cover ethical behaviour, compliance with legislation and sound accounting practice and which underpin the Company's internal financial control process. The control systems include written accounting and control policies and procedures, clearly defined lines of accountability and delegation of authority, and comprehensive financial reporting and analysis against approved budgets. The responsibility for operating these systems is delegated to the executive director and management, who have confirmed that they have reviewed the effectiveness thereof.

The Directors considered that the internal financial control systems are appropriately designed to provide reasonable assurance, as to the reliability of the financial statements, and that assets are safeguarded against material loss or unauthorised use and that transactions are properly authorised and recorded.

The effectiveness of the internal financial control systems is monitored through management reviews, comprehensive reviews and testing by the internal auditors and the external auditors' review and testing of appropriate aspects of the internal financial control systems during the course of their statutory examinations of the Company. The Company's external auditors, Deloitte & Touche, have audited the financial statements and their audit report appears on pages 57 to 59 of the financial statements.

The Company's Directors have considered the results of these reviews, none of which indicate that the systems of internal control were inappropriate or operated unsatisfactorily. Additionally, no breakdowns involving material loss have been reported to the Directors in respect of the year under review.

Directors' approval of the financial statements

The financial statements for the year ended 31 December 2023, which appear on pages 60 to 107 were approved for issue by the Board of Directors on 28 March 2024 and are signed on its behalf by:



Moathodi Lekaukau
Chairman



Mokwena Morulane
Managing Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CRESTA MARAKANELO LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cresta Marakanelo Limited (the Company) set out on pages 60 to 107, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Botswana, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters are addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have not identified any key audit matters pertaining to the financial statements of the current period.



Partners: CV Ramatlapeng (Botswana), MJ Wotherspoon (South Africa)

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Independent Auditor's Report (continued)

To the Shareholders of Cresta Marakanelo Limited

Other Information

The directors are responsible for the other information. The other information comprises the Statement of Directors' Responsibility and Approval of the Financial Statements, which we obtained prior to the date of this auditor's report and the Integrated Report will be made available after the date of our independent auditor's report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We are also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report (continued)

To the Shareholders of Cresta Marakanelo Limited

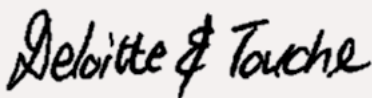
Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Finance, Risk and Audit Committee we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Deloitte & Touche
Firm of Certified Auditors
Practicing Member: Magritha Juanita Wotherspoon (CAP 0032 2024)

28 March 2024
Gaborone

Statement of Profit and Loss and Other Comprehensive Income

for the year ended 31 December 2023

	Notes	2023 P'000	2022 P'000
Revenue	4	400,204	355,728
Cost of sales	5	(231,100)	(206,745)
Gross profit		169,104	148,983
Sales and distribution expenses	5	(11,276)	(9,283)
Administration expenses	5	(100,515)	(94,024)
Impairment reversal on trade receivables	5	1,046	—
Operating profit		58,359	45,676
Finance income	7	2,674	2,537
Finance expense	7	(27,078)	(26,547)
Profit before income tax		33,955	21,666
Income tax expense	8	(7,019)	(2,422)
Profit for the year		26,936	19,244
Other comprehensive income		—	—
Total profit for the year		26,936	19,244
Earnings per share			
Basic and diluted earnings per share (thebe)	9	14.89	10.64

Statement of Financial Position

At 31 December 2023

	Notes	2023 P'000	Restated 2022 P'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	365,324	336,164
Right-of-use-assets	12	119,763	64,827
Intangible assets			
Goodwill	13	5,274	5,274
Lease rights/software	13	309	516
Deferred tax asset	19	13,111	15,399
Total non-current assets		503,781	422,180
Currents assets			
Inventories	15	3,802	3,072
Trade and other receivables	16	29,411	20,141
Current income tax assets		—	124
Short term investments	17.2	5,896	—
Cash and cash equivalents	17.1	30,487	56,129
Total current assets		69,596	79,466
Total assets		573,377	501,646
EQUITY			
Capital and reserves			
Stated capital	18	18,500	18,500
Treasury shares*	14	(5,915)	(5,915)
Retained earnings*		156,363	129,427
Total equity		168,948	142,012
LIABILITIES			
Non-current liabilities			
Lease liabilities	12	124,330	69,300
Borrowings	20	148,458	188,015
Total non-current liabilities		272,788	257,315
Current liabilities			
Trade and other payables	21	46,583	31,674
Current income tax liabilities	25	1,282	—
Borrowings	20	54,529	46,839
Lease liabilities	12	16,997	14,507
Contract liabilities	22	12,250	9,299
Total current liabilities		131,641	102,319
Total liabilities		404,429	359,634
Total equity and liabilities		573,377	501,646

*Refer to Note 14 for restatement

Statements of Changes in Equity

for the year ended 31 December 2023

	Stated capital P'000	Treasury shares* P'000 Restated	Retained earnings* P'000 Restated	Total equity P'000 Restated
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 31 December 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 31 December 2023	18,500	(5,915)	156,363	168,948

*Refer to Note 14 for restatement

Statement of Cash Flows

for the year ended 31 December 2023

	Notes	2023 P'000	Restated* 2022 P'000
Cash flows from operating activities			
Cash generated from operations	25	115,050	85,485
Interest paid		(14,186)	(20,601)
Interest paid - finance lease*	7	(8,982)	(7,395)
Tax (paid)/refund	25	(3,325)	178
Net cash generated from operating activities		88,557	57,667
Cash flows utilised in investing activities			
Purchase of property, plant and equipment	11	(60,952)	(14,414)
Purchase of computer software	13	(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	7	830	2,537
Net cash utilised in investing activities		(65,086)	(12,293)
Cash flows utilised in 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			
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	17	30,487	56,129

*Refer to Note 25.3 for restatement

Summary of Significant Accounting Policies

for the year ended 31 December 2023

General information

Cresta Marakanelo Limited is a public limited Company listed on the Botswana Stock Exchange and primarily operates hotels and related services in Botswana. Of the 11 properties that the Company operates, 6 are owned (Mowana Safari and Spa, Marang Gardens, Thapama Hotel, President Hotel, Cresta Lodge, Bosele Hotel and Rileys Hotel), 5 are leased from different landlords (Maun Hotel, Mahalapye Hotel, Jwaneng Hotel, Botsalo Hotel and Marang Residency). A part of Cresta Marang Hotel is owned which is Marang Gardens and the other part Marang Residency is leased. All hotels are operated as business hotels and they offer accommodation and conferencing facilities except for Mowana Safari Resort and Spa which is a leisure property, offering accommodation and conferencing facilities, health and beauty spa, curio shop, game drives and boat cruises.

The Company financial statements for the year ended 31 December 2023 have been approved for issue by the Board of Directors on 28 March 2024.

Summary of Material Accounting Policies

The material accounting policies applied in the preparation of the Company financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The Company financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention as modified by certain financial assets and liabilities at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. These areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Company's financial statements are disclosed in the "Critical estimates and assumptions" section of the financial statements.

Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

1.1 New and amended IFRS Standards

New and amended IFRS Standards that are effective for the current year

The Cresta Marakanelo Limited accounting policies are described in the notes to the financial statements. The accounting policies adopted by the Company are in line with International Financial Reporting Standards (IFRS). In the current year, the following new or revised Standards issued by the International Accounting Standards Board (IASB) and effective for annual reporting periods beginning on or after 1 January 2023, applicable or relevant to the Company, were adopted by the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2022, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. The amendment to IAS 1, had some immaterial and irrelevant accounting policies dropped. Some material accounting policies were streamlined to focus on the relevant section relevant to the business.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2023

1.1 New and amended IFRS Standards (continued)

New and amended IFRS Standards that are effective for the current year (continued)

Definition of Accounting Estimates: Amendments to IAS 8

In February 2022, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in consolidated and separate financial statements that are subject to measurement uncertainty." Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The company has adopted the amendment in the current year and the impact of the amendment is not material.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction: Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The company has adopted the amendment in the current year and the impact of the amendment is not material.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective and are relevant or applicable to the company:

Lease liability in a sale and leaseback: Amendment to IFRS 16

The amendment requires that a seller-lessee in a sale and leaseback transaction, shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

The effective date of the amendment is for years beginning on or after January 1, 2024. It is unlikely that the amendment will have a material impact on the Company's financial statements.

Non-Current Liabilities with Covenants: Amendment to IAS 1

The IASB amends IAS 1 to specify that only covenants an entity must comply with on or before the reporting period should affect classification of the corresponding liability as current or non-current. An entity is therefore required to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

The amendments are applied retrospectively (applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors) and are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2023

1.1 New and amended IFRS Standards (continued)

New and revised IFRS Standards in issue but not yet effective (continued)

The effective date of the amendment is for years beginning on or after January 1, 2024, with early adoption option permitted. It is unlikely that the amendment will have a material impact on Company's financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. It is unlikely that the amendment will have a material impact on Company's financial statements.

1.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Pula, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the statement of comprehensive income within finance income.

1.3 Revenue Recognition

The Company recognises revenue from the following major sources:

- Provision of services – accommodation revenue from the sale of bed nights at its hotels and lodges
- Food and bar revenue from the sale of food, beverages, curios and ancillary goods
- Other revenue from activities such as safaris, room hire and other services including spa, laundry and Cresta loyalty and connect Cards.

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of the goods and services to the customers.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2023

1.3 Revenue Recognition (continued)

Revenue is recognised as follows:

(a) Provision of services – accommodation and other revenues

Provision of services is recognised when the Company satisfies its performance obligations, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. The Company sells bed nights at its hotels and lodges to guests and also provides guided safaris, room hire, laundry and other services including spa to guests. Revenue from these services is provided to the guest, usually over the period of the guests' stay at the hotels and lodges.

(b) Sale of goods – Food, Bar and other revenues

For sales of food, beverages and other ancillary goods, revenue is recognised when control of the goods has transferred, being at the point the customer purchases/consumes the goods. Payment of the transaction price is due immediately at the point the customers purchase/consume the goods.

(c) Interest Income

Interest income is recognized on a time-proportion basis using the effective interest method

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

(e) Customer loyalty programme

The Company operates a loyalty programme where customers accumulate points for every paid (night) spent in the hotel. These points provide a discount to customers that they would not receive without spending paid nights in the hotels. The promise to provide a discount to the customer is therefore a separate performance obligation. The reward points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the services provided and the reward points. The reward points are initially recognised as contract liabilities at their fair value.

Revenue from the reward points is recognised at a point in time when the points are redeemed and the Company has satisfied its performance obligations in relation to providing the goods and services to the guest. Revenue for points that are not expected to be redeemed is recognised in proportion to the pattern of rights exercised by customers.

1.4 The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2023

1.4 The Company as a lessee (continued)

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The finance costs included in the repayment of the lease liabilities are presented separately under operating activities in the statement of cash flows*.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

*Refer to Note 25 for restatement.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. The Company however will not have any dismantling or removal activity to be done at the end of its property leases.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2023

1.4 The Company as a lessee (continued)

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component based on the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Company as lessor

The Company enters into lease agreements as a lessor with respect to some of its investment properties. The Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.5 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's shareholders.

Withholding tax of 10% is payable on the gross value of dividends. The withholding tax is treated as once off tax in the hands of the shareholders.

1.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Capital work in progress is stated at cost less any recognised impairment. Depreciation of these assets, determined on the same basis as other assets, commences when the assets are ready for their intended use.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2023

1.6 Property, plant and equipment (continued)

Land and buildings comprise mainly hotel properties. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Buildings: shorter of their useful life or the lease term.	50 years
– Improvements to leasehold premises: lower of lease period and useful lives	5 – 10 years
– Plant and equipment	6 – 7 years
– Furniture, fixtures and fittings	4 – 7 years
– Motor vehicles	5 – 7 years
– Computers	3 years

Operating equipment (which includes uniforms, kitchen utensils, crockery, cutlery and linen) is recognised as an expense based on usage. The period of usage depends on the nature of the operating equipment and varies between two to five years. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains – net, in the statement of comprehensive income.

Impairment

Property, Plant and equipment are reviewed annually for impairment indicators and whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, the latter being the higher of fair value less cost to sell of the asset and its value in use.

1.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisition of business is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or Company s of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Computer software

Acquired computer/other software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three years).

Costs associated with maintaining computer software programmers are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2023

1.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

1.9 Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
 - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):
- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
 - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- The Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- The Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2023

1.9 Financial Instruments (continued)

Classification of financial assets (continued)

Currently, the Company does not have any financial assets that are measured at FVTPL or FVTOCI. The Company only has financial assets that are measured at amortised cost, hence the material accounting policies are disclosed for the financial assets at amortised cost.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired. For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "finance income" line item.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost and trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

(i) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2023

1.9 Financial Instruments (continued)

Impairment of financial assets (continued)

(ii) Credit impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event (see (ii) above);
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iii) Write off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(iv) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognises an impairment gain or loss in profit or loss for all financial assets, with a corresponding adjustment to their carrying amount through a loss allowance account. The Company uses the simplified approach when determining impairment losses.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2023

1.9 Financial Instruments (continued)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method. Currently and also in the prior year, the Company does not have any financial liabilities measured at FVTPL, hence the material accounting policies disclosed relates to only those financial liabilities at amortised cost.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

1.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to complete the sale. Provision is made for slow moving and obsolete inventories.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2023

1.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost which approximates amortised cost. Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1.12 Stated capital

Ordinary shares are classified as equity and stated at the fair value of the consideration received. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Company holds equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects and is included in equity attributable to the Company's equity holders.

1.13 Related Parties

Related parties consist of entities under common ownership and control. Related parties comprise the holding Company, subsidiary companies, directors of the key management. Transactions with related parties are in the normal course of business.

1.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Finance costs on borrowings related to the acquisition of hotel properties that were previously rented by the Company are classified under operating activities on the statement of cash flows.

1.15 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are financial liabilities, recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.16 Cost of sales

Cost of sales comprise direct cost incurred in the provision of goods and services and are recognised as incurred.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2023

1.17 Income tax

a) *Income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in other comprehensive income. In this case the tax is also recognised in other comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

b) *Deferred tax*

Deferred income tax is recognised for in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the it is probable that the temporary difference will not reverse in the foreseeable future.

1.18 Employee benefits

a) *Pension obligations*

The Company operates a defined contribution pension scheme. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity.

The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value. Contract staffs are paid terminal gratuities in accordance with their respective employment contract.

Summary of Significant Accounting Policies (continued)

for the year ended 31 December 2023

1.18 Employee benefits (continued)

c) Other benefits

(i) Leave pay

The costs of paid leave is recognised as an expense based on basic pay, as the employee render services that increases the entitlement or, in the case of non-accumulating absence, when absence occurs.

(ii) Profit sharing and bonus plans

The Company recognises a liability and an expense for bonuses and profit sharing due to management and employees where contractually obliged or where there is past practice that has created a constructive obligation.

Employees of the Company receive remuneration in the form of a phantom share. This scheme is managed through an employee trust scheme. The objective of the scheme is to retain staff. Only employees who meet the required criteria of two years in continuous employment are eligible to share in the dividend distribution.

(iii) Medical aid

In terms of the employment contracts and the rules of relevant medical aid scheme, medical benefits are provided to employees. The Company subsidises a portion of medical aid contribution for certain employees. Contributions in relation to Company's obligations in respect of these benefits are charged against statement of comprehensive income in the period of payment.

1.19 Earnings per ordinary share

Earnings per ordinary share are calculated using the weighted average number of ordinary shares in issue during the period and are based on the net (loss)/profit attributable to ordinary shareholders.

1.20 Segmental report

Business segments are distinguishable components of the Company that provide services that are subject to risks and rewards. The costs of shared services are accounted for in a separate ("unallocated") segment. Transactions between segments are generally accounted for in accordance with Company policies as if the segments were standalone businesses with intra segment revenue being eliminated through separate adjustment to revenue.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive management that makes strategic decisions.

Financial Risk Management

for the year ended 31 December 2023

2. Financial risk factors

The Company's activities expose it to a variety of financial risks:

- a) Market risk (including currency risk, price risk, fair value interest rate risk, and cash flow interest rate risk),
- b) Credit risk; and
- c) Liquidity risk.

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by Senior Management under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board of Directors provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

2.1 Market risk

ij) Foreign currency risk

In the normal course of business, the Company may enter into transactions denominated in foreign currencies. In addition, the Company may have assets and liabilities in foreign currencies, which exposes it to fluctuations in foreign currency exchange rates. Foreign exchange risks arise when future commercial transactions or recognised assets and liabilities denominated in a currency that is not the entity's functional currency. Other than foreign bank balances, the Company had no other assets and liabilities, or significant committed future transactions denominated in foreign currencies at year end.

In the period under review, the Company did not have any material outstanding balances denominated in foreign currencies.

ii) Cash flow and fair value interest rate risk

The Company's interest rate risk arises from long-term borrowings, short-term bank deposits and bank overdrafts.

Bank overdrafts are obtained at, and short-term deposits are placed at, variable rates that expose the Company to cash flow interest rate risk. During the financial year, the Company's borrowings and deposits at variable rates were denominated in Botswana Pula.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative financing. Based on these scenarios, the Company calculates the impact on the statement of comprehensive income of a defined interest rate shift.

Interest rate sensitivity analysis

The Company is exposed to interest rate cash flow risks only. The sensitivity analysis has been determined on the exposure of financial instruments to interest rates at the reporting date. For floating rate liabilities denominated in the reporting currency, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

A 50-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profits for the year ended 31 December 2023 would increase/decrease by P90 480 (2022: P95 760)

Financial Risk Management (continued)

for the year ended 31 December 2023

2.1 Market risk (continued)

The Company places its funds in money market (2022: fixed deposits) and fluctuating interest earning deposits which are adjusted on a short-term basis based on changes in the prevailing market related interest rates.

The cash resources are managed to ensure that surplus funds are invested in a manner to achieve maximum returns while minimising risks.

However, considering the short-term maturity for these deposits, these risks are minimised. The deposits at year end were as shown below (2022: P38 million)

2023

Financial Instrument	Name of the financial institution	Current interest Rate	Due in less than one year P'000
Money market short term income fund	Morula Capital Partners	3 - 7.5% (variable)	5 896

2022

Financial Instrument	Name of the financial institution	Current interest Rate	Due in less than one year P'000
Fixed deposits	Botswana Savings Bank Limited	7,25%	22 740
Fixed deposits	Botswana Savings Bank Limited	7,30%	15 000

2.2 Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only reputable parties are accepted.

The Company continuously monitors defaults of customers and other counter parties and incorporate the information into credit risk controls.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, credit control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. In accordance with standard practice within the industry, the Company may require prepayment of standard charges prior to booking confirmation thereby eliminating a significant portion of credit risk prior to rendering services. The balance of dues from guests is settled through bank transfer, in cash or using credit cards. The most significant dues from guests arise from transactions with agents.

The Company carefully vets new agents prior to extending credit terms, and deals mostly with agents with whom it has established reliable long term relationships. As a result of this, the Company historically has succeeded in minimising negative impacts of adverse credit risks events.

Financial Risk Management (continued)

for the year ended 31 December 2023

2.2 Credit risk (continued)

Credit trading relationship

Individual customer risk limits are set in accordance with limits set by the board.

Management evaluates the credit risk relating to customers on an on-going basis and where appropriate, makes adequate provision for bad and doubtful debts. Financial assets exposed to credit risk at year end were as follows:

	2023 P'000	2022 P'000
Trade and other receivables excluding prepayments & VAT	24 270	18 990
Amount due from related party (Note 26)	9	52
Absa Bank Limited	28 384	15 136
Botswana Savings Bank Limited	—	37 740
First National Bank of Botswana Limited	1 794	3 211
Stanbic Bank Botswana Limited	309	42
Morula Capital Partners	5 896	—

2.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Management monitors rolling forecasts of the Company's and Company's liquidity reserve on the basis of expected cash flows. Surplus cash held over and above balance required for working capital management are transferred to interest bearing assets. These are invested in interest bearing current accounts and time deposits, and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

The Company's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Fair value measurements are recognised in the statement of financial position. The different levels of financial instruments measured subsequent to initial recognition at fair value, can be Company ed into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

All financial instruments are measured at amortized cost. At the reporting date, the Company had the following assets that are expected to readily generate cash inflows for managing liquidity risk.

Financial Risk Management (continued)

for the year ended 31 December 2023

2.3 Liquidity risk (continued)

Financial assets at amortised cost

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	2023 P'000	2022 P'000
Cash and cash equivalents	30 487	56 129
Short-term investments	5 896	—
Trade and other receivables excluding prepayments & VAT	24 270	18 990
Amounts due from related parties	9	52
	60 662	75 171
Cash at bank and short-term deposits		
Absa Bank Limited	28 384	15 136
Botswana Savings Bank Limited	—	37 740
First National Bank of Botswana Limited	1 794	3 211
Stanbic Bank Botswana Limited	309	42
Morula Capital Partners	5 896	—
	36 383	56 129

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Less than 1 year P'000	Between 1 and 2 Years P'000	Between 2 and 5 years P'000	Over 5 Years P'000	Total P'000
As at 31 December 2023					
Trade and other payables	33 713	—	—	—	33 713
Borrowings	72 298	49 598	106 944	12 632	241 472
Lease Liabilities	27 487	28 629	61 933	73 964	192 013
	133 498	78 227	168 877	86 596	467 198
As at 31 December 2022					
Trade and other payables	31 674	—	—	—	31 674
Borrowings (restatement) *	60 381	61 972	129 840	39 334	291 527
Lease Liabilities	19 481	20 005	53 267	20 878	113 632
	111 536	81 977	183 107	60 212	436 833

* In the prior year, the maturity analysis for borrowings disclosed discounted cash flows instead of undiscounted cash flows. The restatement was done to ensure compliance with IFRS 7, and the comparatives have been restated.

Financial Risk Management (continued)

for the year ended 31 December 2023

2.3 Liquidity risk (continued)

Financial assets at amortised cost (continued)

Previously disclosed cash flows were as below:

	Less than 1 year P'000	Between 1 and 2 Years P'000	Between 2 and 5 years P'000	Over 5 Years P'000	Total P'000
Borrowings	46 839	82 665	93 100	12 250	234 854

Further details of amounts due in less than one year as at 31 December 2023 are shown below:

	Due in Quarter 1 P'000	Due in Quarter 2 P'000	Due in Quarter 3 P'000	Due in Quarter 4 P'000	Total P'000
As at 31 December 2023					
Trade and other payables	5 198	6 045	12 582	9 888	33 713
Borrowings	27 235	16 694	15 088	13 281	72 298
Lease Liabilities	6 503	6 610	6 789	7 585	27 487
	38 936	29 349	34 459	30 754	133 498

The Company's current liabilities will be settled from cash and cash equivalents, cash received from trade receivables, as well as cash generated during the year. The Company has an overdraft facility of P10 million which can be utilised for working capital shortfalls (Note 20).

2.4 Analysis of financial instruments

2.4.1 Financial instruments by category

	Financial liabilities at amortised cost	
	2023 P'000	2022 P'000
Trade and other payables (excluding related party balances)**	31 324	2 8091
Borrowings	202 987	234 854
Amount due to related party	2 389	3 583
Lease Liabilities	141 327	83 807
	378 027	350 335

**Statutory liabilities, Employee Benefits and Value Added Tax ("VAT") are also excluded from trade and other payables.

Financial Risk Management (continued)

for the year ended 31 December 2023

2.4 Analysis of financial instruments (continued)

2.4.1 Financial instruments by category (continued)

	2023 P'000	2022 P'000
Cash and cash equivalents	30 487	56 129
Short term investments	5 896	—
Trade and other receivables excluding prepayments & VAT	24 270	18 990
Amounts due from related parties	9	52
	60 662	75 171

All financial instruments are measured at amortised cost.

2.4.1 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

There are no credit ratings available in Botswana. The below financial institutions have reported sound financial results and continued compliance with minimum capital adequacy requirements set by the regulator. None of the financial assets that are fully performing has been negotiated during the year.

2.4.2 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. There are no credit ratings available in Botswana. The below financial institutions have reported sound financial results and continued compliance with minimum capital adequacy requirements set by the regulator.

None of the financial assets that are fully performing has been negotiated during the year.

	2023 P'000	2022 P'000
Trade and other receivables excluding prepayments & VAT	24 270	18 990
Amount due from related party (Note 26)	9	52
Absa Bank Limited	28 384	15 136
Botswana Savings Bank Limited	—	37 740
First National Bank of Botswana Limited	1 794	3 211
Stanbic Bank Botswana Limited	309	42
Morula Capital Partners	5 896	—

Financial Risk Management (continued)

for the year ended 31 December 2023

2.5 Capital risk management

The Board reviews the Company's capital allocation policy on a regular basis. The Company's capital allocation framework defines its priorities for uses of cash, underpinned by its principle to maintain a strong balance sheet.

The framework prioritises the use of cash generated from operations for re-investment in the business to drive organic growth and to maintain a progressive dividend policy.

While funding organic growth remains the Board's first priority, pressure on profit and cash in the short-term requires a reduction in operating and capital expenditure. With a focus on capital retention and sourcing of capital during the current period, the Board has also reviewed the Company's access to funding including sources of debt and equity.

The capital structure as at 31 December 2023 and 2022 was as follows:

	2023 P'000	2022 P'000
Total borrowings (note 20)	202 987	234 854
Less: Cash and cash equivalent and other short-term deposits (Note 17)	(36 383)	(56 129)
Net debt	166 604	178 725
Total equity	168 948	1 42 012
Total capital	335 552	320 737

Accounting Estimates and Assumptions

for the year ended 31 December 2023

3 Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions are discussed below.

3.1 Estimated impairment of goodwill

The Company tests annually whether the goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.8. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

3.2 Income taxes

The Company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

3.3 Useful lives and residual values of property, plant and equipment

Property, plant and equipment are depreciated over its useful life taking into account residual values where appropriate. The actual useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset useful lives, factors such as technological innovation, product life cycles and maintenance and refurbishment programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

3.4 Impairment of assets

The Company follows the guidance of IFRS 9 to determine when a financial asset is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, the latter being the higher of fair value less cost to sell and the value in use.

Allowance for doubtful debts is created where there is objective evidence, such as probability of insolvency or significant financial difficulties of the debtor, that the Company will not be able to collect the amount under original terms of the invoice. An estimate is made with regards to the probability of insolvency and the estimated amount of debtors who will not be able to pay.

Accounting Estimates and Assumptions (continued)

for the year ended 31 December 2023

3.5 Contract liabilities

The Company operates a loyalty programme through which guests accumulate points for every paid night spent in the Cresta hotel that entitle them to discounts on future purchases in form of a free meal and or free night of accommodation after reaching 500 points and 1,000 points respectively.

A guest needs to spend P1,000 to earn 100 points. These points provide a discount to guests that they would not receive without paying for a night at any Cresta Hotel (i.e. a material right). The promise to provide the discount to the customer is therefore a separate performance obligation. The points expire after two years.

The transaction price is allocated between the revenue and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated based on the discount to be given when the points are redeemed by the customer and the likelihood of redemption, as evidenced by the Company's historical experience. A contract liability is recognised for revenue relating to the loyalty points at the time of the initial sales transaction. Revenue from the loyalty points is recognised when the points are redeemed by the customer. Revenue for points that are not expected to be redeemed is recognised in proportion to the pattern of rights exercised by the guests.

At 31 December 2023, the contract liabilities were estimated based on an expected redemption rate of 39% (2022: 48%) of total accumulated points. Had the estimated redemption rate been 10% higher/(lower), the contract liabilities recognised at the balance sheet date would have been P265,024 (2022: P533,637) higher/ (lower).

3.6 Leases

Key judgments and estimates are involved in the determination of the incremental borrowing rate and the assessment of the lease term considering the termination and renewal options, in the measurement of the right-of-use assets and the lease liabilities. The Company's incremental borrowing rate is assessed based on the current market rates of borrowing facilities for similar assets and similar tenure as the leases.

Notes to the Financial Statements

for the year ended 31 December 2023

	2023 P'000	2022 P'000
4 Revenue		
Accommodation revenue	221,671	201,921
Food revenue	128,210	109,030
Bar revenue	29,853	26,197
Other*	20,470	18,580
	400,204	355,728
External revenue by timing:		
Services transferred at a point in time	223,335	201,921
Goods transferred at a point in time	176,869	153,807
	400,204	355,728
* Other revenue comprises Cresta card sales, curio shop sales, rental income, commissions received.		
5 Expenses by nature		
Inventory consumed (note 15)	58,183	49,313
Employee benefit expense (note 6)	114,023	96,595
Transport expenses	1,712	1,388
Depreciation of right-of-use assets (note 12)	16,436	15,354
Auditor's remuneration		
— Audit fee	1,448	1,274
Depreciation of property, plant and equipment (note 11)	28,779	29,058
Amortisation of intangible assets (note 13)	223	360
Provision for impairment of trade debtors (note 16)	(1,046)	886
Internal audit costs	48	1,593
Directors' fees	829	533
Management fees (note 26)	11,944	10,579
Profit bonus payable to management company (note 26)	11,307	7,942
Water and electricity	22,084	21,173
Marketing and promotion	8,560	6,244
Repairs and maintenance	11,367	9,910
Other expenses *	46,646	47,995
Insurance	3,345	3,616
Legal	548	762
Telephone	4,085	3,998
Travel expenses	1,324	1,479
	341,845	310,052
Analysed as:		
Cost of sales	231,100	206,745
Sales and distribution expenses	11,276	9,283
Administration expenses	100,515	93,138
Impairment reversal on trade receivables	(1,046)	—
	341,845	309,166

* Other expenses consist of bank charges, motor vehicle expenses, courier & postage charges, security charges, rates, regulatory & compliance expenses, outsourced activities, research & development costs, data processing charges and pre-opening expenses.

Notes to the Financial Statements (continued)

for the year ended 31 December 2023

	2023 P'000	2022 P'000
6 Staff costs		
Pension contributions	3,696	3,505
Gross salaries and wages	110,327	93,090
	114,023	96,595
Number of employees	972	943
7 Finance income and expense		
Interest income	(1,726)	(1,041)
Bank revaluation gains	(948)	(1,496)
Finance income	(2,674)	(2,537)
Interest income consists of:		
Interest on investment in income fund	(896)	—
Interest on cash and cash equivalents	(830)	(1,041)
	(1,726)	(1,041)
Interest on borrowings and bank overdraft	18,096	19,152
Interest expense on lease liabilities (note 12)	8,982	7,395
Finance expense	27,078	26,547
8 Income tax expense		
Company tax	4,731	—
Deferred tax charge (note 19)	2,288	2,422
Tax expense	7,019	2,422
The tax on the profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the company as follows:		
Profit before income tax	33,955	21,666
Tax calculated at current tax rates - 22%	7,470	4,767
Expenses not deductible for taxation	—	19
Previously unrecognised deferred tax	(451)	(2,364)
Tax charge	7,019	2,422

Notes to the Financial Statements (continued)

for the year ended 31 December 2023

9 Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year (excluding Treasury Shares):

	2023 P'000	2022 P'000
Total operating profit attributable to shareholders	26,936	19,244
Weighted average number of ordinary shares in issue ('000)	180,934	180,934
- Total number of shares issued	185,000	185,000
- Less: Treasury shares (Note 14)	(4,066)	(4,066)
Basic and diluted earnings per share (thebe)	14.89	10.64

There are no instruments in issue with a dilutive effect.

10 Cresta Employee Scheme

The Company operates an Employee Phantom Share Scheme which was approved at the Annual General Meeting held on the 26th June 2015. Only employees who have been with Cresta Marakanelo Limited for a period of not less than two years and who are not serving notice are eligible for participation in the scheme distributions. The persons who may participate in the Employee Phantom Share Scheme are such Qualifying Employees as the Board from time to time in its absolute discretion considers to be contributing to the growth and profitability of the Company and who have been employed by the Company for at least two years. Qualifying Employees who are entitled to benefit under the Scheme do not become shareholders in the Company and have no voting rights. The Scheme is a cash bonus payment which is determined on the dividends payable based on the Scheme Shares. 2% (3 700 000 shares) of the stated share capital of Cresta Marakanelo Limited is enjoyed by the Qualifying Employees through the Scheme. During the year there were no dividends paid (2022: nil).

11 Property, Plant and Equipment

	Leasehold land and buildings P'000	Furniture, fixtures and fittings P'000	Motor vehicles P'000	Computers P'000	Operating equipment P'000	Capital work in progress P'000	Total P'000
Year ended 31 December 2023							
Opening net book amount	302 591	21 219	73	849	7 187	4 245	336 164
Additions	16 988	19 171	—	3 129	7 171	14 493	60 952
Disposals - at cost	(48)	(888)	—	(168)	(2 236)	—	(3 340)
Depreciation on disposals	48	866	—	156	2 236	—	3 306
Transfers from capital work in progress	170	—	—	212	49	(431)	—
Depreciation	(18 970)	(8 867)	(49)	(893)	—	—	(28 779)
Usage of operating equipment	—	—	—	—	(2 979)	—	(2 979)
Closing net book amount	300 779	31 501	24	3 285	11 428	18 307	365 324
At 31 December 2023							
Cost	434 208	189 506	1 410	14 537	20 441	18 307	678 409
Accumulated depreciation	(133 429)	(158 005)	(1 385)	(11 252)	(9 013)	—	(313 085)
Net book amount	300 779	31 501	24	3 285	11 428	18 307	365 324

Notes to the Financial Statements (continued)

for the year ended 31 December 2023

11 Property, Plant and Equipment (continued)

	Leasehold land and buildings P'000	Furniture, fixtures and fittings P'000	Motor vehicles P'000	Computers P'000	Operating equipment P'000	Capital work in progress P'000	Total P'000
Year ended 31 December 2022							
Opening net book amount	320 217	25 966	179	766	6 189	54	353 373
Additions	2 741	3 110	—	882	3 436	4 245	14 414
Disposals - at cost	(841)	(5 111)	(15)	(4 305)	(2 339)	—	(12 611)
Depreciation on disposals	839	5 003	15	4 289	2 339	—	12 485
Transfers from capital work in progress	54	—	—	—	—	(54)	—
Depreciation	(20 419)	(7 749)	(106)	(784)	—	—	(29 058)
Usage of operating equipment	—	—	—	—	(2 438)	—	(2 438)
Closing net book amount	302 591	21 218	73	848	7 187	4 245	336 164
At 31 December 2022							
Cost	419 306	169 190	1 410	11 538	9 625	4 245	615 314
Accumulated depreciation	(116 716)	(147 971)	(1 337)	(10 688)	(2 438)	—	(279 150)
Net book amount	302 591	21 219	73	849	7 187	4 245	336 164

Leasehold and freehold land and buildings with a net book value of P208.4 million are secured as indicated in Note 20.

The Company owns the following properties:

Mowana Safari Lodge

Agreement through "Deeds of Fixed Period State Grant" between the Government of Botswana and Cresta Marakanelo Limited dated 22 January 1998 for lease over Lot 2239 - Kasane, measuring 34,2 Ha and another lease dated 10 February 1987 for Lot 872 - Kasane, measuring 21,9 Ha in the Chobe Administrative District. The state grants are for a period of 50 years, upon which the land together with all improvements thereon shall revert to the State absolutely without compensation payable for improvements or otherwise.

Cresta Marang Hotel

Agreement through a "Deed of Fixed Period State Grant" between the Government of Botswana and Cresta Marakanelo Limited dated 14 November 1996 for lease over plots 930, 931 and 21367 - Francistown, measuring 6.38 Ha in the North East Administrative District. The state grant is for a period of 50 years expiring on 14 November 2046 upon which the land together with all improvements thereon shall revert to the State absolutely without compensation payable for improvements or otherwise.

Cresta President Hotel

Lot 1168/9 - Freehold property, Plot measuring 2002 square meters, in Gaborone Extension No. 3 - The Mall.

Cresta Lodge

Lot 50719 - Plot measuring 3,57 Ha, in the Gaborone Administrative District with a 50 year "Deed of Fixed State Grant" No. 1613/90, first registered on the 6 December 1990.

Cresta Riley's Hotel

Tribal Lot 141 Maun - Plot measuring 2,48 Ha, in the Batawana Tribal Territory with a 50 year "Deed of Fixed State Grant" first registered on the 9 August 1998.

Notes to the Financial Statements (continued)

for the year ended 31 December 2023

11 Property, Plant and Equipment (continued)

Cresta Thapama Hotel

Lot 6348 - Plot measuring 2,51 Ha, in the Francistown Administrative District with a 50 year "Deed of Fixed State Grant" No. 548/84, first registered on the 22 November 1984.

Cresta Bosele Hotel

Lot 19267 - Selebi Phikwe - Plot measuring 2,98 Ha, in the Selebi Phikwe Administrative district with a 50 year "Deed of Fixed State Grant" of 50 years, first registered on the 28 June 1973. The Company received an offer in January 2023 from the Department of Lands to purchase another 50 year fixed State Grant, for a consideration of P5.9 million, payable in instalments of a 24 months duration, ending in January 2025. The Company accepted the offer and continues to pay the instalments.

50 year "Deeds of Fixed State Grant" gives the purchaser (Cresta Marakanelo Limited) rights to cede, assign, transfer, lease, sell, mortgage or otherwise deal with the property during the period of ownership, provided that at the end of the 50-year period from the date of first registration the property together with all the improvements thereon (in whose name soever they may then be registered) shall revert to the State absolutely without compensation payable for improvements or otherwise.

12 Right of Use Assets and Lease Liabilities

Amounts recognised in the statements of financial position and profit or loss

Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movement during the period.

	Right-of-use assets		
	Buildings P'000	Motor vehicles P'000	Total P'000
Cost			
As at 1 January 2022	115,616	3,014	118,630
Additions	2,616	857	3,473
As at 31 December 2022	118,232	3,871	122,103
Additions	32,631	802	33,433
Lease modifications	37,876	63	37,939
As at 31 December 2023	188,739	4,736	193,475
Accumulated depreciation			
As at 1 January 2022	39,813	2,109	41,922
Charge for the year (note 5)	14,778	575	15,354
As at 31 December 2022	54,591	2,684	57,276
Charge for the year (note 5)	15,713	723	16,436
At 31 December 2023	70,304	3,407	73,712
Carrying amount			
At 31 December 2023	118,435	1,329	119,763
At 31 December 2022	63,641	1,187	64,827

The Company leases several assets including buildings and vehicles. The average lease term for buildings is 10 years while for vehicles is 3 years.

Notes to the Financial Statements (continued)

for the year ended 31 December 2023

12 Right of Use Assets and Lease Liabilities (continued)

Cresta Mahalapye Hotel

Mahalapye South Wing - initial 10 year lease with Knights Bridge Proprietary Limited commenced 1 October 2012. Annual lease rentals amount to P1,620,000 for the first year with annual escalations of 8%. The lease was extended for another 10 years with effect from 1 September 2023 with an annual escalation of 6%.

Mahalapye North Wing - initial 10 year lease with Tora Properties Proprietary Limited commenced 1 December 2023. Annual lease rentals amount to P3,300,000 for the first year with annual escalations of 6%.

Cresta Jwaneng Hotel

Lot 5483 - Jwaneng - 10 year lease with Debswana Pension Fund (DPF) commenced 1 June 2023. Annual lease rentals amount to P4,010,280 for the first year with annual escalations of 6%. The lease has been extended to May 2033.

Cresta Head Office

Plot 74538, Marula House, 2nd floor, New CBD, Gaborone - 5 year lease with Primetime Property Holdings Limited commenced 1 April 2017. Annual lease rentals amount to P1,450,802 for the first year with annual escalations of CPI +1%, and a flat 5% escalation rate from 1st April 2024. The lease has been extended to March 2027.

Cresta Maun Resort

Lot 16719 - Maun - 10 year lease with Rainet Safaris Proprietary Limited commenced 1 April 2016. Annual lease rentals amount to P3,720,000 for the first year with annual escalations of 8%.

Cresta Marang Gardens (Residency)

The company has a lease agreement with Knight Bridge Proprietary Limited in respect of a Hotel for plot 6218 portion of lot 931, Francistown. The lease is for 10 years commencing on 1 July 2017 and renewable at the option of Cresta Marakanelo Limited for a further 10 year period. Annual lease rentals amount to P2,160,000 for the first year with annual escalation of 6%.

Cresta Botsalo Hotel

Lot 87 - Palapye - 7 year lease with Botsalo Hotel Proprietary Limited commenced 30 September 2019 and renewable at the option of Cresta Marakanelo Limited. Annual lease rentals amount to P3,238,388 for the first year with annual escalation of 8%.

Motor vehicles

The Company has options to purchase certain vehicles for a nominal amount at the end of the lease term. The Company's obligations are secured by lessors title to the leased assets for such leases.

In the current year several vehicle leases expired. Some of the related leases were renewed. There were no disposals during the year. The maturity analysis of the liabilities is presented below:

Notes to the Financial Statements (continued)

for the year ended 31 December 2023

	2023 P'000	2022 P'000
12 Right of Use Assets and Lease Liabilities (continued)		
Lease liabilities		
Analysed as:		
Non Current	124,330	69,300
Current	16,997	14,507
	141,327	83,807
Maturity analysis		
Year 1	27,487	19,481
Year 2	28,629	20,005
Year 3	28,620	17,183
Year 4	18,731	18,110
Year 5	14,582	17,974
Onwards	73,963	20,878
	192,012	113,631
Less: Unearned interest	(50,685)	(29,824)
	141,327	83,807
The unearned interest analysed as:		
Non Current	40,091	22,742
Current	10,594	7,082
	50,685	29,824
Amounts recognised in the profit and loss		
Depreciation expense of right-of-use assets	16,436	15,354
Rent expense - short-term lease buildings	133	—
Interest expense on leased buildings	8,830	7,277
Interest expense on leased vehicles	152	118
Total interest expense (note 7)	8,982	7,395
Total amounts recognised in profit or loss	25,551	22,749

The total cash outflows for the leases in 2023 were P23 265 000 (2022: P20 828 000), consisting of capital repayments of P14 283 000 (2022: P13 433 000) and interest repayments of P8 982 000 (2022: P7 395 000).

Notes to the Financial Statements (continued)

for the year ended 31 December 2023

	2023 P'000	2022 P'000
13 Intangible assets		
Goodwill		
Opening and closing net book amount	5,274	5,274
Arising out of acquisition of business from United Promotional Enterprises (Proprietary) Limited T/A Cezar Hotel	5,274	5,274
Closing net book amount	5,274	5,274
In 2013, the Company entered into an agreement with United Promotional Enterprise (Proprietary) Limited (t/a Cezar Hotel), a company registered in Botswana, to acquire the hotel business which operated within Jwaneng township. As a result of the acquisition, the Company recognised goodwill arising from customer relationships related to the location of the hotel premises.		
Impairment test of goodwill		
For the purpose of impairment testing, goodwill is attached to the following Cash Generating Unit ("CGU"):		
Cresta Jwaneng Hotel opening and closing net book amount	5,274	5,274
The key assumptions use in the calculation of recoverable amounts are as follows:		
Growth rate beyond the budget period of 2023 to 2028 years (terminal value growth rate)	2.00%	2.00%
Discount rate (pre-tax)	12.57%	13.74%
Discount rate (after tax)	11.57%	12.10%
Headroom amount (P'000) *	27,959	28,590
Headroom %	530%	140%

For the current year, if the discount rate is increased by 5% to 13.2%, headroom will reduce to 455%.

The headroom breaking point occurs when cashflows are reduced by 36%, which is highly unlikely.

* Headroom is the amount by which the recoverable amount is greater than carrying amount.

Key assumptions used in the calculation of recoverable amounts, discount rates and growth rates for Cresta Jwaneng were based on the following:

Recoverable amount: The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated in the above key assumptions. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. The following approaches were taken in determining the future cash flows:

Growth rate: Average annual growth rate over the five-year forecast period is based on past performance and management's expectations of market development.

Notes to the Financial Statements (continued)

for the year ended 31 December 2023

13 Intangible assets (continued)

Long-term growth rate: This is the weighted average growth rate used to extrapolate cash flows beyond the five-year forecast period. The rate used is consistent with forecasts included in industry reports.

Pre-tax discount rate: Reflects specific risks relating to Botswana, where Cresta Jwaneng Hotel operates.

Budgeted cashflows: Based on past performance and management's expectations for the future using the expected cash flow approach, which is a probability weighted net present value approach. This approach uses all expectations about possible cash flows instead of a single most likely cash flow and assigns probabilities to each cash flow scenario to arrive at a probability weighted net present value.

Other operating costs: Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost saving measures.

Annual capital expenditure: Expected cash costs in Cresta Jwaneng Hotel. This is based on the historical experience of Management, and the planned maintenance capital expenditure. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure.

	2023 P'000	2022 P'000
Software		
Opening net book amount	516	418
Additions	16	472
Disposal cost	—	(14)
Amortisation charge (note 5)	(223)	(360)
Closing net book amount	309	516
Cost	4,730	4,714
Accumulated amortisation	(4,421)	(4,198)
Net book amount	309	516
Net book amount of intangible assets (excluding goodwill)	309	516
14 Treasury Shares		
Opening and closing balance	5,915	5,915

The treasury shares consists of 365 056 shares which were bought back by the Company in 2011 from shareholders holding stocks between 100 and 2 000 shares, and 3 700 000 shares held by the Company for purposes of the Employee Phantom Share Scheme. The total value of the treasury shares was P5 915 000 (2022:P5 915 000). Refer to Note 10 for more detail on the Employee Phantom Share Scheme.

Restatement of prior year

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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2023

14 Treasury Shares (continued)

Restatement of prior year (continued)

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 P129,427 000 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 both balances are part of equity.

	2023 P'000	2022 P'000
15 Inventories		
Foods, beverages and tobacco	3,131	2,393
Curio shop and stationery	671	679
	3,802	3,072
The cost of inventories recognised as expense included in 'cost of sales' amounted to (note 5)	58,183	49,313
16 Trade and other receivables		
Trade receivables	24,193	19,468
less: expected credit loss	(1,192)	(2,183)
Trade receivables - net	23,001	17,285
Prepayments	3,088	1,151
Amount due from related parties (note 26)	9	52
VAT receivable	1,027	956
Other receivables (sundry debtors, trade deposits and unpaid cheques)	2,286	697
	29,411	20,141

The carrying amount of trade and other receivables approximates the fair value due to their short-term nature. Trade debtors are unsecured and do not attract interest. Other receivables consist of sundry debtors and trade deposits whose credit risk is negligible.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

The following table details the risk profile of trade receivables based on the Company's provision matrix. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer segments.

Notes to the Financial Statements (continued)

for the year ended 31 December 2023

16 Trade and other receivables (continued)

2023

Aging brackets (days)	<30	30-90	>90	Total
Average expected credit loss % as per age analysis	1.4%	3.3%	95.2%	
Loss allowance	17	40	1,135	1,192

2022

Aging brackets (days)	<30	30-90	>90	Total
Average expected credit loss %	15.2%	41.5%	43.4%	
Loss allowance	331	905	947	2,183

The movement in the provision for impairment of trade receivables is as follows:

	2023 P'000	2022 P'000
Movement of impairment		
Opening balance	2,183	1,314
(Release)/charge for the year (note 5) *	(1,046)	886
Bad debts written off/(recovered)	55	(17)
Closing balance	1,192	2,183

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of comprehensive income.

Amounts charged to the allowance account are generally written-off when there is no expectation of recovering additional cash.

* The prior year amount was included in the administration expense.

	2023 P'000	2022 P'000
17 Cash and cash equivalents and short term investments		
17.1 Cash and cash equivalents		
Cash at bank and in hand	30,487	18,389
Short-term bank deposits*	—	37,740
	30,487	56,129

* Short-term bank deposits have an average maturity of not more than 90 days, and are held for purposes of meeting short-term cash commitments.

Included within the cash and cash equivalent is P1,574,320 held in a USD call account with ABSA Bank Botswana Limited (2022: P6,427,418).

Notes to the Financial Statements (continued)

for the year ended 31 December 2023

	2023 P'000	2022 P'000
17 Cash and cash equivalents and short term investments (continued)		
17.2 Short term investments		
Short term investment in an Income Fund	5,896	—
18 Stated Capital		
185,000,000 ordinary shares of no par value issued and fully paid:		
At the end of the year	18,500	18,500
19 Deferred tax		
Deferred tax assets/(liabilities)		
Beginning of the year	15,399	17,821
Income statement charge (note 8)	(2,288)	(2,422)
End of the year	13,111	15,399
Comprising:		
Deferred tax assets	13,111	15,399
The deferred tax arises from:		
Accelerated tax depreciation on property, plant, equipment and software, lease rights	(6,559)	(5,131)
Right of use assets	26,348	14,262
Operating equipment	2,514	1,581
Lease liabilities	(31,092)	(18,437)
Unrealised exchange gain	209	329
Provision for loyalty Points	(445)	(622)
Bonus provision	(1,395)	(557)
Interest restriction	(2,429)	(5,123)
General Provision bad debts	(262)	(166)
Tax losses recognised	—	(1,534)
	(13,111)	(15,399)

The Company has fully utilised the tax losses that arose in the prior years of P6.9 million in the current financial year. These tax losses were used to offset current year taxable profits of the Company.

Deferred tax assets of P2.4 million (2022: P5.1 million) have been recognised in respect of restricted interest on borrowings.

The deferred tax asset of P13.11 million was recognised in the current year as it is considered probable that there will be future taxable profits available.

Notes to the Financial Statements (continued)

for the year ended 31 December 2023

	2023 P'000	2022 P'000
20 Borrowings		
Borrowings at amortised cost		
Non-current		
Absa Bank of Botswana Limited	148,458	183,750
Botswana Development Corporation Limited	—	4,265
Total	148,458	188,015
Current		
Absa Bank of Botswana Limited	49,000	33,075
Botswana Development Corporation Limited	5,529	13,764
Total	54,529	46,839
The carrying amount and fair value of the non-current borrowings is as follows:		
Bank borrowings	148,458	188,015

Facility 1: An unsecured loan of P25 million received from Botswana Development Corporation Limited (“BDC”) in two tranches; P13 million received in September 2021 and P12 million received in December 2021. This loan was acquired through the Botswana Government Industry Support Facility, which was a COVID-19 initiative to assist companies with their working capital. The loan has a 6 months moratorium on interest payments and capital repayments. Interest is charged at prime rate, which at 31 December 2023 was 6.51% (2022: 6.76%) and the loan term is 30 months. The total outstanding debt as at 31 December 2023 will be repaid in 3 quarterly installments, and will mature in October 2024.

Facility 2: A loan limit of P260 million to acquire properties from Letlole La Rona with the first drawdown of P251 million made in June 2019, second drawdown of P9 million in February 2020. The loan is repayable by 2029, with a 12 month moratorium on capital payments on the first year (2019), which then increases over the period of the loan. Interest rate - variable interest rate based on the profitability of the company, varying from Prime plus 1.75% to Prime plus 0.25%. The capital balance outstanding as at 31 December 2023 is P184million (2021: P217million).

Security - First, second and third Covering Mortgage Bonds totalling P47,000,000 of remaining Lots 930 in Francistown and remaining Extent of Lot 931 Francistown and Lot 21367 Francistown, Tribal lot 141 in Maun for P31,200,000, Lot 50719 in Gaborone for P84,000,000, Lot 634 in Francistown for P72,800,000, Lot 1169 in Gaborone for P76,700,000 and Lot 19267 in Selebi-Phikwe for P21,200,000. The pledged properties have a total net book value of P208,400,274 (note 11).

- Cession of material damage policies covering the properties listed above.
- Unlimited suretyship by Cresta Marakanelo Limited.

The banking overdraft facilities available to the Company as at year end is P10,000,000 which has been utilised by the Company during the trading period, but fully settled at year end. The bank overdraft is unsecured and bears interest at prime plus 0.5%. The prime rate at 31 December 2023 was 6.51% (2022: 6.76%).

The bank has issued guarantees in favour of Botswana Power Corporation and Botswana Government amounting to P154,000 as security for the supply of power on credit to the company.

- Counter indemnity in respect of guarantees and bonds issued by the bank.

Notes to the Financial Statements (continued)

for the year ended 31 December 2023

	2023 P'000	2022 P'000
20 Borrowings (continued)		
Undrawn facilities:		
<i>Unsecured bank overdraft</i>		
Amount used	—	—
Amount unused	10,000	10,000
<i>Secured loan facilities with various maturity dates</i>		
Amount used	260,000	260,000
Amount unused	—	—
21 Trade and other payables		
Trade payables	18,829	14,173
Amount due to related parties (note 26)	2,389	3,583
Other accrued expenses	2	2
VAT payable	—	973
Payroll accruals (note 21.1)	11,706	3,893
Other payables *	13,657	9,049
	46,583	31,674
The average credit period on purchased goods and services is 30 days. The Company has financial risk policies in place to ensure that all payables are paid within the credit time-frame. The carrying amount of the trade and other payables approximate the fair value due to their short term nature.		
* Other payables consist of sundry creditors, utility accruals, accrual for audit fees, accrual for corporate social responsibility and contractor retentions.		
21.1 Payroll accruals		
Balance at beginning of the year	3,893	4,326
Accrued during the year	13,382	3,695
Payments made during the year	(5,569)	(4,128)
Balance at end of the year	11,706	3,893
22 Contract liabilities		
Arising from customer loyalty programme (i)	2,021	2,829
Amounts received in advance of provision of services and sale of goods (ii)	10,229	6,470
	12,250	9,299

(i) A contract liability arises in respect of the Company's customer loyalty programme as these points provide a benefit to customers that they would not receive without buying a Cresta Loyalty Card and using it to book for accommodation. This accommodation booking entitles the customer to loyalty points and the promise to provide loyalty points to the customer is therefore a separate performance obligation. A contract liability is recognised for revenue relating to the loyalty points at the time of the initial sales transaction.

(ii) In certain instances, customers are required to pay for a portion of the services and goods in advance to secure a booking. In such instances the amounts received at this point by the Company are recognised as contract liabilities until the services are provided to the customers.

Notes to the Financial Statements (continued)

for the year ended 31 December 2023

23 Operating Lease Arrangements

The Company as a lessor

Operating leases, in which the Company is the lessor, relate to a property owned by the Company with lease terms of between 3 to 5 years, with extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The unguaranteed residual values do not represent a significant risk for the Company, as they relate to property which is located in a location with a constant increase in value over the years. The Company did not identify any indications that this situation will change.

	2023 P'000	2022 P'000
Maturity analysis of operating lease payments:		
Year 1	1,664	1,492
Year 2	1,774	1,453
Year 3	1,875	1,327
Year 4	1,986	618
Year 5	—	—
Year 6 and onwards	—	—
Total	7,299	4,890
The following tables presents amounts reported in profit or loss:		
Gross expected rent income	1,664	1,492
Less: lease concessions	—	—
Net lease income on operating leases	1,664	1,492

As set out above net property rental income earned during the year is P1,663,793 and is included in other revenue. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

At the reporting date the, the Group has contracted with tenants for the following future minimum lease payments:

	2023 P'000	2022 P'000
Within one year	1,664	1,492
Two to five years	5,635	3,398
After five yeas	—	—
	7,299	4,890
24 Operating Leases		
The Company as a lessee		
Minimum lease payments under operating leases recognised as an expense in the year	(110)	—
Sub-lease payments received	—	(61)

Notes to the Financial Statements (continued)

for the year ended 31 December 2023

	2023 P'000	2022 P'000
25 Cash flow statement notes		
25.1 Cash generated from operations		
Operating profit	58,359	45,676
Adjustments:		
- Depreciation	28,779	29,058
- Operating equipment usage and write off	2,979	2,438
- Amortisation of intangible assets	223	360
- Right of use depreciation	16,436	15,354
- Loss on disposal of software	—	14
- (Profit)/loss on disposal of plant and equipment	(18)	63
- Lease modification	432	—
	107,190	92,963
Changes in working capital:		
- Inventories	(730)	(1,045)
- Trade and other receivables	(9,270)	(7,331)
- Trade and other payables	14,909	174
- Movement in contract liabilities	2,951	724
Cash generated from operations	115,050	85,485
25.2 Taxation paid		
Opening balance	124	302
Charge for the year (note 8)	(4,731)	—
Closing balance	1,282	124
Taxation paid	(3,325)	178

25.3 Restatement of cash flow statement

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.

Notes to the Financial Statements (continued)

for the year ended 31 December 2023

26 Related party transactions

Related companies are companies under common control, directors or ownership. The following are related parties: Botswana Development Corporation Limited (“BDC”) - Shareholder with 27% interest. Cresta Holdings Proprietary Limited - Management company and shareholder with 25% interest. Cresta Holdings Proprietary Limited is part of the Masawara Holdings Group, which owns Cresta Lodge Harare Hotel and Cresta Hotels in Johannesburg, South Africa.

	2023 P'000	2022 P'000
i) Purchase of services		
Management services - fees		
- Management fees - Cresta Holdings Proprietary Limited (note 5)	11,944	10,579
- Profit bonus - Cresta Holdings Proprietary Limited (note 5)	11,307	7,942
The Managing Director and Chief Finance Officer are employees of Cresta Holdings Proprietary Limited who are seconded to the Company in accordance with a management contract.		
Interest Paid		
- BDC	900	1,441
ii) Year-end balances arising from sales/purchases of services:		
Amount due from related parties (note 16)		
- Masawara Holdings	9	52
	9	52
Amount due to related parties (note 21)		
- Cresta Lodge - Harare	242	231
- Cresta Holdings Proprietary Limited	2,097	3,105
- Cresta Hotels - Johannesburg	50	247
	2,389	3,583
Balances are interest free and there is no fixed repayment date.		
iii) Year-end balances arising from Loans received:		
Amount due to related parties		
- BDC - Industry Support Loan	5,529	18,029
Refer Note 20 for details of the loan.		
iv) Directors' fees and costs		
- Costs	265	15
- Fees	829	533
	1,094	548

Notes to the Financial Statements (continued)

for the year ended 31 December 2023

26 Related party transactions (continued)

v) Key management compensation

Key management for the Company includes the Group Operations Manager, Group ICT Manager, Group Internal Auditor and Group Human Resource Manager. The compensation paid or payable to key management for employee services is shown below:

	2023 P'000	2022 P'000
Salaries and other short-term employee benefits	5,830	5,090
Terminal benefits	243	558

27 Commitments

a) Capital commitments

Authorised:

Furniture and Fittings and leasehold improvements

80,699	77,269
--------	--------

The capital expenditure will be financed from internally generated cash flows.

Contracted (included as part of authorised):

As at 31 December, contracted capital commitments which are financed from internal resources were - Furniture & Fittings:

14,583	800
--------	-----

28 Segmental information

While strategic decision making rights vests with the Board of Cresta Marakanelo Limited, operational and managerial responsibility vests with Executive Management, which includes the Managing Director, Chief Financial Officer, Group Operations Manager, Group ICT Manager, Group Internal Auditor and Group Human Resources Manager. For the purpose of presenting segmental information, Executive management has been identified as the Chief Decision Maker as defined in IFRS 8 (Operating segments), based on the location and theme of the hotels and type of guests served. Revenue for all the segments is derived from a broad and diversified customer base, with no single customer accounting for more than 10% of the Company's revenues. The major sources of revenue are various Botswana Government departments and parastatals, as well as local corporate entities.

The main reporting segments reviewed by the Chief Operating Decision Maker are:

Cresta Urban Oasis

The hotels under this Gateway operate in major cities in Botswana primarily targeting business travellers. These properties are located close to the city centre and have lush gardens offering a more serene environment. The facilities available include meeting and conference rooms, wireless internet access and high-end restaurants, thereby meeting all business travellers' needs. The hotels under this Gateway are Cresta Lodge Gaborone and Cresta Marang Gardens.

Cresta Urban Heartbeat

Similar to Cresta Urban Oasis, the hotels in the Cresta Urban Heartbeat brand cater for business travellers as they are located in the city centres of the major cities (Gaborone and Francistown). These hotels offer a cosmopolitan setting with simple rooms and high quality restaurants ideal for business meals. Hotels under this Gateway are Cresta President Hotel and Cresta Thapama Hotel.

Notes to the Financial Statements (continued)

for the year ended 31 December 2023

28 Segmental information (continued)

Cresta African Roots

These hotels offer modern and affordable accommodation, emphasising on value and comfort. They are located in the smaller cities within Botswana and have access to the surrounding areas. Hotels under this Gateway include Cresta Riley's Hotel, Cresta Bosele Hotel, Cresta Jwaneng Hotel, Cresta Mahalapye Hotel and Cresta Botsalo Hotel.

Cresta African fingerprint

Two Hotels, Mowana Resort and Spa and Cresta Maun Resort, are classified within this brand, and they are a signature destination offering a unique travel experience to guests. These Gateway hotels has a high rating and offers guests a travel experience, which includes safaris and other activities in addition to top class hotel rooms and restaurants.

Control unit

Control unit is the head office which manages the entire operation of 11 hotels.

The Chief Operating Decision Maker reviews performance of each segment based on operating profit achieved, total assets employed and net assets employed.

	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
Year Ended 31 December 2023						
Revenue	83,712	78,091	117,551	118,630	2,220	400,204
Accommodation revenue	45,850	43,914	70,297	60,805	805	221,671
Food revenue	28,518	25,815	36,888	36,989	—	128,210
Bar revenue	5,579	5,261	8,096	10,917	—	29,853
Other revenue	3,764	3,101	2,270	9,919	1,416	20,470
Cost of sales	(42,598)	(36,714)	(67,418)	(54,572)	(29,798)	(231,100)
Gross profit/(loss)	41,114	41,377	50,133	64,058	(27,578)	169,104
Sales and distribution costs	(1,136)	(829)	(1,708)	(2,616)	(4,988)	(11,276)
Administration and operating expenses	(34,816)	(39,403)	(41,882)	(38,469)	54,055	(100,515)
Impairment reversal/(loss) on trade receivables	—	—	—	—	1,046	1,046
Operating profit	5,162	1,145	6,543	22,974	22,535	58,359
Finance income	—	—	—	—	2,674	2,674
Finance expense	(990)	(29)	(6,118)	(1,710)	(18,232)	(27,078)
Reportable segment profit before tax	4,172	1,116	425	21,264	6,977	33,955
Income tax expense						(7,019)
Profit for the year						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
Capital expenditure	8,310	10,930	35,874	5,290	548	60,952
Depreciation - Property, Plant & Equipment	6,471	9,065	5,940	7,027	276	28,779
Depreciation - Leases	2,195	200	9,051	3,571	1,419	16,436
Amortisation	9	—	3	32	179	223

Notes to the Financial Statements (continued)

for the year ended 31 December 2023

28 Segmental information (continued)

	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
Year Ended 31 December 2022						
Revenue	74,308	70,170	115,530	93,490	2,230	355,728
Accommodation revenue	40,612	41,792	67,619	52,152	(254)	201,921
Food revenue	24,872	21,533	37,205	25,420	—	109,030
Bar revenue	4,904	4,404	8,275	8,615	—	26,197
Other revenue	3,920	2,441	2,431	7,303	2,484	18,580
Cost of sales	(38,469)	(33,249)	(62,114)	(46,461)	(26,451)	(206,745)
Gross profit/(loss)	35,839	36,921	53,416	47,029	(24,221)	148,983
Sales and distribution costs	(1,558)	(669)	(1,859)	(1,921)	(3,275)	(9,283)
Administration and operating expenses	(26,779)	(28,325)	(36,563)	(31,775)	29,418	(94,024)
Operating profit	7,502	7,927	14,994	13,333	1,921	45,676
Finance income	—	—	—	—	2,537	2,537
Finance expense	(1,103)	(41)	(3,863)	(2,182)	(19,358)	(26,547)
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
Capital expenditure	3,124	4,970	3,403	2,423	494	14,414
Depreciation	6,244	9,107	7,165	6,234	308	29,058
Amortisation	3	1	25	3	328	360

Notes to the Financial Statements (continued)

for the year ended 31 December 2023

29 Events after the reporting period

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.

30 Going concern

For the financial year 2023, the Company achieved a net profit after taxation of P26.9 million (2022: P19.2 million). The Company has observed improved business levels, that have also surpassed the pre-Covid 2019 record performances, as well as improved occupancies and positive returns.

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 these 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. Quarterly analyses of liabilities have been performed, and from a quarterly view; current assets can meet the current liabilities. Refer to Note 2.3.

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

Shareholder Information

As at 31 December 2023

TOP 10 SHAREHOLDERS

	SHARES HELD	% HOLDING
BOTSWANA DEVELOPMENT CORPORATION LIMITED	50 283 958	27.18%
CRESTA HOLDINGS (PTY) LTD	46 179 583	24.96%
BIHL INSURANCE COMPANY T/A LEGAL GUARD	18 691 588	10.10%
LHG MALTA HOLDING LTD	18 687 348	10.10%
MOTOR VEHICLE FUND	9 250 010	5.00%
BOTSWANA PUBLIC OFFICERS PENSION FUND	8 321 307	4.50%
BOTSWANA INSURANCE COMPANY LIMITED	5 607 812	3.03%
MASAWARA HOSPITALITY MAURITIUS UNITED	3 680 000	1.99%
DEBSWANA PENSION FUND	2 194 554	1.19%
FNB BOTSWANA NOMINEES RE: BIFM - ACT MEM & DP EQ	656 456	0.35%
	163 552 616	88%

SHAREHOLDER PROFILE

	NUMBER OF SHAREHOLDERS	SHARES HELD	% HOLDING
SHAREHOLDERS SPLIT: NON-PUBLIC & PUBLIC			
Shareholders holding more than 10% and their associates	7	143 157 544	77.38%
Treasury shares	1	4 065 056	2.20%
Directors	2	211 996	0.11%
Non-Public Shareholders	10	147 434 596	79.69%
Public Shareholders	1 257	37 565 404	20.31%
Total	1 267	185 000 000	100%
SHAREHOLDERS SPREAD			
1 - 10 000 shares	1 081	2 134 801	1.15%
10 001 - 100 000 shares	153	4 229 602	2.29%
100 001 - 1 000 000 shares	21	6 193 794	3.35%
1 000 001 shares and above	10	160 561 865	86.79%
Omnibus account - shareholders who are yet to update their KYC	1	7 814 882	4.22%
Treasury shares	1	4 065 056	2.20%
	1 267	185 000 000	100%

Notice of Annual General Meeting

Notice is hereby given that the **2023 Annual General Meeting of members will be held on Thursday, 27 June 2024 at 0830hrs at the Cresta Lodge Gaborone Conference Room, to transact the following business:**

1. To receive, consider and adopt the audited annual financial statements for the year ended 31 December 2023 together with the directors' and auditors' reports thereon.
2. To approve the remuneration of the external auditors, Deloitte for the year ended 31 December 2023.
3. To approve the appointment of Deloitte & Touche as external auditors for the year ending 31 December 2024 and to authorise the Board of Directors to determine their remuneration.
4. To approve the Remuneration report for the year ended 31 December 2023.
5. To approve the Directors' remuneration for the year ended 31 December 2023.
6. To re-elect **Mr Joseph Hundah** who retires by rotation pursuant to section 20.10.1 of the Constitution of the Company, and who, being eligible, offers himself for re-election as a Director. Mr Hundah is the Group Chief Operating Officer of the Masawara Group, a diversified investment holding company operating across Africa. He is an experienced executive and entrepreneur who over his career has worked across the African continent building and growing organisations in both the private and public sector. His prior experience spans various organisations including Philips SA, and numerous subsidiaries under Naspers Limited's media arm. Joseph is also founder of Najora, an advisory, venture capital, and consulting firm. He is passionate about creating, financing and transforming African businesses in the digital age into dominant local, regional and international brands.
7. To re-elect **Mr Ditirwa Mphoeng** who retires by rotation pursuant to section 20.10.1 of the Constitution of the Company, and who, being eligible, offers himself for re-election as a Director. Mr Mphoeng is a graduate of Coventry University (United Kingdom) having attained a BEng (Hons) Degree in Electrical and Electronics specialising in Telecommunications. Mr Mphoeng is a well experienced ICT practitioner with a wealth of management experience across various industries in Botswana. Mr Mphoeng is currently the Managing Director of Newline Technologies Ltd, an ICT company he founded and continues to run. Mr Mphoeng brings along a wealth of Board experience having served in the founding Board of Botswana Fibre Networks and Botswana Railways. He currently serves on the Board of Mineral Development Company of Botswana.
8. To re-elect **Ms Angelica Bojosi** who retires by rotation pursuant to section 20.10.1 of the Constitution of the Company, and who, being eligible, offers herself for re-election as a Director. Ms Bojosi holds a Bachelor of Arts degree and a Bachelor of Laws degree from the University of Cape Town and a Master of Law degree from the University of Queensland (Australia). She is admitted as an attorney of the High Courts of Botswana and as a solicitor of the Supreme Court of England and Wales. Angelica has over 18 years of experience practicing law specialising in corporate finance, compliance and general commercial law in both Botswana and the United Kingdom. Ms Bojosi worked for eight years in the United Kingdom, including as General Counsel for Quadriga Worldwide Limited, a leading multinational organisation that provides a range of services for the hospitality industry. Ms Bojosi is now the managing partner at Bojosi Law, a niche law firm operating in Gaborone, Botswana specialising in Corporate Finance, Banking, Regulatory and general Commercial Law.
9. To transact any other business that may be transacted at an Annual General Meeting.

Any member entitled to attend and vote is entitled to appoint a proxy or proxies to attend, speak, and vote in his/her stead, and such proxy need not be a member of the Company. The instrument appointing such a proxy must be sent to Mpho Kgosietsile by email at mkgosietsile@wiseleadership.co.bw not less than 48 hours before the meeting.

A copy of this proxy form is available for download at www.crestamarakanelo.com or is available via email from mkgosietsile@wiseleadership.co.bw.

By Order of the Board
Wise Leadership (Pty) Limited
Company Secretary
05 June 2024

Proxy Form

(Please complete in block letters)

I/We* _____

Of _____

Being a member of Cresta Marakanelo Limited, hereby appoint (see note 1):

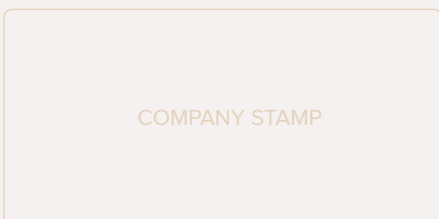
1. _____ or failing him/her

2. _____ or failing him/her

3. The Chairman of the meeting, as my/our proxy to act for me/us at the Annual General Meeting which will be held for the purpose of considering, and if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment thereof, and to vote for or against resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name in accordance with the following instructions (see note 2):

	NUMBER OF ORDINARY SHARES		
	FOR	AGAINST	ABSTAIN
Ordinary Resolution Number 1			
Ordinary Resolution Number 2			
Ordinary Resolution Number 3			
Ordinary Resolution Number 4			
Ordinary Resolution Number 5			
Ordinary Resolution Number 6			
Ordinary Resolution Number 7			
Ordinary Resolution Number 8			

Signed: _____ on this _____ day of _____ 2024



Please read the notes on the following page.

Proxy Form (continued)


Proxy Form Notes


1. A shareholder may insert the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairman of the Annual General Meeting". The person whose name appears first on the form of proxy and whose name has not been deleted will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate space provided. Failure to comply herewith will be deemed to authorize the proxy to vote at the Annual General Meeting as he/she deems fit in respect of the shareholder's votes exercisable thereat, but where the proxy is the Chairman, failure to comply will be deemed to authorize the proxy to vote in favor of the resolution. A shareholder or his/her proxy is obliged to use all the votes exercisable by the shareholder or by his/her proxy.
3. Forms of proxy must be lodged at or posted to the Company Secretary at P/Bag 00272, Plot 74538 Marula House, Prime Plaza, New CBD, Gaborone; or emailed to the Company Secretary not later than 48 hours before the time fixed for holding the meeting.
4. The Chairman of the Annual General Meeting may reject or accept any form of proxy not completed and/or received other than in accordance with these notes provided that he/she is satisfied as to the manner in which the shareholder concerned wishes to vote.
5. An instrument of proxy shall be valid for the Annual General Meeting as well as for any adjournment thereof, unless the contrary is stated thereon.
6. A vote given in accordance with the terms of a proxy shall be valid, notwithstanding the previous death or insanity of the shareholder, or revocation of the proxy, or of the authority under which the proxy was executed, or the transfer of the ordinary shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company not less than one hour before the commencement of the Annual General Meeting or adjourned Annual General Meeting at which the proxy is to be used.
7. The authority of a person signing the form of proxy under a power of attorney or on behalf of a company must be attached to the form of proxy, unless the authority or full power of attorney has already been registered by the Company or the Transfer Secretaries.
8. Where ordinary shares are held jointly, all joint shareholders must sign.
9. A minor must be assisted by his/her guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.




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