



CHOBE HOLDINGS LIMITED

CHOBE HOLDINGS LIMITED

("the Group" or "the Company")

Incorporated in the Republic of Botswana (Registration Number Co. 4543)

UNAUDITED ABRIDGED RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | 6 months ended 31/08/2019 P'000's Unaudited | 6 months ended 31/08/2018 P'000's Unaudited | Year ended 28/02/2019 P'000's Audited |
|---|--|--|--|
| Revenue | 227 160 | 200 048 | 339 590 |
| Other operating income | 12 391 | 16 945 | 20 826 |
| Amortisation of intangible assets | (2 683) | (2 534) | (5 137) |
| Depreciation | (19 474) | (13 100) | (25 816) |
| Other operating expenses | (110 339) | (106 672) | (209 726) |
| Operating profit | 107 055 | 94 687 | 119 737 |
| Write-off of goodwill | - | - | (7,419) |
| Finance income | 324 | 8 | 179 |
| Finance cost | (1 764) | (2) | (571) |
| Net income before share of results of associate | 105 615 | 94 693 | 111 926 |
| Share of net loss of associates accounted for using equity method | (482) | (496) | (1 094) |
| Profit before income tax | 105 133 | 94 197 | 110 832 |
| Income tax expense | (27 762) | (24 272) | (29 307) |
| Profit for the period | 77 371 | 69 925 | 81 525 |
| Other comprehensive income | | | |
| Exchange difference on translation of foreign operations | (157) | (929) | (635) |
| Other comprehensive loss for the period | (157) | (929) | (635) |
| Total comprehensive income for the period | 77 214 | 68 996 | 80 890 |
| Attributable to | | | |
| Owners of the parent | 77 154 | 68 983 | 80 829 |
| Non-controlling interest | 60 | 13 | 61 |
| | <u>77 214</u> | <u>68 996</u> | <u>80 890</u> |
| Earnings per share (thebe) - basic | 86.26 | 77.13 | 90.37 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | As at 31/08/2019 P'000's Unaudited | As at 31/08/2018 P'000's Unaudited | As at 28/02/2019 P'000's Audited |
|--------------------------------------|---|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 283 333 | 189 919 | 218 600 |
| Goodwill | 54 227 | 61 646 | 54 227 |
| Land lease rights | 76 943 | 66 391 | 64 086 |
| Other intangible assets | 2 012 | 2 467 | 2 169 |
| Investment in associate | 3 145 | 4 225 | 3 627 |
| Deferred income tax assets | 3 735 | 4 887 | 3 327 |
| | <u>423 395</u> | <u>329 535</u> | <u>346 036</u> |
| Current assets | | | |
| Inventory | 12 256 | 11 982 | 12 963 |
| Trade and other receivables | 45 569 | 39 280 | 16 525 |
| Current income tax receivable | 662 | 3 205 | 4 753 |
| Cash and cash equivalents | 57 083 | 77 509 | 66 057 |
| | <u>115 570</u> | <u>131 976</u> | <u>100 298</u> |
| Total assets | 538 965 | 461 511 | 446 334 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Stated capital | 102 899 | 102 899 | 102 899 |
| Foreign currency translation reserve | (1 376) | (1 513) | (1 219) |
| Retained income | 251 854 | 216 655 | 228 207 |
| | <u>353 377</u> | <u>318 041</u> | <u>329 887</u> |
| Non-controlling interest | 912 | 804 | 852 |
| Total equity | 354 289 | 318 845 | 330 739 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Borrowings | - | 11 606 | - |
| Deferred income tax liabilities | 20 960 | 24 738 | 21 376 |
| Deferred lease obligations | - | 11 633 | 12 457 |
| Lease liability | 52 544 | - | - |
| | <u>73 504</u> | <u>47 977</u> | <u>33 833</u> |
| Current liabilities | | | |
| Borrowings | - | 3 394 | - |
| Current income tax payable | 5 688 | 4 179 | 5 218 |
| Advance travel receipts | 40 024 | 41 383 | 29 752 |
| Trade and other payables | 65 460 | 45 733 | 46 792 |
| | <u>111 172</u> | <u>94 689</u> | <u>81 762</u> |
| Total liabilities | 184 676 | 142 666 | 115 595 |
| Total equity and liabilities | 538 965 | 461 511 | 446 334 |

CONSOLIDATED STATEMENT OF CASH FLOWS

| | 6 months ended 31/08/2019 P'000's Unaudited | 6 months ended 31/08/2018 P'000's Unaudited | Year ended 28/02/2019 P'000's Audited |
|---|--|--|--|
| Operating activities | | | |
| Cash generated from operations | 123 261 | 106 464 | 160 954 |
| Interest paid | (40) | (2) | (571) |
| Income tax paid | (24 019) | (22 393) | (29 741) |
| Cash generated from operating activities | 99 202 | 84 069 | 130 642 |
| Investing activities | | | |
| Purchase of property, plant and equipment | (13 494) | (38 417) | (82 401) |
| Proceeds on sale of property, plant and equipment | 1 131 | 343 | 1 131 |
| Payment for acquisition of subsidiaries | (39 881) | - | - |
| Interest received | 324 | 8 | 179 |
| Net cash used in investing activities | (51 920) | (38 066) | (81 091) |
| Financing activities | | | |
| Proceeds from borrowings | - | 15 000 | 15 000 |
| Lease rental paid | (2 592) | - | - |
| Bank loan paid out | (53 664) | (44 720) | (15 000) |
| Dividends paid | - | - | (44 720) |
| Net cash used in financing activities | (56 256) | (29 720) | (44 720) |
| Net (decrease) / increase in cash and cash equivalents | (8 974) | 16,283 | 4 831 |
| Movement in cash and cash equivalents | | | |
| At beginning of period | 66 057 | 61 226 | 61 226 |
| (Decrease) / increase in the period | (8 974) | 16 283 | 4 831 |
| At end of period | <u>57 083</u> | <u>77 509</u> | <u>66 057</u> |
| Represented by: | | | |
| Cash and cash equivalents | <u>57 083</u> | <u>77 509</u> | <u>66 057</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to owners of the parent | | | | Total P'000's |
|----------------------------------|--------------------------------------|------------------------------|---|-------------------------------------|------------------|
| | Stated capital P'000's | Retained earnings P'000's | Foreign currency translation reserve P'000's | Non-controlling interest P'000's | |
| Balance at 1 March 2019 | 102 899 | 228 207 | (1 219) | 852 | 330 739 |
| Profit for the period | - | 77 311 | - | 60 | 77 371 |
| Other comprehensive loss | - | - | (157) | - | (157) |
| Dividend paid (final 2019) | - | (53 664) | - | - | (53 664) |
| Balance at 31 August 2019 | 102 899 | 251 854 | (1 376) | 912 | 354 289 |

COMMENTARY

Highlights

- Profit after tax increases by 11%.
- A 7% increase in number of bed nights sold.
- A 14% increase in revenue.
- Costs contained at inflationary levels.
- Capital expenditure of P13.5 million.
- Cash and cash equivalents of P57.1 million.
- Acquisition of game farms for P15.4 million.
- Acquisition of a hotel for P30.0 million.

Basis of Preparation

The unaudited abridged financial statements for the half year ended 31st August 2019 have been prepared based on accounting policies which comply with International Financial Reporting Standards. The accounting policies applied are consistent with those of the annual financial statements for the year ended 28th February 2019, as described in those annual financial statements, save for new standards that became effective during this financial year, the most significant being "IFRS16 Leases".

Financial Results

During the period under review the number of bed nights sold increased by 7% when compared to the same period in the prior year. A 14% increase in revenue was recorded as a result of the aforementioned increase in bednights sold, an increase in achieved bed rates in US Dollar terms and favourable exchange rates.

An operating cost increase of 3% is considered satisfactory in light of the volume of business and current inflation levels.

The Group spent P13.5 million, financed from internally generated cashflows, on improving existing equipment, buildings, as well as the purchase of additional equipment. A further P16.3 million advance payment towards purchase of a Cessna Caravan was made, this amount has been accounted for under Trade and other receivables pending delivery of the aircraft.

As previously reported, the Company, through its wholly owned subsidiary Ker & Downey Botswana (Pty) Ltd, acquired the entire issued stated capital of Nelie Investments (Pty) Ltd, a property owning company holding leases for two game farms in the Hainaveld area for a cash consideration of P15.4 million financed using the Group's internal cash resources. These two properties will be utilized to increase the extent of the land holdings currently held by the Dinaka Conservancy.

Desert & Delta Safaris (Pty) Ltd, a wholly owned subsidiary of the Company, acquired the entire shareholding and loans in Quadrum (Pty) Ltd and Sedia Hotel (Pty) Ltd ("the entities") with effect from 1st August 2019 for a total consideration of P30 million. The entities own the land lease and operate Sedia Riverside Hotel, a 31-room hotel in Maun. P25m, financed from internally generated cash resources, was paid on the effective date with the balance payable on the anniversary of the effective date for the following five years in equal instalments of P1m each or the fulfilment of certain conditions.

The Group adopted IFRS16 Leases for the first time in compliance with International Financial Reporting Standards. This has resulted in significant increases in Depreciation, Finance Cost, Property Plant and Equipment and Lease Liability due to all of the Group's camps and lodges being on leased land. The adoption of this standard has also resulted in Deferred Lease Obligation being reduced to zero.

Lease

The lease for Xugana Island Lodge expired on 31st December 2018. We remain in occupation and the lodge fully operational pending renewal. Non-renewal of this lease would have a negative impact on the Group's profitability. However, the Company's directors are confident that the expired lease will be renewed under terms and conditions that are acceptable to the Group.

Future Outlook

Economic uncertainty in the Northern Hemisphere exacerbated by Brexit, trade wars and economies performing just above recession, do not bode well for the travel industry in general and the Group in particular. Your directors are however confident that the Group's superior marketing strategies, product offering and cost containment measures provide the Group with the necessary tools to withstand the headwinds.

The extremely low water levels in the Okavango Delta are proving to be a challenge in terms of water-based activities for a number of operators. This situation has resulted in negative sentiment about visits to the Okavango Delta in the marketplace. However the Group's camps and lodges are positioned in prime areas and their water-based activities are largely unaffected. It is anticipated that this, coupled with an abundance of wildlife, will put the Group's camps and lodges in pole position to consolidate market share.

The Group's strong cash position provides us with the opportunity to take advantage of any expansion opportunities that may arise.

Dividends

In keeping with the Company's dividend distribution policy no interim dividend has been declared in favour of a final year end declaration.

Unclaimed Dividends

The Directors wish to bring to the notice of shareholders that there are certain amounts of unclaimed dividends in the Company's records. Shareholders are reminded to contact the Transfer Secretaries to claim their outstanding dividends.

By order of the Board of Directors

J M Gibson
CEO & Deputy Chairman
10th October 2019



Registered Office
Plot 50371, Fairground Office Park, Gaborone
Postal Address
P O Box 32, Kasane

Transfer Secretaries
DPS Consulting Services (Pty) Ltd
P O. Box 294, Gaborone

Website: www.chobeholdings.co.bw

Directors

J.M. Nganunu-Macharia (Chairperson), J. M. Gibson (Deputy Chairman & CEO), J. A. Bescoby (British), A. D. Chilisa, B. D. Flatt, R. Gerrard, K. Ledimo, D. S. Ter Haar, A. M. Whitehouse (Australian)