CRESTA
MARAKANELO LIMITED

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited 6 months June 2020 P'000	Unaudited 6 months June 2019 P'000	Audited 12 months Dec 2019 P'000
Revenue	**93,154**	187,617	396,920
Cost of sales	**(80,456)**	(122,202)	(236,105)
Gross profit	**12,698**	65,415	160,815
Sales and distribution expenses	**(3,646)**	(5,346)	(9,900)
Administrative and operating expenses	**(40,242)**	(42,682)	(99,903)
Operating profit/(loss)	**(31,190)**	17,387	51,012
Finance income	**3,396**	279	739
Finance expense	**(14,747)**	(5,513)	(21,116)
Profit/(loss) before income tax	**(42,541)**	12,153	30,635
Income tax expense	**8,748**	(2,491)	(6,997)
Profit/ (loss) for the period	**(33,793)**	9,662	23,638
Other comprehensive loss:			
Currency translation differences (subject to subsequent recycling through profit or loss)	**(2,007)**	(682)	(94)
Other comprehensive loss for the period	**(2,007)**	(682)	(94)
Total comprehensive income/(loss) for the period	**(35,800)**	8,980	23,544
Basic and diluted earnings per share (thebe)	**(18.68)**	5.34	13.06

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Unaudited June 2020 P'000	Unaudited June 2019 P'000	Audited Dec 2019 P'000
ASSETS			
Non-current assets			
Property, plant and equipment	**398,097**	415,417	404,550
Right-of-use-assets	**72,236**	90,098	82,285
Intangible assets			
Goodwill	**9,020**	10,056	9,606
Lease rights/Software	**1,595**	1,644	1,225
Deferred income tax asset	**8,048**	3,177	-
Total non-current assets	**488,996**	520,392	497,666
Currents assets			
Inventories	**2,306**	2,820	2,756
Trade and other receivables	**20,168**	63,952	25,894
Current income tax assets	**5,380**	1,690	5,282
Cash and cash equivalents	**60,992**	29,892	103,138
Total current assets	**88,846**	98,354	137,070
Total assets	**577,842**	618,746	634,736
EQUITY			
Capital and reserves			
Stated capital	**18,500**	18,500	18,500
Treasury shares	**(5,915)**	(5,915)	(5,915)
Foreign currency translation reserve	**(2,297)**	(878)	(290)
Retained earnings	**181,269**	201,086	215,062
Total equity	**191,557**	212,793	227,357
LIABILITIES			
Non-current liabilities			
Borrowings	**244,433**	252,119	243,500
Lease liabilities	**77,150**	92,090	83,144
Total non-current liabilities	**321,583**	344,209	326,644
Current liabilities			
Lease liabilities	**15,610**	12,464	16,185
Trade and other payables	**23,959**	35,827	39,549
Interest - bearing borrowings	**18,277**	2,918	11,734
Contract liabilities	**6,856**	10,535	12,688
Deferred income tax liabilities	**-**	-	579
Total current liabilities	**64,702**	61,744	80,735
Total liabilities	**386,285**	405,953	407,379
Total equity and liabilities	**577,842**	618,746	634,736

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited 6 months June 2020 P'000	Unaudited 6 months June 2019 P'000	Audited 12 months Dec 2019 P'000
Cash flows from operating activities			
Cash (utilised in)/generated from operations	**(15,669)**	4,776	109,465
Interest paid	**(10,149)**	(5,513)	(12,038)
Tax paid	**-**	(6,414)	(7,053)
Net cash (utilised in)/ generated from operating activities	**(25,818)**	(7,151)	90,374
Cash flows from investing activities			
Purchase of property, plant and equipment	**(14,181)**	(263,387)	(274,521)
Purchase of computer software	**(918)**	(378)	(513)
Proceeds on disposal of plant and equipment	**(1)**	70	1,054
Interest received	**710**	279	739
Net cash utilised in investing activities	**(14,390)**	(263,416)	(273,241)
Cash flows from financing activities			
Proceeds from loans and borrowings	**9,000**	251,000	251,000
Repayment of loans and borrowings	**(1,524)**	(1,398)	(2,857)
Repayment of lease liabilities	**(7,569)**	(10,740)	(13,968)
Interest paid - leases	**(4,046)**	-	(9,078)
Net cash (utilised in)/generated from financing activities	**(4,139)**	238,862	225,097
Net (decrease)/increase in cash and cash equivalents	**(44,347)**	(31,705)	42,230
Cash and cash equivalents at beginning of year	**103,138**	61,636	61,636
Exchange gain/ (loss) on cash and cash equivalents	**2,201**	(39)	(728)
Cash and cash equivalents at end of period	**60,992**	29,892	103,138

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Stated capital P'000	**Treasury shares P'000**	**Foreign currency translation reserve P'000**	**Retained earnings P'000**	**Total equity P'000**
Year ended 31 December 2019					
Balance at 1 January 2019 (as previously reported)	18,500	(5,915)	(196)	178,619	191,008
Effects of change in accounting policy for initial application of IFRS 16	-	-	-	12,805	12,805
Balance at 1 January 2019 - as restated	**18,500**	**(5,915)**	**(196)**	**191,424**	**203,813**
Total comprehensive income/(loss) for the period	-	-	(94)	23,638	23,544
Profit for the year	-	-	-	23,638	23,638
Other comprehensive loss for the year			(94)	-	(94)
Balance at 31 December 2019	**18,500**	**(5,915)**	**(290)**	**215,062**	**227,357**
Period ended 30 June 2020					
Balance at 1 January 2020	**18,500**	**(5,915)**	**(290)**	**215,062**	**227,357**
Loss for the period	-	-	-	(33,793)	(33,793)
Other comprehensive loss for the period	-	-	(2,007)	-	(2,007)
Balance at 30 June 2020	**18,500**	**(5,915)**	**(2,297)**	**181,269**	**191,557**

SUMMARISED CONSOLIDATED SEGMENTAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Cresta Urban Oasis P'000	**Cresta Urban Heartbeat P'000**	**Cresta African Roots P'000**	**Cresta African Fingerprint P'000**	**Control Unit P'000**	**Combined P'000**
Revenue	26,025	20,456	28,262	17,366	1,045	93,154
Operating loss	(8,528)	(4,989)	(10,807)	(12,059)	5,193	(31,190)
Reportable segment loss before tax	**(9,902)**	**(4,998)**	**(12,449)**	**(13,346)**	**(1,846)**	**(42,541)**
Income tax expense						**8,748**
Net loss after tax						**(33,793)**
Total assets	**124,006**	**149,744**	**89,487**	**119,472**	**95,133**	**577,842**
Total liabilities	**30,978**	**2,723**	**42,100**	**34,021**	**276,463**	**386,285**

SUMMARISED CONSOLIDATED SEGMENTAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Cresta Urban Oasis P'000	**Cresta Urban Heartbeat P'000**	**Cresta African Roots P'000**	**Cresta African Fingerprint P'000**	**Control Unit P'000**	**Combined P'000**
Revenue	49,536	37,252	55,475	44,463	891	187,617
Operating profit	2,538	2,959	6,115	5,191	584	17,387
Reportable segment profit before tax	**1,331**	**2,947**	**4,270**	**3,828**	**(223)**	**12,153**
Income tax expense						**(2,491)**
Net profit after tax						**9,662**
Total assets	**138,111**	**157,890**	**98,217**	**148,406**	**76,122**	**618,746**
Total liabilities	**35,560**	**4,095**	**49,801**	**38,688**	**277,809**	**405,952**

FINANCIAL HIGHLIGHTS

	Jun-20 P'000	**Jun-19 P'000**	**% Change**
Revenue	**93,154**	187,617	(50%)
Profit /(loss) before interest, tax, depreciation and amortisation	**(2,526)**	37,619	(107%)
Operating profit/(loss)	**(31,190)**	17,387	(279%)
Cash (utilised in)/ generated from operations	**(15,669)**	4,776	(428%)
Total assets	**577,842**	618,746	(7%)
Total shareholders' equity	**191,557**	212,794	(10%)
Cash and cash equivalents	**60,992**	29,892	104%

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

The interim condensed consolidated financial statements for the six months ended 30 June 2020 do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group. These amendments and interpretations are Amendments to IFRS 3: Definition of a Business, Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform, as well as Amendments to IAS 1 and IAS 8: Definition of Material.

OVERVIEW OF OPERATIONS

In line with the Botswana Government COVID-19 Regulations, the Group's hotels in Botswana were closed for normal operations from 1 April 2020 to 4 June 2020. The hotel in Zambia was closed following a significant decline in occupancies, from 1 April 2020 to 31 May 2020. Three of the hotels were operated as quarantine hotels, offering services to the Botswana Ministry of Health and Wellness, on a cost recovery basis during the month of April. One hotel continues to offer quarantine services to the Government.

Following the lifting of trading restrictions, the Group had a phased approach to opening the hotels, to ensure staff were adequately trained on all the new COVID-19 health and safety protocols. The Group has adopted all Government and public health authority guidelines for the hotels in Botswana and Zambia, as well as introduced new standard operating procedures to ensure the health and safety of our staff and guests. Medical practitioners have been retained to offer medical advice and psychological support to all our employees during these uncertain times.

The Botswana borders were closed on 1 April 2020 to non-citizens and non-residents therefore, the Company has been reliant solely on the domestic market. The Botswana Government introduced a number of COVID-19 financial relief measures and the Company was able to benefit from the wage subsidy. Included in the Group's results, accounted for as a reduction in operating expense, is a P3.2 million wage subsidy received. As a result of this support, the Company continued to pay the majority of its employees their full salaries during the period the hotels were not operational.

In order to mitigate the negative effects of the hotel closures on the Group's ability to continue as a going concern, the following measures were taken from March 2020:

- Suspension of all major capital expenditure projects;
- Freeze on all discretionary expenditure;
- Negotiations with Management level employees, landlords and other strategic suppliers of the business to reduce the contractual obligations;
- Deferment of the bank loan facility capital payments due;
- Temporary closure of some hotels to eliminate some operating costs; and
- Encouraging guests to postpone events and trips rather than cancel.

As a result of these actions taken, the wage subsidy received from the Government and the concessions received from employees and suppliers, the Group was able to minimise the reduction in cash balances during the period. Cash balances declined by P41.7 million during the half year, compared to a decline of P31.7 million during the same period last year when revenue was significantly higher, a testament to the successful cash preservation strategy.

Group revenue declined by P94.5 million (50%) compared to prior year, primarily attributable to COVID-19 related cancellations or postponements and the national lockdown period. Gross profit margin declined significantly due to the continuance of salaries and other expenses while operations were closed or curtailed. Other discretionary costs were contained, and variable costs declined in line with the level of activity, resulting in the overall decline in earnings before interest tax depreciation and amortisation being contained to P40 million compared to prior year.

STATEMENT OF FINANCIAL POSITION

Total assets decreased by 7% compared to the half year ended 30 June 2019. The decrease in assets was primarily as a result of a high level of trade and other receivables in the prior year, which related mainly to a VAT refund due on the four hotel properties acquired in June 2019. The Group had cash resources of P61.0 million (2019: P29.9 million) at the end of the period under review.

CASH FLOW

During the half year, P25.8 million was utilized in operating activities, primarily to fund operating expenses during the period when the hotels were closed. Net cash utilised in investing activities amounted to P14.4 million, primarily as a result of the acquisition of the Cresta Bosele hotel property in February 2020 (2019: P251 million acquisition of four hotel properties). With regards to financing activities, P9 million was utilised from loan facilities during the period, to fund the acquisition of the Cresta Bosele hotel property.

GOING CONCERN

In assessing the ability of the Group to continue as a going concern, Management carried out a sensitivity analysis on the 12 month forecast cash flow assumptions to reflect a range of reasonably possible outcomes related to the COVID-19 pandemic and concluded that Cresta Marakanelo Limited will be able to continue as a going concern. The Directors reviewed the cash flow forecasts prepared by Management when assessing the ability of the Group to continue operating as a going concern. The significant assumptions made were that the downturn in business would not be for a period exceeding 12 months and that the borders remain closed to tourists and business travellers until the first quarter of 2021.

Based on the review of the Group's cash flow forecasts, the Directors believe that the Group will have sufficient resources to continue to trade as a going concern for a period of at least 12 months from the date of approval of these financial statements and accordingly, the financial statements have been prepared on the going concern basis.

SUBSEQUENT EVENTS

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

OUTLOOK

The COVID-19 pandemic has significantly changed the short to medium term outlook of the tourism industry in general and brought in an unprecedented level of uncertainty. Any local lockdowns or COVID-19 restrictions have an immediate negative impact on the Group's performance. Management will continue to actively assess whether certain properties need to be temporarily closed to minimise costs if occupancies remain subdued. Engagements with staff and strategic partners will also continue, in order to reach agreements to further reduce costs and ensure that the business remains sustainable. Concerted efforts will also continue to market attractive holiday and retreat packages to the domestic market to drive more business to the leisure properties.

APPRECIATION

We would like to commend management, staff and our fellow directors for their continued commitment during this challenging COVID-19 pandemic period. It is heartening that despite the devastating effects of COVID-19 on the economy in general and more so on the hospitality sector, the Group has been able to maintain a solid cash base and is deemed a viable going concern for the foreseeable future; this is in no small part due to the laudable efforts of all stakeholders associated with the Group.

Signed on behalf of the Board.

M K Lekaukau
Chairman
25 September 2020

M Morulane
Managing Director

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