UNAUDITED SUMMARISED CONSOLIDATED FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

CRESTA
MARAKANELO LIMITED

Summarised Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2023

	CONSOLIDATED		
	Unaudited 6 months Jun-23 P'000	Unaudited 6 months Jun-22 P'000	Audited 12 months Dec-22 P'000
Revenue	**180,887**	164,899	355,728
Cost of sales	**(108,935)**	(96,901)	(206,745)
Gross profit	**71,952**	67,998	148,983
Sales and distribution expenses	**(5,611)**	(4,626)	(9,283)
Administrative and operating expenses	**(46,207)**	(47,145)	(94,024)
Operating profit	**20,134**	16,227	45,676
Finance income	**815**	1,318	2,537
Finance expense	**(13,143)**	(11,645)	(26,547)
Profit before income tax	**7,806**	5,900	21,666
Income tax expense	**(2,516)**	3,544	(2,422)
Profit from continuing operations	**5,290**	9,444	19,244
Other comprehensive income	**-**	-	-
Total comprehensive income	**5,290**	9,444	19,244
Basic and diluted earnings per share (thebe)	**2.92**	5.22	10.64
Earnings per share from continuing operations	**2.92**	5.22	10.64

Summarised Consolidated Statement of Financial Position

as at 30 June 2023

	CONSOLIDATED		
	Unaudited Jun-23 P'000	Unaudited Jun-22 P'000	Audited Dec-22 P'000
ASSETS			
Non-current assets	**418,418**	440,230	422,180
Property, plant and equipment	**339,294**	339,532	336,164
Right-of-use-asset	**57,496**	73,769	64,827
Intangible assets			
Lease rights/Software	**379**	234	516
Goodwill	**5,274**	5,274	5,274
Deferred income tax assets	**15,975**	21,421	15,399
Current assets	**74,715**	83,151	79,466
Inventories	**3,577**	2,615	3,072
Trade and other receivables	**25,083**	26,375	20,141
Current income tax assets	**-**	124	124
Cash and cash equivalents	**46,055**	54,037	56,129
Total assets	**493,133**	523,381	501,646
EQUITY			
Capital and reserves	**147,302**	132,212	142,012
Stated capital	**18,500**	18,500	18,500
Treasury shares	**(5,915)**	(5,915)	(5,915)
Retained earnings	**134,717**	119,627	129,427
LIABILITIES			
Non-current liabilities	**222,641**	284,870	257,315
Borrowings	**164,150**	207,831	188,015
Lease liabilities	**58,491**	77,039	69,300
Current liabilities	**123,190**	106,299	102,319
Trade and other payables	**41,777**	30,818	31,674
Current income tax liabilities	**616**	-	-
Borrowings	**51,138**	50,314	46,839
Lease liabilities	**18,220**	14,379	14,507
Contract liabilities	**11,439**	10,788	9,299
Total liabilities	**345,831**	391,169	359,634
Total equity and liabilities	**493,133**	523,381	501,646

Summarised Consolidated Statement of Changes in Equity

for the six months ended 30 June 2023

	Stated capital P'000	Treasury shares P'000	Retained earnings P'000	Total equity P'000
Year ended 31 December 2021				
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
Period ended 30 June 2023				
Balance at 1 January 2023	18,500	(5,915)	129,427	142,012
Total comprehensive income for the year	-	-	5,290	5,290
Balance at 30 June 2023	**18,500**	**(5,915)**	**134,717**	**147,302**

Summarised Consolidated Statement of Cash Flows

for the six months ended 30 June 2023

	CONSOLIDATED		
	Unaudited 6 months Jun-23 P'000	Unaudited 6 months Jun-22 P'000	Audited 12 months Dec-22 P'000
Cash flows from operating activities			
Cash generated from operations	**50,810**	29,242	85,485
Interest paid	**(9,604)**	(8,923)	(20,601)
Tax refund	**-**	-	178
Net cash generated from operating activities	**41,206**	20,319	65,062
Cash flows from investing activities			
Purchase of property, plant and equipment	**(22,598)**	(4,475)	(14,414)
Purchase of computer software	**-**	-	(472)
Proceeds on disposal of plant and equipment	**3**	38	56
Interest received	**815**	1,318	2,537
Net cash utilised in investing activities	**(21,780)**	(3,119)	(12,293)
Cash flows from financing activities			
Repayment of borrowings	**(19,568)**	(6,079)	(29,397)
Interest paid - finance lease	**(3,536)**	(2,724)	(7,395)
Payment of lease liabilities	**(6,787)**	(7,601)	(13,433)
Net cash utilised in financing activities	**(29,891)**	(16,404)	(50,225)
Net (decrease)/increase in cash and cash equivalents	**(10,465)**	796	2,544
Cash and cash equivalents at beginning of year	**56,129**	53,241	53,241
Exchange loss on cash and cash equivalents	**391**	-	344
Cash and cash equivalents at end of period	**46,055**	54,037	56,129

Summarised Consolidated Segmental Information

For the six months ended 30 June 2023

	Cresta Urban Oasis P'000	Cresta Urban Heart-beat P'000	Cresta African Roots P'000	Cresta African Finger-print P'000	Control Unit P'000	Com-bined P'000
Revenue	39,173	38,305	56,209	46,413	787	180,887
Operating profit	1,414	73	1,793	4,973	11,881	20,134
Reportable segment profit before tax	**929**	**59**	**(277)**	**4,081**	**3,014**	**7,806**
Income tax expense						(2,516)
Net profit after tax						**5,290**
Total assets	**107,613**	**134,881**	**94,224**	**91,902**	**64,513**	**493,133**
Total liabilities	**32,425**	**13,204**	**57,625**	**68,357**	**174,220**	**345,831**

Summarised Consolidated Segmental Information

For the six months ended 30 June 2022

	Cresta Urban Oasis P'000	Cresta Urban Heart-beat P'000	Cresta African Roots P'000	Cresta African Finger-print P'000	Control Unit P'000	Com-bined P'000
Revenue	35,280	33,905	56,551	39,306	(143)	164,899
Operating profit	2,976	3,770	8,049	2,387	(955)	16,227
Reportable segment profit before tax	**2,438**	**3,752**	**7,102**	**1,303**	**(8,695)**	**5,900**
Income tax credit						3,544
Net profit after tax						**9,444**
Total assets	**108,532**	**135,473**	**96,555**	**97,985**	**84,836**	**523,381**
Total liabilities	**16,224**	**2,872**	**54,367**	**30,335**	**287,371**	**391,169**

OVERVIEW OF OPERATIONS

The business saw a 10% increase in revenue against the period ended 30 June 2022. The main driver for the good revenue performance was on the back of higher average daily rates ("ADR"), predominantly propelled by hotels in the leisure destinations, given the increase in arrivals of foreign guests when compared to 2022. The Group revenue per available room ("RevPAR") closed the six months 8% ahead of the same period in 2022.

After returning to profitability in the 2022 financial period, Cresta Marakanelo Limited ("CML") continues to be profitable in the first half ended, 30 June 2023. This has been in line with the general and positive recovery across the tourism and hospitality industry. The first quarter's performance was relatively low in line with the seasonality of the business. The second quarter saw an increase in performance when compared to the first quarter, contributing 56% of the revenue generated for the six months ended 30 June 2023.

The stronger revenue performance, coupled with robust cost containment measures in place, culminated in an operating profit, which was 24% stronger than in 2022 and profit before tax, which was 32% ahead of the same period last year. The good performance was notwithstanding that the Company strategically increased its absolute spend in sales and marketing costs as a deliberate investment in sustainable profitability of the business into the future, having significantly reduced this class of spend during the pandemic. The finance cost on the interest-bearing borrowings increased in 2022 by 8% due to the increase in the prime lending rate from 6.26% in 2022 to 6.76% as at 30 June 2023. Earnings before interest, tax, depreciation, and amortisation ("EBITDA") achieved during the period was P43.32 million, an 8% improvement on the prior year's P40.1 million.

STATEMENT OF FINANCIAL POSITION

The Group has increased the shareholder's equity during the period under review by 11% from P132.2 million in 2022 to P147.3 million. The upward trend in the shareholder's net worth is after offsetting the decrease in total assets by a more than proportionate decrease in liabilities. Total assets declined by 6% compared to the half year ended 30 June 2022, while total liabilities decreased by 12%. This was primarily due to the expected decline in book values in right-of-use assets and matching lease liabilities and the P7.9 million decline in cash and cash equivalents on the back of strategic deployment of cash into needful refurbishments and debt service payments.

CASH FLOW

During the half year 2023, the Group generated stronger positive cash flows from operating activities of P41.2 million (2022: P20.3 million), with a superior EBITDA cash conversion rate of 95% compared to 51% in 2022. Cash generated from operations was grew by 74% from P29.2 million in 2022 to P50.8 million. Net cash utilised in investing activities amounted to P21.8 million (2022: P3.1 million), representing a 598% increase against 2022 due to the ongoing expansionary and refurbishment projects which entrenches the Group's strategic imperative of fostering sustainable profitability into the future. Cash outflow from finance activities in 2023 increased by 82% mainly due to the increase in the debt service obligations with loan capital repayments totalling P19.6 million (2022: P6.1 million) for the six months.

SUBSEQUENT EVENTS

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

OUTLOOK

The top strategic priority for the Company is the continued implementation of expansion projects and refurbishments of the existing asset portfolio. Cash generation as a strategic imperative remains instructive as this will be key in self-funding some of the various projects in the pipeline. The Company will continue to closely monitor and proactively respond to the unique challenges and opportunities presented by the current operating environment, as well as entrench its revenue yielding tactics to ensure it remains competitive, while also leveraging on technology and digitalisation to optimise operations, service provision and cost effectiveness.

APPRECIATION

We would like to commend management, staff, and our fellow directors for their unwavering commitment to ensuring sustainable profitability. The Group has been able to maintain its leadership positioning in the hospitality industry, and this is, in no small part, on the back of the laudable efforts of all stakeholders associated with the Group.

Signed on behalf of the Board.

M K Lekaukau
Chairman

M Morulane
Managing Director

29 September 2023

Financial Highlights

↑10%
Revenue grew from P165.9m in 2022 to **P180.9m** in 2023

↑24%
Operating profit increased from P16.2m in 2022 to **P20.1m** in 2023

↑32%
Profit before tax grew from P5,9m in 2022 to **P7.8m** in 2023

↑74%
Cash generated from operations increased from P29,2m in 2022 to **P50,8m** in 2023

↓ 6%
Total assets declined from P523,3m in 2022 to **P493,1m** in 2023

↑12%
Total liabilities reduced from P391,2m in 2022 to **P345,8m** in 2023

↓15%
Cash and cash equivalents decreased from P54.0m to **P46.1m** in 2023

↑11%
Total shareholder's equity grew from 132,2m in 2022 to **P147,3m** in 2023

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

The interim condensed consolidated financial statements for the six months ended 30 June 2023 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 2022.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

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 2022, except for the adoption of new standards effective as of 1 January 2023. 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 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group. These amendments and interpretations, effective as of 1 January 2023, are amendments to IFRS 3, IFRS 4, IFRS 17, IAS 1, IAS 8, IAS 12.

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