



CHOBE HOLDINGS LIMITED

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("the Group" or "the Company")

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

CONDENSED AUDITED RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2019 & DIVIDEND DECLARATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 28/02/2019 P'000's	Year ended 28/02/2018 P'000's
Revenue	339 590	301 143
Other operating income	20 826	5 892
Amortisation of intangible assets	(5 137)	(4 462)
Depreciation	(25 816)	(21 227)
Other operating expenses	(209 726)	(184 052)
Operating profit	119 737	97 294
Write-off of goodwill	(7 419)	-
Finance income	179	93
Finance cost	(571)	(121)
Net income before share of results of associate	111 926	97 266
Share of net loss of associates accounted for using equity method	(1 094)	(1 279)
Profit before income tax	110 832	95 987
Income tax expense	(29 307)	(24 926)
Profit for the year	81 525	71 061
Other comprehensive income		
Exchange difference on translation of foreign operations	(635)	146
Other comprehensive (loss) / income for the year	(635)	146
Total comprehensive income for the year	80 890	71 207
Attributable to		
Owners of the parent	80 829	71 093
Non-controlling interest	61	114
	80 890	71 207
Earnings per share (thebe) - basic	90.37	79.49
Dividend per share (thebe)	50.00	50.00
Number of shares in issue during the period	89 439 642	89 439 642
Occupancy	58%	55%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 28/02/2019 P'000's	As at 28/02/2018 P'000's
ASSETS		
Non-current assets		
Property, plant and equipment	218 600	168 145
Goodwill	54 227	61 646
Land lease rights	64 086	68 696
Other intangible assets	2 169	2 696
Investment in associate	3 627	4 721
Deferred income tax assets	3 327	4 528
	346 036	310 432
Current assets		
Inventory	12 963	13 655
Trade and other receivables	16 525	12 299
Current income tax receivable	4 753	4 324
Cash and cash equivalents	66 057	61 226
	100 298	91 504
Total assets	446 334	401 936
EQUITY AND LIABILITIES		
Equity		
Stated capital	102 899	102 899
Foreign currency translation reserve	(1 219)	(584)
Retained income	228 207	191 463
Non-controlling interest	329 887	293 778
	852	791
Total equity	330 739	294 569
Liabilities		
Non-current liabilities		
Deferred income tax liabilities	21 376	25 364
Deferred lease obligations	12 457	10 762
	33 833	36 126
Current liabilities		
Trade and other payables	46 792	41 510
Current income tax payable	5 218	2 448
Advance travel receipts	29 752	27 283
	81 762	71 241
Total liabilities	115 595	107 367
Total equity and liabilities	446 334	401 936

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 28/02/2019 P'000's	Year ended 28/02/2018 P'000's
Operating activities		
Cash generated from operations	160 954	131 496
Interest paid	(571)	(121)
Income tax paid	(29 741)	(24 681)
Cash generated from operating activities	130 642	106 694
Investing activities		
Purchase of property, plant and equipment	(82 401)	(33 342)
Proceeds on sale of property, plant and equipment	1 131	991
Payment for acquisition of associate	-	(3 773)
Payment for acquisition of subsidiary	-	(56 000)
Interest received	179	93
Net cash used in investing activities	(81 091)	(92 031)
Financing activities		
Proceeds from borrowings	15 000	-
Bank loan paid out	(15 000)	-
Dividends paid	(44 720)	(44 720)
Net cash used in financing activities	(44 720)	(44 720)
Net increase/(decrease) in cash and cash equivalents	4 831	(30 057)
Movement in cash and cash equivalents		
At beginning of the year	61 226	91 283
Increase/(decrease) in the year	4 831	(30 057)
At end of the year	66 057	61 226
Represented by:		
Cash and cash equivalents	66 057	61 226

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent				
	Stated capital P'000's	Retained earnings P'000's	Foreign currency translation reserve P'000's	Non controlling interest P'000's	Total P'000's
Balance at 1 March 2018	102 899	191 463	(584)	791	294 569
Profit for the year	-	81 464	-	61	81 525
Other comprehensive loss	-	-	(635)	-	(635)
Dividend paid (final 2018)	-	(44 720)	-	-	(44 720)
Balance at 28 February 2019	102 899	228 207	(1 219)	852	330 739

COMMENTARY

Highlights

- 5% increase in occupancy levels.
- 13% increase in revenue.
- 23% increase in operating profits.
- Costs contained at inflationary levels.
- Goodwill of P7.4 million written down.
- 15% increase in profit after tax.
- Capital expenditure of P82.4 million financed from internally generated cashflows.
- Cash and cash equivalents of P66.1 million.

Basis of Preparation

The audited financial statements for the year ended 28th February 2019 have been prepared based on accounting policies which comply with International Financial Reporting Standards ("IFRS"). The accounting policies applied are consistent with those of the annual financial statements for the year ended 28th February 2018, as described in those annual financial statements.

Auditor's report

The group financial statements from which this published summarised financial information is derived from, has been audited by PricewaterhouseCoopers, the Chobe Holdings Group's external auditors. Their unqualified audit report is available for inspection at the Company's registered office. This summarised financial information has not been reviewed by the auditors.

Financial Results

During the period under review occupancy increased by 5% when compared to the same period in the prior year due to enhanced marketing efforts and an increase in the number of available beds following completion of renovations at Chobe Game Lodge and the addition of Dinaka to the Group's portfolio.

A 13% increase in revenue was recorded as a result of the aforementioned increase in bed nights sold, a marginal increase in achieved bed night rates in US Dollar terms and depreciation of the Pula against the US Dollar.

Other operating income comprises mainly foreign exchange gains.

An operating cost increase of 14% is considered satisfactory in light of increased volumes of business and current inflation levels.

The Group spent, from internally generated cash flows, P82.4 million on the purchase of game drive vehicles, boats, a Cessna Caravan and significantly improving existing buildings and equipment.

The acquisition of Dinaka Safari Lodge and the three property owning companies on 1st September 2017 by Ker and Downey Botswana (Pty) Ltd, a wholly owned subsidiary of Chobe, forming the Dinaka Conservancy, gave rise to P26.6 million of goodwill. The lodge was subsequently rebranded and reopened as a 'new' Ker & Downey property on 1st March 2018. The financial year under review was largely utilised to induct agents through Dinaka on educational tours to familiarise themselves with the concept of conservancy tourism, a pioneering and otherwise non-traditional Botswana offering.

As high-end conservancy tourism is relatively new to Botswana there are no existing entities to benchmark with. Your directors have therefore used currently available booking data and cash flows from existing camps as models, modifying them to estimate future cash flows for Dinaka, to assess the goodwill for impairment in accordance with IFRS. This assessment indicated that there was need to write down the goodwill by P7.4 million. This write down is not a cash transaction and does not affect the Company's dividend payment capacity. Your directors, whilst anticipating that Dinaka will take time to fully develop, remain confident with regard to its future potential.

Your directors approved a phantom share scheme during the year ended 28th February 2013 which allows the Group's employees to participate in the dividend distributions of the Group. The scheme allows all qualifying staff to share equally in a bonus which is calculated to be equal to the value of dividends attaching to three million shares in the Company. A total of P1,500,000 was distributed amongst qualifying employees during the year ended 28th February 2019.

Events after the reporting date

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 our Dinaka Conservancy.

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

Tourism in Botswana is earmarked to provide much needed economic diversification away from mining. This diversification drive, according to the World Tourism Organisation needs however, to be cautiously applied to avoid 'overtourism', a relatively new buzzword for tourism congestion, management and carrying capacity. 'Overtourism' identifies that the true challenge is not so much the number of visitors, but the capacity to manage them. All this whilst preserving the environment.

The national carrier, Air Botswana, continues to underperform. For the tourism industry to grow to its full potential there is need to have other airlines with relatively reliable performance to be introduced to the Botswana skies both domestically and internationally.

The Group continues to invest considerable resources to improve its marketing strategies, product offerings and cost controls. New game drive vehicles were acquired to replace ageing ones and a Cessna Caravan added to the aircraft fleet.

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

Dividend Declaration

Notice is hereby given that the final dividend of 60 thebe per share has been declared for the year ended 28th February 2019. The dividend has been declared out of retained earnings. The dividend will be paid on or about 28th June 2019 to shareholders registered at the close of business on 18th June 2019. The ex-dividend date will be 14th June 2019.

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. In terms of clause 27.5 of the Company's Constitution, dividends unclaimed for three years after due date for payment may become the property of the Company and used for the benefit of the Company. The shareholders concerned are therefore advised to claim their unclaimed dividends within the prescribed three-year period.

Shareholders can claim their unclaimed dividends by contacting the Company's transfer secretaries:

DPS Consulting (Pty) Ltd
P O Box 294, Gaborone.
Tel. 3952011 / Email: dollymmereki@pwc.com

By order of the Board of Directors

J M Gibson, CEO & Deputy Chairman
23rd May 2019



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

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Transfer Secretaries
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Independent Auditors
PricewaterhouseCoopers
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