



# CHOBE HOLDINGS LIMITED

## CHOBE HOLDINGS LIMITED

("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)
<b>Net income before share of results of associate</b>	<b>111 926</b>	<b>97 266</b>
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)
<b>Profit for the year</b>	<b>81 525</b>	<b>71 061</b>
<b>Other comprehensive income</b>		
Exchange difference on translation of foreign operations	(635)	146
Other comprehensive (loss) / income for the year	(635)	146
<b>Total comprehensive income for the year</b>	<b>80 890</b>	<b>71 207</b>
<b>Attributable to</b>		
Owners of the parent	80 829	71 093
Non-controlling interest	61	114
	<b>80 890</b>	<b>71 207</b>
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
<b>ASSETS</b>		
<b>Non-current assets</b>		
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
	<b>346 036</b>	<b>310 432</b>
<b>Current assets</b>		
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
	<b>100 298</b>	<b>91 504</b>
<b>Total assets</b>	<b>446 334</b>	<b>401 936</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Stated capital	102 899	102 899
Foreign currency translation reserve	(1 219)	(584)
Retained income	228 207	191 463
	<b>329 887</b>	<b>293 778</b>
Non-controlling interest	852	791
<b>Total equity</b>	<b>330 739</b>	<b>294 569</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Deferred income tax liabilities	21 376	25 364
Deferred lease obligations	12 457	10 762
	<b>33 833</b>	<b>36 126</b>
<b>Current liabilities</b>		
Trade and other payables	46 792	41 510
Current income tax payable	5 218	2 448
Advance travel receipts	29 752	27 283
	<b>81 762</b>	<b>71 241</b>
<b>Total liabilities</b>	<b>115 595</b>	<b>107 367</b>
<b>Total equity and liabilities</b>	<b>446 334</b>	<b>401 936</b>

#### CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 28/02/2019 P'000's	Year ended 28/02/2018 P'000's
<b>Operating activities</b>		
Cash generated from operations	160 954	131 496
Interest paid	(571)	(121)
Income tax paid	(29 741)	(24 681)
<b>Cash generated from operating activities</b>	<b>130 642</b>	<b>106 694</b>
<b>Investing activities</b>		
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
<b>Net cash used in investing activities</b>	<b>(81 091)</b>	<b>(92 031)</b>
<b>Financing activities</b>		
Proceeds from borrowings	15 000	-
Bank loan paid out	(15 000)	-
Dividends paid	(44 720)	(44 720)
<b>Net cash used in financing activities</b>	<b>(44 720)</b>	<b>(44 720)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>4 831</b>	<b>(30 057)</b>
<b>Movement in cash and cash equivalents</b>		
At beginning of the year	61 226	91 283
Increase/(decrease) in the year	4 831	(30 057)
<b>At end of the year</b>	<b>66 057</b>	<b>61 226</b>
<b>Represented by:</b>		
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)
<b>Balance at 28 February 2019</b>	<b>102 899</b>	<b>228 207</b>	<b>(1 219)</b>	<b>852</b>	<b>330 739</b>

#### 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 28<sup>th</sup> 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 28<sup>th</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> 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 28<sup>th</sup> 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 28<sup>th</sup> 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 31<sup>st</sup> 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 28<sup>th</sup> February 2019. The dividend has been declared out of retained earnings. The dividend will be paid on or about 28<sup>th</sup> June 2019 to shareholders registered at the close of business on 18<sup>th</sup> June 2019. The ex-dividend date will be 14<sup>th</sup> 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**  
23<sup>rd</sup> 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)

Registered Office  
Plot 50371, Fairground  
Office Park, Gaborone

Postal Address  
PO Box 32, Kasane  
www.chobeholdings.co.bw

Transfer Secretaries  
DPS Consulting Services (Pty) Ltd  
PO Box 294 Gaborone

Independent Auditors  
PricewaterhouseCoopers  
PO Box 294 Gaborone