The Group recorded tepid results compared to the prior period. This performance was largely attributed to pressures facing the industry at large, exacerbated by muted Government spending, Occupancies and REVs per available room (RevPAR) experienced a slight year on year decline, as a result, the Group Revenue of P153 million was 4% lower than that recorded for the same period in the prior year.

Total overheads decreased by 3% as a result of cost containment measures across the Group, however the cost rationalisation efforts have not impacted on the brand appeal and the Group’s value proposition to customers. An overall profit before tax of P9.1 million was recorded for the period, reflecting a significant 10% drop from the result recorded for the same period last year. Out of the twelve hotels within the Group, three hotels incurred losses for the half year, as a result an industry pressures mentioned above. Various initiatives to increase occupancies as well as contain costs are underway and yielding positive results. Management fully believe these initiatives are sustainable.

In line with the Group’s strategy to increase its footprint locally and regionally, the new hotel in Maun was opened in May 2017, and the associated pre-opening expenses are included in these results.

OVERVIEW OF OPERATIONS
Botswana operations
Botswana operations were significantly affected by industry pressures, with performance largely remaining subdued compared to prior period. Customer retention remains a key focus for the Group and additional investments were made into this area. In this regard, a timely investment was made into the IT infrastructure supporting Centara Lebala Camp, which will improve communication with our customers and the ability to add more benefits to further enhance the value proposition.

Zambian operations
The business environment in Zambia was subdued during both the first half of the year. With occupancy levels 3% lower and only marginal growth in average room rates, revenues were flat compared to the same period last year. Operational efficiencies resulted in a significant improvement in operating profit, with the Zambia hotel recording an operating profit of P570 000 for the half year, compared to a loss of P183 000 in the previous year.

STATEMENT OF FINANCIAL POSITION
Total assets grew by 2%, while equity increased by 5% compared to the same period last year, despite the challenges faced by the Group during the first half of this year. This followed a payment of dividends amounting to P245 000 (13 thebe per share) during the period from July 2016 to June 2017.

CASH FLOW
The Group managed to deliver operational efficiencies and limit the decline in net cash generated from operating activities to 11% compared to the same period last year. Net cash generated from operating activities was P23.0 million in the half year, compared to P21.2 million in the same period last year. The cash flow balance will be utilised to fund the payment of dividends to shareholders and repayments scheduled during the 2018 financial year.

DIVIDEND
The Company paid a final dividend of 5 thebe per share for the 2016 financial year, on 2 May 2017. The Directors have agreed to pay a final dividend of 5 thebe per share, which will be paid on 29 September 2017, to be paid net of applicable taxes in terms of the Republic of Botswana Income Tax Cap S2001 as amended in 2015, or on or about 4 October 2017.

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 adjustment and or disclosure in the financial statements.

OUTLOOK
Impressive results are expected for the second half of 2017, however the net profit for the year is anticipated to be below last year’s performance. Recovery is expected from 2018 onwards from significant capital expenditure on the refurbishments of hotels, a substantial contribution from the new Maun hotel and investment in Zambia; all of which will put the Group on a strong growth track for future sustainable growth. The Group continues to explore regional growth opportunities in order to diversify its portfolio and continue to increase shareholder value.

APPRECIATION
I would like to commend management, staff and my fellow directors for their continued commitment throughout the period.

Signed on behalf of the Board

M Nhobelel (Chairperson)
8 September 2017

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Sponsoring Broker
matswedi

DPS Consulting Services (Pty) Limited
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Kgale Mews
Private Bag 0203
Gaborone,
Botswana

Transfer Securaries

FINANCIAL HIGHLIGHTS

All figures in P’000
June 2017 June 2016 Percentage
Revenue 153,470 159,939 (4%)
Operating profit 8,771 16,355 (46%)
Profit before tax 9,131 16,293 (45%)
Total comprehensive income 8,116 13,083 (38%)
Earnings per share (thebe) 4.49 7.23 (38%)
Total Assets 252,372 248,061 2%
Total Shareholders’ equity 170,664 165,169 5%
Cash and cash equivalents 51,015 58,862 (13%)

Uncorrected Financial Results for the six months ended 30 June 2017

STANDARDIZED FINANCIAL STATEMENTS

STATED CAPITAL

SHARES

Common shares 165,327 152,042 8%

ASSETS

Non-current assets

Property, plant and equipment 155,792 146,704 6%
Intangible assets 538 950 (43%)
Goodwill 11,825 11,456 3%
Investment in associates 1,064 1,021 4%
Deferred tax assets 3,246 2,244 45%
Total non-current assets 171,523 165,111 4%

Current assets

Inventories 3,057 2,578 19%
Trade and other receivables 51,015 56,862 (10%)
Current income tax assets 12,244 13,207 (8%)
Cash and cash equivalents 48,825 46,825 4%
Total current assets 105,703 116,901 (10%)
Total assets 252,372 248,061 2%

EQUITY

Total shareholders’ equity 135,717 165,169 (18%)

LIABILITIES

Non-current liabilities

Deferred lease obligation 1,086 1,079 0%
Borrowings 3,246 2,244 45%
Total non-current liabilities 1,172 1,145 2%

Current liabilities

Trade and other payables 21,323 25,143 (16%)
Current income tax liabilities 6,639 6,639 0%
Other payables 15,003 15,003 0%
Total current liabilities 27,953 30,766 (9%)

Deferred income tax liabilities 1,064 1,021 4%
Total liabilities 181,237 192,559 (6%)

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