CRESTA
MARAKANELO LIMITED

(Previously Cresta Marakanelo (Proprietary) Limited)
(Incorporated in the Republic of Botswana on 23 August 1974 (registration number CO.1974/556)
(Share code: CML ISIN: BW000 000 0892)

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Unaudited 6 months June 2019 P'000	Unaudited 6 months June 2018 P'000	Audited 12 months Dec 2018 P'000
Revenue	**187,617**	166,707	370,847
Cost of sales	**(122,202)**	(121,870)	(245,499)
Gross profit	**65,415**	44,837	125,348
Sales and distribution expenses	**(5,346)**	(6,161)	(9,503)
Administration and operating expenses	**(42,682)**	(34,630)	(80,751)
Operating profit	**17,387**	4,046	35,094
Finance income	**279**	653	956
Finance costs	**(5,513)**	(190)	(232)
Profit before income tax	**12,153**	4,509	35,818
Income tax expense	**(2,491)**	(1,155)	(7,257)
Profit for the period	**9,662**	3,354	28,561
Other comprehensive income:			
Exchange differences on transalation of foreign operations	**(682)**	(215)	(41)
Other comprehensive income/loss for the period	**(682)**	(215)	(41)
Total comprehensive income for the period	**8,980**	3,139	28,520
Basic and diluted earnings per share (thebe)	**5.34**	1.85	15.79

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Unaudited 6 months June 2019 P'000	Unaudited 6 months June 2018 P'000	Audited 12 months Dec 2018 P'000
Cash flows from operating activities			
Cash generated from operations	**4,776**	20,179	67,046
Interest paid	**(5,513)**	(190)	(232)
Tax paid	**(6,414)**	(6,497)	(7,371)
Net cash (utilised in)/generated from operating activities	**(7,151)**	13,492	59,443
Cash flows from investing activities			
Purchase of property, plant and equipment	**(263,387)**	(20,774)	(48,742)
Purchase of computer software	**(378)**	(493)	(1,287)
Proceeds on disposal of plant and equipment	**70**	1	131
Interest received	**279**	653	956
Net cash utilised in investing activities	**(263,416)**	(20,613)	(48,942)
Cash flows from financing activities			
Repayment of borrowings	**(1,398)**	(1,524)	(2,923)
Payment of lease liabilities	**(10,740)**	-	-
Proceeds from loans	**251,000**	-	-
Dividends paid to company's shareholders	**-**	(14,497)	(14,475)
Net cash generated from financing activities	**238,862**	(16,021)	(17,398)
Net decrease in cash and cash equivalents	**(31,705)**	(23,142)	(6,897)
Cash and cash equivalents at beginning of year	**61,6369**	68,513	68,513
Exchange (loss)/gain on cash and cash equivalents	**(38)**	(294)	20
Cash and cash equivalents at end of period	**29,892**	45,077	61,636
Disclosed as follows;			
Cash at bank	**29,899**	45,311	61,636
Bank overdraft	**(7)**	(234)	-
	29,892	45,077	61,636

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	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 2018					
Balance at 1 January 2018	18,500	(5,915)	1,045	163,703	177,333
Total comprehensive income (loss) for the year	-	-	(1,241)	28,561	27,320
Profit for the year	-	-	-	28,561	28,561
Other comprehensive loss for the year	-	-	(1,241)	-	(1,241)
Gross dividends paid	-	-	-	(14,475)	(14,475)
Unclaimed dividends	-	-	-	830	830
Balance at 31 December 2018	18,500	(5,915)	(196)	178,619	191,008
Period ended 30 June 2019					
Balance at 1 January 2019	18,500	(5,915)	(196)	178,619	191,008
Profit for the period	-	-	-	9,662	9,662
Other comprehensive loss for the period	-	-	(681)	-	(681)
Total comprehensive income for the period	-	-	(681)	9,662	8,981
IAS17 deferred lease liability adjustment acquired properties				12,805	12,805
Balance at 30 June 2019	18,500	(5,915)	(877)	201,086	212,794

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Unaudited 6 months June 2019 P'000	Unaudited 6 months June 2018 P'000	Audited 12 months Dec 2018 P'000
ASSETS			
Non-current assets			
Property, plant and equipment	**415,417**	150,255	166,043
Right-of-use-assets	**90,098**	-	-
Intangible assets			
Lease rights/Software	**1,644**	1,405	1,831
Goodwill	**10,056**	11,245	10,396
Deferred income tax assets	**3,177**	3,180	3,226
Total non-current assets	**520,392**	166,085	181,496
Currents assets			
Inventories	**2,820**	2,643	3,072
Trade and other receivables	**63,952**	25,688	26,556
Current income tax assets	**1,690**	3,986	232
Cash and cash equivalents	**29,892**	45,311	61,636
Total current assets	**98,354**	77,628	91,496
Total assets	**618,746**	243,713	272,992
EQUITY			
Capital and reserves			
Stated capital	**18,500**	18,500	18,500
Treasury shares	**(5,915)**	(5,915)	(5,915)
Foreign currency translation reserve	**(877)**	830	(196)
Retained earnings	**201,086**	152,560	178,619
Total equity	**212,794**	165,975	191,008
LIABILITIES			
Non-current liabilities			
Deferred lease obligations	**-**	24,064	14,476
Interest - bearing borrowings	**252,119**	4,043	2,854
Lease liabilities	**92,090**	-	-
Total non-current liabilities	**344,209**	28,107	17,330
Current liabilities			
Trade and other payables	**35,826**	36,799	38,678
Current income tax liabilities	**-**	168	1,653
Interest - bearing borrowings	**2,918**	2,790	2,580
Lease liabilities	**12,464**	-	-
Contract liabilities	**10,535**	7,298	10,408
Deferred lease obligations	**-**	2,576	11,335
Total current liabilities	**61,743**	49,631	64,654
Total liabilities	**405,952**	77,738	81,984
Total equity and liabilities	**618,746**	243,713	272,992

CONDENSED 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	39,197	37,252	55,475	44,463	891	177,280
Operating profit	2,241	2,959	6,115	5,191	584	17,092
Reportable segment income before tax	**1,547**	**2,947**	**4,270**	**3,828**	**(223)**	**12,370**
Income tax expense						**(2,514)**
Net profit after income tax						**9,856**
Total assets	**138,112**	**157,890**	**98,217**	**148,406**	**76,122**	**618,747**
Total liabilities	**35,560**	**4,095**	**49,801**	**38,688**	**277,809**	**405,952**

CONDENSED SEGMENTAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	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	47,159	33,414	50,296	35,736	102	166,707
Operating profit	681	3,379	3,194	(201)	(3,006)	4,047
Reportable segment income before tax	**681**	**3,379**	**3,194**	**(201)**	**(2,544)**	**4,509**
Income tax expense						**(1,155)**
Net profit after income tax						**3,354**
Total assets	**36,779**	**10,336**	**32,027**	**101,867**	**62,704**	**243,713**
Total liabilities	**10,772**	**4,061**	**5,740**	**7,540**	**49,625**	**77,738**

FINANCIAL HIGHLIGHTS

	June 2019 P'000	June 2018 P'000	% change
Revenue	187,617	166,707	13%
Profit before tax	12,153	4,509	170%
Total comprehensive income	8,980	3,139	186%
Earnings per share (thebe)	5.34	1.85	189%
Total assets	618,746	243,713	154%
Total shareholders' equity	212,794	165,975	28%
Cash generated from operations	4,776	20,179	(76%)
Cash and cash equivalents	29,892	45,311	(34%)

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

The interim condensed consolidated financial statements for the six months ended 30 June 2019 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 2018.

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 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Group applies, for the first time, IFRS 16 Leases.

IFRS 16 *Leases*

IFRS 16 *Leases* supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an arrangement contains a lease*, SIC -15 *Operating Leases-incentives* and SIC -27 *Evaluating the substance of transactions involving the legal form of a lease.* The standard sets out the principle for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group adopted IFRS 16 using the full retrospective method of adoption with the date of initial application of 1 January 2019. The Group elected to use the transition practical expedient, allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 14 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value ('low value assets').

OVERVIEW OF OPERATIONS

The Group had a pleasing performance for the first half of the year, achieving revenue growth of 13% and a significant growth in profit compared to the same period last year. All the hotels, including the newest addition to the Group's portfolio, Cresta Maun hotel, achieved revenue growth and had a positive contribution to the cash generated by the Group. Centralized procurement and cost containment initiatives in the hotels resulted in improved margins and higher profitability.

In June 2019 the Group acquired properties worth P251 million, fully debt funded.

STATEMENT OF FINANCIAL POSITION

Total assets increased by 154% compared to the financial year ended 31 December 2018. The increase in assets was primarily as a result of the hotel properties acquired, as well as the recognition of Right-of-Use assets for the first time in the current financial period. The acquisition of the properties was wholly funded from borrowings, hence the increase in equity was only 28%.

The Group had cash resources of P29.9 million at the end of the period under review (2018: P45.3 million). The decline in cash and cash equivalents was as a result of VAT paid for the properties acquired. The VAT refund was received in August 2019.

CASH FLOW

Cash flows from operating activities amounted to P4.8 million (2018: P20.2 million), as a result of an increase in receivables related to the VAT refund on the property acquisitions. Net cash utilised in investing activities increased to P263.4 million, from P20.8 million in the prior year, as a result of the acquisition of the hotel properties, as well as refurbishment projects undertaken in the Group. With regards to financing activities, P251 million was utilised from the Barclays Bank loan facility during the period, to fund the hotel property acquisitions.

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 Group will continue to focus on improving margins, as well as product improvement across all hotels. Additional resources will also be directed to various marketing initiatives in order to increase occupancies across the portfolio.

The Group continues to explore local and regional growth opportunities in order to diversify its portfolio and increase shareholder value.

DIVIDEND

The Directors have decided not to declare an interim dividend for the 2019 financial year in order to fund the refurbishments currently underway and new projects in the pipeline.

APPRECIATION

We would like to commend management, staff and our fellow directors for their continued commitment.

Signed on behalf of the Board

M K Lekaukau
Chairman
12 September 2019

M Morulane
Managing Director

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