COMMENTARY

FINANCIAL HIGHLIGHTS

2016 | 2015 | % change
--- | --- | ---
Profit before tax (P’000) | 48,001 | 36,233 | 33%
Total Comprehensive Income (P’000) | 36,372 | 28,962 | 26%
Operating Profit (P’000) | 47,314 | 41,088 | 15%
Revenue (P’000) | 333,612 | 319,503 | 4%
Earnings Per Share (thebe) | 20.10 | 16.01 | 26%

Total Assets (P’000) | 255,530 | 245,101 | 4%
Cash and Cash Equivalents (P’000) | 61,836 | 61,835 | 0%

BASIS OF PREPARATION

The summarised financial information for the twelve months ended 31 December 2016, have been extracted from the audited financial statements of the company and Group for the same period.

The audited annual financial statements were prepared under the historical cost convention using accounting policies which comply with International Financial Reporting Standards (IFRS), with no significant changes in recognition of measurement rules applied compared to the previous financial year.

FINANCIAL PERFORMANCE

The Group achieved revenue of P334 million, which was a 4.4% growth from P320 million achieved in the previous year.

Profit from operations was P47.3 million (2015: P41.1 million) representing a 15.1% increase over 2015.

The company realised savings of P8.1 million in administration and operating expenses primarily due to a conversion of a facility at Golf Club from a lease to equity, strict cost controls and improved operating margin contributions at key units. Resultant profit before tax increased by 32.52% from P36 223 to P48 001.

Botswana Operations

The challenges in the Botswana market continue to increase, the market is nearing saturation point as evidenced by increased competition and influx of new entrants, primarily in Gaberone and Francistown which has exerted pressure on the company’s market share.

The company’s operating profit of P47.3 million reflects strong cost containment measures implemented by Management as well as the improved contribution to operating margins from most hotels, particularly Mowana and a reduction in lease straight-line charges under IAS17.

Customer retention remains a key focus. The Cresta loyalty card program continues to contribute significantly to the growth of the customer database.

Spend and redemptions by these loyalty members continues to grow.

The company is exploring ways of increasing the benefits for the loyalty members by engaging in rewarding partnerships with service providers.

Zambian Operations

Trading operations in Zambia were affected by elections which were subsequently held in August 2016.

Occupancies started improving in November 2016. Revenues grew by 6% compared to same period last year in Kwaacha.

STATEMENT OF FINANCIAL POSITION

Total Assets grew by 4% to P255.5 million (2015: P245 million). Equity grew by 10% to P179 million (2015: P163 million).

There were no new operating units added to the Group during the year. Cresta Maui is expected to open to the market in the second quarter of 2017.

CASH FLOW

The Group’s net cash generated from operations was P54.6 million compared to P25.3 million in the corresponding period, reflecting a decrease in cash as a result of increased debtors at year end. The total debt book as at 31 December 2016 stood at P23.3 million, 10.7% decrease from prior year.

The company’s cash resources remain very healthy at P61.8 million (same as 2015) and will be deployed to fund capital expenditure at the new Maua hotel and the payment of dividend to shareholders.

DIRECTORATE

The Group welcomed two new directors to the Board in 2016, Messers Bafana Molomo and Mibako Mbo. The resignation of Mr. Tawanda Makaya from the Board is also noted.

DIVIDEND

Notice is hereby given that a final dividend of 5 thebe per share has been declared for the year ended 31 December 2016. The dividend will be paid on or about 02 May 2017 to shareholders registered at the close of business on 13 April 2017.

This brings the total dividend paid to 13 thebe (9 thebe ordinary dividend; 4 thebe special dividend) in respect of the year ended 31 December 2016.

In terms of the Income Tax Act (Cap 52:01) as amended, withholding tax at a rate of 7.5% will be deducted by the Company from the gross dividends.

SUBSEQUENT EVENTS

The Board wishes to inform shareholders that the construction of the Ghazi hotel project is yet to commence. The project is expected to start in the last quarter of 2017. The delay is a result of regulatory approvals.

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.

FUTURE PROSPECTS

The Group continues to explore regional growth opportunities in order to further unlock shareholder value.

APPRECIATION

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

We look forward to a continued growth of the business.

Signed on behalf of the Board

M M NTHEBOLAN
(Chairperson)

29 March 2017

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

FOR THE YEAR ENDED 31 DECEMBER 2016

GROUP COMPANY

Stated capital

Ordinary (P’000) | 18,500 | 18,500 | | 117,804 | 117,804 |
Treasury shares (P’000) | (5,915) | (5,915) | | (132,508) | (132,508) |
Stated capital net of treasury shares (P’000) | 129,121 | 129,121 | | 316,306 | 316,306 |
Other comprehensive income: | | | | | |
Profit for the year | | | | | |
Other comprehensive income for the year: | | | | | |
Profit for the year | | | | | |
Balance at 1 January 2015 | 155,621 | 155,621 | - | 296,279 | 296,279 |
Gross dividends paid | | | | | |
Other comprehensive income for the year | | | | | |
Profits and losses for the year | | | | | |
Balance at 31 December 2016 | 172,016 | 172,016 | - | 311,910 | 311,910 |
Equity at 31 December 2016 | 311,910 | 311,910 | | - | - |
Diluted earnings per share (P’000) | 20.10 | 16.01 | 26% | | |
Basic and diluted earnings per share for the year (P’000) | 255,530 | 245,101 | 4% | | |