The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in applying the Company’s accounting policies.

Auditors (Pricewaterhousecoopers) have audited the financial statements and in their opinion, the consolidated and separate financial statements present a true and fair view of the consolidated and separate financial position of Cresta Marakanelo Limited and its subsidiaries as at 31 December 2013, and its consolidated and separate financial performance for the year then ended in accordance with International Financial Reporting Standards.

FINANCIAL RESULTS

- INCOME STATEMENT

The Group achieved a profit after tax and other comprehensive income of $22.4 million, representing an increase of 9% over prior year. Profit before tax of $29.8 million represents a 20% increase on the prior year.

Group revenue increased by 14% on 2012, reaching $261.5 million for the year under review. The Group started operating Cresta Mahalanyo Hotel on 28 February 2013. This unit has contributed $14.5 million to the Group’s revenue for the year ended 31 December 2013.

Following the acquisition of the Cezar Hotel business in January 2013, the hotel was started operating in March 2013. This business contributed $6.5 million to the Group’s revenue for the year ended 31 December 2013.

Excluding the inorganic growth achieved through the new hotels in Mahalanyo and Cezar, revenue increased by 6% on 2012. This can be attributed to the continued growth in the tourism and hospitality sector in Botswana and the increasing competitiveness and price sensitivity, especially in urban areas such as Gaborone, Francistown and Ghanzi.

Operating profit of $31.4 million reflects an operating margin of 11.7%, same as achieved in 2012. This reflects the continuing downward pressure on net room rates and general inflationary environment especially in Botswana.

Deferred revenue recognized with respect to the Cezar Hotels and Select customer loyalty card schemes resulted in $1.5 million charge to revenue. No such charges were passed on to guests during the year. The B1,017,000 straight-line charge of $642,000 to $3,017,000 less than that for the 2012 financial year.

Cresta Go-Better in Zambia recorded losses for the year of $51.5 million ($51.5 million) despite a 6% increase in revenue. This was due to once-off losses incurred through the scrapping and replacement of outdated furniture at the hotel costing $12 million to the loss for the year.

Whilst conference and banquet revenues have remained fairly stable, the hotel has experienced a decline in occupancy rates, reflecting the entry of a number of competitors into the market over the past couple of years.

It is anticipated that the refinancing of boding will assist in stemming this trend.

- BALANCE SHEET

The Group’s continuing investment in new hotels and refurbishing of its existing premises contributed to $43.4 million increase in the carrying value of the property, plant and equipment over the financial year.

Capital work-in-progress at 31 December 2013 included $9.6 million with respect to the refurbishment of the Cezar Marang Hotel, which project was completed in early 2014.

Goodwill arising on the acquisition of the Cezar Hotels business in January amounted to $3.5 million. This hospitality business represents the Group’s first foray into the Western District of Botswana. The goodwill is attributed to the trained workforce which was already in situ at the takeover date and also the location of the hotel in the strategic mining town of Jwaneng.

Trading results for the first nine months that the hotel has operated under the Cresta brand have been positive and the Directors are confident that this investment will generate returns in line with the Group’s overall expectations.

The acquisition of the Cezar Hotel business was financed through a bank loan.

The deferred lease liability recognised in accordance with the rental straight-line-irrigation requirement of B1,017,000 increased by a further $63,000 during the year. This balance is expected to increase by an additional $63,000 (albeit at lower annual increments) for the next two financial years, whereafter it will become due for repayment at the end of the lease period.

With the exception of deferred revenue items of $1.3 million recognized in respect of the Group’s Pride and Select customer loyalty card schemes, net operating assets and operating liabilities have increased in line with the growth in the number of operating units.

- CASH FLOW

The Group’s net cash generated from operations was $35.1 million compared to $49.4 million in the prior year, reflecting the increased cash contribution from newly opened units as well as an improvement in the Group’s cash operating cycle.

The cash generated from operations was applied mainly to finance the Group’s continuing refurbishment programmes and to finance investment in Cresta Mahalanyo. The acquisition of the Cezar Hotel business in Jwaneng was financed wholly through loan capital.

Cash balances available at yearend will be utilized to finance the acquisition of Cresta Mahalanyo. The Group is exploring the prospects of new hotel developments in the nation.

FUTURE PROSPECTS

The group continues to explore new markets and opportunities in and outside the country for new hotel businesses with a view to increasing the number of rooms. This will include the development of market growth in Botswana.

Signed on behalf of the Board

M M Nthetho Chairman (18 March 2014)