BASIS OF PREPARATION

The summarised financial information for the twelve months ended 31 December 2014, have been extracted from the audited annual financial statements of the company for the same period.

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

FINANCIAL RESULTS

Group revenue increased by 7.9% to P193.2 million. Gross profit margin improved over-exceeded inflation rates in the primary economies in which we operate and bear testimony to the strength of our core business and value of the brand.

Owing to strict cost controls and improved marginal contributions at key units, profit before tax increased by 15.1%, well in excess of the growth in revenue.

Botswana Operations

The Botswana economy has remained sluggish during the period under review, with increased competition especially in urban areas such as Gaborone, Francistown and Chobe, challenging our dominant market share.

Consumers are becoming more price sensitive and are increasingly demanding more values for their spend.

Against this backdrop, the 4.5% revenue growth achieved from units which were operating on a like-for-like basis for both financial years, is very satisfactory.

Cresta Jwaneng, which has now operated for full year as a Cresta hotel, and Cresta Marang, which was subject to significant refurbishment during the 2013 financial year, contributed a further 4.8% to overall revenue growth for the company.

The company’s operating profit of P36.4 million reflects an operating margin of 13% (2012: 12%). This reflects strong cost control, the improved contributions to operating margins from Cresta Marang, where closure of rooms for refurbishment during 2013 resulted in negative margins and also a P2.0mn reduction in lease straight-line charges under MS17.

The company continues to innovate in order to attract and retain customers, with the rebanded Cresta Pride and Cresta Select loyalty schemes having 3,959 members at 31 December 2014 compared to 2,357 twelve months ago.

The company is seeing an increasing trend in spend and redemptions by these loyalty members and will continue to evaluate the range of benefits and conditions attaching to these schemes in order to enhance guest experience and loyalty.

Zambian Operations

Trading conditions in Zambia continue to be challenging, with conference and related activities from international donor organisations and Government having declined markedly.

The impact of this on Cresta Golfview has been exacerbated through increased competition activity from regional and international hotel brands in Lusaka itself.

The 3% year-on-year growth in revenues (in Kwacha terms) achieved by Cresta Golfview is thus very positive in light of these conditions. However, on the back of a strengthening of the Pula against the Kwacha, Cresta Golfview’s contribution to Group revenues decreased by P0.8m in 2014.

The unit recorded a loss for the year of P4.5m. (2013: P0.51m). Of this loss, approximately P3.0m is attributed to foreign exchange losses on the loan finance granted to the subsidiary by the Group, an impairment of goodwill in the subsidiary and one-off impairment of certain debtors.

During late 2014, Management implemented a specific strategy which is aimed at increasing revenues and eradicating losses at this unit. Based on results for the first quarter of 2015, this strategy is showing positive results and the Group is confident that the loss situation of the past can be reversed.

STATEMENT OF FINANCIAL POSITION

Total assets grew by 6.6% to P229.9m (2013: P215.1m). Equity grew by 11.5% to P145.1m (2013: P130.1m).

The P6.5m decrease in the carrying value of property, plant and equipment over the financial year reflects from the disposal of assets with net book values of P9.7m, depreciation P23.5m and additions of P19.1m. Most significant additions resulted from the refurbishment of the Cresta Rivers and Cresta Marang Gardens.

With the exception of deferred revenue items of P1.4m (2013: P1.2m) recognised in respect of the Group’s Pride and Select customer loyalty schemes, net operating assets have increased in line with the growth in the number of operating units.

The Group’s continues to operate an Employee Share Trust Scheme ("ESTS") for the benefits of its employees. This scheme is consolidated into the Group results.

The Group is currently exploring the possible restructuring of the ESTS in a manner which would allow for greater efficiency in the operation thereof, and improved rewards for and incentivisation of staff.

CASH FLOW

The Group’s net cash generated from operations was P413.3m compared to P54.8m in the prior year, reflecting the increased cash contribution from most units.

The cash generated from operations was mainly financed to fund the Group’s continuing roll over refurbishment programmes at Cresta Marang Gardens and Cresta Rivers and repayments of foreign loans.

Cash balances available at year-end standing at P45.8m (2013: P21.4m) will be utilised to finance the dividend distribution to shareholders and to fund the continuing refurbishment and investment activities of the Group.

DIRECTORATE

This Group welcomed a new Director Jennifer Dube to the Board in 2014. Apart from this appointment, there have been no changes in the directorate.

DIVIDEND

The Board of Directors of Cresta Maranakile Limited wishes to announce a declared dividend of 4 thebe per share for all Shareholders registered at the close of business on 8 May 2015 for payment on or about 22 May 2015.

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 reporting period that requires adjustments and or disclosure in the financial statements.

FUTURE PROSPECTS

This Group continues to explore new markets in an endeavor to increase returns.

The Group has entered into a 10 year lease agreement, with a landlord Premier Safaris (P) Ltd to lease their new 83 roomed hotel and conference centre to be built on this site.

The hotel is expected to be ready in 24 months. The lease agreement is also renewable for a further 10 years at the expiry of the initial lease term.

APPROPRIATION

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

We look forward to a fruitful year ahead.

Signed on behalf of the Board
M NNobolane
Chairman (18 March 2015)