FINANCIAL HIGHLIGHTS

- Group profits after tax P5.1m in June 2014 ↓ from a profit of P7.4m.
- Botswana operations profit after tax P9.3m ↑ in June 2014 from a profit of P8.8m in 2013.
- Group revenues ↑ 8.5% from P129m to P140m.
- Botswana operations revenue ↑ 12% from P116m to P130m.
- Group Occupancy ↑ 2.1% from 56.7% in prior period to 58.8% in 2014.
- Botswana operations occupancy ↑ 3.6% from 57.9% in prior period to 61.5%.
- Group Total Assets ↑ 8.5% to P214m.
- Botswana operations Total Assets ↑ 11% over prior period.

BASIS OF PREPARATION

The unaudited financial statements for the six months ended 30 June 2014, have been prepared under the historical cost convention, on same basis and using same accounting policies as set out in the Group’s Annual Financial Statements for the year ended 31 December 2013, which comply with International Financial Reporting Standards (IFRS).

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

OVERVIEW

The Group business performance for the half year was down against the backdrop of a notable decline in profitability of the Group from 2013.

Botswana Operations

The Botswana operations experienced a slow first quarter of the year. Second quarter of the year came up very strong and the operations posted good results in this quarter. Most of the growth achieved from local operations was as a result of the second quarter.

The second quarter experienced more travelers to most parts of the country thereby utilizing our facilities with a notable improvement at Cresta Mowanah Safari Resort and Spa.

The period under review saw the hotels in Botswana experiencing difficult trading conditions, with a decline in local business in the first quarter of the year.

Zambia Operation

This operation experienced a significant decline in business. This was partially due to more hotels coming up in Lusaka and making competition very stiff. It was also due to a number of NGOs relocating from Lusaka and some leaving the country.

These have led to occupancies dropping significantly and forcing management to reduce rates in order to fill the rooms. The reduction in prices led to a significant decline in average room rates for the hotel.

The operation recorded a loss for the half year period.

FINANCIAL RESULTS

The Group recorded an increase in revenue of 8.5% from P129m in 2013 to P140m in 2014. However, the Group’s revenues were diluted by the Zambia operation which recorded a 26% drop in revenue from P12.6m to P9.3m.

Zambia’s depressed revenue were largely due to the emergence of competition in the Lusaka area and reduced NGO business.

Further, the loss was exacerbated by the foreign exchange loss. This loss had a P2.3m impact on the current earnings of the Zambian operation. This is as a result of fluctuations of the exchange rate where the Kwacha weakened against the pula. It should be noted that the operation has got a Pula denominated loan facility with Cresta Marakanelo Ltd and thereby the weakening of the Kwacha or strengthening of the Pula, can cause some foreign exchange losses.

The Group achieved a profit after tax of P5.1 million compared to P7.4 million in the comparable period in 2013.

Botswana Operations

Botswana operations constitute 91.6% of our hotel group capacity. The operation’s revenues increased by 12% from P116m to P130m.

Occupancy grew 3.6% from 57.9% to 61.5%. This performance was achieved at the back of a disappointing first quarter of the year. Revenue growth was driven mainly by the Group’s volume strategy undertaken within the Group drove capacity utilization and regaining lost market share.

The operations recorded a 5% increase in profit after tax from P8.8m to P9.3m.

Zambia Operations

Revenues for this operation dropped by 26% from P12.6m to P9.3m due to the emergence of competition in the area. The recorded revenues are 6.8% of the Group’s revenues.

Occupancy was in line with previous period but the average room rate fell by 31%. The operation recorded a loss of P1.7m before foreign exchange loss for the period as a result of reduced business activity in the area.

EMPLOYEE INCENTIVISATION

The group operates an Employee Share Trust Scheme which was approved by the Shareholders at the Annual General Meeting held on 17 December 2010.

The scheme was established for the purpose of incentivizing and encouraging employees to contribute and share in the growth and profitability of Cresta Marakanelo Limited and to recognise and reward qualifying employees who have contributed to the growth of the company’s profitability. Employees benefit through receipt of dividends declared by the group to the Trust.

This Employee Share Trust Scheme has been consolidated into the Group.

DIVIDEND

A dividend of 5 c\textregistered\ was declared and paid during the period relating to the financial year 2013.

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.

FUTURE PROSPECTS

The Group continues to explore new markets in an endeavor to increase revenues by regularly evaluating opportunities for new hotel businesses both in and outside the country. Such expansion plans continue to be considered within the ambit of the Group’s overall growth strategy and sound commercial terms.

Signed on behalf of the Board

M M Nthebolan
Chairman

T Makaya
Managing Director