



# CHOBE HOLDINGS LIMITED

## CHOBE HOLDINGS LIMITED

("the Group" or "the Company")

Incorporated in the Republic of Botswana (Registration Number Co. 4543)

### AUDITED RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2014

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 28/02/2014 P'000's	Year ended 28/02/2013 P'000's
Revenue	172 764	145 317
Other operating income	3 305	3 247
Amortisation of intangible assets	(2 995)	(12 312)
Depreciation	(10 086)	(8 971)
Release of impairment of investment in associate	-	385
Other operating expenses	(117 947)	(95 482)
Operating profit	45 041	32 184
Finance income	716	2 033
Finance cost	(27)	(24)
Profit before income tax expense	45 730	34 193
Income tax expense	(11 909)	(7 830)
<b>Profit for the year</b>	<b>33 821</b>	<b>26 363</b>
<b>Other comprehensive income</b>		
Currency translation reserve	(302)	(176)
Other comprehensive income for the year	(302)	(176)
<b>Total comprehensive income for the year</b>	<b>33 519</b>	<b>26 187</b>
<b>Attributable to</b>		
Owners of the parent	33 438	25 947
Non-controlling interest	81	240
	<b>33 519</b>	<b>26 187</b>
Earnings per share (thebe) - basic	37.81	29.48
Dividend per share (thebe)	23.00	19.43
Number of shares in issue during the period	89 439 642	89 439 642
Number of bed nights sold	45 944	42 117

#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 28/02/2014 P'000's	As at 28/02/2013 P'000's
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	92 578	84 253
Land lease rights	59 083	22 953
Investment in associate	-	-
	<b>151 661</b>	<b>107 206</b>
<b>Current assets</b>		
Inventory	4 014	3 303
Trade and other receivables	6 792	7 052
Current income tax	3 056	5 375
Cash and cash equivalents	43 671	49 214
	<b>57 533</b>	<b>64 944</b>
<b>Total assets</b>	<b>209 194</b>	<b>172 150</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Stated capital	102 899	102 899
Foreign currency translation reserve	(761)	(459)
Retained income	51 032	34 666
	153 170	137 106
Non-controlling interest	321	240
Total equity	153 491	137 346
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Deferred tax	20 043	11 925
Deferred lease liabilities	2 287	-
	22 330	11 925
<b>Current liabilities</b>		
Borrowings	508	508
Trade and other payables	32 152	21 754
Current income tax	713	617
	33 373	22 879
Total liabilities	55 703	34 804
<b>Total equity and liabilities</b>	<b>209 194</b>	<b>172 150</b>

#### CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 28/02/2014 P'000's	Year ended 28/02/2013 P'000's
<b>Operating activities</b>		
Cash generated from operations	72 787	52 694
Interest paid	(27)	(24)
Income tax paid	(11 178)	(11 056)
Cash generated from operating activities	61 582	41 614
<b>Investing activities</b>		
Purchase of property, plant and equipment	(15 568)	(27 602)
Proceeds on sale of property, plant and equipment	1 921	830
Decrease in loan to associate	-	385
Cash paid on acquisition of subsidiary	(36 820)	-
Interest received	716	2 033
Net cash used in investing activities	(49 751)	(24 354)
<b>Financing activities</b>		
Net repayment of borrowings	-	(233)
Dividends paid	(17 374)	(18 782)
Net cash used in financing activities	(17 374)	(19 015)
Net decrease in cash and cash equivalents	(5 543)	(1 755)
<b>Movement in cash and cash equivalents</b>		
At beginning of period	49 214	50 969
Decrease in the year	(5 543)	(1 755)
At end of period	43 671	49 214
<b>Represented by:</b>		
Cash and cash equivalents	43 671	49 214

#### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital P'000's	Retained earnings P'000's	Stated currency translation reserve P'000's	Non-controlling interest P'000's	Total P'000's
Balance at 1 March 2013	102 899	34 666	(459)	240	137 346
Profit for the year	-	33 740	-	81	33 821
Other comprehensive income	-	-	(302)	-	(302)
Dividend paid (final 2014)	-	(17 374)	-	-	(17 374)
<b>Balance at 28 February 2014</b>	<b>102 899</b>	<b>51 032</b>	<b>(761)</b>	<b>321</b>	<b>153 491</b>

#### COMMENTARY

##### Highlights

- Profit after tax increases by 28%.
- A 9% increase in occupancy levels.
- 19% increase in revenue as a consequence of higher achieved rates, a weaker Pula against the US Dollar and increased capacity following acquisition.
- Costs contained at inflationary levels.
- Capital expenditure of P15.6 million financed from internally generated cashflows
- Cash and cash equivalents of P43.7 million.
- Negligible debt maintained.
- Acquisition of Moremi Safaris (Pty) Ltd for a cash consideration of P36.8 million financed from internally generated cashflows

##### Basic of Preparation

The audited abridged financial statements for the year ended 28th February 2014 have been prepared based on accounting policies which comply with International Financial Reporting Standards ("IFRS"). The accounting policies applied are consistent with those of the annual financial statements for the year ended 28th February 2013, as described in those annual financial statements.

##### Financial Results

On 1st August 2013, Desert and Delta Safaris (Pty) Ltd, a 100% subsidiary of the Company, acquired a 100% interest in Moremi Safaris (Pty) Ltd, owners and operators of Camp Xakanaxa, a 24-bed lodge in the Moremi Game Reserve. P36.8 million of the purchase price was paid to the vendors in August 2013 from internally generated cashflows. In terms of the sale agreement the balance of P1.0 million is payable to the vendors on 31st July 2014. The post-acquisition financial performance of Moremi Safaris (Pty) Ltd has fully justified the acquisition. The annual impairment tests of this business has also borne out this fact, with significant 'headroom' between the calculated 'value in use' of this cash generating unit and the carrying value of its net assets.

During the period under review bednights sold increased from 42117 in prior year to 45944. Camp Xakanaxa contributed 2264 bednights post-acquisition. Revenues however rose by 19% due to a significant increase in bednights sold in peak season, an increase in achieved bed rates in US Dollar terms, the weakening of the Pula against the US Dollar and increased capacity following the addition of Camp Xakanaxa.

An operating cost increase of 24% is considered satisfactory in light of increased volume of business, current inflation levels and the impact of expensing future lease rentals amounting to P2.3 million in compliance with International Financial Reporting Standards.

During the financial year ended 28th February 2012, the company sold, on suspensive terms, its 44% interest in Namibian Associate, Lianshulu Lodge (Pty) Ltd. The buyers have defaulted on the current year's payment of N\$880,000. The investment in this associate was fully written down in previous financial years and therefore no further financial impact is anticipated following this default. Legal action is currently being taken to secure payment in terms of the sale agreement.

The Group spent P15.6 million, financed from internally generated cashflows, on significantly improving existing equipment, buildings, as well as the purchase of additional equipment and new aircraft.

Your directors approved a phantom share scheme during the year ended 28th February 2013 which allows the group's employees to participate in the dividend distributions of the group. The scheme allows all qualifying staff to share equally in a bonus which is calculated to be equal to the value of dividends attaching to three million shares in the Company. A total of P630,000 was distributed amongst qualifying employees during the year ended 28th February 2014.

##### Audit report

As we had indicated in our 2009 release of results, the write-off of goodwill in that period continues to result in a qualification of the audit opinion by the Group's auditors on the basis that the write-off remains unnecessary under IFRS, the Group's net assets accordingly are understated by P30.3 million at the financial year-end. The Board remains of the view that the write off of the goodwill was in the best interest of the Group.

##### Leases

During the financial year, two of the Company's subsidiaries participated in tender processes for the lease, utilisation and management of Camp Okavango and Shinde Camp for non-consumptive tourism purposes. The tender results are yet to be announced. Leases for the two camps have in the meantime been extended to 30th June 2014. Shareholders are advised that non-

renewal of these leases would have a negative impact on the Group's profitability. However, the Company's Directors are confident that the leases will be re-awarded to the Company's subsidiaries under terms and conditions that are acceptable to the Group, given that the subsidiaries have first right of refusal on renewal of leases.

##### Future Outlook

An increase in confirmed and provisional bookings for the year ended 28th February 2015, when compared to the same stage in prior year, suggests a satisfactory increase in revenue for the Group will be achieved in the forthcoming financial year.

Continued investment in modernising its aircraft fleet will enable the Group to deliver the high standards expected by its clientele while significantly reducing maintenance costs associated with older aircraft.

Synergies in marketing, operating and administrative structures following the acquisition of Moremi Safaris (Pty) Ltd are anticipated to be realised during the forthcoming financial year.

The quality of the wildlife experience in the country's Game Reserves and National Parks, other than private concessions, may decline due to our sharing of these resources with others, failure to manage tourist pressures adequately, and if not corrected, will negatively affect Botswana's position as a "high end low volume" tourist destination and by extension the Group's revenue and profitability in the medium to long term.

##### Dividends

In keeping with the Company's dividend distribution policy, the solvency requirements of the Companies Act, 2003, your Directors have declared a dividend of 23 thebe per share, payable to shareholders registered at the close of business on 13th June 2014 for payment on 27th June 2014.

##### Unclaimed Dividends

The Directors wish to bring to the notice of shareholders that there are certain amounts of unclaimed dividends in the Company's records. Shareholders are reminded to contact the Transfer Secretaries to claim their outstanding dividends.

By order of the Board of Directors

J M Gibson, CEO & Deputy Chairman  
20th May 2014