



# CHOBE HOLDINGS LIMITED

## CHOBE HOLDINGS LIMITED

("the Group" or "the Company")

Incorporated in the Republic of Botswana (Registration Number Co. BW00001487283)

### UNAUDITED ABRIDGED RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2020

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 31/08/2020 P'000's Unaudited	6 months ended 31/08/2019 P'000's Unaudited	Year ended 28/02/2020 P'000's Audited
Revenue	17 384	227 160	373 941
Other operating income	2 944	12 391	21 912
Amortisation of intangible assets	(2 619)	(2 683)	(5 637)
Depreciation	(19 649)	(19 474)	(37 174)
Other operating expenses	(39 566)	(110 339)	(215 479)
Operating (loss) / profit	(41 506)	107 055	137 563
Finance income	8	324	360
Finance cost	(1 788)	(1 764)	(3 791)
Share of net loss of associates accounted for using equity method	(461)	(482)	(866)
(Loss) / profit before income tax	(43 747)	105 133	133 266
Income tax credit / (expense)	8 588	(27 762)	(35 871)
<b>(Loss) / profit for the period</b>	<b>(35 159)</b>	<b>77 371</b>	<b>97 395</b>
<b>Other comprehensive income</b>			
Exchange difference on translation of foreign operations	(195)	(157)	(231)
Other comprehensive loss for the period	(195)	(157)	(231)
<b>Total comprehensive (loss) / income for the period</b>	<b>(35 354)</b>	<b>77 214</b>	<b>97 164</b>
<b>Attributable to</b>			
Owners of the parent	(35 412)	77 154	97 059
Non-controlling interest	58	60	105
	(35 354)	77 214	97 164
Earnings per share (thebe) - basic	(39.38)	86.44	108.78

#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31/08/2020 P'000's Unaudited	As at 31/08/2019 P'000's Unaudited	As at 29/02/2020 P'000's Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	258 515	244 518	260 332
Right of use assets	38 277	38 815	40 608
Goodwill	54 227	54 227	54 227
Land lease rights	71 680	76 943	74 142
Other intangible assets	1 702	2 012	1 859
Investment in associate	2 299	3 145	2 761
Deferred income tax assets	7 479	3 735	3 403
	434 179	423 395	437 332
<b>Current assets</b>			
Inventory	10 458	12 256	11 463
Trade and other receivables	6 333	45 569	18 315
Current income tax receivable	2 639	662	2 388
Cash and cash equivalents	33 605	57 083	63 733
	53 035	115 570	95 899
<b>Total assets</b>	<b>487 214</b>	<b>538 965</b>	<b>533 231</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	102 899	102 899	102 899
Foreign currency translation reserve	(1 645)	(1 376)	(1 450)
Other reserve	5 296	-	5 296
Retained income	231 320	251 854	266 537
	337 870	353 377	373 282
Non-controlling interest	1 015	912	957
<b>Total equity</b>	<b>338 885</b>	<b>354 289</b>	<b>374 239</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	17 502	20 960	22 967
Lease liability	51 607	49 782	52 836
	69 109	70 742	75 803
<b>Current liabilities</b>			
Lease liability	2 690	2 762	2 777
Current income tax payable	4 177	5 688	4 389
Advance travel receipts	31 797	40 024	31 543
Trade and other payables	40 556	65 460	44 480
	79 220	113 934	83 189
<b>Total liabilities</b>	<b>148 329</b>	<b>184 676</b>	<b>158 992</b>
<b>Total equity and liabilities</b>	<b>487 214</b>	<b>538 965</b>	<b>533 231</b>

#### CONSOLIDATED STATEMENT OF CASH FLOWS

	6 Months ended 31/08/2020 P'000's Unaudited	6 Months ended 31/08/2019 P'000's Unaudited	Year ended 29/02/2020 P'000's Audited
<b>Operating activities</b>			
Cash (used in) / generated from operations	(10 245)	118 457	170 090
Interest paid	-	(40)	(103)
Income tax paid	(1 404)	(24 019)	(32 808)
Cash (used in) / generated from operating activities	(11 649)	94 398	137 179
<b>Investing activities</b>			
Purchase of property, plant and equipment	(15 670)	(13 494)	(45 891)
Proceeds on sale of property, plant and equipment	286	1 131	572
Payment for acquisition of subsidiaries	-	(25 000)	(25 000)
Payment for acquisition of leasehold rights	-	(10 077)	(10 077)
Interest received	8	324	360
Net cash used in investing activities	(15 376)	(47 116)	(80 036)
<b>Financing activities</b>			
Lease rental paid	(3 103)	(2 592)	(5 803)
Dividends paid	-	(53 664)	(53 664)
Net cash used in financing activities	(3 103)	(56 256)	(59 467)
Net decrease in cash and cash equivalents	(30 128)	(8 974)	(2 324)
<b>Movement in cash and cash equivalents</b>			
At beginning of period	63 733	66 057	66 057
Decrease in the period	(30 128)	(8 974)	(2 324)
At end of period	33 605	57 083	63 733
<b>Represented by:</b>			
Cash and cash equivalents	33 605	57 083	63 733

#### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent					Total P'000's
	Stated capital P'000's	Retained earnings P'000's	Foreign currency translation reserve P'000's	Other reserves P'000's	Non-controlling interest P'000's	
Balance at 1 March 2020	102 899	266 537	(1 450)	5 296	957	374 239
(Loss) /profit for the period	-	(35 217)	-	-	58	(35 159)
Other comprehensive loss	-	-	(195)	-	-	(195)
<b>Balance at 31 August 2020</b>	<b>102 899</b>	<b>231 320</b>	<b>(1 645)</b>	<b>5 296</b>	<b>1 015</b>	<b>338 885</b>

#### HIGHLIGHTS

- Occupancy levels down by 87%.
- A 92% decrease in revenue.
- A 64% decrease in operating costs.
- A 139% decline in operating profits.
- A 145% decline in profits after tax.
- Cash and cash equivalents declined to P33.6 million.
- Government wage subsidy received P3.5 million.

#### BASIS OF PREPARATION

The unaudited abridged financial statements for the half year ended 31st August 2020 have been prepared based on accounting policies which comply with International Financial Reporting Standards. The accounting policies applied are consistent with those of the annual financial statements for the year ended 29th February 2020, as described in those annual financial statements.

#### FINANCIAL RESULTS

The business model of Chobe Holdings is based almost totally on high end wildlife tourism. Prior to the arrival of COVID-19 the group was anticipating its best year ever in terms of already confirmed bookings. Early in the half however, the onset of the COVID-19 lockdown brought our business to an almost complete halt from that date onwards. Revenues collapsed overnight, but many expenses remained in the form of payrolls, the cost of disposing of perishable food and beverage items, lease fees to local and central government and the necessity to secure and maintain properties and equipment in the hope of a resumption of business in the not too distant future.

In consideration of the obvious consequences of the pandemic your directors implemented as many cost saving measures as reasonably possible. In doing so we recognised that the two greatest strengths of the group were the excellence and location of its properties as well as our longstanding and committed staff across the board, both would have to be protected at all costs to ensure a quick recovery in the event of restrictions being lifted. Accordingly, we have during the period under review sought to secure and maintain our properties to the highest standards and in many instances used the time to effect improvements. With the view of preserving cash resources, salaries and wages have been reduced, the lowest paid least so with greater cuts going up the pay scale to a maximum of a 75% reduction. The tourism accommodation entities of the group have been fortunate to be able to take advantage of the wage subsidy offered by the government which has greatly contributed to shoring up the group's financial reserves.

To protect and preserve bookings already made, and most often pre-paid for in whole or part, our marketing and reservations teams embarked on a "don't cancel, defer strategy" which was well received by most in anticipation that the closure of

borders would be relatively short. As however the timeline of the crisis lengthens there is pressure to refund some prospective travellers, a fraught situation as many tour operators through whom they originally booked are no longer in operation thanks to the COVID-19 crisis and secondly, in the case where the tour operator is still operational, we have no way to ensure our repayment to that tour operator will find its way back into the hands of the traveller in whole or part.

In the latter part of the half we recognised that there was an opportunity to attract domestic tourism particularly over public holiday periods and if priced at an affordable level. Having decided to offer destinations not normally accessible to the public given cost thresholds, we reached out on mainly social media platforms. The response received has been generally positive over weekends and particularly over public holidays, in economic terms however the results have been somewhat less than encouraging given the costs of mobilising staff to remote destinations and the stop start nature of tourist flows. The exercise however has demonstrated there is a strong desire to experience these areas which suggests to us as a group that we need to relook at our citizen and regional rates as well giving consideration as to how to reach out to local travel once normal trade resumes.

Prior to the onset of the crisis we had contracted for the full rebuild of Shinde, a 16 bed camp in our Ker Downey Botswana stable. These works, somewhat delayed by the constraints of COVID-19, have now recently been completed to our full satisfaction, after the reporting period. This property together with all others are ready to resume trade whenever travel restrictions are lifted.

#### FUTURE OUTLOOK

Whilst we as a group, together with our client base and forward bookings, are ready to resume trade at a moment's notice, we are entirely dependent on the reopening of travel restrictions by central government who carry the burden of making difficult decisions in times of rapidly changing infection rates within the country, and more particularly so, in neighbouring states and further afield in our major source markets in the northern hemisphere. These factors are particularly relevant to the wildlife based tourism industry in the rural north as almost all tourism has historically flowed through neighbouring states via major hubs capable of receiving wide bodied jets from source markets ie, Johannesburg and Cape Town with centres such as Windhoek, Harare, Lusaka Livingstone and Victoria Falls to a lesser extent. Experience now demonstrates COVID-19 will be here for a time yet, that a vaccine will not be available to all immediately.

Vital for tourism to restart are thus adequate and time efficient testing protocols at our points of entry. For this to happen it is essential that our health authorities engage with their health peers in neighbouring states to create agreed common

standards of testing that are acceptable to both countries and to the travelling public.

The recent declaration of a State Of Emergency for a further six months was considered a further body blow to the industry, whilst the reasons for such a step are understood, the unfortunate perception abroad is that such declarations are occasioned by civil unrest and other calamities rather than an affliction effecting the whole world more or less equally. Besides this perception issue, many prospective travellers either believed that borders would remain shut for the next six months or found that they cannot get travel insurance to countries currently operating under a State of Emergency. Other countries have dressed similar edicts more sympathetically, State of Health Emergency etc. It is noteworthy on the other hand that both Kenya and Tanzania, our safari competitors on the continent, have opened to international travel for some while now, the consequence is that Southern Africa, and we in Botswana in particular, are rapidly losing our competitive edge in the marketplace, this will have negative consequences in the short and medium term for the industry as a whole, once our borders do finally open.

Thanks to the applying of substantial resources in the past to upgrade all operational assets and the complete rebuild of Shinde now completed, the requirement for future CAPEX needs are limited beyond the necessity to rebuild Xugana Island Lodge within the near future.

Whilst we can offer no definite views on when the group will be fully operational again, it should be noted that we went into the lockdown with a debt free and strong balance sheet. Despite the negative earnings during the half year under consideration our balance sheet remains sufficiently strong to sustain the group for some time yet before utilizing the substantial standby overdraft facilities already negotiated with a commercial bank.

In anticipation of the relaxing of movement rules, a decision has been made for further limited lodge re-openings in early December in the expectation of increased trade over the holiday period.

#### DIVIDENDS

In view of trading conditions, no interim dividend has been declared.

#### 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  
23rd October 2020



Directors  
J.M. Ngaranu-Macharia (Chairperson), J. M. Gibson (Deputy Chairman & CEO),  
J.A. Bescoby (British), A. C. Damba, B. D. Flatt, K. Ledimo, D. S. Ter Haar,  
A.M. Whitehouse (Australian), S.D.S. Fernando (Sri Lankan), L. Odumetse,  
J.K. Gibson (British)

Registered Office  
Plot 50371, Fairground  
Office Park, Gaborone

Postal Address  
P O Box 32, Kasane  
www.chobeholdings.co.bw

Transfer Secretaries  
DPS Consulting Services (Pty) Ltd  
P. O. Box 294, Gaborone

Independent Auditors  
PricewaterhouseCoopers  
PO Box 294 Gaborone