



CHOBE HOLDINGS LIMITED

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("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) |
| (Loss) / profit for the period | (35 159) | 77 371 | 97 395 |
| Other comprehensive income | | | |
| Exchange difference on translation of foreign operations | (195) | (157) | (231) |
| Other comprehensive loss for the period | (195) | (157) | (231) |
| Total comprehensive (loss) / income for the period | (35 354) | 77 214 | 97 164 |
| Attributable to | | | |
| 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 |
|--------------------------------------|---|---|---|
| ASSETS | | | |
| Non-current assets | | | |
| 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 |
| Current assets | | | |
| 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 |
| Total assets | 487 214 | 538 965 | 533 231 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| 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 |
| Total equity | 338 885 | 354 289 | 374 239 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Deferred income tax liabilities | 17 502 | 20 960 | 22 967 |
| Lease liability | 51 607 | 49 782 | 52 836 |
| | 69 109 | 70 742 | 75 803 |
| Current liabilities | | | |
| 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 |
| Total liabilities | 148 329 | 184 676 | 158 992 |
| Total equity and liabilities | 487 214 | 538 965 | 533 231 |

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 |
|---|--|--|--|
| Operating activities | | | |
| 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 |
| Investing activities | | | |
| 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) |
| Financing activities | | | |
| 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) |
| Movement in cash and cash equivalents | | | |
| 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 |
| Represented by: | | | |
| 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) |
| Balance at 31 August 2020 | 102 899 | 231 320 | (1 645) | 5 296 | 1 015 | 338 885 |

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