OUR VISION

The preferred brand in the hospitality industry

MISSION STATEMENT

Sunbird exists to provide excellent accommodation, catering and related hospitality services with the intention of increasing shareholder value

STATEMENT OF STRATEGIC INTENT

Sunbird will grow shareholder value by providing superior and innovative customer service, modern and up-market accommodation in a sustainable and socially responsible manner

GROUP PROFILE

SUNBIRD TOURISM LIMITED [STL] is a publicly quoted enterprise, listed on the Malawi Stock exchange in 2002 with the Government of Malawi being the largest shareholder (71%). Members of the public own 14.17 % and Mr. Noel Hayes owns 14.83%. Most employees exited from the Management share participation scheme and consequently the shareholding reduced to 0.44%, from 1.9%.

Having acquired shares previously owned by Air Malawi, the company now owns 100% shareholding in Catering Solutions Limited which is involved in airline catering at Chileka International Airport and institutional catering at other institutions in the country.

The Group has a total of seven hotels, all strategically located in Malawi's key business hubs and resort locations. With this portfolio, STL is by far the largest hospitality and tourism enterprise in Malawi. STL was incorporated in 1988 as a private company following the amalgamation and consolidation of hotels previously owned by the Government of Malawi under different investment vehicles. The company had been called Tourism Development and Investment Company of Malawi (TDIC) until 2000 when it changed its name to Sunbird Tourism Limited.

REGISTERED OFFICE	TRANSFER SECRETARIES	AUDITORS
28 Glyn Jones Road	National Bank	KPMG
Sunbird Mount Soche	Financial Management Services	MASM House
Blantyre	Henderson Street	Lower Sclater Road
	P.O. Box 1438, Blantyre	Blantyre

LISTING

The Ordinary shares of the Company are listed on the Malawi Stock Exchange. Our share price closed the year at MK7.00 having opened at MK6.50.

INVESTOR CORRESPONDENCE

For any queries, investors are requested to get in touch with
The Company Secretary
Sunbird Mount Soche,
28 Glyn Jones Road,
BLANTYRE

CHAIRMAN'S STATEMENT

Leonnard Chikadya
CHAIRMAN

MACRO – ECONOMIC ENVIRONMENT

In 2012 we reported on the challenging business environment in which we operated, especially in the first half of 2012 where the country experienced acute shortage of fuel and foreign currency forcing businesses to operate in very challenging circumstances. The business environment improved somewhat from April 2012 after major policy reforms aimed at aligning the macro-economic imbalances of the previous period. The reforms involved devaluation of the kwacha by almost 50%, the flotation of the kwacha exchange rate and the adoption of the automatic fuel pricing system. Consequently inter- bank lending rates went up to 25% at the highest while commercial lending rates ranged from 42 to 46%. This resulted in increased cost of business as a result of spiralling input and services costs and rising financing costs.

In 2013 the Malawi kwacha depreciated by 22.2 percent against the US dollar from its trading position of MK337.00/US$ registered in January to MK433.1491/US$ traded in December, 2013 while the inflation rate dropped from 34.6%in 2012 to 23.4% as at December 2013. All the above factors significantly impacted on our performance in the year.

In spite of the above background we nonetheless managed to register a good performance in a number of areas and delivered strong financial results consistent with our resolve and promise to increase shareholder value.

PERFORMANCE OVERVIEW 2013

At the beginning of 2013 business started on a slow note especially in January but quickly rebounded by February in which month hotels were achieving all their key performance indicators.

There was strong business growth particularly in the corporate and conference segments where performance boosted revenues by almost 50%. The main source market for the hotels continues to be the domestic market, which in the year accounted for 72% of business while the international segment contributed about 28%.

Total revenue increased by 55% per cent to MK8.5 billion, largely driven by higher room rates against a backdrop of the new rooms at Sunbird Capital and Sunbird Mount Soche. Sunbird is able to demonstrate the world class standards and quality to which it aspires, given adequate resources. However, it is important to highlight that the current debt position of the company is unsustainable. While the Board is pursuing an ideal funding structure through recapitalisation and other options, the resources currently channelled to debt repayment could be freed for new investment. Also required is the improvement of existing infrastructure in all the hotels which is mostly outdated and a challenge to efficient service delivery.

STRATEGIC ISSUES

The Group's governance is integrated with its business strategy. The Board's role is to monitor the performance of the Group against the strategy and to direct and guide management to implement any corrective measures which the Board may feel necessary to address any identified weakness. The Board also sets and monitors the achievement of management's performance objectives.

Our strategy of growing shareholder value through the provision of superior and innovative customer service seems to be paying dividends. The Group managed to increase profitability by 162% and to grow earnings per share by 172% from 64 tambala in 2012 to 174 tambala in 2013 while dividend payout increased by 57%, from 14t per share in 2012 to 22t per share in 2013. This is a demonstration of the resilience of the company, in spite of very difficult circumstances under which it operates.

During the month of September 2013, directors and executive managers held an Indaba at Mvuu Camp in Liwonde National Park, to critically review the company's strategic plan. Important strategic decisions were made at this meeting, which have long-lasting implications for the future direction of Sunbird. These planners also revised the Vision and Mission Statement to demonstrate clearly the far-reaching ambitions we have set ourselves in going forward.

At this same meeting the directors emerged from the review process convinced that one of the most important targets in the next twelve months is the achievement of recapitalisation. The Board is now committed to ensuring that this process is concluded within the next twelve months. There are countless benefits to be realised through the re-capitalisation, not least of which would be a greatly improved return on investment to our shareholders and the normalisation of our share price, grossly understated at present. It would also free-up significant cash flows for capital expenditure and enable the well-overdue improvements that are so badly needed at our properties. Given the combined wealth of experience of the directors and management, I have no doubt we are destined for exciting developments in the future.

SHARE PRICE & DIVIDENDS

According to the Malawi Stock Exchange the market was buoyant in the year registering a return on investment of 108.31% compared to 12.03% registered in 2012, an increase in both traded volume and value. Sunbird shares traded marginally and recorded a price gain, from MK6.50 to MK7.00 per share. The pedestal trading, only 16, 460, 350 shares in the whole year, is attributed in part to the low availability of the shares on the market. The Malawi Government owns 71% of the shares, with 14% owned by Mr. Noel Hayes. The remaining 15% is owned by the public and is available for trading but is assumed to be too low and unattractive for serious investors. It is the Board's hope that the recapitalisation plans which have been submitted to the Government of Malawi will soon be approved. This should not only open a window for new investors to participate in Sunbird but also help to raise the funds much needed for investing in new projects. Only then can Sunbird realise its full potential.

At the forthcoming Annual General Meeting the Directors will recommend the payment of MK33 million or 12 tambala per share as a final dividend for the year. During the year the company paid an interim dividend of MK27million or 10 tambala per share. This brings the total dividend for the year to MK60 million or 22 tambala per share.

CORPORATE GOVERNANCE

Sunbird Tourism Limited is committed to good corporate governance and subscribes to the principles of good corporate governance aimed at meeting internationally accepted standards.

The Board takes responsibility for the governance of the Group and, with the assistance of its appointed committees, continuously monitors and assesses the governance policies and processes as well as the need for the implementation of emerging ones.

Taking shareholders with us on our journey allows them to see how we run their business but also how the Board is committed to enhancing shareholder's value. I am therefore pleased to report that I realised a long-held dream of having minority shareholder representation on the Board. Mr. Noel Hayes owns 14 % of the shares in Sunbird and therefore in accordance with our Memorandum and Articles of Association (amended July 2012) he is entitled to representation on the Board. He joined the Board in June 2013 and his alternate is Mr. Benson Jere of National Bank. This doubles the number of shareholders representing minorities interests, now two.

New 'executive standard' bedrooms were opened at Sunbird Lilongwe, doubling the inventory of this room type to eight. They have proved very popular to our niche markets and in constant demand in Malawi's capital city

CONFLICT OF INTEREST

The directors are required to disclose their areas of conflict of interest at every Board and committee meeting. In terms of the established practice, they are also required to refrain from contributing to and abstain from voting on matters on which they have such conflict. On an ongoing basis, the directors are required to notify the company secretary in advance of any potential conflicts of interest through other directorships or shareholdings or associations or conflicts arising from specific transactions. A register of such interests is maintained by the company secretary as part of corporate records.

RISK MANAGEMENT

Effective management of risks and opportunities is important. With proper risk management processes and procedures we are able to deliver on the Group's strategic objectives, achieve sustainable shareholder value, protect the company's reputation while at the same time meeting the requirements of good corporate governance.

Since the company drives its five year strategic plan, the Board and management considers risk management as an input to, rather than as a substitute for, the business planning process. The company embraces the concept of enterprise-wide risk management where risks and opportunities are on a continuous basis, identified, assessed, prioritised and responded to across the enterprise. The finance and audit committee of the Board reviews quarterly risk reports.

BOARD AND MANAGEMENT

The following Board appointments occurred during the year:

Mr. Noel Hayes
from June 2013

Mr. Anderson Kulugomba
from April 2013

Ms. Elsie Tembo
from November 2013

The following directors resigned during the year:

Mr. Fletcher Zenengeya
up to May 2013

Mrs. Tressa Senzani
from May 2013 to November 2013

The Board welcomes the new directors to the Board and also extends its appreciation of their contributions to the directors who have left.

APPRECIATION

On behalf of the Board and on my own behalf, I would like to congratulate and thank both management and staff of the company for their diligence and dedication without which the commendable results realised during 2013 would not have been attained. I would also like to acknowledge, with appreciation, the invaluable support which I continue to receive from my colleagues on the Board and which has helped to steer the Group's business activities and strategies successfully in 2013. Sunbird is fortunate to have a mixture of board members with diverse backgrounds, skills and experience. Their contributions to the Board are reflected in the way the company continues to produce sustainable results year-on-year.

I also wish to recognise, with gratitude, the vital support, confidence, loyalty and trust that we have continued to receive from our shareholders, customers and other stakeholders within the industry

OUTLOOK

Though the business landscape is far from stable, we are cautiously optimistic that your company is well positioned not only to continue on its growth trajectory but also to play a vital role in the tourism sector. The hotel industry has become intensely competitive, but we have good reason to be confident that

with the strength of our brand, the in-depth market knowledge and professionalism of our management team, combined with consistently good performance on all parameters, we should be able to overcome the competition, mitigate any risks, and take advantage of all profitable opportunities to sustain our performance year-on-year

We are also optimistic that we will make progress with our proposals for easing the company's debt burden. This is an exciting prospect for the company as we will then have the necessary resources to refresh the hotels and maintain our leadership in the industry. However in order to complement our efforts there remains much to be done in terms of tourism infrastructural development, access into the country, the promotion of Malawi as a tourist destination and incentives to the industry. In access terms we greatly welcome the introduction of Malawian Airlines which increases considerably the number of options for getting to Malawi.

Malawi will be holding its first tripartite General Elections on 20th May 2014 to elect the President, members of parliament and counsellors. The year 2014 is also a year of reflection as the country celebrates the Silver Jubilee of 50 years of independence. This company is proud to be able to trace its beginnings to the very first years of nationhood with the building, in the sixties, of the Mount Soche and Nkopola hotels. This year both events will generate much public interest locally and internationally and we intend to take full advantage of them to promote our brand to the travelling public as well as our international visitors.

Leonnard Chikadya
CHAIRMAN

CHIEF EXECUTIVE'S REPORT

OPERATING ENVIRONMENT

The 2013 trading year continued to build on the strong recovery that started in the second-half of 2012. In fact, revenue growth far exceeded our expectations, ending the year MK1.55 billion ahead of the budgeted MK6.37 billion.

Roger M Gardner
CHIEF EXECUTIVE

This growth was largely due to a healthy growth in our occupancies, up 4,289 room nights year-on-year at 57.3% compared to 55.3% in 2012. Furthermore, through careful attention to our revenue yielding strategies, our average room rate grew by 56% over 2012. This was all part of a strategic plan to raise our room rate yielding to levels which provide for adequate maintenance and future refurbishment programmes.

Administration and other expenses increased by 46%, largely due to increased trading during the year and the rising costs of goods and services.

Financing costs increased from MK558 million in 2012 to MK1 billion in 2013 as a result of increased interest rates during the year. We continue to incur financing costs on project loans acquired to fund the recent rooms refurbishment programme.

In fact, loan interest payments distorts what would otherwise have been a significant improvement in our profit performance and highlights the need to rid the company of this debt burden through a re-capitalisation of our share capital base as explained in the Chairman's Statement.

PROFIT AFTER TAX

Through continuing tight controls on expenditure across all cost centres, we were able to move profitability upward and, while we are still short of the US $ 1.52 million profit of 2010, the US $ 1.05 million of 2013 is a healthy doubling of 2012's $0.52 million bottom line.

The Group's profit after tax for the year ended 31st December 2013 increased by 162% from MK174 million in 2012 to MK457 million in 2013.

PEFORMANCE OF THE SUBSIDIARY

CATERING SOLUTIONS LTD

Total revenue was MK593 million compared to MK497 million achieved same period last year. Revenue growth on previous year performance was due to increase in number of operating outlets which led to growth in business volumes.

The subsidiary company reported a profit before tax of MK19 million compared to last year's profit of MK34 million.

OPERATIONS

EVENTS

For the second year running the Sand Music Festival , an International Arts Festival, held by Lake of Stars Limited and hosted by Sunbird Tourism Limited was held at Sunbird Nkopola Lodge. Going forward this will be an annual event to be held at our lake shore resorts.

SERVICE DELIVERY

Innovation is the pinnacle of our food offering and service . Therefore our new a la carte menus, cyclic table d'hote menus and buffet menus are changed at regular intervals in order to offer our guests something new and appealing every time. An annual chefs' competition was held in the year in order to encourage creativity, innovation and healthy competition amongst our chefs thereby improving food variety, taste and quality.

HEALTH AND SAFETY

We take health and safety issues very seriously. We therefore conduct quarterly quality inspections which also include health and safety audits to ensure hygiene and safety for both staff and guests and implement preventative measures in accordance with standard operating procedures.

All hotels carry out quarterly fire drills to ensure fire safety and prevention thereof.

Following two unfortunate incidents in the year we have also enhanced our safety procedures around our pools and the lake.

PROJECTS

Notwithstanding the tight cash flow constraints experienced throughout the year, I am pleased to report that several small projects were undertaken, aimed at improving our properties generally and which were either directly profit generating or at least aimed at stopping any loss of business as competition grows stronger around our hotels and resorts. These were:

- four new executive quality bedrooms at Sunbird Lilongwe, taking the inventory in this room type to eight and in constant demand;
- A new "4-star" bedroom block, comprising two executive bedrooms and two suites, at Sunbird Nkopola Lodge, intended to service the Lakeshore International Conference Centre's need for VIP delegates' accommodation. This also is proving to be highly successful;

A new 'up-market' bedroom block, of two executive bedrooms and two suites, was opened in 2013 at Sunbird Nkopola Lodge. These are intended to ease the demand for VIP delegates' accommodation while attending events at the Lakeshore International Conference Centre

- An upgrade of the port coch`ere / entrance at the Sunbird Capital
- Commencement of a new cocktail bar for the Viphya Restaurant at Sunbird Capital. Completion is planned for the second quarter of 2014.

It is also worth mentioning that, during the year, Sunbird acquired the shares previously held by Air Malawi Limited, in Catering Solutions Limited, which is now a wholly-owned subsidiary of Sunbird Tourism Limited. It was not an easy year for CSL, but we are hopeful that the advent of the new local airline, Malawian Airlines, as well as the increased frequency of other airline services to both Lilongwe and Blantyre, will significantly restore previous trading levels.

Sunbird continued throughout the year to operate the Bingu International Conference Centre and the adjacent banquet hall on behalf of the owners. Sunbird was also responsible for managing the BICC and all catering operations as well as the 14 Presidential villas for the SADC Presidential Summit in August 2013. I would like to think that Sunbird made a positive contribution to the success of the event.

All things considered and given the quality of service we have rendered at Umodzi Park for more than two years now, I remain confounded and disappointed that Sunbird has not ever been considered to manage the complex on a permanent basis, nor even been allowed to submit a proposal for consideration.

We continue to take advantage of our size to negotiate bulk supply arrangements with major suppliers to minimise the cost of goods and services. This largely contributes to our cost saving initiatives. Through this initiative we managed to achieve significant cost avoidance in 2013. We also ensure strict compliance with our procurement procedures and ensure that we only do business with companies which have ethical business practices.

SALES, MARKETING AND PUBLIC RELATIONS

Much attention was focused on the strengthening of our Sales team headed up by a seasoned professional Group Sales Manager and their contribution added substantially to our year end performance. In these difficult and competitive times their role has become increasingly important in growing our business and they have risen to the challenge very commendably.



Sales teams and General Managers fully utilised their empowered deal-making capabilities to book new accounts. Corporate contracting and the growth of our loyal customer base remained a priority, and an encouraging number of new corporate contracts were signed during 2012. Our marketing strategy is designed to maintain and build brand value and awareness while meeting the specific business needs of our operations.

CUSTOMER RELATIONSHIP MANAGEMENT

Unlike many hotel companies, our sales team is trained to sell the experience, not just the rate. By branding the "experience," we showcase the creativity within our hotels and prove that our guests come to us for much more than just a room or a bed.

We continued to build long-term customer relationships through intensified sales calls and soliciting calendars of events, reviving dormant accounts and getting market feedback and demands with the intention of enhancing our brand. We also pay great attention to the needs of our guests and address them in an effective manner.

MARKETING PROMOTION

In 2013, the Group promoted many special revenue generating activities. We conducted special conference and accommodation packages such as Dine & Win, Tidye and Picasso's Promotion, weekend rates promotion, Low Season packages and themed special promotions which were all very successful.

Our international market segment promotions included exhibition at the Gateway travel show in Johannesburg; WTM – London; Tete Fair – Mozambique, Indaba – Durban, ITB – Berlin and Meetings Africa in Johannesburg. The Malawi Travel Marketing Consortium continues to represent us in London.

MAIN MARKETING INITIATIVES

Our overall marketing strategy remained that of communicating a unique set of services to discerning hotel guests. We directed the focus of our guests to the issues of quality and value for their money. Some of the main initiatives we undertook were;

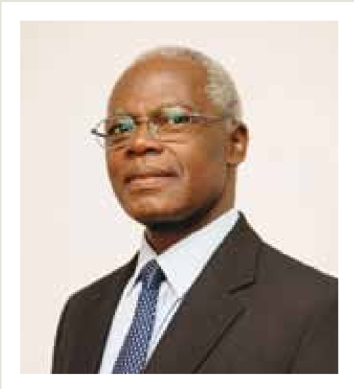
- Soliciting calendars of events
- Enhanced market intelligence
- Getting market feedback and demands
- Retaining dormant and lost business
- Enhanced site inspections
- Intensified sales call – to close deal at the end of each meeting
- Improved Sunbird bookers' incentive
- Tailor-made service delivery
- Building strong relationships with tour operators and timely delivery of special tour operator rates
- Brand visibility

DIRECTORS

Leonnard Chikadya
Chairman

Reagans Nkhoma
Director

Jimmy Lipunga
Director



Andrew Sesani
Director

Benson Jere, alternate to Noel Hayes
Director

LOYALTY PROGRAMME

The Sunbird loyalty programme, through its Premier Card, is a service and loyalty programme with a focus on driving guest satisfaction, recognition and differential services for our most loyal guests. In 2013 membership grew to 6,800 however we have ambitions to offer our loyal guests even more benefits. We have in the pipeline plans to improve the loyalty programme by partnering with a provider of outsourced loyalty and marketing programmes for hotels and other related services. Through this alliance we will be able to offer a brand-new multi-tier loyalty programme to our guests both within and outside the country.

BRAND VISIBILITY

We increased Sunbird brand visibility through our own website, social networking on Sunbird's Facebook page and Twitter, Alliance websites, Global Distribution Systems. These include: Expedia, International Vacation and Safari Now. The Sunbird brand enjoyed increased share of visibility through advertising in

MANAGEMENT

Elsie Tembo
Director

Roger Gardner
Chief Executive

Maureen Kachingwe
Company Secretary

Anderson Kulugomba
Director

Patrick Lisilira
Director of Finance

Felix Nakoma
Director of Operations

the daily press, national television and outdoor advertising throughout the country in strategic locations. Our presence at travel shows further increases in the visibility of our brand.

COMPETITION

The hospitality industry in Malawi remains highly competitive and fragmented. Competition is generally based on price and we made a strategic decision not to compete on price but rather in offering service quality that both meets and exceeds guests' needs and expectations as well as offering value for money. With this approach we were able to achieve 34% market share against the competition's 66% but we also attained a very competitive average room rate of MK33, 352 against the competitions' MK21, 286. This is testament to the effectiveness of our adopted policy - of avoiding price wars in favour of further service improvement.

CORPORATE SOCIAL RESPONSIBILITY

We also came to the realisation that our corporate social responsibility programmes lacked lustre and attention, resulting in the appointment of a Group Public Relations Manager to focus exclusively on this important aspect of our business. I am pleased to report that we have drastically overhauled our CSR programmes and are striving constantly to widen our attention to the needs of communities around the hotels.

Ubuntu: “I am because we are” The Group operates on this principle in achieving set Corporate Social Responsibility projects. It acknowledges that fact that Sunbird exists and has grown because of the excellent business it gets from customers both within the country and outside of it. The company therefore realises the importance of reaching out to and making a positive difference in the lives of those less privileged that reside in communities surrounding its units and wherever else a need to help out arises.

Even though the public relations function (with whom rests the responsibility of consolidating and implementing CSR projects for the Group) was established in the second half of the year and much of this time was spent on setting up the office and assessing areas where we could have the most impact, the company was able to initiate some commendable projects in 2013.

Perhaps the most significant in terms of impact was the Sunbird Search for a Star talent show that unearthed talent from all of Malawi’s three regions and gave budding musical artists the opportunity to nurture their gifts and gain national recognition. Prior to each big show, contestants undertook a social responsibility project at either an orphanage or a hospital to help instill within them a spirit of giving. A day before the grand finale, contestants, led by Sunbird Tourism Limited, distributed care packages, shared a meal with and sang Christmas Carols to new mothers at the Bwaila Maternity Wing in Lilongwe.

Sunbird Livingstonia and Sunbird Nkopola continued to provide safe and potable water to surrounding communities within Senga Bay and Mangochi respectively. Sunbird Nkopola donated blankets to flood victims in Monkey Bay and contributed towards various local council activities within their vicinity.

Sunbird Lilongwe, Capital and Mount Soche continued to provide weekly lunches to Chisomo Children’s Club in Lilongwe and Blantyre and treated the little ones to luncheons during public holidays and the festive season.

In coordination with Bongo International, Sunbird Mount Soche painted classroom blocks at Mulumbuzi Primary in Chilomoni. Later in the year, they invited children from Kondanani Children’s Centre in Bvumbwe for a special treat and donated linen to the Centre.

Going forward, the Group intends to make contributions that will be more meaningful and bring greater impact on the targeted beneficiaries. Its key focus areas are education, health and climate conservation and the Group will work to prove that charity “begins at Sunbird; the home of hospitality”.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

We realise that our business is people – focused. As such, staff are central to our planning and decision making processes. Staff is one key ingredient to our strategic success. With the changing nature of guest expectations, Sunbird believes the quality of our service offering will remain a key determinant in our customers' choice of Sunbird as their preferred hotels. With this understanding, substantial resources were invested in staff/management training, development and welfare programmes. Some of the key programmes undertaken in the year include management and leadership workshops for senior executives, hotel managers' exposure to hotels in Nairobi and Mombasa, operations and customer care skills training and landscape skills. We also sponsored a member of staff to pursue a Bachelor's degree at Mzuzu University. We also undertook in - house generic programmes in standard operating procedures to enhance service delivery. These initiatives are also aimed at maintaining and consolidating our position as a market leader in the hospitality industry in Malawi.

In the year the Group recruited seven management trainees as well as five technical apprentices to ensure that we have adequate human capital to fill any gaps created by departures from the company in supervisory and management cadres.

The company continues to offer incentives and to reward deserving employees who have performed exceptionally well in their respective jobs. The employees are sent on an exposure trip outside the country so that they can learn from similar establishments in the region. In the ensuing year, these selected employees were sent to Victoria Falls in Livingstone. Long service awards were presented to those who have served the company for more than ten years. Another exciting event which occurred in the year was the Group's Sports Festival where staff from all the hotels gathered in Lilongwe and competed in various sporting disciplines.

A computerised Human Resources information system was implemented during the year. The system brings enhanced efficiencies in the processing of information, Improved record keeping and easy retrieval of information while also achieving congruence with the payroll system.

The Group's staff complement for the year stood at 1,064 (previous year 945).

The company continued to enjoy a peaceful and productive work environment owing to the sound relationship which it enjoys with the union.

HIV/AIDS

The company is represented on the Malawi Business Coalition Against HIV and AIDS (MBCA) Board. This demonstrates our commitment to fight this pandemic which we consider as one of our major risks, threatening achievement of our strategic objectives directly or indirectly. In this connection, a number of training programmes and interventions in line with the company's HIV/AIDS Workplace Policy were also carried out.

Finally, I wish to pay tribute to my corporate office executive team and also to the management and staff of the hotels and resorts. Every hotel met and exceeded their budgets for the year which is no small achievement given the prevailing and difficult economic circumstances. Sunbird is graced with the finest team of professionals I have had the privilege to work with anywhere in my career and their contributions have been invaluable to Sunbird's present success.

In conclusion, I would like to thank the Chairman and directors for the excellent advice and clear direction given to us, making our tasks that much easier and focused. As I start my second term of office as chief executive of this great company, I thank God each day for the golden opportunity offered to me and assure all shareholders and stakeholders that management and I will work even harder to take Sunbird to greater heights. I pay special tribute to all staff members who continue to work tirelessly to give our guests that warm Sunbird smile as we strive to offer excellent services to all.

Roger M Gardner
CHIEF EXECUTIVE

SUNBIRD

Hotels and Resorts

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

The directors have pleasure in presenting their report together with the audited financial statements which comprise the group and the company financial statements for the year ended 31 December 2013.

NATURE OF BUSINESS

Sunbird Tourism Limited is a leading operator in the hospitality industry in Malawi and has as its main activity, the ownership, operation and management of seven hotel properties in Malawi. Catering Solutions Limited, a 100% owned subsidiary, is involved in the provision of catering services. Hotel Livingstonia Limited, a 100% owned subsidiary, is a dormant company.

INCORPORATION AND REGISTERED OFFICE

Sunbird Tourism Limited is a company incorporated in Malawi under the Malawi Companies Act, 1984, and is domiciled in Malawi. The company was listed on the Malawi Stock Exchange on 22 August 2002. The address of its registered office is:

28 Glyn Jones Road
P.O. Box 376
Blantyre
Malawi

CAPITAL

The authorised share capital of the company is MK14.0 million divided into 280,000,000 ordinary shares of 5 tambala each. The issued and fully paid up share capital is MK13.1 million divided into 261,582,580 ordinary shares of 5 tambala each.

The shareholders and their respective shareholdings are:

	2013 %	2012 %
MDC Limited	71.00	71.00
Members of the public	14.17	13.34
Noel Hayes	14.83	13.76
Prestige Management Company Limited	-	1.90
	100.00	100.00

The share price at the year-end was MK7.00 (2012: MK6.50) per share.

STATE OF AFFAIRS

The state of affairs of the Company and Group is set out on page 5 of the financial statements.

DIVIDEND

During the year, a dividend of MK20 million representing 7 tambala per share was paid in respect of the year ended 31 December 2012 and an interim dividend of MK27 million representing 10 tambala per share was paid relating to the year ended 31 December 2013 (2012: MK20 million representing 7 tambala per share).

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

CORPORATE GOVERNANCE

The Directors and Management are committed to the principles of Integrity and Accountability as advocated in the code of best practice and conduct as contained in Malawi Code II, Code of Best Practice to Corporate Governance in Malawi and complies with its provisions.

RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Group's financial risk management framework. The Board established the Finance and Audit Committee, which is responsible for developing and monitoring the Group's financial risk management policies as set out in Note 4 to the financial statements. The committee reports regularly to the Board of Directors on its activities.

DIRECTORATE

The following directors served in the office during the year:

Mr. L. Chikadya (Chairman)	-	throughout the year
Mr. R. Nkhoma	-	throughout the year
Mrs. K. Chiponda	-	throughout the year
Mr. J. Lipunga	-	throughout the year
Mr. A. Sesani	-	throughout the year
Mr. R. Mwadiwa	-	throughout the year
Mr. Noel Hayes	-	from June 2013
Mr. A. Kulugomba	-	from April 2013
Mr. F. Zenengeya	-	up to May 2013
Mrs. T. Senzani	-	from May 2013 to November 2013
Ms. E. Tembo	-	from November 2013
Mrs. M. Kachingwe	-	Company Secretary

The Company Secretary is not a director of the company.

Apart from Mr. Noel Hayes who is resident in Isle of Man, United Kingdom, the rest of the directors are resident in Malawi.

INDEPENDENT AUDITORS

The independent auditors, KPMG, have signified their willingness to continue in office and a resolution is to be proposed at the forthcoming Annual General Meeting in relation to their appointment as auditors in respect of the year ending 31 December 2014.

HOLDING COMPANY

The holding company is MDC Limited, a dormant company, which is wholly owned by the Malawi Government.

FOR AND ON BEHALF OF THE BOARD

(Director) **(Director)**

26 March 2014

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

The directors are responsible for the preparation and fair presentation of the annual consolidated and separate financial statements of Sunbird Tourism Limited comprising the statements of financial position as at 31 December 2013 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards, and in the manner required by Malawi Companies Act, 1984. In addition, the directors are responsible for preparing the directors' report.

The Companies Act also requires the directors to ensure the company and its subsidiaries keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and its subsidiaries and to ensure the financial statements comply with the Malawi Companies Act, 1984.

In preparing the financial statements, the directors accept responsibility for the following:

- Maintenance of proper accounting records;
- Selection of suitable accounting policies and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards, when preparing financial statements, subject to any material departures being disclosed and explained in the financial statements; and
- Preparation of the group financial statements on a going concern basis unless it is inappropriate to presume the company will continue in business.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of group financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management. The directors' responsibility includes, designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of consolidated and separate annual financial statements

The consolidated and separate annual financial statements of Sunbird Tourism Limited were approved for issue by the Board of Directors on 26 March 2014 and were signed on its behalf by:

(Director)
26 March 2014

(Director)

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SUNBIRD TOURISM LIMITED

KPMG
Public Accountants and Business Advisors
MASM House, Lower Sclater Road
P.O. Box 508
Blantyre, Malawi

Telephone: (265) 01 820 744 / 01 820 391
Telefax: (265) 01 820 575
E-mail: kpmg@kpmgmw.com

We have audited the accompanying consolidated and separate financial statements of Sunbird Tourism Limited, which comprise the statements of financial position at 31 December 2013 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes comprising a summary of significant accounting policies and other explanatory notes as set out on pages 30 to 64.

Directors' Responsibility for the Group Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Malawi Companies Act, 1984, and for such control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control system relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements give a true and fair view, in all material respects, the consolidated and separate financial position of Sunbird Tourism Limited at 31 December 2013, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Malawi Companies Act, 1984

KPMG

Certified Public Accountants and Business Advisors
Blantyre, Malawi

5 April 2014

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2013

In thousands of Malawi Kwacha

		GROUP		COMPANY	
	Note	2013	2012	2013	2012
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	6	13,757,269	13,604,404	13,594,698	13,553,257
Investment in subsidiaries	7	-	-	102,023	23
Total non-current assets		13,757,269	13,604,404	13,696,721	13,553,280
CURRENT ASSETS					
Inventory	8	784,936	515,723	767,944	492,154
Trade and other receivables	9	1,075,296	873,636	912,979	666,209
Amounts due from related parties	11	-	-	1,255	11,391
Income tax recoverable	24	8,157	85,422	-	27,794
Cash and cash equivalents	10	101,455	153,390	101,455	152,816
Total current assets		1,969,844	1,628,171	1,783,633	1,350,364
TOTAL ASSETS		15,727,113	15,232,575	15,480,354	14,903,644
EQUITY AND LIABILITIES					
Equity					
Share capital	12	13,079	13,079	13,079	13,079
Share premium		1,966	1,966	1,966	1,966
Revaluation reserve		5,969,774	5,932,021	5,876,883	5,917,851
Retained earnings		1,747,298	1,317,983	1,623,945	1,179,541
Equity attributable to equity holders of the parent company		7,732,117	7,265,049	7,515,873	7,112,437
Non-controlling interest		-	80,428	-	-
Total equity		7,732,117	7,345,477	7,515,873	7,112,437
NON CURRENT LIABILITIES					
Loans and borrowings	13	446,130	692,833	446,130	692,833
Corporate bond	14	1,540,000	1,140,000	1,540,000	1,140,000
Obligations under finance leases	15	112,597	75,631	112,597	75,631
Employee benefits	16	333,052	358,107	321,822	348,901
Deferred income-Government grants	6	30,799	46,864	30,799	46,864
Deferred tax liabilities	17	2,884,772	2,833,902	2,847,639	2,828,813
Total non-current liabilities		5,347,350	5,147,337	5,298,987	5,133,042
CURRENT LIABILITIES					
Bank overdraft	10	305,398	325,000	304,426	300,000
Trade and other payables	18	1,647,731	1,444,226	1,588,581	1,388,961
Employee benefits	16	236,282	128,948	236,282	127,617
Loans and borrowings	13	370,276	287,706	358,826	287,706
Corporate Bond	14	-	500,000	-	500,000
Obligations under finance leases	15	50,324	37,816	50,324	37,816
Deferred Income - Government grants	6	16,065	16,065	16,065	16,065
Amounts due to related parties	11	-	-	89,420	-
Income tax payable	24	21,570	-	21,570	-
Total current liabilities		2,647,646	2,739,761	2,665,494	2,658,165
TOTAL EQUITY AND LIABILITIES		15,727,113	15,232,575	15,480,354	14,903,644

The consolidated and separate financial statements were approved for issue by the Board of Directors on 26 March 2014 and were signed on its behalf by:

(Director) **(Director)**

The notes on pages 30 to 64 are an integral part of these group financial statements.
The Independent Auditors' Report is on page 23.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

In thousands of Malawi Kwacha

		GROUP		COMPANY	
	Note	2013	2012	2013	2012
Revenue	19	8,498,610	5,548,769	7,921,051	5,053,157
Cost of sales		(2,213,132)	(1,517,871)	(1,875,399)	(1,229,680)
Gross profit		6,285,478	4,030,898	6,045,652	3,823,477
Other Income	20	47,032	41,424	31,230	62,698
Administrative and other expenses	21	(4,740,185)	(3,271,873)	(4,515,247)	(3,097,530)
Results from operating activities		1,592,325	800,449	1,561,635	788,645
Finance expenses	22	(1,025,441)	(558,265)	(1,013,443)	(556,790)
Profit before income tax	23	566,884	242,184	548,192	231,855
Income tax expense	24	(109,880)	(67,582)	(97,671)	(58,581)
Profit for the year		457,004	174,602	450,521	173,274
Other comprehensive income, net of tax					
Items that will never be reclassified to profit or loss					
Revaluation of property, plant and equipment net of deferred tax		78,721	2,048,384	-	2,048,384
Total other comprehensive income for the year		78,721	2,048,384	-	2,048,384
Total comprehensive income		535,725	2,222,986	450,521	2,221,658
Profit attributable to:					
Owners of the Company		455,869	166,276	450,521	173,274
Non-controlling interests		1,135	8,326	-	-
		457,004	174,602	450,521	173,274
Total comprehensive income attributable to:					
Owners of the Company		534,590	2,214,660	450,521	2,221,658
Non-controlling interests		1,135	8,326	-	-
		535,725	2,222,986	450,521	2,221,658
Earnings per share (tambala)					
Basic and diluted	25	174	64		

The notes on pages 30 to 64 are an integral part of these group financial statements.
The Independent Auditors' Report is on page 23.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

In thousands of Malawi Kwacha

GROUP	Share capital	Share premium	Revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
2012							
At 1 January 2012	13,079	1,966	3,924,605	1,130,739	5,070,389	84,197	5,154,586
Total comprehensive income for the year							
Profit for the year	-	-	-	166,276	166,276	8,326	174,602
Other comprehensive income							
Revaluation surplus on property, plant and equipment	-	-	2,926,263	-	2,926,263	-	2,926,263
Deferred tax on revaluation surplus of property, plant and equipment	-	-	(877,879)	-	(877,879)	-	(877,879)
Realisation of excess depreciation, net of deferred tax	-	-	(40,968)	40,968	-	-	-
Total comprehensive income for the year	-	-	2,007,416	207,244	2,214,660	8,326	2,222,986
Transactions with owners of the company recognised directly in equity							
Dividend paid	-	-	-	(20,000)	(20,000)	(12,095)	(32,095)
At 31 December 2012	13,079	1,966	5,932,021	1,317,983	7,265,049	80,428	7,345,477

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

In thousands of Malawi Kwacha

GROUP	Share capital	Share premium	Revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
2013							
At 1 January 2013	13,079	1,966	5,932,021	1,317,983	7,265,049	80,428	7,345,477
Total comprehensive income for the year							
Profit for the year	-	-	-	455,869	455,869	1,135	457,004
Other comprehensive income							
Revaluation surplus on property, plant and equipment	-	-	112,459	-	112,459	-	112,459
Deferred tax on revaluation surplus of property, plant and equipment			(33,738)	-	(33,738)	-	(33,738)
Realisation of excess depreciation, net of deferred tax	-	-	(40,968)	40,968	-	-	-
Total comprehensive income for the year	-	-	37,753	496,837	534,590	1,135	535,725
Transactions with owners of the company recognised directly in equity							
Acquisition of non-controlling interest without change in control	-	-	-	(20,437)	(20,437)	(81,563)	(102,000)
Dividend paid	-	-	-	(47,085)	(47,085)	-	(47,085)
At 31 December 2013	13,079	1,966	5,969,774	1,747,298	7,732,117	-	7,732,117

The notes on pages 30 to 64 are an integral part of these group financial statements.

The Independent Auditors' Report is on page 23.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2013

In thousands of Malawi Kwacha

	Share capital	Share premium	Revaluation reserve	Retained earnings	Total
COMPANY					
2012					
At 1 January 2012	13,079	1,966	3,910,435	985,299	4,910,779
Total comprehensive income for the year					
Profit for the year	-	-	-	173,274	173,274
Other comprehensive income					
Revaluation surplus on property, plant and equipment	-	-	2,926,263	-	2,926,263
Deferred tax on revaluation surplus of property, plant and equipment	-	-	(877,879)	-	(877,879)
Realisation of excess depreciation, net of deferred tax	-	-	(40,968)	40,968	-
Total comprehensive income for the year	-	-	2,007,416	214,242	2,221,658
Transactions with owners of the company recognised directly in equity					
Dividend paid	-	-	-	(20,000)	(20,000)
At 31 December 2012	13,079	1,966	5,917,851	1,179,541	7,112,437
2013					
At 1 January 2013	13,079	1,966	5,917,851	1,179,541	7,112,437
Total comprehensive income for the year					
Profit for the year	-	-	-	450,521	450,521
Other comprehensive income					
Realisation of excess depreciation, net of deferred tax	-	-	(40,968)	40,968	-
Total comprehensive income for the year	-	-	(40,968)	491,489	450,521
Transactions with owners of the company recognised directly in equity					
Dividend paid	-	-	-	(47,085)	(47,085)
At 31 December 2013	13,079	1,966	5,876,883	1,623,945	7,515,873

The notes on pages 30 to 64 are an integral part of these group financial statements.
The Independent Auditors' Report is on page 23.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

In thousands of Malawi Kwacha

		GROUP		COMPANY	
	Notes	2013	2012	2013	2012
Cash flows from operating activities					
Cash receipts from customers		7,669,905	5,148,878	7,059,245	4,723,806
Cash paid to suppliers and employees		(5,934,788)	(4,093,071)	(5,362,200)	(3,694,810)
Cash generated from operations		1,735,117	1,055,807	1,697,045	1,028,996
Interest paid	22	(982,722)	(517,386)	(970,724)	(515,911)
Income tax paid	24	(44,468)	(89,157)	(29,481)	(18,522)
Net cash from operating activities		707,927	449,264	696,840	494,563
Cash flows from investing activities					
Purchase of property, plant and equipment	6	(415,262)	(260,517)	(411,520)	(255,580)
Dividends received		-	-	-	22,461
Interest received		4,659	1,022	-	-
Proceeds from sale of plant, property and equipment		12,941	11,963	12,941	10,996
Net cash used in investing activities		(397,662)	(247,532)	(398,579)	(222,123)
Cash flows from financing activities					
Proceeds from medium term loans		167,527	127,795	142,527	127,795
Repayment of borrowings		(470,027)	(215,151)	(456,477)	(215,151)
Dividends paid to non-controlling interests		-	(12,095)	-	-
Dividends paid to owners of the Company		(47,085)	(20,000)	(47,085)	(20,000)
Net cash utilised from financing activities		(349,585)	(119,451)	(361,035)	(107,356)
Net (decrease)/ Increase in cash and cash equivalents		(39,320)	82,281	(62,774)	165,084
Cash and cash equivalents at beginning of the year		(171,610)	(260,222)	(147,184)	(318,599)
Effect of exchange rate fluctuations on cash held		6,987	6,331	6,987	6,331
Cash and cash equivalents at end of the year	10	(203,943)	(171,610)	(202,971)	(147,184)
Additional statutory disclosures					
Net movement in working capital		433,788	(643,047)	425,940	(636,364)

The notes on pages 30 to 64 are an integral part of these group financial statements.
The Independent Auditors' Report is on page 23.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

1. REPORTING ENTITY

Sunbird Tourism Limited ('the company') is a company incorporated in Malawi.

The company is a subsidiary of MDC Limited, a dormant company incorporated in Malawi. The ultimate shareholder is the Malawi Government.

The Group comprise the company and its subsidiaries (together referred to as 'the Group' and individually as 'Group Companies'); Catering Solutions Limited and Hotel Livingstonia Limited. The subsidiaries are incorporated in Malawi.

The main business of the company and its subsidiaries is the provision of hotel accommodation, catering and related tourist services. The postal address of its principal business and registered office is: Sunbird Tourism Limited, P.O. Box 376, Blantyre, Malawi. Sunbird Tourism Limited is listed on the Malawi Stock Exchange.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Malawi Companies Act 1984. They were authorised for issue by the Company's board of directors on 26 March 2014. Details of the Group's accounting policies, including changes during the year, are included in notes 3 to 5.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain property, plant and equipment which is measured at fair value.

c) Functional and presentation currency

These financial statements are presented in Malawi Kwacha, which is the company's functional currency. Unless specifically expressed, all financial information is presented in Malawi Kwacha and has been rounded to the nearest thousand.

d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS, require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with significant risk of material adjustment in the next year are discussed in note 5.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

In thousands of Malawi Kwacha

e) Changes in accounting policies

Except for the changes below, the company has consistently applied the accounting policies as set out in note 3 to all periods presented in these financial statements.

The company has adopted the following new standards and amendments to standards including any consequential amendments to the other standards with a date of initial application of 1 January 2013.

a. Presentation of items of other comprehensive income (Amendment to IAS 1)
b. IFRS 13 Fair value measurement
The nature of the effects of the changes are explained below.

a) Presentation of items of other comprehensive income
As a result of amendment to IAS 1, the company has modified the presentation of items of other comprehensive income in its statement of profit or loss and other comprehensive income, to present items that would be classified to profit or loss in the future separately from those that would never be. Comparative information has been represented on the same basis.

b) Fair value measurement
In accordance with the transitional provision of IFRS 13, the Company has applied the new definition of fair value, as set out in note 4 prospectively. The change had no significant impact on the measurement of the company's assets and liabilities, but the company has included new disclosures in the financial statements which are required under IFRS 13. These new disclosure requirements are not included in the comparative information. However to the extent that disclosures were required by other standards before the effective date of IFRS 13, the Company has provided relevant comparative disclosures under those standards.

f) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2013, and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these early:

- ***IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009);*** IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

  IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of IFRS 9 (2010) is expected to have an impact on the Group's financial assets, but not any impact on the Group's financial liabilities.

- IAS 32 'Offsetting Financial Assets and Financial Liabilities' will be adopted by 1 January 2014 for the first time for the financial reporting year ending 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

In thousands of Malawi Kwacha

2. BASIS OF PREPARATION (CONTINUED)

f) New standards and interpretations not yet adopted (continued)

The IASB issued an amendment to clarify the meaning of "currently has a legally enforceable right to set off the recognised amounts". This means that the right of set-off:

- must not be contingent on a future event; and
- must be legally enforceable in all of the following circumstances:
- the normal course of business;
- the event of default; and
- the event of insolvency or bankruptcy of the entity and all of the counter parties.

  The Company is currently assessing the impact of the amendment on the Company's financial position and performance.

- IFRS 7 'Financial Instruments - Mandatory effective date and transition disclosures (amendments to IFRS 9 and IFRS 7)'.

  Mandatory effective date for IFRS 9 is 1 January 2015. The amendments to IFRS 7 depend on when IFRS 9 is adopted and affect the extent of comparative information required to be disclosed. This does not have any impact on the Company.

- IFRS 9 'Financial Instruments: Classification and measurement' will be adopted by 1 January 2015 for the first time for the financial reporting year ending 31 December 2015.

  IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated and separate financial statements, and have been applied consistently by group entities.

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries, Catering Solutions Limited and Hotel Livingstonia Limited. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control is achieved where the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The accounting policies of subsidiaries are aligned to policies adopted by the "Group".

All intra-group transactions have been eliminated. Intra-group balances and unrealized income and expenses arising from inter-group transactions are eliminated. Unrealized gains arising from transactions with subsidiaries are eliminated against the investment to the extent of the Group's

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

In thousands of Malawi Kwacha

interest in the subsidiary. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Non-Controlling Interest (NCI) are measured at their proportionate share of the acquire's identifiable net assets at the acquisition date.

Changes in Ownership Interests in Subsidiaries without change of Control

After control is obtained, changes in ownership interests that do not result in loss of control are accounted for as equity transactions-that is-as transactions with owners in their capacity as owners. This means that no gain or loss from these changes should be recognised in profit or loss. It also means that no change in the carrying amounts of the subsidiary's assets or liabilities should be recognised as a result of such transactions.

3.2 Property, plant and equipment

Buildings for the supply of goods or services, or for administrative purposes, are measured at their re-valued amounts, being the fair value at the date of revaluation, less accumulated depreciation and any impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such property is credited to a non-distributable revaluation reserve through the consolidated statement of other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such property is charged to the profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset. Depreciation on re-valued property, plant and equipment is recognised in profit or loss. On the realization of re-valued property, either through sale or use, the attributable revaluation surplus in the revaluation reserve is transferred directly to retained earnings. When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Work in progress, being properties in the course of construction for production or administrative purposes are measured at cost, less any recognised impairment loss. Cost includes cost of self-constructed assets including the cost of materials and direct labour and any other costs directly attributable to bring the asset to a working condition and its intended use and the cost of dismantling and carrying the items and restoring the site on which they are located.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company or Group and its cost can be measured reliably and the carrying value of the replaced part is derecognised. The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred. Professional fees directly attributable to qualifying assets and borrowing costs are capitalised. Depreciation of these assets, on the same basis as other property assets, commences when the assets are available for their intended use.

Plant, vehicles and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. When components of property, plant and equipment have different useful lives they are accounted for as separate items (major components) of property, plant and equipment and depreciated based on the components useful lives.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

In thousands of Malawi Kwacha

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Property, plant and equipment (continued)

Depreciation is charged so as to write off the cost or valuation of assets, less estimated residual values, over their current estimated useful lives, using the straight-line method as follows. The estimated useful lives for the current and comparative period are as follows:

Freehold property	-	33 – 50 years
Leasehold property	-	33 – 50 years
Plant, vehicles and equipment	-	4 - 10 years

Useful lives, depreciation methods and residual values are re-assessed annually. Freehold Land, Long-term Leasehold Land and work in progress are not depreciated.

The gain or loss arising on the sale or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Leased assets

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term

3.3 Inventories

Inventories consist of foodstuffs, consumables, crockery and linen. Inventories are measured at the lower of cost and net realisable value. The cost of inventory is based on the first-in-first out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.4 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in other comprehensive income.

The current tax is based on the taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Group financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or by different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity or other comprehensive income.

Additional income taxes that arise from distribution of dividends are recognised at the same time as a liability to pay the related dividend is recognised.

3.5 Foreign currency translations

The results and financial position of the company are presented in Malawi Kwacha, which is the functional currency of the Company and the presentation currency of the Group financial statements.

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3.6 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Short-term benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Revenue from sales of goods and services is recognised when the significant risks and rewards of ownership have been transferred to the buyer, it is probable that the economic benefit associated with the transaction will flow to the company, the associated costs and amount of revenue of goods can be measured reliably and there is no continuing management involvement with the goods.

For accommodation revenue the transfer of risks and rewards occurs when a customer's reservation is confirmed. For catering revenue transfer occurs when a customer's order is confirmed.

3.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Group capitalises during a period shall not exceed the amount of borrowings costs it incurred during the year.

All other borrowing costs are recognised in the profit or loss using the effective interest method.

3.9 Leased assets

Assets held by the Group under leases which transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

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Determining whether an arrangement contains a lease
At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

3.10 Provisions
Provisions are recognised when the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that the Group and the Company will be required to settle that obligation. Provisions are estimated at the directors' best estimate of the expenditure required to settle the obligation at the reporting date.

3.11 Financial instruments
Recognition
On initial recognition, a financial asset or financial liability is measured at fair value plus directly attributable transaction costs, unless the instrument is classified as at fair value through profit or loss. Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Derecognition
Financial assets are derecognised if the company's contractual rights to the cash flows from the financial assets expire or if the company transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the company's obligations specified in the contract expire or are discharged or cancelled.

Offsetting
Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a company of similar transactions such as in the company's trading activity.

Fair value measurement
The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques.

NOTES TO THE FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
3.11 Financial instruments (Continued)

Trade receivables
Trade receivables are measured on initial recognition at fair value, being the consideration expected to be received on settlement plus directly attributable costs. Subsequent measurement is at amortised cost using the effective interest method less impairment losses. Appropriate impairment allowances are recognised in the profit or loss when there is objective evidence that the asset is impaired.

Amounts due from related parties
Amounts due from related parties are measured on initial recognition at fair value, being the consideration expected to be received on settlement plus directly attributable costs. Subsequent measurement is at amortised cost using the effective interest method less impairment losses. Appropriate impairment allowances are recognised in the profit or loss when there is objective evidence that the asset is impaired.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value. Cash and cash equivalents are measured at amortised cost. For the purposes of the statement of cash flows, cash and cash equivalents include bank overdrafts.

Bank borrowings
Interest-bearing bank loans and overdrafts are initially measured at fair value plus transaction costs, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs (see above).

Corporate bonds
Corporate bonds are initially measured at fair value plus transaction costs and are subsequently measured at amortised cost.

Trade payables and accruals
Trade payables are initially measured at fair value, being the amount expected to be incurred on settlement plus directly attributable transaction costs. Subsequent measurement is at amortised cost using the effective interest method.

Amounts due to related parties
Amounts due to related parties are initially measured at fair value, being the amount expected to be incurred on settlement plus directly attributable transaction costs. Subsequent measurement is at amortised cost using the effective interest method.

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3.12 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset that can be measured reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually, significant financial assets are tested for impairment on an individual basis. The remaining financial assets as well as individually significant financial assets that are not individually found to be impaired are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised and that event causes the amount of impairment loss to decrease. For financial assets an impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to the units to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. The calculation of basic earnings per share is based on the profit or loss attributable to ordinary shareholders for the year and the weighted average number of shares in issue throughout the year. Where new equity shares have been issued by way of capitalisation or share split, the profit is apportioned over the shares in issue after the capitalisation or subdivision and the corresponding figures for all earlier periods are adjusted accordingly. Where there are no dilutory effects to the shares in issue, the basic and dilutory EPS is the same.

3.14 Dividend per share

The calculation of dividend per share is based on the dividends payable to shareholders (inclusive of the related withholding tax) during the year divided by the number of ordinary shares on the register of shareholders at the date of payment.

3.15 Investment in subsidiaries

The investment in the subsidiaries in the separate financial statements of the company is stated at cost less any accumulated impairment losses.

3.16 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO, who is the chief operating decision maker, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

3.17 Finance income and expenses

Finance income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings and impairment losses recognised on financial assets that are recognised in profit or loss.

Foreign currency gains and losses

Foreign currency gains and losses are reported on a net basis.

3.18 Share capital, share premium and reserves

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

NOTES TO THE FINANCIAL STATEMENTS

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3.19 Dividend income

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of other income.

3.20 Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant.

Grants relating to the cost of an asset are subsequently recognised in profit or loss on a systematic basis over the useful life of the asset.

Grants that compensate the group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised.

4. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board established the Committee, which is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Committee.

NOTES TO THE FINANCIAL STATEMENTS

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and deposits with financial institutions.

Cash and cash equivalents

The Group places its cash with banks licensed by the Central Bank.

Amounts due from related parties

Management assesses the credit quality of a related party taking into account its financial position and past experience. The utilization of credit limits are regularly monitored with reference to historical information about default rates.

Trade and other receivables

The Group's credit risk is primarily attributed to credit facilities extended to its customers. No interest is charged on trade receivables for overdue debts. The amounts presented in the statement of financial position are net of allowance for credit losses. The specific provision is estimated by management based on prior experience and current economic environment. The Group has an established credit policy under which each new customer is analysed individually for credit worthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes bank and supplier references. Credit limits are established for each customer and these are reviewed quarterly. Customers who fail to meet the Group's benchmark creditworthiness may transact with the Group only on a cash basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

4.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses strong cash forecasting systems which assist it in monitoring cash flow requirements. This is further enhanced by reviewing actual cash flows against the forecasts, learning from past mistakes and preparing updated rolling forecasts to replace earlier less reliable forecasts. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses and servicing of financial obligations. In addition, the Group and the Company maintains the following lines of credit:

- MK175 million (2012: MK175 million) overdraft facility with National Bank of Malawi whose interest rate is at the bank's base lending rate currently at 35% per annum (2012: 35%).
- MK150 million (2012: MK150 million) overdraft facility with Standard Bank Limited whose interest rate is at the bank's base lending rate currently at 35% per annum (2012: 35%).

All the above facilities are secured over the Group's property. The overdraft facilities are repayable on demand and are renewed annually.

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4.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of Group entities primarily the Malawi Kwacha. The currencies in which these transactions are primarily denominated are Euro, USD, GBP and South African Rand.

All purchases in foreign currency are economically hedged by Foreign Currency Denominated Accounts (FCDA's) in the same currencies. Any purchase in USD is paid for using funds in a USD account and the same applies to Euro, GBP and South African Rand. Similarly, loans in foreign currency are repaid using funds in an FCDA account of the same currency. The company generates foreign currency through its normal operations but opts to set aside foreign currency funds in FCDA accounts to cover its foreign currency denominated liabilities as a hedge.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily Kwacha, but also USD. This provides an economic hedge and no derivatives are entered into.

(ii) Interest rate risk

The Group adopts a policy of ensuring that some borrowings are at fixed rates and others are at variable rates depending on the currency of the borrowings, terms and conditions.

(iii) Equity prices

The Group is currently not exposed to the risk of changes in equity prices.

4.4 Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board through its Group Finance and Audit Committee, monitors its capital adequacy and capital returns to ensure that it remains a going concern while maximizing returns to shareholders.

The capital structure of the company comprise of share capital and share premium, revaluation reserves and retained earnings as disclosed on the statement of changes in equity.

The Audit Committee reviews the capital structure on a regular basis. As part of this review, the Committee considers the cost of capital and its associated risks. Based on recommendations of the committee, the company will balance its overall capital structure through the payment of dividends and revaluations of its assets.

There were no changes in the group's approach to capital management during the year. Neither the company nor any of its subsidiaries are subject to any externally imposed capital requirements.

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5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

5.1 Critical judgements in applying the group's significant accounting policies

5.1.1 Valuation of properties

The Group carries its properties at revaluation model. Mr. E. Jambo MSc (Real Estate), MBA; BA (Pub. Admin) a qualified valuer, of Malawi Property Investment Company Limited, valued the properties of the Company as at 31 December 2012 and of the Subsidiary as at 31st December 2013 on an open market value basis using the income approach methodology. Key assumptions made for the purpose of the valuation were: that the lease will be renewed by the Malawi Government upon expiry; that the useful life will exceed 50 years from date of valuation; and allowances were made for age and obsolescence.

5.1.2 Valuation of trade and other receivables

Trade and other receivables are substantially denominated in Malawi Kwacha. The carrying amounts of trade and other receivables are presented net of specific allowances for impairment losses. The specific provision is estimated by management based on prior experience and current economic environment.

5.2 Key sources of estimation and uncertainty

5.2.1 Employee benefits

Pension accrual

The Pension Act, 2010 provides for transitional provisions for the conversion of severance liability into pension obligations. The Pension Act, 2010 provides for a grace period of eight years for entities to arrange the financing of this liability through the transfer of severance entitlement to a pension's fund.

5.2.2 Short term employee benefits

Short term employee benefits which are staff bonuses are based on the existing staff bonus policy payable after approval by the Board.

5.2.3 Legal claims

An estimate of legal claims made against the Group in the ordinary course of business, whose outcome is uncertain has been disclosed in the note on contingent liabilities. The amount disclosed represents an estimated cost to the company in the event that legal proceedings find the company to be in the wrong. The estimate is provided by the Group's lawyers.

5.2.4 Guarantees

Guarantees are in respect of the company's maximum exposure at the reporting date if guarantees entered into by the company in support of staff borrowings from financial institutions were called upon. Refer note 29.

NOTES TO THE FINANCIAL STATEMENTS

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6. PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold property	Leasehold property	Plant, vehicles & equipment	Work in Progress	Total
2013					
Cost or valuation					
At 1 January 2013	8,437,466	4,090,523	1,728,529*	130,585	14,387,103
Additions	-	4,411	234,666	178,672	417,749
Work in progress capitalised	8,178	78,548	2,322	(89,048)	-
Work in progress transferred to stocks	-	-	-	(88,633)	(88,633)
Reallocation	(226)	-	-	226	-
Revaluation	82,150	29,950	-	-	112,100
Disposals	-	-	(64,557)	-	(64,557)
At 31 December 2013	8,527,568	4,203,432	1,900,960*	131,802	14,763,762
Accumulated depreciation and impairment losses					
At 1 January 2013	-	310	782,389	-	782,699
Charge for the year	39,131	23,113	209,410	-	271,654
Revaluation	-	(359)	-	-	(359)
Disposals	-	-	(47,501)	-	(47,501)
At 31 December 2013	39,131	23,064	944,298	-	1,006,493
Carrying value					
At 31 December 2013	8,488,437	4,180,368	956,662	131,802	13,757,269
2012					
Cost or valuation					
At 1 January 2012	6,872,509	2,243,742	1,539,249*	323,126	10,978,626
Additions	215,046	1,066	208,225	272,674	697,011
Work in progress capitalised	452,253	361	8,147	(460,761)	-
Work in progress transferred to stocks	-	-	-	(3,438)	(3,438)
Revaluation	897,658	1,845,354	-	-	2,743,012
Disposals	-	-	(27,092)	(1,016)	(28,108)
At 31 December 2012	8,437,466	4,090,523	1,728,529*	130,585	14,387,103
Accumulated depreciation and impairment losses					
At 1 January 2012	83,521	37,376	597,894	-	718,791
Charge for the year	42,640	20,023	203,248	-	265,911
Revaluation	(126,161)	(57,089)	-	-	(183,250)
Disposals	-	-	(18,753)	-	(18,753)
At 31 December 2012	-	310	782,389	-	782,699
Carrying value					
At 31 December 2012	8,437,466	4,090,213	946,140	130,585	13,604,404

* The amount includes motor vehicles purchased under finance lease amounting to **MK232m** (2012: MK167m).

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6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	Freehold property	Leasehold property	Plant, vehicles & equipment	Work in Progress	Total
2013					
Cost or valuation					
At 1 January 2013	8,412,616	4,086,850	1,677,023*	130,585	14,307,074
Additions	-	4,411	230,230	176,879	411,520
Work in progress capitalised	8,178	78,548	2,322	(89,048)	-
Work in progress transferred to inventory	-	-	-	(88,633)	(88,633)
Disposals	-	-	(64,557)	-	(64,557)
At 31 December 2013	8,420,794	4,169,809	1,845,018*	129,783	14,565,404
Accumulated depreciation and impairment losses					
At 1 January 2013	-	-	753,817	-	753,817
Charge for the year	39,131	23,064	202,195	-	264,390
Disposals	-	-	(47,501)	-	(47,501)
At 31 December 2013	39,131	23,064	908,511	-	970,706
Carrying value					
At 31 December 2013	8,381,663	4,146,745	936,507	129,783	13,594,698
2012					
Cost or valuation					
At 1 January 2012	6,847,659	2,240,294	1,489,897*	323,126	10,900,976
Additions	215,046	841	205,083	272,674	693,644
Work in progress capitalised	452,253	361	8,147	(460,761)	-
Work in progress transferred to inventory	-	-	-	(3,438)	(3,438)
Revaluation	897,658	1,845,354	-	-	2,743,012
Disposals	-	-	(26,104)	(1,016)	(27,120)
At 31 December 2012	8,412,616	4,086,850	1,677,023	130,585	14,307,074
Accumulated depreciation and impairment losses					
At 1 January 2012	82,900	37,115	577,246	-	697,261
Charge for the year	42,640	19,974	194,975	-	257,589
Reallocation	621	-	(621)	-	-
Revaluation	(126,161)	(57,089)	-	-	(183,250)
Disposals	-	-	(17,783)	-	(17,783)
At 31 December 2012	-	-	753,817	-	753,817
Carrying value					
At 31 December 2012	8,412,616	4,086,850	923,206	130,585	13,553,257

* The amount includes motor vehicles purchased under finance lease amounting to **MK224m** (2012:MK167m).

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Additions

Additions comprise the following:

	GROUP		COMPANY	
	2013	2012	2013	2012
Cash purchases	415,262	260,517	411,520	255,580
Finance costs capitalisation	-	280,069	-	280,069
Accrued purchases	2,487	156,425	-	157,995
Total additions	417,749	697,011	411,520	693,644

Properties (Land and buildings)

Carrying amount at end of the year comprise the following:

Purchase cost	3,726,497	3,635,919	3,716,689	3,625,836
Subsequent revaluations	8,942,308	8,891,760	8,811,719	8,873,630
At 31 December	12,668,805	12,527,679	12,528,408	12,499,466

Land and buildings were valued as at 31 December 2012 for the company and as at 31st December 2013 for the subsidiary by Mr. E Jambo, MSc: Real Estate; MBA; BA (Pub. Admin), a qualified and independent valuer on an open market value basis.

The registers of land and buildings are available for inspection at the registered offices of the respective companies.

All properties are encumbered as indicated in notes 10, 13, 14 and 15.

Work in progress

Work in progress represents expenditure incurred on re-development of the group's properties.

Government grants

The Malawi Government's Customs and Excise Amendment Order, 2009 under Customs Procedure Codes 4000.442 and 4071.442 extended duty free status to qualifying Tourism Institutions that directly imported qualifying goods as described in the Customs Procedure Code.

In the course of the Redevelopment and Refurbishment programme in 2009 the company qualified for duty waivers of MK101 million and excise duty of MK26 million this in total amounted to a government grant of MK127 million.

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6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Government grants (continued)

The Government grant of MK127 million was recognised in work in progress in 2009. The grant is being amortised over the estimated useful life of the properties to which it relates and deferred income has been recognised as follows:

	GROUP AND COMPANY	
	2013	2012
Total Government grant	62,929	78,994
Less:Amounts recognised in the statement of comprehensive income-note 20	(16,065)	(16,065)
Total deferred income	46,864	62,929
Deferred income to be recognised:		
After one year	30,799	46,864
Within one year	16,065	16,065
	46,864	62,929

In 2010, the Malawi Government reversed the duty free status of most of the goods that qualified for duty exemption under the customs and excise amendment order 2009.

7. INVESTMENT IN SUBSIDIARIES

	PERCENTAGE HOLDING		COMPANY	
	2013 %	2012 %	2013	2012
Shares at cost:				
Hotel Livingstonia Limited	100	100	-	-
Catering Solutions Limited:				
At 1 January	65	65	23	23
Acquisition during the year	35	-	102,000	-
At 31 December	100	65	102,023	23
Total subsidiary companies				

In 2007 the company transferred the property underlying the investment in Hotel Livingstonia Limited and the investment cost of MK62 million was impaired.

In July 2013, Air Malawi Limited (Liquidated) offered to sell its 35% shareholding in Catering Solutions Limited to Sunbird Tourism Limited. Sunbird Tourism Limited accepted the offer and bought the 35% shareholding for a value of MK102 million. With this additional shareholding Sunbird Tourism Limited holds 100% ownership of Catering Solutions Limited.

The share purchase agreement provided that the settlement of the shares value should be a set off with amounts that were owed by Air Malawi and hence no cash consideration.

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	GROUP		COMPANY	
	2013	2012	2013	2012

8. INVENTORY

Merchandise	358,826	248,479	352,667	241,162
Consumables	300,303	174,598	296,313	168,728
Food, drink, tobacco	125,807	92,646	118,964	82,264
	784,936	515,723	767,944	492,154

9. TRADE AND OTHER RECEIVABLES

Trade receivables	873,486	707,999	717,976	508,095
Other receivables and prepayments	201,810	165,637	195,003	158,114
	1,075,296	873,636	912,979	666,209

10. CASH AND CASH EQUIVALENTS

Bank balances	101,455	153,390	101,455	152,816
Bank overdrafts	(305,398)	(325,000)	(304,426)	(300,000)
Cash and cash equivalents	(203,943)	(171,610)	(202,971)	(147,184)

Bank overdraft facilities totalling MK325m (2012: MK325m) are secured by a charge over the company's assets in favour of Standard Bank Limited and National Bank of Malawi Limited whose net book value at 31 December 2013 was MK12.5 billion (2012:MK12.5 billion). Interest is charged at the banks' base lending rate currently at 40% per annum (2012: 35%). The facilities are repayable on demand and are renewed annually.

11. RELATED PARTY TRANSACTIONS

Parent and ultimate controlling party

The company's related parties comprise of the holding company and its subsidiaries and key management personnel. Material balances and transactions are as follows:

	Company 2013	Company 2012
Amounts due from related parties		
Hotel Livingstonia Limited (Subsidiary)	1,255	1,255
Catering Solutions Limited (subsidiary)	-	10,136
Total amount due from related parties	1,255	11,391

Amount due to related parties

	Company 2013	Company 2012
Amounts due to related parties		
Catering Solutions Limited (Subsidiary)	89,420	-

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11. RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

The key management personnel comprise the executive officers of the company.

In addition to salaries, the Group also provides non-cash benefits by way of contribution to a defined contribution pension plan on their behalf. In accordance with the plan, executive officers contribute 5% of their basic pay while the company contributes 14.11% of the basic pay.

Salary and cash benefits for the year were as follows:

	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Short term benefits (salary and bonus)	172,051	124,868	154,783	110,217
Post-employment benefits (Employer pension contribution)	32,033	15,621	29,873	13,788
	204,084	140,489	184,656	124,005
Directors remuneration	28,122	19,736	23,623	16,296

12. SHARE CAPITAL

	COMPANY 2013	COMPANY 2012
Authorised		
280,000,000 (2012: 280,000,000) Ordinary shares of 5 tambala each	14,000	14,000
Issued and fully paid		
261,582,580 (2012: 261,582,580) Ordinary shares of 5 tambala each	13,079	13,079

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

13. LOANS AND BORROWINGS

	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Current portion of long term borrowings	370,276	287,706	358,826	287,706
Amounts payable after one year	446,130	692,833	446,130	692,833
Current portion of long term borrowings	816,406	980,539	804,956	980,539

The directors consider that the carrying amount of long-term borrowings approximates to their fair value as at the reporting date. Long-term borrowings are wholly repayable within seven years.

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The loans and borrowings are further analysed as follows:

SECURED LOANS

	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Malawi Savings Bank Project Loan facility of MK450m was obtained in 2011 to be repaid in four (4) years with one year moratorium from the date of full draw down charged at 2% below the bank base lending rate which is currently 40% per annum.	440,116	509,252	440,116	509,252
National Bank of Malawi Limited Project Finance loan facility amounting to MK840 million to finance refurbishment of all hotels as part of refurbishment plan for Sunbird Properties to be repaid over a period of seven (7) years with a one year capital repayment moratorium from the date of full draw down charged at the bank's base lending rate which is currently 40% per annum.	229,079	210,442	229,079	210,442
National Bank of Malawi Limited Project Finance US$ loan facility amounting to US$2.5 million to finance refurbishment of all hotels as part of refurbishment plan for Sunbird Properties to be repaid over a period of 5 years charged at a flat rate of 8.5% per annum.	135,761	260,845	135,761	260,845
National Bank of Malawi Limited An overdraft of MK25 million for Catering Solutions Limited was converted into a short term loan to be repaid over a period of 1 year charged at the bank's base lending rate which is currently at 40% per annum.	11,450	-	-	-
Total secured loans	816,406	980,539	804,956	980,539

The bank loans are secured over the company's land and buildings with a carrying amount of **MK12.5 billion** (2012: MK12.5 billion)

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14. CORPORATE BONDS

	Currency	Year of Maturity	Carrying Amount 2013	2012
Old Mutual	MK	2018	450,000	450,000
NICO Asset Managers	MK	2018	690,000	690,000
CDH Asset Management	MK	2015	250,000	250,000
CDH Investment Bank	MK	2015	150,000	250,000
TOTAL			1,540,000	1,640,000
At 1 January			1,640,000	1,640,000
Repayments during the year			(100,000)	
Derecognised on maturity			(400,000)	-
			1,140,000	1,640,000
Issued during the year			400,000	-
Current liabilities			1,540,000	1,640,000
Disclosed under:				
Non-current liabilities			1,540,000	1,140,000
Current liabilities			-	500,000

In 2011, the company issued corporate bonds as a private placement. The notes were offered to investors on a floating rate basis, to be re-priced quarterly with interest rate at an arithmetic average of 182-day Treasury bill yield plus a variable margin averaging 6.54%. There is a maximum rate of interest of 4% below the simple average of reference banks commercial bank lending rates and a minimum rate of 10%.

The CDH bond was initially maturing in 2013 but having repaid MK100 million during the year, both parties agreed to renew the remaining amount for a further two years.

The bond is secured over land and buildings of the company.

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15. OBLIGATIONS UNDER FINANCE LEASE

	GROUP AND COMPANY 2013	2012
Standard Bank Limited	162,921	113,447

The Group has a finance lease facility of MK100 million from Standard Bank to cater for procurement of motor vehicles repayable over three to four years. The leased motor vehicles secure the lease obligations. As at 31 December 2013, the net carrying amount of leased motor vehicles was as follows:

	Future minimum lease payments 2013	Interest 2013	Present value of minimum lease payments 2013	Future minimum lease payments 2012	Interest 2012	Present value of minimum lease payments 2012
Less than one year	70,454	20,130	50,324	50,673	12,857	37,816
Between one and four years	157,636	45,039	112,597	101,346	25,715	75,631
	228,090	65,169	162,921	152,019	38,572	113,447

The finance lease is secured over land and buildings of the company.

16. EMPLOYEE BENEFITS

16.1 Pension Plan

The Group operates a defined contribution pension plan for some of its employees. The plan is operated by Old Mutual Life Assurance Company (Malawi) Limited.

The total cost charged to profit or loss of MK171 million (2012: MK129 million) represents contributions payable to this plan by the Group at rates specified in the rules of the plan. The respective contribution rates for employees and the employer were 5% (2012: 5%) and 14.11% (2012: 12.51%), respectively.

16.2 Pension accrual

The Pension Act, 2010 requires a pension accrual to be recognised to the extent that the accumulated employer pension contributions plus any growth (bonus) thereon as at 1 June 2011 (on the individual account on the pension fund), or gratuity paid is less than the amount of severance entitlement at date of commencement of the two laws. The calculated excess of severance over individual pension benefits plus any growth as at 1 June 2011 resulted in the pension accrual as below:

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16. EMPLOYEE BENEFITS (CONTINUED)

	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Balance at 1 January	358,107	308,221	348,901	300,583
CPI Uplift for the year	101,942	112,667	99,918	111,099
Payments made during the year	(126,997)	(62,781)	(126,997)	(62,781)
Balance at 31 December	333,052	358,107	321,822	348,901

The severance calculated and transferred to pension has to be adjusted for inflation using the CPI (Consumer Price Index) for each year within eight years that it is not transferred to a pension fund.

16.3 Short term employee benefits

	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Short term employee benefits	236,282	128,948	236,282	127,617

Short term employee benefits relate to total performance bonus payable for the reporting period and annual leave pay provision. Performance bonus is payable in line with the Sunbird Bonus Policy upon approval by the Board. Based on the policy, the group has a constructive obligation to pay the amounts accrued.

17. DEFERRED TAX

	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
At beginning of the year	2,833,902	1,883,385	2,828,813	1,875,842
Recognised in comprehensive income:				
Deferred tax on accelerated capital allowances	9,615	86,191	10,703	89,587
Deferred tax on employment benefits	7,517	(19,852)	8,123	(18,344)
Actuarial losses	-	6,299	-	3,849
Recognised in other comprehensive income:				
Revaluation surplus	33,738	877,879	-	877,879
At end of the year	2,884,772	2,833,902	2,847,639	2,828,813
Analysed as:				
Accelerated capital allowances	283,474	273,860	282,097	271,393
Revaluation of property	2,701,266	2,667,528	2,662,089	2,662,089
Deferred tax assets on prior years employment benefits provisions	(107,485)	(92,520)	(104,670)	(90,173)
Current year employment benefits provisions	7,517	(14,966)	8,123	(14,496)
Net deferred tax	2,884,772	2,833,902	2,847,639	2,828,813

18. TRADE AND OTHER PAYABLES

	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Trade payables	656,819	500,141	625,211	452,120
Output VAT	141,549	81,374	137,293	75,631
Guest advance deposits	305,229	251,323	304,895	250,927
Accruals	544,134	611,388	521,182	610,283
	1,647,731	1,444,226	1,588,581	1,388,961

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	GROUP		COMPANY	
	2013	2012	2013	2012

19. REVENUES

	2013	2012	2013	2012
Rooms revenues	4,047,995	2,495,362	4,047,995	2,495,362
Catering revenue	4,146,508	2,803,016	3,591,911	2,325,885
Other revenue	304,107	250,391	281,145	231,910
Total	8,498,610	5,548,769	7,921,051	5,053,157

20. OTHER INCOME

	2013	2012	2013	2012
(Loss)/profit on disposal of property, plant and equipment	(4,115)	2,608	(4,115)	1,659
Government Grants	16,065	16,065	16,065	16,065
Interest earned on Air Malawi debt	19,384	-	4,000	-
Dividend received from Catering Solutions Limited	-	-	-	22,461
Other sundry receipts	15,698	22,751	15,280	22,513
Total	47,032	41,424	31,230	62,698

21. ADMINISTRATIVE AND OTHER EXPENSES

	2013	2012	2013	2012
Administrative expenses	1,081,455	757,769	1,064,921	739,473
Marketing expenses	177,925	120,612	171,089	113,805
Energy and maintenance costs	889,276	547,081	864,885	523,753
Staff costs	2,319,875	1,580,500	2,149,962	1,462,910
Depreciation	271,654	265,911	264,390	257,589
Total	4,740,185	3,271,873	4,515,247	3,097,530

22. FINANCE EXPENSE

	2013	2012	2013	2012
Finance leases	54,954	27,597	54,954	27,597
Bank overdraft interest	133,614	91,414	125,487	89,939
Interest on loans	801,141	336,379	797,270	336,379
	989,709	455,390	977,711	453,915
Exchange losses	35,732	102,875	35,732	102,875
Total finance costs	1,025,441	558,265	1,013,443	556,790

RECONCILIATION OF INTEREST PAID

	2013	2012	2013	2012
Interest charged to profit and loss	989,709	455,390	977,711	453,915
Interest capitalisation	-	178,385	-	178,385
	989,709	633,775	977,711	632,300
Accrued interest	(6,987)	(116,389)	(6,987)	(116,389)
Interest paid	982,722	517,386	970,724	515,911

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	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012

23. PROFIT BEFORE INCOME TAX

Profit before tax is arrived at after charging/(crediting) the following:-

	Group 2013	Group 2012	Company 2013	Company 2012
Auditors' remuneration: - current year	14,624	13,091	12,168	11,078
- mid - year review	3,327	1,932	2,125	1,452
Depreciation	271,654	265,911	264,390	257,589
Directors' remuneration	28,122	19,736	23,623	16,296
Dividends received	-	-	-	(22,461)
Deferred income	(16,065)	(16,065)	(16,065)	(16,065)
Loss/(Profit) on disposal of plant and equipment	4,115	(2,608)	4,115	(1,659)
Pension costs	171,236	129,290	165,909	126,547
Staff costs	2,319,875	1,580,500	2,419,962	1,462,910

24. INCOME TAX EXPENSE

24.1 Income tax expense

	Group 2013	Group 2012	Company 2013	Company 2012
Current income tax – current year	92,748	13,734	78,845	-
– prior years	-	(17,377)	-	(16,510)
Deferred income tax	17,132	71,225	18,826	75,091
Total current income tax expense	109,880	67,582	97,671	58,581

Reconciliation of effective tax rate

	Group 2013	Group 2012	Company 2013	Company 2012
Profit for the year	566,884	242,184	548,192	231,855

	%	Group 2013	%	Group 2012	%	Company 2013	%	Company 2012
Tax at standard rate	30	170,065	30	72,655	30	164,458	30	69,557
Permanent differences	(11)	(60,185)	(2)	(5,073)	(12)	(66,787)	(5)	(10,976)
Effective rate of tax	19	109,880	28	67,582	18	97,671	25	58,581

24.2 Income tax payable or recoverable

	Group 2013	Group 2012	Company 2013	Company 2012
Income tax balance at 1 January	85,422	(7,378)	27,794	(7,238)
Adjustment for prior years	-	17,377	-	16,510
Transfer to VAT	(50,555)	-	-	-
Current year liability	(92,748)	(13,734)	(78,845)	-
Income tax paid	44,468	89,157	29,481	18,522
Income tax balance at 31 December	(13,413)	85,422	(21,570)	27,794
Disclosed under:				
Current assets	8,157	85,422	-	27,794
Current liabilities	(21,570)	-	(21,570)	-

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25. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on profit attributable to shareholders of **MK456 million** (2012: MK166 million) and the weighted average number of ordinary shares outstanding during the year of **261,582,580** (2012: 261,582,580) as below:

	2013	2012
Profit for the year (MK'000)	455,869	166,276
Weighted average number of shares ('000)	261,582	261,582
Earnings per share (tambala)	174	64

There were no potential ordinary shares in issue, therefore diluted earnings per share equates to basic earnings per share.

26. FINANCIAL INSTRUMENTS

26.1 Credit Risk

The maximum exposure to credit risk for receivables by receivables category at the reporting date was:

	Note	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Trade and other receivables	9	1,075,296	873,636	912,979	666,209
Cash and Cash Equivalents	10	101,455	153,390	101,455	152,816
		1,176,751	1,027,026	1,014,434	819,025

26.2 Receivables

The maximum exposure to credit risk for receivables by receivables category at the reporting date was:

	Note	GROUP 2013	GROUP 2012	COMPANY 2013	COMPANY 2012
Trade receivables		873,486	707,999	717,976	508,095
Other receivables		201,810	165,637	195,003	158,114
	9	1,075,296	873,636	912,979	666,209

The aging of trade receivables at the reporting date was:

	GROUP			
	Gross 2013	Impairment 2013	Gross 2012	Impairment 2012
Not past due	471,683	-	306,106	-
Past due 61-90 days	253,311	-	151,783	497
Past due over 90 days	148,492	29,163	250,110	32,344
Total	873,486	29,163	707,999	32,841

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2013	2012
Balance as 1 January	32,841	33,008
Doubtful debts recovered during the year	(3,678)	(167)
Balance as at 31 December	29,163	32,841

The Impairment loss as at 31 December 2013 relates to specific customers that are in financial difficulties and hence may not be able to pay.

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26. FINANCIAL INSTRUMENTS (CONTINUED)

26.3 Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

GROUP	Note	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-7 years
2013							
Non-derivative financial liabilities							
Secured bank loans	13	816,406	(1,646,602)	(205,964)	(205,964)	(411,928)	(822,746)
Corporate Bonds	14	1,540,000	(3,930,000)	(277,200)	(277,200)	(1,004,400)	(2,371,200)
Finance lease liabilities	15	162,921	(228,090)	(28,511)	(32,688)	(68,579)	(98,312)
Trade payables	18	656,819	(656,819)	(656,819)	-	-	-
Bank overdraft	10	305,398	(305,398)	(305,398)	-	-	-
		3,481,544	(6,766,909)	(1,473,892)	(515,852)	(1,484,907)	(3,292,258)
2012							
Non-derivative financial liabilities							
Secured bank loans	13	980,539	(1,749,837)	(218,730)	(218,730)	(437,460)	(874,917)
Corporate Bonds	14	1,640,000	(3,598,846)	(226,927)	(228,173)	(316,350)	(2,827,396)
Finance lease liabilities	15	113,447	(152,019)	(31,763)	(31,763)	(63,526)	(24,967)
Trade payables	18	500,141	(500,141)	(500,141)	-	-	-
Bank overdraft	10	325,000	(325,000)	(325,000)	-	-	-
		3,559,127	(6,325,843)	(1,302,561)	(478,666)	(817,336)	(3,727,280)
COMPANY							
2013							
Non-derivative financial liabilities							
Secured bank loans	13	804,956	(1,623,509)	(203,075)	(203,075)	(406,150)	(811,209)
Corporate Bonds	14	1,540,000	(3,930,000)	(277,200)	(277,200)	(1,004,400)	(2,371,200)
Finance lease liabilities	15	162,921	(228,090)	(28,511)	(32,688)	(68,579)	(98,312)
Trade payables	18	625,211	(625,211)	(625,211)	-	-	-
Bank overdraft	10	304,426	(304,426)	(304,426)	-	-	-
		3,437,514	(6,711,236)	(1,438,423)	(512,963)	(1,479,129)	(3,280,721)
2012							
Non-derivative financial liabilities							
Secured bank loans	13	980,539	(1,749,837)	(218,730)	(218,730)	(437,460)	(874,917)
Corporate Bonds	14	1,640,000	(3,598,846)	(226,927)	(228,173)	(316,350)	(2,827,396)
Finance lease liabilities	15	113,447	(152,019)	(31,763)	(31,763)	(63,526)	(24,967)
Trade payables	18	452,120	(452,120)	(452,120)	-	-	-
Bank overdraft	10	300,000	(300,000)	(300,000)	-	-	-
		3,486,106	(6,252,822)	(1,229,540)	(478,666)	(817,336)	(3,727,280)

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26.4 Market risk

26.4.1 Currency risk

Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk is as follows:

	GROUP AND COMPANY							
	31 December 2013				31 December 2012			
	Malawi Kwacha equivalent of				Malawi Kwacha equivalent of			
	USD	ZAR	GBP	Euro	USD	ZAR	GBP	Euro
Secured bank loan	(135,761)	-	-	-	(260,845)	-	-	-
Cash and cash equivalents	136,669	9,555	8,153	1,985	81,310	4,295	3,834	6,526
Payables	-	-	-	-	-	(31,558)	-	-
	908	9,555	8,153	1,985	(179,535)	(27,263)	3,834	6,526

The following significant exchange rates applied during the year:

	AVERAGE RATE		REPORTING DATE SPOT RATE	
	2013	2012	2013	2012
Kwacha/USD	385.56	250.38	434.12	337.00
Kwacha/Rand	41.06	31.03	40.10	42.02
Kwacha/GBP	637.78	406.52	714.96	560.60
Kwacha/Euro	526.96	337.96	590.23	463.68

Sensitivity analysis

The company's major foreign currency exposure is in the US Dollar.

A strengthening of the US Dollar, South African Rand and British Pound by 10 percent against the kwacha at 31st December would have increased exchange gain by **MK2 million** (2012: exchange loss of MK29 million) which would have been charged to profit and loss. This analysis is based on foreign exchange rate variations that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables in particular interest rates, remain constant.

26.4.2 Interest Rate Risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

		CARRYING AMOUNTS			
		GROUP		COMPANY	
Variable rate Instruments	Note	2013	2012	2013	2012
Medium Term Bank loans	13	11,450	-	-	-
Project Finance Redevelopment Loan	13	816,406	980,539	804,956	980,539
Finance Lease	15	162,921	113,447	162,921	113,447
Corporate Bonds	14	1,540,000	1,640,000	1,540,000	1,640,000
Bank Overdraft	10	305,398	325,000	304,426	300,000
		2,836,175	3,058,986	2,812,303	3,033,986

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26. FINANCIAL INSTRUMENTS (CONTINUED)

26.4.2 Interest Rate Risk (continued)

The prevailing interest rates for these interest bearing facilities are within the region of base rate plus or minus 1-3.5%. The base rate for the Commercial banks is currently between 40% and 45%.

Cashflow sensitivity analysis for variable rate instruments

An increase of 5% in interest rates at the reporting date would have increased interest being charged to the profit or loss by **MK49 million** (2012: MK40 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

26.5 Fair value and risk management

Accounting classification and fair values

The following table shows the carrying amounts of and fair values of financial assets and financial liabilities including their levels in the fair value hierarchy.

At the reporting date there were no financial assets and financial liabilities that were held for trading, designated at fair value, fair value – hedging instruments, held to maturity and available for sale.

The table does not include fair value information for financial assets and financial liabilities not measured at fair value since the carrying amount is a reasonable approximation of fair value.

GROUP	Loans and receivables	Other financial liabilities	Total
31 December 2013			
Financial assets not measured at fair value			
Trade and other receivables	1,075,296	-	1,075,296
Cash and cash equivalents	101,455	-	101,455
	1,176,751	-	1,176,751
Financial liabilities not measured at fair value			
Bank overdrafts	-	(305,398)	(305,398)
Trade and other payables	-	(1,647,731)	(1,647,731)
Loans and borrowings	-	(816,406)	(816,406)
Corporate bonds	-	(1,540,000)	(1,540,000)
Obligation under finance lease	-	(162,921)	(162,921)
	-	(4,472,456)	(4,472,456)
31 December 2012			
Financial assets not measured at fair value			
Trade and other receivables	873,636	-	873,636
Cash and cash equivalents	153,390	-	153,390
	1,027,026	-	1,027,026
Financial liabilities not measured at fair value			
Bank overdrafts	-	(325,000)	(305,398)
Trade and other payables	-	(1,444,226)	(1,647,731)
Loans and borrowings	-	(980,439)	(816,406)
Corporate bonds	-	(1,640,000)	(1,540,000)
Obligation under finance lease	-	(113,447)	(162,921)
	-	(4,503,112)	(4,503,112)

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COMPANY	Loans and receivables	Other financial liabilities	Total
31 December 2013			
COMPANY			
Financial assets not measured at fair value			
Trade and other receivables	912,979	-	912,979
Cash and cash equivalents	101,455	-	101,455
Amounts due from related companies	1,255	-	1,255
	-	-	-
Financial liabilities not measured at fair value			
Bank overdrafts	-	(304,426)	(304,426)
Trade and other payables	-	(1,588,581)	(1,588,581)
Loans and borrowings	-	(816,406)	(816,406)
Corporate bonds	-	(1,540,000)	(1,540,000)
Obligation under finance lease	-	(162,921)	(162,921)
Amounts due to related parties	-	(89,420)	(89,420)
	-	-	-
31 December 2012			
Financial assets not measured at fair value			
Trade and other receivables	666,209	-	666,209
Cash and cash equivalents	152,816	-	152,816
Amounts due from related companies	11,391	-	11,391
	830,416	-	830,416
Financial liabilities not measured at fair value			
Bank overdrafts	-	(300,000)	(300,000)
Trade and other payables	-	(1,388,961)	(1,388,961)
Loans and borrowings	-	(980,539)	(980,539)
Corporate bonds	-	(1,640,000)	(1,640,000)
Obligation under finance lease	-	(113,447)	(113,447)
	-	(4,422,947)	(4,422,947)

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27. SEGMENTAL REPORTING

Business segments
Information provided to the Group's Chief Operating Decision Maker is segmented in: rooms income, catering income and other income.

2013	Room income	Catering income	Other services	Total
Total revenue	4,047,995	4,146,508	304,107	8,498,610
Segment contribution	3,325,185	2,902,556	57,737	6,285,478
Other hotel expenses				(4,620,758)
Corporate expenses				(72,395)
Finance costs				(1,025,441)
Profit before income tax				566,884
2012				
Total revenue	2,495,362	2,803,016	250,391	5,548,769
Segment contribution	2,000,263	1,992,313	38,322	4,030,898
Other hotel expenses				(3,202,041)
Corporate expenses				(28,408)
Finance costs				(558,265)
Profit before income tax				242,184

No discrete information about assets and liabilities relating to the segments is provided to the Group's Chief Operating Decision Maker.

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Profile of the Target Market Segment

The target market segment of the Group is predominantly Commercial, Groups and Conferences, Corporate Organisations and Government Departments.

	GROUP AND COMPANY	
	2013	2012
Corporate Organisations	33%	33%
Commercial, Groups and Conferences	23%	20%
Government Departments	10%	14%
Leisure packages and Airlines	6%	8%
Business Transient Non-negotiated	26%	23%
Other	2%	2%
Total	100%	100%

Geographical Source of Business

The geographical source of business is predominantly domestic.

	2013	2012
Malawi	72%	77%
Africa	13%	10%
Europe	7%	6%
Americas	5%	5%
Other	3%	2%
Total	100%	100%

28. COMMITMENTS

	GROUP		COMPANY	
	2013	2012	2013	2012
Capital expenditure:				
Authorised but not contracted for	707,908	454,846	540,779	350,258

These commitments are to be financed from internal resources and existing facilities.

NOTES TO THE FINANCIAL STATEMENTS

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29. ECONOMIC FACTORS

The average of the year-end buying and selling rates of the foreign currencies most affecting the performance of the Group are stated below, together with the increase in the National Consumer Price Index, which represents an official measure of inflation.

	2013	2012
Kwacha/GBP	714.96	560.60
Kwacha/Rand	40.10	42.02
Kwacha/US Dollar	434.12	337.0
Kwacha/Euro	590.23	463.68
Inflation rate (%)	23.5	34.6

At the end of the year, the Reserve Bank base-lending rate was 25% (2012: 25%). Commercial banks' base lending rates are 15% to 20% above the prevailing Reserve Bank of Malawi rate.

As at 26 March 2014 the above exchange rates had moved as follows:

Kwacha/GBP	680.28
Kwacha/Rand	39.33
Kwacha/US Dollar	412.15
Kwacha/Euro	571.08

30 SUBSEQUENT EVENTS

Subsequent to year end, no events have occurred necessitating adjustment or disclosure in these financial statements.