Sunbird Tourism Limited

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SUNBIRD
Hotels and Resorts

Sunbird Tourism Limited

ANNUAL REPORT 2015

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 August 2002. Sunbird has over 600 shareholders. At 71% the Government of Malawi is the largest shareholder while members of the public own 12.52% (which includes staff) and Mr. Noel Hayes 16.48%. Investor trust in the Company's performance potential was rewarded again in 2015, with the value of shares rising 187.5 percent from MK8.00 per share in December 2014 to MK23.00 per share in December 2015. Sunbird was among the top three price gainers in the year. This is the highest annual earnings since the Company was listed in 2002 and the company aims to maintain EPS growth.

As the trading environment strengthens the company can continue its solid progress towards generating strong and sustainable cash flow and unlocking shareholder value.

Having acquired shares previously owned by Air Malawi Limited the Company now owns 100% shareholding in Catering Solutions Limited which is involved in airline and institutional catering.

The group has a total of seven hotels, all strategically located in Malawi's key business hubs and resort locations which enables us to serve loyal guests wherever their interests take them. STL was incorporated in 1988 as a private company following the amalgamation and consolidation of hotels previously owned by the Government of Malawi under various investment vehicles. The Company was known as Tourism Development and Investment Company of Malawi (TDIC) until 2000 when it became Sunbird Tourism Limited.

Registered Office

INVESTOR CORRESPONDENCE	REGISTERED OFFICE	TRANSFER SECRETARIES	AUDITORS
For any queries, investors are requested to get in touch with **The Company Secretary** Sunbird Mount Soche 28 Glyn Jones Road Blantyre	28 Glyn Jones Road Sunbird Mount Soche Blantyre	**National Bank Financial Management Services** Henderson Street P.O. Box 1438 Blantyre	**KPMG** MASM House Lower Sclater Road Blantyre

Chairman's Statement

OVERVIEW & OUR STRATEGIC DIRECTION

I took over as Chairman of Sunbird in June 2015 from my predecessor Mr Leonard Chikadya. Sunbird will always be indebted to Mr Chikadya for his leadership of the Board through the several years he was on the Board. On behalf of the Board, I thank him for his years of invaluable service and wish him every success.

In view of the current uncertain, challenging and competitive operating environment, one of the key initiatives I embarked on when I took over as Chairman was to undertake a deeper review, together with the Board and Management, of the Group's strategic direction to ensure its sustainability. In October 2015 the Board and Management met at a strategic planning meeting with three main objectives.

- *Firstly, to review the business in much more detail and agree how it could be adaptedw to the ever-changing and volatile operating environment.*
- *Secondly, to review and test some of the many ideas and suggestions that were generated from the meeting and use these to form the basis and input of the short-term planning process.*
- *Lastly to review what was set out in the original 2015 – 2019 Strategic & Business Plan and consider revisiting some of the initiatives and or projects.*

I am pleased to report that these were some of the most productive days for the Board and Management as many ideas were generated in a free and stimulating environment which found their way into our revised 2016-2019 Strategic and Business Plan. The strategic plan continues to be guided by a continued focus on product quality, customer service and excellence, staff satisfaction and development and a focus on internal management systems.

Within these pillars, I am pleased to report that we have set a new focus and pace for the strategic planning of the company with particular emphasis on:

- Improving our sales and marketing initiatives, emphasizing on attracting international guests.
- Enhanced focus on cost control and management.
- Better project planning and implementation.
- Exploring alternative funding options to address financial requirements.

It is important to highlight that Sunbird's business growth continues to be hampered by lack of adequate financial resources and we hope that negotiations with the major shareholder, Government, to recapitalise the business will be concluded soon. The conclusion of this process is critical not only because of the need to refurbish and maintain the infrastructure of the group but also its long term survival.

CORPORATE GOVERNANCE

Sunbird complies with MALAWI CODE 11 (Code of Best Practice for Corporate Governance in Malawi 2010) and endorses the principles of the King Report on Corporate Governance for South Africa, 2009 (King III). Although the Malawi Code II follows a "comply or explain" principle, and specifies that a company can adhere to the Code or explain where it has not adhered, Sunbird follows all the recommendations.

BOARD & MANAGEMENT STRUCTURE

Sunbird has a single tier Board structure. This is also reflected in the disclosures it makes in Directors' expenses which purely consist of expenses for non-executive Directors.

Pursuant to the articles of association, the Board consists of 10 members elected by the Annual General Meeting. Presently, the Board consists of 9 members. The Board Chairman as well as six other Directors are appointed by the majority shareholder.

The composition of the Board is regularly reviewed to ensure that it has the right balance of business acumen, industry sector knowledge and emerging markets experience. The Board has recently appointed Mr Charles Merrick as a Director representing the minority shareholders. He brings a wealth of hotel experience and his skills complement those of the other Directors.

There are Board members up for re- election every year to ensure continuity in the work of the Board.

The Board has established two sub- committees namely Finance and Audit and Appointments and Remuneration Committees. Decisions of the sub-committees are communicated to the main Board as recommendations for the Board's further consideration.

Due to the number of projects planned for 2016 a third committee was established in December 2015 called the Projects Committee. The Committee is responsible for providing management with guidance throughout the duration of the planned projects to ensure that the projects run efficiently and comply with all governance issues.

The Board of Directors as well as the committees usually meets a minimum of four times a year, otherwise meetings are convened when deemed necessary.

2015 PERFORMANCE OVERVIEW

The country's economic performance continues to be challenging, characterised by persistent high fiscal and current account deficits, high inflation, a high interest rate regime and a volatile and unstable domestic currency. The prospects of a meaningful economic growth in the near term could therefore be described as dismal, notwithstanding efforts being made by various stakeholders, including Government to find solutions to address these challenges.

Despite the challenging economic environment and the competitive industry, Sunbird continues on its solid growth path. The year 2015 was characterised by slow economic growth - GDP growth rates were revised from 5.4% to 3% for 2015 by the IMF.

The Malawi Kwacha continued to be volatile, depreciating against major currencies meaning in US$ terms the returns to our shareholders remain quite low in spite the business being profitable every year. In the mid-year budget review the Minister of Finance confirmed that the Malawi economy was still passing through turbulent times. He regretted that so far the Government had not been very successful in establishing a stable macroeconomic environment in which low inflation and interest rates prevail, and where the variability of the exchange rate is narrow and predictable. As at the end of the year the Malawi Kwacha had depreciated by 39.64% against the USD while inflation rate was 24.90% and the average for the year was 21.9%. The increase in inflation was largely due to the currency depreciation and higher prices of various food items especially maize. Malawi's inflation rate is heavily dictated by availability of maize which accounts for 50.2% of the food basket.

Aid continued to be suspended in the 2015/2016 budget as donors felt that the serious challenges remain on the public finance management and more action was needed by the Government. In order to manage with limited resources the Government had to engage various austerity measures. The 2015/2016 budget was pegged at MK930 billion. Due to these austerity measures, there has been a sharp reduction in Government business in the last few years, however the impact of the Government austerity measures has not adversely hurt Sunbird's business as much as would have been the case when Government business contribution towards our results was at almost 40%. The annual Economic Report for 2014 indicated that the Government was expecting the tourism sector's contribution to GDP to grow from 8% to 13% by 2018. However the report also noted challenges to this target as:

- Lack of financial resources to support the proper management of tourism establishments e.g. protected areas and infrastructure, airports, roads etc.
- Inadequate and irregular funding to speed up projects and to fund destination marketing.

These challenges persisted in 2015. In the 2015/2016 budget the Department was only allocated a meagre sum of MK643, 247,667.00 to support tourism initiatives in the country. This underfunding remains a key challenge to achieving any meaningful gains in promoting tourism in the country. Sunbird continues with its efforts to singularly promote its hotels (and to the extent possible, Malawi as a destination) at all international fairs it attends.

We continue to have limited funding options for our projects and investments as current options are expensive due to high interest rates. With delays by the Government to approve the recapitalisation of Sunbird and the need to manage our cost of funding, we were only able to execute a few small projects which were internally funded. Unless and until the major shareholder, Government, makes a decision on recapitalisation and or we are able to identify cheaper sources of funding, Sunbird will only be able to undertake smaller projects and only projects with quick pay back periods at the expense of major rehabilitation of its various infrastructure, plant and equipment which has been long outstanding.

Given the above situation Sunbird has plans to carry out the following projects in 2016;

- Refurbishment of 92 bedrooms at Sunbird Lilongwe
- Construction of 30 bedrooms at Sunbird Livingstonia Beach
- Construction of a 500 capacity conference hall at Sunbird Mount Soche

REVENUE AND PROFITABILITY

This situation notwithstanding we believe that we have a business that can make money and we posted another solid performance in 2015. During the year the Group generated MK12 billion representing growth of 17% while the Profit after tax increased from MK766 million in 2014 to MK1 billion in 2015, an increase of 34%.This growth

was achieved in spite of paying a total of MK717 million in interest charges. I strongly believe that in adversity there is always opportunity and we have to find ways to exploit those opportunities and overcome the challenges. Our challenge is also how to increase occupancies in light of inadequate destination marketing. We have in place detailed marketing plans that address this very challenge. The CEO's report shares some of these plans. I also applaud the ingenuity of Management in pursuing innovative capital management strategies. In 2015 management refinanced an existing bond and made annual savings of MK81million through their efforts. We will continue with such innovative ways of running our business so that we can continue to generate stable returns for our shareholders.

We however remain hopeful that the Government will soon approve the recapitalisation of Sunbird.

The Public Service Reforms were launched in February 2015 by President Arthur Peter Mutharika. The aim is to facilitate the creation of an effective and efficient Public Service that will spur economic growth and also to institute public finance management the lack of which led to the suspension of direct budget support to the country. Sunbird was incorporated in the reforms process due to the Government's shareholding of 71%. Amongst the areas that were submitted for reform the recapitalisation of Sunbird was prioritised and communication is ongoing with the Office of the Vice President who is heading the reforms.

PERFORMANCE OF THE SUBSIDIARY – CATERING SOLUTIONS LIMITED

Despite various challenges, Catering Solutions Limited continues to be profitable. The following are the key highlights:

- Revenue growth from MK703 million in 2014 to MK 917 million in 2015 representing a growth of 30%.
- Profit before tax declined to MK88 million in 2015 compared to MK100 million achieved in 2014

We continue to diversify Catering Solutions Limited sources of revenues. During 2015 the subsidiary:

- Secured new institutional catering contracts at Chilumba Barracks and Reserve Bank of Malawi.
- Made considerable progress in converting the operating premises at Chileka into a modern kitchen and restaurant (work is currently 80% complete). We expect these premises to be fully operational by 2016.
- Retained all existing institutional catering contracts i.e. Moyale, Malawi Institute of Management (MIM) and Toyota Malawi Ltd. Additional contracts are under negotiation with new clients.

INVESTOR RELATIONS

Investor Relations is about ensuring that there is ongoing dialogue between the Company and its shareholders, whether existing or potential, as well as analysts and other interested parties. The company would like to develop a culture of continuous and open engagement with its shareholders especially the minority shareholders in order for the shareholders to gain relevant insight into the company's potential and policies, and in order for the Board of Directors to be aware of the shareholders' views, interests and opinions on the company.

The Investor Relations office managed by the Company Secretary also intends to hold regular meetings between management and analysts and investors where management can share information about the potential of the company and provide other general information.

The Company publishes stock exchange announcements, annual and interim financial results, as well as press releases as well as Information of considerable importance for the shareholders' and financial markets' assessment of the Company is published in accordance with the legislation and Malawi Stock Exchange Rules.

OUTLOOK

The Group will continue to offer reliable high standards and excellent client services in order to retain and grow its client base both in the domestic as well as the international markets.

Looking ahead, our economy may not improve much in 2016 and therefore we expect the operating environment to continue being challenging. However there is optimism that over the next few years, international tourism into Malawi may begin to pick up as infrastructure is improved and rehabilitated i.e. airports, roads. We also expect an improvement in the Energy sector which should improve availability of electricity across the country.

The Directors are confident that the performance of the Group for the year 2016 will remain solid and despite the challenging environment we expect the Corporate and Conference segments of our business to be the major contributor to our growth.

DIVIDEND DECLARATION

At the forthcoming Annual General Meeting the Board will recommend a total dividend of MK44 million or 28 tambala per share for the year 2015 (2014: MK54 million or 21 tambala per share).

During the year the company declared an interim dividend of MK35 million and paid an interim dividend of MK4 million or 13 tambala per share to some minority shareholders after some shareholders waived their dividend in order for the company to invest the funds in much needed projects. The final dividend payable will therefore be MK40 million or 15 tambala per share.

APPRECIATION

I speak on behalf of the Board, our shareholders and indeed the other stakeholders when I thank Roger and his team for their continued creation and delivery of value.

One of the key success factors in the hospitality industry is leadership and for Roger his leadership style and expansive knowledge of the industry have kept the staff well motivated to give of their best. Our Board of Directors continue to invest their time and expertise in the stewardship of the organisation. I also take this opportunity to thank my fellow Directors for their support and for the vision and intellect that they bring to the Board.

Phillip Madinga
Chairman

Directors

From left to right, standing: ***Benson Jere*** *- Director;* ***Anderson Kulugomba*** *- Director;* ***Reagans Nkomba*** *- Director;* ***Patrick Matanda*** *- Director;* ***Jimmy Lipunga*** *- Director;* ***Charles Merrick*** *- Director*
From left to right, seated: ***Grace Mkupu*** *- Director;* ***Phillip Madinga*** *- Chairman;* ***Elsie Tembo*** *- Director*

Management

From left to right, back row: ***Patrick Lisilira*** *- Director of Finance;* ***Oswald Bwemba*** *- Director of Operations and Quality Assurance;* ***Titania Katenga Kaunda*** *- Group Sales Manager;* ***Sam Mwale*** *- Director of Internal Audit;* ***Edward Chunga*** *- Head of Human Resources and Training*
From left to right, seated: ***Rodger Gardner*** *- CEO;* ***Maureen Kachingwe*** *- Director of Legal and Corporate Affairs*

Chief Executive's Report

OPERATING ENVIRONMENT

Yet again, Sunbird's performance in difficult circumstances has exceeded expectations as demonstrated in the financial statements section. Each of our hotels delivered improved performances over the previous year. This is especially pleasing, given the growing competition we face in the hotel and hospitality sectors. The good results are a tribute to the spirit and resolve that exists amongst our staff, from management and workers alike.

I am both proud and fortunate to be at the helm of such a dynamic and enthusiastic team of people who continue to deliver such outstanding results. I can state this with total conviction because it is not my opinion but that of our guests, gathered from a digital international survey conducted independently with all of our guests and collated according to physical and service levels. I can also add that our service performance standards rate higher than regional benchmarks. It is no secret that our success is, in the main, due to the reliable standards of our service delivery and it is for this reason that we have retained a high proportion of our client base, both in the national as well as the international market sectors.

We continue to face challenges of spiraling costs (on average costs went up by 23% in 2015 alone) and a depreciating kwacha but, in fact, these have been a part of our trading life for so long now that we deal with them as the norm. However, one of the problems we face daily is that we are unable to pass on all of these cost increases on to our customers which means our margins are ever shrinking. Again it is a credit to the financial acumen of our finance department that we still maintain reasonable levels of growth each year without taking the costs of our services beyond our customers reach. It is a finely tuned balancing act.

Last year in response to guest complaints we opened an up-market gym at Sunbird Mount Soche, 'the Soche Wellness Centre.' Since it opened we have had very positive comments from our guests. These range from the quality and variety of the equipment, the pleasant atmosphere as well as the professionalism of our staff. The gym boasts a massage parlour and steam room and we can proudly claim that it's the best of its kind in Blantyre, if not in Malawi.

We also completed the Vincent's Bar at Sunbird Capital. The Bar is part of the fine dining Vincent's restaurant which will be ready in the New Year. When completed Vincent's restaurant and bar will offer the ultimate dining experience and will raise the standard for fine dining, city and countrywide.

We leased a 75 seat passenger boat based at Sunbird Nkopola. The boat responds to our efforts to offer leisure facilities to guests. We are aware that we need to add more leisure facilities to our resorts. This is in our long term plans.

Looking ahead, we don't think the situation in our economic sector will improve much in 2016 but we are actually optimistic that, over the next three to five years, international tourism into Malawi should increase noticeably. This is in no small measure due to the significantly improved reliability of flights into the country. However, as a major player in the hospitality industry, Sunbird is concerned with the potential long term impact on this sector of the recently introduced visa arrangements and charges. Sunbird continues to monitor the situation with keen interest.

OPERATIONS

Information Technology plays a vital role in ensuring that we deliver quality customer care and efficient operations which also gives us a competitive advantage. In 2015 we therefore undertook a number of projects. We implemented eRes – an on line web-based Central Reservations System - which enables our guests to book online. This system automatically accepts reservations unlike the previous manual system which required human interface all the time. The eRes is linked to the global reservations systems.

In a bid to improve food quality, a former president of the South African Chef's Association was engaged on consultancy basis to set food quality standards and train chefs in the Group. Menus were revised in the light of new food trends, and presentation was enhanced. The standards set are supervised by the Group Executive Chef to ensure sustainability.

Access to Sunbird Nkopola was cut off due to a road washaway following the January floods. Guest patronage subsequently dwindled. The hotel offered discounted rates as an incentive to guests forced to drive a longer access route.

Sunbird Mount Soche was affected by persistent water scarcity in Blantyre. Apart from use of the hotel reservoir which proved inadequate, the hotel had to hire water bowsers, just to ensure that guest service was not compromised.

In order to boost repeat business and to reward loyal guests we introduced the SunbirdHotelstay programme in 2014. Membership continues to improve as guests comprehend more the extent of the industry-leading benefits accruing both locally and internationally.

SALES & MARKETING

Sunbird continues to enjoy its market leadership position in the hospitality industry. We appreciate the fact that it is not enough to lead just because of the strategic locations of our properties throughout the country. Our market leadership is also about differentiation in our service delivery through innovative products and services, personalised customer service, and customer relationship management.

CUSTOMER RELATIONSHIP MANAGEMENT

In order to consolidate its market position, Sunbird needs to think consistently of new strategies and policies for handling customers in order to optimise customer loyalty and grow revenues. Sunbird appreciates that modern customer relationship management strategy is all about capturing a customer's heart by offering a differentiating value preposition through various innovative ideas. Sunbird therefore acquires and retains customers with greater precision by focusing on customer retention management through intensified account and relationship management, adoption of competitive pricing, reviving dormant accounts and getting market feedback and demands with the intention of meeting and exceeding guests' need and preferences.

The E-guest survey is a tool that customers use to express their needs, demands, tastes, interests, feelings and experiences of our services and products. This helps us to measure customer satisfaction and understand their needs. Through this feedback tool we have been able to adjust some of our offerings in response.

MARKETING PROMOTION

In 2015, The Group promoted many special revenue generating activities. We conducted special conference and accommodation packages; Dream Beach Getaway; a Dream It, Live It promotion; Wedding Packages, Valentine's promotion; Easter Packages; Mother's Day promotions; Picasso's Theme lunches and dinners; the Sunbird Ku Chawe Terrace Treat and Sunday Lunch & Barbecues; midweek and weekend special rates, Xmas packages; low season packages and themed special promotions were all very successful.

Sunbird's international market segment promotions included participation at Meetings Africa in Johannesburg; ITB Berlin Travel Show in Berlin, Germany; WTM Africa in Cape Town, South Africa; Indaba in Durban plus the travel trade show organised by the Tourism attaché in Sandton, South Africa; Sanganai in Harare, Zimbabwe and WTM London. The Malawi Travel Market Consortium continues to represent Sunbird in the United Kingdom.

BRAND VISIBILITY

We continue to enjoy visibility and enrichment of the Sunbird Brand on our own redeveloped Sunbird website and social media sites which include Facebook, Twitter, WhatsApp, Instagram, alliance websites such as Reshub, Travel Malawi guide.com, Coffee Bean - ZIZO, Carole's List and on all leading Global Distribution Systems such as Expedia; Bookings.com, HRS, International Vacations, Hotelbeds, Tripadvisor, Hotels.com and Safarinow.

During the year the Sunbird brand enjoyed increased share of visibility through local advertising in the daily press and magazines, national television and strategically positioned outdoor advertising throughout the country including digital billboards.

Sunbird also enjoys visibility in international travel magazines such as the GSA, Travel Africa, Pick'n'Pay travel magazine. Sunbird Mount Soche and Sunbird Capital profiles have gained considerable visibility in Portfolio and South African Airways website.

LOYALTY PROGRAMMME

Since the introduction of Sunbird HotelStay Loyalty programme in 2014 Sunbird has made strides in growing membership across the three tiers of the programme namely Classic, Traveller and Private. The Sunbird HotelStay card offers industry's leading benefits and flexibility to our loyal guests. We anticipate much growth in membership following the recent partnership with Standard Bank whose target audience is their personal and corporate clients. Sunbird HotelStay's loyalty programme has benefits which are redeemable beyond Malawi and South Africa offering unique value and advantages to travellers.

The attraction upon initial subscription is the instant entitlement to free accommodation vouchers. Additional benefits include: free vouchers on attaining specific room nights, room upgrades and discounts on dining.

EVENTS

As one way of interacting with its customers, Sunbird held a number of corporate events such as Business Breakfasts, CEO Cocktails in the two premier hotels, Ladies' Night Cocktail, Bookers Appreciation cocktail in the two premier hotels, Corporate client cocktails and Bookers retreat to the resorts. In sports, we promoted Sunbird Ku Chawe Mountain Race and Sunbird Ku Chawe Golf Tournament and hosted a Sunbird Mount Soche Ball Pool Golf Tournament.

Apart from corporate events, Sunbird hosted the leisure fraternity at the Lake of Stars Festival at Sunbird Nkopola, Sound and Light Concert at Sunbird Livingstonia Beach and Sunbird Sand Music Festival at Sunbird Livingstonia Beach. The festivals are fast becoming popular annual events to the leisure segment attracting interest and participation not only locally but from beyond Malawi and indeed Africa.

COMPETITION

The hospitality industry in Malawi remains highly competitive and fragmented. As Sunbird we made a strategic decision not to compete on price but rather in offering quality service that meets and exceeds the guests' needs and expectations as well as offering value for money. With this approach Sunbird was able to achieve 30% market share. In spite of the stiff competition Sunbird attained a very competitive average room rate of MK49,170 against the competition's MK34,816. This is a testament to the effectiveness of the policy of avoiding price wars in favour of providing value for money. Sunbird aims to maintain and consolidate its current competitive position in the market.

CORPORATE SOCIAL INVESTMENT

SUNBIRD continues to play an active role in uplifting the lives of and caring for the broader Malawian society. Doing the right thing in the right way enables Sunbird to make a positive contribution to the communities where it operates and provides a competitive edge by enhancing and protecting the reputation of our brand.

We are also committed to ensuring that the actions of all those working for Sunbird maintain and enhance the Sunbird brand by operating an ethical business. Our aim is to pro-actively manage the environmental impacts of our operations, to provide people with skills and job opportunities in the communities where we operate and to support our guests and communities in times of need. We have a policy to focus our corporate social investment activities in these areas; girl child education, nutrition/ feeding schemes, health, and the environment. Our activities in 2015 were as follows;

Disaster Relief

In response to the floods that devastated thousands of Malawians in 15 districts within the country, Sunbird Tourism Limited handed over relief items worth MK3.2 million to the Red Cross Society of Malawi through the Malawi Confederation of Chambers of Commerce and Industry. Inevitably, a few employees in some of the hotels (notably Sunbird Mount Soche, Lilongwe and Ku Chawe) were affected by these floods. They were given assistance in the form of salary advances, bags of maize, beans, salt, cooking oil and sugar, among other things.

Climate Conservation

Continuing with set tradition, the Group planted 1000 tree seedlings on Nyambadwe Hill in Blantyre during the 2015 tree-planting season. This was in liaison with the Blantyre City Council and subsequent visits show a seedling survival rate of over 80%. In March 2015, Sunbird Capital carried out a similar initiative at Kauma Sewage Treatment Site in Lilongwe under the guidance of the Lilongwe City Council.

As one way of helping the Blantyre City Mayor restore the commercial capital to its former glory, the Group signed a memorandum of understanding with the Blantyre City Council to landscape and maintain two roundabouts within Blantyre City for the next five years. Plans are underway to make full use of these areas by branding them once the gardens have matured to the desired levels.

The first two composting toilets were completed within Sam's model village in Lilongwe which is supported by Landirani Trust. These toilets were built by the villagers under the guidance of architect Nyomi Roswell using plastic water bottles (earlier donated by Sunbird Tourism

Limited), timber, sand and lime mortar, all of which are more environmentally friendly than the conventional bricks and cement. The toilets are designed to collect and compost human waste to be used as crop fertiliser within the model village. They are intended to serve as a learning platform for people from surrounding villages.

Education

Each of the seven hotels, through the Group; continued sponsoring seven student teachers studying at Development Aid from People to People (DAPP) Teacher's Training Colleges.

Additionally, Sunbird Corporate Office, Sunbird Nkopola and Sunbird Livingstonia each donated reading material and annual newspaper subscription to a school within their vicinity. This was done to help inculcate a reading culture among Malawi's youth as the world commemorated International Literacy Day in September. In 2016, the Group has planned to build and fully furnish a library for a primary school in need of this service.

Health

The Group continued providing meals to out-patients on chemotherapy at Queen Elizabeth Central Hospital. Chemotherapy sessions take place each Tuesday and Thursday; Sunbird runs its service on Tuesdays and the balanced meals give patients strength needed to travel long distances to the hospital and often do not have the resources for such a meal. This weekly lunch service cost the Group MK7.2 million for the entire year.

Media Relations

The PR office values the role of the media in disseminating information to the public. The following initiatives were taken - to help strengthen Sunbird's bonds with key media practitioners:

In January, the Group hosted appreciation luncheons in both Blantyre and Lilongwe to thank the media for the cordial working relationship and update them on new developments within the seven establishments.

For the second year running, the Group sponsored the Tourism Journalist of the Year section of the Media Institute of Southern Africa (MISA Malawi) World Press Freedom Day Awards in May. This section was introduced by Sunbird in 2014 to encourage responsible and objective reporting on developments within the tourism sector in Malawi.

Both the internet and social media continue to be important tools through which the Group communicates with local and international markets. For this reason, Sunbird profiles were created on additional platforms such as Instagram, Google Plus and Linked In. The office also continued disseminating information through affiliate websites, commercial mailing lists and monthly electronic newsletters.

HUMAN RESOURCES & INDUSTRIAL RELATIONS

Sunbird considers its human capital as a critical success enabler in achieving strategic business objectives. Against this background, the human resources function continued to play its vital role of being a business partner by initiating a number of programmess and interventions aimed at enhancing service delivery. Realising that exceptional service delivery can only be achieved by well-trained people, Sunbird is in the process of establishing a fully-equipped training centre in Lilongwe with the sole objective of inculcating a culture of continuous learning. Greater attention was also given in the year to succession planning initiatives. Some of these initiatives and programmes were; eight management trainees, who were studying for a Diploma in Hotel Operations at the School of Tourism in Bulawayo returned home and were appointed into substantive positions; apprenticeship programmes in technical services, food production and housekeeping, kitchen managers' programme. Some executive managers at corporate office are undergoing executive coaching sessions while others in executive management attended relevant profession-related workshops in RSA. On-the-job training as well as training in Standard Operating Procedures was also carried out.

Since quality and value are defined by the guest, the employee who provides the guest experience must be not only be well-trained but highly motivated to meet the guest's quality and value expectations and must do so consistently. In the hospitality industry if you take care of your staff they will take care of your guests because the guest contact employee usually is the key to having a satisfied guest.

Sunbird continued to reward its "star performers" from all units. These are the Employees and Supervisors of the year, two from each of Sunbird's eight business units. In 2015, the Winners went for an exposure trip to Tanzania and Zanzibar.

As has been the tradition, long service awards were also presented to long-serving employees. One recipient of this award had served the company for 35 years!!

The Group's headcount for the year stood at 1,104 (previous year 1,091).

SUNBIRD CORE VALUES & BELIEFS

Sunbird's core values and beliefs define "who we are" and how we aspire to treat our customers and clients as well as how we treat each other as employees. These values shape our "culture". In order to entrench these values and promote ethical culture within the company, "ethics" training was conducted in the year, initially for senior managers. This will be offered to heads of departments and supervisors in 2016.

INDUSTRIAL RELATIONS

The company continued to enjoy a peaceful and harmonious work environment owing to the sound relationship which it continuously enjoys with its Union. A joint refresher workshop attended by both human resources managers and shop stewards in Collective Bargaining Procedures and the role of shop stewards was conducted in the year.

HIV/AIDS

During the year Sunbird continued to implement Wellness, HIV and AIDS programmes guided by the company's HIV and AIDS Workplace Policy. All Sunbird hotels and its catering subsidiary have HIV and AIDS Steering Committees comprising peer educators who communicate HIV and AIDS messages to colleagues. The Group's Coordinator for HIV and AIDS programmes oversees the activities of Unit Steering Committees and manages budgeted funds for the programme. Sunbird committed adequate funds to fully cover medical expenses related to HIV and AIDS and also provide monthly nutritional food supplements to staff and family members affected by the disease.

Across the country in the various Sunbird locations, Steering Committees also engaged in outreach activities to pass HIV and AIDS messages to vulnerable groups in their surrounding communities.

In implementing its programmes the Company has benefited from the support and cooperation of other HIV and AIDS partners and stake-holders who are involved in HIV and AIDS activities. During the year Sunbird peer educators attended meetings and training workshops on HIV and AIDS management in the workplace organised by the Malawi Business Coalition Against HIV and AIDS (MBCA) and Technical, Entrepreneurial and Vocational Education and Training Authority (TEVETA).

The company sits on the Board of Trustees of Malawi Business Coalition Against HIV and Aids (MBCA)

Roger M Gardner
CHIEF EXECUTIVE

Sunbird Tourism Limited

Financial Statements 2015

SUNBIRD

Hotels and Resorts

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors have pleasure in presenting their report together with the audited financial statements which comprise the consolidated and separate financial statements for the year ended 31 December 2015.

Nature of Business

Sunbird Tourism Limited (the "Company") 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.

The Group comprises of the Company and its subsidiary and its primary business is in hospitality.

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:

	2015 %	2014 %
MDC Limited	71.00	71.00
Members of the public	12.52	12.56
Noel Hayes	16.48	16.44
	100.00	100.00

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

The share price at the year end was **MK23.00** (2015: MK8.00) per share.

State of Affairs

The state of affairs of the Group and Company is set out on page 23 to 64 of the financial statements.

Dividend

During the year, a dividend of **MK26 million** representing 10 tambala per share was paid in respect of the year ended 31 December 2014 and an interim dividend to minority shareholders of **MK4** million representing 13 tambala per share was paid relating to the year ended 31 December 2015.

Corporate Governance

Sunbird Tourism Limited has an overarching governance structure incorporating principles of good governance, to facilitate effective and dynamic management and oversight of the Company and Group as advocated in the code of best practice and conduct contained in Malawi Code II, Code of Best Practice to Corporate Governance in Malawi.

The Board is satisfied that the Group has made every practical effort to adapt all relevant principles of good corporate governance during the year under review in so far as is applicable to the company and its subsidiary.

Directors' Report (continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

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 consolidated and separate financial statements. This committee reports regularly to the Board of Directors on its activities.

DIRECTORATE

The following directors served in the office during the year:

Mr. P. Madinga	-	Chairman (from 28 May 2015)
Mr. L. Chikadya	-	Chairman (up to 27 April 2015)
Mr. R. Nkhoma	-	Director
Mr. J. Lipunga	-	Director
Mr. A. Sesani	-	Director (up to 18 May 2015)
Mr. Noel Hayes	-	Director
Mr. A. Kulugomba	-	Director
Mrs. G. Mkupu	-	Director
Ms. E. Tembo	-	Director
Mr. R. Mangani	-	Director
Mr. C. Merrick	-	Director (from 14 December 2015)
Mrs. M. Kachingwe	-	Company Secretary

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

All directors are subject to retirement by rotation and re-election by the shareholders at least once every three years.

The Board meets at least four times a year including sessions devoted to strategy and business planning. It may also meet as and when required to deal with specific matters that may arise between scheduled meetings.

All directors have access to management including the Company Secretary and to such information as is needed to carry out their duties and responsibilities fully and effectively. The Company Secretary provides support to the Board to ensure effective functioning and proper administration of Board proceedings.

GOING CONCERN

The Board has satisfied itself that the Group and Company have adequate resources to continue in operation for the foreseeable future. The consolidated and separate financial statements have accordingly been prepared on a going concern basis.

INDEPENDENT AUDITORS

Messrs 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 2016.

FOR AND ON BEHALF OF THE BOARD

Chairman
29 March 2016

Director

Directors' Responsibility Statement

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Sunbird Tourism Limited, comprising the statements of financial position as at 31 December 2015, 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 subsidiary keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and its subsidiary 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 consolidated and separate financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

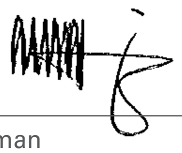
The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and 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 subsidiary 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 financial statements are fairly presented in all material respects in accordance with the International Financial Reporting Standards.

Approval of consolidated and separate financial statements

The consolidated and separate financial statements of Sunbird Tourism Limited, as identified in the first paragraph were approved by the Board of Directors on **29 March 2016** and were signed on its behalf by:



Chairman Director

29 March 2016

Independent Auditor's Report to the Shareholders of Sunbird Tourism Limited

FOR THE YEAR ENDED 31 DECEMBER 2015

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 consolidated and separate financial statements of Sunbird Tourism Limited, which comprise the statements of financial position as at 31 December 2015, 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, as set out on pages 23 to 64.

Directors' responsibility for the financial statements

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

Auditor's 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 about 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 auditors' 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 relevant to the entity's preparation of financial statements that give a true and fair view 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 control. 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 of the consolidated and separate financial position of Sunbird Tourism Limited as at 31 December 2015, 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

13 April 2016

Statements of Financial Position

AS AT 31 DECEMBER 2015

In thousands of Malawi Kwacha

	Note	CONSOLIDATED 2015	CONSOLIDATED 2014 Restated (note 28)	CONSOLIDATED 2013 Restated (note 28)	SEPARATE 2015	SEPARATE 2014 Restated (note 28)	SEPARATE 2013 Restated (note 28)
ASSETS							
NON-CURRENT ASSETS							
Property and equipment	6	18,019,385	14,140,977	13,757,269	17,613,487	13,960,283	13,594,698
Investment in subsidiary	7	-	-	-	102,023	102,023	102,023
Total non-current assets		18,019,385	14,140,977	13,757,269	17,715,510	14,062,306	13,696,721
CURRENT ASSETS							
Inventories	8	1,060,411	917,849	784,936	1,018,691	887,794	767,944
Trade and other receivables	9	1,412,721	1,026,461	1,075,296	1,294,119	983,182	912,979
Amounts due from related parties	11	293,696	271,533	-	68,398	77,578	1,255
Current tax assets	24.2	121,144	-	71,876	113,397	-	60,179
Cash and cash equivalents	10	196,452	269,814	101,455	194,800	269,422	101,455
Total current assets		3,084,424	2,485,657	2,033,563	2,689,405	2,217,976	1,843,812
TOTAL ASSETS		21,103,809	16,626,634	15,790,832	20,404,915	16,280,282	15,540,533
EQUITY AND LIABILITIES							
Equity							
Share capital	12	13,079	13,079	13,079	13,079	13,079	13,079
Share premium		1,966	1,966	1,966	1,966	1,966	1,966
Revaluation reserve		8,251,681	5,928,806	5,969,774	8,084,432	5,835,915	5,876,883
Retained earnings		3,686,338	2,583,728	1,830,661	3,502,141	2,463,756	1,705,645
Total equity		11,953,064	8,527,579	7,815,480	11,601,618	8,314,716	7,597,573
NON CURRENT LIABILITIES							
Loans and borrowings		-	-	446,130	-	-	446,130
Corporate bond	14	1,771,378	2,240,000	1,540,000	1,771,378	2,240,000	1,540,000
Obligations under finance leases	15	150,866	158,052	112,597	129,002	158,052	112,597
Employee benefits	16.2	390,866	363,090	333,052	381,775	349,333	321,822
Deferred income	6	13,525	39,249	30,799	13,525	39,249	30,799
Deferred tax liabilities	17	3,955,418	2,904,261	2,884,772	3,881,790	2,867,109	2,847,639
Total non-current liabilities		6,282,053	5,704,652	5,347,350	6,177,470	5,653,743	5,298,987
CURRENT LIABILITIES							
Bank overdraft	10	130,842	156,985	305,398	112,756	150,323	304,426
Trade and other payables	18	2,036,792	1,756,175	1,649,657	1,854,739	1,714,017	1,588,630
Employee benefits	16.3	545,074	279,304	236,282	506,834	254,629	236,282
Loans and borrowings		-	-	370,276	-	-	358,826
Obligations under finance leases	15	86,693	60,399	50,324	82,207	60,399	50,324
Deferred income	6	28,324	28,324	16,065	28,324	28,324	16,065
Amounts due to related parties	11	40,967	71,852	-	40,967	70,657	89,420
Current tax liabilities	24.2	-	41,364	-	-	33,474	-
Total current liabilities		2,868,692	2,394,403	2,628,002	2,625,827	2,311,823	2,643,973
Total liabilities		9,150,745	8,099,055	7,975,352	8,803,297	7,965,566	7,942,960
TOTAL EQUITY AND LIABILITIES		21,103,809	16,626,634	15,790,832	20,404,915	16,280,282	15,540,533

The consolidated and separate financial statements were approved for issue by the Board of Directors on **29 March 2016** and were signed on its behalf by:

Chairman **Director**

Statements of Profit or Loss and other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2015

In thousands of Malawi Kwacha

		CONSOLIDATED		SEPARATE	
	Note	2015	2014	2015	2014
			Restated (note 28)		*Restated (note 28)*
Revenue	19	12,077,143	10,356,508	11,159,723	9,653,132
Cost of sales		(2,771,126)	(2,371,126)	(2,340,587)	(2,027,677)
Gross profit		9,306,017	7,985,382	8,819,136	7,625,455
Other income	20	67,167	82,058	72,569	157,056
Administrative and other expenses	21	(7,301,486)	(6,093,703)	(6,911,514)	(5,836,036)
Results from operating activities		2,071,698	1,973,737	1,980,191	1,946,475
Finance costs	22	(717,092)	(904,199)	(713,100)	(902,148)
Profit before taxation	23	1,354,606	1,069,538	1,267,091	1,044,327
Taxation	24.1	(331,831)	(303,464)	(306,454)	(273,209)
Profit for the year		1,022,775	766,074	960,637	771,118
Other comprehensive income, net of tax					
Items that will not be reclassified to profit or loss					
Revaluation of property and equipment net of deferred tax		2,432,499	-	2,356,054	-
Total other comprehensive income, net of tax		2,432,499	-	2,356,054	-
Total comprehensive income		3,455,274	766,074	3,316,691	771,118
Profit attributable to:					
Owners of the Company		1,022,775	766,074	960,637	771,118
Total comprehensive income attributable to:					
Owners of the Company		3,455,274	766,074	3,316,691	771,118
Earnings per share (tambala)					
Basic and diluted	25	391	293		

Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2015

In thousands of Malawi Kwacha

CONSOLIDATED	Share capital	Share premium	Revaluation reserve	Retained earnings	Total
2015					
At 1 January 2015	13,079	1,966	5,928,806	2,583,728	8,527,579
Total comprehensive income for the year					
Profit for the year	-	-	-	1,022,775	1,022,775
Other comprehensive income					
Revaluation surplus	-	-	3,474,999	-	3,474,999
Deferred tax on revaluation surplus	-	-	(1,042,500)	-	(1,042,500)
Total comprehensive income for the year	-	-	2,432,499	1,022,775	3,455,274
Transfer to retained earnings	-	-	(109,624)	109,624	-
Transactions with owners of the company recognised directly in equity					
Dividend paid	-	-	-	(29,789)	(29,789)
At 31 December 2015			13,079	1,966	8,251,681
2014					
Balance at 1 January 2014, as previously reported	13,079	1,966	5,969,774	1,745,422	7,730,241
Effect of restatement (See note 28)	-	-	-	85,239	85,239
Restated balance at 1 January 2014	13,079	1,966	5,969,774	1,830,661	7,815,480
Total comprehensive income for the year (restated)					
Profit for the year	-	-	-	766,074	766,074
Other comprehensive income					
Total comprehensive income for the year (restated)	-	-	-	766,074	766,074
Transfer to retained earnings	-	-	(40,968)	40,968	-
Transactions with owners of the company recognised directly in equity					
Dividend paid	-	-	-	(53,975)	(53,975)
Restated balance as at 31 December 2014	13,079	1,966	5,928,806	2,583,728	8,527,579

Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2015

In thousands of Malawi Kwacha

SEPARATE	Share capital	Share premium	Revaluation reserve	Retained earnings	Total
2015					
At 1 January 2015	13,079	1,966	5,835,915	2,463,756	8,314,716
Total comprehensive income for the year					
Profit for the year	-	-	-	960,637	960,637
Other comprehensive income					
Revaluation Surplus	-	-	3,365,791	-	3,365,791
Deferred tax on revaluation surplus	-	-	(1,009,737)	-	(1,009,737)
Total comprehensive income for the year	-	-	2,356,054	960,637	3,316,691
Transfer to retained earnings	-	-	(107,537)	107,537	-
Transactions with owners of the company recognised directly in equity					
Dividend paid	-	-	-	(29,789)	(29,789)
At 31 December 2015	13,079	1,966	8,084,432	3,502,141	11,601,618
2014					
Balance at 1 January 2014, as previously reported	13,079	1,966	5,876,883	1,623,945	7,515,873
Effect of restatement (See note 28)	-	-	-	81,700	81,700
Restated balance at 1 January 2014	13,079	1,966	5,876,883	1,705,645	7,597,573
Total comprehensive income for the year (restated)					
Profit for the year	-	-	-	771,118	771,118
Other comprehensive income					
Total comprehensive income for the year (restated)	-	-	-	771,118	771,118
Transfer to retained earnings	-	-	(40,968)	40,968	-
Transactions with owners of the company recognised directly in equity					
Dividend paid	-	-	-	(53,975)	(53,975)
Restated balance as at 31 December 2014	13,079	1,966	5,835,915	2,463,756	8,314,716

Statements of Cashflow

FOR THE YEAR ENDED 31 DECEMBER 2015

In thousands of Malawi Kwacha

		CONSOLIDATED		SEPARATE	
	Notes	2015	2014	2015	2014
Cash flows from operating activities					
Cash receipts from customers		11,411,738	10,056,699	10,656,635	9,517,052
Cash paid to suppliers and employees		(9,051,581)	(7,893,086)	(8,424,473)	(7,396,618)
Cash generated from operations		2,360,157	2,163,613	2,232,162	2,120,434
Interest paid	22	(755,006)	(875,514)	(750,106)	(873,463)
Taxation paid	24.2	(485,682)	(169,401)	(448,381)	(160,086)
Net cash from operating activities		1,119,469	1,118,698	1,033,675	1,086,885
Cash flows from investing activities					
Purchase of property and equipment	6	(742,197)	(688,265)	(616,325)	(659,275)
Interest received		-	2	-	-
Proceeds from sale of property and equipment		10,318	21,420	7,662	18,093
Net cash used in investing activities		(731,879)	(666,843)	(608,663)	(641,182)
Cash flows from financing activities					
Proceeds from borrowings	13	912,498	1,621,669	885,078	1,621,669
Repayment of borrowings	13	(1,362,012)	(1,685,209)	(1,360,942)	(1,673,759)
Dividends paid		(29,789)	(53,975)	(29,789)	(53,975)
Net cash utilised in financing activities		(479,303)	(117,515)	(505,653)	(106,065)
Net (decrease)/ increase in cash and cash equivalents		(91,713)	334,340	(80,641)	339,638
Cash and cash equivalents at beginning of the year		112,829	(203,943)	119,099	(202,971)
Effect of exchange rate fluctuations on cash held		44,494	(17,568)	43,586	(17,568)
Cash and cash equivalents at end of the year	10	65,610	112,829	82,044	119,099
Additional statutory disclosures					
Net movement in working capital		124,478	685,693	157,425	706,314

1. REPORTING ENTITY

Sunbird Tourism Limited ('the company') is a company incorporated and domiciled 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 subsidiary (together referred to as 'the Group' and individually as 'group entities'); Catering Solutions Limited. The subsidiary company is incorporated and domiciled in Malawi.

The main business of the company and that of its subsidiary 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 and separate 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 29 March 2016. 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 items of property and equipment which are 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) Going concern basis of accounting

The financial statements have been prepared on a going concern basis, which assumes that the company will be able to meet the repayment of its liabilities and the mandatory repayment terms of the facilities as disclosed in notes 13, 14 and 15.

e) 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.

f) Changes in accounting policies

Unless stated otherwise, the Group has consistently applied the accounting policies as set out in note 3 to all periods presented in these financial statements.

g) New standards and interpretations not yet adopted

A number of new standards amendments to standards and interpretations have been published that are not mandatory for the 31 December 2015 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

- **IFRS 9 Financial Instruments;** IFRS 9, published in July 2014, replaces the existing guidance in IAS *39 Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39.

  The effective date is annual periods beginning on or after 1 January 2018, with early adoption permitted.

  The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

- **IFRS 15 Revenue from Contracts with Customers;** IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes.*

  IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

  The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

- **Amendment to IAS 27, 'Separate financial statements' regarding the equity method;**
  The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The effective date for this amendment is annual periods beginning on or after 1 January 2016. The Group is assessing the potential impact on its consolidated financial statements resulting from this amendment.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant 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

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

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

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 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.

Changes in ownership interests in subsidiary 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 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 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 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 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 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.

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

The cost of replacing part of an item of property 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 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.

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	-	3 - 10 years

Useful lives, depreciation methods and residual values are re-assessed at each reporting date. 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 and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in 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 *Investment in subsidiaries*

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

3.4 *Inventories*

Inventories consist of foodstuffs, consumables and merchandise. Inventories are measured at the lower of cost and net realisable value. The carrying amount of inventory is based on the weighted average cost 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.

3.5 *Taxation*

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 *Taxation (Continued)*

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 consolidated and separate 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 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.

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.

3.6 *Foreign currency translations*

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

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.

3.7 *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.

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 recognized 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.

3.8 *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 and Group, 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.

3.9 *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 profit or loss using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 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 recognized in the consolidated and separate statements of financial position.

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

3.11 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 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.

3.12 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 Group's contractual rights to the cash flows from the financial assets expire or if the Group 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 Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group'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 Group 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 Group of similar transactions such as in the company's trading activity.

Notes to the Financial Statements (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2015

In thousands of Malawi Kwacha

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.

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 which approximates fair value. 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 amortized 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 amortized cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 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.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either through use of an allowance account. The amount of the loss shall be 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.

3.14 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.

3.15 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.

3.16 Operating segments

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.

Equity instruments are recorded at the proceeds received, net of direct issue cost.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3.21 Prior years' adjustment

The Group discloses the nature of the prior year adjustment and the amount of the adjustment for each financial statement line affected as required by *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.*

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 and separate 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.

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 related parties 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 allowance 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 trends 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:

- MK25 million (2014: MK25 million) overdraft facility with National Bank of Malawi whose interest rate is at the bank's base lending rate currently at 34% per annum (2014: 38%).
- MK150 million (2014: MK150 million) overdraft facility with Standard Bank Limited whose interest rate is at the bank's base lending rate currently at 35% per annum (2014: 37%).

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 (FCDAs) 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 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 Group 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 Group 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 its subsidiary are subject to any externally imposed capital requirements.

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 Group as at 31 December 2015 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.

The valuation technique used in measuring the fair values of property and equipment, as well as the significant unobservable inputs used are presented below:

- **Valuation technique**
  The valuation expert adopted an open market value basis using the income approach methodology.

- **Market value**
  The market value basis of valuation is interpreted as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

- **Significant unobservable inputs**
  In valuation of properties in the hospitality industry, use of trading revenue or estimated or reasonably anticipated revenue from the business and operating expenses is made to formulate an opinion on market value.

- **Inter-relationship between key unobservable inputs and fair value measurement**
  The improvement in the occupancy rate is reflected in the revenues which in turn has translated into a growth rate in value.

The fair value measurements have been categorised as Level 3 for value based on inputs to the valuation techniques used.

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. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

5.2 *Key sources of estimation and uncertainty*

5.2.1 Employee benefits

Pension accrual

The Pension Act, 2011 provides for transitional provisions for the conversion of severance liability into pension obligations. The Pension Act, 2011 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. Provided such amounts is escalated by the retail price for the amount not remitted to the pension fund managers.

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 Group's maximum exposure at the reporting date if guarantees entered into by the Group in support of staff borrowings from financial institutions were called upon.

In thousands of Malawi Kwacha

6. PROPERTY AND EQUIPMENT

See accounting policy 3.2

CONSOLIDATED	Freehold property	Leasehold property	Vehicles & equipment	Work in Progress	Total
2015					
Cost or valuation					
At 1 January 2015	8,027,338	4,940,071	2,228,016 ◊	189,370	15,384,795
Additions during the year	13,587	10,606	378,389	339,615	742,197
Work in progress capitalised	150,643	78,567	68,736	(297,946)	-
Reallocation	(5,714)* -	5,714 *	-	-	
Revaluation	2,431,946	833,500	-	-	3,265,446
Disposals during the year	-	-	(74,274)	-	(74,274)
At 31 December 2015	10,617,800	5,862,744	2,606,581 ◊	231,039	19,318,164
Accumulated depreciation and impairment losses					
At 1 January 2015	86,363	49,399	1,108,056	-	1,243,818
Charge for the year	44,570	29,221	252,249	-	326,040
Revaluation	(130,933)	(78,620)	-	-	(209,553)
Eliminated on disposals	-	-	(61,526)	-	(61,526)
At 31 December 2015	-	-	1,298,779	-	1,298,779
Carrying value					
At 31 December 2015	10,617,800	5,862,744	1,307,802	231,039	18,019,385
2014					
Cost or valuation					
At 1 January 2014	8,527,568	4,203,432	1,900,960 ◊	131,802	14,763,762
Additions during the year	137,121	29,910	401,691	119,543	688,265
Work in progress capitalised	23,189	22,053	16,733	(61,975)	-
Reallocation	(660,540) *	686,274 *	(25,734) *	-	-
Disposals during the year	-	(1,598)	(65,634)	-	(67,232)
At 31 December 2014	8,027,338	4,940,071	2,228,016 ◊	189,370	15,384,795
Accumulated depreciation and impairment losses					
At 1 January 2014	39,131	23,064	944,298	-	1,006,493
Charge for the year	41,059	26,335	217,423	-	284,817
Reallocation	6,173 *	-	(6,173) *	-	-
Eliminated on disposals	-	-	(47,492)	-	(47,492)
At 31 December 2014	86,363	49,399	1,108,056	-	1,243,818
Carrying value					
At 31 December 2014	7,940,975	4,890,672	1,119,960	189,370	14,140,977

◊ The amount includes motor vehicles purchased under finance lease amounting to MK408m (2014:MK329m).

* Reallocations to property and equipment relate to assets which were previously allocated under a wrong class of assets now corrected after determination of the right classification.

In thousands of Malawi Kwacha

6. PROPERTY AND EQUIPMENT (CONTINUED)

See accounting policy 3.2

SEPARATE	Freehold property	Leasehold property	Vehicles & equipment	Work in Progress	Total
2015					
Cost or valuation					
At 1 January 2015	7,920,338	4,892,272	2,170,630 ◊	181,286	15,164,526
Additions during the year	13,587	10,606	326,201	265,931	616,325
Work in progress capitalised	150,643	78,567	67,055	(296,265)	-
Reallocation	(5,714) *	-	5,714 *	-	-
Revaluation	2,308,196	848,829	-	-	3,157,025
Disposals during the year	-	-	(63,498)	-	(63,498)
At 31 December 2015	10,387,050	5,830,274	2,506,102	150,952	18,874,378
Accumulated depreciation and impairment losses					
At 1 January 2015	86,363	49,024	1,068,856	-	1,204,243
Charge for the year	44,570	28,809	244,500	-	317,879
Revaluation	(130,933)	(77,833)	-	-	(208,766)
Eliminated on disposals	-	-	(52,465)	-	(52,465)
At 31 December 2015	-	-	1,260,891	-	1,260,891
Carrying value					
At 31 December 2015	10,387,050	5,830,274	1,245,211	150,952	17,613,487
2014					
Cost or valuation					
At 1 January 2014	8,420,794	4,169,809	1,845,018 β	129,783	14,565,404
Additions during the year	137,121	13,910	394,766	113,478	659,275
Work in progress capitalised	23,189	22,053	16,733	(61,975)	-
Reallocation	(660,766) *	686,500 *	(25,734) *	-	-
Disposals during the year	-	-	(60,153)	-	(60,153)
At 31 December 2014	7,920,338	4,892,272	2,170,630 β	181,286	15,164,526
Accumulated depreciation and impairment losses					
At 1 January 2014	39,131	23,064	908,511	-	970,706
Charge for the year	41,059	25,960	210,330	-	277,349
Reallocation	6,173 *	-	(6,173) *	-	-
Eliminated on disposals	-	-	(43,812)	-	(43,812)
At 31 December 2014	86,363	49,024	1,068,856	-	1,204,243
Carrying value					
At 31 December 2014	7,833,975	4,843,248	1,101,774	181,286	13,960,283

◊ The amount includes motor vehicles purchased under finance lease amounting to **MK381m** (2014:MK321m).

* Reallocation of property, plant and equipment relate to assets which were previously allocated under a wrong class of assets now corrected after determination of the right classification.

In thousands of Malawi Kwacha

	CONSOLIDATED		SEPARATE	
	2015	2014	2015	2014

Properties (Land and buildings)

Carrying amount at end of the year comprise the following:

Purchase cost	4,121,763	3,947,865	4,098,340	3,924,030
Subsequent revaluations	12,358,781	8,883,782	12,118,984	8,753,193
At 31 December	16,480,544	12,831,647	16,217,324	12,677,223

Land and buildings for the Group were valued as at 31 December 2015 by Mr. E Jambo, MSc: Real Estate; MBA; BA (Pub. Admin), a qualified and independent valuer on an open market value basis.

If land and buildings were stated on the historical cost basis, the carrying amounts would be as follows:

Cost	7,133,619	6,991,922	7,110,196	6,930,014
Accumulated depreciation	3,011,856	3,044,057	3,011,856	3,005,984
Carrying amount	4,121,763	3,947,865	4,098,340	3,924,030

The registers of land and buildings as required by S16 of the Companies Act are available for inspection at the registered offices of the respective companies.

The fair value measurement of land and buildings of MK16.48 billion has been categorised as a level three fair value based on the inputs to the valuation techniques.

At 31 December 2015, properties, with a carrying amount of **MK4.9 billion** (2014:MK3.8 billion) were subject to a registered form of security for corporate bond and bank overdrafts (see note 10 and 14).

Work in progress

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

Government grants

Duty Waiver Grant

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 program in 2009 the Group qualified for duty waiver of K101 million and excise duty of MK26 million, amounting to a total Government grant of MK127 million. The grant of MK127 million was recognized as deferred income in 2009. The Grant is being amortized over the estimated useful life of the assets to which it relates.

In 2015 the Group qualified for duty waiver amounting to MK2.6 million.

In thousands of Malawi Kwacha

6. PROPERTY AND EQUIPMENT (CONTINUED)

Government grants (continued)

Electronic Fiscal Devise Cost Recovery Grant

The Malawi Government's Value Added Tax (VAT) Act (Cap 42.02) Amendment of 2014 introduced the mandatory use of electronic fiscal devices (EFDs) for all VAT operators in Malawi. The Malawi Revenue Authority (MRA), which was mandated to implement the usage of fiscal devices, introduced a cost recovery system for all VAT operators who procured the EFDs within a prescribed period. Such operators were allowed to claim 100% of the cost as input VAT.

The Group procured EFDs worth MK37 million and claimed this in full from the Malawi Revenue Authority under the cost recovery system. The MK37 million was capitalised as part of computer equipment in 2014 and deferred income has been recognised. The Grant is being amortized over the estimated useful life of the asset.

	CONSOLIDATED AND SEPARATE	
	2015	2014
Total Government grant	67,573	46,864
Add: Government grant related to assets received during the year	2,600	36,774
Less: Amounts recognised in the statement of comprehensive income-note 20	(28,324)	(16,065)
Total deferred income	41,849	67,573
Deferred income to be recognised:		
After one year	13,525	39,249
Within one year	28,324	28,324
	41,849	67,573

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

See accounting policy 3.3

	PERCENTAGE HOLDING		SEPARATE	
	2015	2014	2015	2014
	%	%		
Shares at cost:				
Hotel Livingstonia Limited	100	100	102,023	102,023

8. INVENTORY

See accounting policy 3.4

	CONSOLIDATED		SEPARATE	
	2015	2014	2015	2014
Merchandise	382,409	371,924	361,787	357,632
Consumables	516,454	406,021	509,650	400,451
Food, drink and tobacco	161,548	139,904	147,254	129,711
	1,060,411	917,849	1,018,691	887,794

In thousands of Malawi Kwacha

	CONSOLIDATED		SEPARATE	
	2015	2014	2015	2014

9. TRADE AND OTHER RECEIVABLES

See accounting policy 3.12

Trade receivables	1,166,744	785,220	1,090,685	766,858
Other receivables	245,977	241,241	203,434	216,324
	1,412,721	1,026,461	1,294,119	983,182

10. CASH AND CASH EQUIVALENTS

See accounting policy 3.12

Cash and cash equivalents in statement of the financial position	196,452	269,814	194,800	269,422
Bank overdrafts	(130,842)	(156,985)	(112,756)	(150,323)
Cash and cash equivalents in the statement of cash flows	65,610	112,829	82,044	119,099

Bank overdraft facilities totalling **MK175 million** (2014: MK175 million) 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 2015 was **MK1.03 billion** (2014: MK846 million). Interest is charged at the banks' base lending rate currently at **35%** per annum (2014: 38%). The facilities are repayable on demand and are renewed annually.

11. RELATED PARTY TRANSACTIONS

See accounting policy 3.12

Parent and ultimate controlling party

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

Transactions with related parties				
Catering Solutions Limited	-	-	6,343	-
Malawi Government	1,201,687	1,083,677	669,583	675,719
	1,201,687	1,083,677	675,926	675,719
Amounts due from related parties				
Catering Solutions Limited	-	-	36,656	9,040
Malawi Government	293,696	271,533	31,742	68,538
	293,696	271,533	68,398	77,578
Amounts due to related parties				
Malawi Government	40,967	71,852	40,967	70,657

These balances arose from the normal course of trading between the Group and related parties at arm's length and are to be settled within a year of the reporting date. None of the balances are secured. No expense has been recognised in the current year or prior year impairments in respect of amounts owed by related parties. The parent company guarantees a **MK25 million** (2014: MK25 million) overdraft facility for Catering Solutions Limited.

In thousands of Malawi Kwacha

11. RELATED PARTY TRANSACTIONS (CONTINUED)

Parent and ultimate controlling party (continued)

Compensation of key management personnel

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

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 12.41% of the basic pay.

Salary and cash benefits for the year were as follows:

	CONSOLIDATED		SEPARATE	
	2015	2014	2015	2014
Short-term benefits (salary and bonus)	308,657	255,574	285,821	237,155
Post-employment benefits				
(Employer pension contribution)	22,303	32,016	19,750	29,531
	330,960	287,590	305,571	266,686
Directors' remuneration	41,129	27,494	36,701	24,785

12. SHARE CAPITAL

See accounting policy 3.18

Authorised		
280,000,000 (2014: 280,000,000) Ordinary shares of 5 tambala each	14,000	14,000
Issued and fully paid		
261,582,580 (2014: 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.

In thousands of Malawi Kwacha

13. MOVEMENT IN LOANS AND BORROWINGS

See accounting policy 3.12

CONSOLIDATED	Short term Loan	NBM MKW Refurb	NBM USD Refurb	NBM MKW Medium Term	Total Loans and Borrowings	Finance Lease Finance	Corporate Bond	Total
						Note 15	*Note 14*	
2015								
1 January	-	-	-	-	-	218,451	2,240,000	2,458,451
Proceeds from borrowings	-	-	-	-	-	231,120	681,378	912,498
Repayments	-	-	-	-	-	(212,012)	(1,150,000)	(1,362,012)
31 December	-	-	-	-	-	237,559	1,771,378	2,008,937
2014								
1 January	11,450	229,079	135,760	440,117	816,406	162,920	1,540,000	2,519,326
Foreign exchange loss	-	-	2,665	-	2,665	-	-	2,665
Proceeds from borrowings	-	-	-	-	-	231,669	1,390,000	1,621,669
Repayments	(11,450)	(229,079)	(138,425)	(440,117)	(819,071)	(176,138)	(690,000)	(1,685,209)
31 December	-	-	-	-	-	218,451	2,240,000	2,458,451

SEPARATE	NBM MK Refurb	NBM USD Refurb	NBM MK Medium Term	Total Loans and Borrowings	Finance Lease Finance	Corporate Bond	Total
2015							
1 January	-	-	-	-	218,451	2,240,000	2,458,451
Proceeds from borrowings	-	-	-	-	203,700	681,378	885,078
Repayments	-	-	-	-	(210,942)	(1,150,000)	(1,360,942)
31 December	-	-	-	-	211,209	1,771,378	1,982,587
2014							
1 January	229,079	135,760	440,117	804,956	162,920	1,540,000	2,507,876
Foreign exchange loss	-	2,665	-	2,665	-	-	2,665
Proceeds from borrowings	-	-	-	-	231,669	1,390,000	1,621,669
Repayments	(229,079)	(138,425)	(440,117)	(807,621)	(176,138)	(690,000)	(1,673,759)
31 December	-	-	-	-	218,451	2,240,000	2,458,451

In thousands of Malawi Kwacha

14. CORPORATE BONDS

See accounting policy 3.12

	Currency	Year of Maturity	CONSOLIDATED AND SEPARATE Carrying Amount 2015	2014
Old Mutual (Malawi) Limited	MK	2018	-	1,150,000
Continental Asset Management Limited	MK	2017	490,000	490,000
CDH Investment Bank Limited	MK	2017	200,000	200,000
Continental Asset Management Limited	MK	2017	250,000	250,000
CDH Investment Bank Limited	MK	2017	150,000	150,000
CDH Investment Bank Limited	MK	2017	681,378	-
TOTAL			1,771,378	2,240,000
At 1 January			2,240,000	1,540,000
Repayments during the year			(1,150,000)	(690,000)
			1,090,000	850,000
Issued during the year			681,378	1,390,000
At 31 December			1,771,378	2,240,000

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 bank's commercial lending rates and a minimum rate of 10%.

During the year, further subscriptions were received from CDH Investment Bank (MK681 million). The proceeds were used to repay the Old Mutual (Malawi) Limited bond.

The bonds are secured over land and buildings of the Group.

In thousands of Malawi Kwacha

15. OBLIGATIONS UNDER FINANCE LEASE

See accounting policy 3.10

	CONSOLIDATED 2015	CONSOLIDATED 2014	SEPARATE 2015	SEPARATE 2014
Standard Bank Limited	237,559	218,451	211,209	218,451

The Group has a finance lease facility of MK300 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 2015, the net carrying amount of leased motor vehicles was as follows:

	2015			2014		
CONSOLIDATED	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**
Less than one year	129,519	42,826	86,693	128,380	67,981	60,399
Between one and four years	225,394	74,528	150,866	201,462	43,410	158,052
	354,913	117,354	237,559	329,842	111,391	218,451
SEPARATE						
Less than one year	122,817	40,610	82,207	128,380	67,981	60,399
Between one and four years	192,729	63,727	129,002	201,462	43,410	158,052
	315,546	104,337	211,209	329,842	111,391	218,451

16. EMPLOYEE BENEFITS

See accounting policy 3.7

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 **MK315 million** (2014: MK264 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% (2014: 5%) and **12.41%** (2014: 13.49%), respectively.

16.2 Pension accrual

The Pension Act, 2011 requires a pension accrual to be recognized 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:

In thousands of Malawi Kwacha

16. EMPLOYEE BENEFITS (CONTINUED)

16.2 Pension accrual (continued)

	CONSOLIDATED		SEPARATE	
	2015	2014	2015	2014
Balance at 1 January	363,090	333,052	349,333	321,822
CPI Uplift for the year	73,396	45,446	70,847	42,919
Payments made during the year	(22,675)	(15,408)	(18,460)	(15,408)
Balance at 31 December	413,811	363,090	401,720	349,333
Disclosed under				
Non-current liabilities	390,866	363,090	381,775	349,333
Current liabilities	22,945	-	19,945	-
	413,811	363,090	401,720	349,333

The severance pay 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

	Note				
Short-term employee benefits		522,129	279,304	486,889	254,629
Pension accrual	16.2	22,945	-	19,945	-
		545,074	279,304	506,834	254,629

Short-term employee benefits relate to gratuity payable at the end of employment contracts, 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

See accounting policy 3.5

At beginning of the year	2,904,261	2,884,772	2,867,109	2,847,639
Recognised in profit or loss:				
Deferred tax on accelerated capital allowances	109,386	71,001	104,908	70,224
Deferred tax on employment benefits and other timing differences	(100,729)	(51,512)	(99,964)	(50,754)
Recognised in other comprehensive income:				
Revaluation surplus	1,042,500	-	1,009,737	-
At end of the year	3,955,418	2,904,261	3,881,790	2,867,109
Analysed as:				
Accelerated capital allowances	1,460,926	1,351,539	1,454,344	1,349,436
Revaluation of property	2,832,451	1,789,951	2,760,512	1,750,775
Deferred tax assets on employment benefits	(292,295)	(136,949)	(287,402)	(132,822)
Deferred tax on other timing differences	(45,664)	(100,280)	(45,664)	(100,280)
Net deferred tax liabilities	3,955,418	2,904,261	3,881,790	2,867,109

In thousands of Malawi Kwacha

18. TRADE AND OTHER PAYABLES

See accounting policy 3.12

	CONSOLIDATED 2015	CONSOLIDATED 2014	SEPARATE 2015	SEPARATE 2014
Trade payables	959,221	724,685	838,825	705,539
Output VAT	151,199	125,850	145,064	120,644
Guest advance deposits	353,697	273,175	353,697	271,055
Accruals	572,675	632,465	517,153	616,779
	2,036,792	1,756,175	1,854,739	1,714,017

19. REVENUES

See accounting policy 3.8

	CONSOLIDATED 2015	CONSOLIDATED 2014	SEPARATE 2015	SEPARATE 2014
Rooms revenues	5,850,850	4,917,716	5,850,850	4,906,497
Catering revenue	5,832,605	5,041,062	4,943,747	4,378,897
Other revenue	393,688	397,730	365,126	367,738
Total	12,077,143	10,356,508	11,159,723	9,653,132

20. OTHER INCOME

See accounting policy 3.19 and 3.20

	CONSOLIDATED 2015	CONSOLIDATED 2014	SEPARATE 2015	SEPARATE 2014
(Loss)/profit on disposal of property and equipment	(2,430)	1,680	(3,371)	1,751
Government grants	28,324	16,065	28,324	16,065
15% Commission on Hotel Stay membership	12,341	12,200	12,341	12,200
Administration fees from Umodzi Holdings Limited	-	29,585	-	29,585
Dividend received from Catering Solutions Limited	-	-	-	75,000
Management fees from Catering Solutions Limited	-	-	6,343	-
Recovery of VISA POS under-settlements by Banks	24,188	-	24,188	-
Other sundry receipts	4,744	22,528	4,744	22,455
Total	67,167	82,058	72,569	157,056

21. ADMINISTRATIVE AND OTHER EXPENSES

	CONSOLIDATED 2015	CONSOLIDATED 2014	SEPARATE 2015	SEPARATE 2014
Administrative expenses	1,423,063	1,239,866	1,336,973	1,211,803
Depreciation	326,040	284,817	317,879	277,349
Energy and maintenance costs	992,982	845,781	960,989	818,450
Marketing expenses	166,534	202,521	161,039	192,798
Staff costs	4,392,867	3,520,718	4,134,634	3,335,636
Total	7,301,486	6,093,703	6,911,514	5,836,036

In thousands of Malawi Kwacha

	CONSOLIDATED		SEPARATE	
	2015	2014	2015	2014

22. FINANCE COSTS

See accounting policy 3.17

Interest on finance leases	99,263	102,322	96,141	102,322
Interest on bank overdraft	66,311	104,739	64,533	103,080
Interest on corporate bonds	596,012	677,499	596,012	677,107
	761,586	884,560	756,686	882,509
Net foreign exchange (gains)/losses	(44,494)	19,639	(43,586)	19,639
Total finance costs	717,092	904,199	713,100	902,148

RECONCILIATION OF INTEREST PAID

Interest charged to statement of profit or loss	761,586	884,560	756,686	882,509
Accrued interest	(6,580)	(9,046)	(6,580)	(9,046)
Interest paid	755,006	875,514	750,106	873,463

23. PROFIT BEFORE TAXATION

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

Auditors' remuneration: - current year	27,633	22,192	22,369	18,992
- mid - year review	5,610	3,949	4,385	3,277
Depreciation	326,040	284,817	317,879	277,349
Directors' remuneration	41,129	27,494	36,701	24,785
Dividends received	-	-	-	(75,000)
Deferred income	28,324	(16,065)	28,324	(16,065)
Loss/(profit) on disposal of property and equipment	2,430	(1,680)	3,371	(1,751)
Pension costs	315,398	264,475	303,900	250,634
Staff costs	4,392,867	3,520,718	4,134,634	3,335,636

24 TAXATION

See accounting policy 3.5

	CONSOLIDATED		SEPARATE	
	2015	2014	2015	2014
		Restated		*Restated*
24.1 Taxation				
Current income tax – current year	323,174	285,294	301,510	253,739
Deferred tax	8,657	18,170	4,944	19,470
Total current income tax expense	331,831	303,464	306,454	273,209

Reconciliation of effective tax rate

Profit for the year	1,354,606	1,069,538	1,267,091	1,044,327

In thousands of Malawi Kwacha

	CONSOLIDATED				SEPARATE			
	%	2015	%	2014	%	2015	%	2014
Tax at standard rate	30	406,382	30	320,861	30	380,127	30	313,298
Non-deductible and temporary differences	(6)	(74,551)	(2)	(17,397)	(6)	(73,673)	(4)	(40,089)
Effective rate of tax	24	331,831	28	303,464	24	306,454	26	273,209

24.2 Current tax assets/liabilities

	CONSOLIDATED		SEPARATE	
	2015	2014	2015	2014
Current tax liabilities/(assets) as at 1 January	41,364	(71,876)	33,474	(60,179)
Over provision in prior year liabilities	-	(2,653)	-	-
Current year tax charge	323,174	285,294	301,510	253,739
Taxation paid	(485,682)	(169,401)	(448,381)	(160,086)
Current tax (assets)/liabilities as at 31 December	(121,144)	41,364	(113,397)	33,474

25. EARNINGS PER SHARE (BASIC AND DILUTED)

See accounting policy 3.14

The calculation of basic and diluted earnings per share is based on profit attributable to shareholders of **MK1.022 billion** (2014: MK766 million) and the weighted average number of ordinary shares outstanding during the year of **261,582,580** (2014: 261,582,580) as below:

	CONSOLIDATED	
	2015	2014
		Restated
Profit for the year (MK'000)	1,022,775	766,074
Weighted average number of shares ('000)	261,582	261,582
Earnings per share (tambala)	391	293

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

26. FINANCIAL INSTRUMENTS

See accounting policy 3.12

26.1 Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

		CONSOLIDATED		SEPARATE	
	NOTE	2015	2014	2015	2014
Trade and other receivables		1,328,154	952,509	1,229,216	918,110
Amounts due from related parties	11	293,696	271,533	68,398	77,578
Cash and cash equivalents	10	65,610	112,829	82,044	119,099
		1,687,460	1,336,871	1,379,658	1,114,787

In thousands of Malawi Kwacha

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.1 Credit Risk (Continued)

	CONSOLIDATED		SEPARATE	
	2015	2014	2015	2014

26.2 Receivables

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

	CONSOLIDATED 2015	CONSOLIDATED 2014	SEPARATE 2015	SEPARATE 2014
Trade receivables	1,166,744	785,220	1,090,685	766,858
Amounts due from related parties	293,696	271,533	31,742	68,538
Total trade receivables	1,460,440	1,056,753	1,122,427	835,396
Other receivables	161,410	167,289	138,531	151,252
	1,621,850	1,224,042	1,260,958	986,648

The aging of trade receivables at the reporting date was:

CONSOLIDATED	Gross 2015	Impairment 2015	Gross 2014	Impairment 2014
Not past due	547,649	-	478,095	-
Past due 31-60 days	309,057	-	214,717	-
Past due 61-90 days	175,892	-	107,660	-
Past due over 90 days	427,842	15,381	256,281	24,121
Total	1,460,440	15,381	1,056,753	24,121

SEPARATE	Gross 2015	Impairment 2015	Gross 2014	Impairment 2014
Not past due	502,226	-	404,544	-
Past due 31-60 days	264,542	-	181,080	-
Past due 61-90 days	105,875	-	52,070	-
Past due over 90 days	249,784	15,381	197,702	20,178
Total	1,122,427	15,381	835,396	20,178

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

	CONSOLIDATED 2015	CONSOLIDATED 2014	SEPARATE 2015	SEPARATE 2014
Balance as 1 January	24,121	29,163	20,178	26,007
Recognized in statement of profit or loss	2,181	12,155	2,181	11,368
Doubtful debts recovered during the year	(10,921)	(17,197)	(6,978)	(17,197)
Balance as at 31 December	15,381	24,121	15,381	20,178

The impairment loss as at 31 December 2015 relates to specific customers that are in financial difficulties and hence may not be able to pay. No provision for impairment has been raised on certain past due trade receivables as management believe that they are collectible.

In thousands of Malawi Kwacha

26.3 Liquidity risk

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

CONSOLIDATED	Note	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-7 years
2015							
Non-derivative financial liabilities							
Corporate bonds	14	1,771,378	(2,692,811)	(273,811)	(273,811)	(2,145,189)	-
Finance lease liabilities	15	237,559	(354,913)	(59,152)	(59,152)	(118,304)	(118,305)
Trade payables	18	959,221	(959,221)	(959,221)	-	-	-
Bank overdraft	10	130,842	(130,842)	(130,842)	-	-	-
		3,099,000	(4,137,787)	(1,423,026)	(332,963)	(2,263,493)	(118,305)
2014							
Non-derivative financial liabilities							
Corporate bonds	14	2,240,000	(4,067,750)	(336,000)	(736,000)	(1,242,000)	(1,753,750)
Finance lease liabilities	15	218,451	(329,842)	(54,975)	(54,975)	(109,950)	(109,942)
Trade payables	18	724,685	(724,685)	(724,685)	-	-	
Bank overdraft	10	156,985	(156,985)	(156,985)	-	-	-
		3,340,121	(5,279,262)	(1,272,645)	(790,975)	(1,351,950)	(1,863,692)

SEPARATE	Note	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-7 years
2015							
Non-derivative financial liabilities							
Corporate bonds	14	1,771,378	(2,692,811)	(273,811)	(273,811)	(2,145,189)	-
Finance lease liabilities	15	211,209	(315,546)	(52,591)	(52,591)	(105,182)	(105,182)
Trade payables	18	838,825	(838,825)	(838,825)	-	-	-
Bank overdraft	10	112,756	(112,756)	(112,756)	-	-	-
		2,934,168	(3,959,938)	(1,277,983)	(326,402)	(2,250,371)	(105,182)
2014							
Non-derivative financial liabilities							
Corporate bonds	14	2,240,000	(4,067,750)	(336,000)	(736,000)	(1,242,000)	(1,753,750)
Finance lease liabilities	15	218,451	(329,842)	(54,975)	(54,975)	(109,950)	(109,942)
Trade payables	18	705,539	(705,539)	(705,539)	-	-	-
Bank overdraft	10	150,323	(150,323)	(150,323)	-	-	-
		3,314,313	(5,253,454)	(1,246,837)	(790,975)	(1,351,950)	(1,863,692)

In thousands of Malawi Kwacha

26. FINANCIAL INSTRUMENTS (CONTINUED)

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:

	CONSOLIDATED AND SEPARATE							
	31 December 2015				31 December 2014			
	Malawi Kwacha equivalent of				*Malawi Kwacha equivalent of*			
	USD	ZAR	GBP	Euro	USD	ZAR	GBP	Euro
Cash and cash equivalents	43,929	4,582	2,351	1,299	158,457	3,404	4,053	1,462
Trade and other payables	(63,152)	-	-	-	(943)	(7,318)	-	-
	(19,223)	4,582	2,351	1,299	157,514	(3,914)	4,053	1,462

The following significant exchange rates applied during the year:

	AVERAGE RATE		REPORTING DATE SPOT RATE	
	2015	2014	2015	2014
Kwacha/USD	570.14	454.97	664.45	475.82
Kwacha/Rand	42.20	40.56	43.38	41.02
Kwacha/GBP	861.91	726.70	985.38	738.44
Kwacha/Euro	651.04	582.84	726.62	575.45

Sensitivity analysis

The Group'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 loss by **MK1 million** (2014: exchange gain of MK16 million) which would have been debited to profit or loss. The decrease in equity would be **MK0.7 million** (2014: equity would have increased by MK11 million). 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			
		CONSOLIDATED		SEPARATE	
Variable rate Instruments	Note	2015	2014	2015	2014
Finance lease	15	237,559	218,451	211,209	218,451
Corporate bonds	14	1,771,378	2,240,000	1,771,378	2,240,000
Bank overdraft	10	130,842	156,985	112,756	150,323
		2,139,779	2,615,436	2,095,343	2,608,774

The prevailing interest rates for these interest bearing facilities are within the region of base rate plus or minus 1-5%. The base rate for the Commercial banks is currently between 35% and 40%.

In thousands of Malawi Kwacha

Cash flow 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 **MK32 million** (2014: MK39 million). The decrease in equity would be **MK22 million** (2014: equity would have decreased by MK27 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.

CONSOLIDATED	Note	Loans and receivables	Other financial liabilities	Total
2015				
Financial assets not measured at fair value				
Trade and other receivables	9	1,412,721	-	1,412,721
Amounts due from related parties	11	293,696	-	293,696
Cash and cash equivalents	10	196,452	-	196,452
		1,902,869	-	1,902,869
Financial liabilities not measured at fair value				
Bank overdrafts	10	-	(130,842)	(130,842)
Trade and other payables	18	-	(2,036,792)	(2,036,792)
Amounts due to related parties	11	-	(40,967)	(40,967)
Corporate bonds	14	-	(1,771,378)	(1,771,378)
Obligation under finance lease	15	-	(237,559)	(237,559)
		-	(4,217,538)	(4,217,538)
2014				
Financial assets not measured at fair value				
Trade and other receivables	9	1,026,461	-	1,026,461
Amounts due from related parties	11	271,533	-	271,533
Cash and cash equivalents	10	269,814	-	269,814
		1,567,808	-	1,567,808
Financial liabilities not measured at fair value				
Bank overdrafts	10	-	(156,985)	(156,985)
Trade and other payables	18	-	(1,756,175)	(1,756,175)
Amounts due to related parties	11	-	(71,852)	(71,852)
Corporate bonds	14	-	(2,240,000)	(2,240,000)
Obligation under finance lease	15	-	(218,451)	(218,451)
		-	(4,443,413)	(4,443,413)

In thousands of Malawi Kwacha

26. FINANCIAL INSTRUMENTS (CONTINUED)

26.5 Fair value and risk management (Continued)

SEPARATE	Note	Loans and receivables	Other financial liabilities	Total
2015				
Financial assets not measured at fair value				
Trade and other receivables	9	1,294,119	-	1,294,119
Cash and cash equivalents	10	194,800	-	194,800
Amounts due from related companies	11	68,398	-	68,398
		1,557,317	-	1,557,317
Financial liabilities not measured at fair value				
Bank overdrafts	10	-	(112,756)	(112,756)
Amounts due to related parties	11	-	(40,967)	(40,967)
Trade and other payables	18	-	(1,854,739)	(1,854,739)
Corporate bonds	14	-	(1,771,378)	(1,771,378)
Obligation under finance lease	15	-	(211,209)	(211,209)
		-	(3,991,049)	(3,991,049)
2014				
Financial assets not measured at fair value				
Trade and other receivables	9	983,182	-	983,182
Cash and cash equivalents	10	269,422	-	269,422
Amounts due from related companies	11	77,578	-	77,578
		1,330,182	-	1,330,182
Financial liabilities not measured at fair value				
Bank overdrafts	10	-	(150,323)	(150,323)
Amounts due to related parties	11	-	(70,657)	(70,657)
Trade and other payables	18	-	(1,714,017)	(1,714,017)
Corporate bonds	14	-	(2,240,000)	(2,240,000)
Obligation under finance lease	15	-	(218,451)	(218,451)
		-	(4,393,448)	(4,393,448)

27. SEGMENTAL REPORTING

Business segments

The Group has three reportable segments, based on type of products or services being offered. The following summary describes operations of each reportable segment:

Reportable segment	Operations
Room income	Revenue from provision of accommodation to guests
Catering income	Revenue from sale of food and beverages to guests
Other income	Revenue from other services provided at the hotel to support rooms and catering segments

In thousands of Malawi Kwacha

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

	Room income	Catering income	Other services	Total
2015				
Total revenue	5,850,850	5,832,605	393,688	12,077,143
Segment contribution	4,762,338	3,812,426	205,616	8,780,380
Other hotel expenses				(6,549,448)
Corporate expenses				(167,126)
Finance costs				(709,200)
Profit before taxation				1,354,606
2014				
Total revenue	4,917,716	5,041,062	397,730	10,356,508
Segment contribution	4,651,025	3,076,030	258,327	7,985,382
Other hotel expenses				(5,846,288)
Corporate expenses				(165,357)
Finance costs				(904,199)
Profit taxation				1,069,538

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

Profile of the Target Market Segment

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

	CONSOLIDATED		SEPARATE	
	2015	2014	2015	2014
	%	%	%	%
Corporate organisations	42	41	41	40
Commercial, groups and conferences	22	24	24	25
Government departments	9	10	6	7
Leisure packages and airlines	13	8	14	9
Business transient non-negotiated	14	17	15	19
Total	100	100	100	100

Geographical Source of Business

The geographical source of business is predominantly domestic.

Malawi	75	72
Africa	14	14
Europe	5	7
Americas	4	5
Other	2	2
Total	100	100

In thousands of Malawi Kwacha

28. PRIOR YEARS ADJUSTMENT

See accounting policy 3.21

During 2015, the Group identified an amendment, to the Malawi Taxation Act Cap. 41:01 that had not been taken into account in the income tax computations since 2013 as certain expenses which became allowable continued to be disallowed in the tax computation. As a consequence, the taxation and its related liability were overstated in respect of that period. This has been corrected by restating each of the affected financial statement line items for prior periods as shown below:

CONSOLIDATED	31 December 2013	Increase/ (Decrease)	1 January 2014 (Restated)	31 December 2014	Increase/ (Decrease)	31 December 2014 (Restated)
Statements of financial position (extract)						
Current tax liabilities/(assets)	13,413	(85,289)	(71,876)	197,578	(156,214)	41,364
Trade and other payables	1,649,607	50	1,649,657	1,756,125	50	1,756,175
Net assets	1,663,020	(85,239)	1,577,781	1,953,703	(156,164)	1,797,539
Retained earnings	1,745,422	85,239	1,830,661	2,427,564	156,164	2,583,728
Total equity	1,745,422	85,239	1,830,661	2,427,564	156,164	2,583,728

	2014	Increase/ (Decrease)	2014 (Restated)
Statement of profit or loss and OCI (extract)			
Profit before taxation	1,069,538	-	1,069,538
Taxation	(374,389)	70,925	(303,464)
Profit for the year	695,149	70,925	766,074
Total comprehensive income	695,149	70,925	766,074
Earnings per share (tambala)			
-Basic and diluted	266	27	293

In thousands of Malawi Kwacha

SEPARATE	31 December 2013	Increase/ (Decrease)	1 January 2014 (Restated)	31 December 2014	Increase/ (Decrease)	31 December 2014 (Restated)
Statements of financial position (extract)						
Current tax liabilities/(assets)	21,570	(81,749)	(60,179)	183,548	(150,074)	33,474
Trade and other payables	1,588,581	49	1,588,630	1,713,968	49	1,714,017
Net assets	1,610,151	(81,700)	1,528,451	1,897,516	(150,025)	1,747,491
Retained earnings	1,623,945	81,700	1,705,645	2,313,731	150,025	2,463,756
Total equity	1,623,945	81,700	1,705,645	2,313,731	150,025	2,463,756

	2014	Increase/ (Decrease)	2014 (Restated)
Statement of profit or loss and OCI (extract)			
Profit before income Tax	1,044,327	-	1,044,327
Taxation	(341,534)	68,325	(273,209)
Profit for the year	702,793	68,325	771,118
Total comprehensive income	702,793	68,325	771,118

29. COMMITMENTS

	CONSOLIDATED 2015	CONSOLIDATED 2014	SEPARATE 2015	SEPARATE 2014
Capital expenditure:				
Authorised but not contracted for	8878,027	828,986	700,197	636,989

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

In thousands of Malawi Kwacha

30. CONTINGENT LIABILITIES

See accounting policy 5.2

Legal claims	(a)	-	50,000	-	50,000
Guarantees in respects of staff and bank loans	(b)	2,100	7,500	37,100	32,500
Total contingent liabilities		2,100	57,500	37,100	82,500

(a) These represent legal claims made against the company the outcome of which is uncertain. The amount disclosed represents a claim that a customer filed against the Group's insurers. In the opinion of the directors the claim is not expected to give rise to a cost to the Group.

(b) These represent the Group's maximum exposure at the reporting date if guarantees entered into by the company in support of staff borrowings and subsidiary overdraft facility from financial institutions were called upon.

31. EXCHANGE RATES AND INFLATION

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.

	2015	2014
Kwacha/GBP	985.38	738.44
Kwacha/Rand	43.38	41.02
Kwacha/US Dollar	664.45	475.82
Kwacha/Euro	726.62	575.45
Inflation rate (%)	24.9	24.2

At the end of the year, the Reserve Bank of Malawi base-lending rate was 27% (2014: 25%). Commercial banks' base lending rates are 8% to 20% above the prevailing Reserve Bank of Malawi rate.

As at **29 March 2016** the above exchange rates had moved as follows:

Kwacha/GBP	990.19
Kwacha/US Dollar	685.79
Kwacha/Rand	44.42
Kwacha/Euro	768.35

32. EVENTS AFTER REPORTING PERIOD

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