

# 2021 ANNUAL REPORT

[www.sunbirdmalawi.com](http://www.sunbirdmalawi.com)



**SUNBIRD**  
Hotels and Resorts



Senga Bay, Salima, Malawi  
Lakeside Resort



Lilongwe, Malawi  
City Hotel



Blantyre, Malawi  
City Hotel



Mangochi, Malawi  
Lakeside Resort



Senga Bay, Salima  
Lakeside Resort



Mzuzu, Malawi  
City Hotel



Zomba, Malawi  
Mountain Resort



Lilongwe, Malawi  
City Hotel



Nkhata-bay, Malawi  
Lakeside Inn

SUNBIRD TOURISM PLC (SUNBIRD)

# INSIDE THIS REPORT

## CONTENTS

01	GROUP PROFILE
02	VISION, MISSION STATEMENT & STATEMENT OF STRATEGIC INTENT
03	CHAIRMAN'S STATEMENT
04	MALAWI ECONOMY
05	SUNBIRD SHARE PRICE
07	FINANCIAL PERFORMANCE REVENUES
10	THE BOARD OF DIRECTORS
13	MANAGEMENT
14	CHIEF EXECUTIVE OFFICER'S REPORT
15	SALES AND MARKETING
17	OPERRATIONS AND TECHNOLOGY
18	OUR PEOPLE
19	FINANCIAL STATEMENTS

## GROUP PROFILE

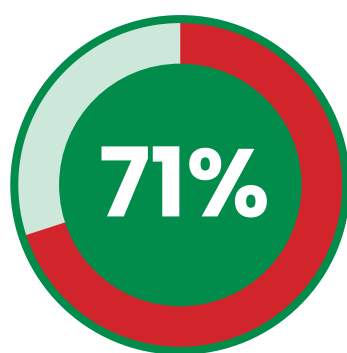
**S**unbird Tourism Plc (Sunbird) is a publicly quoted enterprise, listed on the Malawi Stock Exchange in August 2002. As of December 2021, the Government of Malawi through the dormant Malawi Development Corporation, (MDC) is the major shareholder at 71%. Press Corporation Plc owns 15% and members of the public 14%.

Sunbird was incorporated in 1988 as a private company following the amalgamation and consolidation of hotels previously owned by the Government of Malawi under different investment vehicles. Previously, and until 2000, the Company was known as the Tourism Development and Investment Company of Malawi when the name was strategically changed to Sunbird Tourism Limited. Following the requirements of the new Companies Act of 2013, the name was amended to Sunbird Tourism Plc.

Sunbird is a leading operator in the hospitality industry in Malawi and has, as its main activity, the operation of nine hotel properties in Malawi, eight of which it owns whereas one is under concession agreement. The owned properties include four city hotels: Sunbird Capital, Sunbird Mount Soche, Sunbird Lilongwe, and Sunbird Mzuzu; and three popular beach resorts along Lake Malawi: Sunbird Nkopola, Sunbird Livingstonia and Sunbird Water Front; and one iconic mountain resort, Sunbird Ku Chawe. Under concession agreement, the company operates Sunbird Chintheche, a beach resort in Nkhatabay district.

Sunbird employs a motivated and highly skilled team of about 722.

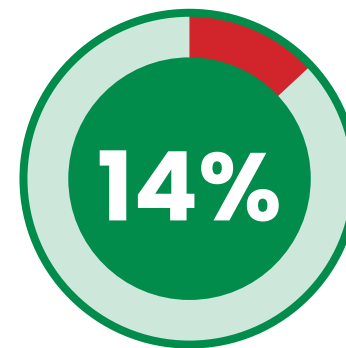
### MAJOR SHAREHOLDERS



Malawi Development Corporation (MDC)



Press Corporation Plc



Members Of The Public



## 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 stakeholders' value.

## Statement Of Strategic Intent

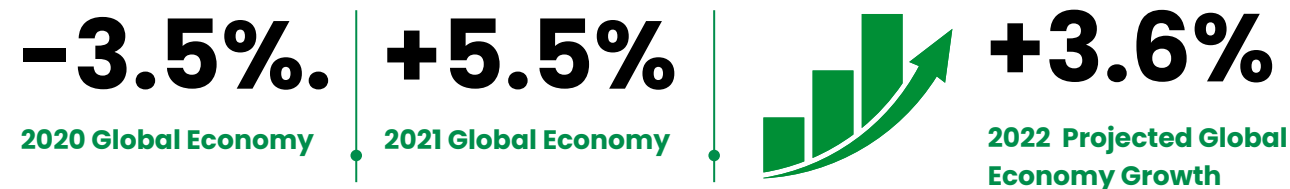
Sunbird will satisfy stakeholders' interests by providing superior and innovative customer service, modern and up-market accommodation in a sustainable and socially responsible manner.



## Chairman's Statement



### THE GLOBAL ECONOMY



According to the International Monetary Fund (IMF), the global economy grew by 5.5% compared to 2020 where it shrunk by -3.5%. The turnaround in growth emanated from the medical advances made in dealing with the COVID-19 pandemic which had a more devastating negative effect on the global economy in the previous year compared with 2021.

Looking ahead, global economic prospects remain subdued and uncertain, as the war in

Ukraine has triggered a costly humanitarian and economic crisis. The economic damage from the conflict will contribute to a significant slowdown in global growth in 2022. The Global COVID-19 pandemic infections rates are slowing down but will continue to have an impact on the economy due to lagging effects and sporadic outbreaks resulting in recovery path to the pre-COVID status taking longer than anticipated.

Amid this uncertainty, the IMF is projecting global economy growth of 3.6% in 2022.

## MALAWI ECONOMY

The economy grew by an estimated average of 2.45% in 2021 compared to 2.83% in 2020. Headline inflation for 2021 increased to 9.30% compared to 7.60% in 2020. This was mainly attributed to an increase in both food and non-food inflation. The rates closed at 13.60% and 9.50% respectively. The Malawi Kwacha averaged MK802.61=\$1 compared to MK746.55=\$1 in 2020 representing a depreciation of 7.51%. Market imbalances causing foreign exchange scarcity are envisaged to continue in the medium term and therefore it is expected that the trend will continue.

The Policy Rate was maintained at 12.0% throughout the year of 2021 and so too was the Liquidity Reserve Requirement (LRR) ratio at 3.75%. The average lending rates for the commercial banks for 2021 were between 12.0% and 25.0% the same range as for 2020 (Source: RBM).





## SUNBIRD SHARE PRICE

**D**ue to the effects of COVID-19 which had detrimental effects in the hospitality industry, Sunbird Tourism Plc share price was down 14.3% from MK105.00 in 2020 to MK90.01.

## Tourism Industry

Malawi tourism industry is vital to the overall economy of the country and supports a large number of local Malawians through employment and community projects, as well as helping conserve the country's natural heritage and resources. As the industry recovers from the damage caused by COVID-19, and continue in its important role, the industry is doing all it can to ensure the well-being of its customers. A set of national COVID-19 Health & Safety protocols for tourism has been established, that have resulted in the award of the World Travel & Tourism Council's (WTTC) Safe Travels Stamp. WTTC's Stamp was established to show travellers which destinations have adopted globally standardised health and hygiene protocols in order that they can experience 'Safe Travels'.

## Market Share and Competition

Sunbird continues to retain market leadership despite the challenges of COVID-19 and increased competition. The Company continues to focus on its key segments of corporate individuals and corporate groups. The Leisure segment continues to present opportunities for growth and initiatives are being pursued to grow both domestic and international leisure.





## FINANCIAL PERFORMANCE REVENUES

**R**evenues at MK16.6 billion were 23% above 2020 revenues of MK13.5 billion. The Company's occupancy rate shows a slight improvement to 36% compared to 32% achieved for the same period last year. Major improvements came in the latter part of the year due to relaxation of some of the COVID-19 restrictions.

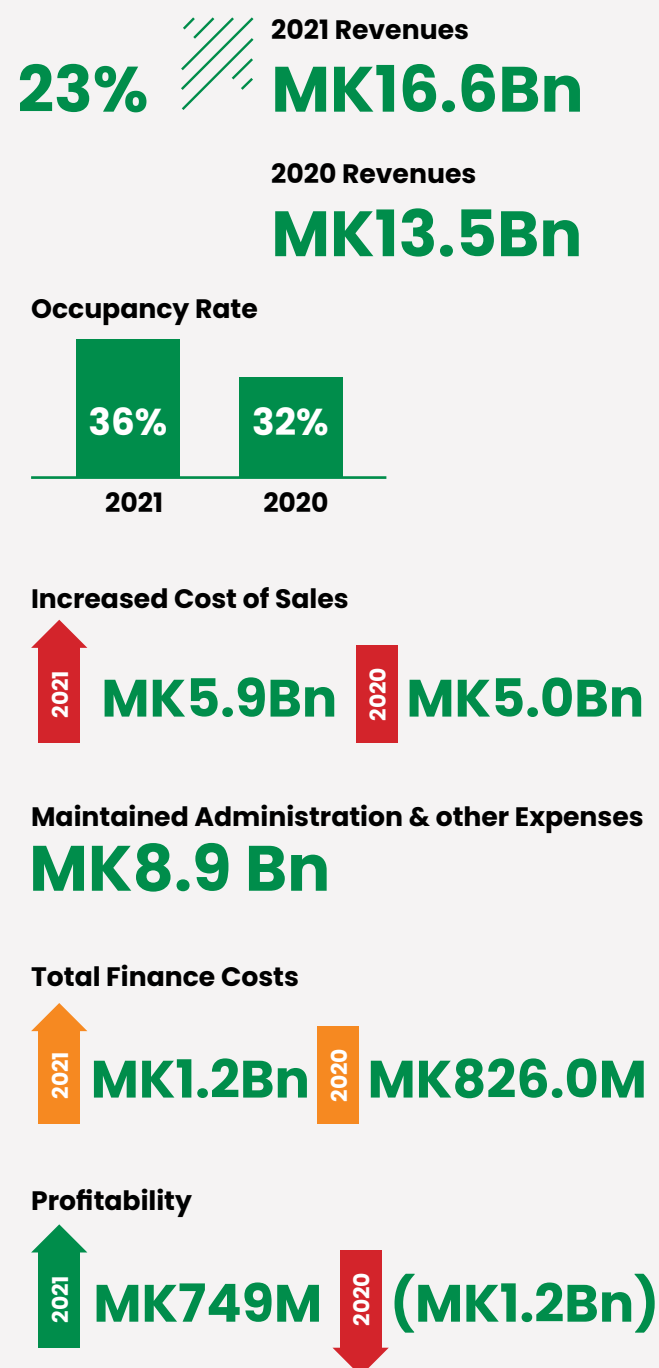
The Corporate Individual market segment which constituted 57% of total room nights continues to be the anchor segment for the business, followed by Corporate Groups at 27%. There is continued focus on sustaining these key segments while initiatives to grow the other segments such as leisure continue to be prioritized in order to optimize the potential of diverse properties of the Company.

A number of segment based strategies are in place aimed at diversifying sources of revenues.

## Operating Costs

Cost of sales increased from MK5.0 billion in 2020 to MK5.9 billion in 2021. The increase is in line with the increased business during the year.

Administrative and other expenses were maintained at previous year's levels of MK8.9 billion. This was mainly due to cost containment measures put in place to sustain the expenditure levels despite increased activities during the year compared to 2020.



## Finance Costs

**T**otal finance costs amounted to MK1.2 billion compared to MK826.0 million in 2020. The increase was as a result of the capitalization of debt financed projects which included the new Sunbird Water Front Hotel in Salima and the new Vincent's Platinum restaurant at Sunbird Mount Soche.

## Profitability

The Company's profit after tax was MK749 million compared to loss of MK1.2 billion reported in 2020. The turn-around was due to increased business volumes in 2021 compared to 2020.

## Dividend

The Board has resolved not to recommend a dividend in respect of the year ended 31 December 2021. This is mainly due to the cash obligations on the Company for the ensuing year (the partial recovery of the business notwithstanding).

## Refurbishment and Expansion Projects

During the year, the Company completed construction of the new Sunbird Water Front Hotel in Salima, which opened in October 2021 and the new fine dining Vincent's Platinum Restaurant at Sunbird Mount Soche.

## Strategy and Outlook

The Board expects the country's economy to continue on its recovery path following the reduction of COVID-19 cases which has resulted in easing of the restrictions worldwide.

The Company will continue its efforts to improve service delivery, enhance guest experience, undertake product improvements (refurbishments) and developments, and also intensify sales and marketing activities.

There are a number of key product improvement plans that are currently underway including: the refurbishment of all rooms at Sunbird Ku Chawe and Sunbird Mzuzu, construction of a magnificent lake side view restaurant at Sunbird Water Front and Sunbird Livingstonia Beach and the construction of an eco-lodge in Majete Game Reserve. These projects are expected to be completed in 2022.

Sunbird will continue to offer unrivalled guest experience through delivery of high-quality products and services in order to retain and grow its client base both in the domestic as well as the international market sectors.



## VOTE OF THANKS

I take this opportunity to thank my fellow Directors for their wise counsel particularly in the difficult period of the pandemic. I also thank management and staff for sailing through the difficult period on the operations of the business. I am encouraged that with the experience gained during this period, we have a staff better prepared to deal with any future disruptive environment. I would also like to thank our investors, financiers and customers for continuing to believe in the brand, and this has tremendously helped us in our recovery journey.

Dr. George Partridge  
**Chairman**



**CHAIRMAN**

### **Dr. George Partridge (58)**

Joining the Board in June 2018 following Press Corporation Plc's acquisition of 15% shareholding in Sunbird. He is the current Group Chief Executive Officer for Press Corporation Plc.

He has previously held the position of Chief Executive Officer for National Bank of Malawi Plc prior to which he served in various capacities at the Reserve Bank of Malawi. Dr. Partridge was instrumental in the formation of the Institute of Bankers of Malawi, where he served as its first President. In his own right, Dr. Partridge has over the years served on a number of private and public sector boards and national economic advisory committees. Currently, he is Chairman of Malawi Airlines and the University of Malawi Council. In recognition of his achievements and service to society, he was awarded an honorary Doctor of Philosophy (PhD) degree in Leadership and Management in 2015 by the University of Malawi.



### **Mr. Gladson Kuyeri (51)**

A Fellow and Chartered Marketer with a background in electronic Payment Systems, Telecoms and Retail Management. He holds a Master of Communications Management from the University of Strathclyde, UK and a Bachelor of Business Administration from the University of Malawi. He is the current Chief Commercial Officer at Malawi Telecommunications Limited. He has held various senior positions in Business Development with Malawi Switch Centre Limited and Telekom Networks Malawi Limited. He has been on the Board since 2017.





### **Mrs. Maureen Kachingwe (55)**

A legal practitioner with an LLB (Hons) from the University of Malawi and an MBA from the University of Hull (UK). She is the current Company Secretary for Illovo Sugar (Malawi) Plc since 2017. Before joining Illovo, Mrs Kachingwe served as Director of Legal and Corporate Affairs as well as company secretary for Sunbird Tourism Plc for a total of 23 years. She is specialized in corporate governance, Human Resource Management, Procurement and corporate finance. She joined the Board in September 2020.



### **Dr. Bernadette Malunga (40)**

Dr Bernadette Malunga holds a PhD in Law from the University of Nairobi, School of Law, Kenya, obtained in 2018. She also holds a Masters in Women's Law as well as an LLB (Hons) obtained from Chancellor College, University of Malawi. She is currently a lecturer in law at the Chancellor College having previously served as a Resident Magistrate and State Advocate in the Ministry of Justice. She has about 15 years of post-graduate experience in legal research focusing on women, gender and economic rights. She joined the Board in September 2020.



### **Mr. Cornelius Majawa (51)**

A seasoned chartered accountant. He holds a bachelor's degree in accountancy from the University of Malawi and a Master's Degree in Strategic Management from the University of Derby, UK. He has vast experience in microfinance and has served in various boards including the National Economic Empowerment Fund (NEEF). He is an established consultant on microfinance.



### **Mr. Vilipo Munthali (49)**

A seasoned chartered accountant. He holds a bachelor's degree in accountancy from the University of Malawi and MBA (Management College of Southern Africa), Gaborone, and Botswana. He is a Fellow, Chartered Professional Accountant- FCPA, Botswana Institute of Chartered Accountants (BICA), he is a Member, Institute of Chartered Accountants in Malawi, and he is a Fellow, Association of Chartered Certified Accountants - FCCA and a Member, Association of Chartered Certified Accountants - ACCA. He is the Managing Consultant at Swift Resources. He has previously held the position of Chief Finance Officer for First Capital Bank both in Malawi and Botswana. He has over 20 years' experience in the banking sector. He joined the Board in September 2020.



### **Mr. Chauncy Simwaka (55)**

The current Secretary to Treasury in the Ministry of Finance Economic Planning and Development. Mr Simwaka has served the Government of Malawi in various senior capacities. He joined the Board in September 2020.



### **Mr. Allan Hans Muhome (41)**

A Legal Practitioner of over 15 years' experience. He holds an LLB (Hons) and an MBA both from the University of Malawi. He is a commercial law specialist and author of various books on commercial laws in Malawi. He has served as secretary to the Board since 2017.



# MANAGEMENT



**Yusuf Olela**  
Chief Executive Officer



**Patrick Lisilira**  
Deputy Chief Executive Officer



**Samson Mwale**  
Chief Finance Officer



**Edward Chunga**  
Chief Human Capital and  
Development Officer



**Barnet Gausi**  
Head of Internal Audit and Risk  
Management



**Temwa Kanjadza**  
Group Sales and Marketing  
Manager

## CHIEF EXECUTIVE OFFICER'S REPORT



The hospitality and travel industry being one of the worst hit during the COVID-19 pandemic did not truly show signs of recovery until towards end of 2021 as the country registered high cases of deaths, hospital admission and infections. This hampered movement due to enforcement of travel restrictions to control more adverse impact of the pandemic, as a brand we remained positive that the worst of the situation was over and we could only look forward to industry recovery. I wish to thank and appreciate our Customers for their unwavering support and loyalty, in a year that continued to see slowdown in business activities due to Covid-19 pandemic. Much gratitude to the board that has worked and guided management to put in place strategies and policies that support business sustainability and continuity as we remain most responsive, relevant and leading hospitality brand in the country, and to all my colleagues, the employees of Sunbird Tourism Plc who despite being affected through policy intervention to stay afloat, and working in a high risk environment as front liners, remained positive and trusted the board and management to steer the company to recovery for the benefit of all stakeholders. The team's commitment and unrivalled service delivery has been key to ensuring a successful recovery path and enabled us to implement most of our strategic goals for 2017-2021.

COVID-19 was declared a pandemic, and is the biggest risk and challenge for the Tourism and Travel industries, both locally and globally. Due to the pandemic, the Tourism Industry encountered unprecedented reduction in tourism activities with reduced international arrivals due to travel restrictions, curfews and lockdowns that impacted on demand for hospitality services. Despite a challenging year hampered by extended travel bans and reduction in meeting numbers as part of

COVID-19 guidelines implemented to contain the pandemic, 2021 was a much improved business environment and we were able to unveil two of our flagship projects namely Sunbird Waterfront Beach resort and Vincent Platinum, a fine dining restaurant. With increased inventory, product improvement across the company, Sunbird still enjoys market share leadership in the hospitality industry as we ensured that we provide safe destination through strict adherence to the new normal protocols.

Sunbird Tourism Plc began to pivot towards recovery in 2021, from the devastating impact of COVID-19. The aggressive global vaccination campaign which led to relaxation of travel restrictions as well as an uptake in travel confidence from international arrivals, and a resilience on the domestic market driven by relaxation in COVID-19 measures at local level, was key in an improved trading environment for the industry. According to World Tourism Organization (UNWTO), Africa saw a 12% increase in International arrivals in 2021 compared to 2020, though this was still 74% below 2019. International tourism experienced a 4% increase compared to 2020. Despite the improved trading environment, according to UNWTO, most tourism professionals see better prospects in 2022, a majority of experts (68%) expect international arrivals to return to 2019 levels only in 2024 or later.

The market source remained predominantly local in the period under review, however improved international source markets were noticeable from the 4th quarter. The positive trajectory for the year 2021, is expected to continue in 2022, and more so driven by increased air routes, including the much anticipated reactivation of South African Airways.



## Sales & Marketing

**S**unbird brand remained resilient in a trading environment that commenced its pivot towards recovery from the effects of the COVID-19 pandemic, by leveraging off its proactive strategies that were aligned to drive the top line as the trading environment dictated. Sunbird continued to pursue its market leadership on the domestic market, while moving to focus on the international market as the travel restrictions abated and the pandemic began to make a turn for recovery. Sunbird also leveraged off its diverse and improved product with an enhanced customer experience in order to increase repeat business, as a key strategy in countering competition on the market.

## Promotions and Events

The promotions ran in the period under review, primarily focused on harnessing increased production from the domestic market due to the COVID-19 pandemic, however focus was also pushed for the international market as travel restrictions were relaxed. The Group ran various promotions primarily targeting the domestic market in an effort to remain resilient during the pandemic. Some of the promotions included; Domestic Leisure and corporate promotions (COVID-19 promotions, lakeside getaway, weekend promotions, winter promotions, conference package promotions), Online Travel Agents promotions, including other annual promotions such as Valentine's day promotions, Independence promotions, Mother's day promotions, and festive promotions.

Some of the key events that were hosted included Sand festival, business breakfasts, Golf events, bookers and client cocktails amongst many others.

## Brand Visibility

Sunbird intensified its efforts for brand visibility through a focus on improved and aggressive relationship management with all its key partners e.g. Decision Makers, Bookers, and other partners in order to ensure delivery of more customized and personalized services. As international travel improved, Sunbird continued to position the brand with a presence on all major Online Travel Agents and Global Distribution Systems, with a focus on reputation management. Strategic partnerships with Ethiopian Airlines on Sheba Miles, as well as other strategic partners for topline growth were re-aligned for recovery of the business. The brand also participated in some virtual Tourism fairs in order to ensure engagement with key Tourism players.



## Corporate Social Responsibility

**D**espite a challenging year, Sunbird remained committed to supporting the communities we do business in, through the implementation of CSR initiatives that fall under its pillars of Health, Education, Environment and Youth development. The following initiatives were implemented; tree planting at Sunbird Ku Chawe in order to address the deforestation issues on Zomba mountain, clean water supply to the surrounding communities of Sunbird Livingstonia and Sunbird Nkopola, weekly food supply to the Queen Elizabeth hospital Cancer ward, Linen donation to Child Legacy, and construction of a library at Masasa primary school in Mzuzu.

## Market Share and Competition

Sunbird continues to retain market leadership despite the challenges due to COVID-19 and increased competition on the market. The Group continues to focus on its key segments;

corporate individuals and groups, while implementing proactive strategies to ensure a robust topline performance in respective trading markets. The Leisure segment continues to present opportunities for growth and initiatives are being pursued to grow both domestic and international leisure with a view to optimize revenue performance across the Company.

Looking forward, Sunbird will remain the market leader in the industry, and strive for resilience through leveraging on its diverse portfolio and implementation of its growth strategies that includes market penetration, market development, product development and diversification with particular emphasis on customer relationship management, continued focus on unrivalled guest experience, responsive revenue management and an aggressive marketing approach for both domestic and international market driven by comprehensive above and below the line marketing initiatives.





## OPERATIONS

### Covid-19 Response

While the impact of the Covid pandemic eased, it was still imperative to adhere to prescribed guidelines for prevention of transmission. These world Health Organization and ministry of Health guidelines were strictly adhered to for the safety of staff and guests.

Relevant standard operating procedures which incorporated these guidelines continued being monitored for compliance.

### Guest Satisfaction

Guest satisfaction score for the year was 87%. Like in the past, a Mystery Guest Survey was conducted. Action plans from the survey results are being implemented accordingly.

The company engaged, on short term, a seasoned Chef from the Republic of South Africa for menu reengineering. Our local chefs needed the kind of refresher which Chef Heinz Brunner brought for an enhanced dining experience. What the consultant chef left behind is being implemented in each hotel.

### Guest Experience Goals

Working on improving the four guest experience pillars which are physical facilities, products, processes, and people is a continuous process which also took centre stage during the year. Hotels continued working on action plans towards improvement of the guest experience.

### TECHNOLOGY

The use of information technology in the hospitality industry keeps on growing and improving at a fast pace over the years. Sunbird



Guest Satisfaction Score

**87%**



Improved Guest

**Experience**



Quick and Seamless

**Technology**

realises that technology enhances the overall experience and quality of service we provide to our guests. It also allows us to execute transactions more quickly and seamlessly and to communicate faster and more efficiently with our guests. Technology also enables us to provide better market analytics, data and other information. IT has changed the procedures and structure for functions such as marketing, booking and reservations, food and beverage management, and accounting systems in the industry. Sunbird would like to be at the forefront in implementing technologically aided solutions for the most important tasks to enhance guest experience.

In 2021, with the advent of the COVID19 pandemic, Sunbird continue to re-strategized its initiatives to be in line with the prevailing business environment and the new norm of conducting some business functions. Initiatives considered were Video Conferencing solutions to provide virtual meetings, a group Mobile application, use of online menus in the restaurants and contactless check in solutions.

The modern key lock system is being rolled in the hotels. A mobile operation enhancement has been added at the newly built Waterfront hotel making it the fourth wireless operated door lock installation in the Company.



### OUR PEOPLE

Realising the negative impact which Covid19 has exerted on the business, the Company embarked on a campaign to encourage all its staff to go for vaccination as a mitigating measure in containing the spread of the pandemic. All staff responded positively to the call and got vaccinated.

In order to enhance our food offering and to be in pace with emerging dining trends, an international Consultant was hired who reviewed all the menus, trained the kitchen brigades and launched a new menu.

As a leading hotel operator in the country, the Company signed MOUs with hospitality training institutions of Mzuzu University and Malawi Institute of Tourism, which sets out a number of areas for effective collaboration for the mutual benefit of all parties as strategic partners.

In the year, the Company embarked on a structural review process in order to ensure that the structures are supportive of the service delivery and also aligned to the 2022 – 2026 Strategic Business Plan. The full implementation of the structural review process is planned to be completed in 2022.

We consider staff development as very key to offering exceptional service to our valued guests, as such inter – hotel exchange programs, online and virtual in house training programs continued in the year.





# INSIDE THE STATEMENTS

## CONTENTS

### SUNBIRD TOURISM PLC

# FINANCIAL STATEMENTS

For the year ended  
31 December 2021

21	DIRECTORS' REPORT
25	DIRECTORS' RESPONSIBILITY STATEMENT
26	INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS	
30	STATEMENT OF FINANCIAL POSITION
31	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
32	STATEMENT OF CHANGES IN EQUITY
33	STATEMENT OF CASH FLOWS
34	NOTES TO THE FINANCIAL STATEMENTS



# FINANCIAL STATEMENTS

For the year ended  
31 December 2021

## Directors' Report

For the year ended 31 December 2021

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2021.

## Nature of Business

Sunbird Tourism Plc (the "Company") is a leading operator in the hospitality industry in Malawi and has as its main activity, the ownership, operation and management of nine hotel properties in Malawi. During the year, the Company added a new hotel to its hotel inventory, Sunbird Water Front, situated in Salima, adjacent to Sunbird Livingstonia beach.

## Incorporation and Registered Office

Sunbird Tourism Plc is a Company incorporated in Malawi under the Companies Act, 2013 of Malawi, 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 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 percentage shareholdings as at 31 December are

	2021	2020
	%	%
MDC Limited	71.00	71.00
Press Corporation Plc	15.00	15.00
Members of the public	14.00	14.00
	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 end of the reporting period was MK90.01 (2020: MK105.00) per share.

## FINANCIAL PERFORMANCE

The results and state of affairs of the Company are set out in the accompanying statements of financial position, profit or loss and other comprehensive income, changes in equity, cash flows and notes to the financial statements.

## DIVIDEND

During the year, there was no final dividend declared (2020: Nil) in respect of the year ended 31 December 2020 and no interim dividend was paid (2020: Nil) relating to the results for the year ended 31 December 2021.

## CORPORATE GOVERNANCE

Sunbird Tourism Plc has an overarching governance structure incorporating principles of good governance, to facilitate effective and dynamic management and oversight of the Company 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 Company has made every practical effort to adopt all relevant principles of good corporate governance during the year under review in so far as is applicable to the Company.

## RISK MANAGEMENT

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

## DIRECTORATE

The following directors and secretary served in the office during the year:

NAME	POSITION	DURATION
Dr. George Partridge	<b>Chairman</b>	Full year
Mr. Gladson Kuyeri	<b>Director</b>	Full year
Mr. Chancy Simwaka	<b>Director</b>	Full year
Mrs. Maureen Kachingwe	<b>Director</b>	Full year
Dr. Bernadette Malunga	<b>Director</b>	Full year
Mr. Vilipo Munthali	<b>Director</b>	Full year
Mr. Cornelius Majawa	<b>Director</b>	From 25th March 2021
Mr. Allan Muhome	<b>Company Secretary</b>	Full year

All 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.

### BOARD AND COMMITTEES ATTENDANCE RECORD

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. Below is the attendance record:

#### BOARD

MEMBER	MARCH 2021	JUNE 2021	SEPTEMBER 2021	DECEMBER 2021
Dr. George Partridge (Chairperson)	✓	✓	✓	✓
Mr. Gladson Kuyeri	✓	✓	✓	✓
Mr. Vilipo Munthali	✓	✓	✓	✓
Mr. Cornelius Majawa	N	✓	✓	✓
Mrs. Maureen Kachingwe	✓	✓	✓	✓
Mr. Chauncy Simwaka	✓	✓	✓	✓
Dr/ Bernadette Malunga	✓	✓	✓	✓

#### FINANCE AND AUDIT COMMITTEE

MEMBER	MARCH 2021	JUNE 2021	SEPTEMBER 2021	DECEMBER 2021
Mr. Vilipo Munthali (Chairperson)	✓	✓	✓	✓
Mr. Chauncy Simwaka	✓	✓	✓	✓
Mr. Gladson Kuyeri	✓	✓	✓	✓

**Key:** ✓ = Attendance      A = Apology      N = Not a Member

### HUMAN CAPITAL AND DEVELOPMENT COMMITTEE

MEMBER	MARCH 2021	JUNE 2021	SEPTEMBER 2021	DECEMBER 2021
Mr. Gladson Kuyeli (Chairperson)	✓	✓	✓	✓
Dr. Bernadette Malunga	✓	✓	✓	✓
Mr. Cornelius Majawa	✓	✓	✓	✓

### PROJECTS COMMITTEE

MEMBER	MARCH 2021	JUNE 2021	SEPTEMBER 2021	DECEMBER 2021
Mrs. Maureen Kachingwe (Chairperson)	✓	✓	✓	✓
Mr. Cornelius Majawa	N	N	✓	✓
Dr. Bernadette Malunga	✓	✓	✓	✓

#### Key:

✓ = Attendance

A = Apology

N = Not a Member

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 Company has adequate resources to continue in operation for the foreseeable future. The financial statements have accordingly been prepared on a going concern basis.


### INDEPENDENT AUDITORS

Messrs Grant Thornton, Chartered Accountants and Business Advisors (Malawi), 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 2022.

### FOR AND ON BEHALF OF THE BOARD

  
-----  
AUTHORISED DIRECTOR

**Date: 24th March 2022**

  
-----  
AUTHORISED DIRECTOR



# DIRECTORS' RESPONSIBILITY STATEMENT

For the year ended 31 December 2021

The directors are responsible for the preparation and fair presentation of the financial statements of Sunbird Tourism Plc, comprising the statement of financial position at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of 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 set out on pages 30 to 72 in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2013 of Malawi. In addition, the directors are responsible for preparing the directors' report.

The Companies Act, 2013 of Malawi also requires the directors to ensure that the Company keep proper accounting records which disclose with reasonable accuracy of the financial position of the Company and to ensure the financial statements comply with the Companies Act, 2013 of Malawi.

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; and
- Preparation of the 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 controls 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 and for maintaining adequate accounting records and an effective system of risk management.

The directors' have made an assessment of the ability of the Company to continue as going concern and have no reason to believe that the business will not be going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the International Financial Reporting Standards, and in the manner required by the Companies Act, 2013 of Malawi.

## Approval of financial statements

The financial statements of Sunbird Tourism Plc, as identified in the first paragraph were approved by the Board of Directors on **24th March 2022** and were signed on its behalf by:

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AUTHORISED DIRECTOR

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AUTHORISED DIRECTOR

# INDEPENDENT AUDITOR'S REPORT



TO THE SHAREHOLDERS OF SUNBIRD TOURISM PLC

## Opinion

We have audited the financial statements of Sunbird Tourism Plc (the Company) set out on pages 30 to 72, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Sunbird Tourism plc as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2013 of Malawi.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA code. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment of trade receivables</b></p> <p>See notes 3.12, 4.1, 5.2.1, 9 and 24.2 to the financial statements</p> <p>A significant proportion of the Company's business involves providing services relating to hotel accommodation, food and beverage, conferencing and banqueting to customers on a credit basis. The Company operates in a number of different locations within Malawi and provides services to a wide range of customers, including tourists, corporate entities, government institutions and local individuals. The impact of the market and economic conditions in Malawi, including COVID-19 pandemic, high rates of unemployment and inflation impacts the ability of customers to pay the Company.</p> <p>Accordingly, we paid particular attention to the impairment assessment of trade receivables at year end due to the following:</p> <ul style="list-style-type: none"> <li>The significance of the balance in the statements of financial position at year end.</li> <li>The subjective nature of the estimation and judgement with regard to the recoverability of trade receivable balances when calculating the allowance for credit losses to be reported in the financial statements.</li> </ul> <p>As a result, the impairment of trade receivables was a key audit matter.</p>	<p>Our audit work included the following procedures:</p> <ul style="list-style-type: none"> <li>We assessed management's impairment process by considering whether the impairment process is in compliance with IFRS 9 Financial Instruments</li> <li>Management adopted the simplified approach in calculation of the expected credit losses.</li> <li>We assessed the reasonability of management's impairment calculation by assessing the following: <ul style="list-style-type: none"> <li>the reasonableness of the unbiased and probability weighted amount determined by evaluation of a range of possible outcomes;</li> <li>The reasonableness of time value of money used in the calculations;</li> <li>The information used at the reporting date about past events, current conditions and forecasts of future economic conditions.</li> </ul> </li> </ul>
<p><b>Valuation of property</b></p> <p>See Notes 3.1 and 6 to the financial statements</p> <p>The Company operates out of various hotels throughout Malawi. All these properties, including the land on which they are situated, are owned by the Company and measured at revalued amounts. These properties are the most significant revenue generating assets of the Company.</p> <p>The valuation of the Company's properties was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>The significance in the financial statements of the Company.</li> <li>Estimating the fair value is a complex process involving a number of judgements and estimates regarding various inputs.</li> <li>Due to the nature of the assets, the valuation technique includes a number of inputs and assumptions due to a lack of an active market.</li> </ul>	<p>Our audit in this area included, among others:</p> <ul style="list-style-type: none"> <li>We challenged the assumptions and inputs used in the valuation of properties.</li> <li>For selected properties we assessed the physical condition of the properties relative to the valuations to assess for any indicators of impairment.</li> </ul>
<p><b>Going concern</b></p> <p>Refer to Note 30 to the financial statements.</p> <p>COVID-19 remains a threat to the tourism and hospitality industry following the declaration by the World Health Organisation on 11 March 2020 that it is a pandemic.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>We evaluated whether the directors' assumptions are reasonable and supportable in view of the Company's circumstances and are consistent with the general economic environment and our understanding of the entity.</li> </ul>

The pandemic has had a downward impact on the operations of Sunbird Tourism Plc which resulted in some cancellations of hotel bookings in the year ended 31 December 2021.

As it is not possible to reliably assess the impact of the virus on the going concern of the Company due to the uncertainties over the pandemic, the directors have put strategies in place to ensure that the Company remains in business for the foreseeable future.

Due to the significant judgements and assumptions applied by the directors in formulation of the strategies taking into account the uncertainties over the COVID-19 pandemic, the going concern of the Company is regarded as a key audit matter.

- We tested the sensitivity of the projections to changes in the assumptions used by directors and assessed whether the outcome of the projections to changes in key assumptions properly reflect the risks inherent in the ability of the Company to continue its operations in the foreseeable future.

#### Other information

The directors are responsible for the other information. The other information comprises the Directors' Report and Directors' Responsibility Statement, which we obtained prior to the date of this auditor's report, and the Annual Report, which we expect to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of directors for the financial statements

The directors are responsible for the preparation of the financial statements which give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2013 of Malawi 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.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton  
Chartered Accountants and Business Advisors (Malawi)

Blantyre, Malawi.  
29 March 2022

Lamion Gama  
Chartered Accountant (Malawi)  
Partner

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

In thousands of Malawi Kwacha

	Note	2021	2020
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property and equipment	6	46,411,839	42,907,387
Intangible assets	7	114,509	137,356
<b>Total non-current assets</b>		<b>46,526,348</b>	43,044,743
<b>CURRENT ASSETS</b>			
Inventories	8	2,277,439	2,858,156
Trade and other receivables	9	3,310,184	1,841,649
Amounts due from related parties	10	955,400	990,380
Income tax receivable	22(b)	625,579	541,895
Cash and cash equivalents	11	877,263	1,109,609
<b>Total current assets</b>		<b>8,045,865</b>	7,341,689
<b>TOTAL ASSETS</b>		<b>54,572,213</b>	50,386,432
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	12	13,079	13,079
Share premium	12	1,966	1,966
Revaluation reserve		15,632,180	15,819,988
Retained earnings		12,120,615	11,183,415
<b>Total equity</b>		<b>27,767,840</b>	27,018,448
<b>NON CURRENT LIABILITIES</b>			
Corporate bonds	13(a)	9,810,000	10,400,000
Deferred income	18	494,735	228,301
Deferred tax liabilities	22(c)	9,973,761	9,860,147
Medium term loan	13(d)	286,714	-
Lease liabilities	13(b)	62,846	-
<b>Total non-current liabilities</b>		<b>20,628,056</b>	20,488,448
<b>CURRENT LIABILITIES</b>			
Bank overdraft	11	107,655	-
Trade and other payables	15	3,186,261	2,123,818
Corporate bonds	13(a)	757,759	66,503
Employee benefits	14(b)	152,039	32,713
Amounts due to related parties	10	663,533	525,805
Deferred income	18	230,453	130,697
Medium Term Loan	13(d)	1,057,200	-
Lease liabilities	13(b)	21,417	-
<b>Total current liabilities</b>		<b>6,176,317</b>	2,879,536
<b>Total liabilities</b>		<b>26,804,373</b>	23,367,984
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>54,572,213</b>	50,386,432

These financial statements were approved for issue by the Board of Directors on  
24th March 2022 and were signed on its behalf by:

AUTHORISED DIRECTOR

AUTHORISED DIRECTOR

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

In thousands of Malawi Kwacha

	Note	2021	2020
Revenue	16	16,588,548	13,510,287
Cost of sales	19a	(5,875,977)	(5,035,104)*
<b>Gross profit</b>		<b>10,712,571</b>	8,475,183
Other income	17	176,416	234,011
Administrative and other expenses	19b	(8,850,342)	(8,878,145)
<b>Operating profit/ (loss)</b>		<b>2,038,645</b>	(168,951)
Finance Income	20	67,249	21,291*
Finance costs	20	(1,242,888)	(825,952)
<b>Profit/ (Loss) before income tax expense</b>		<b>863,006</b>	(973,612)
Income tax expense	22(a)	(113,614)	(206,234)
<b>Profit/ (Loss) for the year</b>		<b>749,392</b>	(1,179,846)
<b>Other comprehensive income, net of tax</b>			
<b>Items that will not be reclassified to profit and loss</b>			
Revaluation surplus on property and equipment net of deferred tax		-	4,983,144
<b>Total other comprehensive income</b>		-	4,983,144
<b>Total comprehensive income</b>		-	3,803,298
<b>Profit (loss) attributable to:</b>			
Owners of the Company		749,392	(1,179,846)
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		749,392	3,803,298
<b>Earnings per share (tambala)</b>			
Basic and diluted	23	286	(451)

\*See notes 19a and 20 on the reclassification

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

In thousands of Malawi Kwacha

	Note	capital	Share premium	Share reserve	Revaluation earnings	Retained Total
<b>2021</b>						
<b>At 1 January 2021</b>		<b>13,079</b>	<b>1,966</b>	<b>15,819,988</b>	<b>11,183,415</b>	<b>27,018,448</b>
Total comprehensive income for the year		-	-	-	749,392	749,392
Profit for the year		-	-	-	749,392	749,392
<b>Total comprehensive income for the year</b>		<b>13,079</b>	<b>1,966</b>	<b>15,819,988</b>	<b>11,932,807</b>	<b>27,767,840</b>
Transfer to retained earnings		-	-	(187,808)	187,808	-
<b>At 31 December 2021</b>		<b>13,079</b>	<b>1,966</b>	<b>15,632,180</b>	<b>12,120,615</b>	<b>27,767,840</b>
At 1 January 2020		13,079	1,966	10,995,252	12,335,644	23,345,941
Total comprehensive income for the year		-	-	-	(1,179,846)	(1,179,846)
Loss for the year		-	-	-	(1,179,846)	(1,179,846)
Other comprehensive income		-	-	7,118,777	-	7,118,777
Revaluation surplus		-	-	(2,135,633)	-	(2,135,633)
Deferred tax on revaluation surplus		-	-	4,983,144	(1,179,846)	3,803,298
Total comprehensive income for the year		-	-	4,983,144	(1,179,846)	3,803,298
Transfer to retained earnings		-	-	(158,408)	158,408	-
Transactions with owners of the Company recognised directly in equity						
Dividends	23(b)	-	-	-	(130,791)	(130,791)
At 31 December 2020		13,079	1,966	15,819,988	11,183,415	27,018,448



# STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

In thousands of Malawi Kwacha

	Note	2021	2020
<b>Cash flows from operating activities</b>			
Cash receipts from customers		15,725,958	15,646,680
Cash paid to suppliers and employees		(11,427,285)	(13,667,273)
<b>Cash generated from operations</b>		<b>4,298,673</b>	1,979,407
Interest paid	20	(1,747,014)	(1,380,424)
Income tax paid	22(b)	(410,986)	(207,474)
<b>Net cash from operating activities</b>		<b>2,140,673</b>	391,509
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment	6	(3,945,860)	(2,438,412)
Acquisition of intangible assets	7	(9,604)	(46,958)
Proceeds from sale of property and equipment		18,437	9,195
<b>Net cash utilised in investing activities</b>		<b>(3,937,027)</b>	(2,476,175)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	13	2,671,356	3,411,728
Repayment of borrowings	13	(1,210,713)	(818,453)
Dividends paid	23(b)	-	(37,663)
<b>Net cash generated from financing activities</b>		<b>1,460,643</b>	2,555,612
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(335,711)</b>	470,946
Cash and cash equivalents at beginning of the year		1,109,609	638,749
Effect of exchange rate fluctuations on cash held		(4,290)	(86)
<b>Cash and cash equivalents at end of the year</b>	11	<b>769,608</b>	1,109,609

# NOTES FOR THE FINANCIAL STATEMENTS

For the year ended 31 December 2021



## 1. REPORTING ENTITY

Sunbird Tourism Plc ('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 majority shareholder is the Malawi Government.

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

## 2. BASIS OF PREPARATION

### a) Statement of compliance

The financial statements (the “financial statements”) have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2013 of Malawi. Details of the Company’s accounting policies, including changes during the year and critical accounting judgements, are included in notes 3 and 5.

### b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for land and property which are measured under the revaluation model.

### c) Functional and presentation currency

The 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, 15 and 30.

### 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 amounts 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 Company has consistently applied the accounting policies as set out in note 3 to all periods presented in these financial statements.

### (g) New accounting standards and interpretations adopted as at 1 January 2021

The Company adopted the new accounting pronouncements which have become effective in 2021:

#### Amendment to IFRS 16

The COVID-19 pandemic has led to some lessors providing relief to losses by deferring or relieving them of the amounts that would otherwise be payable. When there is a change in the lease payments, the accounting consequences will depend on whether that change meets the definition of lease modification, which IFRS 16 defines as “a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease”.

The changes in the COVID-19 related rent concessions amends IFRS 16 to

- Provide lessees with an exemption from assessing whether a COVID 19 related rent concession is a lease modification
- Require lessees that apply the exemption to account for COVID19 related rent concessions as if they were not lease modifications
- Require leases that apply the exemption to disclose that fact; and
- Require lessees to apply the exemption retrospectively in accordance with IAS 8, but not require them to restate prior period figures.

The amendment to the standard has not affected the Company’s position in the preparation of these financial statements

### IBOR reform Phase 2 amendment

The IASB issued Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021.

### Amendment to IFRS 9 – Financial Instruments

The standard includes requirements for recognition and measurement, impairment and de-recognition and general hedge accounting of financial assets. Under the standard, impairment allowances for loans booked at amortised cost are based on Expected Credit Loss and must take into account forecasted economic conditions. The receivables impairment losses may be affected by the impact of the COVID 19 pandemic in terms of collectability of the receivables. It is because of this forward-looking characteristics that the rapid and dramatic change of the economic outlook entailed by the coronavirus outbreak will impact ECL estimates even before the increased credit losses show up in the data. The expected economic crisis will feed through in ECL estimates via several channels:

- An expected rise in corporate defaults leading to the higher probability of default (PD) estimates
- Falling asset prices lower the value of collateral and may cause the loss given default (LGD) risk parameter to increase.
- Liquidity issues incentive borrowers to utilise their credit lines to the full extent and may put upward pressure on the exposure at default (EAD) estimates

The amendment to the standard has been incorporated by the Company in preparing these set of financial statements.

### (h) Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the Company.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on the pronouncement. New Standards, amendments and Interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the Company’s financial statements.

### Amendment to IAS 1: Preparation of financial statements

The standard outlines the overall requirements for the financial statements preparation, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern,

Under IAS 1 requirements, companies classify a liability as current when they do not have unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. The amendment to this is the removal of the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There is still limited guidance on how to determine whether a right



has substance and the assessment may require management to exercise interpretive judgement.

Classification of debt may also change as the amendment has clarified that a right to defer exists only if the Company complies with the conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until later date. This may change how companies classify their debt.

The Amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and apply prospectively. Earlier adoption is permitted.

#### IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information.

Amended by Definition of Accounting Estimates. These amendments introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.

The amendments to IAS 8 Accounting policies, changes in Accounting Estimates and Errors are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

#### Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction

The amendments require companies to recognise deferred tax on transactions that, on

initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations.

These amendments should be applied for annual periods beginning on or after 1 January 2023

#### Amendments to IAS 16 regarding proceeds before intended use

Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16) amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments published today are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

#### (I) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year in accordance to IAS 1.41

## 3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

### 3.1 Property and equipment

#### Recognition and measurement

Land and 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.

Work in progress, being property and equipment 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 and its cost can be measured reliably and the carrying amount 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.

#### Revaluation

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. The difference between depreciation based on the revalued carrying amount of the property and the depreciation based on the property's original cost is transferred annually from the revaluation reserve to retained earnings. On the realisation 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.

#### Depreciation

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
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.

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

#### *Derecognition*

The carrying amount of an item of property and equipment shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal.

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.

### **3.2 Intangible assets**

The other intangible assets in the financial statements of the Company are stated at cost less any accumulated amortisation and impairment losses over the period of the asset.

### **3.3 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.

### **3.4 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.

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 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.

### **3.4 Taxation (continued)**

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of

the assets to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity or other comprehensive income.

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

### **3.5 Foreign currency translations**

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

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

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

### **3.6 Employee benefits**

#### *Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity

and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss as the related service is provided.

#### *Short-term benefits*

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

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company 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.

### **3.7 Revenue**

To determine whether to recognise revenue, the Company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

#### **Accommodation, catering and conferences**

For accommodation, catering and conferences the performance obligations are delivered when services are rendered.

#### **Guest loyalty program**

Provision is made for the estimated liability arising from the issue of benefits under the Company's customer reward programmes, based on the value of rewards earned by the programme members, and the expected utilisation



of these rewards. The value attributed to these awards is deferred as a liability included in deferred income in the statement of financial position, and released to profit or loss as the awards are redeemed. The expected utilisation is determined through consideration of historical usage and forfeiture rates.

### 3.8 Borrowing costs

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

To the extent that the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company 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 Company 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 Company 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.

### 3.9 Leased assets

Assets held by the Company under leases are recognized in the Company books under IFRS 16 – leases. The distinction between the operating and finance leases is eliminated for the lessees, and new lease asset, which represent the right to use the leased asset for the lease term; and the lease liability, which represents the obligation to pay rentals. These are recognized for all leases.

The leased asset is initially recognized as a right of use asset and lease liability based on the discounted payments as required under the

lease in consideration of the lease term.

All liabilities are measured with reference to an estimated of the lease term, which includes optional lease periods if there is expectation that the lease term may be extended.

The recognition of the right of use asset in the Company books is limited to assets whose lease period extends more than 12 months. All the leases that are less than 12 months are recognised through profit and loss as an expense rather than an asset and a liability. The recognition is also limited to low value assets.

The Company leases are of low value and are currently being recognised through the profit and loss as an expense for all the lease payments.

### 3.10 Provisions

Provisions comprise provisions raised for disputes with a specific service provider and are recognised when the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that the Company will be required to settle that obligation. Provisions are estimated at the directors' best estimate of the expenditure required to settle the obligation at the reporting date.

### 3.11 Financial instruments

#### Non-derivative financial assets and financial liabilities

#### Recognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

#### Classification and initial measurement of financial assets

On initial recognition, financial assets are measured at fair value plus directly attributable transaction costs, unless the instrument is classified as at fair value through profit or loss.

Financial assets, other than those designated and effective as hedging instruments, are

classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Company does not have any financial assets categorised as FVTPL and FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

#### Subsequent measurement of financial assets Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

#### Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

#### Derecognition

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

#### Offsetting

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

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

The Company has the following financial assets which are all classified as loans and receivables:

**Trade and other receivables**

Trade and other 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 statements of cash flows, cash and cash equivalents include bank overdrafts.

The Company has the following financial liabilities:

**Loans and 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 note 3.9).

**Lease liabilities**

The Company leases are of low value and are currently being recognised through the profit and loss as an expense for all the lease payments. The asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

**Corporate bonds**

Corporate bonds are initially measured at fair value less transaction costs and are subsequently measured at amortised cost, using the effective interest method.

**Trade payables and other payables**

Trade payables are initially measured at fair value, being the amount expected to be incurred on settlement less transactions costs. Subsequent measurement is at amortised cost using the effective interest method.

**Amounts due to related parties**

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

**3.12 Impairment**
**Financial assets**

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss. Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second and third category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

**Trade and other receivables and contract assets**

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of

the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

**Non-financial assets**

The carrying amounts of the Company'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.



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUE)

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.

#### 3.13 Earnings per share (basic and diluted)

The Company 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 dilutive effects to the shares in issue, the basic and dilutive EPS is the same.

#### 3.14 Dividend per share

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

#### 3.15 Operating segments

An operating segment is a component of the Company 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 Company's other components. All operating segments' operating results are reviewed regularly by the Company'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.

#### 3.16 Finance Cost/Income

Finance cost comprise interest expense on borrowings and impairment losses recognised on financial assets that are recognised in profit or loss. Finance income is recognised in the profit and loss when it is earned.

#### 3.17 Share capital, share premium and reserves

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are shown in equity as a deduction, net of tax, from the proceeds and are included in the share premium account.

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

#### 3.18 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 Company 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 Company 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.

#### 3.19 Commitments

Commitments represent goods/services that have been contracted for, but for which no delivery has taken place at the reporting date. Commitments also include capital expenditure authorised but not contracted for. These amounts are not recognised in the statements of financial position as a liability or as expenditure in the statements of profit or loss and other comprehensive income, but are however disclosed as part of the disclosure notes.

#### 3.20 Other income

##### **Dividend income**

Dividend income is recognised when the right to receive income is established.

##### **Management fees**

Management fee income is recognised on an accrual basis in accordance with the relevant agreements, as and when services are provided.

#### 3.21 Foreign currency gains and losses

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

#### 3.22 Operating results

Operating results is the result generated from the continuing principal revenue producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes net finance costs and income taxes. The operating expenses relating to the results are recognised when incurred.

#### 3.23 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

## 4. FINANCIAL RISK MANAGEMENT

### **Overview**

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

- Credit risk
- Liquidity risk
- Market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUE)

Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities. The Company, 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 Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. 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 Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and related parties and cash and deposits with financial institutions.

**Cash and cash equivalents**

The Company places its cash with banks licensed by the central bank, the Reserve Bank of Malawi.

**Amounts due from related parties**

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

**Trade and other receivables**

The Company'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 Company has an established credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company'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 Company's benchmark creditworthiness may transact with the Company only on a cash basis.

The Company 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.

Detailed financial information is included in note 24

**4.2 Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's reputation.

The Company 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 Company ensures that it has sufficient cash on demand to meet expected operational expenses and servicing of financial obligations. In addition, the Company maintains the following line of credit:

- MK150 million (2020: MK150 million) overdraft facility with Standard Bank Plc whose interest rate is at the bank's base lending rate plus 350 basis points, currently at 15.7% per annum (2020: 15.7%).

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

Detailed financial information is included in note 24

**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 Company'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 Company is exposed to currency risk on sales, purchases and administrative expenses that are denominated in a currency other than the functional currencies of Company 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 Company, primarily Kwacha, but also USD. This provides an economic hedge and no derivatives are entered into.

**(ii) Interest rate risk**

The Company 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.

Detailed financial information is included in note 24

**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 maximising returns to shareholders.

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

The Finance and Audit Committee reviews the capital structure on a regular basis. As part of this review, the Committee considers the cost of capital and its associated risks. Based on

recommendations of the Committee, the Company will balance its overall capital structure through the payment of dividends and revaluations of its assets.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

### 5.1 Critical judgements in applying the Company's significant accounting policies

#### 5.1.1 Valuation of properties

The Company carries its properties at revaluation model. Mr E. Jambo MSc (Real Estate), MBA; BA (Pub. Admin) a qualified valuer, of MPICO plc, valued the properties of the Company as at 31 December 2020 on an open market value basis. 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:

<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Inter-relationship between key unobservable inputs and fair value measurement</b>
The valuation expert adopted an open market value basis using the combination of income, cost and comparable market approaches.	To arrive at his opinion the valuer used many factors including some unobservable inputs. The major assumption used in valuation of properties on the hotels included: <ul style="list-style-type: none"> <li>profits generated by the property for the past three years (2017 – 2019);</li> <li>the property yield rates arrived at by taking into account the quality and location of the property among other things. The valuer used yield rates ranging between 8%-15%</li> <li>comparable average property prices adjusted for expected growth within the market and the location of the related hotel property.</li> </ul>	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> <li>expected profits generated by the property were higher (lower);</li> <li>the property yield rates were lower (higher).</li> </ul>

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

## 5.2 Key sources of estimation and uncertainty

### 5.2.1 Impairment 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.

In making the estimate, management makes an assessment of whether there is objective evidence impairment loss, taking into consideration all the relevant information available to the entity at the end of the reporting period. This may include information regarding the financial position of the related customers, whether there are any balances disputed by the customers, repayment history and any indication that a debtor experiences financial difficulties or could enter bankruptcy as well as the historical loss experiences.

### 5.2.2 Inventory provisions for obsolete stock

An estimate of obsolete and slow-moving stock is made taking into consideration existing conditions at the end of the period. In making the estimate, management makes an assessment to identify slow moving inventory items, obsolete products and those nearing expiry.

### 5.2.3 Legal claims

An estimate of legal claims made against the Company 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 and Company in the event that legal proceedings find the Company to be in the wrong. The estimate is provided by the Company's lawyers.

### 5.2.4 Guarantees

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



## 6. PROPERTY AND EQUIPMENT

In Thousands of Malawi Kwacha

See accounting policy 3.1

### 2021

#### Cost or valuation

	Freehold property	Leasehold property	Vehicles & equipment	Work in progress	Total
At 1 January 2021	21,823,633	13,435,554	5,782,677	4,636,531	45,678,395
Additions during the year	22,171	19,852	483,252	3,926,998	4,452,273
Work in progress capitalised	282,067	6,596,100	983,211	(7,861,378)	-
Transferred to stocks (Note 8)	-	-	-	(53,634)	(53,634)
Disposals during the year	-	-	(236,755)	(31,243)	(267,998)
<b>At 31 December 2021</b>	<b>22,127,871</b>	<b>20,051,506</b>	<b>7,012,385</b>	<b>617,274</b>	<b>49,809,036</b>

#### Accumulated depreciation and impairment losses

At 1 January 2021	-	-	2,771,008	-	2,771,008
Charge for the year	101,902	90,262	628,880	-	821,044
Eliminated on disposals	-	-	(194,855)	-	(194,855)
<b>At 31 December 2021</b>	<b>101,902</b>	<b>90,262</b>	<b>3,205,033</b>	<b>-</b>	<b>3,397,197</b>

#### Carrying amount

<b>At 31 December 2021</b>	<b>22,025,969</b>	<b>19,961,244</b>	<b>3,807,352</b>	<b>617,274</b>	<b>46,411,839</b>
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### 2020

#### Cost or valuation

At 1 January 2020	17,409,050	10,142,105	5,618,466	3,043,777	36,213,398
Additions during the year	-	228,907	220,633	2,552,626	3,002,166
Work in progress capitalised	378,770	343,742	172,994	(895,506)	-
Transferred to stocks (Note 8)	-	-	(37,717)	(27,477)	(65,19)
Reclassification*	-	38,876	(38,876)	-	-
Revaluation surplus	4,035,813	2,681,924	-	-	6,717,737
Disposals during the year	-	-	(152,823)	(36,889)	(189,712)
<b>At 31 December 2020</b>	<b>21,823,633</b>	<b>13,435,554</b>	<b>5,782,677</b>	<b>4,636,531</b>	<b>45,678,395</b>

#### Accumulated depreciation and impairment losses

At 1 January 2020	150,419	80,122	2,295,888	-	2,526,429
Charge for the year	96,786	72,312	607,807	-	776,905
Reclassification*	-	1,401	(1,401)	-	-
Released on revaluation	(247,205)	(153,835)	-	-	(401,040)
Eliminated on disposals	-	-	(131,286)	-	(131,286)
<b>At 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>2,771,008</b>	<b>-</b>	<b>2,771,008</b>

#### Carrying amount

<b>At 31 December 2020</b>	<b>21,823,633</b>	<b>13,435,554</b>	<b>3,011,669</b>	<b>4,636,531</b>	<b>42,907,387</b>
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\* Reclassification relate to marque which was previously allocated under other equipment and is being reclassified to property.

In Thousands of Malawi Kwacha

The information regarding the revaluation including fair value hierarchy is as per note 5.1.1 to the financial statements.

#### Additions

Additions to property and equipment comprise the following:

	2021	2020
Assets acquired at cost	3,945,860	2,438,412
Interest capitalised into assets	506,413	563,754
<b>Total asset additions</b>	<b>4,452,273</b>	<b>3,002,166</b>

#### Properties (Land and buildings)

Carrying amount at end of the year comprise the following:

Purchase cost	18,429,532	11,701,508
Subsequent revaluations	23,557,680	23,557,680
<b>At 31 December</b>	<b>41,987,212</b>	<b>35,259,188</b>

Land and buildings for the Company were valued as at 31 December 2020 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	21,597,189	14,864,808
Accumulated depreciation	(3,167,657)	(3,163,300)
<b>Carrying amount</b>	<b>18,429,532</b>	<b>11,701,508</b>

The registers of land and buildings are available for inspection at the registered office of the Company.

The fair value measurement of land and buildings of MK42.0 billion has been categorised as a level three fair value based on the inputs to the valuation techniques - see note 5.1.1.

At 31 December 2021, properties, with a carrying amount of **MK35.9 billion** (2020: MK31.5 billion) were subject to a registered form of security for corporate bond, medium term loan and bank overdrafts. Motor vehicles pledged as security for lease liability amounted to **MK96.4 million** (2020: Nil) (see note 11, 13(a) and 13(b)).

#### Work in progress

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



## 7. INTANGIBLE ASSETS

In Thousands of Malawi Kwacha  
See accounting policy number 3.2

### 2021

#### Gross carrying amount

At 1 January 2021

Additions

At 31 December 2021

#### Amortisation and impairment

At 1 January 2021

Amortisation

At 31 December 2021

#### Carrying amount at 31 December 2021

### 2020

#### Gross carrying amount

At 1 January 2020

Additions

At 31 December 2020

#### Amortisation and impairment

At 1 January 2020

Amortisation

At 31 December 2020

#### Carrying amount at 31 December 2020

The Company entered into a concession agreement with the government of Malawi in the operation of Chintche Inn in Nkhata Bay, the investment in the operation was recognised at cost and amortised over the period of the concession. The initial cost of the concession and subsequent investment in property is recognised in the intangible assets.

	Concession	Acquired software licenses	Total
At 1 January 2021	41,690	272,949	314,639
Additions	4,354	5,250	9,604
At 31 December 2021	46,044	278,199	324,243
At 1 January 2021	586	176,697	177,283
Amortisation	2,377	30,074	32,451
At 31 December 2021	2,963	206,771	209,734
Carrying amount at 31 December 2021	43,081	71,428	114,509
At 1 January 2020	-	267,681	267,681
Additions	41,690	5,268	46,958
At 31 December 2020	41,690	272,949	314,639
At 1 January 2020	-	126,531	126,531
Amortisation	586	50,166	50,752
At 31 December 2020	586	176,697	177,283
Carrying amount at 31 December 2020	41,104	96,252	137,356

## 8. INVENTORIES

In Thousands of Malawi Kwacha  
See accounting policy 3.3

### Merchandise

Transfer from WIP and equipment (Note 6)

Consumables

Food, drink and tobacco

Inventories have been reduced by the following amounts as a result of the write-down to net realisable value. Such write-downs were recognised as an expense.

Write-down to net realisable value

## 9. TRADE AND OTHER RECEIVABLES

In Thousands of Malawi Kwacha  
See accounting policy 3.11

### Trade receivables

### Other receivables

Other receivables are made up of:

Staff debtors

Kara O Mula

Claimable Value Added Tax (VAT) \*

Prepayments \*

\*: Not a financial asset

Information on financial risk management is included in notes 4 and 24.

	2021	2020
Merchandise	1,126,195	2,017,809
Transfer from WIP and equipment (Note 6)	53,634	65,194
Consumables	759,674	571,873
Food, drink and tobacco	337,936	203,280
	2,277,439	2,858,156
Write-down to net realisable value	116,758	37,006
Trade receivables	2,713,831	1,318,896
Other receivables	596,353	522,753
	3,310,184	1,841,649
Staff debtors	191,243	228,65
Kara O Mula	117,214	117,557
Claimable Value Added Tax (VAT) *	125,899	53,552
Prepayments *	161,997	122,987
	596,353	522,753

## 10. RELATED PARTY TRANSACTIONS

In Thousands of Malawi Kwacha

See accounting policy 3.11

### Related parties

The Company's related parties comprise of the holding company, directors, shareholders, management contract entity, concession agreement and key management personnel. Material balances and transactions are as follows:

### Transactions with related parties

#### Revenue and other income

Government department and related entities (shareholder and entities under common shareholding):

Accommodation, catering and conferences revenue

	2021	2020
	5,564,649	4,495,745

Kara O Mula (management contract)

Management fees for managing Kara O Mula

	-	6,893
	5,564,649	4,502,638

#### Administrative and other expenses

##### Tevet levy:

Government department (shareholder and entities under Common shareholding)

	46,917	53,343
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##### Electricity and water bills:

Government departments related entities

	1,207,066	1,084,221
	1,253,983	1,137,564

#### Amounts due from related parties

Government departments and related parties

African Parks Ltd

	955,400	959,757
	-	30,623
	955,400	990,380

#### Amounts due to related parties

Government departments and related entities

Advance deposits \*

	663,533	525,805
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\* Not a financial liability as these are customer deposits.

These balances arose from the normal course of trading between the Company 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.

### Compensation of key management personnel

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

In addition to salaries, the Company 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%** (2020: 5%) of their basic pay while the Company contributes **13.3%** (2020: 13.50%) of the basic pay.

Salary and cash benefits for the year were as follows:

	2021	2020
Short-term benefits (salary and bonus)	574,228	555,088
Post-employment benefits (Employer pension contribution)	76,372	74,937
	650,600	630,025
Directors' remuneration	64,259	60,557

Information on financial risk management is included in notes 4 and 24

## 11. CASH AND CASH EQUIVALENTS

In Thousands of Malawi Kwacha

See accounting policy 3.11

	2021	2020
Cash at bank	877,263	1,109,609
Bank overdrafts	(107,655)	-
	769,608	1,109,609

The Company has a bank overdraft facility of MK150 million (2020: MK150 million) which is secured by a charge over the Company's assets in favour of Standard Bank Plc. The carrying amount of assets pledged as security as at 31 December 2020 was MK3.16 billion (2020: MK3.16 billion). Interest is charged at the bank's base lending rate minus 200 basis points currently at 15.7% per annum (2020: 15.7%). Deposits on current accounts do not attract interest while short term investments attract average interests of 12.2% (2020: 12.0%). The facilities are repayable on demand and are renewed annually.

Information on financial risk management is included in notes 4 and 24.

## 12. SHARE CAPITAL AND SHARE PREMIUM

In Thousands of Malawi Kwacha

See accounting policy 3.17

	2021	2020
<b>Authorised</b>		
<b>280,000,000</b> (2020: 280,000,000) Ordinary shares of 5 tambala each	14,000	14,000
<b>Issued and fully paid</b>		
<b>261,582,580</b> (2020: 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.		
<b>Share Premium</b>		
The share premium arose following the issue of 4,270,105 shares at 51 tambala per share.	1,966	1,966



# 13. LOANS AND BORROWINGS

## CORPORATE BONDS, MEDIUM TERM LOANS AND LEASE LIABILITIES

In Thousands of Malawi Kwacha

See accounting policy 3.11

	Corporate bonds	Lease liabilities	Short Term Loan	Medium Term Loan	Total
2021	Note 13(a)	Note 13(b)	Note 13(c)	Note 13(d)	
<b>1 January 2021</b>	<b>10,466,503</b>	-	-	-	<b>10,466,503</b>
Proceeds from borrowings	700,000	96,356	-	1,875,000	2,671,356
Accrued interest	67,759	-	-	1,031	68,790
Repayments during the year	(666,503)	(12,093)	-	(532,117)	(1,210,713)
<b>31 December 2021</b>	<b>10,567,759</b>	<b>84,263</b>	-	<b>1,343,914</b>	<b>11,995,936</b>
2020					
1 January 2020	7,800,000	6,725	-	-	7,806,725
Proceeds from borrowings	3,100,000	-	311,728	-	3,411,728
Accrued interest	66,503	-	-	-	66,503
Repayments during the year	(500,000)	(6,725)	(311,728)	-	(818,453)
<b>31 December 2020</b>	<b>10,466,503</b>	-	-	-	<b>10,466,503</b>

### 13(a) CORPORATE BONDS

See accounting policy 3.11

	Currency	Year of maturity	Amortised cost	
			2021	2020
NICO Asset Managers Limited	MK	2022	-	601,872
NBM Capital Markets Limited	MK	2022	699,351	698,919
NBM Capital Markets Limited	MK	2023	1,469,650	1,468,743
NBM Capital Markets Limited	MK	2024	2,898,758	2,896,969
Old Mutual Life Assurance Company	MK	2024	1,900,000	1,700,000
Old Mutual Life Assurance Company	MK	2025	2,900,000	3,100,000
Old Mutual Life Assurance Company	MK	2026	700,000	-
<b>TOTAL</b>			<b>10,567,759</b>	<b>10,466,503</b>
At 1 January			<b>10,466,503</b>	7,800,000
Repayments during the year			<b>(666,503)</b>	(500,000)
Accrued interest			<b>67,759</b>	66,503
Issued during the year			<b>700,000</b>	3,100,000
<b>At 31 December</b>			<b>10,567,759</b>	<b>10,466,503</b>
<b>Disclosed under:</b>				
Current liabilities			<b>757,759</b>	66,503
Non-current liabilities			<b>9,810,000</b>	10,400,000
<b>At 31 December</b>			<b>10,567,759</b>	<b>10,466,503</b>

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 and 364 treasury bill yield plus a variable margin averaging 3.1%. There is a maximum rate of interest of 3.8% below the simple average of reference bank's commercial lending rates and a minimum rate of inflation or 12%.

During the year, further subscriptions amounting to MK700 million (2020:MK3.1 billion) were received from Old Mutual Life Assurance Company Limited. The proceeds were used for Sunbird Water Front, the new hotel adjacent to Sunbird Livingstonia in Salima. The bonds are secured over land and buildings of the Company valued at MK24.0 billion (2020: MK31.5 billion).

### 13(b) LEASE LIABILITIES

See accounting policy 3.11

	Amortised Cost	
	2021	2020
At 1 January	-	-
Issued during the year	96,356	-
Repayment during the year	(12,093)	-
<b>At 31 December</b>	<b>84,263</b>	-

The Company has a finance lease facility of MK300 million from NBS Bank to cater for procurement of motor vehicles repayable over three to four years. Interest on the facility is charged at 4.0% above the bank base lending rate which is currently 12.2% per annum (2020: 12.3% per annum). The leased motor vehicles secure the lease obligations. The net carrying amount of leased motor vehicles was as follows:

	2021		2020	
	Future minimum lease payments	Interest	Future minimum lease payments	Interest
Less than one year	27,687	6,270	-	-
Between one and four years	81,246	18,400	-	-
<b>At 31 December</b>	<b>108,933</b>	<b>24,470</b>	<b>84,263</b>	-

### 13(c) SHORT TERM LOAN

See accounting policy 3.11

The Company has a short-term loan facility of MK320 million from Standard bank Plc to cater for financing of insurance premiums from time to time as may be needed. Interest on the facility is charged at an average 8.75% (2020: 8.75%). The facility is secured by the property in Sunbird Livingstonia Beach currently valued at MK3.18 billion (2020: MK 3.16 billion). The facility was not utilised during the year.

	2021	2020
At 1 January	-	-
Issued during the year	-	311,727
Repayment during the year	-	(311,727)
<b>At 31 December</b>	<b>-</b>	<b>-</b>

### 13. LOAN AND BORROWINGS (CONTINUE) In Thousands of Malawi Kwacha

#### 13(d) MEDIUM TERM LOANS

See accounting policy 3.11

The Company has a medium term loan facility of MK1.875 billion from Export Development Fund (EDF) for cash flow financing of projects and operations as may be required. The interest on the facility is charged at 1% above Reserve Bank Policy Rate, currently at 13% (2020: Nil). The loan is secured over land and buildings of the Company valued at **MK8.6 billion** (2020: Nil).

	Amortised cost	
	2021	2020
At 1 January	-	
Issued during the year	1,875,000	
Accrued interest	1,031	
Repayment during the year	(532,117)	-
At 31 December	1,343,914	-
<b>Disclosed under:</b>		
Current liabilities	1,057,200	
Non-current liabilities	286,714	-
At 31 December	1,343,914	-

Information on financial risk management is included in notes 4 and 24.

The loan is secured over land and buildings of the Company valued at **MK8.6 billion** (2020: Nil).

## 14. EMPLOYEE BENEFITS

In Thousands of Malawi Kwacha

See accounting policy 3.6

#### 14(a) Pension Plan

The Company operates a defined contribution pension plan for some of its employees. The plan is operated by Old Mutual Individual Life Company.

The total cost charged to profit or loss of MK512 million (2020: MK549 million) represents contributions payable to this plan by the Company at rates specified in the rules of the plan. The respective contribution rates for employees and the employer were 5% (2020: 5%) and 13.3% (2020: 13.5%), respectively.

#### 14(b) Short-term employee benefit liabilities

	2021	2020
Short-term employee benefits *	152,039	32,713

\* 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 Company has a constructive obligation to pay the amounts accrued.

## 15. TRADE AND OTHER PAYABLES

In Thousands of Malawi Kwacha

See accounting policy 3.11

Trade payables  
Output VAT\*  
Guest advance deposits\*  
Other payables and accruals

#### Other payables and accruals include the following:

Audit fees  
Unclaimed dividend  
PAYE and Withholding taxes due\*  
Water, electricity and telephone accrued  
Tourism levy\*  
Pension contributions payable\*  
Payroll recoveries payable  
Other accruals

\* These balances are not financial liabilities.

Information on financial risk management is included in notes 4 and 24

## 16. REVENUE

In Thousands of Malawi Kwacha

See accounting policy 3.7

Rooms revenue  
Catering revenue  
Other revenue  
**Total**

Other revenue includes revenue from other services provided at the hotel to support rooms and catering segments. These services include business centre, water sports, guest transport, swimming pool, health club and other hotel related services.

## 17. OTHER INCOME

In Thousands of Malawi Kwacha

See accounting policy 3.7, 3.18 and 3.20

Government grants  
Management fees from Kara O Mula  
Doubtful debts recovered during the year  
Reversal of prior year provisions  
Insurance claim proceeds  
Other sundry receipts  
**Total**

	2021	2020
Trade payables	841,075	615,608
Output VAT*	224,562	188,513
Guest advance deposits*	882,265	418,733
Other payables and accruals	1,238,359	900,964
	<b>3,186,261</b>	<b>2,123,818</b>

Audit fees	35,820	26,276
Unclaimed dividend	136,598	136,466
PAYE and Withholding taxes due*	159,521	225,392
Water, electricity and telephone accrued	192,516	80,005
Tourism levy*	23,923	17,824
Pension contributions payable*	64,760	64,517
Payroll recoveries payable	9,897	8,562
Other accruals	615,324	341,922
	<b>1,238,359</b>	<b>900,964</b>

	2021	2020
Rooms revenue	6,620,918	5,435,627
Catering revenue	9,506,313	7,619,923
Other revenue	461,317	454,737
<b>Total</b>	<b>16,588,548</b>	<b>13,510,287</b>

	2021	2020
Government grants	87,417	143,696
Management fees from Kara O Mula	-	8,648
Doubtful debts recovered during the year	-	39,587
Reversal of prior year provisions	47,633	16,299
Insurance claim proceeds	13,116	8,126
Other sundry receipts	28,250	17,655
<b>Total</b>	<b>176,416</b>	<b>234,011</b>



## 18. DEFERRED INCOME/REVENUE

In Thousands of Malawi Kwacha

See accounting policy 3.7 and 3.18

### 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 2021 the Company qualified for duty and excise waiver amounting to **MK442 million**, this grant was recognised as deferred income in 2021. The Grant will be amortised over the estimated useful life of the assets to which it relates.

### Guest loyalty program

The Company has a hotel loyalty programme, Sunbird Premier Club which enables members to earn points, funded through hotel assessments, during each qualifying stay at a Sunbird hotel and redeem points at a later date for free accommodation or other benefits. The future redemption liability is calculated by multiplying the number of points expected to be redeemed before they expire by the redemption cost per point.

#### Deferred income

	2021			2020		
	Government Grant	Guest loyalty program	Total	Government Grant	Guest loyalty program	Total
At 1 January	315,718	43,280	358,998	136,204	38,846	175,050
Add: amounts received during the year	442,31	206,167	648,480	323,210	167,718	90,928
Less: Amounts recognised in the statement of profit or loss and comprehensive income	(87,417)	(194,873)	(282,290)	(143,696)	(163,284)	(306,980)
<b>At 31 December</b>	<b>670,614</b>	<b>54,574</b>	<b>725,188</b>	<b>315,718</b>	<b>43,280</b>	<b>358,998</b>
<b>Deferred income recognised under:</b>						
Current liabilities	175,879	54,574	230,453	87,417	43,280	130,697
Non-current liabilities	494,735	-	494,735	228,301	-	228,301
	<b>670,614</b>	<b>54,574</b>	<b>725,188</b>	<b>315,718</b>	<b>43,280</b>	<b>358,998</b>

## 19a. COST OF SALES

In Thousands of Malawi Kwacha

See accounting policy 3.22

	2021	2020
Food	2,607,828	1,717,474
Beverage	398,716	346,739
Rooms direct expenses	503,377	456,239
Catering direct expenses	390,734	323,163
Other direct costs	18,347	87,504
Rooms direct labour expenses	606,798	711,262*
Catering direct labour expenses	1,350,177	1,392,723*
<b>Total</b>	<b>5,875,977</b>	<b>5,035,104</b>

## 19a. COST OF SALE (CONTINUE)

In Thousands of Malawi Kwacha

\*Staff costs amounting MK 2.1 billion have been reclassified from administrative and other expenses to cost of sales. These represent direct labour costs. This is to ensure that the presentation for corresponding figures conform to the presentation for the current period.

### 19b. ADMINISTRATIVE AND OTHER EXPENSES

See accounting policy 3.22

City and ground rates	56,062	43,654
Computer, telephone and internet expenses	261,121	276,687
Depreciation and amortisation	853,495	827,657
Directors' remuneration	64,259	60,559
Energy, repairs and maintenance costs	1,631,490	1,450,724
Impairment of trade receivables	163,075	126,690
Insurance expenses	130,540	239,376
Laundry expenses	41,276	35,300
Licenses and permits	110,419	98,066
Listing and secretarial expenses	43,477	59,820
Loss on disposal of property and equipment	54,706	49,231
Marketing expenses	138,877	130,525
Motor vehicle expenses	205,875	177,164
Other administrative expenses	378,018	298,819
Security	227,928	184,652
Staff costs	4,489,724	4,819,221
<b>Total</b>	<b>8,850,342</b>	<b>8,878,145</b>

## 20. FINANCE COST/INCOME

In Thousands of Malawi Kwacha

See accounting policy 3.16

Interest on lease liabilities	33,914	28,372
Interest on bank overdraft	14,789	6,595
Interest on medium term loan	146,361	-
Interest on corporate bonds	1,047,824	790,985

### Finance costs

Interest from cash and cash equivalents	67,249	21,291*
Finance Income	67,249	21,291

### Reconciliation of interest paid

Accrued Interest at 1 January	66,502	57,220
Interest charged to statement of profit or loss	1,242,888	825,952
Interest capitalised into assets	506,413	563,754
Accrued interest at 31 December	(68,789)	(66,502)

### Interest paid

\*Interest income amounting to MK 21 million has been reclassified from other income to net finance costs. This is to ensure that the presentation for corresponding figures conform to the presentation for the current period.

	2021	2020
	33,914	28,372
	14,789	6,595
	146,361	-
	1,047,824	790,985
	1,242,888	825,952
	67,249	21,291*
	67,249	21,291
	66,502	57,220
	1,242,888	825,952
	506,413	563,754
	(68,789)	(66,502)
	1,747,014	1,380,424

## 21. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

In Thousands of Malawi Kwacha

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

Auditors' remuneration: - current year	
- mid - year review	
Depreciation and amortisation	
Directors' remuneration	
Deferred income	
Profit on disposal of property and equipment	
Impairment of trade receivables	
Pension costs	
Staff costs	

2021	2020
31,663	29,022
7,092	6,500
853,495	827,657
64,259	60,559
(87,417)	(143,696)
54,706	49,231
163,075	126,690
511,613	549,437
6,446,699	6,923,206

## 22. INCOME TAX

In Thousands of Malawi Kwacha

See accounting policy 3.4

### 22(a) Income tax

	2021	2020
Income tax credit	-	-
Current tax*	113,614	206,234
Deferred tax	113,614	206,234
Total income tax expense	113,614	206,234

### Reconciliation of effective tax rate

Profit/(Loss) before income tax expense	863,006	(973,612)
-----------------------------------------	---------	-----------

	%	%		
Tax at standard rate	30	258,902	30	-
Temporary differences	(17)	(145,288)	(21)	206,234
Effective rate of tax	13	113,614	(21)	206,234

### 22(b) Income tax receivable

Current tax assets at 1 January	(541,895)	(1,188,566)
Current year tax charge	-	-
Tax credit utilisation	327,301	854,145
Income tax paid	(410,986)	(207,474)
Current tax assets at 31 December	(625,579)	(541,895)

### 22(c) Deferred tax liabilities

See accounting policy 3.4

At 1 January  
Recognised in profit or loss and other comprehensive income:  
Deferred tax on accelerated capital allowances  
Deferred tax on employment benefits and other provisions  
Revaluation surplus

### At 31 December

### Analysed as:

Accelerated capital allowances  
Revaluation of property  
Deferred tax assets on employment benefits and other provisions

### Net deferred tax liabilities

\*The Company report a tax profit of MK749 million (2020: Loss of MK1.2 billion), the losses were carried forward to future periods in accordance with Taxation Act of Malawi subject to agreement with the Malawi Revenue Authority.

## 23. EARNINGS PER SHARE

In Thousands of Malawi Kwacha

### 23(a). EARNINGS PER SHARE (BASIC AND DILUTED)

See accounting policy 3.13

The calculation of basic and diluted earnings per share is based on profit attributable to shareholders of **MK749 million** (2020: Loss of MK1.180 billion) and the weighted average number of ordinary shares outstanding during the year of **261,582,580** (2020: 261,582,580) as below:

	2021	2020
Profit/(loss) for the year (MK'000)	749,392	(1,179,846)
Weighted average number of shares ('000)	261,583	261,583
Earnings per share - tambala	286	(451)

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

## 22. INCOME TAX (CONTINUE)

In Thousands of Malawi Kwacha

2021	2020
9,860,147	7,518,280
191,465	213,655
(77,852)	(7,421)
-	2,135,633
9,973,761	9,860,147
3,804,804	3,613,339
6,361,872	6,361,872
(192,915)	(115,064)
9,973,761	9,860,147



**23. EARNINGS PER SHARE  
(CONTINUE)**  
In Thousands of Malawi Kwacha

**23(b). DIVIDEND**

See accounting policy 3.15

There was no interim dividend declared and paid in respect of year ended 31 December 2021. There was also no final dividend declared and paid in respect of year ended 31 December 2020. A final dividend of MK131 million representing 50 tambala per share was declared in 2020, and MK38 million was paid in respect of the year ended 31 December 2019.

## 24. FINANCIAL INSTRUMENTS

In Thousands of Malawi Kwacha

See accounting policy 3.11

**24.1 Accounting classification and fair value measurement**

The following table shows the carrying amounts of financial instruments.

At the reporting date there were no financial instruments measured at fair value through profit or loss and fair value through other comprehensive income.

**2021**

**Financial assets**

Trade and other receivables	9	3,022,288
Amounts due from related parties	10	955,400
Cash and cash equivalents	11	877,263
		<b>4,854,951</b>

**Financial liabilities**

Bank overdraft	11	107,655
Trade and other payables	15	1,831,230
Corporate bonds	13(a)	10,567,759
Lease liabilities	13(b)	84,263
Medium term loan	13(d)	1,343,914
		<b>13,934,821</b>

**2020**

**Financial assets**

Trade and other receivables	9	1,665,110
Amounts due from related parties	10	990,380
Cash and cash equivalents	11	1,109,609
		<b>3,765,099</b>

**Financial liabilities**

Trade and other payables	15	1,208,839
Corporate bonds	13(a)	10,466,503
		<b>11,675,342</b>

**24. FINANCIAL INSTRUMENTS  
(CONTINUE)**  
In Thousands of Malawi Kwacha

**24.2 Credit risk**

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

	Note	2021	2020
Trade and other receivables	9	3,022,288	1,665,110
Amounts due from related parties	10	955,400	990,380
Cash and cash equivalents	11	877,263	1,109,609
		<b>4,854,951</b>	<b>3,765,099</b>

**Receivables**

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

	Note		
Trade receivables	9	2,831,045	1,436,453
Amounts due from related parties	10	955,400	959,757
Total trade receivables		<b>3,786,445</b>	<b>2,396,210</b>
Other receivables			
Staff debtors	9	191,243	228,657
Amounts due from related parties	10	-	30,623
<b>Total receivables</b>		<b>3,977,688</b>	<b>2,655,490</b>

The credit risk is limited to customers within Malawi and South Africa.

The aging of trade and other receivables at the reporting date was:

	Receivables 2021	Impairment 2021	Receivables 2020	Impairment 2020
Not past due	1,150,632	53,656	1,004,686	40,251
Past due 31-60 days	814,520	57,663	454,950	24,356
Past due 61-90 days	539,735	52,918	209,752	19,412
Past due over 90 days	1,472,801	254,924	986,102	194,963
Total	<b>3,977,688</b>	<b>419,161</b>	<b>2,655,490</b>	<b>278,982</b>

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

	2021	2020
Balance at 1 January	278,982	191,879
Recognised in statement of profit or loss	163,075	126,690
Doubtful debts recovered during the year	(22,896)	(39,587)
<b>Balance at 31 December</b>	<b>419,161</b>	<b>278,982</b>

Details on how the Company manages its credit risk is included in note 4.

**24. FINANCIAL INSTRUMENTS  
(CONTINUE)**  
In Thousands of Malawi Kwacha

### 24.3 Liquidity risk

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

	Note	Contractual amounts	Carrying cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years
<b>2021</b>							
<b>Non-derivative financial liabilities</b>							
Corporate bonds	13(a)	10,500,000	14,910,704	1,174,881	1,174,881	8,570,123	3,990,819
Lease liabilities	13(b)	84,263	108,932	16,759	16,759	67,035	8,379
Medium term loan	13(d)	1,342,883	1,476,634	590,751	590,751	295,132	-
Trade and other payables	15	1,864,097	1,864,097	1,864,097	-	-	-
		<b>13,791,243</b>	<b>18,360,367</b>	<b>3,646,488</b>	<b>1,782,391</b>	<b>8,932,290</b>	<b>3,999,198</b>
<b>2020</b>							
<b>Non-derivative financial liabilities</b>							
Corporate bonds	14(a)	(10,400,000)	(15,921,714)	(811,095)	(811,095)	(5,627,322)	(8,672,202)
Trade and other payables	16	(1,208,839)	(1,208,839)	(1,208,839)	-	-	-
		<b>(11,608,839)</b>	<b>(17,130,553)</b>	<b>(2,019,934)</b>	<b>(811,095)</b>	<b>(5,627,322)</b>	<b>(8,672,202)</b>

Details on how the Company manages its credit risk is included in note 4.

### Exposure to currency risk

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

	31 December 2021 Malawi Kwacha equivalent of				31 December 2020 Malawi Kwacha equivalent of			
	USD	ZAR	GBP	Euro	USD	ZAR	GBP	Euro
Cash and cash equivalents	272,703	5,316	8,468	10,077	102,588	6,340	9,358	2,544
Trade and other receivables	105,409	-	-	-	72,453	-	-	-
Employee benefits	(44,294)	-	-	-	(19,738)	-	-	-
	<b>333,818</b>	<b>5,316</b>	<b>8,468</b>	<b>10,077</b>	<b>155,303</b>	<b>6,340</b>	<b>9,358</b>	<b>2,544</b>

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2021	2020	2021	2020
Kwacha/USD	802.61	746.55	817.30	771.73
Kwacha/Rand	58.29	47.41	58.29	56.16
Kwacha/GBP	1,164.69	979.21	1,199.26	1,087.69
Kwacha/Euro	1,108.94	875.08	1,002.55	987.60

### Sensitivity analysis

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

**24. FINANCIAL INSTRUMENTS  
(CONTINUE)**  
In Thousands of Malawi Kwacha

A strengthening of the US Dollar, South African Rand, Euro and British Pound by 10 percent against the kwacha at 31 December 2021 would have increased exchange gain by **MK29 million** (2020: exchange gain of MK19 million) which would have been credited to profit or loss. The increase in equity would be **MK21 million** (2020: MK14 million). This analysis is based on foreign exchange rate variations that the Company 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.

Details on how the Company manages its credit risk is included in note 4.

### 24.4 Interest rate risk

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

Variable rate instruments	Note	Carrying Amounts	
		2021	2020
Corporate bonds	13(a)	10,500,000	10,400,000
Lease liabilities	13(b)	84,263	-
Medium term loan	13(d)	1,342,883	-
		<b>11,927,146</b>	<b>10,400,000</b>

The prevailing interest rates for these interest bearing facilities are within the region of Reserve Bank of Malawi's Reference rate plus or minus 1-10%. The Reserve Bank of Malawi reference rate currently is at **12.2%** (2020: 12.5%). The commercial banks' average lending rate currently is at **25%** (2020: 25%).

### 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 Company's profit or loss by **MK21 million** (2020: MK82 million). The decrease in equity would be **MK30 million** (2019: equity would have decreased by MK57 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Details on how the Company manages its credit risk is included in note 4.

## 25. CAPITAL MANAGEMENT

See accounting policy 4.4

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the movements in the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as financial liabilities (including 'current and non-current borrowings' as shown in the statements of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statements of financial position plus net debt.



## 25. CAPITAL MANAGEMENT (CONTINUE)

In Thousands of Malawi Kwacha

The gearing ratios at 31 December were as follows:

	Note	2021	2020
Corporate bond	13(a)	10,500,000	10,400,000
Lease liabilities	13(b)	84,263	-
Medium term loan	13(d)	1,342,883	-
Less: cash and cash equivalents	11	(769,608)	(1,109,609)
Net debt		11,157,538	9,290,391
Total equity		27,767,840	27,018,448
Total capital		38,925,378	36,308,839
Gearing ratio		29%	26%

## 26. SEGMENTAL REPORTING

In Thousands of Malawi Kwacha

See accounting policy 3.15

### Business segments

The Company 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.

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

	Room income	Catering income	services	Other Total
<b>2021</b>				
Total revenue	6,620,918	9,506,313	461,317	16,588,548
Segment contribution	5,142,504	4,166,680	365,875	9,675,059
Other hotel expenses				(7,463,009)
Corporate expenses				(106,156)
Finance costs				(1,242,888)
Profit before income tax expense				863,006
<b>2020</b>				
Total revenue	5,435,627	7,619,923	454,737	13,510,287
Segment contribution	3,807,853	3,040,338	371,763	7,219,954
Other hotel expenses				(7,247,236)
Corporate expenses				(120,378)
Finance costs				(825,952)
Loss before income tax expense				(973,612)

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

### Profile of the Target Market Segment

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

## 2021 ANNUAL REPORT

Leisure Individual  
Corporate Individual  
Corporate Groups  
Leisure groups  
Online  
**Total**

### Geographical Source of Business

The geographical source of business is predominantly domestic:

	2021	2020
Malawi	94	94
Africa	3	3
Europe	1	1
Americas	1	1
Other	1	1
<b>Total</b>	<b>100</b>	<b>100</b>

## 27. COMMITMENTS

In Thousands of Malawi Kwacha

See accounting policy 3.19

Capital expenditure:  
Authorised but not contracted for

2021	2020
753,531	1,997,429

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

## 28. CONTINGENCIES

In Thousands of Malawi Kwacha

See accounting policy 5.2

Legal claims	80,000	60,000
	80,000	60,000

The Company is defending various claims against former employees in the Industrial Relations Court. Although liability has not been admitted, the disclosed amount represents the Company's maximum exposure in awards and legal costs if the defence against the actions is unsuccessful. Based on legal advice, management believes that the defence against the action will be successful.

## 29. EXCHANGE RATES AND INFLATION

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

	2021	2020
Kwacha/US Dollar	802.61	746.55
Kwacha/Rand	58.29	47.41
Kwacha/GBP	1,164.69	979.21
Kwacha/Euro	1,108.94	875.08
Inflation rate (%)	9.3%	7.6%

At the end of the year, the Reserve Bank of Malawi reference base-lending rate was **12.2%** (2020: 12.5%). Commercial banks' base lending rates ranged from **12.0% to 25.0%**. (2020: 12.0% to 25.0%)

As at date of signing these financial statements the above exchange rates and inflation had moved as follows:

Kwacha/US Dollar  
Kwacha/Rand  
Kwacha/GBP  
Kwacha/Euro

Inflation rate (%)

2021

817.30

65.95

1,216.42

1,012.68

13.0%

## 30. GOING CONCERN

The board has satisfied itself that the Company has adequate resources to continue in operation for the foreseeable future. The effects of COVID-19 pandemic have had an effect on the business performance. The board has put in place strategies to ensure that the Company remains in operation for the foreseeable future. As such, 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 in the foreseeable future.

The pandemic which has heavily affected the hospitality industry in Malawi, the operating model for the Company changed where the focus has been mainly on the containment of operating expenses to align with the revenue levels.

The main impact of COVID 19 pandemic was experienced from April 2020, and beyond, as at fourth quarter of 2020, the cases started reducing and this brought some confidence for travellers in the market. In the reporting year, the Company had lost over MK800 million in bookings cancellation due to COVID 19 Pandemic.

Apart from the cost containment measures which are aligned to the business performance, the board has also put in place cash flow management facilities to close cash flow gaps that may affect the liquidity of the Company due to COVID 19. An assessment of the liquidity ratios gives a positive liquidity position and management is confident of meeting the cash flow needs as they fall due.

The business outlook for the next 12 months and beyond looks positive and show signs of business improvement. With the current business trends, the board has put measures to ensure that the Company remains operational in the foreseeable future

## 31. EVENTS AFTER REPORTING PERIOD

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





