

SUNBIRD TOURISM PLC

2023 Annual & Sustainability Report



SUNBIRD
Hotels and Resorts



Salima, Malawi. Lakeside Resort



Lilongwe, Malawi. City Hotel



Blantyre, Malawi. City Hotel



Mangochi, Malawi. Lakeside Resort



Salima, Malawi. Lakeside Resort



Mzuzu, Malawi. City Hotel



Zomba, Malawi. Mountain Resort



Lilongwe, Malawi. City Hotel



Nkhata-bay, Malawi. Lakeside Inn



KALIPANO HOTEL
by Sunbird

Dowa, Malawi. Countryside Resort

INSIDE THIS REPORT

ANNUAL REPORT

COMPANY PROFILE	01
CHAIRMAN'S STATEMENT	03
CHIEF EXECUTIVE'S REPORT	10
FINANCIAL STATEMENTS	15

SUSTAINABILITY REPORT

2023 SUSTAINABILITY REPORT	57
-----------------------------------	-----------



ANNUAL REPORT 2023

Sunbird Tourism Plc (Sunbird or Sunbird Hotels and Resorts) is pleased to present the annual report for the year ended 31st December 2023.

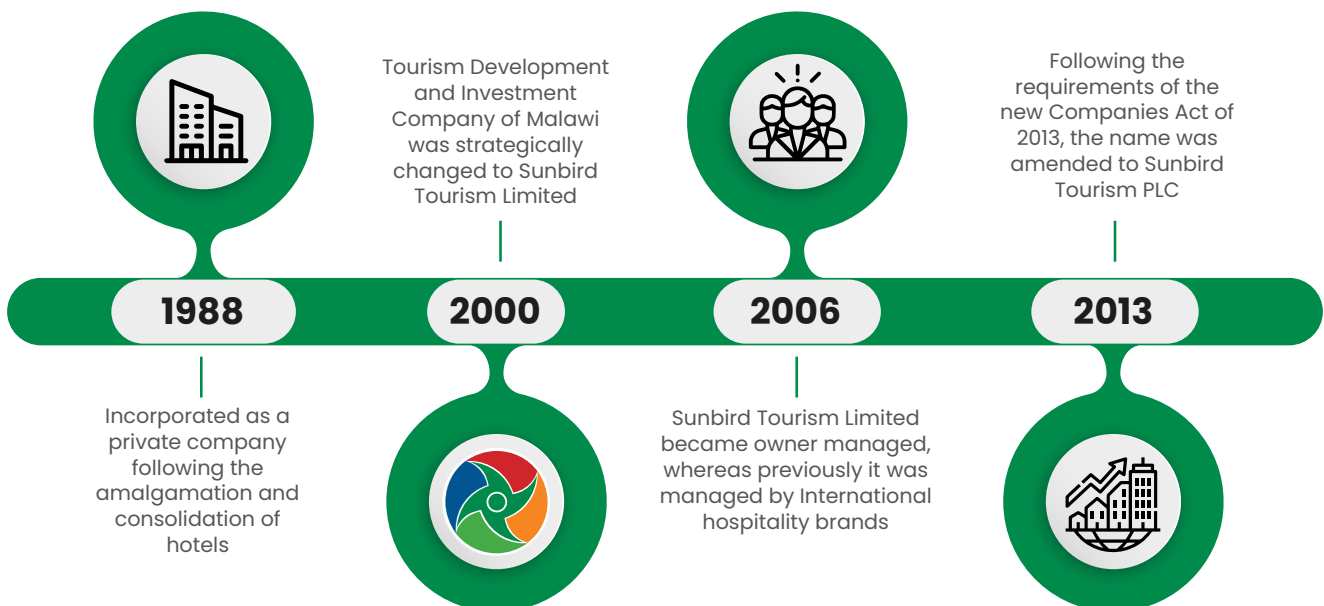
COMPANY PROFILE

Sunbird Tourism PLC (Sunbird) is a publicly quoted enterprise, listed on the Malawi Stock Exchange in August 2002. 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. Previously Sunbird Tourism Limited

was managed by international hospitality brands, however in 2006, Sunbird Tourism Limited became owner managed. Following the requirements of the new Companies Act of 2013, the name was amended to Sunbird Tourism PLC. Sunbird Tourism PLC owns and operates Sunbird Hotels and Resorts.

Sunbird Hotels and Resorts is Malawi's leading hotel chain with 10 properties including: four city hotels in all three regions of Malawi - Sunbird Capital, Sunbird Mount Soche, Sunbird Lilongwe, and Sunbird

Mzuzu; three popular beach resorts along Lake Malawi - Sunbird Waterfront, Sunbird Livingstonia, Sunbird Nkopola; a beachside Inn on the northern lakeshore - Sunbird Chintheche; a country resort - Kalipano Hotel and an iconic mountain resort in the former capital city - Sunbird Ku Chawe. Sunbird Hotels & Resorts, "the home of hospitality," is known for offering excellent and personalized services, great cuisine and comfortable accommodation.





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.



“

With the company embarking on some exciting new projects and taking a huge leap towards establishing its sustainability framework, 2023 was an exhilarating year for all its stakeholders.

”

CHAIRMAN'S STATEMENT

INTRODUCTION

I am pleased to present the 2023 report, my first full year as Chairperson of the board and a year in which the company registered another good performance on its recovery trajectory from the pandemic. With the company embarking on some exciting new projects and taking a huge leap towards establishing its sustainability framework, 2023 was an exhilarating year for all its stakeholders. There were changes to the board composition towards the end of the year.

Directors Maureen Kachingwe, Cornelius Majawa, Dr. Bernadette Malunga and George Nnensa retired from the board towards the end of September 2023. The board continued to function properly without their replacements for the rest of the year.

The board continued to provide ethical leadership from the top and directing the company based on the company's strategic pillars of governance and

compliance, operational excellence and innovation, customer centricity, and financial management and sustainability. This has led to formalization of our sustainability journey. Our inaugural Sustainability report is an indication of the commitment that we have to be doing business sustainably. The board also maintained focus on doing business ethically.



THE GLOBAL ECONOMY

In 2023, the global economy grew by 3.2%, according to the International Monetary Fund (IMF). Economic activity was surprisingly resilient, despite significant interest rate hikes to restore price stability. The IMF forecasts that the world economy will continue growing at the same pace as 2023 during the years 2024 and 2025, with global inflation expected to continue declining steadily.

MALAWI ECONOMY

According to various institutions, the Malawi economy is estimated to have grown by 1.55% in 2023 from 0.92% in 2022. Some of the factors cited for the slow growth are foreign exchange shortages, high interest and inflation rates, and weather shocks.

The annual average headline inflation for 2023 increased to 28.8% from 21.0% in 2022. This was as a result of increase in both food and non-food inflation. Food prices increased due to weather shocks and

challenges with supply. Non-food inflation was driven by energy challenges, currency devaluation, foreign currency shortages and effects of the international conflicts.

In November 2023, the Reserve Bank of Malawi (RBM) devalued the Kwacha by 44% to manage supply-demand imbalances in the market. Overall the Malawi Kwacha depreciated by 64% in 2023, exchanging K1,683/US\$ as at 31st December 2023 compared to K1,012/US\$ in December 2022.

The monetary policy rate was raised twice during the year to close at 24% in 2023 from 18% in 2022. This led to an increase in banks' lending rates. Treasury bill (TB) yields, to which the company's bonds are referenced, also increased during the year. The 364-days TB yield increased from 19.5% in 2022 to 24% in 2023 while the 182-days TB yield increased from 17.5% in 2022 to 18% in 2023.

SUNBIRD SHARE PRICE

Our share price increased from K92.06 in 2022 to K191.07 at the end of 2023.

TOURISM INDUSTRY

According to United Nations World Tourism Organisation (UNWTO), an estimated 1.3 billion international tourists (overnight visitors) were recorded around the world in 2023, an increase of 34% over 2022.

On the global scale, international tourism recovered 88% of pre-pandemic levels in 2023, supported by strong pent-up

demand. Following a strong rebound in 2023, international tourism is expected to fully recover to pre-pandemic levels in 2024.

The relaxation of the visa requirements has brought some relief and excitement for travelers to Malawi, as this has made it more convenient and cheaper to travel to Malawi. Despite this major win, the inability for the

major airlines operating in Malawi to issue international tickets due to foreign currency scarcity remains a challenge for tourism as other key players have even opted to pull out of the market.



FINANCIAL PERFORMANCE

The Company registered a profit after tax of K5.3 billion representing an increase of 72% from the 2022 profit of K3.1 billion. Profitability was driven by increase in revenue and cost containment despite escalating production and operating costs that the company suffered due to high inflation, shortage of forex and high interest rates.

Total revenue grew by 36% to K34.8 billion in 2023 from K25.7 billion in 2022 on account of increased occupancy to 57% from 48% achieved in the prior year and growth in catering revenue by 31% from prior year.

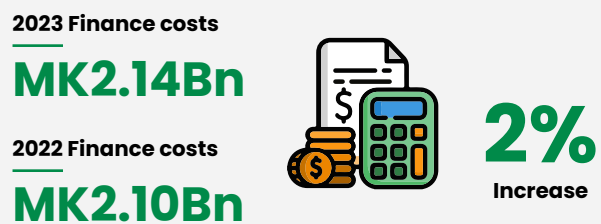
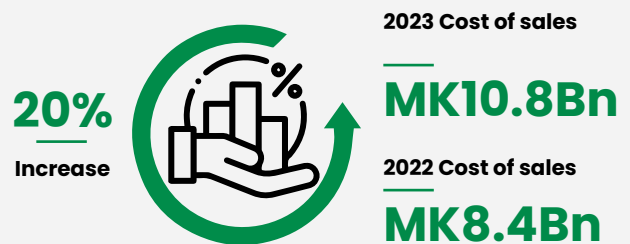
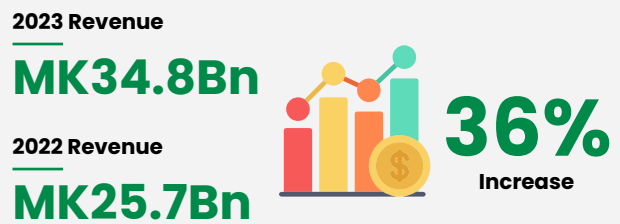
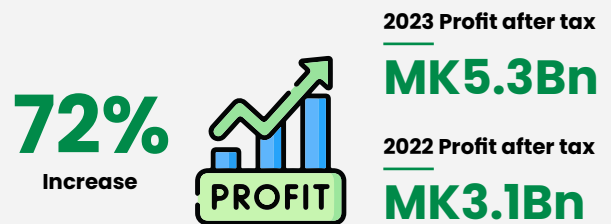
Cost of sales increased by 29% to K10.8 billion in 2023 from K8.4 billion in 2022 while administration and other expenses increased by 34% to K15.8 billion in 2023 from K11.8 billion in 2022. The increase in both cost of sales and administration expenses was due to increased business activity and high inflation. The devaluation of the kwacha in the year also had a direct impact on the costs of imports.

Finance costs increased by 2% to K2.14 billion in 2023 from K2.10 billion in 2022 due to increase in interest rates. Finance costs are mainly in respect of borrowings used in expansion and refurbishment projects.

REDEVELOPMENT PROJECTS

The company has an ambitious redevelopment plan that the board and management are driving. As part of implementation of this redevelopment plan, during the year, the company completed the refurbishment of all rooms at Sunbird Ku Chawe and Sunbird Mzuzu and started refurbishment of rooms at Sunbird Capital.

The year also saw construction of a new K7 billion conference centre commence at Sunbird Livingstonia. Once completed, the conference centre will immensely change our guests' conference experience at Sunbird Livingstonia and Sunbird Waterfront.



BUSINESS OUTLOOK

The UNWTO expects global hotel room nights and travel to return to pre-pandemic levels in 2024 and to grow at a compounded annual growth rate (CAGR) of +6% through to 2032, although the on-going geo-political conflicts may slow down this recovery path. The board expects the brand to capitalize on this recovery and return the hotels' occupancies to pre-pandemic levels of at least 60% by 2026. The economic environment still remains volatile, with high

inflation, persistent shortage of foreign currency, and intermittent power supply. The board will continue monitoring the economic environment and reposition the business accordingly.

Sunbird will continue to offer unrivalled guest experience through delivery of high quality products and services in order to retain and grow its domestic and international client base.

CORPORATE GOVERNANCE

At Sunbird, we believe that the highest standards of Corporate Governance are critical to the success of our business. Good governance is the foundation for the delivery of our strategy to become the preferred brand in the hospitality industry. Sunbird fully complies with the Companies Act of 2013 as well as various regulations applicable to its operations. We provide

adequate explanation to allow shareholders and investors to appreciate the level of compliance. Sunbird continues to assess its governance structures and practices with a view to ensuring that there is full compliance.

A detailed corporate governance report is included in the Sustainability report

RISK MANAGEMENT

The company has a robust risk governance framework, with the board assuming overall responsibility to ensure that the company's risks are adequately managed. Annually, the levels of allowable risk are articulated in a risk appetite statement that forms part of the company's Risk Management Policy and guides all operations and decision making. The board's Business Sustainability Committee is mandated with reviewing and monitoring existing and emerging risks. The

committee actively interrogates strategies put in place by management to mitigate identified risks for adequacy.

To achieve comprehensive coverage, management of each business unit of the company are involved in the risk management process by populating risk registers that contain relevant risks and mitigating controls applicable to their units. The risk registers then feed into a group risk



register of the company. At least quarterly, the Business Sustainability Committee of the board reviews a report of changes to the top risks and ensure adequacy of mitigating strategies put in place by management.

The board continues to provide oversight on all key risks for the company's continued sustainability and resilience.

INTERNAL AUDIT

The company has an effective Internal Audit function as part of the governance structure. The board's Finance and Audit Committee has overall responsibility to ensure effectiveness of the company's internal controls. To ensure independence of the function, the Division Manager of Internal Audit reports directly to the committee. The committee approves annual audit plans

and receives periodic reports for activities carried out by the internal audit function.

The function conducts its activities in line with the Global Internal Auditing Standards, which are also benchmarked against professional best practice. The function provides independent assurance and advisory services by evaluating to

improve the effectiveness of the company's governance, risk management, and control processes. The function has unrestricted access to data, records, personnel, and physical property.

The Finance and Audit Committee ensures the Internal Audit function operates independently and effectively.

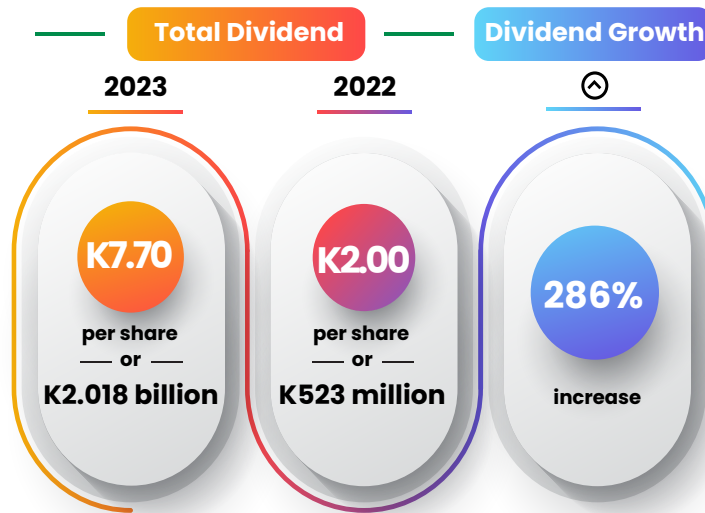
DIVIDEND DECLARATION

During the year, a final dividend of K393 million or K1.50 per share was paid in respect of the year ended 31 December 2022, making the total dividend for 2022 to be K523 million or K2.00 per share. An interim dividend of K523 million or K2.00 per share was declared

and paid relating to the results for the year ended 31 December 2023.

At the forthcoming Annual General Meeting, the board will recommend that a final dividend of MK1.495 billion or K5.70 per share

be paid thus making a total dividend of K2.018 billion or MK7.70 per share in respect of 2023 profits.



INVESTOR RELATIONS

At Sunbird, we take our responsibility towards stakeholders very seriously. We believe engagement with stakeholders is key to delivering the value we promise them. That is why we go beyond the normal channels of communication with shareholders through the Annual General Meeting, press releases

and regulatory filings. Our shareholders are able to communicate and meet with us on pertinent issues as they arise. Again, during the year, we had engagements with both controlling and non-controlling shareholders. This has helped to improve communication and create better

understanding of the business and its challenges, as well as strategies that are implemented to counter the challenges. We have highlighted, in detail, the engagements we had with various stakeholders in our Sustainability report.



Below are directors that served in the year 2023. Detailed profiles and statistics are provided in the Sustainability report.



Vilipo Munthali
Chairman



Moureen Mbeye
Director



Gladson Kuyeri
Director



Chauncy Simwaka
Director



Dr. MacDonald Mafuta Mwale
Director



Cornelius Majawa
Director



Maureen Kachingwe
Director



George Nnensa
Director



Dr. Bernadette Malunga
Director

The Chief Executive is responsible for overseeing the implementation of decisions and strategy endorsed by the board, throughout the company. Executive management of the company is provided below but the Sustainability report has detail of all senior management of the company:



Samson Mwale
Chief Executive



Barnet Gausi
Head of Finance & Company Secretary



Proud Chalira
Head of Operations



Edward Chunga
Head of Corporate Services



Temwa Kanjadza
Head of Sales, Marketing & Distribution



Mthusani Zungu
Division Manager, Internal Audit & Risk Management

CHIEF EXECUTIVE'S REPORT

Hello stakeholders. I feel very excited to report to you on the 2023 performance, in my first year as Chief Executive.

2023 was a very good year for the hospitality industry, with travel and tourism almost returning to pre-pandemic levels. This presented opportunities to our industry and the economy. Travel and tourism has emerged as a powerful remedy to the country's economic challenges. Currently, tourism contributes about 6.7% to the national GDP and 9% to the global GDP but has the potential to contribute more. We continue to create travel opportunities and environments that enhance meetings, connections and interactions that create a

positive ripple effect through people all over the world.

Our performance in 2023 would not have been possible if it were not for our treasured customers. It is them I would start thanking, for their unwavering and faithful support. It is this support that makes the brand what it is today, and I am very happy to attribute our successes to them. We value the feedback that we receive from them through the numerous platforms we have including the unsolicited feedback. This feedback is critical to our continuous process and product improvements which underscores our commitment to excellent and consistent service delivery.

Secondly, I would like to thank the board for continued support to management and staff by providing oversight and timely guidance to put in place strategies and policies to drive the business.

Thirdly, I would like to express my gratitude to all my colleagues, the employees of Sunbird Hotels and Resorts who are the most prized assets that the business has and who have embraced the Sunbird culture. During the year, our headcount increased by 23% from 800 to 981. Even with 181 new members joining during the year, our service delivery remained consistent. Their invaluable contribution and dedication is forever cherished.



“

Our performance in 2023 would not have been possible if it were not for our treasured customers. It is them I would start thanking, for their unwavering and faithful support.

”

Sales & Marketing

The resilience of the topline and business performance overall was tested with unabated economic headwinds creating a volatile business environment within the period due to persistent high inflation levels, continued depreciation of the kwacha, erratic electricity and fuel supply impacting on the guest experience.

Above the line and below the line efforts were implemented in repositioning the brand to leverage on the increased business activities in order to drive the topline and grow the company's market share. A focus on rewards, great customer experiences and customer relationship management remained a key strategy for repeat business and delivering customer value for money.

By the third quarter of 2023, we had attained our pre-pandemic occupancies, a testament that the business had recovered from effects of COVID-19. The corporate segment remained the anchor of the business, but all segments registered improvements resulting into a healthy contribution to the topline. Business source was predominantly local.

Promotions and Events

A number of marketing promotions were implemented to drive increased production for the core segments of the business. In the course of the year, a diverse mix of promotions and events were implemented for fix-it-strategies, domestic market,

production for functions, as well as valley periods.

In an effort to increase footfall across the hotels, and induce production from targeted segments, the following key events took

place; High tea, Bookers cocktails, business breakfasts, festivals, Wedding Expos, beach soccer, fun truck parties, familiarization trips, and many more.

Brand Visibility

Consolidating the brand visibility in a recovery year was key for the performance achieved. The Company's brand strategy is a synergy of marketing efforts purposed to harness the desired market penetration in order to grow the top line and achieve a solid growth trajectory as per strategic business plan. In line with an increased brand visibility and top of mind strategy, the company ran

with a key thematic marketing campaign: Discover Malawi with Sunbird.

Being a normal year for business after COVID-19, the Group ensured presence on all major Online Travel Agents, and distribution platforms. The Company participated in some of the key major tourism tradeshows that included; Meetings Africa, Indaba, ITB

Berlin, WTM London, magical Kenya as well as regional sales calls for key markets such as South Africa, Zambia and Kenya. In an effort to further increase brand visibility, the Company leveraged on the key strategic alliances in the region and beyond.

Corporate Social Responsibility

We believe in being part of a solution in changing people's lives in the communities we

do business. A detail of the social initiatives that we undertook in 2023 is provided in the

Sustainability report.

Market Share and Competition

2023 saw recovery and consolidation of the business as well as the industry at large. Business continued to be on a positive trajectory, with a continued solid performance. The brand continues to enjoy market leadership in the hospitality industry and remains resilient in a highly competitive market through its focus on its critical success factors which include; superior

service delivery, product improvement and expansion, continuous investment in its people and operational efficiencies.

Looking forward, implementation of the company's product and improvement plan will remain a priority to counter new and emerging hospitality facilities on the market, and to ensure the product offer aligns with current and future trends. The domestic

market will remain robust and position the industry for growth provided policies remain favourable for increased hospitality demand and investment. To retain and grow our market share, sales and marketing activities will be enhanced revolving around the four growth pillars of market penetration, product development, market development and product diversification.



OPERATIONS

Guest Satisfaction

According to the guest satisfaction survey, the overall score for the year was 88%, an improvement over last year's score of 87%. The rating was also better than regional average score of 86%.

Net Promoter Score

A Net Promoter Score is a measure of customer loyalty based on the answer to a single question that asks whether the customer would recommend our services

to others. The company achieved a net promoter score of 65, the score indicates that the brand is commanding very high customer loyalty as we attained a much higher score than the industry benchmark of 50. Last year score was 62.

Mystery Guest

All hotels conducted mystery guest surveys to determine whether standard operating

procedures are being followed. Areas within the customer journey that needed attention were identified and remedial action was taken.

Innovation

Through the innovations committee the company implemented several innovations within three objectives; cost control, revenue generation and customer experience enhancement.

TECHNOLOGY

We continue to prioritize investments in information and communication technology (ICT) to enable the company offer excellent services to our guests. This enables the company to operate efficiently and effectively. Focus is placed on secure and efficient systems when making investment decisions.

The following are some of the technological developments and trends in the industry that we are poised to take advantage of:

- Contactless solutions and technology
- Using Artificial Intelligence (AI) to promote predictive ordering
- Collaboration and sharing knowledge
- Sustainability and smart energy
- Internet of Things (IoT)
- Chat boxes
- Robotics and automation
- Data driven solutions to reach out to wider audience

PEOPLE AND CULTURE

Our people are the key drivers of value creation and sustaining customer satisfaction and loyalty. As such, we continued to invest in our human capital to enable them perform better in their respective roles.

Some of the significant investments in human capital in the year included: international exposures for Hotel General Managers to Mombasa and Johannesburg, Professional Development Program at Cornell University in USA, revenue management trainings, food safety and short term culinary training for Cooks at Mzuzu University. These are in addition to the ongoing trainings in standard operating procedures for all functions.

Realising that catering sales account for 55% of the Company's total sales, Management continues to implement strategies aimed at continuously improving the dining experience of our valued guests. To this end, an experienced consultant Chef was hired to work on quality, variety and taste of our food offerings.

Fair and competitive remuneration is at the heart of the board to ensure that our people are fairly remunerated for their individual and collective efforts. Consequently the Company's bonus policy was reviewed with the aim of making some improvements, this will be implemented in 2024.

Employee and Supervisor of the Year Winners were taken on a country tour including a visit to the town of Kyela in Tanzania.

Feedback from our staff on how satisfied or dissatisfied they are with various Company programs, offerings and policies plays a vital role in informing Management to enhance and improve employee value proposition. This feedback is sourced through Employee Satisfaction Tracking survey which is conducted annually, and this was also done in the year under review.

We continued to offer opportunities for internship for students from Malawi Institute of Tourism, Mzuzu University and other colleges to enable the students gain practical experience.

During the Employer of the Year Awards ceremony organized by Employers Consultative Association of Malawi (ECAM), Sunbird came second in the category of Industrial Relations and Staff Engagement. This award demonstrates management's commitment to continued fruitful collaboration and engagement with staff and their representative Union.



SUNBIRD TOURISM PLC

FINANCIAL STATEMENTS

For the year ended 31 December 2023

CONTENT

Directors' report	19
Directors' responsibility statement	23
Independent auditor's report	24
Financial statements:	
Statement of financial position	27
Statement of profit or loss and other comprehensive income	28
Statement of changes in equity	29
Statement of cash flows	30
Notes to the financial statements	31



SUNBIRD TOURISM PLC

FINANCIAL STATEMENTS

For the year ended _____ 31 December 2023



DIRECTORS' REPORT

For the year ended 31 December 2023

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2023.

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 ten hotel properties in Malawi.

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

SHARE CAPITAL

The share capital for Sunbird Tourism Plc consists of fully paid ordinary shares with a nominal value of 5 tambala each. All shares are equally eligible to receive dividends and repayment of capital and represent one vote at shareholders' meetings.

	2023	2022
Issued and fully paid share capital (261,582,580 shares)	13,079	13,079
Shareholders and their respective percentage shareholdings	%	%
MDC Limited	71.00	71.00
Press Corporation Plc	15.00	15.00
Members of the public	<u>14.00</u>	<u>14.00</u>
	<u>100.00</u>	<u>100.00</u>

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 year was MK191.07 (2022: MK92.06) 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, a final dividend of MK393 million representing MK1.50 per share was paid in respect of the year ended 31 December 2022, making the total dividend for 2022 to be MK523 million representing MK2.00 per share. An interim dividend of MK523 million, representing MK2.00 per share was declared and paid relating to the results for the year ended 31 December 2023.

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
Mr. Vilipo Munthali	- Chairman	Full year
Mr. Gladson Kuyeri	- Director	Full year
Mr. Chauncy Simwaka	- Director	Full year
Mrs. Maureen Kachingwe	- Director	Up to 22 September 2023
Dr. Bernadette Malunga	- Director	Up to 22 September 2023
Mr. Cornelius Majawa	- Director	Up to 22 September 2023
Mr. George Nnensa	- Director	Up to 22 September 2023
Dr. MacDonald Mafuta Mwale	- Director	Full year
Ms. Moureen Mbeye	- Director	Full year
Mr. Barnet Gausi	- Company Secretary	

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	21 Jan 23	28 Feb 23	24 Mar 23	31 Mar 23	31 May 23	29 June 23	29 June 23 AGM	1 Sep 23	14 Sep 23	22 Sep 23	21 Dec 23
Vilipo Munthali (Chairperson)	✓	✓	✓	✓	✓	A	A	✓	✓	✓	✓
Gladson Kuyeri	A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
McDonald Mafuta Mwale	✓	A	A	✓	✓	A	A	A	A	A	✓
Cornelius Majawa	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N
Maureen Kachingwe	✓	✓	✓	✓	✓	✓	✓	✓	A	✓	N
Chauncy Simwaka	✓	✓	✓	A	✓	✓	✓	A	✓	✓	✓
Bernadette Malunga	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N
Moureen Mbeye	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
George Nnensa	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N

BUSINESS SUSTAINABILITY COMMITTEE

MEMBER	14 Mar 23	6 Jun 23	29 Aug 23	4 Dec 23
Gladson Kuyeri (Chairperson)	✓	✓	✓	✓
Cornelius Majawa	✓	✓	✓	N
Maureen Kachingwe	✓	✓	✓	N
Chauncy Simwaka	✓	✓	✓	✓

Key:

✓ = Attendance

A = Apology

N = Not a Member

DIRECTORATE

FINANCE AND AUDIT COMMITTEE

MEMBER	15 Mar 23	8 Jun 23	23 Aug 23	4 Sep 23	5 Dec 23
Moureen Mbeye (Chairperson)	✓	✓	✓	✓	✓
McDonald Mwale	A	A	✓	✓	✓
Gladson Kuyeri	✓	✓	✓	✓	✓
George Nnensa	✓	✓	✓	A	N

PEOPLE AND CULTURE COMMITTEE

MEMBER	4 Jan 23	13 Jan 23	13 Mar 23	6 Jun 23	8 Aug 23	29 Aug 23	4 Dec 23
Bernadette Malunga (Chairperson)	✓	✓	✓	✓	✓	✓	N
Gladson Kuyeri (Chairperson)	✓	✓	N	N	N	N	N
Cornelius Majawa	✓	✓	✓	✓	✓	✓	N
Chauncy Simwaka	✓	A	✓	✓	✓	✓	✓
George Nnensa	N	N	✓	✓	✓	✓	N
Moureen Mbeye	N	N	N	N	N	N	✓

PROJECTS COMMITTEE

MEMBER	14 Mar 23	7 Jun 23	28 Jun 23	29 Aug 23	30 Aug 23	5 Dec 23
Maureen Kachingwe (Chairperson)	✓	✓	✓	✓	✓	N
Moureen Mbeye	✓	✓	✓	✓	✓	✓
MacDonald Mafuta Mwale	A	A	A	✓	✓	✓
Bernadette Malunga	✓	✓	✓	A	✓	N
Gladson Kuyeri	N	N	N	N	N	✓

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), were the auditors for the year ended 31 December 2023.

FOR AND ON BEHALF OF THE BOARD



AUTHORISED DIRECTOR



AUTHORISED DIRECTOR

Date: 22 April, 2024

DIRECTORS' RESPONSIBILITY STATEMENT

For the year ended 31 December 2023

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 2023, 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 24 to 56 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 22 April, 2024 and were signed on its behalf by:



AUTHORISED DIRECTOR



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 24 to 56, which comprise the statement of financial position as at 31 December 2023, 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 2023, 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>Impairment of trade receivables</p> <p><i>See notes 3.12, 4.1, 5.2.1, 9 and 24.2 to the financial statements</i></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, 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"> • The significance of the balance in the statement of financial position at year end. • 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. <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"> • We assessed management’s impairment process by considering whether the impairment process is in compliance with IFRS 9 Financial Instruments • Management adopted the simplified approach in calculation of the expected credit losses. We assessed the reasonability of management’s impairment calculation by assessing the following: <ul style="list-style-type: none"> - the reasonableness of the unbiased and probability weighted amount determined by evaluation of a range of possible outcomes; - The reasonableness of time value of money used in the calculations; - The information used at the reporting date about past events, current conditions and forecasts of future economic conditions. - We have reviewed the valuation calculations of financial instruments, including the impairment calculations based on IFRS 9, to obtain reasonable assurance that the financial instruments are valued accurately; - Reviewed and challenged the reasonableness of the assumptions made in developing the modelling framework including assumptions used for estimating forward looking scenarios and significant increase in credit risk

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of property</p> <p>See Notes 3.1 and 6 to the financial statements</p> <p>The Company operates out of various hotels throughout Malawi. Most of 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"> • The significance of the account balance in the financial statements of the Company. • Estimating the fair value is a complex process involving a number of judgements and estimates regarding various inputs. • 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. 	<p>Our audit in this area included, among others:</p> <ul style="list-style-type: none"> • We challenged the assumptions and inputs used in the valuation of properties. • We evaluated the nature and scope of management valuation expert's work; • We assessed the competence and objectivity of the expert; • For selected properties we assessed the physical condition of the properties relative to the valuations to assessment by management for any indicators of impairment. • We reviewed the methods, assumptions and judgements applied by management expert in determining the fair values of the properties as at 31 December 2023 and considered whether the method, assumptions and judgements are consistent with prior year and current market conditions. • We assessed adequacy disclosure to the financial statement in line with IAS 16.

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.

Auditor's responsibilities for the audit of the financial statements (continued)

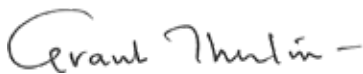
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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.

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)



Hastings Nyirenda
Chartered Accountant (Malawi)
Partner

Blantyre, Malawi.

Date: 3 May, 2024

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

In thousands of Malawi Kwacha

	Note	2023	2022
ASSETS			
NON CURRENT ASSETS			
Property and equipment	6	69,735,208	47,822,780
Intangible assets	7	221,817	123,957
Total non-current assets		69,957,025	47,946,737
CURRENT ASSETS			
Inventories	8	3,878,876	3,090,654
Trade and other receivables	9	4,227,908	3,480,402
Amounts due from related parties	10	1,721,980	881,157
Income tax receivable	22(b)	103,295	458,063
Cash and cash equivalents	11	3,668,107	2,156,748
Total current assets		13,600,166	10,067,024
TOTAL ASSETS		83,557,191	58,013,761
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	13,079	13,079
Share premium	12	1,966	1,966
Revaluation reserve		28,737,731	15,409,596
Retained earnings		19,821,157	15,262,910
Total equity		48,573,933	30,687,551
NON CURRENT LIABILITIES			
Corporate bonds	13(a)	4,600,000	8,660,000
Deferred income	18	176,926	417,717
Deferred tax liabilities	22(c)	16,270,724	10,125,462
Lease liabilities	13(b)	9,656	39,776
Total non-current liabilities		21,057,306	19,242,955
CURRENT LIABILITIES			
Bank overdraft	11	117,840	-
Trade and other payables	15(a)	5,573,056	4,291,267
Provisions	15(b)	992,542	30,000
Corporate bonds	13(a)	4,824,935	1,516,850
Employee benefits	14(b)	1,102,516	957,522
Amounts due to related parties	10	1,016,139	694,533
Deferred income	18	269,261	238,655
Medium term loan	13(c)	-	330,975
Lease liabilities	13(b)	29,663	23,453
Total current liabilities		13,925,952	8,083,255
Total liabilities		34,983,258	27,326,210
TOTAL EQUITY AND LIABILITIES		83,557,191	58,013,761

These financial statements were approved for issue by the Board of Directors on **22 April, 2024** 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 2023

In thousands of Malawi Kwacha

	Note	2023	2022
Revenue	16	34,824,762	25,670,156
Cost of sales	19	(10,773,624)	(8,363,979)
Gross profit		24,051,138	17,306,177
Other income	17	1,399,154	271,527
Administrative and other expenses	20	(15,843,984)	(11,796,955)
Operating profit		9,606,308	5,780,749
Finance income	21	90,832	24,482
Finance costs	21	(2,141,422)	(2,103,230)
Profit before income tax expense		7,555,718	3,702,001
Income tax expense	22(a)	(2,303,814)	(651,500)
Profit for the year		5,251,904	3,050,501
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation surplus on property net of deferred tax		13,550,487	-
Total other comprehensive income		13,550,487	-
Total comprehensive income		18,802,391	3,050,501
Profit attributable to:			
Owners of the Company		5,251,904	3,050,501
Total comprehensive income attributable to:			
Owners of the Company		18,802,391	3,050,501
Earnings per share (kwacha)			
Basic and diluted	23	20.08	11.66



STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

In thousands of Malawi Kwacha

	Share capital	Share premium	Revaluation reserve*	Retained earnings	Total
2023					
At 1 January 2023	13,079	1,966	15,409,596	15,262,910	30,687,551
Total comprehensive income for the year					
Profit for the year	-	-	-	5,251,904	5,251,904
Other comprehensive income					
Revaluation surplus	-	-	19,357,838	-	19,357,838
Deferred tax on revaluation surplus	-	-	(5,807,351)	-	(5,807,351)
Total comprehensive income for the year	-	-	13,550,487	5,251,904	18,802,391
Transfer of excess depreciation on revaluation surplus	-	-	(222,352)	222,352	-
Transactions with the owners					
Dividend paid	-	-	-	(916,009)	(916,009)
At 31 December 2023	13,079	1,966	28,737,731	19,821,157	48,573,933
2022					
At 1 January 2022	13,079	1,966	15,632,180	12,120,615	27,767,840
Total comprehensive income for the year					
Profit for the year	-	-	-	3,050,501	3,050,501
Transfer of excess depreciation on revaluation surplus	-	-	(222,584)	222,584	-
Transactions with the owners					
Dividend paid	-	-	-	(130,790)	(130,790)
At 31 December 2022	13,079	1,966	15,409,596	15,262,910	30,687,551

* Revaluation reserve is a non-distributable reserve which is held for purposes of fluctuation of asset market value. These arise from the property valuation of land and buildings.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

In thousands of Malawi Kwacha

	Note	2023	2022
Cash flows from operating activities			
Cash receipts from customers		33,691,384	25,870,190
Cash paid to suppliers and employees		<u>(23,802,753)</u>	<u>(17,927,007)</u>
Cash generated from operations			
Interest paid	20	<u>(2,221,076)</u>	<u>(2,090,043)</u>
Income tax paid	22(b)	<u>(1,611,136)</u>	<u>(327,133)</u>
Net cash from operating activities			
Cash flows from investing activities			
Acquisition of property and equipment	6	<u>(3,475,306)</u>	<u>(2,473,913)</u>
Acquisition of intangible assets	7	<u>(142,704)</u>	<u>(47,737)</u>
Proceeds from sale of property and equipment		<u>7,819</u>	<u>14,191</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from borrowings	13	<u>700,000</u>	<u>300,000</u>
Repayment of borrowings	13	<u>(1,871,735)</u>	<u>(1,806,858)</u>
Dividends paid	23(b)	<u>(916,009)</u>	<u>(130,790)</u>
Net cash used in financing activities			
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		<u>2,156,748</u>	<u>769,608</u>
Exchange differences on cash and cash equivalents		<u>1,035,035</u>	<u>6,240</u>
Cash and cash equivalents at end of the year			
	11	<u>3,550,267</u>	<u>2,156,748</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 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 to 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, 24 and 25.

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 2023

The Company adopted the following new accounting pronouncements which became effective in 2023:

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.

BASIS OF PREPERATION (CONTINUED)*Making Materiality Judgement*

The need for materiality judgements is pervasive in the preparation of financial statements. IFRS Standards require companies to make materiality judgements in decisions about recognition, measurement, presentation and disclosure.

The Practice Statement:

- provides an overview of the general characteristics of materiality;
- presents a four-step process companies may follow in making materiality judgements when preparing their financial statements; and
- provides guidance on how to make materiality judgements in specific circumstances; namely, how to make materiality judgements about prior-period information, errors and covenants, and in the context of interim reporting.

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.

Amendment to the 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.

Amendment to IAS 12 Income Tax

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 amendment was made to include an additional condition where the initial recognition exemption is not applied. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences.

(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.

Classification of liabilities as current or non-current (Amendments to IAS 1)

The amendment is to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period.

The amendment requires the following:

- Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights, since loans are rarely unconditional (for example, because the loan might contain covenants).
- The assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect classification.
- The right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.
- 'Settlement' is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

These amendments should be applied for annual periods beginning on or after 1 January 2024.

IFRS 16 Leases

There is an amendment of IFRS 16 to a sale and leaseback transaction with variable lease payments, a seller-lessee be required:

To determine the lease payments made as the payments included in the measurement of the lease liability. The payments included in that measurement are those that, when discounted using the discount rate described in paragraph 37, result in an amount equal to the carrying amount of the lease liability.

Not to re-measure the lease liability to reflect any reassessment of future variable lease payments.

In applying IFRS 16, the lease modifications and changes in the lease term related to a sale and leaseback transaction, a seller-lessee be required to determine the revised lease payments as the revised expected payments for the lease.

These amendments should be applied for annual periods beginning on or after 1 January 2024.

(1) 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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**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 recognized 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 recognized 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3.11 Financial instruments (continued)***Derecognition***

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

Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a 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 statement 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**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'.

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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statement of financial position as a liability or as expenditure in the statement 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Management fees**

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

Sundry Receipts

Sundry income is recognised on an accrual basis when all the conditions of revenue recognition are satisfied.

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 AND CAPITAL 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. 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.

FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)**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** (2022: 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 **27.1% per annum** (2022: 21.6%).

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.

FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)**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 statement 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 2023 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:

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
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"> • profits generated by the property for the past three years (2020 – 2022); • 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 100%-150% • comparable average property prices adjusted for expected growth within the market and the location of the related hotel property. 	The estimated fair value would increase (decrease) if: <ul style="list-style-type: none"> • expected profits generated by the property were higher (lower); • the property yield rates were lower (higher).

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.

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

6. PROPERTY AND EQUIPMENT

See accounting policy 3.1

	Freehold property	Leasehold property	Vehicles & equipment	Work in progress	
2023					
Gross carrying amount					
At 1 January 2023	22,567,497	20,771,324	7,619,845	979,081	51,937,747
Adjustment to the opening balance	-	-	(60,868)	60,868	-
Adjusted balance at 1 January 2023	<u>22,567,497</u>	<u>20,771,324</u>	<u>7,558,977</u>	<u>1,039,949</u>	<u>51,937,747</u>
Additions during the year	10,795	-	779,318	2,685,193	3,475,306
Work in progress capitalised	99,913	2,002,627	334,348	(2,436,888)	-
Transferred to intangible assets	-	-	(48,993)	-	(48,993)
Revaluation surplus	10,244,964	8,485,219	-	-	18,730,183
Disposals during the year	-	-	(185,526)	(7,258)	(192,784)
At 31 December 2023	<u>32,923,169</u>	<u>31,259,170</u>	<u>8,438,124</u>	<u>1,280,996</u>	<u>73,901,459</u>
Depreciation and impairment					
At 1 January 2023	212,300	207,037	3,695,630	-	4,114,967
Charge for the year	104,481	104,365	651,822	-	860,668
Released on revaluation	(316,781)	(311,402)	-	-	(628,183)
Transferred to intangible assets	-	-	(23,217)	-	(23,217)
Eliminated on disposals	-	-	(157,984)	-	(157,984)
At 31 December 2023	<u>-</u>	<u>-</u>	<u>4,166,251</u>	<u>-</u>	<u>4,166,251</u>
Carrying amount					
At 31 December 2023	<u>32,923,169</u>	<u>31,259,170</u>	<u>4,271,873</u>	<u>1,280,996</u>	<u>69,735,208</u>
2022					
Gross carrying amount					
At 1 January 2022	22,127,871	20,051,506	7,012,385	617,274	49,809,036
Additions during the year	19,740	23,681	421,654	2,008,838	2,473,913
Reclassification*	-	-	(26,925)	26,925	-
Work in progress capitalised	419,886	696,137	356,681	(1,472,704)	-
Transferred to stocks (Note 8)	-	-	-	(37,452)	(37,452)
Disposals during the year	-	-	(143,950)	(163,800)	(307,750)
At 31 December 2022	<u>22,567,497</u>	<u>20,771,324</u>	<u>7,619,845</u>	<u>979,081</u>	<u>51,937,747</u>
Depreciation and impairment					
At 1 January 2022	101,902	90,262	3,205,033	-	3,397,197
Charge for the year	110,398	116,775	676,491	-	903,664
Eliminated on disposals	-	-	(185,894)	-	(185,894)
At 31 December 2022	<u>212,300</u>	<u>207,037</u>	<u>3,695,630</u>	<u>-</u>	<u>4,114,967</u>
Carrying amount					
At 31 December 2022	<u>22,355,197</u>	<u>20,564,287</u>	<u>3,924,215</u>	<u>979,081</u>	<u>47,822,780</u>

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

* The reclassification relates to items classified under equipment instead of work in progress

6. PROPERTY AND EQUIPMENT (CONTINUED)

See accounting policy 3.1

Additions

Additions to property and equipment comprise the following:

Assets acquired at cost

Interest capitalised into assets

Total asset additions**Properties (Land and buildings)**

Carrying amount at end of the year comprise the following:

Purchase cost

Subsequent revaluations

At 31 December

Land and buildings for the Company were valued as at 31 December 2023 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

Accumulated depreciation

Carrying amount

	2023	2022
Assets acquired at cost	3,391,798	2,473,913
Interest capitalised into assets	<u>83,508</u>	-
Total asset additions	<u>3,475,306</u>	<u>2,473,913</u>
Properties (Land and buildings)		
Carrying amount at end of the year comprise the following:		
Purchase cost	20,985,907	19,584,387
Subsequent revaluations	<u>43,196,432</u>	<u>23,335,097</u>
At 31 December	<u>64,182,339</u>	<u>42,919,484</u>
If land and buildings were stated on the historical cost basis, the carrying amounts would be as follows:		
Cost	25,116,863	23,003,528
Accumulated depreciation	<u>(3,177,257)</u>	<u>(3,172,246)</u>
Carrying amount	<u>21,939,606</u>	<u>19,831,282</u>

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 MK64.2 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 2023, properties, with a carrying amount of MK40.8 billion (2022: MK37.0 billion) were subject to a registered form of security for corporate bond and short term facilities such as bank overdraft. Motor vehicles pledged as security for lease liability amounted to MK96.4 million (2022: MK96.4 million) (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

See accounting policy number 3.2

	Concession	Acquired software licenses	Total
2023			
Gross carrying amount			
At 1 January 2023	56,498	280,549	337,047
Additions for the year	10,093	132,611	142,704
Transferred from property plant and equipment	—	48,993	48,993
At 31 December 2023	66,591	462,153	528,744
Amortisation and impairment			
At 1 January 2023	5,522	207,568	213,090
Amortisation for the year	2,876	67,744	70,620
Transferred from property plant and equipment	—	23,217	23,217
At 31 December 2023	8,398	298,529	306,927
Carrying amount at 31 December 2023	58,193	163,624	221,817
2022			
Gross carrying amount			
At 1 January 2022	46,044	278,199	324,243
Additions for the year	10,454	37,283	47,737
Disposal for the year	—	(34,933)	(34,933)
At 31 December 2022	56,498	280,549	337,047
Amortisation and impairment			
At 1 January 2022	2,963	206,771	209,734
Amortisation for the year	2,559	30,630	33,189
Disposal for the year	—	(29,833)	(29,833)
At 31 December 2022	5,522	207,568	213,090
Carrying amount at 31 December 2022	50,976	72,981	123,957

The Company entered into a concession agreement with the government of Malawi in the operation of Chintheche 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.

8. INVENTORIES

See accounting policy 3.3

	2023	2022
Merchandise	2,240,060	1,681,170
Transfer from WIP and equipment (Note 6)	—	37,452
Consumables	914,578	925,041
Food, drink and tobacco	724,238	446,991
	3,878,876	3,090,654

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	133,433	89,241
------------------------------------	---------	--------

9. TRADE AND OTHER RECEIVABLES

See accounting policy 3.11

Trade receivables, gross**	3,464,405	2,984,468
Allowance for credit losses	(405,207)	(373,196)
Trade receivables	3,059,198	2,611,272
Other receivables	1,168,710	869,130
	4,227,908	3,480,402

9. TRADE AND OTHER RECEIVABLES (continued)

See accounting policy 3.11

Other receivables are made up of:

Staff debtors

Kara O Mula

Claimable Value Added Tax (VAT) *

Prepayments *

*: Not a financial asset

** Some of the receivables are in foreign currency

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

	2023	2022
	188,262	192,228
	-	101,412
	320,851	337,843
	<u>659,597</u>	<u>237,647</u>
	<u>1,168,710</u>	<u>869,130</u>

10. RELATED PARTY TRANSACTIONS

See accounting policy 3.11

Related parties

The Company's related parties comprise of the holding company and government related entities, 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

Administrative and other expenses**Tevet levy:**

Government department (shareholder and entities under Common shareholding)

Electricity and water bills:

Government departments related entities

Amounts due from related parties

Government departments and related parties

Amounts due to related parties

Government departments and related entities

Advance deposits *

Other payables

	2023	2022
	<u>8,092,308</u>	<u>6,538,885</u>
	57,955	48,166
	<u>1,761,162</u>	<u>1,445,203</u>
	<u>1,819,117</u>	<u>1,493,369</u>
	<u>1,721,980</u>	<u>881,157</u>
	606,811	694,533
	<u>409,328</u>	-
	<u>1,016,139</u>	<u>694,533</u>

* 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% (2022: 5%) of their basic pay while the Company contributes 13.3% (2022: 13.3%) of the basic pay.

Salary and cash benefits for the year were as follows:

Short-term benefits (salary and bonus)

Post-employment benefits (Employer pension contribution)

Directors' remuneration

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

	2023	2022
	656,476	601,891
	<u>75,030</u>	<u>84,196</u>
	<u>731,506</u>	<u>686,087</u>
	<u>149,704</u>	<u>101,408</u>

11. CASH AND CASH EQUIVALENTS

See accounting policy 3.11

	2023	2022
Cash at bank	1,298,716	699,566
Short term cash investments	2,369,391	1,457,182
Total Cash	3,668,107	2,156,748
Bank overdrafts	<u>(117,840)</u>	-
	<u>3,550,267</u>	<u>2,156,748</u>

Foreign currency cash equivalent

The cash balance include the foreign currency as below

Currency	31 December 2023				31 December 2022			
	Malawi Kwacha equivalent of				Malawi Kwacha equivalent of			
	USD	ZAR	GBP	Euro	USD	ZAR	GBP	Euro
	1,631,240	138,794	8,781	10,641	1,055,967	5,320	9,837	22,340

The Company has a bank overdraft facility of **MK150 million** (2022: 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 2023 was **MK5.49 billion** (2022: MK3.68 billion). Interest is charged at the bank's base lending rate minus 200 basis points currently at **25.6 %** per annum (2022: 16%). Deposits on current accounts do not attract interest while short term investments attract average interests of 8% for the dollar investments and 18% for kwacha investments (2022: 12.0% Kwacha, 7% Dollar). 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

See accounting policy 3.17

Issued and fully paid**261,582,580** (2022: 261,582,580) Ordinary shares of 5 tambala each

	2023	2022
	<u>13,079</u>	<u>13,079</u>

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.

Share Premium

The share premium arose following the issue of 4,270,105 shares at 51 tambala per share.

	<u>1,966</u>	<u>1,966</u>
--	--------------	--------------

13. LOANS AND BORROWINGS**CORPORATE BONDS, MEDIUM TERM LOANS AND LEASE LIABILITIES**

See accounting policy 3.11

	Corporate bonds	Lease liabilities	Medium Term Loan	Total
2023				
1 January 2023	10,176,850	63,229	330,975	10,571,054
Proceeds from borrowings	700,000	-	-	700,000
Accrued interest	64,935	-	-	64,935
Repayments during the year	<u>(1,516,850)</u>	<u>(23,910)</u>	<u>(330,975)</u>	<u>(1,871,735)</u>
31 December 2023	<u>9,424,935</u>	<u>39,319</u>	-	<u>9,464,254</u>
2022				
1 January 2022	10,567,759	84,263	1,343,914	11,995,936
Proceeds from borrowings	300,000	-	-	300,000
Accrued interest	66,850	-	15,126	81,976
Repayments during the year	<u>(757,759)</u>	<u>(21,034)</u>	<u>(1,028,065)</u>	<u>(1,806,858)</u>
31 December 2022	<u>10,176,850</u>	<u>63,229</u>	<u>330,975</u>	<u>10,571,054</u>

13. **LOANS AND BORROWINGS;
CORPORATE BONDS AND LEASE LIABILITIES (continued)**

See accounting policy 3.11

13(a) **CORPORATE BONDS**
See accounting policy 3.11

	Currency	Year of maturity	Amortised cost	
			2023	2022
NBM Capital Markets Limited	MK	2023	-	1,472,490
NBM Capital Markets Limited	MK	2024	2,924,935	2,904,360
Old Mutual Investment Group	MK	2024	1,900,000	1,900,000
Old Mutual Investment Group	MK	2025	2,900,000	2,900,000
Old Mutual Investment Group	MK	2026	700,000	700,000
Old Mutual Investment Group	MK	2027	300,000	300,000
Old Mutual Investment Group	MK	2028	700,000	-
TOTAL			<u>9,424,935</u>	<u>10,176,850</u>
At 1 January			10,176,850	10,567,759
Repayments during the year			(1,516,850)	(757,759)
Accrued interest			64,935	66,850
Issued during the year			700,000	300,000
At 31 December			<u>9,424,935</u>	<u>10,176,850</u>
Disclosed under:				
Current liabilities			1,516,850	
			4,824,935	
Non-current liabilities			4,600,000	8,660,000
At 31 December			<u>9,424,935</u>	<u>10,176,850</u>

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%.

During the year, further subscriptions amounting to **MK700 million** (2022: MK300 million) were received from Old Mutual Investment Group. The proceeds were used for various projects within the Company. The bonds are secured over land and buildings of the Company valued at **MK35.3 billion** (2022: MK24.4 billion).

13(b) **LEASE LIABILITIES**
See accounting policy 3.11

	Amortised Cost	
	2023	2022
At 1 January	63,229	84,263
Repayment during the year	(23,910)	(21,034)
At 31 December	<u>39,319</u>	<u>63,229</u>
Disclosed under:		
Current liabilities	29,663	23,453
Non-current liabilities	9,656	39,776
At 31 December	<u>39,319</u>	<u>63,229</u>

**13. LOANS AND BORROWINGS;
CORPORATE BONDS AND LEASE LIABILITIES (continued)**

See accounting policy 3.11

13(b) LEASE LIABILITIES (continued)

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 27.6% per annum (2022: 15.0% per annum). The leased motor vehicles secure the lease obligations. The net carrying amount of leased motor vehicles was as follows:

	2023			2022		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	35,622	5,959	29,663	35,335	11,882	23,453
Between one and four years	10,108	452	9,656	45,470	5,694	39,776
At 31 December	45,730	6,411	39,319	80,805	17,576	63,229

13(c) MEDIUM TERM LOANS

See accounting policy 3.11

The Company had 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 24.6% (2022: 18%). The loan was fully paid during the year

	Amortised cost	
	2022	2022
At 1 January	330,975	1,343,914
Accrued interest	-	15,126
Repayment during the year	(330,975)	(1,028,065)
At 31 December	-	330,975
Disclosed under:		
Current liabilities	-	330,975

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

The loan was secured over land and buildings of the Company valued at **MK13.8 billion** (2022: MK8.8 billion).

14. EMPLOYEE BENEFITS

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 **MK647 million** (2022: MK550 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% (2022: 5%) and 13.3% (2022: 13.3%), respectively.

14. EMPLOYEE BENEFITS (Continued)

See accounting policy 3.6

14(b) Short-term employee benefit liabilities

Short-term employee benefits *

2023	2022
<u>1,102,516</u>	<u>957,522</u>

* 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 Bonus Policy upon approval by the Board. Based on the policy, the Company has a constructive obligation to pay the amounts accrued.

15(a). TRADE AND OTHER PAYABLES

See accounting policy 3.11

Trade payables

1,561,626	886,030
------------------	---------

Output VAT*

724,378	748,534
----------------	---------

Guest advance deposits*

696,209	977,726
----------------	---------

Other payables and accruals

<u>2,590,843</u>	<u>1,678,977</u>
-------------------------	------------------

<u>5,573,056</u>	<u>4,291,267</u>
-------------------------	------------------

Other payables and accruals include the following:

Audit fees

111,617	33,453
----------------	--------

Unclaimed dividend

386,970	211,877
----------------	---------

PAYE and Withholding taxes due*

264,292	205,399
----------------	---------

Water, electricity and telephone accrued

333,877	147,875
----------------	---------

Tourism levy*

110,693	33,012
----------------	--------

Pension contributions payable*

78,602	75,419
---------------	--------

Other employee obligations

75,723	126
---------------	-----

Contractors fees

-	600,775
---	---------

Tevet levy*

375,689	118,912
----------------	---------

Other accruals

<u>853,380</u>	<u>252,129</u>
-----------------------	----------------

<u>2,590,843</u>	<u>1,678,977</u>
-------------------------	------------------

15(b). PROVISIONS

Provisions made in the year

<u>992,542</u>	<u>30,000</u>
-----------------------	---------------

Provisions relate to litigation claims for cases underway against the company.

* These balances are not financial liabilities.

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

16. REVENUE

See accounting policy 3.7

Rooms revenue

15,049,896	11,051,608
-------------------	------------

Catering revenue

18,473,268	14,122,209
-------------------	------------

Other revenue

<u>1,301,598</u>	<u>496,339</u>
-------------------------	----------------

Total

<u>34,824,762</u>	<u>25,670,156</u>
--------------------------	-------------------

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

See accounting policy 3.7, 3.18 and 3.20

Government grants

227,646	175,106
----------------	---------

Reversal of prior year provisions

34,431	62,046
---------------	--------

Insurance claim proceeds

11,110	12,999
---------------	--------

Exchange gains

1,035,035	6,240
------------------	-------

Other sundry receipts

<u>90,932</u>	<u>15,136</u>
----------------------	---------------

Total

<u>1,399,154</u>	<u>271,527</u>
-------------------------	----------------

18. DEFERRED INCOME/REVENUE

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 refurbishment program in 2023 the Company did qualify for duty and excise waiver (2022: MK62 million). The Grant is 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, 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

	2023			2022		
	Government Grant	Guest loyalty program	Total	Government Grant	Guest loyalty program	Total
At 1 January	584,320	72,052	656,372	670,614	54,574	725,188
Add: amounts received during the year	-	507,559	507,559	88,812	348,158	436,970
Less: Amounts recognised in the statement of profit or loss and comprehensive income	<u>(227,646)</u>	<u>(490,098)</u>	<u>(717,744)</u>	<u>(175,106)</u>	<u>(330,680)</u>	<u>(505,786)</u>
At 31 December	<u>356,674</u>	<u>89,513</u>	<u>446,187</u>	<u>584,320</u>	<u>72,052</u>	<u>656,372</u>
Deferred income recognised under:						
Current liabilities	179,748	89,513	269,261	166,603	72,052	238,655
Non-current liabilities	<u>176,926</u>	-	<u>176,926</u>	<u>417,717</u>	-	<u>417,717</u>
	<u>356,674</u>	<u>89,513</u>	<u>446,187</u>	<u>584,320</u>	<u>72,052</u>	<u>656,372</u>

19. COST OF SALES

See accounting policy 3.22

	2023	2022
Food	5,063,298	4,229,934
Beverage	1,200,892	716,891
Rooms direct expenses	978,485	693,478
Catering direct expenses	751,328	517,974
Other direct costs	19,425	21,645
Rooms direct labour expenses	820,189	679,213
Catering direct labour expenses	<u>1,940,007</u>	<u>1,504,844</u>
Total	<u>10,773,624</u>	<u>8,363,979</u>

20	ADMINISTRATIVE AND OTHER EXPENSES	2023	2022
	<i>See accounting policy 3.22</i>		
	City and ground rates	67,802	72,141
	Computer, telephone and internet expenses	415,385	322,067
	Depreciation and amortisation	931,288	936,853
	Directors' remuneration	149,704	101,408
	Energy, repairs and maintenance costs	2,848,533	2,221,264
	Impairment of trade receivables	218,318	-
	Insurance expenses	184,671	140,647
	Laundry expenses	123,141	72,342
	Licenses and permits	333,509	132,043
	Listing and secretarial expenses	142,934	46,198
	Loss on disposal of property and equipment	19,723	112,765
	Marketing expenses	365,524	252,606
	Motor vehicle expenses	394,798	294,099
	Other administrative expenses	965,321	536,445
	Security	318,681	247,898
	Auditors' remuneration: - current year	68,755	42,195
	- mid-year review	10,325	9,361
	Staff costs: - pension	647,640	550,127
	- salaries, wages and other costs	7,637,932	5,706,496
	Total	<u>15,843,984</u>	<u>11,796,955</u>
21.	FINANCE COST/INCOME		
	<i>See accounting policy 3.16</i>		
	Finance income		
	Interest from cash and cash equivalents	<u>90,832</u>	<u>24,482</u>
	Total		
	Finance costs		
	Interest on lease liabilities	6,295	13,179
	Interest on bank overdraft	17,362	10,601
	Interest on medium term loan	-	117,752
	Interest on corporate bonds	<u>2,117,765</u>	1,961,698
	Total	<u>2,141,422</u>	<u>2,103,230</u>
	Reconciliation of interest paid		
	Accrued interest at 1 January	64,935	68,789
	Interest charged to statement of profit or loss	2,141,422	2,103,230
	Interest capitalised into assets	83,508	-
	Accrued interest at 31 December	<u>(68,789)</u>	<u>(81,976)</u>
	Interest paid	<u>2,221,076</u>	<u>2,090,043</u>

22. **INCOME TAX**
See accounting policy 3.4

22(a) **Income tax**

	2023	2022
Income tax charge		
Current tax	1,965,904	499,799
Deferred tax	<u>337,910</u>	<u>151,701</u>
Total income tax expense	<u>2,303,814</u>	<u>651,500</u>
Reconciliation of effective tax rate		
Profit before income tax expense	<u>7,555,718</u>	<u>3,702,001</u>
	%	%
Tax at standard rate	30 2,266,716	30 1,110,600
Temporary differences	0 37,098	(12) (459,100)
Effective rate of tax	30 2,303,814	18 651,500

22(b) **Income tax receivable**

Current tax assets at 1 January	458,063	625,579
Current year tax charge	(1,965,904)	(499,799)
Other tax receivables	-	5,150
Income tax paid	<u>1,611,136</u>	<u>327,133</u>
Current tax receivable at 31 December	<u>103,295</u>	<u>458,063</u>

22(c) **Deferred tax liabilities**
See accounting policy 3.4

At 1 January	10,125,462	9,973,761
<i>Recognised in profit or loss and other comprehensive income:</i>		
Deferred tax on accelerated capital allowances	706,857	384,398
Deferred tax on employment benefits and other provisions	(368,946)	(232,697)
Deferred tax on property revaluation surplus	5,807,351	-
At 31 December	<u>16,270,724</u>	<u>10,125,462</u>
Analysed as:		
Accelerated capital allowances	4,896,059	4,189,202
Revaluation of property	12,169,223	6,361,872
Deferred tax assets on employment benefits and other provisions	<u>(794,558)</u>	<u>(425,612)</u>
Net deferred tax liabilities	<u>16,270,724</u>	<u>10,125,462</u>

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 **MK5.2 billion** (2022: Profit of MK3.1 billion) and the weighted average number of ordinary shares outstanding during the year of **261,582,580** (2022: 261,582,580) as below:

	2023	2022
Profit for the year (MK'000)	5,251,904	3,050,501
Weighted average number of shares ('000)	261,583	261,583
Earnings per share - kwacha	<u>20.08</u>	<u>11.66</u>

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

23(b). DIVIDEND

See accounting policy 3.20

During the year, a final dividend of **MK393 million** representing K1.50 per share was paid in respect of the year ended 31 December 2022, making the total dividend for 2022 to be **MK523 million** representing **MK2.00** per share. An interim dividend on **MK523 million**, representing MK2.00 per share was declared and paid relating to the results for the year ended 31 December 2023. Total dividend paid during the year was **MK916 million** (Final dividend for 2022: **MK393 million** and Interim dividend for 2023: **MK523 million**)

24. FINANCIAL INSTRUMENTS

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.

2023	Note	Amortised Cost
Financial assets		
Trade and other receivables (excluding VAT and Prepayments)	9	3,247,460
Amounts due from related parties	10	1,721,980
Cash and cash equivalents (excluding Bank overdrafts)	11	3,668,107
		<u>8,637,547</u>
Financial liabilities		
Bank overdraft	11	117,840
Trade and other payables	15(a)	4,691,426
Corporate bonds	13(a)	9,424,935
Lease liabilities	13(b)	39,319
Medium term loan	13(c)	—
		<u>14,273,520</u>
2022		
Financial assets		
Trade and other receivables (excluding VAT and Prepayments)	9	2,904,912
Amounts due from related parties	10	881,157
Cash and cash equivalents	11	2,156,748
		<u>5,942,817</u>
Financial liabilities		
Bank overdraft	11	—
Trade and other payables	15	2,251,177
Corporate bonds	13(a)	10,176,850
Lease liabilities	13(b)	63,229
Medium term loan	13(c)	330,975
		<u>12,822,231</u>

24. FINANCIAL INSTRUMENTS (CONTINUED)

See accounting policy 3.11

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	2023	2022
Trade and other receivables	9	3,247,460	2,904,912
Amounts due from related parties	10	1,721,980	881,157
Cash and cash equivalents	11	3,668,107	2,156,748
		<u>8,637,547</u>	<u>5,942,817</u>

Receivables

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

	Note		
Trade receivables	9	3,059,198	2,712,684
Amounts due from related parties	10	1,721,980	881,157
Total trade receivables		4,781,178	3,593,841
<i>Other receivables</i>			
Staff debtors	9	188,262	192,228
Total receivables		<u>4,969,440</u>	<u>3,786,069</u>

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 2023	Impairment 2023	Receivables 2022	Impairment 2022
Not past due	1,967,739	93,702	1,598,410	76,115
Past due 31-60 days	1,021,940	66,856	654,047	42,788
Past due 61-90 days	338,303	30,755	355,229	32,294
Past due over 90 days	2,046,655	213,894	1,551,578	221,998
Total	<u>5,374,647</u>	<u>405,207</u>	<u>4,159,264</u>	<u>373,195</u>

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

	2023	2022
Balance at 1 January	373,195	419,161
Recognised in statement of profit or loss	32,012	-
Doubtful debts recovered during the year	-	<u>(45,966)</u>
Balance at 31 December	<u>405,207</u>	<u>373,195</u>

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

24 FINANCIAL INSTRUMENTS (CONTINUED)

See accounting policy 3.11

24.3 Liquidity risk

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

		Contractual amounts	Carrying cash flows	6 mths or less	6-12 mths	1-2 years	3-5 years
2023	Note						
Non-derivative financial liabilities							
Corporate bonds	13(a)	9,360,000	14,725,908	3,525,300	3,525,300	6,131,475	1,543,833
Lease liabilities	13(b)	39,619	45,731	18,413	18,413	8,906	-
Medium term loan	13(c)	-	-	-	-	-	-
Trade and other payables	15	3,323,193	3,323,193	3,323,193	-	-	-
Overdraft	11	117,840	117,840	117,840	-	-	-
		12,840,652	18,212,672	6,866,906	3,543,713	6,140,381	1,543,833
2022	Note						
Non-derivative financial liabilities							
Corporate bonds	13(a)	10,110,000	13,983,342	1,654,062	1,684,062	9,441,043	1,204,175
Lease liabilities	13(b)	63,229	80,805	17,808	16,809	46,188	-
Medium term loan	13(c)	315,849	330,975	330,975	-	-	-
Trade and other payables	15	2,251,177	2,251,177	2,251,177	-	-	-
		12,740,255	16,646,299	4,254,022	1,700,871	9,487,231	1,204,175

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

24.4.1 Exposure to currency risk

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

	31 December 2023				31 December 2022			
	Malawi Kwacha equivalent of				Malawi Kwacha equivalent of			
	USD	ZAR	GBP	Euro	USD	ZAR	GBP	Euro
Cash and cash equivalents	1,625,687	138,794	8,781	10,641	1,055,967	5,320	9,837	22,340
Trade and other receivables	46,922	-	-	-	100,283	-	-	-
Employee benefits	-	-	-	-	(78,292)	-	-	-
	1,672,609	138,794	8,781	10,641	1,077,958	5,320	9,837	22,340

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2023	2022	2023	2022
	Kwacha/USD	1,165.41	957.87	1,683.33
Kwacha/Rand	63.92	63.13	93.59	62.33
Kwacha/GBP	1,502.61	1,243.03	2,213.59	1,274.17
Kwacha/Euro	1,300.84	1,062.83	1,919.19	1,126.53

Sensitivity analysis

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

A strengthening of the US Dollar, South African Rand, Euro and British Pound by 10 percent against the kwacha at 31 December 2023 would have increased exchange gain by **MK279 million** (2022: exchange gain of MK109 million) which would have been credited to profit or loss. The increase in equity would be **MK195 million** (2021: MK77 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 FINANCIAL INSTRUMENTS (CONTINUED)

See accounting policy 3.11

24.4.2 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	
		2023	2022
Corporate bonds	13(a)	9,360,000	10,110,000
Lease liabilities	13(b)	39,319	63,229
Medium term loan	13(d)	<u>-</u>	<u>315,849</u>
		<u>9,399,319</u>	<u>10,489,078</u>

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 23.6% (2022: 17.3%). The commercial banks' average lending rate currently is at 27.6% (2022: 25.18%).

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 **MK103 million** (2022: MK94 million). The decrease in equity would be **MK72 million** (2022: MK65 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 statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 31 December were as follows:

	Note	2023	2022
Corporate bond	13(a)	9,360,000	10,110,000
Lease liabilities	13(b)	39,319	63,229
Medium term loan	13(d)	-	315,849
Less: cash and cash equivalents	11	<u>(3,550,257)</u>	<u>(2,156,748)</u>
Net debt		5,849,062	8,332,330
Total equity		48,569,863	30,687,551
Total capital		<u>54,418,925</u>	<u>39,019,881</u>
Gearing ratio		<u>11%</u>	<u>21%</u>

26. SEGMENTAL REPORTING

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	Other services	Total
2023				
Total revenue	15,049,896	18,473,268	1,301,598	34,824,762
Segment contribution	12,617,624	8,483,419	1,297,154	22,398,197
Other hotel expenses				(12,701,057)
Finance costs				(2,141,422)
Profit before income tax expense				7,555,718
2022				
Total revenue	11,051,608	14,122,209	496,339	25,670,156
Segment contribution	9,124,955	6,199,424	341,664	15,666,043
Other hotel expenses				(9,692,815)
Corporate expenses				(132,997)
Finance costs				(2,103,230)
Profit before income tax expense				3,737,001

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.

	2023	2022
	%	%
Leisure individual	16	9
Corporate individual	57	62
Corporate groups	22	20
Leisure groups	1	1
Online	4	8
Total	100	100
Geographical source of business		
The geographical source of business is predominantly domestic:		
Malawi	92	86
Africa	4	9
Europe	2	3
Americas	1	1
Other	1	1
Total	100	100

27. COMMITMENTS

See accounting policy 3.19

Capital expenditure:

Authorised and contracted for

Authorised but not contracted for

2023**2022****54,150**

86,950

14,386,998

4,492,154

14,444,1484,579,104

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

28. CONTINGENCIES

See accounting policy 5.2

Legal claims

400,000125,000

The Company is defending various claims against former employees in the Industrial Relations Courts. 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.

	2023	2022
Kwacha/US Dollar	1,165.61	957.87
Kwacha/Rand	63.92	63.13
Kwacha/GBP	1,502.61	1,243.03
Kwacha/Euro	1,300.84	1,062.83
Inflation rate (%)	34.5%	25.4%

At the end of the year, the Reserve Bank of Malawi reference base-lending rate was **23.6%** (2022: 18.0%). Commercial banks' base lending rates ranged from 12% to 25%.

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

Kwacha/US Dollar	1,733.83
Kwacha/Rand	93.63
Kwacha/GBP	2,212.30
Kwacha/Euro	1,905.32
Inflation rate (%)	31.50%

30. EVENTS AFTER REPORTING PERIOD

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



CONTACT CENTRAL RESERVATIONS

 +265 (0)111 773 388 / +265 (0)885 996 521

 centralres@sunbirdmalawi.com

  [sunbirdtourismmw](#)

 [sunbirdtourism](#)