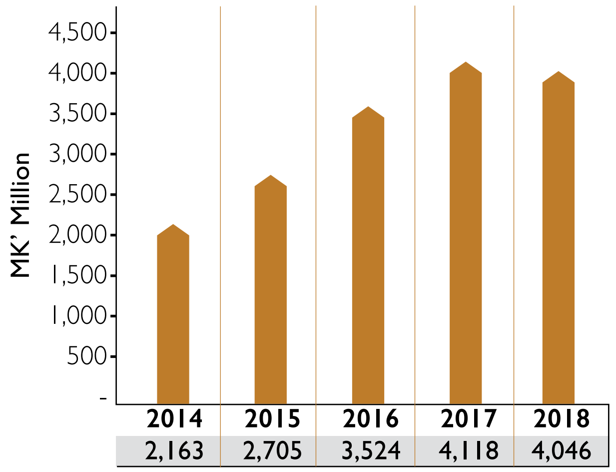
ANNUAL REPORT 2018

BLANTYRE HOTELS PLC

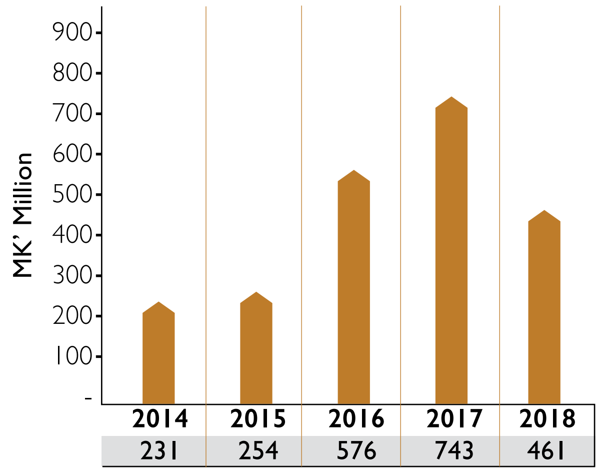
FIVE YEAR PERFORMANCE HIGHLIGHTS

		2014	2015	2016	2017	2018
Gross Revenue	(MK' Million)	2 163	2 705	3 524	4 118	4 046
Profit Before Tax	(MK' Million)	231	254	576	743	461
Earnings per Share	(Tambala)	124	141	321	60	42
Gross Dividend Paid	(MK' Million)	78	106	129	149	134
Gross Dividend per Share	(Tambala)	60	80	100	115	16
Total Assets	(MK' Million)	5 629	5 671	7 255	7 669	8 810
Net Assets	(MK' Million)	3 547	3 700	4 765	5 147	6 253
Share Price	(Tambala)	800	960	1 290	2 500	1 131
Net Asset Value per Share	(Tambala)	2 745	2 864	3 688	3 984	745
Price to Book Value	(times)	0,29	0,34	0,35	0,63	1,52
Price Earnings Ratio	(times)	6,45	6,81	4,02	41,66	26,93
Market Capitalisation	(MK' Million)	1 034	1 240	1 667	3 230	9 498

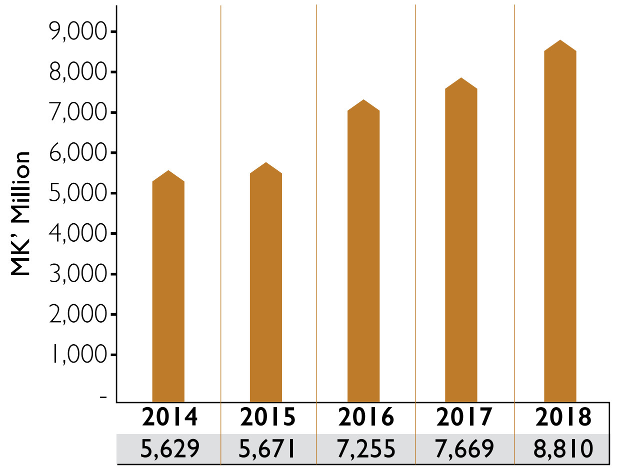
GROSS REVENUE



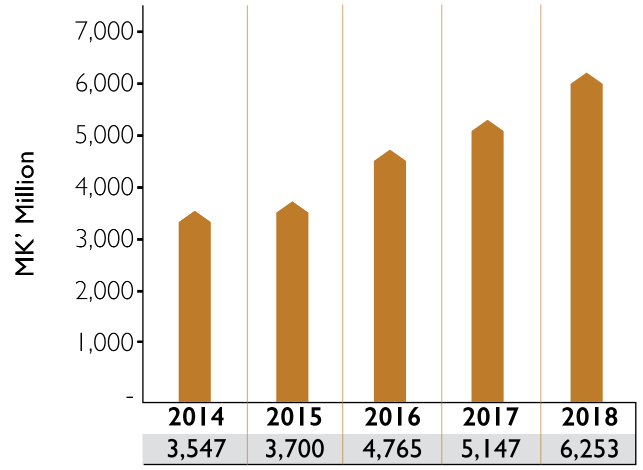
PROFIT BEFORE TAX



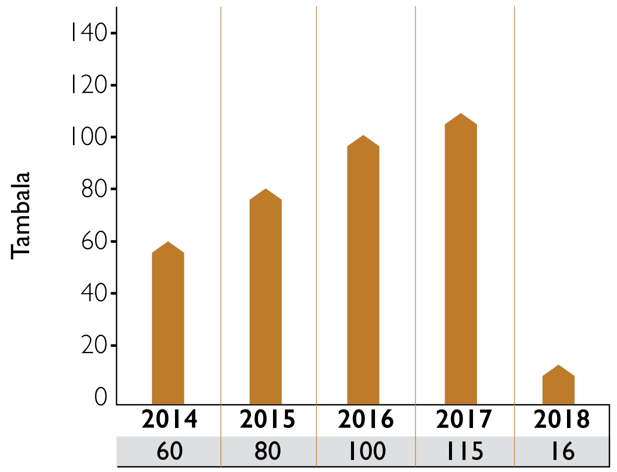
TOTAL ASSETS



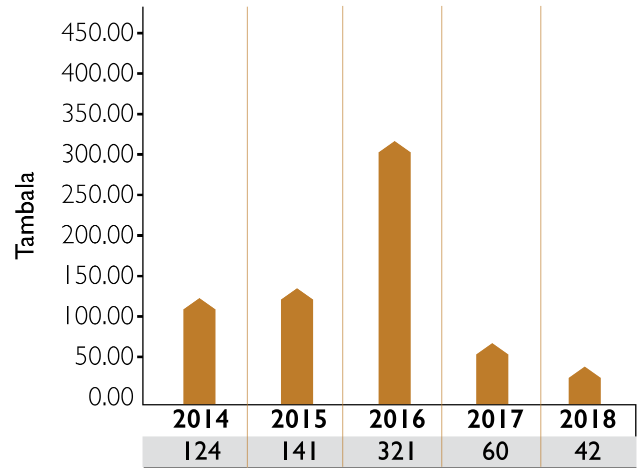
NET ASSETS



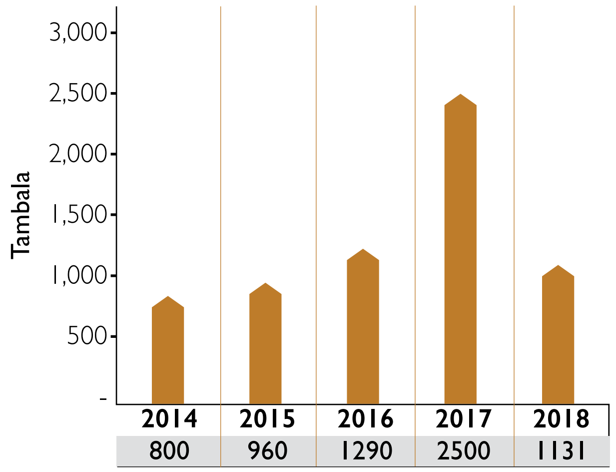
DIVIDEND PER SHARE



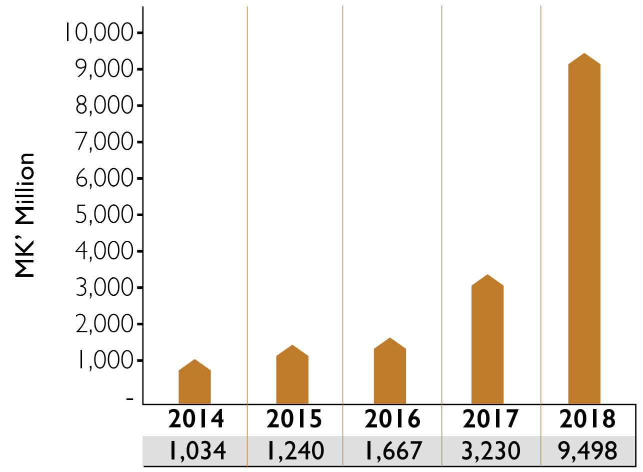
EARNINGS PER SHARE



SHARE PRICE



MARKET CAPITALISATION



PROFILES OF DIRECTORS

Mr. Vizenge M. Kumwenda
Chairman

Mr Vizenge Kumwenda is Group Managing Director of NICO Holdings Plc, a position he has held since January 2016. He has worked for the NICO Group in various senior management positions for over twenty-four years. He chairs the Boards of NICO Holdings Plc subsidiary companies.
Besides NICO, Mr Kumwenda worked for Deloitte, Malawi College of Accountancy (as a member of faculty), Malawi Institute of Management, Continental Discount House and Continental Asset Management Ltd. Mr. Kumwenda is a proponent of Servant Leadership. He is a Fellow Chartered Accountant and an Associate member of the Chartered Insurance Institute (UK). He holds a Master of Science Degree (Finance) from the University of Strathclyde (Scotland), a Bachelor of Commerce Degree (Accountancy) and Diploma in Business Studies from the University of Malawi. He brings to the Board a breadth of experience and expertise in finance and investment management.

Mr. Tom Daniel
Director

Mr Daniel was a Group Finance Director at NICO Holdings for many years and his experience spans insurance, retirement funds management, accounting, investments management, corporate advisory (mergers, acquisitions, etc.), project management and business start-ups. Apart from Blantyre Hotels Plc, Tom has also sat on and actively participated through various board committees of several boards including NBS Bank Plc, NICO Holdings Plc, NICO Insurance Zambia Limited, NIKO Insurance Tanzania Limited, NIKO Insurance Uganda Limited, Chichiri Shopping Centre, Chibuku Products Limited and Malawi Stock Exchange.
Mr. Daniel currently sits on many other boards such as Mwaiwathu Private Hospital Limited, Alliance Capital Limited, Broll Malawi, Transunion, Axis Pensions, Omega Security Solutions. He is heavily involved in Committees on the Boards that he sits.

Mr. Macarthur Mtila
Director

From August 2011 to December 2017, Macarthur Mtila has been General Manager and Chief Financial Officer of Access Communications Limited, a telecommunication business. Before that, from November 2005, he was an independent management consultant in the areas of document management, digital archiving and printer control systems. He was also the proprietor of KAB Limited, a plastics conversion business.
He has considerable experience in the financial and general management and control of substantial Malawian commercial and industrial enterprises at a senior level for over 35 years. Between 2000 and 2005, he was Chief Executive Officer of the tobacco trading and exporting and the vegetable oil refining and rice milling subsidiaries of Admarc. Between 1994 and 2000 he was Head of Human Resources and Financial Controller of NSCM, the Malawi subsidiary of Cargill Inc. He also worked for ten years as Finance Manager of Malawi Hotels (now Sunbird Hotels & Resorts). Previous to that, for ten years, he was in general and financial management of Blantyre Printing & Publishing group (now Times Group).
In his personal capacity, he has been a member of a good number of parastatal and commercial boards (including Malawi Development Corporation, Blantyre Water Board, MPICO, Optichem).

Ms. Rosemary Mkandawire
Director

Ms Rosemary Mkandawire is a qualified Chartered Accountant and also holds a general degree in Sciences and English (Malawi) and Advanced Strategic Leadership (UCT Graduate School of Business). She was the first woman to become a fully qualified professional accountant in Malawi and the first woman Managing Director in the Toyota Group when she took up the position at Toyota Malawi from 2005 to 2014. She went on to become the Non-Executive Chairperson of Toyota Malawi for two years up to 2015. She is the current co-owner of Nthumbo Agro-Dealer Limited. She has also worked as Finance Director for Toyota Malawi and Lonrho Motors Group between 1997 and 2005.
She was involved in the setting-up of the Privatisation Commission of Malawi, one of the founding trustees of Malawi Blood Transfusion Trust, commissioner to assist in setting up a Secretariat of the Competition and Fair Trading Commission and a council and active member of ICAM (formerly known as SOCAM).
Ms. Mkandawire has sat on several Boards of companies spanning over a period of 20 years including NBS Bank Plc, Malawi Revenue Authority, National Bank of Malawi Plc, NICO Life Insurance, Standard Bank Plc and Malawi Blood Transfusion Trust. She currently sits on the Board of Reserve Bank of Malawi and also chairs the Appointments and Remuneration Committee.

Mr. Elias Azele Malion
Director

Mr Malion is a chartered accountant (CA) with extensive experience in financial management and accounting. He is a Fellow of The Association of Chartered Certified Accountants (FCCA). He has a Master of Business Administration degree and a Bachelor of Accountancy degree (with Distinction), both obtained from the University of Malawi. He is a member of the Institute of Chartered Accountants in Malawi (ICAM).
Mr. Malion is currently the Head of Finance and Administration of Press Trust, Malawi's foremost local charitable institution. His career spans more than 20 years, having also previously worked for Malawi Posts Corporation and Deloitte. He has been on the board of Blantyre Hotels Plc since June 2014
Apart from being a Director for Blantyre Hotels Plc, Mr. Malion also serves as a non-executive director on the boards of Mwaiwathu Private Hospital Limited and CDH Investment Bank Limited.

Mr. Rob Scharar
Director

Mr Scharar is the President of FCA Corp which provides financial planning and investment advisory services to individuals, closely held businesses and investment entities. Mr. Scharar graduated from Polk Junior College with an Associate of Arts degree in Accounting in 1968 followed by a Bachelor of Science degree in Accounting from the University of Florida in 1970. In 1971, he received a Master's in Business Administration from Northeastern University. In 1974, Mr. Scharar graduated from the Northeastern University Law School with a Juris Doctorate degree and further went on to receive a Master's Degree of Law in Taxation from Boston University School of Law in 1979.
Since 1977, Mr. Scharar has been a Director of the American Academy of Attorneys - Certified Public Accountants, Inc. and served as President. He serves as a Trustee of Florida Southern College. Mr. Scharar serves on numerous corporate boards throughout the United States including Real Estate Investment Trusts and a mutual fund group. He also serves on the Board of NICO Holdings Plc and is currently the Board Chairperson of ICON Properties Plc.

CHAIRMAN'S STATEMENT

Overview of Results

The performance for the year ending 30 September 2018 was lower than the previous year. The trading conditions were tough in the hospitality industry.

Total revenue went down by 1.7% from MK4.1 billion in 2017 to MK4 billion for the year. This was primarily due to lower occupancy in the year which impacted rooms revenue. Occupancy was lower this year due to a slowdown in corporate travel against last year while food and beverage revenues grew over the past year.

Direct expenses increased from MK1.716 million to MK1.813 million representing an increase of 6%. The increase is in line with inflation which averaged 9% in the year. Selling and administration expenses increased by 12% with one-off items on the costs associated with the issue of bonus shares and share split in the year. In addition energy costs went up significantly due to tariff increases and persistent power cuts which forced the company to use backup generators for the smooth running of the hotel.

The company recorded a net finance income of MK15 million during the year against a net finance cost of MK23 million in the prior year, as the loan obligation was fully paid in the year.

The company has registered a profit after tax of MK352 million against a profit of MK507 million in the previous year representing a decrease of 31%. The drop in profitability was due to reduced revenue and increased costs in the period as explained above.

Prospects

The Board welcomes new hotel developments within Blantyre city. This offers new opportunities and indeed competitive challenges for us. The Board has employed strategies to improve revenues such as strengthening our relationships with our corporate clients, leveraging our promotions to increase the local leisure market. We will intensify various international and local brand campaigns in addition to strengthening our Marriott loyalty programme in the market and continue with the quality service delivery so that Protea Ryalls by Marriot remains the preferred hotel for both local and international guests. The ongoing efficiency and cost control strategies will continue to improve the operating margins.

Blantyre Hotels has incorporated a special purpose vehicle, Oasis Hospitality Limited, which will house our new 180 room hotel in Lilongwe. Professional consultants led by Eris properties Mw Limited have been engaged and prepared design concepts for the hotel. Discussions with the land-owner are expected to conclude soon. Construction then commences thereafter once funding has been secured.

Dividend

An interim dividend of MK67.1 million was paid on 18th January 2019.

A final dividend of MK67.1 million was recommended by the directors and, if approved by shareholders at the forthcoming annual general meeting, will bring the total dividend to MK134.2million (2017: MK148.6 million).

Vote of Thanks

I thank my fellow directors for their hard work and assistance during the year. Special gratitude is extended to Director Tom Daniel who has served on the Board of Blantyre Hotels Plc with dedication and diligence, contributing immensely to the growth of the company. He will retire from the Board at the end of the Annual General Meeting. A further unanimous vote of gratitude goes to Ms. Rosemary Mkandawire whose unique commercial and administrative experience has benefited our company immensely at all its key growth points and over many years. Our further appreciation is extended to the management and staff of Blantyre Hotels who have worked tirelessly in the tough economic environment prevailing throughout the year.

I also thank our Managers, Marriott International for their continued technical support.

Vizenge Kumwenda
Chairman


PROTEA HOTEL
RYALLS

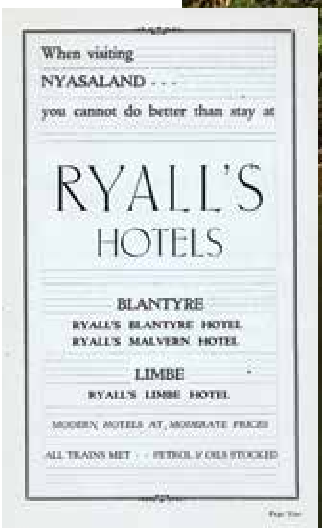
GENERAL MANAGER'S REPORT

It is a privilege to be at the helm of the most prestigious hotel in the country with international standards with a local touch proudly carried out by a team dedicated to providing the very best services with a smile.

With the arrival of new hotels in Blantyre and some refurbishment among existing hotels, we are even focusing more on the essentials of the hospitality and delivering our promise to our guests. Impeccable service combined with a personal touch and typically Malawian friendliness. Our most valuable asset, our dedicated hotel service team, are highly motivated creating unrivalled guest experience. Our guests rate us constantly via online surveys and our hotel has one of the highest performance of all Protea hotels across the continent! Protea Hotels by Marriott® offers modern design and amenities, with a unique blend of global standards with a touch of warm and personal service so every guest feels important and cared for. Marriott has introduced the new loyalty programme - Marriott Bonvoy. This is a unique global loyalty programme which distinguishes us from the competition. We are fully confident of another bright year, maintaining and further improving on, our enviable position as leader in our industry.

The hotel is located in the commercial hub of Malawi, where we have a rich, long heritage as a top-class hotel, nearly one hundred years old. Accessibility to Blantyre, locally and internationally has often been a challenge in the past. Now, with two international flights daily and locally, this has brought vastly improved business for Blantyre over all sectors especially in the hospitality industry. Blantyre is an extremely competitive environment for hotels, so delivery of the highest standards, offering quality service with consistency and efficiency are now the key elements that set us apart from this competitive environment.

Jan-Willem Roenhorst
GENERAL MANAGER



When visiting
NYASALAND - - -
you cannot do better than stay at

RYALL'S
HOTELS

BLANTYRE
RYALL'S BLANTYRE HOTEL
RYALL'S MALVERN HOTEL

LIMBE
RYALL'S LIMBE HOTEL

MODERN HOTELS AT MODERATE PRICES

ALL TRAINS MET - - PETROL & OILS STOCKED

Ryalls Hotel, Blantyre 1923

You should see us now!

Ryalls is the longest established hotel in Malawi. We first opened our doors in 1922.

We were an obligatory stop for travellers 'from the Cape to Cairo' and were commended by many as the only hotel in that long expanse which cut the crusts off the toast!

An extensive renovation programme has just been completed with the favourite old wing given new life. New conference, banqueting and communications facilities, a sauna and exercise room bring our business hospitality to new levels of poolside excellence. Blantyre's favourite '21' Restaurant is open again under the same management that has made it famous from the Cape to Cairo.

Staying or passing through Blantyre, call Ryalls first.

Ryalls Hotel
P.O. Box 21
Blantyre
Tel: 620 055

Shire Highlands Hotel
P.O. Box 21
Blantyre
Tel: 640 055

P.S. We still cut the crusts off the toast!

Pre WW2 Ryalls advertising includes a 1923 picture of the original hotel

EXECUTIVE MANAGEMENT PROFILES

Mr. Jan-Willem Roenhorst
GENERAL MANAGER

Jan-Willem joined the hotel in January 2019 and prior to joining Ryalls, he had held various positions at the Sheraton Amsterdam Airport and Le Meridien, Frankfurt. He was General Manager at Bristol Hotel, Odessa, a Luxury Hotel Collection. He was also involved in a number of hotel openings as general manager, including General Manager at the Sheraton Ufa in Russia followed by the hotel opening of Element by Westin in Amsterdam.

Mrs. Chikondi Msosa
FINANCE MANAGER

Chikondi joined the hotel in January 2018 . She is a qualified and seasoned accountant with 20 years of experience,15 years of which had been with audit firm Graham Carr, certified public accountants firm and a member of Nexia International.

She holds a Master of Business Administration Degree from Eastern and Southern Africa Management Institute (ESAMI), a fellow of the Association of Chartered Certified Accountant (FCCA) and a Chartered Accountant (M) with Institute of Chartered Accountants of Malawi.

EXECUTIVE MANAGEMENT PROFILES

Mr. Valentine Bandawe
HUMAN RESOURCES MANAGER

Valentine joined the hotel in February 2015 and is a holder of a Bachelor of Arts degree, in Public Administration, from the University of Malawi. He also holds a Diploma in Financial Management awarded by the ACCA.

At an HR Conference for the Middle East and Africa region for Marriott International held in Dubai, Valentine was recognised with the award as Human Resource Manager of the Year (2017) within the Protea Group.

LILONGWE, CAPITAL MAGNET TO MALAWI, EMBELLISHED WITH A NEW RYALLS

Malawi's capital city Lilongwe had existed for centuries as a small fishing village on the banks of the Lilongwe river. Due to its strategic location during British colonial rule, the settlement became an important administrative centre in the central region Formally founded in 1906 as a trading post, Lilongwe was officially recognised as a town only in 1947. After Malawi gained independence, it developed rapidly into an important trading centre in Malawi's central region. Its growth was greatly accelerated when the country's founding father and first president Hastings Kamuzu Banda, decreed its future lay beyond regional importance but as an economic and political centre for the entire nation. He established the Capital City Development Corporation charged expressly with its development and was proud to formally declare it as Malawi's new capital city in 1975. The last government offices were relocated to Lilongwe in 2005. As result the city's population has increased rapidly, with an annual growth rate of 4.3% and is estimated at well over 1.25m., 60 times growth since dependence when it was well under 20000!

While Ryalls' original home of Blantyre is recognised as the commercial capital of Malawi, Lilongwe's economy is dominated by the government and public institutions. Kanengo, in the north of the city, is the main industrial area, where food processing, tobacco storage, processing and sales, maize storage, and other light industrial activities take place. Finance, banking, retail trade, construction, transport, public administration, tourism, and tobacco manufacturing are the main economic activities in the city. The civil service employs about 27 percent of all formal workers, while 40 percent work in the private sector.

Malawi's tourist attractions really began to be appreciated only in the 1990s with the fast developing fame of Luangwa National Park in neighbouring Zambia but the very growth of the new capital brought a flush of new business- and development oriented hotels, in much the same way as Blantyre's post World War One growth saw Ryall's opened by Mr and Mrs Ryall almost 100 years ago in 1921.

The city's commercial development has also proved conducive to more tourism oriented accommodation units and Ryall's Lilongwe development aims to assert itself exactly as its sister unit has done so successfully and for so long - to be the elite choice of place to stay for the discerning visitor to the city. Lilingwe's position as foreseen by the first president with such clarity, places it superbly as the ideal central point for visiting this beautiful region - in all directions. To Lake Malawi in the sunrise, Luangwa and Zambia in the west, Blantyre southwards and the fast developing north via the lakeside M5 or, via the mountain plateaus northward to Mzuzu.

Blantyre Hotels plc has within the past few months incorporated a special purpose investment vehicle, Oasis Hospitality Limited, which will see the creation of the new 180 room Lilongwe Ryalls hotel, larger than any to date built in Lilongwe. Professional consultants led by Eris Properties Mw Limited have been engaged who have already produced many excellent design concepts for the hotel. Discussions with the land owner are expected to conclude shortly. Project construction is expected to commence soon thereafter.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

The importance of good corporate governance cannot be over-emphasised as it provides the infrastructure to improve the quality of the decisions made by those charged with the responsibility of good, quality and ethical decision making. This in turn builds sustainable business and enables the business to create long-term value more effectively.

The Board of Directors of Blantyre Hotels Plc has the ultimate responsibility of providing direction of the company through its oversight over the execution of the company's strategic objectives in compliance with the legislative, regulatory and governance framework. The Board is accountable to the shareholders and is fully committed to good corporate governance in dealing with the shareholders as well as all other stakeholders.

The Directors are thus committed to best practice in corporate governance by following principles of openness, integrity and accountability as set out in the Malawi Code II (Code of Best Practice for Corporate Governance in Malawi) (the Code has now been incorporated into the Companies Act, 2013(the Act) and the regulations made thereunder; and the Malawi Stock Exchange Listing Requirements (MSELR). The Directors have complied with the Code, the Act and the MSELR for the year ended 30th September 2018.

BOARD OF DIRECTORS

As at 30th September 2018, the Board consisted of five directors, all non-executives. The Board has the ultimate responsibility of setting the Company's direction through providing oversight of the execution of the company's strategic objectives.

The Board ensures that systems of internal controls are in place and takes responsibility for risk management policies and processes.

The Board meets at least quarterly and where necessary will hold special meetings. The Board has delegated some of its compliance and monitoring responsibilities to standing committees of the Board namely – Finance and Audit Committee; and Appointments and Remuneration Committee. The Chairpersons of the Committees report on the proceedings of their meetings at the next Board meeting.

BOARD COMMITTEES

FINANCE AND AUDIT COMMITTEE

The Finance and Audit Committee is responsible for the review of the company's financial statements; accounting policies; and external and internal auditors' reports to ensure the effectiveness and adequacy of the internal controls. The Committee is responsible for compliance with all statutory and regulatory requirements and monitoring thereof. The Company's External and Internal Auditors have unrestricted access to the Committee Chairperson.

In the year under review, the Committee comprised of three non-executive directors.

APPOINTMENTS AND REMUNERATION COMMITTEE

The Committee is responsible for assisting the Board in ensuring that the Board and Management retain an appropriate structure, size and balance of skills to support the strategic objectives and values of the Company. The Committee is thus responsible for the review of compensation for Directors; and recommending for board approval the appointment of Directors and Management.

In the year under review, the Committee comprised of four members.

ETHICAL STANDARDS

The company is committed to a policy of fair dealing and integrity in the conduct of its business to create a value-based organisation. This is based on the fundamental belief that company business must be conducted honestly, fairly and legally.

The company is in the process of adopting a formal Code of Ethics.

RELATED PARTY TRANSACTIONS

The company does enter into related party transactions that are on "arm's length basis."

The company is in the process of developing a Related Party Transactions Policy that will deal with the arm's length basis of such transactions.

COMPANY SECRETARY

The Company Secretary has a key role in governance, ensuring the Board complies with Corporate Governance regulations and requirements and all board procedures. The Board has access to the advice and services of the Company Secretary.

AUDITED
FINANCIAL
STATEMENTS

BLANTYRE HOTELS PLC

For the year ended 30 September 2018

DIRECTORS' REPORT

The Directors have pleasure in presenting their report and annual financial statements of Blantyre Hotels Plc for the year ended 30 September 2018.

INCORPORATION AND REGISTERED OFFICE

Blantyre Hotels Plc is a company incorporated in Malawi under the Companies Act of Malawi and is domiciled in Malawi.

The registered office of the company is situated at:

Ryalls Hotel
P O Box 21
2 Hannover Avenue,
Blantyre, Malawi.

NATURE OF BUSINESS

Blantyre Hotels Plc operates in the hospitality industry in Malawi with one hotel, Protea Hotel Ryalls, based in Blantyre.

FINANCIAL PERFORMANCE

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

PROFIT

The net profit attributed to owners of the company for the year of MK352million (2017: MK507 million) has been added to retained earnings.

DIVIDENDS

An interim dividend of MK67.1 million was paid in January 2019.

The Directors will propose at the forthcoming Annual General Meeting of members, to be held in April 2019, to pay a final dividend of MK67.1million, bringing the total dividend to MK134.2 million (2017: MK148.6 million).

STAFFING

Staff complement for the company stands at 173 as at 30 September 2018, (2017: 174). Human resource remains a major and key factor to the success of the company. The company, therefore, remains committed to professionalism by developing staff to their full potential. The company has maintained staff development programmes through training and mentoring.

BOARD OF DIRECTORS AND SECRETARY

The following served as Directors and Secretary of the Company during the year:

Mr. V.M. Kumwenda	Chairman and Non-executive Director
Mr. P.T. Daniel	Non-executive Director
Mr. M.S. Mtila	Independent and Non-Executive Director (Up to May 2018)
Ms. R. Mkandawire	Independent and Non-Executive Director
Mr. E. Malion	Non-executive Director
Mr. R.Scharar	Non-executive Director (From May 2018)
NICO Asset Managers	Company Secretary

SHAREHOLDING STRUCTURE

The authorised share capital of the company is MK250 million divided into 5 billion ordinary shares of 5 tambala each (2017: MK35 million divided into 140 million shares of 25 tambala each).

During the year the company issued 38,757,725 bonus shares from retained earnings of MK1,085,216,300 at a price of MK28.00 per share by issuing 3 (three) new ordinary shares for every 10 (ten) ordinary shares held in the company and issued another additional shares of 671,800,564 shares through a share split of 1 (one) share held in the company after the bonus issue into 5 (five) shares held in the company.

The Shareholders and their respective Holdings in the Company are as follows:

	2018	2017
NICO Life Insurance Company Limited	34.3%	34.3%
Africap LLC	32.2%	32.2%
Press Trust	26.3%	26.3%
The Public	7.2%	7.2%
	100.0%	100.0%

The company is listed on the Malawi Stock Exchange and the share price at the year-end was MK11.31 (2017:MK25) per share. The prior year share price is based on the undiluted number of shares.

DIRECTORS INTEREST

The following directors held shares in the company as at 30 September 2018:

Mr P.T Daniel **32 510** (2017: 5 263) ordinary shares.

Member	Meetings Attended
Mr. Vizenge Kumwenda (Chairman)	4/4
Ms. Rosemary Mkandawire	2/4
Mr. Thomas Daniel	3/4
Mr. Elias Azele Malion	4/4
Mr. Macarthur Mtila (Up to May 2018)	3/4
Mr Rob Scharar (From May 2018)	1/4

BOARD MEETINGS

The Board meets quarterly. Ad-hoc meetings are held when necessary. The directors are provided with comprehensive board documentation at least seven days prior to each of the scheduled meetings. During the year there were four board meetings and the attendance was as follows:

FINANCE AND AUDIT COMMITTEE

The Finance and Audit Committee is responsible for reviewing annual reports and annual financial statements. This Committee also monitors the adequacy of accounting and internal control systems. Both external and internal auditors report to the Board of Directors through the Finance and Audit Committee. The Committee consists of three non-executive Directors. The management of the company, internal and external auditors attend by invitation. The Committee meets four times in a year. The members of the Finance and Audit Committee were as follows:-

Mr. Thomas Daniel	-	(Chairperson)		
Mr. Macarthur Mtila	-	(Member)	-	(Up to May 2018)
Mr. Elias Azele Malion	-	(Member)		
Ms. Rosemary Mkandawire	-	(Member)	-	(From May 2018)

DIRECTORS' REPORT (continued)

FINANCE AND AUDIT COMMITTEE (continued)

During the year there were nine Finance and Audit Committee meetings and the attendance was as follows:

Member	Meetings Attended
Mr. Thomas Daniel	8/9
Mr. Macarthur Mtila (Up to May 2018)	6/9
Mr. Elias Azele Malion	9/9
Ms. Rosemary Mkandawire – (From May 2018)	1/9

REMUNERATION AND APPOINTMENTS COMMITTEE

The Remuneration and Appointments Committee acts as an independent Board Committee for issues relating to appointments of, and remuneration of, Directors, management and staff. It consists of one non-executive Director and two alternate non-executive directors. The Committee meets at least four times a year. The members of the Committee are:

Ms. Rosemary Mkandawire	-	(Chairperson)
Mr. Patrick Mhango	-	(Alternate director to Mr. Elias Azele Malion) (Up to March 2018)
Mr. Gibson Ngalamila	-	(Alternate director to Mr. Elias Azele Malion) (From March 2018)
Mrs. Emily Makuta	-	(Alternate director to Mr. Thomas Daniel)

During the year there were four Remuneration and Appointments Committee meetings and the attendance was as follows:

Member	Meetings Attended
Ms. Rosemary Mkandawire – (From May 2018)	3/4
Mr. Patrick Mhango	2/4
Mr. Gibson Ngalamila	2/4
Mrs. Emily Makuta	1/4

EXTERNAL AUDITORS

Messrs Deloitte Chartered Accountants (Malawi) have expressed their willingness to continue in office as auditors in respect of the company's 30 September 2019 annual financial statements and a resolution proposing their re-appointment will be tabled at the forthcoming Annual General Meeting.

Chairman

Director

5 March 2019

STATEMENT OF DIRECTORS RESPONSIBILITIES

The directors are responsible for the preparation and fair presentation of the financial statements of Blantyre Hotels Plc, comprising the statement of financial position as at 30 September 2018, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Malawi Companies Act. In addition, the directors are responsible for preparing the directors' report.

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

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

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

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of 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 a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with International Financial Reporting Standards and in the manner required by the Malawi Companies Act.

Approval of the financial statements

The annual financial statements of Blantyre Hotels Plc, as identified in the first paragraph, were approved by the board of directors on 5 March 2019 and signed on its behalf by:

Chairman

Director

5 March 2019

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BLANTYRE HOTELS PLC

Deloitte.

PO Box 187
Blantyre
Malawi

Deloitte Chartered Accountants
Registered Auditors
1st Floor
NBM Top Mandala House
Blantyre
Malawi

Tel : +265 (0)1 822 277
+265 (0)1 820 506
Fax : +265 (0)1 821 229
Email : btdeloitte@deloitte.co.mw
www.deloitte.com

TO THE SHAREHOLDERS OF BLANTYRE HOTELS Plc

Opinion

We have audited the financial statements of Blantyre Hotels Plc (the company) set out on pages 30 to 63, which comprise the statement of financial position as at 30 September 2018, and the statement of 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 Blantyre Hotels Plc as at 30 September 2018, and of its financial performance and 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 Standard Board for Accountants' *Code for Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Malawi. We have fulfilled our ethical responsibilities in accordance with the requirements of 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 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
Revenue Recognition *See notes 3.9 and 21 to the financial statements* The provision of accommodation and food and beverages services to its customers is the entity's major source of its revenues. The hotel has 4 application systems: Marsha, an automated reservation system for accommodation on which prices are input by Marriott; Micros is another system that is used for billing all transactions made in restaurants (food and beverages). Both Marsha and Micros are linked to Opera system where all transactions/sales reports are produced and uploaded into ACCPAC for financial reporting purposes through a manual interface. Due to the nature of its business, the entity processes high volume of transactions with small amounts per day. Considering the foregoing and the fact that *ISA 240: The Auditor's Responsibilities Relating to Fraud in an audit of financial statements ("ISA240")* requires the auditor to presume a risk of fraud due to revenue recognition, we considered the recognition of revenue as a key audit matter because: • Revenue recognised may not be based on transactions that had actually occurred; and • Revenue may not be completely and accurately recorded in the entity's financial statements.	We performed the following procedures to address the matter: • We evaluated the entity's accounting policy for revenue for propriety and compliance with IAS 18, *Revenue recognition;* • We identified the relevant controls which ensure accuracy, occurrence and completeness of revenue and tested design and implementation of the controls identified; • Considering the high automation in the area, we involved our IT audit specialists to test IT controls that are significant for the billing of room revenue, food and beverages;and • Using focussed risk assessment and analytics, we identified which periods to focus on for our samples and made sample selections to verify occurrence, accuracy and completeness of recorded revenue. We found the recorded revenues to have been appropriately recognised.
Valuation of property *See notes 3.1, 4.1.1 and 7 to the financial statements* The company operates from Protea Ryalls Hotel situated in Blantyre, Malawi. This property is owned by the company and is measured at fair value. The property is its most significant revenue generating asset and represents a very material balance on the company's statement of financial position. The property was revalued as at 30 September 2018 by an independent valuer. The valuation of the company's property was considered a key audit matter due to: • The significance of the amount to the financial statements; • The use of judgement and assumptions by the valuers; and • The complexity of the methods used in the valuation of the property.	We evaluated the acceptability of valuation work performed by the valuation expert by, among other things: • Evaluating the nature and scope of the expert's work; • Assessing the competence and objectivity of the expert; • Assessing the judgement and assumptions applied; • Evaluating the accuracy and completeness of the input data used in the valuation; and • Evaluating the conclusions reached in light of our understanding of the entity and its business. We found the valuation of the property to be appropriate.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BLANTYRE HOTELS PLC (continued)

Other information
The directors are responsible for the other information. The other information comprises the Directors' report and statement of directors responsibilities, 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. The 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 auditors' 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 that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2013 of Malawi and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period 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.

Deloitte.

Deloitte
Chartered Accountants
Christopher Kapenda
Partner

15 March 2019

STATEMENT OF FINANCIAL POSITION

	Notes	2018 MK'000	2017 MK'000
ASSETS			
Non-current assets			
Property and equipment	7	7 572 450	6 391 873
Intangible assets	8	6 981	8 121
Investments	9	-	2 284
Total non-current assets		7 579 431	6 402 278
Current assets			
Inventories	10	398 895	412 062
Trade and other receivables	11	312 032	360 813
Cash and cash equivalents	12	493 773	493 354
Taxation		25 536	-
Total current assets		1 230 236	1 266 229
TOTAL ASSETS		8 809 667	7 668 507
EQUITY AND LIABILITIES			
Equity			
Share capital	13	41 988	32 298
Share premium	14	1 340 153	264 626
Revaluation reserve	15	4 325 404	3 518 171
Retained earnings		545 804	1 331 906
Total equity		6 253 349	5 147 001
Liabilities			
Non-current liabilities			
Deferred tax	16	1 908 264	1 571 541
Total non-current liabilities		1 908 264	1 571 541
Current liabilities			
Trade and other payables	17	648 054	683 468
Loans and borrowings	18	-	82 354
Taxation		-	184 143
Total current liabilities		648 054	949 965
Total liabilities		2 556 318	2 521 506
TOTAL EQUITY AND LIABILITIES		8 809 667	7 668 507

The financial statements were approved and authorised for issue by the Board of Directors on 5 March 2019 and were signed on its behalf by:

CHAIRMAN

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2018 MK'000	2017 MK'000
Revenue	21	4 045 942	4 118 092
Cost of sales	22	(1 813 881)	(1 716 253)
Gross profit		2 232 061	2 401 839
Other income		57 933	15 225
Selling and administrative expenses	23	(1 844 219)	(1 651 305)
Profit from operating activities		445 775	765 759
Finance income	24	23 658	22 152
Finance costs	24	(8 562)	(45 111)
Net finance income/(cost)		15 096	(22 959)
Profit before income tax		460 871	742 800
Taxation	19	(109 112)	(236 262)
Profit for the year		351 759	506 538
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Surplus on revaluation of land and buildings		1 174 754	-
Deferred tax on revaluation		(336 190)	5 060
Total other comprehensive income		838 564	5 060
Total comprehensive income for the year		1 190 323	511 598
Earnings per share (tambala)			
Basic and diluted earnings per share	25	42	60

STATEMENT OF CHANGES IN EQUITY

	Share capital MK'000	Share premium MK'000	Revaluation reserve MK'000	Retained earnings MK'000	Total equity MK'000
2018					
Balance as at 1 October 2017	32 298	264 626	3 518 171	1 331 906	5 147 001
Total comprehensive income for the year					
Profit for the year	-	-	-	351 759	351 759
Other comprehensive income for the year					
Surplus on revaluation of land and buildings	-	-	1 174 754	-	1 174 754
Deferred tax on revalued property	-	-	(336 190)	-	(336 190)
Total other comprehensive income	-	-	838 564	-	838 564
Total comprehensive income for the year	-	-	838 564	351 759	1 190 323
Transfers within reserves					
Excess depreciation on revalued assets	-	-	(31 331)	31 331	-
Total transfers within reserves	-	-	(31 331)	31 331	-
Transactions with owners of the company					
Equity shares issued in the year	9 690	1 075 527	-	(1 085 217)	-
Dividends paid	-	-	-	(83 975)	(83 975)
Balance as at 30 September 2018	41 988	1 340 153	4 325 404	545 804	6 253 349
2017					
Balance as at 1 October 2016	32 298	264 626	3 518 987	948 684	4 764 595
Total comprehensive income for the year					
Profit for the year	-	-	-	506 538	506 538
Other comprehensive income for the year					
Deferred tax on revalued property	-	-	5 060	-	5 060
Total other comprehensive income	-	-	5 060	-	5 060
Total comprehensive income for the year	-	-	5 060	506 538	511 598
Transfers within reserves					
Excess depreciation on revalued assets	-	-	(5 876)	5 876	-
Total transfers within reserves	-	-	(5 876)	5 876	-
Transactions with owners of the company					
Dividends paid	-	-	-	(129 192)	(129 192)
Balance as at 30 September 2017	32 298	264 626	3 518 171	1 331 906	5 147 001

STATEMENT OF CASH FLOWS

	Notes	MK'000	MK'000
Cash flows from operating activities			
Profit before income tax		460 871	742 800
Adjust for non-cash items			
Depreciation expense	7	171 649	154 335
Amortisation charge	8	4 066	2 538
Finance income	24	(23 658)	(22 152)
Finance costs	24	8 562	35 816
Profit on sale of investment		(8 900)	-
Unrealised foreign exchange losses		-	9 295
Profit on disposal of plant and equipment		(406)	(6 552)
		612 184	916 080
Movement in working capital			
Decrease/(increase) in inventory		13 167	(40 125)
Decrease/(increase) in trade and other receivables		48 781	(13 332)
(Decrease)/increase in trade and other payables		(35 414)	10 101
Cash generated from operations		638 718	872 724
Interest paid		(8 562)	(33 731)
Taxation paid	19	(318 258)	(124 704)
Net cash generated by operating activities		311 898	714 289
Cash flows from investing activities			
Purchase of property and equipment	7	(177 613)	(322 041)
Acquisition of intangibles	8	(2 926)	(8 183)
Proceeds from sale of investment		11 184	-
Proceeds from the sale of equipment		546	7 262
Finance income	24	23 658	22 152
Net cash used in investing activities		(145 150)	(300 810)
Cash flows from financing activities			
Dividends paid to owners of the company		(83 975)	(127 028)
Repayment of loans	18	(82 354)	(96 479)
Net cash used in financing activities		(166 329)	(223 507)
Net increase in cash and cash equivalents		419	189 972
Cash and cash equivalents at the beginning of the year		493 354	303 382
Cash and cash equivalents at the end of the year	12	493 773	493 354

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Blantyre Hotels Plc is a company domiciled in Malawi and incorporated under the Malawi Companies Act, 2013. The main business of the company is the provision of accommodation, conferencing and catering services. The registered address of the company is Ryalls Hotel, 2 Hannover Avenue, P.O. Box 21, Blantyre, Malawi.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), the interpretations issued by the International Accounting Standards Board (IASB) and provisions of the Malawi Companies Act 2013.

b) Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain properties that are measured at revalued amounts. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

c) Functional and presentation currency

These financial statements are presented in Malawi Kwacha, which is the company's functional currency. All financial information has been presented in Malawi Kwacha and has been rounded to the nearest thousands, except where otherwise indicated.

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 mandatory repayment terms of the banking facilities as disclosed in note 18.

e) Use of judgements and estimates

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. Critical accounting judgements and key sources of estimation are detailed in note 4.

2.1 Adoption of new and revised International Financial Reporting Standards

2.1.1. Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements

In the current year, the company has adopted those new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 October 2017.

The adoption of these new and revised Standards and Interpretations did not have a significant impact on the financial statements of the company.

2.2 Standards and Interpretations in issue, not yet effective

A number of new standards, amendments to standards and interpretations were in issue, but not yet effective, as at 30 September 2018, and have not been applied in preparing these financial statements. Those which may be relevant to the company are set out below. The company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective date	Standard, Amendment or Interpretation
Annual periods beginning on or after 1 January 2018	IFRS 9 *Financial Instruments* IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. Key requirements of IFRS 9: • All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss; • With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes In other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Changes in fair value attributable to financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss; • In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit losses and changes in those expected credit losses each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised; and • The new general hedge accounting requirements retain the three types of hedge accounting mechanics currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION

2.2 Standards and Interpretations in issue, not yet effective (continued)

Effective date	Standard, Amendment or Interpretation
Annual periods beginning on or after 1 January 2018	IFRS 9 *Financial Instruments* IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. Key requirements of IFRS 9: • All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss; • With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes In other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Changes in fair value attributable to financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss; • In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit losses and changes in those expected credit losses each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised; and • The new general hedge accounting requirements retain the three types of hedge accounting mechanics currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Effective date	Standard, Amendment or Interpretation
Annual periods beginning on or after 1 January 2018	IFRS 15 *Revenue from Contracts with Customers* IFRS 15 specifies how and when an entity will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition: • Step 1: Identify the contract(s) with a customer; • Step 2: Identify the performance obligations in the contract; • Step 3: Determine the transaction price; • Step 4: Allocate the transaction price to the performance obligations in the contract; and • Step 5: Recognise Revenue when (or as) the entity satisfies a performance obligation. Under IFRS15, an entity recognises Revenue when (or as) a performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. In April 2016, the IASB issued Classifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.
Annual periods beginning on or after 1 January 2018	Classification and Measurement of Share-based Payment Transactions Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.
The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018	Annual Improvements to IFRS Standards 2014–2016 Cycle Makes amendments to the following standards: • IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose; and • IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. BASIS OF PREPARATION
2.2 Standards and Interpretations in issue, not yet effective (continued)

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2018	IFRIC 22 Foreign Currency Transactions and Advance Consideration The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary. The Interpretations Committee came to the following conclusion: • The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. and • If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.
Annual periods beginning on or after 1 January 2019	IFRS 16 Leases IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guide including IAS 17 Leases and the related interpretations when it becomes effective. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are aid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion that will be presented as financing and operating cash flows respectively. In contracts to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by IFRS 16.
Annual reporting periods beginning on or after 1 January 2019	IFRIC 23 Uncertainty over Income Tax Treatments The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.

Effective date	Standard, Amendment or Interpretation
Annual periods beginning on or after 1 January 2019	Prepayment Features with Negative Compensation (Amendments to IFRS 9) Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.
Annual periods beginning on or after 1 January 2019	Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
Annual periods beginning on or after 1 January 2019	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are: • If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement; and • In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.
Annual periods beginning on or after 1 January 2020	Amendments to References to the Conceptual Framework in IFRS Standards The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.
Annual reporting periods beginning on or after 1 January 2021	IFRS 17 *Insurance Contracts* IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

The directors anticipate that other than IFRS 9 and IFRS 15, these Standards and Interpretations in future periods will have no significant impact on the financial statements of the company. IFRS 9 will impact the measurement of financial instruments and IFRS 15 will affect recognition of revenue. The directors are unable to quantify the impact that adoption of these Standards and Interpretations in future periods will have on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and equipment
Recognition and measurement
All items of property and equipment are initially recognised at cost. Land and buildings are subsequently measured at revalued amounts being the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from that would be determined using fair values at the end of each reporting period. All other property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Property and equipment (continued)

Recognition and measurement (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Revaluation

Any revaluation increase arising on the revaluation of such property is recognised in other comprehensive income and credited to a non-distributable revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. Depreciation on revalued property is charged to profit or loss. On the realisation of revalued property, either through sale or use, the attributable revaluation surplus in the revaluation reserve is transferred directly to retained earnings.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the company. Ongoing repairs, and maintenance are expensed as incurred.

Depreciation

Items of property and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets i.e. buildings, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values, using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss.

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. Freehold land and properties under construction are not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:-

Freehold buildings	50 years
Motor vehicles	4 years
Furniture and equipment	3-12 years

Freehold land is not depreciated.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period, with the effect of any change in estimate being accounted for on a prospective basis.

3.2 Intangible assets

Software acquired by the company is measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software from the date it is available for use. The estimated useful life of software is three years for the current and comparative periods. Amortisation method, useful lives and residual values are reviewed at the end of each reporting period, with the effect of any change in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3.3 Leased assets

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

3.4 Inventories

Inventories consist of items for sale such as foodstuffs, consumables and operating equipment such as crockery and linen. These are measured at the lower of cost and net realisable value, with cost determined on a first-in, first-out basis and is consistent with the prior year. The cost of inventories includes the purchase price plus the costs incurred in bringing each product to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

3.5 Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.6 Income tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Income tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set-off current tax liabilities and assets, and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on the same taxable entity, or on 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.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at the end of each reporting period, and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.7 Foreign currency translations

Transactions in currencies other than the entity's functional currency (foreign currencies) are translated at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are re-translated to the functional currency at the rates prevailing at that date.

Foreign currency gains or losses arising on the settlement of monetary items, and on the translation of monetary items, are included in the profit or loss. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

3.8 Employee benefits

Defined contribution plans

Pensions are administered through a defined contribution pension scheme. 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 the scheme are included in profit or loss as an expense as they fall due.

Short-term benefits

Short-term employee benefits obligations such as bonuses 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. A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for the service. Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

3.9 Revenue

Revenue comprises rent of rooms, catering services, conferencing and related services.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Sales of goods or services are recognised when goods are delivered or services are rendered.

3.10 Finance income and expenses

The company's finance income and finance costs include:-

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities.

Interest income and expense is recognised using the effective interest method.

3.11 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.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

3.12 Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the company becomes a party to the contractual provisions of the instrument.

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the company is recognised as a separate asset or liability.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if and when the company becomes a party to the contractual provisions of the instrument. Regular 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 assets are derecognised if the company's contractual rights to the cash flows from the financial assets expire or if the company transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all risks and rewards of ownership of the asset are transferred. Any interest in such derecognised financial assets that is created or retained by the company is recognised as a separate asset or liability.

Financial liabilities are derecognised if the company's obligations specified in the contract expire or are discharged or cancelled.

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

Financial assets

Trade and other receivables

Trade and other receivables are measured on initial recognition at fair value plus directly attributable transaction costs. Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at fair value plus any directly attributable transaction costs on initial recognition and subsequently measured at amortised cost, which approximates fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)
3.12 Financial instruments (continued)

Financial liabilities
Loans and borrowings
Interest-bearing bank loans and overdrafts are initially measured at fair value less any directly attributable 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 effective interest method.

Trade and other payables
Trade and other payables are initially measured at fair value less any directly attributable transaction costs. Subsequent measurement is at amortised cost using the effective interest method.

3.13 Financial assets
Non-derivative financial assets
A financial asset not classified as at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the company on terms that the company would not consider otherwise indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

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

Significant financial assets are tested for impairment on individual basis. The remaining financial assets are assessed collectively in groups that share similar risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

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

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Impairment losses recognised in respect of a cash generating unit are allocated to reduce the carrying value of assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit 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. 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. An impairment loss is reversed only to the extent that the asset's net of depreciation or amortisation, if no impairment loss had been recognised.

3.14 Impairment of financial assets
(a) Assets carried at amortised cost
The company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of events that have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the company about the following loss events:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; and
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

    - adverse changes in the payment status of borrowers in the group; and
    - national or local economic conditions that correlate with defaults on the assets in the group.

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the company's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the company to reduce any differences between loss estimates and actual loss experienced.

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

(b) Assets carried at fair value

The company assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through other comprehensive income.

3.15 Financial liabilities and equity

Financial liabilities and equity instruments issued by the company are classified according to the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of the liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below;

i. Liabilities to customers and financial institution

These are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. They are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

ii. Other payables

Other payables comprise sundry accruals which are carried at fair value on recognition and subsequently at amortised cost, using the effective interest rate method.

iii. Equity instruments

Equity instruments issued by the company are recorded at the face value of proceeds received.

3.16 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3.17 Earnings per share

The calculation of basic earnings per share is based on the profit or loss 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 subdivision, 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. Diluted earnings per share is determined by adjusting the profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. Refer to note 25.

3.18 Dividends 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 in the register of shareholders at the date of payment. Refer to note 26.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 Critical judgements in applying the company's significant accounting policies

4.1.1 Valuation of properties

The company carries out revaluation of its land and buildings with sufficient regularity to ensure that its carrying amount does not materially differ from its fair value. In the current year, land and buildings were revalued as at 30 September 2018 by Oscar Matope (M.Sc.Property Studies - UQ, Australia, B.Sc., Dip MSIM),a registered Surveyor of Broll Malawi Limited. Refer to note 7.

4.1.2 Impairment of trade and other receivables

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. Refer to note 5.4

The company believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behaviours.

4.2 Key sources of estimation uncertainty

Information about assumptions and estimation uncertainties are included in the following notes:

4.2.1 Note 11-

impairment test; key assumptions underlying recoverable amounts, including the recoverability of receivables; and

Note 7 - The residual value and useful life of assets are reviewed at each reporting date and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate, useful lives and residual values are determined based on historical data on usage of the assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. FINANCIAL RISK MANAGEMENT

5.1 Categories of financial instruments

	Note	Loans and Receivables MK'000	Other financial liabilities MK'000	Carrying amount MK'000	Fair value MK'000
At 30 September 2018					
Financial assets					
Trade and other receivables	11	286 514	-	286 514	286 514
Cash and cash equivalents	12	493 773	-	493 773	493 773
Total financial assets		780 287	-	780 287	780 287
Financial liabilities					
Trade and other payables	17	-	648 054	648 054	648 054
Total financial liabilities					
At 30 September 2017					
Financial assets					
Investment	9	2 284	-	2 284	2 284
Trade and other receivables	11	333 830	-	333 830	333 830
Cash and cash equivalents	12	493 354	-	493 354	493 354
Total financial assets		829 468	-	829 468	829 468
Financial liabilities					
Loans and borrowings	18	-	82 354	82 354	82 354
Trade and other payables	17	-	683 468	683 468	683 468
Total financial liabilities		-	765 822	765 822	765 822

5.2 Fair value measurements

This note provides information about how the company determines fair values of various financial assets and financial liabilities.

5.2.1 Valuation techniques and assumptions applied for the purposes of measuring fair value

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

5.2.2 Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required).

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair value.

5.2.3 Fair value of the company's financial assets and financial liabilities that are measured at fair value on a recurring basis

The company did not have any financial assets and financial liabilities that are measured at fair value at the end of the reporting period.

5.3 Overview of the company's financial risk management framework

The company has exposure to the following risks from its use of financial instruments:
- credit risk;
- liquidity risk; and
- 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.

Risk management framework

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 Audit Committee of the Board oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the company. The audit committee is assisted in its oversight role by an outsourced internal audit function. The outsourced internal audit function undertakes regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the audit committee.

5.4 Credit Risk

Credit risk is the risk of the financial loss of the company if the customer or counterparty to the financial instrument fails to meet its contractual obligations and arises principally from the company's receivables.

Exposure to credit risk

The carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

	Notes	2018 MK'000	2017 MK'000
Trade receivables	11	224 663	295 315
Other receivables (excluding prepayments)	11	61 851	38 515
Cash and cash equivalents	12	493 773	493 354
Total		780 287	827 184

The Board established a credit policy under which each new customer is analysed individually for credit worthiness before the company's standard payment terms and conditions are offered. The company's reviews include bank references and other trade references. Customers that fail to meet the company's benchmark creditworthiness may transact with the company on a prepayment basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Financial risk management (Continued)
5.4 Credit Risk (Continued)

Cash deposits are held with Standard Bank Plc, National Bank of Malawi Plc, CDH Investment Bank Limited and NBS Bank Plc. These banks are highly-reputable banks in Malawi and are all licensed by the Reserve Bank of Malawi.

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The component of this allowance are specific loss component that relates to individually significant exposures and collective loss component established for the company's assets in respect of the losses that have been incurred but not yet identified. The collective loss allowance is determined based on the historic data of payment statistics for similar financial assets.

Credit quality of financial assets

Trade and other receivables comprise mainly of balances due from corporate entities, travel agents and tour operators. Rigorous assessment of the credit worthiness of these corporate entities, travel agents and tour operators is undertaken before credit is granted. The company does not hold any collateral over these balances.

The maximum exposure to credit risk for trade receivables at the end of the reporting period by geographic region was as follows:

	Notes	2018 MK'000	2017 MK'000
Based in Malawi	11	224 663	295 315
		224 663	295 315

The maximum exposure to credit risk for trade receivables at the end of the reporting period by type of counterparty was as follows:

	Notes	2018 MK'000	2017 MK'000
Corporate customers	11	224 663	295 315

Impairment losses

The aging of trade and other receivables at the end of the reporting period was as follows:

	Notes	2018 MK'000	2017 MK'000
Not past due	11	138 986	185 858
Past due but not impaired	11	100 526	121 087
Impairment	11	(14 849)	(11 630)
Total		224 663	295 315

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

	Notes	2018 MK'000	Net 2017 MK'000
Impairment at beginning of the year	11	11 630	5 569
Impairment reversed	11	(7 183)	(5 569)
Impairment recognised	11	10 402	11 630
Balance as at end of the year		14 849	11 630

In determining the recoverability of a trade receivable, the company considers any change in the current quality of the trade receivable from the date credit was initially granted up to the end of the reporting period.

The company believes that the unimpaired amounts that are past due more than 30 days are still collectible based on the historic payment behaviour and extensive analysis of the customer credit risk.

Cash and cash equivalents

The company held cash and cash equivalents of MK494 million (2017: MK493 million) as at 30 September 2018 of which MK187million (2017: MK322 million) was in foreign denominated accounts.

5.5 Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligation associated with the financial liabilities that are settled by delivering cash or another financial asset. 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 they fall due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the company's reputation.

The following are the contractual maturities of the financial liabilities, including estimated interest payments.

	Note	Carrying amount MK'000	Contractual cash flows MK'000	Less than 1 year MK'000	After 1 year MK'000
As at 30 September 2018					
Trade payables and other payables	17	648 054	648 054	648 054	-
As at 30 September 2017					
Loans and borrowings	18	82 354	82 354	82 354	-
Trade payables and other payables	17	683 468	683 468	683 468	-
		765 822	765 822	765 822	-

5.6 Market risk

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

5.6.1 Currency risk

The company is exposed to currency risk on sales and purchases that are denominated in currency other than the functional currency of the company, which is Malawi Kwacha. The currencies in which these transactions are primarily denominated are United States Dollar and the South African Rand.

All purchases in foreign currency are economically hedged by Foreign Currency Denominated Accounts (FCDA's) in the same currencies. Any purchase in USD is paid for using funds in USD account and the same applies to South African Rand. 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.

No other hedge is actively taken out for this risk. However, exchange rate exposures are managed mainly using accelerated payments and borrowings in local currency to finance foreign purchases. Accelerated payments of foreign currency payable minimises exposure to foreign currency risk by reducing the amounts due in foreign currency.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Financial risk management (Continued)
5.6 Market risk (Continued)
5.6.1 Currency risk (continued)

The company's foreign exchange exposures at the reporting date were as follows:

	Assets	Liabilities	Net	Exchange Rate movement	Impact on profit and equity (net of tax)
USD	175 609	-	175 609	10%	11754
ZAR	3 371	-	3 371	10%	236
GBP	1 182	-	1 182	10%	83
EUR	6 482	-	6 482	10%	454
	186 644	-	186 644		12 527

As at 30 September 2018, if the Malawi Kwacha had weakened/strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year and equity would have been MK12.5 million (2017: MK22.6 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currency-denominated financial instruments.

5.6.2 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.

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

Variable rate instruments	Notes	Carrying amounts 2018 MK'000	2017 MK'000
Loans and borrowings	18	-	82 354
		-	82 354

The loan, which was obtained from CDH Investment Bank, had interest borne at National Bank of Malawi's base lending rate minus 5% per annum and the amount was fully paid in the year.

Cash flow sensitivity analysis for variable rate instruments
An increase of 5% in interest rates at the reporting date would have increased interest being charged to the profit or loss by nil (2017: MK8 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Fixed rate instrument

	Notes	2018 MK'000	2017 MK'000
Cash and cash equivalents	12	276 454	97 893

Cash and cash equivalents earn interest at a rate of 0.3% - 16% (2017: 0.3% - 30.0%).

Fair value sensitivity analysis for fixed rate instruments
The company does not account for any fixed rate financial instrument at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

6. Capital management

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 total borrowings divided by total capital. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

	2018 MK'000	2017 MK'000
Trade and other payables	648 054	683 468
Total borrowings	-	82 354
Total Borrowings	648 054	765 822
Total equity	6 253 349	5 147 001
Gearing ratio	10%	15%

The company is not subject to any externally imposed capital requirements.

7. Property and equipment

	Freehold land MK'000	Buildings MK'000	Motor vehicles MK'000	Furniture equipment MK'000	Capital WIP MK'000	Total MK'000
Cost/valuation						
At 1 October 2016	665 000	4 971 000	118 711	967 108	4 249	6 726 068
Additions during the year	-	-	5 265	139 903	176 873	322 041
Reclassification	-	-	-	-	(4 249)	(4 249)
Disposals	-	-	(4 483)	(25 494)	-	(29 977)
At 30 September 2017	665 000	4 971 000	119 493	1 081 517	176 873	7 013 883
1 October 2017	665 000	4 971 000	119 493	1 081 517	176 873	7 013 883
Additions during the year	-	2 407	-	108 040	67 166	177 613
Transfers	-	64 881	-	54 654	(119 535)	-
Reclassification	-	-	-	(2 045)		(2 045)
Disposals	-	-	-	(2 214)	-	(2 214)
Surplus on revaluation	65 000	1 031 712	-	-	-	1 096 712
At 30 September 2018	730 000	6 070 000	119 493	1 239 952	124 504	8 283 949

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Property and equipment (Continued)

	Freehold land MK'000	Buildings MK'000	Motor vehicles MK'000	Furniture equipment MK'000	Capital WIP MK'000	Total MK'000
Accumulated depreciation						
At 1 October 2016	-	-	54 237	442 705	-	496 942
Depreciation charge for the year	-	38 793	18 993	96 549	-	154 335
Eliminated on disposals	-	-	(4 423)	(24 844)	-	(29 267)
At 30 September 2017	-	38 793	68 807	514 410	-	622 010
At 1 October 2017	-	38 793	68 807	514 410	-	622 010
Depreciation charge for the year	-	39 249	18 261	114 139	-	171 649
Eliminated on disposals	-	-	-	(2 074)	-	(2 074)
Reclassification	-	-	-	(2 044)	-	(2 044)
Reversed on revaluation	-	(78 042)	-	-	-	(78 042)
At 30 September 2018	-	-	87 068	624 431	-	711 499
Carrying amounts						
At 30 September 2018	730 000	6 070 000	32 425	615 521	124 504	7 572 450
At 30 September 2017	665 000	4 932 207	50 686	567 107	176 873	6 391 873

The registers of land and buildings are available for inspection at the company's registered office.

Fair value measurement of the company's land and buildings
Land and buildings were revalued as at 30 September 2018 by Oscar Matope Msc. Property Studies –UQ, Australia, Bsc. Dip. MSIM), a registered Surveyor of Broll Malawi Limited, a qualified independent valuer.
Land and buildings were valued on comparable market value basis. Had it been that the company did not adopt a revaluation policy, the carrying amount of land and buildings would have been K747 million (2017: K688 million).

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

	2018			2017	
	Level1 MK'000	Level 2 MK'000	Level 3 MK'000	Fair value MK'000	Level 3 MK'000
Land and building	-	-	6 800 000	-	5 595 207

There were no transfers between levels 1, 2 and 3 during the year.

The following table shows the valuation technique used in measuring the fair values of property and equipment, as well as the significant unobservable inputs used.

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The valuation expert adopted a Market Value Approach (i.e. Market Value). The market value basis of valuation is interpreted as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.	In valuation of properties in the hospitality industry, use of trading revenue or estimated or reasonably anticipated revenue from the business and operating expenses is made to formulate an opinion on market value.	a) The adjustment in room revenue during the year was part of the consideration in the determination of fair value of the property.
Depreciated Replacement Cost (DRC) Depreciated Replacement Cost (DRC) basis of valuation is interpreted as the current cost of replacing an asset with its modem equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. This approach is applied to properties of such specialist nature for which there is no active market so that it is impossible to find evidence of market transactions, except by way of a sale of the business or entity of which it is part, due to the uniqueness arising from its specialised nature and design.	In arriving at the valuation figures, necessary adjustments have been made in order to reflect perceived market conditions. For the purpose of this report necessary considerations have been made to reflect such important factors as type of construction; property set-up i.e. accommodation and condition of buildings.	a) expected replacement costs were higher (lower)

As at 30 September 2018, the property was encumbered in favour of National Bank of Malawi PLC and Nico Holdings PLC to secure amounts previously borrowed from these institutions. As at the time of approval of these financial statements, the entity was in the process of discharging the property from these encumbrances as it had already fully repaid the secured borrowings in previous year.

	2018 MK'000	2017 MK'000
Cost at the beginning of the year	28 062	19 879
Additions during the year	2 926	8 183
At the end of the year	30 988	28 062
Amortisation		
Balance at the beginning of the year	19 941	17 403
Amortisation charge for the year	4 066	2 538
At the end of the year	24 007	19 941
Carrying amount at the end of the year	6 981	8 121

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2018 MK'000	2017 MK'000
9. Investment in shares	-	2 284

The company had a 10% shareholding in Unparalleled Journeys, a company registered in New Zealand and involved in travel business. The investment was sold and the profit realised on sale is included in sundry income.

10. Inventories

	2018 MK'000	2017 MK'000
Food stuff and Beverages	100 956	116 882
Consumables	132 200	168 681
Operating stock	165 739	126 499
	398 895	412 062

11. Trade and other receivables

	2018 MK'000	2017 MK'000
Trade receivables	239 512	306 945
Less: Impairment	(14 849)	(11 630)
	224 663	295 315
Sundry receivables	58 268	34 052
Staff advances	3 583	4 463
Prepayment	25 518	26 983
	312 032	360 813

The average credit period for trade receivables is 30 days. No interest is charged on outstanding balance. Refer to note 5.4 for the credit quality of receivables.

12. Cash and cash equivalents

	2018 MK'000	2017 MK'000
Foreign currency accounts	186 644	322 360
Current account balances	30 675	73 101
Fixed deposits	276 454	97 893
	493 773	493 354

The company's bank accounts were with CDH Investment Bank, National Bank of Malawi Plc, NBS Bank Plc, Alliance Capital Limited and Standard Bank Plc. The balances were earning interest ranging from 0.3% to 16% (2017: 0.3% to 30%) per annum. The fixed deposits all mature within 90 days of the year end.

13. Share capital

	2018 MK'000	2017 MK'000
Authorised 5,000,000,000 ordinary shares at 5 tambala each (2017: 140,000,000 ordinary shares at 25 tambala each)	250 000	35 000
Issued and fully paid 839,750,705 (2017: 129,192,416 ordinary shares)	41 988	32 298

During the year the company issued 38,757,725 bonus shares from retained earnings of MK1,085,216,300 at a price of MK28.00 per share by issuing 3 (three) new ordinary shares for every 10 (ten) ordinary shares held in the company and issued another additional shares of 671,800,564 shares through a share split of 1 (one) share held in the company after the bonus issue into 5 (five) shares held in the company, resulting in a decrease in the par value from 25 Tambala per share to 5 Tambala per share and increased the authorised number of shares to 5,000,000,000 of par value 5 Tambala per share.

14. Share premium

	2018 MK'000	2017 MK'000
At the beginning of the year	264 626	264 626
Issue of equity shares	1 075 527	-
At the end of the year	1 340 153	264 626

15. Revaluation reserve

	2018 MK'000	2017 MK'000
At the beginning of the year	3 518 171	3 518 987
Revaluation surplus	1 174 754	-
Excess depreciation on revaluation	(31 331)	(5 876)
Deferred tax	(336 190)	5 060
	4 325 404	3 518 171

16. Deferred tax liabilities

	Assets		Liabilities		Net	
	2018 MK'000	2017 MK'000	2018 MK'000	2017 MK'000	2018 MK'000	2017 MK'000
Property, plant and equipment	-	-	1 931 769	1 595 579	1 931 769	1 595 579
Other temporary differences	(23 505)	(24 038)	-	-	(23 505)	(24 038)
Total	(23 505)	(24 038)	1 931 769	1 595 579	1 908 264	1 571 541

Deferred tax liabilities movement can be analysed as follows:-

	Balance at beginning of the year MK'000	Recognised in profit or loss MK'000	Recognised in other comprehensive income/equity MK'000	Balance at end of the year MK'000
Description 2018				
Property and equipment	1 595 579	-	336 190	1 931 769
Other temporary differences	(24 038)	533	-	(23 505)
	1 571 541	533	336 190	1 908 264
Description 2017				
Property and equipment	1 601 756	(1 117)	(5 060)	1 595 579
Other temporary differences	(6 844)	(17 194)	-	(24 038)
	1 594 912	(18 311)	(5 060)	1 571 541

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2018 MK'000	2017 MK'000

17. Trade and other payables

	2018 MK'000	2017 MK'000
Trade payables	251 276	245 061
Other payables	396 778	438 407
Total trade and other payables	648 054	683 468
Other payables include the following:		
Accruals	119 143	74 913
Audit fees	19 867	18 085
Defined contribution pension accrual	10 133	9 360
Gym advance payments	292	368
Management fees payable	97 075	116 340
Incentive fee payable	30 108	20 820
Staff bonus	26 276	27 780
Advance deposits	32 216	117 617
Unclaimed dividends	9 637	6 181
	344 747	391 464
Other taxes due	21 222	13 023
VAT payable	30 809	33 920
	396 778	438 407

The directors consider that the carrying amounts of trade and other payables approximate to their fair value. These amounts do not attract any interest.

18. Loans and borrowings

	2018 MK'000	2017 MK'000
Amounts due within one year	-	82 354
Total loans payable to third parties	-	82 354
The movement on loans payable to third parties is analysed as below:		
At the beginning of the year	82 354	178 833
Loan repaid during the year	(82 354)	(96 479)
At the end of the year	-	82 354

The loan, which was obtained from CDH Investment Bank, interest borne at National Bank of Malawi's base lending rate minus 5% per annum and was repayable over 43 months from June 2014 and was secured by a charge of MK430 million over the hotel building situated on Plot Title No. Blantyre West 132 whose carrying value as at 30 September 2018 was MK6.8 billion (2017: MK5.6 billion). The loan was fully repaid in the year.

19. Income tax

	2018 MK'000	2017 MK'000
Current income tax liabilities		
Balance at the beginning of the year	184 143	54 274
Charge for the year	134 784	254 573
Prior year tax overprovision	(26 205)	-
Paid during the year	(318 258)	(124 704)
Balance at the end of the year	(25 536)	184 143

		2018 MK'000		2017 MK'000
Income tax expense				
Income tax payable at 30% (2017: 30%)		108 579		254 573
Deferred tax movement (net) (note 16)		533		(18 311)
Total income tax expense		109 112		236 262
Reconciliation of the effective tax rate				
Profit before tax		460 871		742 800
Income tax at standard rate 30%	30%	138 261	30%	222 840
Permanent differences	(6%)	(29 149)	2%	13 422
Effective tax	24%	109 112	32%	236 262

20. Related party transactions

The company's major shareholders are NICO Life Insurance Company Limited, Africap LLC and Press Trust.

Services are supplied in the ordinary course of business by the company to shareholders and by shareholders to the company at arm's length.

The following related party transactions took place during the year:

Related party	Relationship	Type of transaction	Value of transactions from/(to) 2018	Balance at year end 2018	Value of transactions from/(to) 2017	Balance at year end 2017
Nico Asset Managers Limited	Common shareholder	Transfer, company secretarial and consultancy fees	(64 337)	(41 268)	(11 573)	-
Luxury Hotels International South Africa (Pty) Limited	Management company	- Management fees	(122 702)	(48 538)	(123 785)	(58 170)
		- Marketing fees	(122 513)	(48 537)	(123 785)	(58 170)
		- Incentive fees	(9 531)	(30 108)	(11 403)	(20 820)
NICO Life Insurance Limited	Shareholder	Accommodation	7 123	(3 877)	15 617	3 773
		Pension and Life cover	(89 237)	(10 132)	(74 782)	(9 360)
NICO Holdings Plc	Parent of shareholder	Accommodation	17 517	3 680	23 779	4 903
Press Trust	Shareholder	Accommodation	2 548	-	7 436	1 290
Procurement International	Subsidiary of Management Co	Guest supplies	(34 305)	(15 589)	(183 921)	-
Broll Malawi	Entity in which a Director has shareholding	Accommodation	694	-	362	-
		Asset valuation	(2 145)	(2 145)	-	-
		Property management fees	298	-	-	-
NICO General Insurance Company Limited	Common shareholder	Accommodation	534	-	5 059	423
		Insurance	(40 623)	-	(39 057)	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Related party transactions (continued)

The amounts in brackets indicate that the goods/services were acquired by Blantyre Hotels Plc from related parties whilst the others indicate services provided to the related parties at arm's length.
The balances are interest free and are payable in normal course of business.

Nico Asset Managers	Common shareholder	Secretarial services
Nico Asset Managers	Common shareholder	Accommodation
Procurement International Limited	Subsidiary of management company	Guest supplies

Compensation to key management personnel
In addition to key management personnel's salaries the company also provides non-cash benefits to a post-employment defined contribution plan for key management personnel's benefits. In accordance with the plan employees contribute 8.63% of the basic pay while the company contributes 15.62% of the basic pay to cover pension and group life cover.

Salaries and cash benefits to key management personnel were as follows:

	2018 MK'000	2017 MK'000
Short-term employee benefits		
Salaries and bonuses	138 311	125 335
Directors' fees	8 066	7 074
Other long-term employee benefits		
Pension	89 237	81 618

21. Revenue

	2018	2017
Accommodation	2 247 297	2 439 939
Food and beverage	1 705 412	1 619 397
Other revenues	93 233	58 756
Total revenue	4 045 942	4 118 092

22. Cost of sales

	2018	2017
Salaries and wages	746 245	692 297
Guest entertainment and supplies + Sundries	184 706	159 722
Room cleaning and maintenance + telephone	98 942	111 825
Food and beverages costs	783 988	752 409
Total cost of sales	1 813 881	1 716 253

23. Selling and administration expenses

	2018 MK'000	2017 MK'000
Auditor's fees and expenses	21 369	18 409
Bad debt actual	3 082	2 676
Bad debt provision	3 219	6 061
Bank charges	7 779	9 101
Board expenses	11 778	14 964
Commission on credit cards	42 136	47 562
Computer expenses	16 865	17 175
Company secretarial and transfer expenses	32 417	16 307
Depreciation and amortsation	175 715	156 873
Directories fees	8 066	7 074
Donation and subscriptions	4 963	8 002
Fees to management company (Note 23.1)	254 746	258 973
Fringe benefit tax	26 571	15 899
Internal audit expense	9 068	6 144
Insurance	35 052	32 463
Legal and professional fees	25 617	12 396
Levies, licenses and permits	1 442	2 783
Listing expenses:		
Malawi Stock Exchange annual listing fees	14 339	8 595
Accountants fees on bonus and share split issue	5 590	-
Consultancy fees on bonus and share split issue	32 000	-
Sponsoring broker fees	7 000	-
Listing fees on bonus and share split issue	8 008	-
Marketing expenses	74 144	61 748
Motor vehicles	18 269	19 231
Other staff costs	163 972	158 787
Postage	2 224	1 415
Power and lighting	204 799	135 426
Printing and stationery	19 708	16 780
Promotion	47 245	15 843
Rates and taxes	27 057	23 602
Repairs and maintenance	132 000	193 659
Salaries and wages	223 833	220 729
Security	54 763	48 999
Sundry expenses	56 593	34 473
Telephone	20 888	19 952
Travel	14 459	22 075
Water	37 443	37 129
Total	1 844 219	1 651 305

23.1 Fees payable to management company

	2018	2017
Management fees	122 703	123 785
Marketing fees	122 513	123 785
Incentive fees	9 530	11 403
	254 746	258 973

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2018 MK'000	2017 MK'000

24. Finance income/(costs)

	2018 MK'000	2017 MK'000
Interest income – on bank balances	23 525	22 152
Exchange gain (net)	133	-
	23 658	22 152
Interest expense and other finance costs		
Interest on loans	(8 562)	(35 816)
Exchange losses (net)	-	(9 295)
	(8 562)	(45 111)
Net finance income/(costs)	15 096	(22 959)

25. Earnings per share

The calculation of basic and diluted earnings per share is based on profit attributable to shareholders of MK352 million (2017: MK507 million) and the weighted average number of ordinary shares during the year of 839,750,705 (2017: 839,750,705 as restructured)

Due to the issue of bonus shares and share split during the year, the prior year basic and diluted earnings per share was adjusted in accordance with IAS 33 Earnings per Share as below:-

	2018	2017
Profit for the year (MK'000)	351 759	506 538
Weighted average number of shares ('000)	839 750	839 750
Basic and diluted earnings per share (tambala)	42	60

26. Dividends

	2018	2017
2016 Interim dividend of MK0.30 per share declared and paid in the November 2016	-	38 758
2016 final dividend of MK0.20 per share declared and paid in April 2017	-	25 838
2017 Interim dividend of MK0.50 per share declared and paid in April 2017	-	64 596
2017 Second interim dividend of MK0.50 per share and paid in December 2017	64 596	-
2017 Final dividend of MK0.15 per share declared and paid in May 2018	19 379	-
Total dividend declared and paid during the year	83 975	129 192

27. Capital commitments and contingent liabilities

The board approved capital commitments relating to refurbishment and equipment costs amounting to MK320 million at the end of the year (2017: MK322 million). These costs are to be funded wholly by funds generated internally.

28. Reportable segments

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of services provided. The directors of the company have chosen to organise the company around differences in services provided. No operating segments have been aggregated in arriving at the reportable segments of the company. Specifically, the company's reportable segments under IFRS 8 are Accommodation and Food and Beverage.

	Accommodation		Food and beverage	
	2018 MK'000	2017 MK'000	2018 MK'000	2017 MK'000
Revenue	2 247 297	2 439 939	1 705 412	1 619 397
Segment profit	1 801 845	1 996 003	457 917	415 336

Revenue reported above represents revenue generated from external customers.

The segments do not have separately reportable assets and liabilities.

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.

	2018	2017
Malawi Kwacha/Rand	51.88	54.60
Malawi Kwacha/US Dollar	728.25	725.65
Inflation rate (%)	9.5%	8.4%

As at the approval of these financial statements, the exchange rates had moved as follows:

Malawi Kwacha/Rand	51.51
Malawi Kwacha/US Dollar	730.87
Inflation rate (%) (January 2019)	8.8

30. Events after reporting period

Subsequent to the reporting date, no events have occurred necessitating adjustments to or disclosures in the financial statements.

KEY SHAREHOLDER STATISTICS

This information does not form part of the financial statements

Country Statistics for Blantyre Hotels as at 30 September 2018

Country	Total Shares	Total Shares %	Total Holders	Holders %
AUSTRALIA	244,745	0.03	2	0.77
UNITED KINGDOM	1,247,055	0.15	10	3.86
MAURITIUS	650	0.00	1	0.39
MALAWI	564,483,495	67.22	211	81.47
NETHERLANDS	8,580	0.00	1	0.39
SWAZILAND	168,025	0.02	2	0.77
UNITED STATES OF AMERICA	269,987,525	32.15	1	0.39
SOUTH AFRICA	1,919,850	0.23	15	5.79
ZIMBABWE	1,690,780	0.20	16	6.18
Totals	839,750,705	100.00	259	100.00

Industry Statistics for Blantyre Hotels as at 30 September 2018

Industry	Total Shares	Total Shares %	Total Holders	Holders %
BANKS/NOMINEES	325,000	0.04	1	0.39
FOREIGN COMPANY	270,379,485	32.20	6	2.32
FOREIGN INDIVIDUAL	4,887,725	0.58	42	16.22
INSURANCE / ASSURANCE	650,000	0.08	1	0.39
INVEST/TRUST ETC.	8,571	0.00	1	0.39
LOCAL COMPANY	537,402,470	64.00	22	8.49
LOCAL INDIVIDUAL	15,057,235	1.79	171	66.02
PENSION/PROVIDENT	3,754,400	0.45	3	1.16
RESIDENT IND	7,285,819	0.87	12	4.63
Totals	839,750,705	100.00	259	100.00

Ranges Statistics for Blantyre Hotels as at 30 September 2018

Description	Total Shares	Total Shares %	Total Holders	Holders %
1 - 5000 shares	30 415	0,00	19	7,34
5001-25,000 shares	649 309	0,08	55	21,24
25,001-50,000 shares	1 821 615	0,22	52	20,08
50,001-100,000 shares	3 026 286	0,36	40	15,44
100,001-200,000 (up to two hundred thousand) shares	7 805 150	0,93	52	20,08
200,001-500,000 (up to five hundred thousand) shares	5 244 510	0,62	16	6,18
500,001-1,000,000 (up to 1 million) shares	6 991 720	0,83	10	3,86
1,000,001 (greater than 1 million) shares	814 181 700	96,96	15	5,79
Totals	839 750 705	100,00	259	100,00