BLANTYRE HOTELS PLC

ANNUAL REPORT 2020

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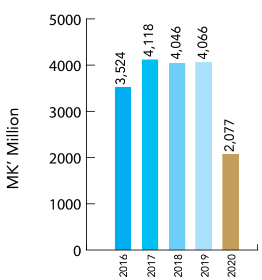
Contents

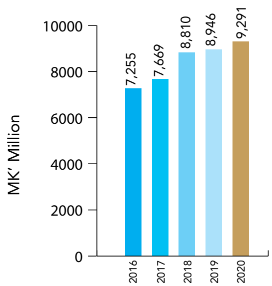
COMPANY
FIVE YEAR HIGHLIGHTS

	2016	2017	2018	2019	2020
Gross Revenue (MK' Million)	3,524	4,118	4,046	4,066	2,077
Profit/(Loss) Before Tax (MK' Million)	576	743	461	699	(590)
Earnings/(Loss) per Share (Tambala)	321	60	42	56	(48)
Gross Dividend Paid (MK' Million)	129	149	134	168	-
Gross Dividend per Share (Tambala)	100	115	16	20	-
Total Assets (MK' Million)	7,255	7,669	8,810	8,946	9,291
Net Assets (MK' Million)	4,765	5,147	6,253	6,495	6,800
Share Price (Tambala)	1290	2500	1131	1295	1294
Net Asset Value per Share (Tambala)	3688	3984	745	773	810
Price to Book Value (times)	0.35	0.63	1.52	1.67	1.60
Price Earnings Ratio (times)	4.02	41.66	26.93	23.13	(26.96)
Market Capitalisation (MK' Million)	1,667	3,230	9,498	10,875	10,866

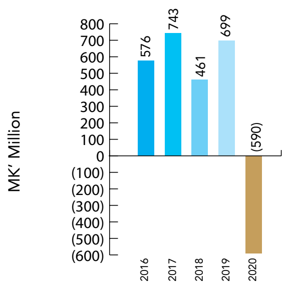
GROSS REVENUE



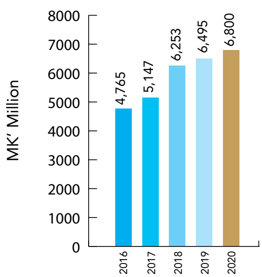
TOTAL ASSETS



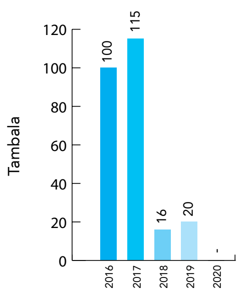
PROFIT BEFORE TAX



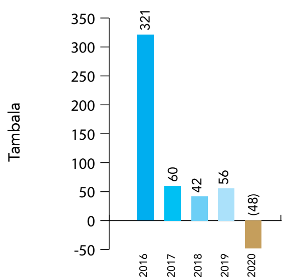
NET ASSETS



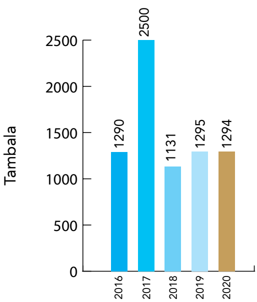
DIVIDEND PER SHARE



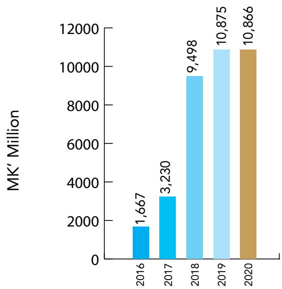
EARNINGS PER SHARE



SHARE PRICE



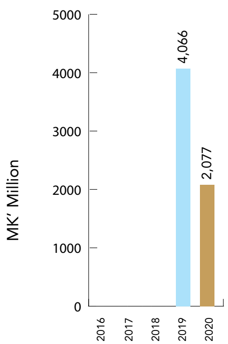
MARKET CAPITALISATION



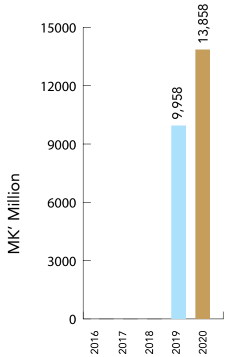
GROUP
FIVE YEAR HIGHLIGHTS

	2016	2017	2018	2019	2020
Gross Revenue (MK' Million)	-	-	-	4,066	2,077
Profit/(Loss) Before Tax (MK' Million)	-	-	-	696	(668)
Earnings/(Loss) per Share (Tambala)	-	-	-	56	(54)
Gross Dividend Paid (MK' Million)	-	-	-	168	-
Gross Dividend per Share (Tambala)	-	-	-	20	-
Total Assets (MK' Million)	-	-	-	9,958	13,858
Net Assets (MK' Million)	-	-	-	6,493	6,744
Share Price (Tambala)	-	-	-	1295	1294
Net Asset Value per Share (Tambala)	-	-	-	773	803
Price to Book Value (times)	-	-	-	1.67	1.61
Price Earnings Ratio (times)	-	-	-	23.13	(23.96)
Market Capitalisation (MK' Million)	-	-	-	10,875	10,866

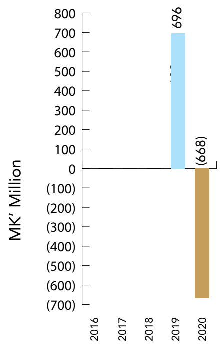
GROSS REVENUE



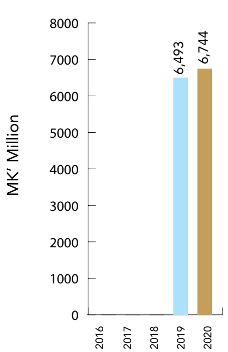
TOTAL ASSETS



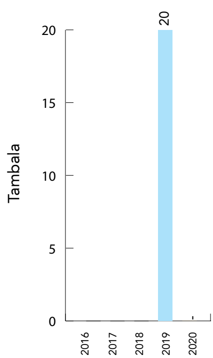
PROFIT BEFORE TAX



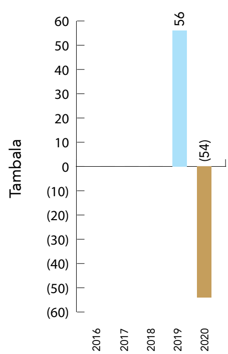
NET ASSETS



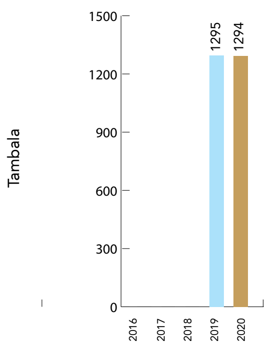
DIVIDEND PER SHARE



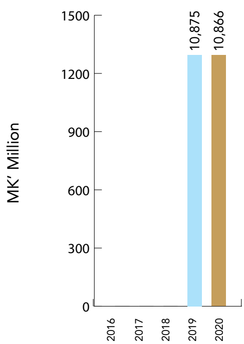
EARNINGS PER SHARE



SHARE PRICE

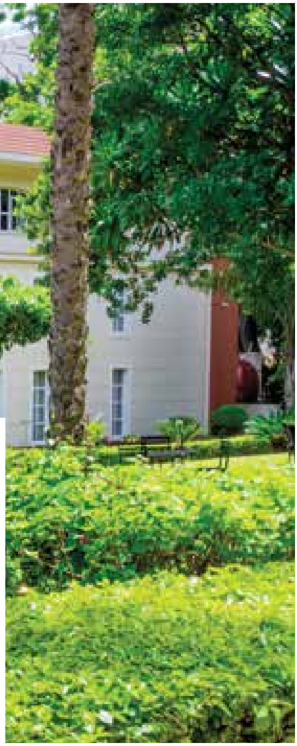


MARKET CAPITALISATION



CHAIRPERSON'S STATEMENT

It is my pleasure to report on the Group and Company's performance in respect of the financial year ended 30 September 2020.



OVERVIEW OF RESULTS

Total revenue for the Group amounted to K2.077 billion which was 49% below 2019 revenue of K4.065 billion. The drop in revenue was due to the impact of the COVID-19 pandemic which has had adverse effects in the hospitality industry worldwide. Ryalls Hotel occupancy levels were at 30% compared to 61% achieved for the same period last year.

Direct expenses decreased from K1.740 billion to K1.153 billion representing a decrease of 34%. The decrease was as a result of a decline in business and due to cost control measures which were implemented in the year as a strategy to manage the performance challenges that the company was experiencing due to the COVID 19 pandemic. Group Selling and administration expenses decreased by 4% mainly due to savings on some expenditure lines. During the year, the Group incurred additional costs of K25 million on capital raising for the Lilongwe Ryalls Hotel project. As Shareholders will recall, the company is through a special purpose vehicle, Oasis Hospitality Limited, working on construction of a hotel in Lilongwe.

As a measure to further manage the adverse effects of the COVID 19 Pandemic and to ensure that the hotel maintains the quality of service to its customers amidst decreasing income levels, the Company carried out a retrenchment and staff restructuring exercise at a cost of K190 million.

The Group registered a loss after tax of K453 million compared to previous year's profit of K467million representing a decrease of 197%. This performance was mainly attributed to the impact of the COVID-19 pandemic.

PROSPECTS

The hospitality industry is among the industries that have taken a massive hit from effects of the COVID -19 pandemic. Its future impact is unpredictable, however, the approval and implementation of vaccination programs in a number of countries has brought up hope for the future. The business has remained resilient amidst these challenges, focusing on the safety of our guests and associates and working towards improving the guest experience and service delivery. The Board is confident that business will return to normal once the COVID-19 is contained through various measures being taken worldwide.

LILONGWE RYALLS HOTEL PROJECT

Land title for the project site was secured during the year. Progress on the capital raise has however been slow due to effects of the COVID-19 pandemic.

DIVIDEND

In light of the current performance levels, the Board does not recommend a dividend for the year ended 30 September 2020.

CLOSING REMARKS

On a sad note, we lost our General Manager, Mr David Church in December 2020. David joined the Hotel in February 2020. During his short tenure in office, he proved to be a transformational leader, change agent and a result centric individual. On behalf of the Board of Directors and on my own behalf, I offer our condolences to the family of the late David Church.

Let me also take this opportunity to thank the former Chairman of the Board, Mr. Vizenge Kumwenda who chaired the Board during the year under review and retired from the Board in September 2020, for his leadership on the Board. I also thank my fellow Directors on the Board for the trust and confidence shown by appointing me to be the Chairperson of the Board.

Last but not least, I express on behalf of the Board, profound gratitude to the entire staff of Blantyre Hotels plc and to our Hotel Manager, Marriott International, for the relentless effort and resilience displayed during such an unprecedented challenging operating environment.

Emily Makuta
Chairperson

PROFILE OF **DIRECTORS**

Emily Makuta
Chairperson
Non-Executive

Emily Makuta holds a Bachelor of Law (Hons) Degree from the University of Malawi and a Masters' Degree in International Economic Law from the University of Warwick, UK. She qualified as a Chartered Secretary with the Institute of Chartered Secretaries and Administrators (UK) in 2007 and holds an International Diploma in Compliance from the Manchester Business School and the International Compliance Association.

She previously worked in the banking sector, first in an investment, development and merchant banking environment plus legal support in pensions; and later in a commercial bank. Early in her career she worked as a legal practitioner in two busy private legal firms. She has also been an adjunct lecturer for the Masters in Commercial Law program at the University of Malawi Chancellor college, lecturing in Corporate Governance. Emily Makuta is currently the Group Company Secretary for NICO Holdings plc providing legal, compliance and governance expertise and support to the NICO Group companies.

Emily's areas of experience and expertise therefore are in, legal practice, governance, compliance, commercial transactions (negotiations, legal drafting and analysis) with substantive experience and expertise in investment banking and project finance.

Mr. Andrew Katimba holds a Master of Business Administration from the University of Derby. He is a Fellow of the Chartered Association of Certified Accountants of the United Kingdom. Mr. Katimba has worked with Toyota Malawi as its Finance Director/ Head of Finance from 2005 to 2012 and from 2012 to 2016, he was the General Manager (Aftersales). From 2016 to date, he is the General Manager (Corporate) of Toyota Malawi. Mr. Katimba served as Chairman of Blantyre Sports Club from 2010 to 2012; Member of the Board of Malawi Bureau of Standards from 2013 to 2014 and he is currently the Chairman of the Toyota Malawi Pension Trustees Board, a position he has held since 2013. He brings to the Board a wealth of experience in entrepreneurship and business innovation.

Mr Andrew Katimba
Non-Executive Director

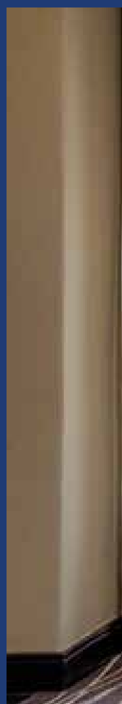
Ms. Chikondi Ng'ombe holds a Master's Degree in Development Finance from the University of Stellenbosch, and is a seasoned marketing professional. She is currently the Head of Marketing and New Solutions at Lafarge Cement Malawi. From March 2005 to December 2017, she rose through the ranks in Unilever Malawi to become its Country Manager from August 2013 to May 2016 and then Country Manager for Unilever Zambia to December 2017. She brings to the Board a wealth of experience in business strategy development and marketing management.

Ms Chikondi Ng'ombe
Non-Executive Director

Mr Elias Azele Malion
Non-Executive 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.

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
Non-Executive 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, Blantyre Hotels PLC and is currently the Board Chairperson of ICON Properties Plc.

Beatrice Fumba
Human Resources Manager

Beatrice is a seasoned, driven and self-motivated Human Resource Professional, with 16 years of experience in Human Resource Management, 4 of which were acquired from different Hotels in the United Kingdom. Before joining Blantyre Hotels plc, she worked as a Senior Human Resources Manager for Amaryllis Hotel in Blantyre and prior to that, worked with Old Mutual Malawi as a Human Resource Consultant. She is an accomplished public speaker and the immediate past president for Blantyre Toastmasters International Club.

She holds a Bachelor's of Arts Degree in Human Resource Management from Chancellor College, University of Malawi. She is an Associate Member of the Association of Business Executives (ABE) in the United Kingdom. She is a member of the Institute of People Management Malawi (IPMM) and also sits in the Finance and Administration Committee for Employers Consultative Association of Malawi (ECAM).

Chikondi is a qualified and seasoned accountant with over 20 years of experience, 15 years of which has been with an audit firm having worked with Graham Carr, certified public accountants firm and a member of Nexia International. Prior to joining Blantyre Hotels, she worked as a Finance Manager for Entyre Limited, a trading and manufacturing company.

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 Certified Public Accountant(CPA) with Institute of Chartered Accountants of Malawi.

Mrs Chikondi Msosa
Finance Manager

COUNTRY

Country Code	Description	Shareholders	% of Holders	Shares	% of Shares
AUS	AUSTRALIA	2	0.71	244,745	0.03
GBR	UNITED KINGDOM	10	3.56	1,247,055	0.15
MUS	MAURITIUS	1	0.36	650	0.00
MWI	MALAWI	233	82.92	564,483,495	67.22
NLD	NETHERLANDS	1	0.36	8,580	0.00
SWZ	SWAZILAND	2	0.71	168,025	0.02
USA	UNITED STATES OF AMERICA	1	0.36	269,987,525	32.15
ZAF	SOUTH AFRICA	15	5.34	1,919,850	0.23
ZWE	ZIMBABWE	16	5.69	1,690,780	0.20
Totals		281	100.00	839,750,705	100.00

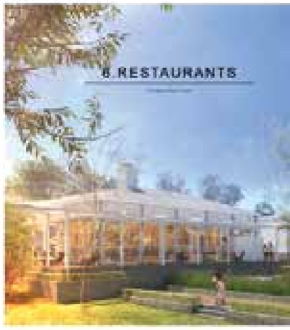
INDUSTRY

Industry Code	Description	Shareholders	% of Holders	Shares	% of Shares
NILL	NOT DEFINED	1	0.36	3,754	0.00
BNK	BANKS/ NOMINEES	15	5.34	3,224,191	0.38
FC	FOREIGN COMPANY	6	2.14	270,379,485	32.20
FI	FOREIGN INDIVIDUAL	42	14.95	4,887,725	0.58
INS	INSURANCE/ ASSURANCE	1	0.36	650,000	0.08
ITC	INVEST/TRUST ETC.	1	0.36	8,571	0.00
LC	LOCAL COMPANY	23	8.19	539,624,940	64.26
LI	LOCAL INDIVIDUAL	166	59.07	13,589,514	1.62
PEN	PENSION/ PROVIDENT	6	2.14	4,697,277	0.56
RES	RESIDENT IND	20	7.12	2,685,248	0.32
Totals		281	100.00	839,750,705	100.00

RANGES

Description	Shareholders	% of Holders	Shares	% of Shares
1 - 5000 shares	35	12.46	68,825	0.01
5001-25,000 shares	65	23.13	779,672	0.09
25,001-50,000 shares	47	16.73	1,669,640	0.20
50,001-100,000 shares	40	14.23	2,911,350	0.35
100,001-200,000 (up to two hundred thousand) shares	48	17.08	7,403,575	0.88
200,001-500,000 (up to five hundred thousand) shares	18	6.41	5,999,610	0.71
500,001-1,000,000 (up to 1 million) shares	13	4.63	9,411,058	1.12
1,000,001 (greater than 1 million) shares	15	5.34	811,506,975	96.64
Totals	281	100.00	839,750,705	100.00

OASIS HOSPITALITY PROJECT



Blantyre Hotels plc is expanding its portfolio of hotels to Lilongwe. Pursuant to this a special purpose vehicle, Oasis Hospitality Limited was incorporated in March 2019, which will own the hotel buildings. The land that was identified for the new hotel is on property currently owned by the Registered Trustees of Lilongwe Golf Club.

Oasis Hospitality Limited was granted title to the project land at Lilongwe Golf Club. The Development Managers, Eris Properties Group and the Consultants are preparing the detailed drawings for submission to the Town Planning Committee of Lilongwe City Assembly for approval. Meanwhile Oasis Hospitality Limited is doing a capital raise through private placement to raise project finance for the consideration of the land and construction of the hotel building. Construction of the hotel is expected to commence in the first half of 2021.

Blantyre Hotels signed a hotel management agreement with a leading widely known luxury hotel management company, Marriott International under the brand name Protea Hotel by Marriott. The agreement is to facilitate that the hotel building is constructed to a standard required by Marriott International.

CORPORATE GOVERNANCE STATEMENT

Blantyre Hotels plc ("the Company") continues to embrace and abide by the principles and codes of corporate governance. The Board monitors compliance with these by means of management reports and accordingly commits itself to be guided by the Principles of good corporate governance contained in the Malawi Code II and to adopt the Malawi Code II and where the Malawi Code II falls short, to ensure that the Company subscribes to international corporate governance standards. The Board is also guided by the demands contained in the Companies Act 2013 and all regulations and codes made thereunder as may be amended or replaced from time to time.

The Role and Functioning of the Board
The Board is committed to ensuring that a strong governance framework operates throughout the Company, recognizing that good corporate governance is a vital component to support management in the delivery of the Company's strategic objectives, and to operate a sustainable business for the benefit of all stakeholders. The board recognizes that the process of identifying, developing, and maintaining high standards of corporate governance suitable for the Company is ongoing and dynamic to reflect changes in the Company and its business, the composition of the Board and developments in corporate governance.

The Company is led by a unitary board, whose primary responsibility is to promote the long-term success of the company and deliver sustainable shareholder value. The Board has ultimate responsibility for the management, direction, governance and performance of the Company, and leads and overseas the company's business. Through authorities delegated to its Committees, the Board directs and reviews the Company's operations within an agreed framework of controls, allowing risk to be assessed and managed within agreed parameters. The Board is collectively accountable to the Company's shareholders for the proper conduct and success of the business.

The Board remains 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) and the Malawi Stock Exchange Listing Requirements (MSELR). The Directors have complied with the Act and the MSELR for the year ended 30th September 2020.

The Composition of the Board
The Board and its committees have the appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively.

As at 30th September 2020, the Board consisted of the Chairman and four other directors, all non-executives. The former

Chairman, Mr. Vizenge Kumwenda retired at the Company's last Annual General Meeting held on 17 September 2020. He has since been replaced by Mrs. Emily Makuta, who was then serving as member of the Appointments and Remuneration Committee.

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 after their Committee meetings.

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 two 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 organization. This is based on the fundamental belief that company business must be conducted honestly, fairly and legally.

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 finalizing its Transfer Pricing Policy that will deal with the arm's length basis of such transactions.

COMPANY SECRETARY

All directors may seek advice from the Company Secretary who is responsible for ensuring good quality information flows from Management to the Board and its committees; and advising the Board on legal, compliance, and corporate governance matters.

COMPLIANCE WITH THE MALAWI CODE II

The company complied with almost all the provisions of the Code. Any concerns over non-compliance with the Code should be addressed to NICO Asset Managers Limited, the appointed company secretary of the company.

BLANTYRE HOTELS PLC
AUDITED FINANCIAL STATEMENTS

For the year ended 30th September 2020

The Directors have pleasure in presenting their report and annual consolidated and separate financial statements of Blantyre Hotels Plc for the year ended 30 September 2020.

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 Group is situated at:

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

NATURE OF BUSINESS

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

The Company also 100% owns a recently registered company, Oasis Hospitality Limited, which aims to build a four star hotel in Lilongwe. The hotel is to be built on a piece of land which is part of the land owned by the Lilongwe Golf Club. The land acquisition processes were concluded during the year and the land bears Oasis Hospitality Limited's name. The original documents of the title deeds will be in possession after the full consideration for the land has been paid. The Group is in the process of raising capital to finance the hotel construction.

Eris Properties Malawi Limited are development managers of the Lilongwe hotel construction who are responsible for identifying the project services, management and supervision of all the works on the project. NICO Asset Managers Limited on the other hand are the administrative managers responsible for administrative management and company secretarial services as well as financial management services for Oasis Hospitality Limited.

FINANCIAL PERFORMANCE

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

The revenue and net (loss)/profit attributed to owners are as follows:

	Group		Company	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
FINANCIAL PERFOMANCE				
Revenue	2 076 659	4 065 765	2 076 659	4 065 765
(Loss)/profit for the year	(453 771)	466 697	(400 264)	468 747

DIVIDENDS

No dividend was declared in the year (2019: K83.9 million)

STAFFING

Staff complement for the Group stands at 107 as at 30 September 2020 (2019: 159). Human resource remains a major and key factor to the success of the Group. The Group, therefore, remains committed to professionalism by developing staff to their full potential. The Group 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 up to 17 September 2020
Mr. A Katimba	-	Independent and Non-Executive Director
Ms. C. Ng'ombe	-	Independent and Non-Executive Director
Mr. E. A. Malion	-	Non-executive Director
Mr. R. Scharar	-	Non-executive Director
NICO Asset Managers	-	Company Secretary
Mrs Emily Makuta	-	Non-executive Director from 17 September 2020

SHAREHOLDING STRUCTURE

The authorised share capital of the Company is K250 million divided into 5 billion ordinary shares of 5 tambala each (2019: K250 million divided into 5 billion ordinary shares of 5 tambala each).

The shareholders and their respective holdings in the Company are as follows:

	2020	2019
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%	100%

The Company is listed on the Malawi Stock Exchange and the share price at the year-end was K12.94 (2019: K12.95) per share.

DIRECTORS' REMUNERATION

The Directors' fees and remuneration for the Group and its subsidiary was as follows:

	Non-executive Directors fees and expenses K'000	Executive Directors remuneration K'000	Total K'000
For the year ended 30 September 2020	10 649	-	10 649
For the year ended 30 September 2019	9 680	-	9 680

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 seven board meetings and the attendance was as follows:

Member	Meetings Attended
Mr. Vizenge Kumwenda (Chairman)	6/7
Ms. Chikondi Ng'ombe	7/7
Mr. Elias Azele Malion	7/7
Mr. Andrew Katimba	7/7
Mr Rob Scharar	7/7
Mrs Emily Makuta	1/7

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 two 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. Elias Azele Malion - (Chairperson)
- Mr Andrew Katimba - Member

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

Member	Meetings Attended
Mr. Elias Azele Malion	4/4
Mr Andrew Katimba	4/4

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:

Mr. Gibson Ngalamila - Chairperson
Mr. Robert Scharar - Member
Mrs. Emily Makuta - Member
Miss Chikondi Ng'ombe - Member

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

Member	Meeting Attended
Mr. Gibson Ngalamila	5/5
Mrs. Emily Makuta	4/5
Miss Chikondi Ng'ombe	5/5
Mr Robert Scharar	4/5

EXTERNAL AUDITORS

Messrs Deloitte Chartered Accountants (Malawi) have expressed their willingness to continue in office as auditors in respect of the Group's 30 September 2021 annual financial statements and a resolution proposing their re-appointment will be tabled at the forthcoming Annual General Meeting.

....
CHAIRPERSON DIRECTOR

12 February 2021
....
DATE

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Blantyre Hotels Plc and its subsidiary, comprising the consolidated and separate statements of financial position as at 30 September 2020, the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate 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 Group keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and ensure the consolidated and separate financial statements comply with the Malawi Companies Act.

In preparing the consolidated and separate financial statements, the Directors accept responsibility for the following:

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

The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the Group's and Company's ability to continue as a going concern and have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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, were approved by the Board of Directors on 12 February 2021 and signed on its behalf by:

………………………………………	………………………………………
CHAIRPERSON	DIRECTOR

PO Box 187
Blantyre
Malawi

Deloitte Chartered Accountants
Registered Auditors
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PCL House, Top Mandala
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BLANTYRE HOTELS PLC

Opinion

We have audited the consolidated and separate financial statements of Blantyre Hotels Plc set out on pages 34 to 95, which comprise the consolidated and separate statements of financial position as at 30 September 2020, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements 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 consolidated and separate financial statements give a true and fair view of the financial position of Blantyre Hotels Plc as at 30 September 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) 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 consolidated and separate financial statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards)/(IESBA Code) and other independence requirements applicable to performing audits of financial statements in Malawi. We have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to note 30 to the financial statements, which indicates that the Group and Company have incurred a net loss of K454 million (2019: net profit of K467 million) and net loss of K400 million (2019: net profit of K469 million), respectively during the year ended 30 September 2020 and, as of that date, the Group's current liabilities exceeded its current assets by K3.6 billion (2019: K34 million). As stated in note 30, these events or conditions, along with other matters as set forth in note 30, are mainly a result of the impact of Covid -19 and initial costs in relation to construction of a new hotel. Our opinion is not modified in respect of this matter.

Key audit matters

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

Partners: NT Uka VW Beza CA Kapenda MC Mwenelupembe (Mrs.) KCD Msimuko
Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Revenue Recognition (for Company and Group)

See notes 3.2 and 21 to the financial statements

The provision of accommodation and food and beverages services to its customers is the Group's major source of revenue. The Group currently operates through one hotel which has 4 application systems: Marsha, an automated reservation system for accommodation on which prices are input by Marriott, the hotel managers; 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 Company processes high volume of transactions with small amounts per day.

Considering the foregoing and the fact that International Standard on Auditing (ISA) 240: The Auditor's Responsibilities Relating to Fraud in an audit of financial statements 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 financial statements.

</td><td>

We performed the following procedures to address the matter:

We evaluated the Group's accounting • We evaluated the Group's accounting policy for revenue recognition for appropriateness and compliance with IFRS;
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 accommodation, food and beverages revenue;
We obtained the monthly detailed transactions from Opera and agreed the amounts to the general ledger; and
We made sample selections to verify the occurrence, accuracy and completeness of revenue by agreeing the selections to supporting documents such as invoices and receipts.

We found the recorded revenues to have been appropriately recognised.
</td></tr>
</table>

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Valuation of property (for Company and Group)

See notes 3.3, 4.1.1 and 7 to the financial statements

The property including the land on which Protea Ryalls hotel is situated is owned by the Company and is measured at revaluation. The property is the most significant revenue generating asset of the Company.

The property is measured using a revaluation model and as at 30 September 2020, the property was revalued by Knight Frank, a commercial and residential property Surveyors firm registered in Malawi.

The valuation of the Company's property has been considered as 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.</td><td>We performed the following procedures to address the matter:

• We evaluated the nature and scope of the expert's work;
• We assessed the competence and objectivity of the expert;
• With involvement of our valuation experts, we challenged and evaluated the judgements and assumptions applied;
• We evaluated the accuracy and completeness of the input data used in the valuation;
• We compared a sample of market data used by the expert in making assumptions to independently verifiable data; and
• We evaluated the conclusions reached in light of our understanding of the Group and its business.

Based on the procedures performed, the property valuation appears reasonable.</td></tr>
</table>

Other information

The Directors are responsible for the other information. The other information comprises the Directors' report and the 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 consolidated and separate 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 consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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 consolidated and separate financial statements

The Directors are responsible for the preparation of the consolidated and separate 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate 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:

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements (Continued)

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 Group'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 Group'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 Group 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 Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group'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 year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte.

Chartered Accountants
Christopher Kapenda
Partner

26 February 2021

STATEMENTS OF FINANCIAL POSITION
As at 30 September 2020

	Notes	Group 2020 K'000	Group 2019 K'000	Company 2020 K000	Company 2019 K000
ASSETS					
Non-current assets					
Property and equipment	7	12 253 081	8 398 120	8 249 184	7 434 600
Intangible assets	8	813	3 278	813	3 278
Investment in subsidiary	9	-	-	77 500	77 500
Deferred tax asset	16	25 395	879	-	-
Total non-current assets		12 279 289	8 402 277	8 327 497	7 515 378
Current assets					
Inventories	10	283 129	349 208	283 129	349 208
Trade and other receivables	11	142 832	313 721	198 265	313 721
Tax recoverable	19	82 953	11 151	82 740	11 151
Cash and cash equivalents	12	1 069 934	882 482	398 952	756 180
Total current assets		1 578 848	1 556 562	963 086	1 430 260
TOTAL ASSETS		13 858 137	9 958 839	9 290 583	8 945 638
EQUITY AND LIABILITIES					
Equity					
Share capital	13	41 988	41 988	41 988	41 988
Share premium	14	1 340 153	1 340 153	1 340 153	1 340 153
Revaluation reserve	15	4 903 821	4 265 148	4 903 821	4 265 148
Retained earnings		458 478	845 521	514 035	847 571
Total equity		6 744 440	6 492 810	6 799 997	6 494 860
Liabilities					
Non-current liabilities					
Deferred tax	16	1 960 024	1 875 960	1 960 024	1 875 960
Total non-current liabilities		1 960 024	1 875 960	1 960 024	1 875 960
Current liabilities					
Trade and other payables	17	3 212 479	680 116	530 562	574 818
Borrowings	18	1 786 846	825 576	-	-
Amount due to related parties	20.1	154 348	84 377	-	-
Total current liabilities		5 153 673	1 590 069	530 562	574 818
Total liabilities		7 113 697	3 466 029	2 490 586	2 450 778
TOTAL EQUITY AND LIABILITIES		13 858 137	9 958 839	9 290 583	8 945 638

The financial statements were approved and authorised for issue by the Board of Directors on 12 February 2021 and were signed on its behalf by:

....

CHAIRPERSON DIRECTOR

	Notes	Group 2020 K'000	Group 2019 K'000	Company 2020 K000	Company 2019 K000
Revenue	21	2 076 659	4 065 765	2 076 659	4 065 765
Cost of sales	22	(1 152 931)	(1 739 738)	(1 152 931)	(1 739 738)
Gross profit		923 728	2 326 027	923 728	2 326 027
Other income		3 569	15 177	1 569	15 177
Selling and administration expenses	23	(1 642 029)	(1 714 013)	(1 562 603)	(1 676 625)
(Loss)/profit from operating activities		(714 732)	627 191	(637 306)	664 579
Finance income	24	50 100	71 070	47 740	36 611
Finance costs	24	(3 055)	(1 786)	(98)	(1 786)
Net finance income		47 045	69 284	47 642	34 825
(Loss)/profit before taxation		(667 687)	696 475	(589 664)	699 404
Taxation	19	213 916	(229 778)	189 400	(230 657)
(Loss)/profit for the year		(453 771)	466 697	(400 264)	468 747
Other comprehensive (loss)/income					
Items that will not be reclassified to profit or loss					
Surplus on revaluation of land and buildings		978 865	-	978 865	-
Deferred tax on revaluation		(273 464)	(3 092)	(273 464)	(3 092)
Total other comprehensive income/(loss)		705 401	(3 092)	705 401	(3 092)
Total comprehensive income for the year		251 630	463 605	305 137	465 655
(Loss)/earnings per share (tambala)					
Basic and diluted (loss)/earnings per share	25	(54)	56	(48)	56

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 September 2020

	Share capital	Share premium K'000	Revaluation reserve K'000	Retained earnings K000	Total equity K000
Company					
2020					
Balance as at 1 October 2019	41 988	1 340 153	4 265 148	847 571	6 494 860
Loss for the year	-	-	-	(400 264)	(400 264)
Other comprehensive income for the year					
Deferred tax on revalued property	-	-	(273 464)	-	(273 464)
Transfers within reserves					
Increase in revaluation	-	-	839 006	-	839 006
Reversal of depreciation on revaluation	-	-	139 859	-	139 859
Excess depreciation on revalued assets	-	-	(66 728)	66 728	-
Balance as at 30 September 2020	41 988	1 340 153	4 903 821	514 035	6 799 997
2019					
Balance as at 1 October 2018	41 988	1 340 153	4 325 404	545 804	6 253 349
IFRS 9 transitional adjustment (note 2.1.1)	-	-	-	(5 809)	(5 809)
Balance as at 1 October restated	41 988	1 340 153	4 325 404	539 995	6 247 540
Profit for the year	-	-	-	468 747	468 747
Deferred tax on revalued property	-	-	(3 092)	-	(3 092)
Transfers within reserves					
Excess depreciation on revalued assets	-	-	(57 164)	57 164	-
Transactions with owners of the Company					
Dividends paid	-	-	-	(218 335)	(218 335)
Balance as at 30 September 2019	41 988	1 340 153	4 265 148	847 571	6 494 860

	Share capital	Share premium K'000	Revaluation reserve K'000	Retained earnings K000	Total equity K000
Group					
2020					
Balance as at 1 October 2019	41 988	1 340 153	4 265 148	845 521	6 492 810
Loss for the year	-	-	-	(453 771)	(453 771)
Deferred tax on revalued property	-	-	(273 464)	-	(273 464)
Revaluation Surplus	-	-	839 006	-	839 006
Reversal of depreciation	-	-	139 859	-	139 859
Excess depreciation on revalued assets	-	-	(66 728)	66 728	-
Balance as at 30 September 2020	41 988	1 340 153	4 903 821	458 478	6 744 440
2019					
Balance as at 1 October 2018	41 988	1 340 153	4 325 404	545 804	6 253 349
IFRS 9 transition adjustment (note 2.1.1)	-	-	-	(5 809)	(5 809)
Balance as at 1 October restated	41 988	1 340 153	4 325 404	539 995	6 247 540
Total comprehensive income for the year					
Profit for the year	-	-	-	466 697	466 697
Other comprehensive income for the year					
Deferred tax on revalued property	-	-	(3 092)	-	(3 092)
Total other comprehensive income	-	-	(3 092)	-	(3 092)
Total comprehensive income for the year	-	-	(3 092)	466 697	463 605
Transfers within reserves					
Excess depreciation on revalued assets	-	-	(57 164)	57 164	-
Total transfers within reserves	-	-	(57 164)	57 164	-
Transactions with owners of the Group					
Dividends paid	-	-	-	(218 335)	(218 335)
Balance as at 30 September 2019	41 988	1 340 153	4 265 148	845 521	6 492 810

Revaluation reserve

This relates to surplus arising on revaluation of land and buildings net of the related tax. The reserve is not distributable until realisation of the revalued land and buildings.

STATEMENTS OF CASH FLOWS

For the year ended 30 September 2020

	Notes	Group 2020 K'000	2019 K'000	Company 2020 K000	2019 K000
Cash flows from operating activities					
(Loss)/profit before income tax		(667 687)	696 475	(589 664)	699 404
Adjust for non-cash items					
Depreciation expense	7	197 980	204 607	197 980	204 607
Amortisation charge	8	2 465	3 703	2 465	3 703
Finance income	24	(50 100)	(71 070)	(47 740)	(36 611)
Finance costs	24	3 055	1 786	98	1 786
Profit on disposal of plant and equipment		(1 232)	(3 200)	(1 232)	(3 200)
Operating (loss)/profit before working capital changes		(515 519)	832 301	(438 093)	869 689
Movement in working capital					
Movement in inventories	10	66 079	49 687	66 079	49 687
IFRS 9 transition adjustment		-	(8 299)	-	(8 299)
Movement in trade and other receivables	11	170 889	(1 689)	115 456	(1 689)
Movement in trade and other payables	17	566 253	1 486	(44 256)	(73 236)
Increase in related party payables	20.1	69 971	84 377	-	-
Cash generated from/(used in) operations		357 673	957 863	(300 814)	836 152
Interest paid		(3 055)	(1 786)	(98)	(1 786)
Tax paid	19	(71 802)	(249 178)	(71 589)	(249 178)
Net cash generated from/(used in) operating activities		282 816	706 899	(372 501)	585 188
Cash flows from investing activities					
Purchase of property, plant and equipment	7	(972 828)	(974 375)	(34 831)	(72 007)
Investment in subsidiary		-	-	-	(77 500)
Proceeds from the sale of equipment		2 364	8 450	2 364	8 450
Finance income	24	50 100	71 070 4	7 740	36 611
Net cash (used in)/generated by investing activities		(920 364)	(894 855)	15 273	(104 446)
Cash flows from financing activities					
Dividends paid to owners of the Company		-	(218 335)	-	(218 335)
Loans received	18	825 000	795 000	-	-
Net cash generated from/(used in) financing activities		825 000	576 665	-	(218 335)
Net increase/(decrease) in cash and cash equivalents		187 452	388 709	(357 228)	262 407
Cash and cash equivalents at the beginning of the year		882 482	493 773	756 180	493 773
Cash and cash equivalents at the end of the year	12	1 069 934	882 482	398 952	756 180

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. The Company owns 100% Oasis Hospitality Limited, a Company incorporated in Malawi whose main business is the same as that of Blantyre Hotels Plc.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

In the current year, the entity 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 2019.

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

2.2 Standards and Interpretations in issue, not yet effective

A number of new standards, amendments to standards and interpretations are in issue but not yet effective for annual periods beginning on or after 30 September 2020, and have not been applied in preparing these financial statements. Those which may be relevant to the entity are set out below. The entity 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 2020	Amendments to References to the Conceptual Framework in IFRS Standards Together with the revised *Conceptual Framework*, which became effective upon publication on 29 March 2018, the IASB has also issued *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.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

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 2020	Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB *Framework* of 2010, or the new revised *Framework* of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*. Definition of a Business (Amendments to IFRS 3) The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They: • clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; • narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; • add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; • remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and • add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.
Annual reporting periods beginning on or after 1 January 2020	Definition of Material (Amendments to IAS 1 and IAS 8) The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.
Annual reporting periods beginning on or after 1 January 2020	Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

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 June 2020	Covid-19-Related Rent Concessions (Amendment to IFRS 16) The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.
Annual reporting periods beginning on or after 1 January 2022	Reference to the Conceptual Framework (Amendments to IFRS 3) The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.
Annual reporting periods beginning on or after 1 January 2022	Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
Annual reporting periods beginning on or after 1 January 2022	Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

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 2022	Annual Improvements to IFRS Standards 2018–2020 Makes amendments to the following standards: • IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. • IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. • IFRS 16 – The amendment to Illustrative Example 13 acCompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. • IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The Directors anticipate that these Standards and Interpretations in future periods will have no significant impact on the financial statements of the Group and the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Standards)

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in note 7 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of accounting (Continued)

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

Going concern
The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities that are controlled by the Company and its subsidiaries. Under the Companies Act, 2013 and International Financial Reporting Standard 10 Consolidated Financial Statements control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of consolidation (Continued)

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income and financial position from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

In the separate financial statements the investments are measured at fair value. These are valued on a regular basis by external valuers.

3.2.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of consolidation (Continued)

3.2.1 Changes in the Group's ownership interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between:

(i) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
(ii) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group has directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.3 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 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.

Recognition and measurement
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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Property and equipment (Continued)

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 Group. 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 Group 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Intangible assets

Software acquired by the Group 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.

3.5 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.6 Leased assets

<u>The Group as a lessee</u>
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Leased assets (Continued)

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable if available; and
- The amount expected to be payable by the lessee under residual value guarantees.

If the lease term reflects the exercise of an option to terminate the lease. The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received, if any and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The right-of-use assets are presented as a separate line in the statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Leased assets (Continued)

The Group as a lessee

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3.7 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.

3.8 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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.

3.9 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Income tax (Continued)

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 Group 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.

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.

3.10 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Foreign currency translations (Continued)

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.

3.11 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 Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. 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.

3.12 Revenue

The Group recognises revenue from sale of rooms for accommodation, food and beverages and conference rooms.

The Group recognises 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. The Group recognises revenue in accordance with the core principle by applying the following steps:

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Revenue (Continued)

- Identify the contract(s) with a customer by an agreement between two or more parties that creates enforceable rights and obligations;
- Identify the performance obligations in the contract which includes promises to transfer goods or services to a customer;
- Determine the transaction price which is the amount of consideration in a contract to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer;
- Allocate the transaction price to the performance obligations in the contract on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract; and
- Recognise revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service.

Revenue is reduced for estimated customer returns, rebates and other similar allowances.

3.13 Finance income and expenses

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

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

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

Interest income

Interest income from financial assets is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably.

Interest income is accrued on timely basis, by reference to the principal outstanding and at the effecting rate applicable.

3.14 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised in the Group's and Company's statement of financial position when the Group / Company becomes a party to the contractual provisions of the instrument.

Financial assets

3.15.1 Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss). Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- Amortised cost;
- Fair value through profit or loss (FVTPL); and
- Fair value through other comprehensive income (FVTOCI).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how Groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group applies the following business models:

(i) Holding financial instruments for trading to maximize income and reduce losses,
(ii) Holding financial instruments to maturity. Thus the Group receives only principal and interest from the financial instruments, and
(iii) Holding financial instruments for liquidity management.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial instruments (Continued)

3.15.1 Classification and initial measurement of financial assets (Continued)

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Debt and loan instruments that are held by the Group 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 amount outstanding (SPPI), are measured at amortised cost.

For an asset to be classified and measured at amortised cost, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with the basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to the basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

The Group recognises loss allowances for expected credit losses on the financial instruments that are not measured at FVTPL but are carried at amortised cost: No impairment loss is recognised on equity investments. IFRS 9 eliminates impairment assessment requirements for investments in equity instruments as they are only measured at FVPL or FVTOCI without recycling of fair value changes to profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial instruments (Continued)

3.15.2 Subsequent measurement of financial assets

Subsequently, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

(i) <u>Financial assets at amortised cost (debt instruments)</u>

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

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

Financial assets at amortised cost are subsequently measured using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial instruments (Continued)

3.15.2 Subsequent measurement of financial assets (Continued)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

(ii) Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income calculated using the effective interest method, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

(iii) Financial assets designated at fair value through OCI (equity instruments)

On initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial instruments (Continued)
3.15.2 Subsequent measurement of financial assets (Continued)

(iii) Financial assets at fair value through OCI (equity instruments) (Continued)
A financial asset is held for trading if:
- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Gains and losses arising from changes in fair value of these financial assets are recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9 except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

(iv) Financial assets at fair value through profit or loss
Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:
- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL.
- In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Financial instruments (Continued)

3.15.2 Subsequent measurement of financial assets (Continued)

(v) *Foreign exchange gains and losses*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Foreign exchange gains and losses are recognised as follows:

- on financial assets at FVTPL and at amortised cost, are recognised in profit or loss
- on equity instruments at FVTOCI are recognised in other comprehensive income.
- on debt instruments held at FVTOCI are recognised in profit or loss, with the foreign currency element not based on the amortised cost being recognised in other comprehensive income.

3.16. Impairment of financial instruments

a) *Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses on trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises a 12-month ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) **Significant increase in credit risk**

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16. Impairment of financial instruments(Continued)

In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instruments external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its credit terms;
- An actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the entity; and
- Debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,
(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16. Impairment of financial instruments(Continued)

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When the customer does no honour its credit terms
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full

Irrespective of the above analysis, the Group considers that default has occurred when the customer has defaulted.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default i.e. the magnitude of the loss if there is a default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

The Group has computed a 12-month expected credit losses (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.
On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3.18 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards or for gains and losses arising from a Group of similar transactions.

3.19 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 to the financial statements.

3.20 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 to the financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

4.1.1 Valuation of properties

The Group 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. Land and buildings were revalued by Knight Frank a registered Surveyor in Malawi. Refer to note 7 to the financial statements.

4.1.2 Impairment of trade and other receivables

The carrying amounts of trade and other receivables are presented based on expected credit losses. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Refer to note 5.4 to the financial statements.

4.1.3 Capitalisation of borrowing costs

The Group capitalises borrowing costs directly attributable to the construction of the hotel. The Group has capitalised all borrowing costs accumulated to date as these are directly attributed to construction of the hotel. Refer to note18 to the financial statements

4.2 Key sources of estimation uncertainty

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

4.2.1 **Note 11**- IFRS 9 assessment for receivables; key assumptions underlying recoverable amounts, including the recoverability of receivables; and

Note 7 - The residual values and useful lives 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.

5. FINANCIAL RISK MANAGEMENT

5.1 Categories of financial instruments

	Note	Amortised Cost K'000	Fair value Through P&L K'000	Carrying Amount K'000
Group				
At 30 September 2020				
Financial assets				
Trade and other receivables	11	125 562	-	125 562
Cash and cash equivalents	12	1 069 934	-	1 069 934
Total financial assets		1 195 496	-	1 195 496
Financial liabilities				
Trade and other payables	17	3 212 479	-	3 212 479
Amounts due to related party	20.1	154 348	-	154 348
Other loan and liabilities	18	1 786 846	-	1 786 846
Total financial liabilities		5 153 673	-	5 153 673
Group				
At 30 September 2020				
Financial assets				
Trade and other receivables	11	125 562	-	125 562
Cash and cash equivalents	12	1 069 934	-	1 069 934
Total financial assets		1 195 496	-	1 195 496
Financial liabilities				
Trade and other payables	17	3 366 827	-	3 366 827
Other loan and liabilities	18	1 786 846	-	1 786 846
Total financial liabilities		5 153 673	-	5 153 673
Group				
At 30 September 2019				
Financial assets				
Trade and other receivables	11	275 671	-	275 671
Cash and cash equivalents	12	882 482	-	882 482
Total financial assets		1 158 153	-	1 158 153
Financial liabilities				
Trade and other payables	17	764 493	-	764 493
Other loan and liabilities	18	825 576	-	825 576
Total financial liabilities		1 590 069	-	1 590 069

5. FINANCIAL RISK MANAGEMENT (Continued)

5.1 Categories of financial instruments (Continued)

Company				
At 30 September 2020				
Financial assets				
Trade and other receivables	11	125 562	-	125 562
Cash and cash equivalents	12	398 952	-	398 952
Total financial assets		524 514	-	524 514
Financial liabilities				
Trade and other payables	17	530 652	-	530 562
Total financial liabilities		530 562	-	530 562
At 30 September 2019				
Financial assets				
Trade and other receivables	11	275 671	-	275 671
Cash and cash equivalents	12	756 180	-	756 180
Total financial assets		1 031 851	-	1 031 851
Financial liabilities				
Trade and other payables	17	574 818	-	574 818
Total financial liabilities		574 818	-	574 818

5.2 Fair value measurements

This note provides information about how the Group 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. FINANCIAL RISK MANAGEMENT (Continued)

5.1 Categories of financial instruments (Continued)

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 Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group 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 Group's financial risk management framework

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

Risk management framework

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

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

The 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 Group. 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. FINANCIAL RISK MANAGEMENT (Continued)

5.4 Credit risk

Credit risk is the risk of the financial loss of the Group if the customer or counterparty to the financial instrument fails to meet its contractual obligations and arises principally from the Group'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:

		Group		Company	
	Note	2020 K'000	2019 K'000	2020 K'000	2019 K'000
Trade receivables	11	49 571	217 970	49 571	217 970
Other receivables (excluding prepayments)	11	75 991	57 701 7	5 991	57 701
Cash and cash equivalents	12	1 069 934	882 482	398 952	756 180
Total		1 195 496	1 158 153	524 514	1 031 851

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

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 Group has computed a 12-month expected credit losses (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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 Group does not hold any collateral over these balances.

5. FINANCIAL RISK MANAGEMENT (Continued)

5.4 Credit risk

Credit quality of financial assets **(Continued)**
The maximum exposure to credit risk for trade receivables at the end of the reporting period by geographic region was as follows:

	Note	Group and Company 2020 K'000	2019 K'000
Based in Malawi	11	49 571	217 970
		49 571	217 970

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

Corporate customers	11	49 571	217 970

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

	Note	Group and Company 2020 K'000	2019 K'000
Not past due		61 806	235 961
Impairment	11	(12 235)	(17 991)
Total	11	49 571	217 970

2019

	%	Estimated gross carrying amount K'000	Loss allowance 12 months expected loss K'000
Current not past due	-	139 709	-
30 – 60 days past due	12.4	56 579	7 016
60 – 90 days past due	13.5	17 274	2 332
90 – 120 days past due	14	540	76
90 – 120 days past due	18	16 210	2 918
Other receivables	100	5 649	5 649
Total		235 961	17 991

5. FINANCIAL RISK MANAGEMENT (Continued)

5.4 Credit risk (Continued)
Impairment losses (Continued)

2020

	%	Estimated gross carrying amount K'000	Loss allowance 12 months expected loss K'000
Current not past due	4.75	42 384	2 013
30 – 60 days past due	20	6 366	1 273
60 – 90 days past due	22	5 338	1 174
90 – 120 days past due	41.14	8 454	3 505
Other receivables	100	4 264	4 264
Total		61 806	12 232

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

	Note	Net 2020 K'000	2019 K'000
Impairment at beginning of the year		17 991	14 849
IFRS 9 prior year transition adjustment		-	8 299
Change in loss allowance		(5 756)	(5 157)
Balance as at end of the year	11	12 235	17 991

In determining the recoverability of a trade receivable, the Group 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 Group 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 Group held cash and cash equivalents of K926 million (2019: K883 million) as at 30 September 2020 of which K50 million (2019: K269 million) was in foreign currency denominated accounts.

5. FINANCIAL RISK MANAGEMENT (Continued)

5.5 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligation associated with the financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation.

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

	Note	Carrying amount K'000	Less than 1 year K'000	After 1 year K'000
Group				
As at 30 September 2020				
Trade payables and other payables	17	3 212 479	3 212 479	-
Borrowings	18	1 786 846	1 786 846	-
Amount due to related parties	20.1	154 348	154 348	-
Total liabilities		5 153 673	5 153 673	-
As at 30 September 2019				
Trade payables and other payables	17	764 493	764 493	-
Borrowings	18	825 576	825 576	-
Total liabilities		1 590 069	1 590 069	-
Company				
As at 30 September 2020				
Trade payables and other payables	17	530 562	530 562	-
As at 30 September 2019				
Trade payables and other payables	17	574 818	574 818	-

Liquidity of financial instruments

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

5. FINANCIAL RISK MANAGEMENT (Continued)

5.5 Liquidity risk (Continued)
Liquidity of financial instruments (Continued)

	Notes	Weighted average effective interest rate 15%	Less than 12 months K'000	Total K'000	Carrying value K'000
Group					
2020					
Assets					
Trade and other receivables		-	125 562	125 562	125 562
Bank and cash balances		-	1 069 934	1 069 934	1 069 934
Total financial assets		-	1 195 496	1 195 496	1 195 496
Liabilities					
Trade and other payables		-	3 212 479	3 212 479	3 212 479
Total interest bearing debt		-	1 786 846	1 786 846	1 786 846
Amount due to related parties		-	154 348	154 348	154 348
		-	5 153 673	5 153 673	5 153 673
Liquidity gap		-	(3 958 177)	(3 958 177)	(3 958 177)
Cumulative		-	(3 958 177)	(3 958 177)	(3 958 177)
2019					
Assets					
Trade and other receivables		-	275 671	275 671	282 952
Bank and cash balances		-	882 482	882 482	882 482
Total financial assets		-	1 158 153	1 158 153	1 158 153
Liabilities					
Trade and other payables		-	764 493	764 493	764 493
Total interest bearing debt		-	825 576	825 576	825 576
		-	1 590 069	1 590 069	1 590 069
Liquidity gap		-	(431 916)	(431 916)	(431 916)
Cumulative		-	(431 916)	(431 916)	(431 916)

5. FINANCIAL RISK MANAGEMENT (Continued)

5.5 Liquidity risk (Continued)

Liquidity of financial instruments **(Continued)**

		Less than 12 months K'000	Total K'000	Carrying value K'000
Company				
2020				
Assets				
Trade and other receivables	11	125 562	125 562	125 562
Bank and cash balances	12	398 952	398 952	398 952
Total financial assets		524 514	524 514	524 514
Liabilities				
Trade and other payables	17	530 562	530 562	530 562
Liquidity gap		(6 048)	(6 048)	(6 048)
Cumulative		(6 048)	(6 048)	(6 048)
2019				
Assets				
Trade and other receivables	11	275 671	275 671	275 671
Bank and cash balances	12	756 180	756 180	756 180
Total financial assets		1 031 851	1 031 851	1 031 851
Liabilities				
Trade and other payables	17	574 818	574 818	574 818
Liquidity gap		457 033	457 033	457 033
Cumulative		457 033	457 033	457 033

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 Group'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 optimizing the return.

5. FINANCIAL RISK MANAGEMENT (Continued)

5.6 Market risk (Continued)

5.6.1 Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in currency other than the functional currency of the Group, 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 Group 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.

The Group'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	40 718	-	40 718	10%	2 850
ZAR	497	-	497	10%	35
GBP	4 304	-	4 304	10%	301
EUR	4 213	-	4 213	10%	295
	49 732	-	49 732		3 481

As at 30 September 2020, 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 K3.5 million (2019: K18.8 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 Group adopts a policy of ensuring that some borrowings are at fixed rates and others are at variable rates depending on the currency of the borrowings, terms and conditions.

5. FINANCIAL RISK MANAGEMENT (Continued)

5.6 Market risk (Continued)
5.6.2 Interest rate risk (Continued)

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

Variable rate instruments

		Group		Company	
	Note	2020 K'000	2019 K'000	2020 K'000	2019 K'000
Borrowings	18	1 786 846	825 576	-	-
		1 786 846	825 576	-	-

Oasis Hospitality Limited obtained a loan of K795 million from Nico Asset Managers Limited which attracts an interest rate of 15% which is at the yield of the 364 Treasury Bill from the last public auction (was 10% at the time of the loan being issued) plus 5% per annum translating to 15% reset quarterly in advance. The loan was obtained as a seed capital for Oasis Hospitality Limited and it is guaranteed by Blantyre Hotel Plc as detailed in note 18 to the financial statements.

During the year, Oasis Hospitality Limited obtained an additional loan from NBS Bank of K825 million. Refer to note 18 tofinancial statements.

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 K17.4million (2019: K9.9 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Fixed rate instrument		Group		Company	
	Note	2020 K'000	2019 K'000	2020 K'000	2019 K'000
Fixed deposits	12	314 259	402 675	307 094	402 675

Cash and cash equivalents earn interest at a rate of 1% -12.5% (2019: 0.3% - 13%)

Fair value sensitivity analysis for fixed rate instruments
The Group 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 Group's objectives when managing capital are to safeguard the Group'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 Group 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 Group 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.

	Group		Company	
	2020 K'000	2019 K'000	2020 K'000	2019 K000
Trade and other payables	3 212 479	764 493	530 562	574 818
Borrowings	1 786 846	825 576	-	-
Amounts due to related parties	154 348	-	-	-
Total liabilities	5 153 673	1 590 069	530 562	574 818
Total equity	6 701 158	6 492 810	6 756 706	6 494 860
Gearing ratio	77%	25%	8%	9%

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

7. PROPERTY AND EQUIPMENT

	Freehold land K'000	Buildings K'000	Motor vehicles K'000	Furniture equipment K'000	Capital WIP K'000	Total K'000
Group						
Cost/valuation						
1 October 2019	730 000	6 073 243	122 909	1 268 637	1 088 394	9 283 183
Additions	2 103 264	1 751	-	18 516	951 677	3 075 208
Reclassification	-	-	-	10 066	(10 066)	-
Revaluation surplus	783 000	56 006	-	-	-	839 006
Disposals	-	-	(5 660)	-	-	(5 660)
At 30 September 2020	3 616 264	6 131 000	117 249	1 297 219	2 030 005	11 088 473

7. PROPERTY AND EQUIPMENT (Continued)

	Freehold land K'000	Buildings K'000	Motor vehicles K'000	Furniture equipment K'000	Capital WIP K'000	Total K'000
Accumulated depreciation						
1 October 2019	-	65 139	82 486	737 438	-	885 063
Charge for the year	-	74 720	12 102	111 158	-	197 980
Reversal on revaluation	-	(139 859)	-	-	-	(139 859)
Disposals	-	-	(4 528)	-	-	(4 528)
At 30 September 2020	-	-	90 060	848 596	-	938 656
Carrying amounts						
At 30 September 2020	3 616 264	6 131 000	27 189	448 623	2 030 005	12 253 081
Group						
Cost/valuation						
1 October 2018	730 000	6 070 000	119 493	1 239 952	124 504	8 283 949
Additions	-	3 243	23 916	39 815	968 553	1 035 527
Transfers	-	-	-	1 129	(1 129)	-
Reclassification	-	-	-	-	(3 534)	(3 534)
Disposals	-	-	(20 500)	(12 259) -	(32 759)	
At 30 September 2019	730 000	6 073 243	122 909	1 268 637	1 088 394	9 283 183
Accumulated depreciation						
1 October 2018 -	-	87 068	624 431	-	711 499	
Charge for the year	-	65 139	1 4 595	124 873	-	204 607
Disposals	-	-	(19 177)	(11 866)	-	(31 043)
At 30 September 2019	-	65 139	82 486	737 438	-	885 063
Carrying amounts						
At 30 September 2019	730 000	6 008 104	40 423	531 199	1 088 394	8 398 120

Freehold land was acquired during the year from Lilongwe Golf Club (LGC) at a consideration of K2.1 billion. Out of the consideration, K137 million was settled by way of offset of the amounts paid by the Company on behalf of LGC to clear land and city rates. The outstanding consideration balance is included in other payables in note 17 to the financial statements. The land will be used for the construction of Lilongwe Ryalls Hotel.

Included in additions for capital work in progress (WIP) is an amount of K963 million relating to the hotel project as further detailed in note 9 to the financial statements.

7. PROPERTY AND EQUIPMENT (Continued)

	Freehold land K'000	Buildings K'000	Motor vehicles K'000	Furniture equipment K'000	Capital WIP K'000	Total K'000
Company						
Cost/valuation						
1 October 2019	730 000	6 073 243	122 909	1 268 637	124 874	8 319 663
Additions	-	1 751	-	18 516	14 564	34 831
Reclassification	-	-	-	10 066	(10 066)	-
Revaluation surplus	783 000	56 006	-	-	-	839 006
Disposals	-	-	(5 660)	-	-	(5 660)
At 30 September 2020	1 513 000	6 131 000	117 249	1 297 219	129 372	9 187 840
Accumulated depreciation						
1 October 2019	-	65 139	82 486	737 438	-	885 063
Charge for the year	-	74 720	12 102	111 158	-	197 980
Revaluation	-	(139 859)	-	-	-	(139 859)
Disposals	-	-	(4 528)	-	-	(4 528)
At 30 September 2020	-	-	90 060	848 596	-	938 656
Carrying amounts						
At 30 September 2020	1 513 000	6 131 000	27 189	448 623	129 372	8 249 184
Company						
1 October 2018	730 000	6 070 000	119 493	1 239 952	124 504	8 283 949
Additions	-	3 243	23 916	39 815	5 033	72 007
Transfers	-	-	-	1 129	(1 129)	-
Reclassification	-	-	-	(3 534)	(3 534)	
Disposals	-	-	(20 500)	(12 259)	-	(32 759)
At 30 September 2019	730 000	6 073 243 1	22 909	1 268 637	124 874	8 319 663
Accumulated depreciation						
1 October 2018	-	-	87 068	624 431	-	711 499
Charge for the year	-	65 139	14 595	124 873	-	204 607
Disposals	-	-	(19 177)	(11 866)	-	(31 043)
At 30 September 2019	-	65 139	82 486	737 438	-	885 063
Carrying amounts						
At 30 September 2019	730 000	6 008 104	40 423	531 199	124 874	7 434 600

7. PROPERTY AND EQUIPMENT (Continued)

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 for the Company were revalued as at 30 September 2020 by Nickson Mwanyali a registered Surveyor and qualified independent valuer of Knight Frank. Had it been that the Group did not adopt a revaluation policy, the carrying amount of land and buildings would have been K736 million (2019: K743 million).

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.

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

	Group and Company	Company
	2020	2019
	Level 3	Level 3
	K'000	K'000
Land	3 616 264	730 000
Building	6 131 000	6 008 104
Land and buildings	9 747 264	6 738 104

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

7. PROPERTY AND EQUIPMENT (Continued)

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 of market value.	a) The number of rooms were 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.	The valuation method takes cognisance of the current performance of the hospitality industry in general and the projected performance of the subject facility in particular.	b) Expected replacement costs were higher

8. INTANGIBLE ASSETS

	Group 2020 K'000	Group 2019 K'000	Company 2020 K'000	Company 2019 K'000
Software				
Cost				
At the beginning of the year	30 988	30 988	30 988	30 988
At the end of the year 3	0 988	30 988	30 988	30 988
Amortisation				
At the beginning of the year	27 710	24 007	27 710	24 007
Amortization charge for the year	2 465	3 703	2 465	3 703
At the end of the year	30 175	27 710	30 175	27 710
Carrying amount at the end of the year	813	3 278	813	3 278

	Group 2020 K'000	Group 2019 K'000	Company 2020 K'000	Company 2019 K'000
9. INVESTMENT IN SUBSIDIARY	-	-	77 500	77 500

Blantyre Hotels plc holds 100% shareholding in Oasis Hospitality Limited, a Company incorporated in 2019.

The investment in the subsidiary is stated at cost less any impairment losses.

Oasis Hospitality Limited (Oasis) aims to build a four star hotel in Lilongwe. The hotel is to be built on a piece of land which is part of the land owned by the Lilongwe Golf Club.

The Group is in the process of finalising the procedure of raising capital to finance the hotel construction. Blantyre Hotels plc has engaged NBM Capital Markets Ltd to facilitate the raising capital process through debt and equity. The Company is expected to invest an additional US$9.514 million (K7.1 billion) for furniture, fittings and equipment in Oasis Hospitality Ltd. In September 2020 Oasis Hospitality Ltd sent out a brochure to potential shareholders offering equity in the Company.

Besides the initial capital contributed by Blantyre Hotels Plc, the project has so far been largely financed through borrowings obtained in the year as detailed in note 18 to the financial statements. The cost so far incurred is directly related to the hotel construction project has been capitalised as work in progress and included in property and equipment detailed in note 7 to the financial statements.

10. INVENTORIES

	Group		Company	
	2020	2019	2020	2019
	K'000	K'000	K'000	K'000
Food stuff and beverages	40 434	74 287	40 434	74 287
Consumables	73 712	101 060	73 712	101 060
Operating stock	168 983	171 716	168 983	171 716
Goods in transit	-	2 145	-	2 145
Total inventories	283 129	349 208	283 129	349 208

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
	K'000	K'00 0	K'000	K'000
Trade receivables	61 806	235 961	61 806	235 961
Expected credit losses	(12 235)	(17 991)	(12 235)	(17 991)
	49 571	217 970	49 571	217 970
Sundry receivables	71 074	53 060	71 074	53 060
Staff advances	4 917	4 641	4 917	4 641
Prepayment	17 270	38 050	72 703	38 050
	142 832	313 721	198 265	313 721

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

The Group has computed a 12-month expected credit losses (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Impact of Covid-19 has also been considered in computing the expected credit losses. This include applying the default rate on debtors within 30 days as this reflects the economic downturn experience by entities operating in different industries.

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
Foreign currency accounts	49 732	268 554	49 732	268 554
Current account balances	705 943	211 253	42 126	84 951
Fixed deposits	314 259	402 675	307 094	402 675
	1 069 934	882 482	398 952	756 180

The Group and Company's bank accounts were with CDH Investment Bank, National Bank of Malawi Plc, NBS Bank Plc, Alliance Capital Limited and Standard Bank Plc.

13. SHARE CAPITAL

	Group		Company	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
Authorised 5,000,000,000 ordinary shares at 5 tambala each (2019: 5,000,000,000 ordinary shares at 5 tambala each)	250 000	250 000	250 000	250 000
Issued and fully paid 839,750,705 (2019: 839,750,705 ordinary shares)	41 988	41 988	41 988	41 988

14. SHARE PREMIUM

	Group		Company	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
At the beginning of the year	1 340 153	1 340 153	1 340 153	1 340 153

15. REVALUATION RESERVE

	Group		Company	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
At the beginning of the year	4 265 148	4 325 404	4 265 148	4 325 404
Increase in revaluation	978 865	-	978 865	-
Excess depreciation on revaluation	(66 728)	(57 164)	(66 728)	(57 164)
Deferred tax	(273 464)	(3 092)	(273 464)	(3 092)
At the end of the year	4 903 821	4 265 148	4 903 821	4 265 148

16. DEFERRED TAX

	Asset		Liability		Net	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000	2020 K'000	2019 K'000
Group						
Property, plant and equipment	-	-	2 178 851	1 934 861	(29 474)	-
Other temporary differences	25 395	879	(218 827)	(51 074)	(192 269)	(28 448)
Change in accounting policy	-	-	-	(7 827)	7 827	(5 337)
	25 395	879	1 960 024	1 875 860	213 916	(33 785)
Company						
Description						
2020						
Property and equipment	-	-	2 178 851	1 934 861	2 178 851	1 934 861
Effect of change in accounting policy	-	-	(7 827)	-	-	
Other temporary differences	-	-	(218 827)	(51 074)	(218 827)	(51 074)
	-	-	(1 960 024)	1 875 960	1 960 024	1 960 024

16. DEFERRED TAX (Continued)

	Balance at the beginning of the year K'000	IFRS 9 transition K'000	Recognised in the profit or loss K'000	Recognised in other comprehensive income/equity K'000	Balance at the end of year K'000
Group					
2020					
Property and equipment	1 934 861	-	(29 474)	273 464	2 178 851
Other temporary differences	(51 953)	-	(192 269)	-	(244 222)
Effect of change in accounting policy	(7 827)	-	7 827	-	-
	1 875 081	-	(213 916)	273 464	1 934 629
2019					
Property and equipment	1 931 769	-	-	3 092	1 934 861
Other temporary differences	(23 505)	-	(28 448)	-	(51 953)
Effect of change in accounting policy	-	(2 490)	(5 337)	-	(7 827)
	1 908 264	(2 490)	(33 785)	3 092	1 875 081

	Balance at the beginning of the year K'000	Recognised in the profit or loss K'000	Recognised in other comprehensive income/equity K'000	Balance at the end of year K'000
Company				
2020				
Property and equipment	1 934 861	(29 474)	273 464	2 178 851
Other temporary differences	(51 075)	(167 752)	-	(218 827)
Effect of change in accounting policy	(7 826)	7 826	-	-
	1 875 960	(189 400)	273 464	1 960 024
2019				
Property and equipment	1 931 769	-	3 092	1 934 861
Other temporary differences	(23 505)	(27 570)	-	(51 074)
Effect of change in accounting policy	-	(5 336)	(2 490)	(7 827)
	1 908 264	(32 906)	3 092	1 875 960

17 TRADE AND OTHER PAYABLES

	Group		Company	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
Trade payables	362 711	215 591	164 639	154 148
Other payables	2 849 768	464 525	365 923	420 670
Total trade and other payables	3 212 479	680 116	530 562	574 818
Other payables include the following:				
Net land purchase price payable	1 966 110	-	-	-
Accruals	642 945	112 504	133 542	71 049
Audit fees	22 899	27 400	18 200	25 000
Defined contribution pension accrual	10 951	10 346	10 951	10 346
Gym advance payments	207	522	207	522
Management fees payable	70 132	87 643	70 132	87 643
Incentive fees payable	8 630	38 404	8 630	38 404
Staff bonus	-	35 388	-	35 388
Advance deposits	38 361	31 218	38 361	31 218
Unclaimed dividends	13 863	33 184	13 863	33 184
	2 774 098	376 609	293 887	332 754
Other taxes due	71 626	15 019	67 993	15 019
VAT payable	4 044	72 897	4 044	72 897
	2 849 768	464 525	365 923	420 670

The land purchase price of K2.1 billion payable to Lilongwe Golf Club has been offset by amounts paid by the Group on behalf of Lilongwe Golf Club during the land acquisition process amounting to K137 million.

The Group accruals include K510 million payable to Bovell Ross. Bovell Ross is one of the consultants engaged to provide architectural services on the Lilongwe hotel project.

Other taxes due amounts include Pay As You Earn (PAYE) taxes for the retrenchment costs for the month of September 2020.

The average credit period for trade and other payables is 30 days. No interest is charged on these amounts.

The Directors consider that the carrying amounts of trade and other payables approximate to their fair value.

18. BORROWINGS

	Group NBS Bank K'000	NAML K'000	K'000
2020			
Balance at the beginning of the year	-	825 576	825 576
Additions	825 000	-	825 000
Accrued Interest for the year	11 527	124 743	136 270
Balance as at end of the year	836 527	950 319	1 786 846

2019	Group NAML K'000	Total K'000
Balance at the beginning of the year	795 000	795 000
Accrued Interest for the year	30 576	30 576
Balance as at end of the year	825 576	825 576

Nico Asset Managers loan

The loan was obtained from Nico Asset Managers Limited and attracts an interest rate of 15% per annum. The loan was initially obtained on 26 June 2019 as a seed capital for Oasis Hospitality Limited and is secured by a corporate guarantee by Blantyre Hotels plc.

Following the maturity of the loan during the year, it was negotiated to be rolled over for further 24 months and the interest penalty arising as a result of non -payment of the loan was waived. The revised loan agreement attracts interest's equivalent to 364 Treasury bill from the last public auction currently at 15.5% plus 5% per annum, currently translating to 18.5% rest semi-annually in advance. The bullet principal amount will be paid on 25th June 2022 from the proceeds of equity offering which is expected to close in the first half of the subsequent financial year. The interest on the loan has been capitalised as these are directly attributable to the construction of the hotel. Governance process and agreement for roll over of the facility was completed after year end This loan is secured by a corporate guarantee by Blantyre Hotels plc. The amount currently in borrowings will form part of Blantyre Hotels Plc's capital contribution as the loan will be repaid from Blantyre Hotel plc's capital contribution.

NBS Bank loan

A loan of K825 million was obtained from NBS Bank plc on 31 August 2020, and has interest borne at 17%, and is repayable in twelve months on 31 August 2021 as a bullet payment. This loan is secured by an unlimited corporate guarantee by Blantyre Hotels plc. The amount will be repaid through capital contributions through the investors invited to participate in the development of the hotel to be constructed in Lilongwe.

19. INCOME TAX

		Group				Company		
		2020 K'000		2019 K'000		2020 K'000		2019 K'000
Current income tax liabilities								
Balance at the beginning of the year		(11 151)		(25 536)		(11 151)		(25 536)
Charge for the year		-		263 563		-		263 563
Paid during the year		(71 802)		(249 178)		(71 589)		(249 178)
Balance at the end of the year		(82 953)		(11 151)		(82 740)		(11 151)
Income tax (credit)/expense								
Income tax payable as assessed at 30%		-		263 563		-		263 563
Deferred tax movement (net) (note 16)		(213 916)		(33 785)		(189 400)		(32 906)
Total income tax (credit)/expense		(213 916)		229 778		(189 400)		230 657
Reconciliation of the effective tax rate								
(Loss)/profit before tax		(667 687)		696 475		(589 664)		699 404
Income tax at standard rate 30%	30%	(200 306)	30%	208 942	30%	(176 899)	30%	209 821
Permanent difference	(2%)	13 610	3%	20 836	(2%)	(12 501)	3%	20 836
Effective tax	32%	(213 916)	33%	229 778	32%	(189 400)	33%	230 657

20. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

			Group				Company			
Related party	Relationship	Type of transaction	Value of transactions from/(to) 2020 K'000	Balance at year end 2020 K'000	Value of transactions from/(to) 2019 K'000	Balance at year end 2019 K'000	Value of transactions from/(to) 2020 K'000	Balance at year end 2020 K'000	Value of transactions from/(to) 2019 K'000	Balance at year end 2019 K'000
NICO Asset Managers Limited	Common shareholder	- Accommodation -Transfer, secretarial and consultancy fees -Administrative and financial management service - Capital raising - Consultancy fees -Loan -Interest on loan	(4 343) 22 368 73 200 - - - 136 270	458 (8 540) 138 172 155 319	16 235 40 168 - (22 000) (9 262) (33 300) (795 000) (30 576)	421 (1 623) - (22 000) (9 262) (33 300) (795 000) (30 576)	(4 343) 22 368 - - - - -	458 (8 540) - - - - -	(16 235) 40 168 - - - - -	421 (1 623) - - - - -
Luxury Hotels International South Africa (Pty) Limited	Management Group	- Management fees - Marketing fees - Incentive fees	59 599 46 164 7 249	(70 260) - (18 764)	(122 085) (121 693) (11 436)	(51 106) (51 106) (11 436))	59 599 46 164 7 249	(70 260) - (18 764)	(122 085-) (121 693) (11 436)	(51 106) (51 106) (11 436)
NICO Life Insurance Company Limited	Shareholder	Accommodation Pension and Life cover	(6 338) 74 452	1 925 (6 694)	14 598 81 201	794 (10 346)	(6 338) 74 452	1 925 (6 694)	(14 598) 81 201	794 (10 346)
NICO Holdings Plc	Parent of shareholder	Accommodation	(23 286)	739	(35 164)	6 780	23 286	739	35 164	6 780
Press Trust	Shareholder	Accommodation	(8 899)	123	3 625	-	8 899	123	3 625	-
Procurement International	Subsidiary of Management Co	Guest supplies	-	-	-	-	-	-	-	-
Broll Malawi Limited	Entity in which a Director has shareholding	Asset valuation Property management fees	- -	- -	26 213 357	- -	- -	- -	- -	- -
NICO General Insurance Company Limited	Common shareholder	Accommodation Insurance	(9 298) 38 220	594 -	8 046 37 561	- -	(9 298) 38 220)	594 -	(8 046) 37 561	8 046 (37 561)
Oasis Hospitality Limited	100% own subsidiary	Investment	-	-	-	-	18 885	55 433	77 500	
Eris Properties Limited	Common shareholder	Property Development Services	14 362	14 362		-	18 885	55 433	77 500	-
NBS Bank Loan	Common shareholder	Loan principal arrangement fees interest	825 000 12 375 11 527	825 000 12 375 11 527						

The amounts in brackets indicate services provided to related party by Blantyre Hotels Plc whilst the others indicate the service acquired from related parties at arm's length.

20. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

The balances are interest free and are payable in normal course of business except for the loan obtained from NICO Asset Managers Ltd which attracts interest as detailed in note 18 to the financial statements.

Nico Asset Managers	Common shareholder	Secretarial, administration and consultancy services
Nico Asset Managers	Common shareholder	Loan guaranteed by Blantyre Hotels Plc
Nico Asset Managers	Common shareholder	Accommodation
Procurement International Limited	Subsidiary of management Group	Guest supplies

Compensation to key management personnel
In addition to key management personnel's salaries the Group 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 Group 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:

	Group		Company	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
Short-term employee benefits				
Salaries and bonuses	10 649	98 499	10 649	98 499
Directors' fees	10 649	9 680	10 649	9 680
Other long-term employee benefits				
Pension	11 335	8 800	11 335	8 800

20.1 Amounts due to related parties

	Group		Company	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
NICO Holdings Limited	4 712	-	-	-
NICO Asset Managers	134 272	73 707	-	-
ERIS Properties (Malawi) Limited	14 362	10 670	-	-
Total	154 348	84 377	-	-

21. REVENUE

	2020 K'000	2019 K'000	2020 K'000	2019 K'000
Accommodation	1 033 363	2 230 531	1 033 363	2 230 531
Food and beverages	989 445	1 719 922	989 545	1 719 922
Other revenues	53 851	115 312	53 851	115 312
Total revenue	2 076 659	4 065 765	2 076 759	4 065 765

22. COST OF SALES

Salaries and wages	556 365	734 644	556 365	734 644
Guest entertainment and supplies + Sundries	94 351	135 353	94 351	135 353
Room cleaning and maintenance + telephone	53 211	87 606	53 211	87 606
Food and beverages costs	377 022	696 408	377 022	696 408
Sundries	71 982	85 727	71 982	85 727
Total cost of sales	1 152 931	1 739 738	1 152 931	1 739 738

23. SELLING AND ADMINISTRATION EXPENSES

	Group		Company	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
Auditor's fees and expenses	22 899	29 149	18 200	25 949
Bad debt actual	1	949	1	949
Bad debt provision	(5 758)	(5 157)	(5 758)	(5 157)
Bank charges 8 635	10 128	7 576	9 590	
Board expenses	17 609	7 947	17 609	7 947
Capital raising funds	25 000	-	25 000	-
Commission on credit cards	26 477	47 033	26 477	47 033
Computer expenses	33 360	33 026	33 360	33 026
Consultancy fees	17 595	-	17 595	-
Group secretarial and transfer expenses	46 905	40 168	46 905	40 168
Depreciation and amortsation	200 445	208 310	200 445	208 310
Directories fees	10 649	9 681	10 649	9 681
Donation and subscriptions	2 371	3 579	2 371	3 579
Fees to management Group (Note 23.1)	117 484	255 214	117 484	255 214
Fringe benefit tax	17 110	17 940	17 110	17 940
Internal audit expense	8 829	8 100	8 829	8 100
Insurance	38 220	37 561	38 220	37 561
Legal and professional fees	84 092	39 029	10 892	5 379
Levies, licenses and permits	4 045	3 487	4 045	3 487
Listing expenses:				
- Malawi Stock Exchange annual listing fees	24 555	21 139	24 555	21 139
Marketing expenses	38 902	54 400	38 752	54 400
Motor vehicles	12 245	22 034	12 245	22 034
Other staff costs	100 984	132 319	100 984	132 319
Staff restructuring costs	189 773	-	189 773	-
Postage	1 270	1 920	1 270	1 920
Power and lighting	156 203	199 116	156 203	199 116
Printing and stationery	7 585	9 798	7 267	9 798
Promotion	10 145	26 057	10 145	26 057
Rates and taxes	24 004	26 354	24 004	26 354
Repairs and maintenance	91 629	122 022	91 629	122 022
Salaries and wages	213 982	217 248	213 982	217 248
Security	40 476	53 333	40 476	53 333
Sundry expenses	4 258	13 093	4 258	13 093
Telephone	15 994	19 593	15 994	19 593
Travel	8 641	5 665	8 641	5 665
Water	25 415	43 778	25 415	43 778
Total	1 642 029	1 714 013	1 562 603	1 676 625

23. SELLING AND ADMINISTRATION EXPENSES (Continued)

	Group 2020 K'000	Group 2019 K'000	Company 2020 K'000	Company 2019 K'000
23.1 Fees payable to Management Company				
Management fees	59 599	122 085	59 599	122 085
Marketing fees	46 164	121 693	46 164	121 693
Incentive fees	7 249	11 436	7 249	11 436
Provident service fund	4 472	-	4 472	-
	117 484	255 214	117 484	255 214

24. FINANCE INCOME/(COSTS)

	Group 2020 K'000	Group 2019 K'000	Company 2020 K'000	Company 2019 K'000
Interest income – on bank balances	40 844	45 469	40 844	36 611
Exchange gain (net)	9 256	25 601	6 896	-
	50 100	71 070	47 740	36 611
Interest expense and other finance costs				
Exchange losses (net)	(3 055)	(1 786)	(98)	(1 786)
	(3 055)	(1 786)	(98)	(1 786)
Net finance income	47 045	69 284	47 642	34 825

25. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss) / earnings per share is based on (Loss)/ profit attributable to shareholders of Company is K598 million (2019: profit of K469 million) and the weighted average number of ordinary shares during the year of 839,750,705 (2019: 839 750 705).

Earnings per Share is as below:

	Group 2020 K'000	Group 2019 K'000	Company 2020 K'000	Company 2019 K'000
(Loss)/profit for the year (MK'000)	(453 771)	466 697	(400 264)	468 747
Weighted average number of shares ('000)	839 750	839 750	839 750	839 750
Basic and diluted (loss) earnings per Share (tambala)	(54)	56	(48)	56

26. DIVIDENDS

	Group		Company	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
2018 Interim dividend of K0.08 per Share declared and paid in January 2019	-	67 180	-	67 180
2018 Final dividend of K0.08 per Share declared and paid in June 2019	-	67 180	-	67 180
2019 interim dividend of K0.10 per Share declared and paid in July 2019	-	83 975	-	83 975
Total dividend declared and paid during the year	-	218 335	-	218 335

27. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The board approved capital commitments relating to refurbishment and equipment costs amounting to K52 million at the end of the year (2019: K159 million). These costs are to be funded wholly by funds generated internally.

Blantyre Hotels plc provides a Corporate Guarantee of the loans totaling to K1.7 billion for Oasis Hospitality Limited as the majority shareholder of the subsidiary. Refer to note 18 to the financial statements

The development costs of the hotel by Oasis Hospitality Limited are estimated at US$36.522 million (K27.2 billion) and Blantyre Hotels Plc is expected to invest an additional US$9.514 million (K7.1 billion) for furniture, fittings and equipment. None of this cost has been contracted yet.

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 Group have chosen to organise the Group around differences in services provided. No operating segments have been aggregated in arriving at the reportable segments of the Group. Specifically, the Group's reportable segments under IFRS 8 are accommodation and food and beverage.

28. REPORTABLE SEGMENTS

	Group and Company			
	Accommodation		Food and beverage	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
Revenue	1 033 363	2 230 530	989 545	1 719 921
Segment profit	696 317	1 827 790	99 496	577 357

Revenue reported above represents revenue generated from external customers.

29. IMPACT OF COVID-19

During the year, there was an outbreak of Corona Virus disease in China. This, however, became widespread in a number of countries thereafter and it was declared a pandemic by World Health Organisation (WHO) in March 2020.

This coronavirus disease 2019 (COVID-19) pandemic is affecting economic and financial markets, and virtually all industries are facing challenges associated with the economic conditions resulting from efforts to address it. Many entities in the travel, hospitality, leisure, and retail industries have seen sharp declines in revenues due to regulatory and organisational mandates (e.g. "shelter in place" mandates, school closures) and voluntary changes in consumer behaviour (e.g. "social distancing").

During this period the Group has experienced real and devastating impact of the COVID 19 pandemic that has been felt in all areas of the hotel and its operations. All the hotel revenue streams drastically dropped from mid- March 2020 as a result of cancellations due to reduced international travel because of international and local airport closures.

A variety of scenarios were dealt with over this period from potentially having to close the entire hotel, a national lock down to being able to operate limited services. For survival, management had to become more flexible and creative in all areas of operations which included launching new products without compromising Marriott`s international standards.

Although there were limited opportunities to drive sales and marketing activities, the Group managed to launch two new products which include quick take away food & beverage and new local accommodation and enhanced communication within the Malawian market.

A key area of focus during the period was on cost saving initiatives and implementation of cost saving. Due to slow down in operations, the Company laid off 44 members of staff which include 10 managers and further reduced the salary remuneration for the remaining staff on an average of 50% as working hours for staff were also reduced.

29. IMPACT OF COVID-19 (Continued)

Despite the difficulties encountered during the year, management ensured that quality of service was not compromised. The period was very stretching and demanding as all team members changed the working patterns and operations.

30. GOING CONCERN

The Group and the Company have incurred a net loss of K454 million (2019: K467 million profit) and K400 million (2019: K469 million profit), respectively during the year ended 30 September 2020 and, as of that date, the Group's current liabilities exceeded its current assets by K3.7 billion. (2019: K34 million).

The Group performance this year has been driven by two factors. As explained in note 29 to the financial statement, the Group has been affected by the impact of Covid -19. Blantyre Hotels Plc experienced a drastic drop in revenue as a result of cancelled bookings and restrictions in travelling both local and international due to airport closure. This is the principal reason for the loss in the current year.

Secondly, as explained in note 9 to the financial statement, Blantyre Hotels Plc through its subsidiary, Oasis Hospitality Limited, plans to build a hotel. Since its incorporation, Oasis Hospitality Limited has largely relied on short term borrowings to finance its operations hence the net current liability position.

Directors are confident that the Group is a concern because of the following reasons;

- Blantyre Hotels Plc, has adequate financial resources to finance its working capital for the next 12 months;
- The world is working tirelessly to find a vaccine for the Corona virus which will be a cure for the disease and this will ease down some of the restrictions imposed by countries and enable people to travel across the world;
- Blantyre Hotels Plc, has also introduced new packages in their products which include quick take away and special conference and accommodation rates; and
- During the year, the Group, through its subsidiary Oasis Hospitality Limited, issued a prospectus to targeted investors as private placement for raising capital through equity and debt amounting to K24.6 billion to finance the hotel construction. The Directors are optimistic that the Group will manage to raise the required capital for the construction of the hotel.

31. EXCHANGE RATES AND INFLATION

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

31. EXCHANGE RATES AND INFLATION (Continued)

	2020	2019
Kwacha/Rand	46.96	48.68
Kwacha/US Dollar	752.91	732.99
Inflation rate	7.1%	9.2%

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

Kwacha/Rand	55.63
Kwacha/US Dollar	772.72
Inflation rate (for December 2020)	7.6%

32. EVENTS AFTER REPORTING PERIOD

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