



ANNUAL REPORT

20
22

SUNBIRD TOURISM PLC



SUNBIRD
Hotels and Resorts



Salima, Malawi
Lakeside Resort



Lilongwe, Malawi
City Hotel



Blantyre, Malawi
City Hotel



Mangochi, Malawi
Lakeside Resort



Salima, Malawi
Lakeside Resort



Mzuzu, Malawi
City Hotel



Zomba, Malawi
Mountain Resort



Lilongwe, Malawi
City Hotel



Nkhata-bay, Malawi
Lakeside Inn



KALIPANO HOTEL
by Sunbird

Dowa, Malawi
Country Resort

INSIDE THIS REPORT

CONTENTS

01	.....	GROUP PROFILE
02	.....	VISION, MISSION STATEMENT & STATEMENT OF STRATEGIC INTENT
03	.....	CHAIRMAN'S STATEMENT
15	.....	CHIEF EXECUTIVE'S REPORT
20	.....	FINANCIAL STATEMENTS

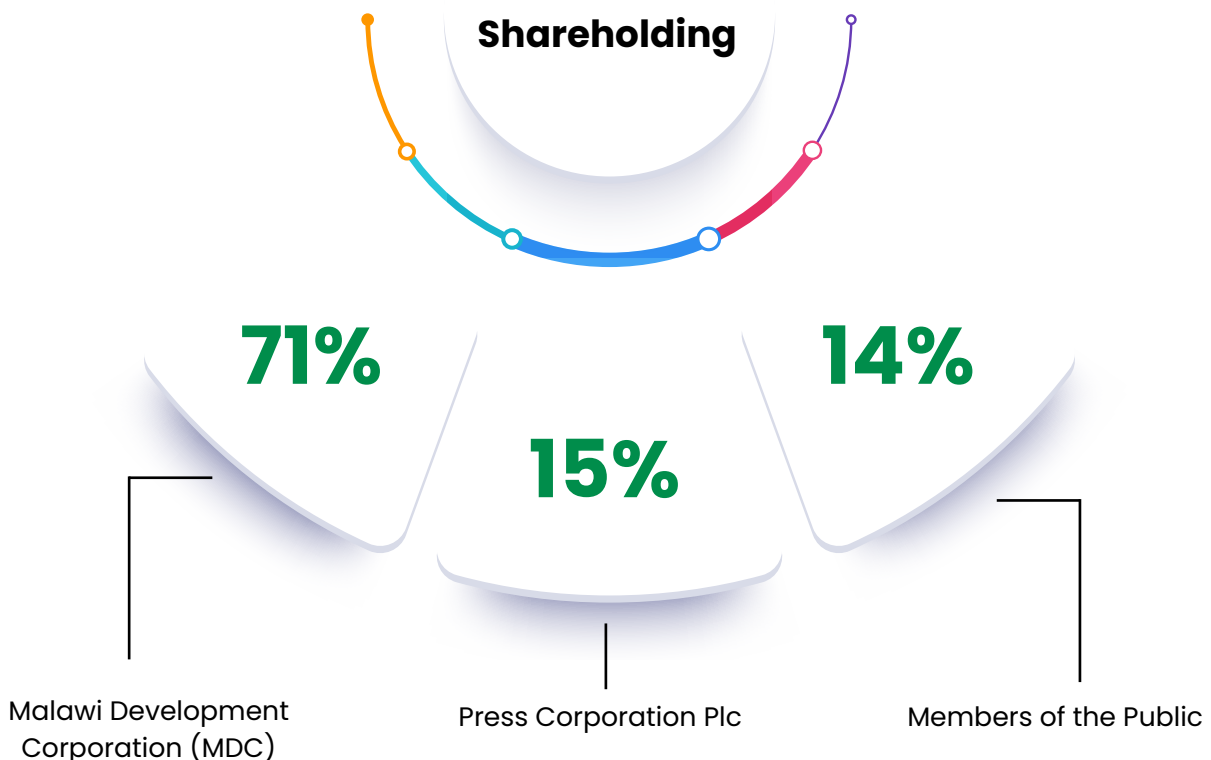
GROUP PROFILE

Sunbird Tourism PLC (Sunbird) is a publicly quoted enterprise, listed on the Malawi Stock Exchange in August 2002. As of December 2022, the Government of Malawi through the dormant Malawi Development Corporation (MDC) is the major shareholder at 71%. Press Corporation plc owns 15% and members of the public 14%.

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

Sunbird Hotels and Resorts is Malawi's leading hotel chain with 10 properties including four city hotels in all three regions of Malawi namely; Sunbird Capital, Sunbird Mount Soche, Sunbird Lilongwe, and Sunbird Mzuzu; three popular beach resorts along Lake Malawi namely; Sunbird Waterfront, Sunbird Livingstonia, Sunbird Nkopola; a beachside Inn on the northern lakeshore, Sunbird Chintcheche; an iconic mountain resort in the former capital city; Sunbird Kuchawe and a country resort; Kalipano Hotel by Sunbird. Sunbird Hotels & Resorts, "the home of hospitality" is known for offering excellent and personalized services, great cuisine and comfortable accommodation.

Sunbird employs a motivated and highly skilled team of about 800.





OUR VISION

The preferred brand in the hospitality industry.

MISSION STATEMENT

Sunbird exists to provide excellent accommodation, catering and related hospitality services with the intention of increasing stakeholders' value.

STATEMENT OF STRATEGIC INTENT

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

CHAIRMAN'S STATEMENT

INTRODUCTION

During the last year, there were changes to the Board. Chairperson George Partridge retired from the Board in March 2022 and the Board elected me as the new Chairperson. New directors that joined the Board in 2022 are Dr. MacDonald Mafuta Mwale (February 2022), Ms. Moureen Mbeye (April 2022) and Mr. George Nnensa (May 2022).

The Board provides ethical leadership from the top and directs the Company based on the Company's strategic pillars of **governance and compliance, operational excellence and**



innovation, customer centricity, and financial management and sustainability. It also maintains a zero-tolerance approach towards unethical conduct. Collectively, the Board, provided effective leadership and directed the Company within the Company's governance framework and delegation of authority.

THE GLOBAL ECONOMY



The global economy declined to 3.2% in 2022 from 5.5% registered in 2021 according to International Monetary Fund (IMF). Russia's war of aggression against Ukraine continues to overshadow the world economy. Despite recent signs of improvement, recovery over the next few years is expected to be moderate.

Looking ahead, global economic prospects

remain fragile and downside risks will prevail amid high uncertainty generated by the war in Ukraine, heightened trade tensions and rising concerns about financial vulnerabilities, including in financial institutions, housing markets and low-income countries.

The IMF projects the global economy to grow by 3.6% in 2023.

MALAWI ECONOMY



The economy grew by an estimated average of 1.2% in 2022 compared to 4.6% realised in 2021. The headline inflation rate (year-on-year) for 2022 increased to 25.4% from 9.3% in 2021. This was mainly attributed to an increase in both food and non-food inflation which closed at 31.4% and 18.6% respectively.

In May 2022, the Malawi Kwacha was devalued by 25% to improve external sector competitiveness, align the exchange rate with market fundamentals as well as to improve the circulation of foreign exchange in the market. In 2022, the Malawi Kwacha averaged MK957.87=\$1 compared to MK802.61=\$1 in 2021.

The monetary policy rate was raised twice during the year to close at 18% in 2022.

The Liquidity Reserve Requirement (LRR) ratio on both domestic and foreign currency denominated deposits was at 3.75% while the average lending rates for the commercial banks for 2022 were between 12.0% and 25.0% (2021: between 12.0% and 25.0%)

SUNBIRD SHARE PRICE

Sunbird Tourism Plc share price increased from MK90.01 in 2021 to MK92.06 at the end of 2022.

TOURISM INDUSTRY

The tourism industry, both local and international, saw a strong recovery from the impact of COVID-19 in 2022 following the lifting of travel restrictions in most countries around the globe. The increase in travel led to increased demand for hospitality services. According to United Nations World Tourism Organisation (UNWTO), more than 900 million tourists travelled internationally in 2022 doubling the number recorded in 2021.

The UNWTO data further shows that international tourism recovered 63% of pre-pandemic levels with Europe recording 80%, Middle East 83% while Africa and the Americas recorded 65% of pre-pandemic tourist arrivals.

According to the World Travel and Tourism Council (WTTC), in 2022 the Travel and Tourism sector contributed 7.6% to global GDP; an increase of 4.7% from 2021 and 22.9% below 2019 levels. The sector created 22 million new jobs, representing a 7.9% increase over 2021, and 11.4% below 2019. Domestic visitor spending increased by 20.4% in 2022, 14.1% below 2019 while international visitor spending rose by 81.9% in 2022, but still 40.4% behind 2019.

International tourism is expected to consolidate its recovery in 2023 backed by rising demand as destinations and markets open up.



FINANCIAL PERFORMANCE

Revenues

Total revenue grew by 55% to MK25.7 billion on account of increased occupancy which rose to 48% from 36% achieved in the prior year and growth in catering revenue by 49% from prior year.

The Corporate Individual market segment which constituted 62% of total room nights continues to be the anchor segment for the business, followed by Corporate Groups at 20%. The Corporate segment contributed a total of 82%. There is continued focus on sustaining these key segments while initiatives to grow the other segments, such as Leisure and Online continue to be prioritized in order to optimize the potential of different properties of the Company.

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

Operating Costs

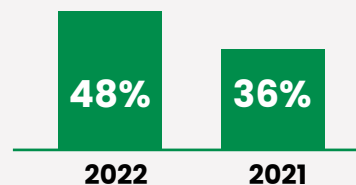
Cost of sales increased to MK8.4 billion in 2022 from MK5.9 billion in 2021. The increase is due to variable cost increases arising from increased occupancies and high inflationary pressures during the year.



2022 Revenues
MK25.7Bn

2021 Revenues
MK16.6Bn

Occupancy Rate



2022: more than
900M
tourists travelled internationally

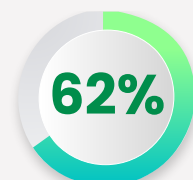
2021: Africa recovered about

65%
of its pre-pandemic visitors



Room Nights:

i. Corporate Individuals



ii. Corporate Groups



Administration and other expenses increased to MK11.8 billion in 2022 from MK8.9 billion in 2021. This was a result of both increased business and high inflationary pressures in the year compared to prior the year.

Finance costs

Total finance costs amounted to MK2.1 billion compared to MK1.2 billion in 2021. The increase was as a result of the capitalization of debt financed projects as well as increased interest rates.

Profit after tax

The Company registered a profit after tax of MK3.1 billion representing an increase of 307% from the 2021 profit of MK749 million. Profitability was driven by improved revenue as a result of the above alluded to business rebound, intensified marketing and strong cost containment measures.

Dividend

During the year, the company declared and paid an interim dividend of MK131 million (2021: Nil) representing MK0.50 per share (2021: Nil) in respect of the year ended 31 December 2022.

Refurbishment and Expansion Projects

During the year, the Company completed construction of the new Sunbird Livingstonia Beach restaurant in Salima.

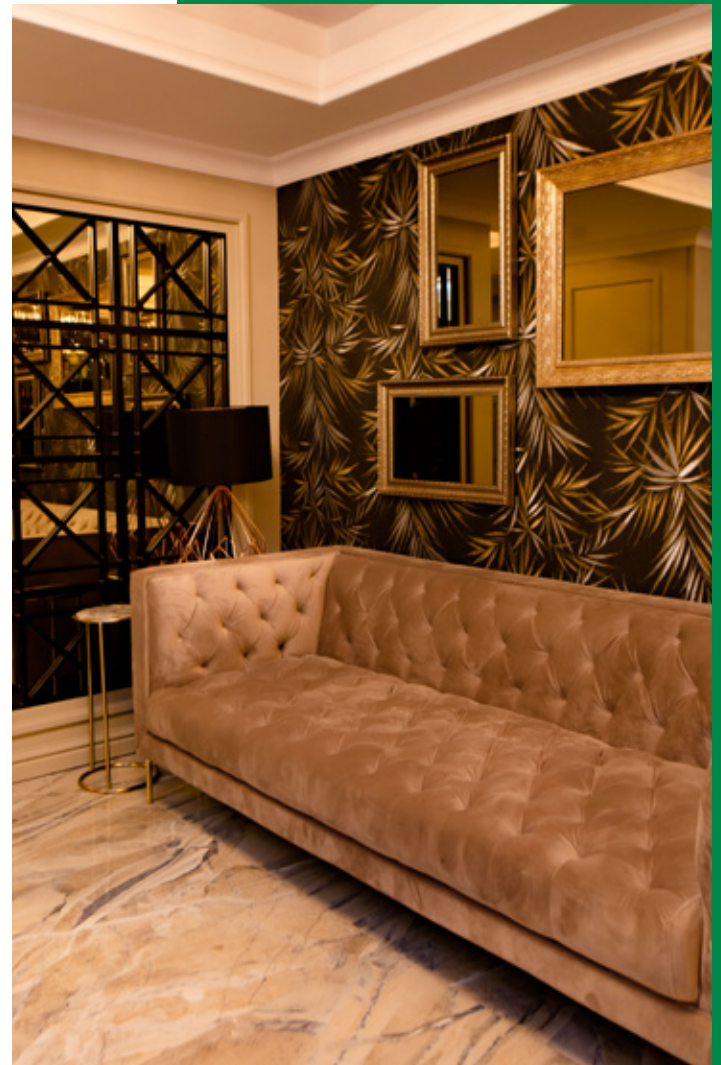
Strategy and Outlook

The Board expects the country's economy to continue on its recovery path following the heavy impact of COVID-19 in the previous years. This is expected to continue improving the activities in the market.

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

There are a number of key product improvement plans that are currently underway including: the refurbishment of all rooms at Sunbird Ku Chawe which is almost complete and at Sunbird Mzuzu which is in progress, expected to complete in second half of 2023.

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





CORPORATE GOVERNANCE

At Sunbird we believe that the highest standards of Corporate Governance are critical to the success of our business. Good governance is the foundation for the delivery of our strategy to become the preferred brand in the hospitality industry. Sunbird fully complies with the Companies Act of 2013 as well as various Regulations made thereunder. We provide adequate explanation to allow shareholders and investors to appreciate the level of compliance. Sunbird continues to assess its governance structures and practices with a view to ensuring that there is full compliance.

The Board is composed of nine non-executive directors. Directors, in recognition of their responsibilities to the Company, exercise their fiduciary duties independently and in the best interest of the Company without any interference.

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

The Board retains effective control through the governance structure that also provides a framework for delegation. Board Committees facilitate the discharge of Board responsibilities and provide adequate comprehensive focus on specific areas.

RISK MANAGEMENT

The Board is ultimately responsible for the governance of Company's risks which includes the formulation of the risk appetite and setting and monitoring of risk tolerance. The Board discharges its duties by mandating specific risk management duties and responsibilities to the Finance and Audit Committee.

Embedded throughout the business, the Risk Management function ensures an integrated approach to managing current and emerging threats. Risk Management plays a key role in business strategy and planning discussions.

The Company operates in a dynamic and challenging environment that includes risks and opportunities. Sunbird Tourism Plc has a formal risk management process and governance structure with various management and Board sub-committees responsible for identifying, reviewing and monitoring the Company's risks.

The Company's management team is tasked with identifying the risks the Company faces and each business unit has a unit-specific risk register, using the same methodology, which is compiled and consolidated annually. The most significant risks are reported to and reviewed by the Finance and Audit Committee at each meeting in the form of a risk dashboard, where the committee interrogates the controls and mitigating actions to ensure management is taking appropriate action and continually monitoring progress. The risks are also linked to the Company's strategic objectives to understand the likelihood of the group achieving its long-term strategy.

The Company's top risks include pandemics, competition, market risks, cyber security, and uncertainty surrounding operating assumptions. The Board has appropriate structures in place to ensure adequate responses to these major risks.

Internal Audit

Internal Audit (IA) forms part of the combined assurance framework. IA evaluates and contributes to the improvement of the effectiveness of risk management, control, and governance processes. The Head of Internal Audit and Risk Management reports to the Finance and Audit Committee of the Board. The annual internal audit plan includes a review of the consistency of the application of the risk methodology and the effectiveness of risk controls.

The Finance and Audit committee examines and discusses the appropriateness of internal controls with the Head of Internal Audit & Risk Management. The Finance and Audit committee is satisfied with the internal audit function, and that internal audit has the necessary skills and resources to address the complexity and volume of risks faced by the Company.

DIVIDEND DECLARATION

At the forthcoming Annual General Meeting the Board will recommend a dividend payment of MK393 million (2021: Nil) representing MK1.50 per share (2021: Nil) thus making a total dividend of MK524 million in respect of 2022 profits (2021: MK: Nil), representing MK2.00 per share (2021: MK: Nil).

INVESTOR RELATIONS

Sunbird has gone further than normal channels of communication with shareholders through the Annual General Meeting, press releases and regulatory filings. Our shareholders are able to communicate and meet with us on pertinent issues as they arise. A number of non-controlling shareholders have been our guests at some of the hotels. This has helped to improve communication and create better understanding of the business and its challenges, as well as strategies that are implemented to counter the challenges.



**CHAIRMAN**

Vilipo Munthali (50)

Is a seasoned chartered accountant. He holds a bachelor's degree in accountancy from the University of Malawi and an MBA from Management College of Southern Africa, Botswana. He is a Member of Institute of Chartered Accountants in Malawi, and a Fellow, Association of Chartered Certified Accountants - FCCA. He is the Managing Consultant at Swift Resources, a corporate finance and international tax (transfer pricing) consulting firm. He has previously held the position of Chief Finance Officer for First Capital Bank plc both in Malawi and Botswana. He has over 20 years' experience in the banking sector. He joined the Board in September 2020.



Maureen Kachingwe (57)

Is a legal practitioner with an LLB (Hons) from the University of Malawi and an MBA from the University of Hull (UK). She currently holds the position of Head of Legal, Corporate Affairs and Company Secretary for Illovo Sugar (Malawi) plc since 2017. Before joining Illovo Maureen served as Director of Legal and Corporate Affairs as well as Company Secretary for Sunbird Tourism plc with a portfolio that included oversight of the Human Resources, Procurement and Projects implementation functions. She has expertise in Corporate Law, Governance & Compliance, Commercial Law (Contracts and Competition) Corporate Strategy and legal drafting. She joined the Board in September 2020 and chairs the Projects Committee. Over the years Maureen has held several board positions in financial institutions, pension trusts, parastatals, insurance company and also been a Council Member in the Higher Education sector. Maureen also served as Secretary for the Malawi Law Society and President and Chairperson of the Women Lawyers Association.





Gladson Kuyeri (52)

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



Bernadette Malunga (41)

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



Chauncy Simwaka (57)

Is the Secretary for Tourism responsible for the overall policy guidance in the tourism sector and promoting the Government of Malawi's strategy to promote Malawi as a top tourist destination of choice for international visitors. Mr. Simwaka has served the Government of Malawi in various senior capacities. He has also undertaken a number of research and consultancy assignments of national importance in a variety of fields including: legal and institutional framework of Local Government and Rural Development; Local Government planning and budgeting; domestic and international trade; and the Malawi Labour Market. He holds a Bachelor's Degree in Social Science (Economics) from the University of Malawi, a Postgraduate Diploma in Development Economics from the University of Bradford, UK and a Master's Degree in Economics (MSc) from the University of Wales, UK.



Moureen Mbeye (41)

Is a finance specialist with over 19 years' experience in directing financial operations and management of organizations ensuring continuing business growth and achievement of strategic goals. She is technically competent in strategic planning and execution, financial planning and performance monitoring/reporting, budget and budgetary control, internal controls formulation and implementation, auditing, tax planning, mergers and acquisitions evaluations and analysis. She serves as a Director of several PCL Group companies. Currently, she is working as the Chief Finance & Administration Executive and Company Secretary for Press Corporation Plc. She is a Fellow of the Association of Chartered Certified Accountants, UK (FCCA); a holder of Masters in Executive Business Administration (EMBA) from the University of Cape Town and a Bachelor's Degree in Accountancy from the University of Malawi. She joined the Board in April 2022.



Cornelius Majawa (52)

Is a holder of a Master of Science degree in Strategic Management (2002), a member of CIMA UK (1998) and Bachelor of Accountancy (1994) from University of Malawi. He is currently a Managing Director of First Microfinance Centre Ltd. Prior to setting up First Microfinance Centre Ltd in 2018, Cornelius served as Chief Executive Officer for PRIDE Malawi Ltd for 13 years. He is a seasoned trainer, researcher and consultant in Retirement Planning, Personal Finance Planning and Management. Cornelius seats on other numerous boards in the private sector.



George Nnensa (63)

Is an information and communication technologies (ICT) specialist with vast experience in management, corporate strategy and governance. Mr. Nnensa is currently the Managing Director of ICL (Malawi) Limited. He holds a bachelor's degree in social science and a postgraduate diploma in management, both from the University of Malawi and a master's degree in management studies in international business management from Carleton University, Canada. He joined the Board in May 2022.





Dr. MacDonald Mafuta Mwale (53)

Is the current Secretary to Treasury in the Ministry of Finance and Economic Affairs. Dr Mwale has served the Government of Malawi in various senior capacities. He has also worked as a Project Manager of a World Bank funded Financial Sector Technical Assistance Project which was housed in the Reserve Bank of Malawi (RBM). He holds a bachelor's degree in Social Sciences (Economic) from the University of Malawi and master's degree (MSc) in Economics and Econometrics from Nottingham University, UK. He is also a holder of a PhD in Economics from Aberdeen University in Scotland. He joined the Board in February 2022.



Mr. Barnet Gausi (41)

Is the Company Secretary. He is a Chartered Accountant with over 18 years' experience in accounting, finance, risk management, auditing, management, corporate strategy and corporate governance. He holds a bachelor's degree in accountancy from the University of Malawi and a master's degree in Business Administration (MBA) from the University of Leicester, UK. He is also a fellow of the Association of Chartered Certified Accountants, UK (FCCA) and a Certified Internal Auditor (CIA).

The Company Secretary is not a director of the Company and ensures board and committee processes and procedures are implemented. Directors have unrestricted access to the Company Secretary's advice and services.

In 2022 the following Committees were in place and their membership is reflected below:

FINANCE & AUDIT COMMITTEE

Ms. Moureen Mbeye	-	Chairperson
Mr. Gladson Kuyeri	-	Member
Mr. George Nnensa	-	Member
Dr. MacDonald Mafuta Mwale	-	Member

PEOPLE AND CULTURE COMMITTEE

Mr. Gladson Kuyeri	-	Chairperson
Dr. Bernadette Malunga	-	Member
Mr. Cornelius Majawa	-	Member
Mr. Chauncy Simwaka	-	Member

PROJECTS COMMITTEE

Mrs. Maureen Kachingwe	-	Chairperson
Dr. Bernadette Malunga	-	Member
Mr. Cornelius Majawa	-	Member



Samson Mwale
Chief Executive



Barnet Gausi
Head of Finance and Company
Secretary



Proud Chalira
Head of Operations



Edward Chunga
Head of Corporate Services



Temwa Kanjadza
Head of Sales, Marketing and
Distribution





CHIEF EXECUTIVE'S REPORT

I am writing this commentary on behalf of my predecessor, Mr. Yusuf Olela, to whom Sunbird and myself owe a lot of appreciation for the capable leadership provided to the Company during the six years that he was Chief Executive. We will dearly miss him.

The year 2022 showed strong signs of recovery for the hospitality and travel industry from the impact of COVID-19. For the first time in over two years, people travelled and mingled freely without significant restrictions. Reports of infections and deaths from COVID-19, that terrorized us heavily in the previous two years, subsided and for once we were able to discuss business without mentioning COVID-19 a lot in our discussions.

I would like to thank and appreciate our customers for their steadfast support and loyalty, not just in the year 2022 but for many

years, including the very difficult two years of COVID-19. Our performance in 2022 would not have been possible without our customers' trust and support.

I also would like to thank the Board for working tirelessly and diligently in providing oversight and guiding management to put in place strategies and policies that support business sustainability and continuity, and to all my colleagues, the employees of Sunbird Tourism Plc who remain the most treasured assets that the business has. In our first year of the 2022-2026 strategic business plan, the team's commitment and service delivery was exceptional and was key to the strong performance that we registered. This will only spur us for the rest of the plan period.

Sales & Marketing

International tourism continued to show signs of a strong and steady recovery from the impact of the pandemic despite significant mounting economic and geopolitical challenges. At local level the Lakeshore ban for meetings and conferences posed a disruption for the growth and performance of the industry, with gains made for city hotels, however not at the same level of business lost in the Lake resorts. Despite the recovery disruption, the positive trajectory in the overall increase of travel was maintained, however what remained key was increasing of routes by Malawian airlines to mitigate challenges of access to Malawi while increasing international arrivals.

The brand continued to reposition for growth by leveraging on its unique experiences, derived from being a chain with distinct individual hotels as a competitive advantage in order to remain a hospitality service provider of choice. The company strived to improve its top-line by leveraging its diverse and improved product with an enhanced customer experience. Sunbird continued the implementation of the

company's aggressive responsive sales & marketing strategy under its growth pillars in response to a favourable business environment amidst economic headwinds with increased focus on both domestic and international business, and increasing the share of wallet from existing business.

Promotions and Events

Promotions in the year aimed at increasing food covers, and occupancies in order to push the performance of revenues. Promotions were also designed to induce production from the domestic market, and during valley periods. The company ran the following promotions; low season, weekend, birthday, wedding and honeymoon, brunch, winter as well as online travel promotions. Other annual promotions included; Valentine's Day, Easter, Mother's day and Independence day promotions.

In an effort to increase footfall across the hotels and engage certain target markets, the following key events took place; beach soccer, Fun truck parties, Bookers cocktails, Golf, business breakfasts and many more.



Brand Visibility

Being a recovery year from the impact of COVID-19, Sunbird embarked on enhancing its brand visibility across all key platforms as well as moving to new strategic platforms. As international and regional travel continued to rally and gain momentum, the brand had presence on all major online travel agents, distribution platforms, and furthermore extended its reach by moving to a new channel manager for certain hotels, leading to increased production from the online segment. The company also returned to participation in some key major tourism tradeshow that included; WTM London, Indaba, Meetings Africa, as well as regional sales calls for key markets such as the South African market. In an effort to further increase brand visibility and create tie in synergies, the company had strategic partnerships with Sheba miles and ICAM, among others.

Public relations efforts were also enhanced through local dailies, third party digital news sources, as well as trade magazines and third party PR platforms. Other key above and below the line efforts were enhanced for local, regional and international visibility.

Market Share and Competition

Despite the increased competition on the market, Sunbird continued to enjoy market leadership with a solid market penetration index thus getting more than its fair share of the business



OPERATIONS

Guest Satisfaction

Guest satisfaction survey score for the year was 87%, a good score compared to the regional average score of 86%. Action plans detailing initiatives aimed at addressing the shortfalls identified by the survey are being implemented.

Net Promoter Score

Net Promoter Score is a measure of customer loyalty that uses a single question asking whether the customer would recommend our services to others. The company achieved a net promoter score of 62. A Net Promoter Score above 50 is considered a very good score and hence the company's score of 62 compares favourably with leading hospitality brands.

Mystery Guest

Mystery Guest Surveys aimed at verifying if standard operating procedures are being adhered to were conducted in all the hotels. Action plans from the survey results are being implemented.

Innovation

Several innovations were rolled out in the year and one notable idea that was implemented was the introduction of electronic menus in our restaurants. This is where by just scanning a QR code guests have the option of browsing the menu on their phone.

TECHNOLOGY

As the demand for technology aided services is growing within our hotels, Sunbird acknowledges the importance of investing in technology as one way of ensuring that there is excellence in the services being offered to its guests. In the



Guest Satisfaction Score

87%



Net Promoter

62 | Score



Innovation:

introduction of electronic menus

year 2022, significant changes were made in the information and communications technology (ICT) operating environment of Sunbird with an aim of improving both customer experience related processes.

The email platform was migrated from on premise to cloud technology for seamless communication within and outside the business. Sunbird commenced the replacement of the accounting system, a project to be closed in the year 2023. Additional network infrastructure was installed on all hotel properties to improve the ICT security posture of our ICT environment. A new core system was identified to replace the existing hotel management system and implementation of this system will not only reduce ICT operating cost but also enhance guest experience while accessing Sunbird services and enhance efficiency in business processes.

Implementation of these changes is being benchmarked to world standards to give the best possible experience to our hotel guests and customers.





OUR PEOPLE

The recovery trajectory which the business showed in the year enabled us to implement some people programs which had previously been suspended. Among them were long service awards and chefs' competition which resumed in the year after a 3 year break due to COVID-19 pandemic.

A structural review process which commenced in 2021 was completed in the year, it culminated into a new structure to ensure that the new 5-year strategic plan is supported by an appropriate and enabling structure.

In order to ensure that the workplace embraces the concept of inclusivity, a Diversity, Equity and Inclusion (DEI) Policy was implemented aimed at, among other objectives, increasing the number of minority groups in sections and departments where they are underrepresented.

Acquisition of new skills and competences by our people are very critical to the success of the Company through offering high quality service delivery. As such a number of training initiatives and programs were implemented in the year. These included, among others, supervisory development programs, management development programs, enterprise risk management and training in functional standard operating procedures

We consider our "culture" as a strategic component of our sustainable competitive advantage, which needs to be leveraged on. To this end, we embarked on a culture transformation journey starting with conducting a culture audit.

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

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



SUNBIRD TOURISM PLC
**FINANCIAL
STATEMENTS**

For the year ended
31st December 2022

FINANCIAL STATEMENTS

For the year ended
31st December 2022

Directors' Report

For the year ended 31 December 2022

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31st December 2022.

Nature of Business

Sunbird Tourism Plc (the "Company") is a leading operator in the hospitality industry in Malawi and has as its main activity, the ownership, operation and management of nine hotel properties in Malawi.

Incorporation and Registered Office

Sunbird Tourism Plc is a Company incorporated in Malawi under the Companies Act, 2013 of Malawi, and is domiciled in Malawi. The Company was listed on the Malawi Stock Exchange on 22nd August 2002. The address of its registered office is:

28 Glyn Jones Road
P.O. Box 376
Blantyre
Malawi

CAPITAL

The authorised share capital of the Company is MK14 million divided into 280,000,000 ordinary shares of 5 tambala each. The issued and fully paid-up share capital is MK13.1 million divided into 261,582,580 ordinary shares of 5 tambala each.

The shareholders and their respective percentage shareholdings as at 31st December are:

	2022	2021
	%	%
MDC Limited	71.00	71.00
Press Corporation Plc	15.00	15.00
Members of the public	14.00	14.00
	100.00	100.00

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

The share price at the end of the reporting year was **MK92.06** (2021: MK90.01) per share.

FINANCIAL PERFORMANCE

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

DIVIDEND

During the year, there was no final dividend declared (2021: Nil) in respect of the year ended 31 December 2021 but an interim dividend on MK131 million, representing 50 tambala per share was declared and paid (2021: Nil) relating to the results for the year ended 31 December 2022.

CORPORATE GOVERNANCE

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

The Board is satisfied that the Company has made every practical effort to adopt all relevant principles of good corporate governance during the year under review in so far as is applicable to the Company.

RISK MANAGEMENT

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

DIRECTORATE

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

NAME	POSITION	DURATION
Dr. George Partridge	Chairman	Up to 31 st March 2022
Mr. Vilipo Munthali	Chairman	Full year (Chairman From 1st April 2022)
Mr. Gladson Kuyeri	Director	Full year
Mr. Chauncy Simwaka	Director	Full year
Mrs. Maureen Kachingwe	Director	Full year
Dr. Bernadette Malunga	Director	Full year
Mr. Cornelius Majawa	Director	Full year
Mr. George Nnensa	Director	From 1 st May 2022
Dr. MacDonald Mafuta Mwale	Director	From 17 th February 2022
Ms. Moureen Mbeye	Director	From 1 st April 2022
Mr. Allan Muhome	Company Secretary	Full year

All the directors are resident in Malawi.

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

BOARD AND COMMITTEES ATTENDANCE RECORD

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

BOARD

MEMBER	24 Mar '22	17 Jun '22	22 Jul '22	14 Sept '22	16 Dec '22
Mr. Vilipo Munthali (Chairperson)	✓	✓	✓	✓	✓
Mr. Gladson Kuyeri	✓	✓	✓	✓	✓
Dr. McDonald Mwale	✓	A	✓	✓	✓
Mr. Cornelius Majawa	✓	✓	✓	✓	✓
Mrs. Maureen Kachingwe	✓	A	✓	A	A
Mr. Chauncy Simwaka	✓	✓	✓	✓	✓
Dr. Bernadette Malunga	✓	✓	✓	✓	✓
Ms. Moureen Mbeye	N	✓	✓	✓	✓
Mr. George Nnensa	N	✓	✓	✓	✓

Key:

✓ = Attendance

A = Apology

N = Not a Member

ANNUAL GENERAL MEETING

MEMBER	17 Jun '22
Mr. Vilipo Munthali (Chairperson)	✓
Mr. Gladson Kuyeri	✓
Dr. McDonald Mwale	A
Mr. Cornelius Majawa	✓
Mrs. Maureen Kachingwe	A
Mr. Chauncy Simwaka	✓
Dr. Bernadette Malunga	✓
Ms. Moureen Mbeye	✓
Mr. George Nnensa	✓

FINANCE AND AUDIT COMMITTEE

MEMBER	11 Mar '22	11 May '22	03 Jun '22	29 Aug '22	28 Nov '22
Mr. Vilipo Munthali (Chairperson)	✓	N	N	N	N
Ms. Moureen Mbeye (Chairperson)	N	✓	✓	✓	✓
Dr. McDonald Mwale	✓	✓	✓	✓	A
Mr. Gladson Kuyeri	✓	A	✓	✓	✓
Mr. George Nnensa	N	✓	✓	✓	✓

HUMAN CAPITAL AND DEVELOPMENT COMMITTEE

MEMBER	10 Mar '22	02 Jun '22	25 Aug '22	18 Nov '22
Mr. Gladson Kuyeri (Chairperson)	✓	✓	✓	✓
Dr. Bernadette Malunga	✓	✓	✓	✓
Mr. Cornelius Majawa	✓	✓	✓	✓
Mr. Chauncy Simwaka	✓	A	A	✓

PROJECTS COMMITTEE

MEMBER	10 Mar '22	12 Apr '22	01 Jun '22	25 Aug '22	24 Nov '22
Mrs. Maureen Kachingwe (Chairperson)	✓	✓	✓	✓	✓
Mr. Cornelius Majawa	✓	✓	✓	✓	✓
Dr. Bernadette Malunga	✓	✓	✓	✓	✓

Key:

✓ = Attendance

A = Apology

N = Not a Member

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

GOING CONCERN

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

INDEPENDENT AUDITORS

Messrs Grant Thornton, Chartered Accountants and Business Advisors (Malawi), were the auditors for the year ended 31 December 2022.

FOR AND ON BEHALF OF THE BOARD

AUTHORISED DIRECTOR



AUTHORISED DIRECTOR

Date: 24 March 2023

DIRECTORS' RESPONSIBILITY STATEMENT

For the year ended 31 December 2022

The directors are responsible for the preparation and fair presentation of the financial statements of Sunbird Tourism Plc, comprising the statement of financial position at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes set out on pages 9 to 42 in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2013 of Malawi. In addition, the directors are responsible for preparing the directors' report.

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

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

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


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

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

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

Approval of financial statements

The financial statements of Sunbird Tourism Plc, as identified in the first paragraph were approved by the Board of Directors on **24 March 2023** and were signed on its behalf by:



AUTHORISED DIRECTOR



AUTHORISED DIRECTOR

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SUNBIRD TOURISM PLC

Opinion

We have audited the financial statements of Sunbird Tourism Plc (the Company) set out on pages 31 to 72, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Sunbird Tourism Plc as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2013 of Malawi.

Basis for opinion

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of trade receivables</p> <p><i>See notes 3.12, 4.1, 5.2.1, 9 and 24.2 to the financial statements</i></p> <p>A significant proportion of the Company's business involves providing services relating to hotel accommodation, food and beverage, conferencing and banqueting to customers on a credit basis. The Company operates in a number of different locations within Malawi and provides services to a wide range of customers, including tourists, corporate entities, government institutions and local individuals. The impact of the market and economic conditions in Malawi, including COVID-19 pandemic, high rates of unemployment and inflation impacts the ability of customers to pay the Company.</p> <p>Accordingly, we paid particular attention to the impairment assessment of trade receivables at year end due to the following:</p> <ul style="list-style-type: none"> The significance of the balance in the statements of financial position at year end. The subjective nature of the estimation and judgement with regard to the recoverability of trade receivable balances when calculating the allowance for credit losses to be reported in the financial statements. <p>As a result, the impairment of trade receivables was a key audit matter.</p>	<p>Our audit work included the following procedures:</p> <ul style="list-style-type: none"> We assessed management's impairment process by considering whether the impairment process is in compliance with IFRS 9 Financial Instruments Management adopted the simplified approach in calculation of the expected credit losses. We assessed the reasonability of management's impairment calculation by assessing the following: <ul style="list-style-type: none"> the reasonableness of the unbiased and probability weighted amount determined by evaluation of a range of possible outcomes; The reasonableness of time value of money used in the calculations; The information used at the reporting date about past events, current conditions and forecasts of future economic conditions.

<p>Valuation of property</p> <p>See Notes 3.1 and 6 to the financial statements</p> <p>The Company operates out of various hotels throughout Malawi. Most of these properties, including the land on which they are situated, are owned by the Company and measured at revalued amounts. These properties are the most significant revenue generating assets of the Company.</p> <p>The valuation of the Company's properties was a key audit matter due to:</p> <ul style="list-style-type: none"> • The significance in the financial statements of the Company. • Estimating the fair value is a complex process involving a number of judgements and estimates regarding various inputs. • Due to the nature of the assets, the valuation technique includes a number of inputs and assumptions due to a lack of an active market. 	<p>Our audit in this area included, among others:</p> <ul style="list-style-type: none"> • We challenged the assumptions and inputs used in the valuation of properties. • For selected properties we assessed the physical condition of the properties relative to the valuations to assessment by management for any indicators of impairment. • We reviewed the methods, assumptions and judgements applied by management in determining the fair values of the properties as at 31 December 2022 and considered whether the method, assumptions and judgements are consistent with prior year and current market conditions
--	--

Other information

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

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

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

Responsibilities of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

Grant Thornton

Grant Thornton
Chartered Accountants and Business Advisors (Malawi)

Lamion Gama

Lamion Gama
Chartered Accountant (Malawi)
Partner

Blantyre, Malawi.

29 March 2023

STATEMENT OF FINANCIAL POSITION

	Note	2022	2021
ASSETS			
NON CURRENT ASSETS			
Property and equipment	6	47,822,780	46,411,839
Intangible assets	7	<u>123,957</u>	<u>114,509</u>
Total non-current assets		<u>47,946,737</u>	<u>46,526,348</u>
CURRENT ASSETS			
Inventories	8	3,090,654	2,277,439
Trade and other receivables	9	3,480,402	3,310,184
Amounts due from related parties	10	881,157	955,400
Income tax receivable	22(b)	458,063	625,579
Cash and cash equivalents	11	<u>2,156,748</u>	<u>877,263</u>
Total current assets		<u>10,067,024</u>	<u>8,045,865</u>
TOTAL ASSETS		<u>58,013,761</u>	<u>54,572,213</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	12	13,079	13,079
Share premium	12	1,966	1,966
Revaluation reserve		15,409,596	15,632,180
Retained earnings		<u>15,262,910</u>	<u>12,120,615</u>
Total equity		<u>30,687,551</u>	<u>27,767,840</u>
NON CURRENT LIABILITIES			
Corporate bonds	13(a)	8,660,000	9,810,000
Deferred income	18	417,717	494,735
Deferred tax liabilities	22(c)	10,125,462	9,973,761
Medium term loan	13(c)	-	286,714
Lease liabilities	13(b)	<u>39,776</u>	<u>62,846</u>
Total non-current liabilities		<u>19,242,955</u>	<u>20,628,056</u>
CURRENT LIABILITIES			
Bank overdraft	11	-	107,655
Trade and other payables	15(a)	4,291,267	3,186,261
Provisions	15(b)	30,000	-
Corporate bonds	13(a)	1,516,850	757,759
Employee benefits	14(b)	957,522	152,039
Amounts due to related parties	10	694,533	663,533
Deferred income	18	238,655	230,453
Medium term loan	13(c)	330,975	1,057,200
Lease liabilities	13(b)	<u>23,453</u>	<u>21,417</u>
Total current liabilities		<u>8,083,255</u>	<u>6,176,317</u>
Total liabilities		<u>27,326,210</u>	<u>26,804,373</u>
TOTAL EQUITY AND LIABILITIES		<u>58,013,761</u>	<u>54,572,213</u>

These financial statements were approved for issue by the Board of Directors on **24 March 2023** and were signed on its behalf by:

AUTHORISED DIRECTOR

AUTHORISED DIRECTOR

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Revenue	16	25,670,156	16,588,548
Cost of sales	19a	(8,363,979)	<u>(5,875,977)</u>
Gross profit		17,306,177	10,712,571
Other income	17	271,527	176,416
Administrative and other expenses	19b	(11,796,955)	<u>(8,850,342)</u>
Operating profit		5,780,749	2,038,645
Finance income	20	24,482	67,249
Finance costs	20	(2,103,230)	<u>(1,242,888)</u>
Profit before income tax expense		3,702,001	863,006
Income tax expense	22(a)	(651,500)	<u>(113,614)</u>
Profit for the year		3,050,501	<u>749,392</u>
Total comprehensive income		3,050,501	<u>749,392</u>
Profit attributable to:			
Owners of the Company		3,050,501	749,392
Total comprehensive income attributable to:			
Owners of the Company		3,050,501	<u>749,392</u>
Earnings per share (tambala)			
Basic and diluted	23	1,166	<u>286</u>

STATEMENT OF CHANGES IN EQUITY

	<u>Note</u>	Share capital	Share premium	Revaluation reserve*	Retained earnings	Total
2022						
At 1 January 2022		13,079	1,966	15,632,180	12,120,615	27,767,840
Total comprehensive income for the year						
Profit for the year		-	-	-	3,050,501	3,050,501
Transfer to retained earnings		-		(222,584)	222,584	-
Transactions with the owners						
Dividend paid		-	-	-	(130,790)	(130,790)
At 31 December 2022		<u>13,079</u>	<u>1,966</u>	<u>15,409,596</u>	<u>15,262,910</u>	<u>30,687,551</u>
At 1 January 2021		13,079	1,966	15,819,988	11,183,415	27,018,448
Total comprehensive income for the year						
Profit for the year		-	-	-	749,392	749,392
Transfer to retained earnings		-	-	(187,808)	187,808	-
At 31 December 2021		<u>13,079</u>	<u>1,966</u>	<u>15,632,180</u>	<u>12,120,615</u>	<u>27,767,840</u>

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

STATEMENT OF CASH FLOWS

	Note	2022	2021
Cash flows from operating activities			
Cash receipts from customers		25,870,190	15,725,958
Cash paid to suppliers and employees		(17,927,007)	(11,427,285)
Cash generated from operations		7,943,183	4,298,673
Interest paid	20	(2,090,043)	(1,747,014)
Income tax paid	22(b)	(327,133)	(410,986)
Net cash from operating activities		5,526,007	2,140,673
Cash flows from investing activities			
Acquisition of property and equipment	6	(2,473,913)	(3,945,860)
Acquisition of intangible assets	7	(47,737)	(9,604)
Proceeds from sale of property and equipment		14,191	18,437
Net cash used in investing activities		(2,507,459)	(3,937,027)
Cash flows from financing activities			
Proceeds from borrowings	13	300,000	2,671,356
Repayment of borrowings	13	(1,806,858)	(1,210,713)
Dividends paid	23(b)	(130,790)	-
Net cash (used in)/ from financing activities		(1,637,648)	1,460,643
Net increase/(decrease) in cash and cash equivalents		1,380,900	(335,711)
Cash and cash equivalents at beginning of the year		769,608	1,109,609
Exchange differences on cash and cash equivalents		6,240	(4,290)
Cash and cash equivalents at end of the year	11	2,156,748	769,608

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Sunbird Tourism Plc ('the Company') is a Company incorporated and domiciled in Malawi.

The Company is a subsidiary of MDC Limited, a dormant Company incorporated in Malawi. The ultimate majority shareholder is the Malawi Government.

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

2. BASIS OF PREPARATION

a) Statement of compliance

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

b) Basis of measurement

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

c) Functional and presentation currency

The financial statements are presented in Malawi Kwacha, which is the Company's functional currency. Unless specifically expressed, all financial information is presented in Malawi Kwacha and has been rounded to the nearest thousand.

d) Going concern basis of accounting

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet the repayment of its liabilities and the mandatory repayment terms of the facilities as disclosed in notes 13, 14, 15, 24 and 25.

e) Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with significant risk of material adjustment in the next year are discussed in note 5.

(f) Changes in accounting policies

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

(g) New accounting standards and interpretations adopted as at 1 January 2022

The Company adopted the following new accounting pronouncements which

became effective in 2022:

Amendment to IFRS 16

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

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

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

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

IBOR reform Phase 2 amendment

The IASB issued Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) with amendments

that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.

Amendment to IFRS 9 – Financial Instruments

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

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

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

Amendments to IAS 16 regarding proceeds before intended use

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

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

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

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

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

Amendment to IAS 1: Preparation of financial statements

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

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

There is still limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.

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

Making Materiality Judgement

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

The Practice Statement:

- provides an overview of the general characteristics of materiality;
- presents a four-step process companies may follow in making materiality judgements when

preparing their financial statements; and

- provides guidance on how to make materiality judgements in specific circumstances; namely, how to make materiality judgements about prior-period information, errors and covenants, and in the context of interim reporting.

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

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

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

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

The amendments to IAS 8 Accounting policies, changes in Accounting Estimates and Errors are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur

on or after the start of that period. Earlier application is permitted.

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

The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations.

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

(i) Comparatives

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Property and equipment

Recognition and measurement

Land and buildings for the supply of goods or services, or for administrative purposes, are measured at their re-valued amounts, being the fair value at the date of revaluation, less accumulated depreciation and any impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does

not differ materially from that which would be determined using fair values at the reporting date.

Work in progress, being property and equipment in the course of construction for production or administrative purposes are measured at cost, less any recognised impairment loss. Cost includes cost of self-constructed assets including the cost of materials and direct labour and any other costs directly attributable to bring the asset to a working condition and its intended use and the cost of dismantling and carrying the items and restoring the site on which they are located.

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

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably and the carrying amount of the replaced part is derecognised. The cost of day-to-day servicing of property and equipment is recognised in profit or loss as incurred. Professional fees directly attributable to qualifying assets and borrowing costs are capitalised. Depreciation of these assets, on the same basis as other property assets, commences when the assets are available for their intended use.

Revaluation

Any revaluation increase arising on the revaluation of such property is credited to a non-distributable revaluation reserve through other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the profit or loss, in which case the increase is credited

to the profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such property is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset. Depreciation on re-valued property and equipment is recognised in profit or loss. The difference between depreciation based on the revalued carrying amount of the property and the depreciation based on the property's original cost is transferred annually from the revaluation reserve to retained earnings. On the realisation of re-valued property, either through sale or use, the attributable revaluation surplus in the revaluation reserve is transferred directly to retained earnings. When an item of property and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Depreciation

Depreciation is charged so as to write off the cost or valuation of assets, less estimated residual values, over their current estimated useful lives, using the straight-line method as follows. The estimated useful lives for the current and comparative period are as follows:

Freehold property	- 33 - 50 years
Leasehold property	- 33 - 50 years
Vehicles and equipment	- 3 - 10 years

Useful lives, depreciation methods and residual values are re-assessed at each reporting date. Freehold land, long-term leasehold land and work in progress are not depreciated.

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

Derecognition

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

The gain or loss arising on the sale or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.2 Intangible assets

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

3.3 Inventories

Inventories consist of foodstuffs, consumables and merchandise. Inventories are measured at the lower of cost and net realisable value. The carrying amount of inventory is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.4 Taxation

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

The current tax is based on the taxable profit for the year. Taxable profit differs from profit as reported

in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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

A deferred tax asset is recognised to the extent that it is probable that

future taxable profits will be available against which the temporary difference can be utilised. The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity or other comprehensive income.

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

3.5 Foreign currency translations

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

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange

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

3.6 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss as the related service is provided.

Short-term benefits

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

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.7 Revenue

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

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations

- 5 Recognising revenue when/as performance obligation(s) are satisfied.

Accommodation, catering and conferences

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

Guest loyalty program

Provision is made for the estimated liability arising from the issue of benefits under the Company's customer reward programmes, based on the value of rewards earned by the programme members, and the expected utilisation of these rewards. The value attributed to these awards is deferred as a liability included in deferred income in the statement of financial position, and released to profit or loss as the awards are redeemed. The expected utilisation is determined through consideration of historical usage and forfeiture rates.

3.8 Borrowing costs

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

To the extent that the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company shall determine the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period other

than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Company capitalises during a period shall not exceed the amount of borrowings costs it incurred during the year.

All other borrowing costs are recognised in profit or loss using the effective interest method.

3.9 Leased assets

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

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

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

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

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

3.10 Provisions

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

3.11 Financial instruments

Non-derivative financial assets and financial liabilities

Recognition

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

Classification and initial measurement of financial assets

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

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

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

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

The classification is determined by both:

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

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

Subsequent measurement of financial assets

Financial assets at amortised cost

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

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

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

Classification and measurement of financial liabilities

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

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

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for

derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

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

Derecognition

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

Offsetting

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

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

Trade and other receivables

Trade and other receivables are measured on initial recognition at fair value, being the consideration expected to be received on settlement plus directly attributable costs. Subsequent measurement is at amortised cost using the effective interest method less impairment losses. Appropriate impairment allowances are recognised in the profit or loss when there is objective evidence that the asset is impaired.

Amounts due from related parties

Amounts due from related parties are measured on initial recognition at fair value, being the consideration expected to be received on settlement plus directly attributable costs. Subsequent measurement is at amortised cost using the effective interest method less impairment losses. Appropriate impairment allowances are recognised in the profit or loss when there is objective evidence that the asset is impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value. Cash and cash equivalents are measured at amortised cost which approximates fair value. For the purposes of the statements of cash flows, cash and cash equivalents include bank overdrafts.

The Company has the following financial liabilities:

Loans and borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value plus transaction costs, and are subsequently measured

at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs (see note 3.9).

Lease liabilities

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

Corporate bonds

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

Trade payables and other payables

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

Amounts due to related parties

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

3.12 Impairment

Financial assets

IFRS 9's impairment requirements use

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

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

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

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

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

Trade and other receivables and contract assets

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

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

Non-financial assets

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

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of

assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to the units to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.13 Earnings per share (basic and diluted)

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. The calculation of basic earnings per share is based on the profit or loss attributable to ordinary shareholders for the year and the weighted average number of shares in issue throughout the year. Where new equity shares have been issued by way of capitalisation or share split, the profit is apportioned over the shares in issue after the capitalisation or subdivision and the corresponding figures for all earlier periods are adjusted accordingly. Where there are no dilutive effects to the shares in issue, the basic and dilutive EPS is the same.

3.14 Dividend per share

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

3.15 Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's CEO, who is the chief operating decision maker, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

3.16 Finance Cost/Income

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

3.17 Share capital, share premium and reserves

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

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

3.18 Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant.

Grants relating to the cost of an asset are subsequently recognised in profit or loss on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised.

3.19 Commitments

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

3.20 Other income***Dividend income***

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

Management fees

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

3.21 Foreign currency gains and losses

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

3.22 Operating results

Operating results is the result generated from the continuing principal revenue producing activities of the Company as

well as other income and expenses related to operating activities. Operating profit excludes net finance costs and income taxes. The operating expenses relating to the results are recognised when incurred.

3.23 Fair value measurement

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

4. FINANCIAL RISK AND CAPITAL MANAGEMENT

Overview

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

- Credit risk
- Liquidity risk
- Market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

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

The Company's risk management policies are established to identify and analyse the risks faced by the

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

The Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Committee.

4.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and related parties and cash and deposits with financial institutions.

Cash and cash equivalents

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

Amounts due from related parties

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

Trade and other receivables

The Company's credit risk is primarily attributed to credit facilities extended to its customers. No interest is charged on trade receivables for overdue debts. The amounts presented in the statement of financial position are net of allowance for credit losses. The specific allowance is estimated by management based on prior experience and current economic environment. The Company has an established credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes bank and supplier references. Credit limits are established for each customer and these are reviewed quarterly. Customers who fail to meet the Company's benchmark creditworthiness may transact with the Company only on a cash basis.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

Detailed financial information is included in note 24

4.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company uses strong cash forecasting systems which assist it in monitoring cash flow requirements. This is further enhanced by reviewing actual cash flows against the forecasts, learning from

past trends and preparing updated rolling forecasts to replace earlier less reliable forecasts. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses and servicing of financial obligations. In addition, the Company maintains the following line of credit:

- MK150 million (2021: MK150 million) overdraft facility with Standard Bank Plc whose interest rate is at the bank's base lending rate plus 350 basis points, currently at 21.6% per annum (2021: 15.7%).

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

Detailed financial information is included in note 24

4.3 Market risk

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

(i) Currency risk

The Company is exposed to currency risk on sales, purchases and administrative expenses that are denominated in a currency other than the functional currencies of Company entities primarily the Malawi Kwacha. The currencies in which these transactions are primarily denominated are Euro, USD, GBP and South African Rand.

All purchases in foreign currency are economically hedged by Foreign Currency Denominated Accounts (FCDAs) in the same currencies. Any purchase in USD is paid for using funds in a USD account and the same applies to Euro, GBP and South

African Rand. Similarly, loans in foreign currency are repaid using funds in an FCDA account of the same currency. The Company generates foreign currency through its normal operations but opts to set aside foreign currency funds in FCDA accounts to cover its foreign currency denominated liabilities as a hedge.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Company, primarily Kwacha, but also USD. This provides an economic hedge and no derivatives are entered into.

(ii) Interest rate risk

The Company adopts a policy of ensuring that some borrowings are at fixed rates and others are at variable rates depending on the currency of the borrowings, terms and conditions.

Detailed financial information is included in note 24

4.4 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board through its Finance and Audit Committee, monitors its capital adequacy and capital returns to ensure that it remains a going concern while maximising returns to shareholders.

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

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

5.1.1 Valuation of properties

The Company carries its properties at revaluation model. Mr E. Jambo MSc (Real Estate), MBA; BA (Pub. Admin) a qualified valuer, of MPICO plc, valued the properties of the Company as at 31 December 2020 on an open market value basis. Key assumptions made for the purpose of the valuation were: that the lease will be renewed by the Malawi Government upon expiry; that the useful life will exceed 50 years from date of valuation; and allowances were made for age and obsolescence.

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

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

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

5.2 Key sources of estimation and uncertainty

5.2.1 Impairment of trade and other receivables

Trade and other receivables are substantially denominated in Malawi Kwacha. The carrying amounts of trade and other receivables are presented net of specific allowances for impairment losses. The specific provision is estimated by management based on prior experience and current economic environment.

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

5.2.2 Inventory provisions for obsolete stock

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

5.2.3 Legal claims

An estimate of legal claims made against the Company in the ordinary course of business, whose outcome is uncertain has been disclosed in the note on contingent liabilities. The amount disclosed represents an estimated cost to the Company and Company in the event that legal proceedings find the Company to be in the wrong. The estimate is provided by the Company's lawyers.

6. PROPERTY AND EQUIPMENT

See accounting policy 3.1

	Freehold property	Leasehold property	Vehicles & equipment	Work in progress	Total
2022					
Cost or valuation					
At 1 January 2022	22,127,871	20,051,506	7,012,385	617,274	49,809,036
Additions during the year	19,740	23,681	421,654	2,008,838	2,473,913
Reclassification	-	-	(26,925)	26,925	-
Work in progress capitalised	419,886	696,137	356,681	(1,472,704)	-
Transferred to stocks (Note 8)	-	-	-	(37,452)	(37,452)
Disposals during the year	-	-	(143,950)	(163,800)	(307,750)
At 31 December 2022	22,567,497	20,771,324	7,619,845	979,081	51,937,747
Accumulated depreciation and impairment losses					
At 1 January 2022	101,902	90,262	3,205,033	-	3,397,197
Charge for the year	110,398	116,775	676,491	-	903,664
Eliminated on disposals	-	-	(185,894)	-	(185,894)
At 31 December 2022	212,300	207,037	3,695,630	-	4,114,967
Carrying amount					
At 31 December 2022	22,355,197	20,564,287	3,924,215	979,081	47,822,780
2021					
Cost or valuation					
At 1 January 2021	21,823,633	13,435,554	5,782,677	4,636,531	45,678,395
Additions during the year	22,171	19,852	483,252	3,926,998	4,452,273
Work in progress capitalised	282,067	6,596,100	983,211	(7,861,378)	-
Transferred to stocks (Note 8)	-	-	-	(53,634)	(53,634)
Disposals during the year	-	-	(236,755)	(31,243)	(267,998)
At 31 December 2021	22,127,871	20,051,506	7,012,385	617,274	49,809,036
Accumulated depreciation and impairment losses					
At 1 January 2021	-	-	2,771,008	-	2,771,008
Charge for the year	101,902	90,262	628,880	-	821,044
Eliminated on disposals	-	-	(194,855)	-	(194,855)
At 31 December 2021	101,902	90,262	3,205,033	-	3,397,197
Carrying amount					
At 31 December 2021	22,025,969	19,961,244	3,807,352	617,274	46,411,839

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

6. PROPERTY AND EQUIPMENT (CONTINUED)

See accounting policy 3.1

Additions

Additions to property and equipment comprise the following:

	2022	2021
Assets acquired at cost	2,473,913	3,945,860
Interest capitalised into assets	—	506,413
Total asset additions	<u>2,473,913</u>	<u>4,452,273</u>

Properties (Land and buildings)

Carrying amount at end of the year comprise the following:

Purchase cost	19,584,387	18,429,532
Subsequent revaluations	<u>23,335,097</u>	<u>23,557,680</u>
At 31 December	<u>42,919,484</u>	<u>41,987,212</u>

Land and buildings for the Company were valued as at 31 December 2020 by Mr. E Jambo, MSc: Real Estate; MBA; BA (Pub. Admin), a qualified and independent valuer on an open market value basis.

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

Cost	22,756,633	21,597,189
Accumulated depreciation	<u>(3,172,246)</u>	<u>(3,167,657)</u>
Carrying amount	<u>19,584,387</u>	<u>18,429,532</u>

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

The fair value measurement of land and buildings of MK43.0 billion has been categorised as a level three fair value based on the inputs to the valuation techniques – see note 5.1.1.

At 31 December 2022, properties, with a carrying amount of **MK37.0 billion** (2021: MK35.9 billion) were subject to a registered form of security for corporate bond, medium term loan and bank overdrafts. Motor vehicles pledged as security for lease liability amounted to **MK96.4 million** (2021: MK96.4 million) (see note 11, 13(a) and 13(b)).

Work in progress

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

7. INTANGIBLE ASSETS

See accounting policy number 3.2

	Concession	Acquired software licenses	Total
2022			
Gross carrying amount			
At 1 January 2022	46,044	278,199	324,243
Additions for the year	10,454	37,283	47,737
Disposal for the year	—	(34,933)	(34,933)
At 31 December 2022	<u>56,498</u>	<u>280,549</u>	<u>337,047</u>
Amortisation and impairment			
At 1 January 2022	2,963	206,771	209,734
Amortisation for the year	2,559	30,630	33,189
Disposal for the year	—	(29,833)	(29,833)
At 31 December 2022	<u>5,522</u>	<u>207,568</u>	<u>213,090</u>
Carrying amount at 31 December 2022	<u>50,976</u>	<u>72,981</u>	<u>123,957</u>
2021			
Gross carrying amount			
At 1 January 2021	41,690	272,949	314,639
Additions	4,354	5,250	9,604
At 31 December 2021	<u>46,044</u>	<u>278,199</u>	<u>324,243</u>
Amortisation and impairment			
At 1 January 2021	586	176,697	177,283
Amortisation	2,377	30,074	32,451
At 31 December 2021	<u>2,963</u>	<u>206,771</u>	<u>209,734</u>
Carrying amount at 31 December 2021	<u>43,081</u>	<u>71,428</u>	<u>114,509</u>

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

8. INVENTORIES

See accounting policy 3.3

	2022	2021
Merchandise	1,681,170	1,126,195
Transfer from WIP and equipment (Note 6)	37,452	53,634
Consumables	925,041	759,674
Food, drink and tobacco	<u>446,991</u>	<u>337,936</u>
	3,090,654	<u>2,277,439</u>
Inventories have been reduced by the following amounts as a result of the write-down to net realisable value. Such write-downs were recognised as an expense.		
Write-down to net realisable value	<u>89,241</u>	<u>116,758</u>

9. TRADE AND OTHER RECEIVABLES

See accounting policy 3.11

	2022	2021
Trade receivables, gross**	2,984,468	3,132,992
Allowance for credit losses	(373,196)	(419,161)
Trade receivables	2,611,272	2,713,831
Other receivables	869,130	596,353
	<u>3,480,402</u>	<u>3,310,184</u>
Other receivables are made up of:		
Staff debtors	192,228	191,243
Kara O Mula	101,412	117,214
Claimable Value Added Tax (VAT) *	337,843	125,899
Prepayments *	<u>237,647</u>	<u>161,997</u>
	869,130	596,353

*: Not a financial asset

** Some of the receivables are in foreign currency

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

10. RELATED PARTY TRANSACTIONS

See accounting policy 3.11

Related parties

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

Transactions with related parties

Revenue and other income

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

Accommodation, catering and conferences revenue

2022	2021
6,538,885	<u>5,564,649</u>

Administrative and other expenses

Tevet levy:

Government department (shareholder and entities under Common shareholding)

48,166	46,917
---------------	--------

Electricity and water bills:

Government departments related entities

1,445,203	1,207,066
------------------	-----------

1,493,369	1,253,983
------------------	-----------

Amounts due from related parties

Government departments and related parties

881,157	955,400
----------------	---------

Amounts due to related parties

Government departments and related entities

Advance deposits *

694,533	<u>663,533</u>
----------------	----------------

* Not a financial liability as these are customer deposits.

These balances arose from the normal course of trading between the Company and related parties at arm's length and are to be settled within a year of the reporting date. None of the balances are secured.

Compensation of key management personnel

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

In addition to salaries, the Company also provides non-cash benefits by way of contribution to a defined contribution pension plan on their behalf. In accordance with the plan, executive officers contribute **5%** (2021: 5%) of their basic pay while the Company contributes **13.3%** (2021: 13.3%) of the basic pay.

Salary and cash benefits for the year were as follows:

Short-term benefits (salary and bonus)	601,891	574,228
Post-employment benefits (Employer pension contribution)	84,196	76,372
	686,087	650,600

Directors' remuneration	101,408	64,259
-------------------------	----------------	--------

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

11. CASH AND CASH EQUIVALENTS

2022	2021
------	------

See accounting policy 3.11

Cash at bank	699,566	677,263
Short term cash investments	1,457,182	200,000
Bank overdrafts	-	(107,655)
	2,156,748	769,608

Foreign currency cash equivalent

The cash balance include the foreign currency as below

	31st December 2022				31st December 2021			
	Malawi Kwacha equivalent of				Malawi Kwacha equivalent of			
	USD	ZAR	GBP	Euro	USD	ZAR	GBP	Euro
Currency	1,055,967	5,320	9,837	22,340	272,703	5,316	8,468	10,077

The Company has a bank overdraft facility of MK150 million (2021: MK150 million) which is secured by a charge over the Company's assets in favour of Standard Bank Plc. The carrying amount of assets pledged as security as at 31 December 2022 was MK3.68 billion (2021: MK3.16 billion). Interest is charged at the bank's base lending rate minus 200 basis points currently at 16.0% per annum (2021: 15.7%). Deposits on current accounts do not attract interest while short term investments attract average interests of 15% (2021: 12.0%). The facilities are repayable on demand and are renewed annually.

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

12. SHARE CAPITAL AND SHARE PREMIUM

See accounting policy 3.17

Authorised

280,000,000 (2021: 280,000,000) Ordinary shares of 5 tambala each

2022

2021

14,00014,000

Issued and fully paid

261,582,580 (2021: 261,582,580) Ordinary shares of 5 tambala each

13,07913,079

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Share Premium

The share premium arose following the issue of 4,270,105 shares at

51 tambala per share.

1,9661,966

13. LOANS AND BORROWINGS

CORPORATE BONDS, MEDIUM TERM LOANS AND LEASE LIABILITIES

See accounting policy 3.11

	Medium			Total
	Corporate bonds	Lease liabilities	Term Loan	
2022	<i>Note 13(a)</i>	<i>Note 13(b)</i>	<i>Note 13(c)</i>	
1 January 2022	10,567,759	84,263	1,343,914	11,995,936
Proceeds from borrowings	300,000	-	-	300,000
Accrued interest	66,850	-	15,126	81,976
Repayments during the year	(757,759)	(21,034)	(1,028,065)	(1,806,858)
31 December 2022	<u>10,176,850</u>	<u>63,229</u>	<u>330,975</u>	<u>10,571,054</u>
2021	<i>Note 13(a)</i>	<i>Note 13(b)</i>	<i>Note 13(d)</i>	
1 January 2021	10,466,503	-	-	10,466,503
Proceeds from borrowings	700,000	96,356	1,875,000	2,671,356
Accrued interest	67,759	-	1,031	68,790
Repayments during the year	(666,503)	(12,093)	(532,117)	(1,210,713)
31 December 2021	<u>10,567,759</u>	<u>84,263</u>	<u>1,343,914</u>	<u>11,995,936</u>

13. LOANS AND BORROWINGS;

CORPORATE BONDS AND LEASE LIABILITIES (continued)

13(a) CORPORATE BONDS

See accounting policy 3.11

	Currency	Year of maturity	Amortised cost	
			2022	2021
NBM Capital Markets Limited	MK	2022	-	699,351
NBM Capital Markets Limited	MK	2023	1,472,490	1,469,650
NBM Capital Markets Limited	MK	2024	2,904,360	2,898,758
Old Mutual Life Assurance Company	MK	2024	1,900,000	1,900,000
Old Mutual Life Assurance Company	MK	2025	2,900,000	2,900,000
Old Mutual Life Assurance Company	MK	2026	700,000	700,000
Old Mutual Life Assurance Company	MK	2027	300,000	-
TOTAL			10,176,850	10,567,759
At 1 January			10,567,759	10,466,503
Repayments during the year			(757,759)	(666,503)
Accrued interest			66,850	67,759
Issued during the year			300,000	700,000
At 31 December			10,176,850	10,567,759
Disclosed under:				
Current liabilities			1,516,850	757,759
Non-current liabilities			8,660,000	9,810,000
At 31 December			10,176,850	10,567,759

The Company issued corporate bonds as a private placement. The notes were offered to investors on a floating rate basis, to be re-priced quarterly with interest rate at an arithmetic average of 182-day and 364 treasury bill yield plus a variable margin averaging 3.1%. There is a maximum rate of interest of 3.8% below the simple average of reference bank's commercial lending rates and a minimum rate of inflation or 12%.

During the year, further subscriptions amounting to **MK300 million** (2021: MK700 million) were received from Old Mutual Life Assurance Company Limited. The proceeds were used for various projects within the Company. The bonds are secured over land and buildings of the Company valued at **MK24.4 billion** (2021: MK24.0 billion).

13(b) LEASE LIABILITIES

See accounting policy 3.11

	Amortised Cost	
	2022	2021
At 1 January	84,263	-
Issued during the year	-	96,356
Repayment during the year	(21,034)	(12,093)
At 31 December	63,229	84,263
Disclosed under:		
Current liabilities	23,453	21,417
Non-current liabilities	39,776	62,846
At 31 December	63,229	84,263

The Company has a finance lease facility of MK300 million from NBS Bank to cater for procurement of motor vehicles repayable over three to four years. Interest on the facility is charged at 4.0% above the bank base lending rate which is currently 15.0% per annum (2021: 12.3% per annum). The leased motor vehicles secure the lease obligations. The net carrying amount of leased motor vehicles was as follows:

	2022			2021		
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	35,335	11,882	23,453	27,687	6,270	21,417
Between one and four years	45,470	5,694	39,776	81,246	18,400	62,846
At 31 December	80,805	17,576	63,229	108,933	24,670	84,263

13(c) MEDIUM TERM LOANS

See accounting policy 3.11

The Company has a medium term loan facility of MK1.875 billion from Export Development Fund (EDF) for cash flow financing of projects and operations as may be required. The interest on the facility is charged at 1% above Reserve Bank Policy Rate, currently at 18.0 % (2021: 13%). The loan is secured over land and buildings of the Company valued at MK8.8 billion (2021: MK8.6 billion).

	Amortised cost	
	2022	2021
At 1 January	1,343,914	-
Issued during the year	-	1,875,000
Accrued interest	15,126	1,031
Repayment during the year	(1,028,065)	(532,117)
At 31 December	330,975	1,343,914
Disclosed under:		
Current liabilities	330,975	1,057,200
Non-current liabilities	-	286,714
At 31 December	330,975	1,343,914

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

The loan is secured over land and buildings of the Company valued at **MK8.8 billion** (2021: MK8.6 billion).

14. EMPLOYEE BENEFITS

See accounting policy 3.6

14(a) Pension Plan

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

The total cost charged to profit or loss of **MK550 million** (2021: MK512 million) represents contributions payable to this plan by the Company at rates specified in the rules of the plan. The respective contribution rates for employees and the employer were **5%** (2021: 5%) and **13.3%** (2021: 13.3%), respectively.

See accounting policy 3.6

14(b) Short-term employee benefit liabilities

	2022	2021
Short-term employee benefits *	<u>957,522</u>	<u>152,039</u>
* Short-term employee benefits relate to gratuity payable at the end of employment contracts, total performance bonus payable for the reporting period and annual leave pay provision. Performance bonus is payable in line with the Sunbird Bonus Policy upon approval by the Board. Based on the policy, the Company has a constructive obligation to pay the amounts accrued.		

15(a) TRADE AND OTHER PAYABLES

See accounting policy 3.11.

Trade payables	886,030	841,075
Output VAT*	748,534	224,562
Guest advance deposits*	977,726	882,265
Other payables and accruals	1,678,977	1,238,359
	<u>4,291,267</u>	<u>3,186,261</u>
Other payables and accruals include the following:		
Audit fees	33,453	35,820
Unclaimed dividend	211,877	136,598
PAYE and Withholding taxes due*	205,399	159,521
Water, electricity and telephone accrued	147,875	192,516
Tourism levy*	33,012	23,923
Pension contributions payable*	75,419	64,760
Other employee obligations	126	9,897
Contractors fees	600,775	-
Other accruals	<u>371,041</u>	<u>615,324</u>
	<u>1,678,977</u>	<u>1,238,359</u>

15(b) PROVISIONS

Provisions made in the year

30,000

—

* These balances are not financial liabilities.

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

16 REVENUE

See accounting policy 3.7

Rooms revenue	11,051,608	6,620,918
Catering revenue	14,122,209	9,506,313
Other revenue	496,339	461,317
Total	25,670,156	16,588,548

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

17 OTHER INCOME

See accounting policy 3.7, 3.18 and 3.20

Government grants	175,106	87,417
Reversal of prior year provisions	62,046	47,633
Insurance claim proceeds	12,999	13,116
Other sundry receipts	21,376	28,250
Total	271,527	176,416

18 DEFERRED INCOME/REVENUE

See accounting policy 3.7 and 3.18

Government grants

Duty Waiver Grant

The Malawi Government's Customs and Excise Amendment Order, 2009 under Customs Procedure Codes 4000.442 and 4071.442 extended duty free status to qualifying Tourism Institutions that directly imported qualifying goods as described in the Customs Procedure Code.

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

Guest loyalty program

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

Deferred income

	2022			2021		
	Government Grant	Guest loyalty program	Total	Government Grant	Guest loyalty program	Total
At 1 January	670,614	54,574	725,188	315,718	43,280	358,998
Add: amounts received during the year	88,812	348,158	436,970	442,313	206,167	648,480
Less: Amounts recognised in the statement of profit or loss and comprehensive income	<u>(175,106)</u>	<u>(330,680)</u>	<u>(505,786)</u>	<u>(87,417)</u>	<u>(194,873)</u>	<u>(282,290)</u>
At 31 December	<u>584,320</u>	<u>72,052</u>	<u>656,372</u>	<u>670,614</u>	<u>54,574</u>	<u>725,188</u>
Deferred income recognised under:						
Current liabilities	166,603	72,052	238,655	175,879	54,574	230,453
Non-current liabilities	<u>417,717</u>	-	<u>417,717</u>	<u>494,735</u>	-	<u>494,735</u>
	<u>584,320</u>	<u>72,052</u>	<u>656,372</u>	<u>670,614</u>	<u>54,574</u>	<u>725,188</u>

19a. COST OF SALES

See accounting policy 3.22

	2022	2021
Food	4,229,934	2,607,828
Beverage	716,891	398,716
Rooms direct expenses	693,478	503,377
Catering direct expenses	517,974	390,734
Other direct costs	21,645	18,347
Rooms direct labour expenses	679,213	606,798
Catering direct labour expenses	1,504,844	1,350,177
Total	<u>8,363,979</u>	<u>5,875,977</u>

19b. ADMINISTRATIVE AND OTHER EXPENSES

2022

2021

See accounting policy 3.22

City and ground rates	72,141	56,062
Computer, telephone and internet expenses	322,067	261,121
Depreciation and amortisation	936,853	853,495
Directors' remuneration	101,408	64,259
Energy, repairs and maintenance costs	2,221,264	1,631,490
Impairment of trade receivables	-	163,075
Insurance expenses	140,647	130,540
Laundry expenses	72,342	41,276
Licenses and permits	132,043	110,419
Listing and secretarial expenses	46,198	43,477
Loss on disposal of property and equipment	112,765	54,706
Marketing expenses	252,606	138,877
Motor vehicle expenses	294,099	205,875
Other administrative expenses	588,001	378,018
Security	247,898	227,928
Staff costs	6,256,623	4,489,724
Total	11,796,955	8,850,342

20. FINANCE COST/INCOME

See accounting policy 3.16

Finance Income		
Interest from cash and cash equivalents	24,482	67,249
Total		
Finance Costs		
Interest on lease liabilities	13,179	33,914
Interest on bank overdraft	10,601	14,789
Interest on medium term loan	117,752	146,361
Interest on corporate bonds	1,961,698	1,047,824
Total	2,103,230	1,242,888
Reconciliation of interest paid		
Accrued Interest at 1 January	68,789	66,502
Interest charged to statement of profit or loss	2,103,230	1,242,888
Interest capitalised into assets	-	506,413
Accrued interest at 31 December	(81,976)	(68,789)
Interest paid	2,090,043	1,747,014

21. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

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

Auditors' remuneration: - current year
 - mid - year review

Depreciation and amortisation

Directors' remuneration

Deferred income

Loss on disposal of property and equipment

Impairment of trade receivables

Pension costs

Staff costs

	2022	2021
	42,195	31,663
	9,361	7,092
	938,665	853,495
	101,408	64,259
	(175,106)	(87,417)
	113,641	54,706
	(30,801)	163,075
	550,127	511,613
	8,440,680	6,446,699

22. INCOME TAX

See accounting policy 3.4

22(a) Income tax

Income tax charge

Current tax

Deferred tax

Total income tax expense

	2022	2021
	499,799	-
	151,701	113,614
	651,500	113,614

Reconciliation of effective tax rate

Profit before income tax expense

3,702,001 863,006

%

%

Tax at standard rate

30 **1,110,600** 30 258,902

Temporary differences

(12) **(459,100)** (17) (145,288)

Effective rate of tax

18 **651,500** (13) 113,614

22(b) Income tax receivable

Current tax assets

at 1 January

625,579 541,895

Current year tax charge

(499,799) -

Other tax receivables

5,150 -

Tax credit utilisation

- (327,302)

Income tax paid

327,133 410,986

Current tax receivable

at 31st December

458,063 625,579

22(c) Deferred tax liabilities

See accounting policy 3.4

	2022	2021
At 1 January	9,973,761	9,860,147
Recognised in profit or loss and other comprehensive income:		
Deferred tax on accelerated capital allowances	384,398	191,465
Deferred tax on employment benefits and other provisions	(232,697)	(77,851)
At 31 December	<u>10,125,462</u>	<u>9,973,761</u>
Analysed as:		
Accelerated capital allowances	4,189,202	3,804,804
Revaluation of property	6,361,872	6,361,872
Deferred tax assets on employment benefits and other provisions	(425,612)	(192,915)
Net deferred tax liabilities	<u>10,125,462</u>	<u>9,973,761</u>

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

See accounting policy 3.13

The calculation of basic and diluted earnings per share is based on profit attributable to shareholders of **MK3.1 billion** (2021: Profit of MK749 million) and the weighted average number of ordinary shares outstanding during the year of **261,582,580** (2021: 261,582,580) as below:

	2022	2021
Profit for the year (MK'000)	3,050,501	749,392
Weighted average number of shares ('000)	261,583	261,583
Earnings per share - tambala	<u>1,166</u>	<u>286</u>

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

23(b) DIVIDEND

See accounting policy 3.20

The Company declared and paid an interim dividend of **MK131 million** (2021: Nil) in respect of year ended 31st December 2022. There was also no final dividend declared and paid in respect of year ended 31st December 2021.

24. FINANCIAL INSTRUMENTS

See accounting policy 3.11

24.1 Accounting classification and fair value measurement

The following table shows the carrying amounts of financial instruments.

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

2022

	Note	Amortised Cost
Financial assets		
Trade and other receivables	9	2,904,912
Amounts due from related parties	10	881,157
Cash and cash equivalents	11	2,156,748
		5,942,817
Financial liabilities		
Bank overdraft	11	-
Trade and other payables	15	2,251,177
Corporate bonds	13(a)	10,176,850
Lease liabilities	13(b)	63,229
Medium term loan	13(c)	330,975
		12,822,231

2021

	Note	Amortised Cost
Financial assets		
Trade and other receivables	9	3,022,288
Amounts due from related parties	10	955,400
Cash and cash equivalents	11	<u>877,263</u>
		4,854,951
Financial liabilities		
Bank overdraft	11	107,655
Trade and other payables	15	1,831,230
Corporate bonds	13(a)	10,567,759
Lease liabilities	13(b)	84,263
Medium term loan	13(c)	<u>1,343,914</u>
		13,934,821

24.2 Credit Risk

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

	Note	2022	2021
Trade and other receivables	9	2,904,912	3,022,288
Amounts due from related parties	10	881,157	955,400
Cash and cash equivalents	11	2,156,748	877,263
		<u>5,942,817</u>	<u>4,854,951</u>

Receivables

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

	Note	2022	2021
Trade receivables	9	2,712,684	2,831,045
Amounts due from related parties	10	881,157	955,400
Total trade receivables		3,593,841	3,786,445
Other receivables			
Staff debtors	9	192,228	191,243
Total receivables		<u>3,786,069</u>	<u>3,977,688</u>

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

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

	Receivables 2022	Impairment 2022	Receivables 2021	Impairment 2021
Not past due	1,522,295	76,115	1,150,632	53,656
Past due 31-60 days	611,259	42,788	814,520	57,663
Past due 61-90 days	322,935	32,294	539,735	52,918
Past due over 90 days	1,329,580	221,998	1,472,801	254,924
Total	<u>3,786,069</u>	<u>373,195</u>	<u>3,977,688</u>	<u>419,161</u>

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

	2022	2021
Balance at 1 January	419,161	278,982
Recognised in statement of profit or loss	(45,966)	163,075
Doubtful debts recovered during the year	-	(22,896)
Balance at 31 December	<u>373,195</u>	<u>419,161</u>

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

24.3 Liquidity Risk

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

		Contractual amounts	Carrying cash flows	6 mths or less	6-12 mths	1-2 years	3-5 years
2022	Note						
Non-derivative financial liabilities							
Corporate bonds	13(a)	10,110,000	13,983,342	1,654,062	1,684,062	9,441,043	1,204,175
Lease liabilities	13(b)	63,229	80,805	17,808	16,809	46,188	-
Medium term loan	13(c)	315,849	330,975	330,975	-	-	-
Trade & other payables	15	2,251,177	2,251,177	2,251,177	-	-	-
		12,740,255	16,646,299	4,254,022	1,700,871	9,487,231	1,204,175
2021	Note						
Non-derivative financial liabilities							
Corporate bonds	13(a)	10,500,000	14,910,704	1,174,881	1,174,881	8,570,123	3,990,819
Lease liabilities	13(b)	84,263	108,932	16,759	16,759	67,035	8,379
Medium term loan	13(c)	1,342,883	1,476,634	590,751	590,751	295,132	-
Trade & other payables	15	1,864,097	1,864,097	1,864,097	-	-	-
		13,791,243	18,360,367	3,646,488	1,782,391	8,932,290	3,999,198

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

24.4.1 Exposure to currency risk

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

	31 December 2022				31 December 2021			
	Malawi Kwacha equivalent of				Malawi Kwacha equivalent of			
	USD	ZAR	GBP	Euro	USD	ZAR	GBP	Euro
Cash and cash equivalents	1,055,967	5,320	9,837	22,340	272,703	5,316	8,468	10,077
Trade and other receivables	100,283	-	-	-	105,409	-	-	-
Employee benefits	(78,292)	-	-	-	(44,294)	-	-	-
	<u>1,077,958</u>	<u>5,320</u>	<u>9,837</u>	<u>22,340</u>	<u>333,818</u>	<u>5,316</u>	<u>8,468</u>	<u>10,077</u>

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2022	2021	2022	2021
Kwacha/USD	957.87	802.61	1,028.48	817.30
Kwacha/Rand	63.13	58.29	62.33	58.29
Kwacha/GBP	1,243.03	1,164.69	1,274.17	1,199.26
Kwacha/Euro	1,062.83	1,108.94	1,126.53	1,002.55

Sensitivity analysis

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

A strengthening of the US Dollar, South African Rand, Euro and British Pound by 10 percent against the kwacha at 31 December 2022 would have increased exchange gain by **MK109 million** (2021: exchange gain of MK29 million) which would have been credited to profit or loss. The increase in equity would be **MK77 million** (2021: MK21 million). This analysis is based on foreign exchange rate variations that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables in particular interest rates, remain constant.

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

24.4.2 Interest rate risk

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

Variable rate instruments	Note	Carrying Amounts	
		2022	2021
Corporate bonds	13(a)	10,110,000	10,500,000
Lease liabilities	13(b)	63,229	84,263
Medium term loan	13(d)	<u>315,849</u>	<u>1,342,883</u>
		<u>10,489,078</u>	<u>11,927,146</u>

The prevailing interest rates for these interest bearing facilities are within the region of Reserve Bank of Malawi's Reference rate plus or minus 1-10%. The Reserve Bank of Malawi reference rate currently is at **17.3%** (2021: 12.2%). The commercial banks' average lending rate currently is at **25.18%** (2021: 25%).

Cash flow sensitivity analysis for variable rate instruments

An increase of 5% in interest rates at the reporting date would have increased interest being charged to the Company's profit or loss by **MK94 million** (2021: MK21 million). The decrease in equity would be **MK65 million** (2021: MK57 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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

25. CAPITAL MANAGEMENT

See accounting policy 4.4

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

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

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

The gearing ratios at 31 December were as follows:

	Note	2022	2021
Corporate bond	13(a)	10,110,000	10,500,000
Lease liabilities	13(b)	63,229	84,263
Medium term loan	13(d)	315,849	1,342,883
Less: cash and cash equivalents	11	(2,156,748)	(769,608)
Net debt		8,332,330	11,157,538
Total equity		30,714,654	27,767,840
Total capital		39,046,984	38,925,378
Gearing ratio		21%	29%

26. SEGMENTAL REPORTING

See accounting policy 3.15

Business segments

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

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

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

	Room income	Catering income	Other services	Total
2022				
Total revenue	11,051,608	14,122,209	496,339	25,670,156
Segment contribution	9,124,955	6,199,424	341,664	15,666,043
Other hotel expenses				(9,692,815)
Corporate expenses				(132,997)
Finance costs				(2,103,230)
Profit before income tax expense				3,737,001
2021				
Total revenue	<u>6,620,918</u>	<u>9,506,313</u>	<u>461,317</u>	<u>16,588,548</u>
Segment contribution	<u>5,142,504</u>	<u>4,166,680</u>	<u>365,875</u>	<u>9,675,059</u>
Other hotel expenses				(7,463,009)
Corporate expenses				(106,156)
Finance costs				(1,242,888)
Profit before income tax expense				<u>863,006</u>

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

Profile of the Target Market Segment

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

	2022	2021
	%	%
Leisure individual	9	13
Corporate Individual	62	57
Corporate Groups	20	27
Leisure groups	1	1
Online	8	2
Total	100	100

Geographical Source of Business

The geographical source of business is

predominantly domestic:

	2022	2021
Malawi	86	94
Africa	9	3
Europe	3	1
Americas	1	1
Other	1	1
Total	100	100

27. COMMITMENTS

See accounting policy 3.19

Capital expenditure:

	2022	2021
Authorised but not contracted for	1,304,342	753,531

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

28. CONTINGENCIES

See accounting policy 5.2

Legal claims

	2022	2021
	125,000	80,000
	<u>125,000</u>	<u>80,000</u>

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

29. EXCHANGE RATES AND INFLATION

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

Kwacha/US Dollar

Kwacha/Rand

Kwacha/GBP

Kwacha/Euro

Inflation rate (%)

	2022	2021
	957.87	802.61
	63.13	58.29
	1,243.03	1,164.69
	1,062.83	1,108.94
	25.4%	9.3%

At the end of the year, the Reserve Bank of Malawi reference base-lending rate was 18.0% (2021: 12.2%). Commercial banks' base lending rates ranged from 12% to 25%.

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

Kwacha/US Dollar

Kwacha/Rand

Kwacha/GBP

Kwacha/Euro

Inflation rate (%)

	2022
	1,028.48
	58.38
	1,298.47
	1,145.02
	26.7%

30. EVENTS AFTER REPORTING PERIOD

Subsequent to year end, there was an adjustment arising from an arbitration case between Sunbird Tourism Plc and Plem Construction on the Sunbird Water Front Project. Profitability was reduced by MK21 million as a result of this adjustment.



Discover
Malawi with
SunBird

SCAN ME



CENTRAL RESERVATIONS

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

centralres@sunbirdmalawi.com

sunbirdtourismmw

sunbirdtourism