

**2017 HALF YEAR FINANCIAL RESULTS COMMENTARY**
**Revenues**

Total revenue for the Group grew by 24% from MK7.2 billion last year same period to MK8.9 billion to June 2017. Both the parent and subsidiary company registered significant growth in revenues. The subsidiary company's revenue increased by 39% from MK615 million as at June 2016 to MK858 million in 2017 mainly attributed to new catering contracts that were secured during the period.

Corporate segment of the business contributed 53% of total room nights during the first half of the year and continues to be the anchor segment, followed by Commercial segment at 22%. Management's attention continues to be focused on these two key segments while initiatives to grow the other segments such as leisure continue in order to diversify the Group's revenue base but also optimize the potential of the different properties.

The Group's performance continues to be largely driven by the domestic business, however efforts are being made to increase foreign related business. We expect the contribution from foreign source of business to start improving as efforts on destination marketing intensifies. The Group has put in place a number of strategic initiatives aimed at diversifying its source of revenues and the efforts include the attraction of business from existing and emerging markets.

**Operating Costs**

Administrative expenses at MK5.1 billion represented 57% of total revenue, an improvement from 62% of total revenue for same period last year. Overall costs increased within market trends.

**Financing costs**

Finance costs totaled MK323 million which was 5% below last year's MK341 million. Repayment of loans and reduced utilization of bank overdraft facilities accounted for the reduction.

**Profit after tax**

Profit after tax, at MK1.072 billion, was 80% above prior period Profit after tax of MK595 million. This excellent performance is mainly as a result of increased business volumes driven by increase in our loyal customer base and business processes improvement initiatives being implemented by the Group.

**Dividend**

The Board resolved to pay an interim dividend of MK75 million (or 28 tambala per share). In 2016, an interim dividend of MK 50 million or 19 tambala per share was paid.

**Outlook and Year Ahead**

Sunbird enjoys market leadership in the hospitality industry in Malawi. Sunbird will continue to offer reliable and high standards of service in order to retain and grow the client base in both domestic and international market. We have put in place various robust strategies which we expect will contribute towards improving service, revenues, gross margins, occupancy levels and profitability.

Looking ahead, the economy has shown positive signs of improvement and therefore we are optimistic that in short to medium term the international tourism into Malawi will likely follow suit. We expect to complete some of the key projects such as the refurbishment of the 86 rooms at Sunbird Lilongwe Hotel, new restaurant at Sunbird Mzuzu Hotel and the construction of a marquee at Sunbird KuChawe. We also expect the commencement of the 500 seat conference facility at Sunbird Mount Soche and the refurbishment of the rooms at Sunbird Livingstonia beach.

We are confident that the performance of the Group for the year 2017 will maintain its growth path buoyed by growth in all the segments of our business.

**On Behalf of the Board**

Phillip Madinga Benson Jere

Chairman Director

**SUMMARISED CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME**

	CONSOLIDATED		
	UNAUDITED	UNAUDITED	AUDITED
	6 MONTHS	6 MONTHS	12 MONTHS
	30.06.17	30.06.16	31.12.16
	MK'000	MK'000	MK'000
<b>Revenue</b>	<b>8,877,454</b>	<b>7,185,480</b>	<b>15,690,863</b>
Cost of sales	(1,922,220)	(1,605,980)	(3,756,982)
<b>Gross profit</b>	<b>6,955,234</b>	<b>5,579,500</b>	<b>11,933,881</b>
Net other income	29,389	44,761	72,324
Administration and other expenses	(5,128,935)	(4,432,812)	(9,447,396)
<b>Operating profit</b>	<b>1,855,688</b>	<b>1,191,449</b>	<b>2,558,809</b>
Finance costs	(323,752)	(341,721)	(668,677)
<b>Profit before tax</b>	<b>1,531,936</b>	<b>849,728</b>	<b>1,890,132</b>
Income tax expense	(459,581)	(254,919)	(553,675)
<b>Profit for the period</b>	<b>1,072,355</b>	<b>594,809</b>	<b>1,336,457</b>
<b>Total Comprehensive income</b>	<b>1,072,355</b>	<b>594,809</b>	<b>1,336,457</b>
<b>Earnings per share (tambala) - basic and diluted</b>	<b>410</b>	<b>227</b>	<b>511</b>

**CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION**

	CONSOLIDATED			SEPARATE		
	UNAUDITED	UNAUDITED	AUDITED	UNAUDITED	UNAUDITED	AUDITED
	6 MONTHS	6 MONTHS	12 MONTHS	6 MONTHS	6 MONTHS	12 MONTHS
	30.06.17	30.06.16	31.12.16	30.06.17	30.06.16	31.12.16
	MK'000	MK'000	MK'000	MK'000	MK'000	MK'000
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property and equipment	19,648,635	18,379,529	19,186,606	19,181,199	17,913,414	18,711,534
Investment in subsidiary	-	-	-	102,023	102,023	102,023
<b>Total non-current assets</b>	<b>19,648,635</b>	<b>18,379,529</b>	<b>19,186,606</b>	<b>19,283,222</b>	<b>18,015,437</b>	<b>18,813,557</b>
<b>Current assets</b>						
Inventories	1,478,650	1,095,228	1,308,427	1,421,040	1,043,080	1,244,926
Trade and other receivables	2,426,747	1,734,138	1,701,111	2,212,477	1,572,387	1,555,678
Amounts due from related parties	511,498	380,056	453,444	140,959	45,481	84,578
Current tax assets	-	236,661	164,232	-	248,703	188,737
<b>Cash and cash equivalents</b>	<b>377,685</b>	<b>61,227</b>	<b>475,603</b>	<b>368,755</b>	<b>55,804</b>	<b>471,718</b>
Total current assets	4,794,580	3,507,310	4,102,817	4,143,231	2,965,456	3,545,637
<b>TOTAL ASSETS</b>	<b>24,443,215</b>	<b>21,886,839</b>	<b>23,289,423</b>	<b>23,426,453</b>	<b>20,980,893</b>	<b>22,359,194</b>
<b>EQUITY AND LIABILITIES</b>						
Share capital	13,079	13,079	13,079	13,079	13,079	13,079
Share premium	1,966	1,966	1,966	1,966	1,966	1,966
Revaluation reserve	8,089,258	8,196,869	8,143,399	7,923,127	8,030,664	7,976,896
Retained earnings	6,168,635	4,335,959	5,042,139	5,773,073	4,100,234	4,762,493
<b>Total equity</b>	<b>14,272,938</b>	<b>12,547,873</b>	<b>13,200,583</b>	<b>13,711,245</b>	<b>12,145,943</b>	<b>12,754,434</b>
<b>Non-current liabilities</b>						
Loan and borrowings	21,470	-	37,603	21,470	-	37,603
Corporate bond	2,130,551	1,705,551	1,930,551	2,130,551	1,705,551	1,930,551
Obligations under finance leases	277,903	257,675	237,227	266,557	235,811	221,715
Employee benefits	234,571	403,481	375,687	226,830	390,052	375,687
Deferred income	35,933	-	44,236	35,933	-	44,236
Deferred tax liabilities	4,020,172	3,955,418	4,000,846	3,910,267	3,881,788	3,910,269
<b>Total non-current liabilities</b>	<b>6,720,600</b>	<b>6,322,125</b>	<b>6,626,150</b>	<b>6,591,608</b>	<b>6,213,202</b>	<b>6,520,061</b>
<b>Current liabilities</b>						
Bank overdraft	17,629	173,374	125,370	-	148,910	120,963
Trade and other payables	2,216,960	2,112,998	2,142,792	2,002,656	1,796,812	1,807,744
Provisions	79,533	76,333	121,075	71,955	69,324	118,470
Employee benefits	505,116	401,296	623,282	470,804	356,870	593,528
Amounts due to related parties	133,978	69,580	95,405	133,978	69,580	95,405
Current income tax liabilities	247,957	-	-	202,881	-	-
Corporate bonds	-	-	250,000	-	-	250,000
Deferred income	10,344	27,687	13,525	10,344	27,687	13,525
Loans and borrowings	15,336	-	8,036	15,336	-	8,036
Obligations under finance leases	222,824	155,573	83,205	215,646	152,565	77,028
<b>Total current liabilities</b>	<b>3,449,677</b>	<b>3,016,841</b>	<b>3,462,690</b>	<b>3,123,600</b>	<b>2,621,748</b>	<b>3,084,699</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>24,443,215</b>	<b>21,886,839</b>	<b>23,289,423</b>	<b>23,426,453</b>	<b>20,980,893</b>	<b>22,359,194</b>

**CONSOLIDATED AND SEPARATE STATEMENT OF CASHFLOWS**

	CONSOLIDATED			SEPARATE		
	UNAUDITED	UNAUDITED	AUDITED	UNAUDITED	UNAUDITED	AUDITED
	6 MONTHS	6 MONTHS	12 MONTHS	6 MONTHS	6 MONTHS	12 MONTHS
	30.06.17	30.06.16	31.12.16	30.06.17	30.06.16	31.12.16
	MK'000	MK'000	MK'000	MK'000	MK'000	MK'000
<b>Cash flows from operating activities</b>						
Cash receipts from customers	8,131,942	6,796,288	14,768,599	7,321,352	6,334,975	13,566,303
Cash paid to suppliers and employees	(7,089,842)	(5,795,552)	(12,043,852)	(6,286,674)	(5,401,301)	(10,980,448)
<b>Cash generated from operations</b>	<b>1,042,100</b>	<b>1,000,736</b>	<b>2,724,747</b>	<b>1,034,678</b>	<b>933,674</b>	<b>2,585,855</b>
Interest paid	(323,752)	(341,721)	(669,406)	(315,271)	(332,656)	(645,140)
Income tax paid	(18,820)	(370,436)	(551,335)	(18,444)	(368,588)	(546,904)
<b>Net cash flows from operating activities</b>	<b>699,528</b>	<b>288,579</b>	<b>1,504,006</b>	<b>700,963</b>	<b>232,430</b>	<b>1,393,811</b>
<b>Cash flows from investing activities</b>						
Purchase of property and equipment	(824,542)	(600,932)	(1,744,047)	(819,465)	(533,653)	(1,654,426)
Proceeds from disposal of property and equipment	8,595	12,917	62,858	7,095	12,917	62,858
<b>Net cash used in investing activities</b>	<b>(815,947)</b>	<b>(588,015)</b>	<b>(1,681,189)</b>	<b>(812,370)</b>	<b>(520,736)</b>	<b>(1,591,568)</b>
<b>Cash flows from financing activities</b>						
Proceeds from borrowings	572,832	328,274	979,446	572,832	318,274	979,446
Repayment of borrowings	(451,370)	(217,584)	(441,762)	(448,205)	(216,107)	(437,100)
Dividends paid	-	-	(88,938)	-	-	(88,938)
<b>Net cash generated from financing activities</b>	<b>121,462</b>	<b>110,690</b>	<b>448,746</b>	<b>124,627</b>	<b>102,167</b>	<b>453,408</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,043</b>	<b>(188,746)</b>	<b>271,563</b>	<b>13,220</b>	<b>(186,139)</b>	<b>255,651</b>
<b>Effect of exchange rate fluctuations on cash held</b>	<b>4,780</b>	<b>10,989</b>	<b>13,060</b>	<b>4,780</b>	<b>10,989</b>	<b>13,060</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>350,233</b>	<b>65,610</b>	<b>65,610</b>	<b>350,755</b>	<b>82,044</b>	<b>82,044</b>
<b>Cash and cash equivalents at end of the period</b>	<b>360,056</b>	<b>(112,147)</b>	<b>350,233</b>	<b>368,755</b>	<b>(93,106)</b>	<b>350,755</b>