

AUDITED SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2017 FINANCIAL YEAR RESULTS PUBLICATION COMMENTARY

The Board is pleased to announce the audited financial results for the Group for the year ended 31 December 2017

Financial performance

Revenues

In 2017, Group revenues totaled MK18.9 billion, which was 21% above 2016 revenues of MK15.7 billion. Revenues for the parent company, Sunbird Tourism plc, increased by 20%, from MK14.2 billion in 2016 to MK17 billion in 2017, whereas revenues for the subsidiary, Catering Solutions Limited, increased by 27% from MK1.5 billion in 2016 to MK1.9 billion in 2017.

The Group registered 60% occupancy levels, a demonstration of resilience in the face of growing competition and other challenges in the tourism sector. The Corporate Market segment at 53% of total room nights continues to be the anchor segment for the business, followed by Commercial Market segment at 21%. There is continued focus on these key segments while initiatives to grow the other segments such as leisure continue in order to optimize the potential of the different properties of the Group.

Whilst the Group continues to register good growth in international clientele, the domestic market was again the key contributor to the Group's revenues. As part of the Group's strategy, we have in place a number of segment based strategies aimed at diversifying our source of revenues. These efforts include the attraction of business from both domestic and international source markets but also the introduction of new leisure activities at our resorts.

This performance is on the back of our continued focus on our key strategic initiatives thus; the provision of excellent guest experience and customer service, product improvement and the diversification of the revenue base supported by enhanced sales and marketing activities.

During the year, the Group completed a number of flagship projects namely, refurbishment of bedrooms at Sunbird Lilongwe Hotel, introduction of executive boardrooms at Sunbird Capital and Sunbird Mount Soche and the refurbishment of the Beach Bar at Sunbird Nkopola. At Sunbird Mzuzu, the Nyika restaurant was also refurbished and a private dining room was added.

Operating costs

Administration and other expenses increased from MK9.4 billion in 2016 to MK10.7 billion in 2017, in line with inflation trends. This represented 57% of revenues.

Finance costs

Finance costs amounted to MK592 million, compared to MK682 million in 2016. The decrease in finance costs was as a result of repayment of borrowings during the year and reduction of interest rates.

Profit after tax

The Group's profit after tax increased by 82%, from MK1.3 billion in 2016 to MK2.4 billion in 2017. The excellent performance is attributed to revenue growth, prudent cost management, business process re-engineering and the improved economic environment.

Dividend

The Board resolved to pay a final dividend of MK165 million (or 63 tambala per share) for the year 2017 to make the total dividend paid for 2017 as MK238 million (or 92 tambala per share). In 2016, the company declared a total dividend of MK105 (or 40 tambala per share).

A notice to this effect will be sent to all Shareholders.

Strategy and Outlook

Sunbird is strategically positioned to lead change in the hospitality space in Malawi. The Board's attention remains improved service delivery and guest experience, product improvements (refurbishment) and intensified sales and marketing activities to key accounts.

There are a number of key product improvement plans that are currently underway. The Group is introducing water-based assets at the two lake resorts in order to reposition our resorts as the most preferred leisure destination to meet the needs of ever-growing leisure segment.

In addition, a new state of the art conference hall is under construction at Sunbird Mount Soche and construction of a new 4 star, 42 bedroom beach resort will start at Sunbird Livingstonia beach by midyear. Both Sunbird Nkopola and Sunbird Livingstonia beach hotels will see their existing rooms refurbished as we continue to provide superior guest experience.

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

Looking ahead, we expect our economy to remain relatively stable and there is optimism that over the next 3 to 5 years tourism in Malawi may increase noticeably.

The Directors are confident that the performance trajectory of the Group will be maintained for the year 2018.

On behalf of the Board

P. Madinga
Chairman

B.W. Jere
Director

Independent Auditor's Report on the Summary Consolidated and Separate Financial Statements To the shareholders of Sunbird Tourism plc

Opinion

The summary consolidated and separate financial statements, which comprise the summary statements of financial position as at 31 December 2017, and the summary statements of profit or loss and other comprehensive income and summary statements of cash flows for the year then ended, and basis of preparation note, are derived from the audited consolidated and separate financial statements of Sunbird Tourism plc for the year ended 31 December 2017.

In our opinion, the accompanying summary consolidated and separate financial statements are consistent, in all material respects, with the audited consolidated and separate financial statements, in accordance with the basis of preparation note.

Other matter

We have not audited the 2017 Financial year results publication commentary included in the accompanying summary consolidated and separate financial statements and accordingly do not express any opinion thereon.

Summary Consolidated and Separate Financial Statements

The summary consolidated and separate financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated and separate financial statements and our report thereon, therefore, is not a substitute for reading the audited consolidated and separate financial statements and our report thereon.

The Audited Consolidated and Separate Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated and separate financial statements in our report dated 29 March 2018. That report also includes the communication of key audit matters. Key audit matters are those matters that in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements for the current period.

Directors' Responsibility for the Summary Consolidated and Separate Financial Statements

Directors are responsible for the preparation of the summary consolidated and separate financial statements in accordance with the basis of preparation note.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated and separate financial statements are consistent, in all material respects, with the audited consolidated and separate financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

KPMG

Andre Appel

Chartered Accountant (Malawi)
Partner

Blantyre, Malawi
29 March 2018

SUMMARISED CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	CONSOLIDATED		SEPARATE	
	2017 MK'000	2016 MK'000	2017 MK'000	2016 MK'000
Revenue	18,931,829	15,690,863	17,021,765	14,220,843
Cost of sales	(4,139,185)	(3,756,982)	(3,353,998)	(3,069,643)
Gross profit	14,792,644	11,933,881	13,667,767	11,151,200
Other income	62,997	100,112	99,024	131,887
Administration and other expenses	(10,708,252)	(9,462,124)	(10,003,050)	(8,883,819)
Results from operating activities	4,147,389	2,571,869	3,763,741	2,399,268
Finance costs	(592,015)	(681,737)	(576,715)	(657,471)
Profit before taxation	3,555,374	1,890,132	3,187,026	1,741,797
Income tax expense	(1,121,507)	(553,675)	(1,019,365)	(500,043)
Profit for the year	2,433,867	1,336,457	2,167,661	1,241,754
Other comprehensive income, net of tax				
Items that will not be reclassified to profit or loss				
Revaluation surplus on property and equipment	3,252,172	—	3,168,464	—
net of deferred tax	—	—	—	—
Total other comprehensive income for the year	3,252,172	—	3,168,464	—
Total comprehensive income	5,686,039	1,336,457	5,336,125	1,241,754
Profit attributable to:				
Owners of the company	2,433,867	1,336,457	2,167,661	1,241,754
Total comprehensive income attributable to:				
Owners of the company	5,686,039	1,336,457	5,336,125	1,241,754
Earnings per share (tambala)- Basic and diluted	930	511		

SUMMARISED CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

	CONSOLIDATED		SEPARATE	
	2017 MK'000	2016 MK'000	2017 MK'000	2016 MK'000
ASSETS				
Non-current assets				
Property and equipment	24,907,649	19,186,606	24,292,533	18,711,534
Investment in subsidiary	—	—	102,023	102,023
Total non-current assets	24,907,649	19,186,606	24,394,556	18,813,557
Current assets				
Inventories	1,625,874	1,308,427	1,555,376	1,244,926
Trade and other receivables	1,986,308	1,469,702	1,872,364	1,324,270
Amounts due from related parties	885,557	684,853	360,830	315,986
Current tax assets	—	164,232	—	188,737
Cash and cash equivalents	827,634	475,603	769,752	471,718
Total current assets	5,325,373	4,102,817	4,558,322	3,545,637
TOTAL ASSETS	30,233,022	23,289,423	28,952,878	22,359,194
EQUITY AND LIABILITIES				
Share capital	13,079	13,079	13,079	13,079
Share premium	1,966	1,966	1,966	1,966
Revaluation reserve	11,218,949	8,143,399	10,969,260	7,976,896
Retained earnings	7,524,453	5,042,139	6,978,079	4,762,493
Total equity	18,758,447	13,200,583	17,962,384	12,754,434
Non-current liabilities				
Loans and borrowings	—	37,603	—	37,603
Corporate bonds	1,940,000	1,930,551	1,940,000	1,930,551
Obligations under finance leases	239,281	237,227	232,367	221,715
Employee benefits	—	375,687	—	375,687
Deferred income	98,436	44,236	98,436	44,236
Deferred tax liabilities	5,731,694	4,000,846	5,615,808	3,910,269
Total non-current liabilities	8,009,411	6,626,150	7,886,611	6,520,061
Current liabilities				
Bank overdraft	—	125,370	—	120,963
Trade and other payables	2,048,959	1,945,593	1,811,269	1,623,944
Provisions	—	121,075	—	118,470
Employee benefits	757,226	623,282	709,858	593,528
Amounts due to related parties	313,226	292,604	313,225	279,205
Current tax liabilities	154,569	—	86,695	—
Corporate bonds	—	250,000	—	250,000
Deferred income	61,786	13,525	61,786	13,525
Loans and borrowings	—	8,036	—	8,036
Obligations under finance leases	129,398	83,205	121,050	77,028
Total current liabilities	3,465,164	3,462,690	3,103,883	3,084,699
Total liabilities	11,474,575	10,088,840	10,990,494	9,604,760
TOTAL EQUITY AND LIABILITIES	30,233,022	23,289,423	28,952,878	22,359,194

SUMMARISED CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

	CONSOLIDATED		SEPARATE	
	2017 MK'000	2016 MK'000	2017 MK'000	2016 MK'000
Cash flows from operating activities				
Cash receipts from customers	18,303,185	14,768,599	16,505,289	13,541,448
Cash paid to suppliers and employees	(14,660,492)	(12,043,852)	(13,085,345)	(10,980,448)
Cash generated from operations	3,642,693	2,724,747	3,419,944	2,561,000
Interest paid	(587,040)	(669,406)	(571,740)	(645,140)
Taxation paid	(462,646)	(551,335)	(396,308)	(546,904)
Net cash from operating activities	2,593,007	1,504,006	2,451,896	1,368,956
Cash flows from investing activities				
Acquisition of property and equipment	(1,771,044)	(1,744,047)	(1,723,864)	(1,654,426)
Dividend received	—	—	30,600	24,855
Proceeds from sale of property and equipment	19,740	62,858	18,240	62,858
Net cash used in investing activities	(1,751,304)	(1,681,189)	(1,675,024)	(1,566,713)
Cash flows from financing activities				
Proceeds from borrowings	1,762,832	979,446	1,762,832	979,446
Repayment of borrowings	(2,000,775)	(441,762)	(1,994,348)	(437,100)
Dividends paid	(128,175)	(88,938)	(128,175)	(88,938)
Net cash (used in)/from financing activities	(366,118)	448,746	(359,691)	453,408
Net increase in cash and cash equivalents	475,585	271,563	417,181	255,651
Cash and cash equivalents at beginning of the year	350,233	65,610	350,755	82,044
Effect of exchange rate fluctuations on cash held	1,816	13,060	1,816	13,060
Cash and cash equivalents at end of the year	827,634	350,233	769,752	350,755

Basis of preparation

The Directors have prepared the summary consolidated and separate financial statements to meet the requirements of the Malawi Stock Exchange. The Directors have considered the Malawi Stock Exchange requirements and believe that the summary statements of financial position, summary statements of profit or loss and other comprehensive income and summary statements of cash flows are sufficient to meet the requirements of the users of the summary consolidated and separate financial statements. The amounts in the summary consolidated and separate financial statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards.