

AUDITED SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

2016 FINANCIAL YEAR RESULTS COMMENTARY

The Board is pleased to announce the audited financial results for the Group for the year ended 31st December 2016

Revenues

In 2016, revenues for the Group grew by 30% to MK15.7 billion, from MK12.1 billion in 2015. The increase in revenues was as a result of good performance by both the parent and its subsidiary, Catering Solutions Limited, despite the challenging economic environment which was prevalent during the period. The parent company increased its revenue by 27% from MK11.2 billion in 2015 to MK14.2 billion in 2016 whereas the subsidiary's revenues increased by 60%. Occupancy increased from 56.2% to 60.2% in 2016.

This excellent performance is on the back of a focus on our key strategic initiatives, mainly providing excellent customer service and enhanced sales and marketing activities. The Corporate and Conference segments were the main drivers of the Groups' revenues. However, in order to optimize the potential of our diverse portfolio of properties, management continued to focus on other initiatives to grow other segments such as leisure and online segment, in addition to the corporate and conference segments. The domestic business segment was also one key contributor to the Group's revenues. The Group will continue to explore other initiatives aimed at diversifying its source of revenues further. These efforts include increasing the business we currently get from existing foreign sources as well as attracting new foreign source markets.

Operating costs

Administration and other expenses increased from MK7.3 billion in 2015 to MK9.4 billion in 2016. This represented 60% of revenue, which was the same as in 2015. Increases in prices of goods and services continued throughout the year and the persistent blackouts resulted in increased costs of running generators in all hotels.

Financing costs

Financing costs amounted to MK668 million compared to MK717 million in 2015. The decrease resulted from repayment of borrowings during the year and reduction of interest rates towards the end of the year.

Profit after tax

The profit after tax increased by 31% from MK1.022 billion in 2015 to MK1.336 billion in 2016. The growth in profit was driven by both the growth in revenues from corporate and conference business, the growth in occupancy levels and prudent cost management.

Our resilience in the face of the severe challenges faced in the year confirms that the Group is strategically positioned to maintain its position as the market leader in the hospitality industry in the country.

Dividend

The Board resolved to pay a final dividend of MK55 million (or 21 tambala per share) for the year 2016 to make the total dividend paid for 2016 as MK105 million (or 40 tambala per share). For the year 2015, the company declared a total dividend of MK75 million but only paid MK44 million because some shareholders waived their interim dividend. A notice to this effect will be sent to all shareholders.

Outlook

Sunbird enjoys market leadership in the hospitality industry in Malawi. To consolidate its market position, in January 2017 Sunbird and African Parks (Majete) Limited entered into a management contract for the Thawale Lodge and Mwembezi Restaurant in Majete Wildlife Reserve in Chikhwawa. With effect from 1st February 2017, the lodge is known as Sunbird Thawale lodge and this brings to eight the total number of hotels operated under the Sunbird brand. Sunbird Thawale Lodge has seven tented Chalets situated within Majete around a serene floodlit waterhole that attracts a variety of wildlife. The Group will continue to explore similar opportunities available on the market.

In line with its strategic plan, Sunbird will continue to offer reliable and high standards of service in order to retain and grow the client base in the domestic as well as the international market sectors.

Looking ahead, although there are signs of some recovery with the rate of inflation dropping consistently month on month due to availability of maize and the Malawi Kwacha remaining stable against the United States dollar, we do not expect the situation in our economy to improve much in 2017. We are however optimistic that over the next 3 to 5 years international tourism into Malawi may start gaining some progress. We are excited by the planned 2017 National Tourism Conference scheduled this year and strongly believe that this will be a catalyst of great things to come for Sunbird and the tourism sector in Malawi.

The Directors are confident that the performance of the Group for the year 2017 will remain solid, notwithstanding that the environment will continue to be challenging in the short to medium term. The Corporate and Conference segments will remain the key drivers of our business, but we also expect the foreign market segment to start achieving more growth.

On behalf of the Board

P. Madinga **J. Lipunga**
Chairman **Director**

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

Opinion

The summary consolidated and separate financial statements, which comprise the summary statements of financial position as at 31 December 2016, 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 Limited for the year ended 31 December 2016.

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 2016 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 2017. 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

Lamion M Gama
Chartered Accountant (Malawi)
Partner

Blantyre, Malawi
28 March 2017

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

	CONSOLIDATED		SEPARATE	
	2016	2015	2016	2015
	MK'000	MK'000	MK'000	MK'000
Revenue	15,690,863	12,077,143	14,220,843	11,159,723
Cost of sales	(3,756,982)	(2,771,126)	(3,069,643)	(2,340,587)
Gross profit	11,933,881	9,306,017	11,151,200	8,819,136
Other income	72,324	78,088	105,447	79,547
Administration and other expenses	(9,447,395)	(7,312,407)	(8,870,439)	(6,918,492)
Results from operating activities	2,558,809	2,071,698	2,386,208	1,980,191
Finance costs	(668,677)	(717,092)	(644,411)	(713,100)
Profit before taxation	1,890,132	1,354,606	1,741,797	1,267,091
Taxation	(553,675)	(331,831)	(500,043)	(306,454)
Profit for the year	1,336,457	1,022,775	1,241,754	960,637
Other comprehensive income, net of tax				
Items that will not be reclassified to profit or loss				
Revaluation of property and equipment net of deferred tax	-	2,432,499	-	2,356,054
Total other comprehensive income for the year	-	2,432,499	-	2,356,054
Total comprehensive income	1,336,457	3,455,274	1,241,754	3,316,691
Profit attributable to:				
Owners of the company	1,336,457	1,022,775	1,241,754	960,637
Total comprehensive income attributable to:				
Owners of the company	1,336,457	3,455,274	1,241,754	3,316,691
Earnings per share (tambala)- Basic and diluted	511	391		

SUMMARISED CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

	CONSOLIDATED		SEPARATE	
	2016	2015	2016	2015
	MK'000	MK'000	MK'000	MK'000
ASSETS				
Non-current assets				
Property and equipment	19,186,606	18,019,385	18,711,534	17,613,487
Investment in subsidiary	-	-	102,023	102,023
Total non-current assets	19,186,606	18,019,385	18,813,557	17,715,510
Current assets				
Inventories	1,308,427	1,060,411	1,244,926	1,018,691
Trade and other receivables	1,701,111	1,412,721	1,555,678	1,294,119
Amounts due from related parties	453,444	293,696	84,578	68,398
Current income tax assets	164,232	121,144	188,737	113,397
Cash and cash equivalents	475,603	196,452	471,718	194,800
Total current assets	4,102,817	3,084,424	3,545,637	2,689,405
TOTAL ASSETS	23,289,423	21,103,809	22,359,194	20,404,915
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	8,143,399	8,251,681	7,976,896	8,084,432
Retained earnings	5,042,139	3,686,338	4,762,493	3,502,141
Total equity	13,200,583	11,953,064	12,754,434	11,601,618
Non-current liabilities				
Loans and borrowings	37,603	-	37,603	-
Corporate bonds	1,930,551	1,771,378	1,930,551	1,771,378
Obligations under finance leases	237,227	150,866	221,715	129,002
Employee benefit liabilities	375,687	390,866	375,687	381,775
Deferred Income	44,236	13,525	44,236	13,525
Deferred tax liabilities	4,000,846	3,955,418	3,910,269	3,881,790
Total non-current liabilities	6,626,150	6,282,053	6,520,061	6,177,470
Current liabilities				
Bank overdraft	125,370	130,842	120,963	112,756
Trade and other payables	2,142,792	1,985,671	1,807,744	1,805,543
Provisions	121,075	51,121	118,470	49,196
Employee benefit liabilities	623,282	545,074	593,528	506,834
Amounts due to related parties	95,405	40,967	95,405	40,967
Corporate bonds	250,000	-	250,000	-
Deferred income	13,525	28,324	13,525	28,324
Loans and borrowings	8,036	-	8,036	-
Obligations under finance leases	83,205	86,693	77,028	82,207
Total current liabilities	3,462,690	2,868,692	3,084,699	2,625,827
Total liabilities	10,088,840	9,150,745	9,604,760	8,803,297
TOTAL EQUITY AND LIABILITIES	23,289,423	21,103,809	22,359,194	20,404,915

SUMMARISED CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

	CONSOLIDATED		SEPARATE	
	2016	2015	2016	2015
	MK'000	MK'000	MK'000	MK'000
Cash flows from operating activities				
Cash receipts from customers	14,768,599	11,411,738	13,566,303	10,656,635
Cash paid to suppliers and employees	(12,043,852)	(9,051,591)	(10,980,448)	(8,424,473)
Cash generated from operations	2,724,747	2,360,157	2,585,855	2,232,162
Interest paid	(669,406)	(755,006)	(645,140)	(750,106)
Taxation paid	(551,335)	(485,682)	(546,904)	(448,381)
Net cash from operating activities	1,504,006	1,119,469	1,393,811	1,033,675
Cash flows from investing activities				
Purchase of property and equipment	(1,744,047)	(742,197)	(1,654,426)	(616,325)
Proceeds from sale of property and equipment	62,858	10,318	62,858	7,662
Net cash used in investing activities	(1,681,189)	(731,879)	(1,591,568)	(608,663)
Cash flows from financing activities				
Proceeds from borrowings	979,446	912,498	979,446	885,078
Repayment of borrowings	(441,762)	(1,362,012)	(437,100)	(1,360,942)
Dividends paid	(88,938)	(29,789)	(88,938)	(29,789)
Net cash from/(used in) financing activities	448,746	(479,303)	453,408	(505,653)
Net increase/(decrease) in cash and cash equivalents	271,563	(91,713)	255,651	(80,641)
Cash and cash equivalents at beginning of the year	65,610	112,829	82,044	119,099
Effect of exchange rate fluctuations on cash held	13,060	44,494	13,060	43,586
Cash and cash equivalents at end of the year	350,233	65,610	350,755	82,044

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 financial statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards.