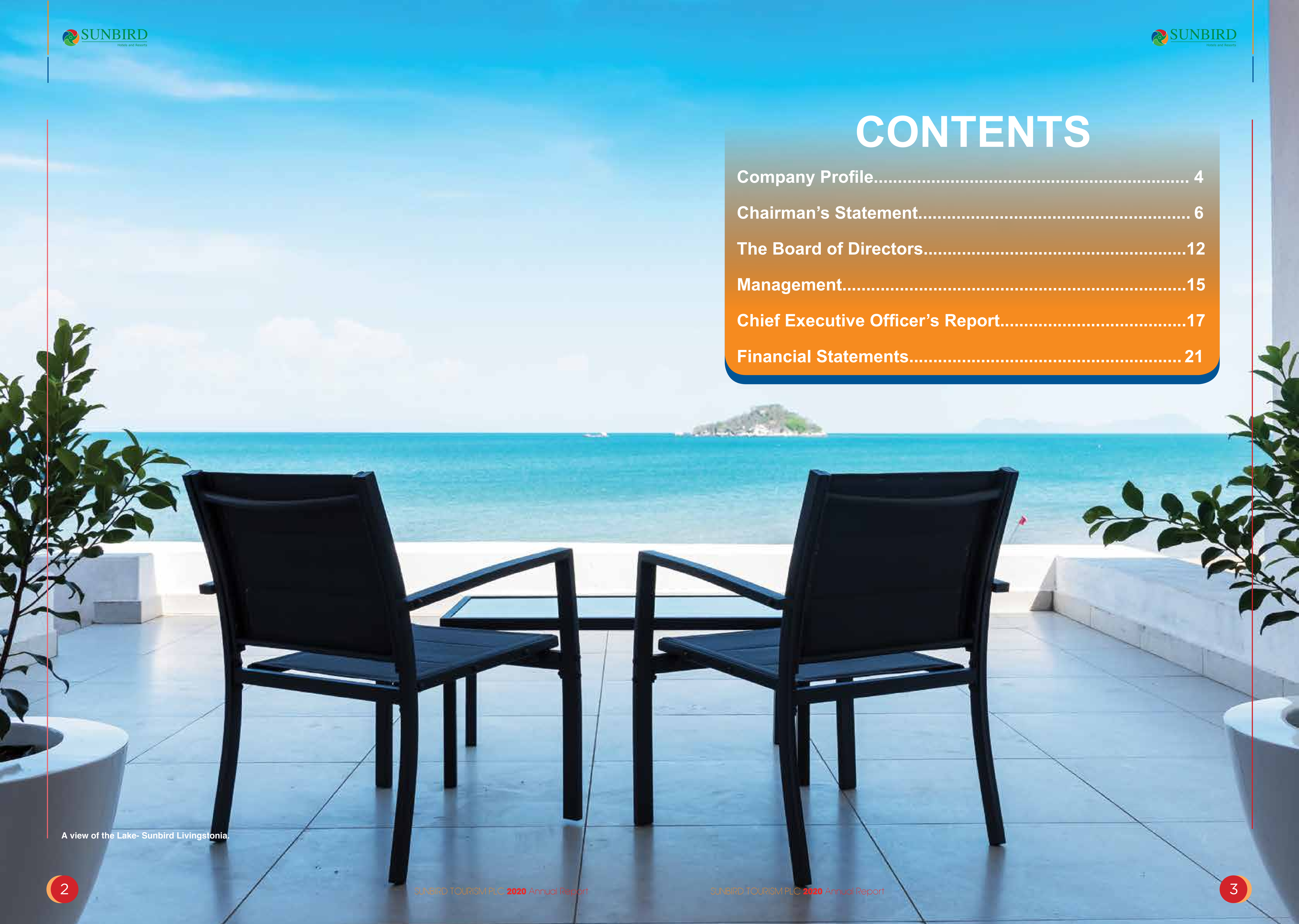
SUNBIRD
Hotels and Resorts

SUNBIRD TOURISM PLC

2020

ANNUAL REPORT



A view of the Lake- Sunbird Livingstonia.

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SUNBIRD TOURISM PLC **2020** Annual Report

COMPANY PROFILE

Sunbird Tourism plc (Sunbird) is a publicly quoted enterprise, listed on the Malawi Stock Exchange in August 2002. As of December 2020, 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 is a leading operator in the hospitality industry in Malawi and has, as its main activity, the operation of eight hotel properties in Malawi, seven of which it owns whereas one is a management contract under concession agreement. The owned properties include four city hotels: Sunbird Capital, Sunbird Mount Soche, Sunbird Lilongwe, and Sunbird Mzuzu; and two popular beach resorts along Lake Malawi: Sunbird Nkopola and Sunbird Livingstonia; and one iconic mountain resort, Sunbird Ku Chawe. On management contract, the company operates Sunbird Chintheche, a beach resort in Nkhatabay district.

Sunbird Management and Catering Services is a division within Sunbird Tourism plc, it is involved in the provision of airline and institutional catering services.

Sunbird employs a motivated and highly skilled team of about 735.

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.

A view of the Lake- Sunbird Livingstonia.

CHAIRMAN'S STATEMENT

THE GLOBAL ECONOMY

Global economy weakened in 2020 to -3.5% from 2.9% in 2019 according to World Economic Outlook (WEO). This emanated from impact of COVID-19 pandemic which had a negative effect on the global activities in the first half of the year. The adverse impact on low-income households is particularly acute, imperiling the significant progress of reducing extreme poverty in the world.

Looking ahead, global economic prospects remain subdued and very uncertain, the recent vaccine approvals have raised hopes of a turnaround in the pandemic, however the renewed waves and new variants of the virus pose concerns for the outlook.

Amid the exceptional uncertainty, the International Monetory Fund (IMF) has projected the global economy to grow by 5.5% in 2021, this growth recovery follows a severe collapse in 2020 which resulted in the economy contracting by -3.5%.

MALAWI ECONOMY

Gross Domestic Product

Various institutions revised their projections for the Malawian economy. The Economic Intelligence Unit (EIU) projects an economic growth for 2021 to be at 2.3% (2020: -1.0%). The International Monetary Fund (IMF) projects the economic growth for 2021 to be 2.2% (2020: 0.60%) and the World Bank has projected to be at 3.3% (2020: 1.0%).

Inflation

Malawi's inflation rates for 2020 averaged 8.70% from 9.38% in 2019. This was due to decrease in non-food inflation which moved from 5.35% in 2019 to 4.71% in 2020. On the other hand, food inflation increased to an average of 14.30% in 2020 from 13.40% in 2019

Exchange Rates

In 2020, the Malawi Kwacha appreciated against the South African Rand but depreciated against the United States Dollar, British Pound and the Euro. The downward trend was mainly attributed to a decline in foreign exchange supply which has in turn put pressure on the country's foreign exchange reserves. Malawi has faced reduced trading activity due to the impact of COVID-19 pandemic resulting in widened trade deficit. In 2020 the Malawi Kwacha averaged MK746.55=$1 compared to MK743.31=$1 in 2019.

Interest Rates

The monetary policy rate was maintained at 13.50% since the start of the year 2020. However, it was revised in the 4th Monetary Policy Committee (MPC) meeting to 12.50%. The adjustment in the monetary policy rate was done to support economic recovery from the impact of the COVID-19 pandemic and the creation of job opportunities.

The MPC decided to cut the Liquidity Reserve Requirement on domestic currency deposits by 125 basis points to 3.75% (2019: 5%). The committee also reduced the Lombard Rate to 0.2% from 0.4%, above the Policy Rate. The MPC maintained these reductions on the Liquidity Reserve Requirement and Lombard rate for the rest of the year.

The average lending rates for the commercial banks for 2020 were between the range of 12.0% and 25% (2019: between 13% and 25%) (Source: RBM).

Sunbird Share Price

Sunbird Tourism plc share price decreased from MK118.00 in 2019 to MK105.00 representing a decrease of 11.0%.

CHAIRMAN'S STATEMENT

Tourism Industry

COVID-19, was declared a pandemic, and is the largest challenge ever for the Tourism Industry. Due to the pandemic, the Tourism Industry encountered unprecedented reduction in tourist arrivals and demand for hospitality services.

Sunbird Tourism swiftly adopted the COVID-19 guidelines and directives as published by the Ministry of Health and World Health Organisation. Furthermore, the Group ensured that the Malawi Government directives regarding gatherings and curfews were strictly adhered to in order to ensure safety of the guests and employees. The trading environment has remained erratic with sporadic and marginal increase in hospitality services as the COVID-19 numbers improved. However, with the global vaccination campaign underway, the Industry is expected to slowly commence its recovery, as the market gradually becomes confident to travel again after the roll out of vaccination.

In the new normal, the market source for business was predominantly local with major segments that drove the business in 2020 remaining Corporate, Commercial Groups and Leisure.

Market Share and Competition

Despite a challenging year hampered by extended travel bans and reduction in meeting numbers as part of COVID-19 guidelines implemented to contain the pandemic, Sunbird still enjoyed market leadership in the hospitality industry. Sunbird brand will remain resilient in a highly competitive market shadowed by an unprecedented pandemic, and strive to attain the budgeted top-line, by leveraging its diverse and improved product with an enhanced customer experience in order to increase repeat business.

Financial Performance

Revenues

In 2020, revenues totaled MK13.5 billion, this was below 2019 revenues of MK19.4 billion. The Company registered 32% occupancy levels compared to 52% achieved for the same period last year.

The hospitality industry suffered unprecedented business disruption due to the impact of the COVID-19 pandemic which resulted in reduction in travel from both local and international tourists. The restrictions on number of participants attending meetings also affected the conference and banqueting business.

The Corporate Market segment which constituted 51% of total room nights continues to be the anchor segment for the business, followed by Commercial Market segment at 22%. There is continued focus on sustaining these key segments while initiatives to grow the other segments, such as leisure continue to be prioritized in order to optimize the potential of the

Under construction, Sunbird Waterfront due to open in July 2021.

CHAIRMAN'S STATEMENT

different properties of the Company, especially the resorts.

The company has put in place strategies to grow the top line through implementation of segment based strategies and diversification of revenue sources.

These strategies include diversification into management contracts and joint ventures among others. The company signed a concession agreement on Chintheche Inn in 2020 as part of this growth strategy.

Operating costs

Administration and other expenses decreased by 4%, from MK11.5 billion in 2019 to MK11.0 billion in 2020. The decrease was as a result of management's efforts in aligning expenditure to business volumes.

Finance costs

Total finance costs amounted to MK826.0 million compared to MK228.7 million in 2019. The increase was as a result of the capitalization of debt financed construction projects which included the new Soche International Conference Centre at Sunbird Mount Soche, the refurbishment of rooms at both Sunbird Nkopola and Sunbird Livingstonia which were completed in 2019 and the construction of 15 additional rooms at Sunbird Nkopola completed in mid-2020.

Loss after tax

The Company incurred a loss of MK1.2 billion compared to the MK2.6 billion profit reported in 2019. The Loss emanated from substantially reduced revenues occasioned by the effects of COVID-19 to which the sector is one of the severely impacted.

Dividend

Due to the loss that the Company reported, the Board resolved not to declare dividend in respect of the year ended 31 December 2020. In 2019, the Company declared a total dividend of MK261.6 million or K1 per share.

Refurbishment and Expansion Projects

During the year, the Company completed the construction of 15 additional rooms at Sunbird Nkopola, expanding the total room inventory to 70, refurbishment of conference rooms and cocktail bar at Sunbird Lilongwe and the kitchen refurbishment at Sunbird Ku Chawe after fire destruction in 2019.

Strategy and Outlook

The Board expects the country's economy to continue facing considerable risks including the impact of the COVID 19 pandemic and the consequences of high government debt on the economy. However, the arrival of COVID-19 vaccines and good agricultural season, project a more favourable outlook for 2021 compared to 2020.

The COVID 19 pandemic has affected travel patterns for both corporate and leisure and is resulting in significant reduction of travel, thereby depressing the hospitality sector. There are some signs of confidence in the market due to reduced number of new cases and the roll out of the vaccines worldwide. The Board is optimistic that if the trend is sustained, the business should return to profitability.

Snbird Water Sports.

CHAIRMAN'S STATEMENT


Sundowner view Sunbird Nkopola.

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

There are a number of key product improvement plans that are currently underway. These include: the completion of the 42 bedroom Sunbird Waterfront Hotel at Sunbird Livingstonia Beach, refurbishment of Sunbird Ku Chawe and Sunbird Mzuzu, introduction of new Vincent Platinum Restaurant at Sunbird Mount Soche. Most of these projects commenced in 2020 and are expected to be completed in 2021 and 2022. Plans are at an advanced stage for the construction of a 15 room eco lodge at Majete Wildlife Reserve in Chikwawa.

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 other stakeholders 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. Every shareholding of 10% is entitled to appoint a director. 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. Director Dr Ken Ndala retired from the Board in April 2020. In addition, the following directors retired from the Board in September 2020: Mr Phillip Madinga; Mr Anderson Kulugomba; Mr Charlie Msusa; Mr Cliff Chiunda and Mrs Violette Santhe. The following directors joined the Board in

CHAIRMAN'S STATEMENT

2020: Mr Isaac Katopola, Mr Chauncy Simwaka, Mrs Maureen Kachingwe; Dr Bernadette Malunga and Mr Vilipo Munthali.

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 group's risks which includes the formulation of the group's 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 group's risks.

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) 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. IA's overall mandate includes the evaluation of risk exposures and the:

- reliability and integrity of information
- effectiveness of operating processes
- effectiveness of governance processes
- safeguarding of assets
- compliance with laws, regulations and controls.

DIVIDEND DECLARATION

At the forthcoming Annual General Meeting the Board will recommend that a final dividend should not be paid, this means that there will be no dividend for the financial year 2020. In 2019, the company declared a total dividend of MK262 million representing MK1 per share.

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.

THE BOARD OF DIRECTORS

Dr. George Partridge (Chairman)

Dr. George Partridge (58) joined the Board in June 2018 following Press Corporation plc's acquisition of 15% shareholding in Sunbird that was previously owned by Mr Noel Hayes. He is the current Group Chief Executive Officer for Press Corporation plc.

He has previously held the position of Chief Executive Officer for National Bank of Malawi plc prior to which he served in various capacities at the Reserve Bank of Malawi. Dr. Partridge was instrumental in the formation of the Institute of Bankers of Malawi, where he served as its first President. In his own right, Dr. Partridge has over the years served on a number of private and public sector boards and national economic advisory committees. Currently, he is Chairman of Malawi Airlines. In recognition of his achievements and service to society, he was awarded an honorary Doctor of Philosophy (PhD) degree in Leadership and Management in 2015 by the University of Malawi. He has been on the Board since 2018.

Mr Gladson Kuyeri

Mr Gladson Kuyeri (51) 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 been on the Board since 2017.

Mrs Maureen Kachingwe

Mrs Maureen Kachingwe (55) is a legal practitioner with an LLB (Hons) from the University of Malawi and MBA from the University of Hull (UK). She is the current Company Secretary for Illovo Sugar (Malawi) plc since 2017. Before joining Illovo, Mrs Kachingwe served as Director of Legal and Corporate Affairs as well as company secretary for Sunbird Tourism plc for a total of 23 years. She is specialized in corporate governance, in house legal practice, employment law, commercial transactions and business strategy. She joined the Board in September 2020

THE BOARD OF DIRECTORS

Dr Bernadette Malunga

Dr Bernadette Malunga (40) holds a PhD in Law from the University of Nairobi, School of Law, Kenya. 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 Chancellor College, teaching Company Law and other commercial law related subjects. She 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

Mr Isaac Katopola

Mr Isaac Katopola (51) has been the Principal Secretary in the Ministry of Tourism, Culture and Wildlife. He is a highly qualified professional in the specialized field of Tourism Planning and Development and Marketing as well as in the field of Public Policy. He has worked in the public service for over 26 years. Among many of his academic qualifications is a Diploma in Tourism Planning, Development and Management, Galilee College, Haifa, Israel; a Bachelor of Arts, Public Administration, University of Malawi, Chancellor College and Master of Science in Strategic Management, Tourism Planning, University of Derby School of Business, UK. He joined the Board in June 2020.

Mr Vilipo Munthali

Mr Vilipo Munthali (48) is a seasoned chartered accountant. He holds a bachelor's degree in accountancy from the University of Malawi and MBA from Management College of Southern Africa, Gaborone, Botswana. He is a Fellow of Association of Chartered Certified Accountants - FCCA. He is the Managing Consultant at Swift Resources. He has previously held the position of Chief Finance Officer for Ecobank Malawi Limited and 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.

THE BOARD OF DIRECTORS

Mr. Chauncy Simwaka

Mr. Chauncy Simwaka (55) is the current Secretary to Treasury (ST) since July 2020. As ST, he is the principal financial adviser to the Government of Malawi and administrative head of the Ministry of Finance. He is an Economist with thirty years' experience in Economic Analysis, Policy Analysis, Strategic Planning, Project Planning and Management, Monitoring and Evaluation Techniques, and Research/Survey Design and Methodology. He is a career civil servant. He holds a Master's degree in MSc. (Economics) obtained from the University of Wales, Swansea, United Kingdom. He also holds a Postgraduate Diploma (Development Economics) which he obtained from the University of Bradford, England and he holds a Bachelor of Social Science (Economics) from Chancellor College, University of Malawi. He joined the Board in September 2020.

Mr Allan Hans Muhome

Mr Allan Hans Muhome (41) is a Legal Practitioner of over 15 years' experience. He holds an LLB (Hons) and an MBA both from the University of Malawi. He is a commercial law specialist and author of various books on commercial laws in Malawi. He has served as secretary to the Board since 2017.

In 2020 the following Committees were in place and their membership is reflected below:

FINANCE & AUDIT COMMITTEE

Mr Vilipo Munthali	- Chairperson
Mr Gladson Kuyeri	- Member
Mr Chauncy Simwaka	- Member

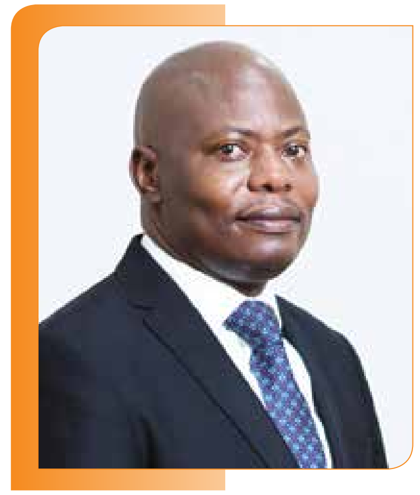
HUMAN CAPITAL & DEVELOPMENT COMMITTEE

Mr Gladson Kuyeri	- Chairperson
Dr Bernadette Malunga	- Member
Mr Isaac Katopola	- Member

PROJECTS COMMITTEE

Mrs Maureen Kachingwe	- Chairperson
Dr Bernadette Malunga	- Member

MANAGEMENT



YUSUF OLELA
Chief Executive Officer

PATRICK LISILIRA
Deputy Chief Executive Officer

SAMSON MWALE
Chief Finance Officer

EDWARD CHUNGA
Chief Human Capital and Development Officer

BARNET GAUSI
Head of Internal Audit and Risk Management

TEMWA KANJADZA
Group Sales and Marketing Manager

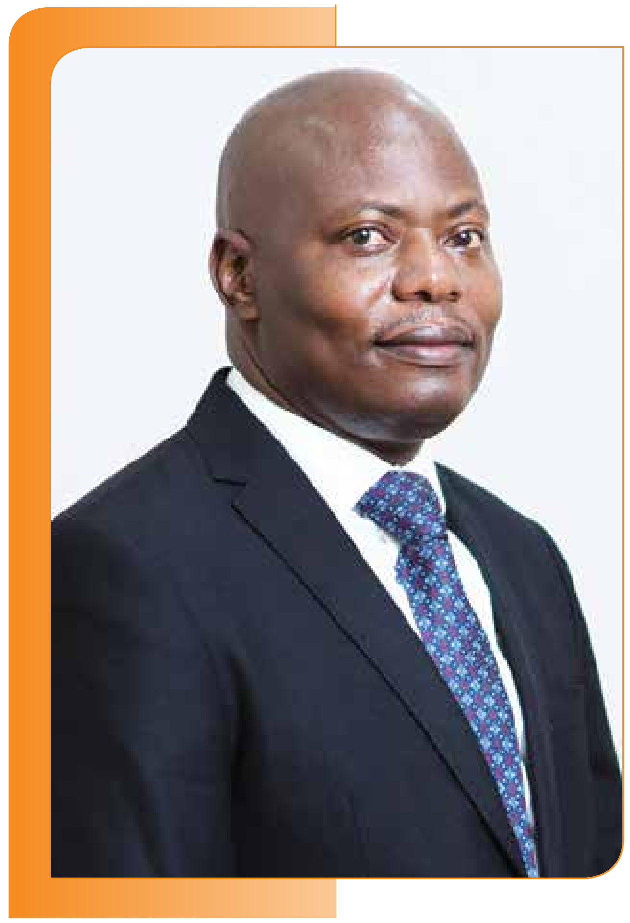

Sunbird Nkopola .


Campsite Sunbird Livingstonia.


Pablo's Bar at Sunbird Mount Soche.


Sunbird Mzuzu Swimming pool.

CHIEF EXECUTIVE OFFICER'S REPORT



I wish to thank and appreciate our Customers for their unwavering support and loyalty, in a year that saw business disruption due to political environment leading to the repeat presidential election and slowdown in business activities due to COVID-19 pandemic. Much gratitude goes to the Board of Directors through whose leadership we remain the leading hotel brand in the country, and to all my colleagues most of whom were front-liners as we remained open, for their determination, grit and exemplary display of team work during a very unprecedented trading environment. The team's commitment and unrivalled service delivery has been key to ensuring the business remained afloat, and well positioned for recovery once the trading environment normalizes.

COVID-19 was declared a pandemic, and is the biggest risk and challenge for the Tourism and Travel industries, both locally and globally. Due to the pandemic, the Tourism Industry encountered unprecedented reduction in tourism activities which significantly reduced international arrivals due to travel restrictions, curfews and lockdowns that impacted on demand for hospitality services.

International arrivals on the global stage saw a decline of 74%, with Africa dropping by 75% in comparison to 2019. The drop in International arrivals had a significant impact on the Group's performance and in order to remain resilient, the primary business market source during the pandemic has been domestic.

Despite the prevailing challenges, the Group maintained the largest market share, driven by an improved customer relationship management, enhanced sales & marketing activities targeting the domestic market, continuous improvement and development of products and services in order to ensure unrivalled guest experience.

Looking forward, the trading environment will continue to remain erratic under the new normal, with sporadic and marginal increase in hospitality services as the COVID-19 cases drops. However with the global vaccination campaign underway, the Industry is expected to slowly commence its recovery, as the market gradually becomes confident in travel after vaccination. UNWTO forecast that global tourism, which has been hit hard by the international travel restrictions put in place in response to the coronavirus pandemic, will rebound after two to three years to get to the level of 2019. Although recent vaccination exercise has raised hopes of a turnaround in the pandemic later this year, renewed waves and new variants of the virus pose concerns for the outlook. Sunbird is anticipating to make a full recovery, once the trading environment returns to normal.

Sales & Marketing

Sunbird brand remained resilient in a highly competitive market shadowed by an unprecedented pandemic, by leveraging its diverse and improved product with an enhanced customer experience in order to increase repeat business. Sunbird further focused on the Group's implementation of revised Sales & Marketing strategies in line with the new trading environment under its growth pillars with increased focus on the domestic market.

An aggressive sales approach for key, dormant, new and existing business was pursued together with increased market presence focusing on a 360-degree communication plan to press on top of mind, and increased visibility.

Promotions and Events

Due to the COVID-19 pandemic trading environment, the Group ran various promotions primarily targeting

CHIEF EXECUTIVE OFFICER'S REPORT

the domestic market in an effort to remain resilient during the pandemic. Some of the promotions included; Domestic Leisure and corporate promotions (COVID-19 promotions, lakeside getaway, weekend promotions, winter promotions, conference package promotions, corporate and individual voucher promotions), including other annual promotions such as Valentine's day promotions, Independence day promotions, Mother's day promotions, and festive promotions.

As part of efforts to continue unlocking the domestic market, the Group further hosted some of the following events; Sand Music festival, networking high-teas, Business breakfasts, and Chitenje nights.

Brand Visibility

Under the new normal, brand visibility activities were focused, promoted and targeted where we could produce more on the domestic market. Sunbird continued to intensify its efforts on improved relationship management and aggressive sales and marketing efforts. Some of the key activities include relationship management with all its key partners e.g. Decision Makers, Bookers, and other partners in order to ensure delivery of more customized and personalized services. Despite the reduced numbers for International arrivals, Sunbird continued to position the brand with a presence on all major Online Travel Agents and Global Distribution Systems. Strategic partnerships with Ethiopian Airlines on Sheba Miles and ET holidays were maintained. As a responsible brand, and to ensure customers were confident in the COVID-19 measures being implemented by the Group, consistent communication on COVID-19 measures as guided by World Health Organisatio (WHO) and Ministry of Health were disseminated.

Corporate Social Responsibility

Despite a challenging year, Sunbird remained committed to supporting the communities we do business in, through the implementation of CSR initiatives that fall under its pillars of Health, Education, Environment and Youth development. The following initiatives were implemented; tree planting at Sunbird Ku Chawe in order to address the deforestation issues on Zomba mountain, clean water supply to the surrounding communities of Sunbird Livingstonia and Sunbird Nkopola, weekly food supply to the Queen Elizabeth hospital Cancer ward, weekly provision of food rations to Chisomo Children's club, Linen donation to Child Legacy, and construction of a library at Masasa primary school in Mzuzu.

Day Lake view Sunbird Nkopola.

CHIEF EXECUTIVE OFFICER'S REPORT

Market Share and Competition

Sunbird still enjoys market leadership in the hospitality industry, despite the devastating impact from the COVID-19 pandemic. The market continues to see new entrants with improved product, creating increased choice for the consumer. Sunbird will continue to expand its foot print through product development and management contracts. Sunbird brand will remain resilient in a market that is facing unprecedented depression in demand and seeing increased competition through implementation of its growth pillars with focus on the domestic market, and leveraging Sunbird's diverse and improved product with an enhanced customer experience in order to increase repeat business.

OPERATIONS

COVID-19 Response

Sunbird offers products and services that generate gatherings of people in closed as well as open spaces for long periods of time. As a result, the company was very proactive in adopting the World Health Organization and Ministry of Health guidelines on COVID-19 preventive protocols. Physical distancing and specific infection prevention and control measures are being implemented in all hotels as required. These measures were incorporated in the relevant standard operating procedures in order to ensure that compliance becomes the norm.

Business Process Re-Engineering

The hotel Market is witnessing increased entrants. One of the ways of achieving differentiation is to continue to redesign core business processes to gain improvements in productivity, cycle times and quality. To that end some of the core processes have been reviewed and redesigned to achieve cost efficiencies while ensuring that quality of the end product is not compromised.

Guest Feedback

The response rate and the actual satisfaction rate from the guest survey system for the year remained relatively the same at 88.1% compared to 88.6% in 2019. During the year, we also conducted a Mystery Guest Survey whose results were satisfactory and action points are being implemented accordingly.

Vincents restaurant Sunbird Capital.

CHIEF EXECUTIVE OFFICER'S REPORT

Guest Experience Goals

Sunbird has been working on improving the four guest experience pillars which are physical facilities, products, processes, and people.

TECHNOLOGY

The use of information technology in the hospitality industry keeps on growing and changing at a fast pace over the years. Sunbird realises that technology enhances the overall experience and quality of service we provide to our guests. It also allows us to execute transactions more quickly and seamlessly and to communicate faster and more efficiently with our guests. Technology also enables us to provide better market analytics, data and other information. IT has changed the procedures and structure for functions such as marketing, booking and reservations, food and beverage management, and accounting systems in the industry. Sunbird would like to be at the forefront in implementing technologically aided solutions for the most important tasks to enhance guest experience.

In 2020, with the advent of the COVID 19 pandemic, Sunbird re-strategised its initiatives to be in line with the prevailing financial circumstances and the new norm of conducting some business functions. Initiatives considered were Video Conferencing solutions to provide virtual meetings, a group Mobile application, use of online menus in the restaurants and contactless check in solutions. Unfortunately, the tourism industry was hit hard by the pandemic to the extent that the company had to suspend some of the planned IT initiatives as part of cost containment initiatives put in place.

Nonetheless simple video conferencing solutions were set up for virtual meetings. The mobile app has been developed and it's running in the final development engagement phase.. The online menu trials were successful and the initiative is also under development for roll out in the hotels.

The CCTV solutions was rolled out in all hotels to improve security surveillance enhancing assurance to the guests of the vital security needed in the hotels.

Clocking and attendance solution was rolled out into the hotels to improve management of work attendance records and efficient management of payroll task relating to the attendance

Improved TV solution with a provision for hotel information services is being installed at the new Sunbird Water Front hotel. The solution will provide more good quality images and guests getting some hotel information through the TV system. The same solution is earmarked to be rolled out in the other hotels to improve the number of channels and quality.

The above initiatives are aimed at enhancing operations in the company by achieving maximum possible automation and integration of system processes resulting in a satisfying guest experience.

OUR PEOPLE

Although the year was very challenging for human capital, the approach to training focused more on in-house virtual trainings as well as on the job trainings.

As there was little or no business at all, the company took some strategic decisions to ensure that the costs are aligned to the little revenue which the Company was able to generate. Consequently, a retrenchment exercise became inevitable and was carried out affecting almost 19% of the total headcount.

Nevertheless, in house staff development programs including Supervisory Development Program, and training in Standard Operating Procedures continued in the year.

As an ongoing process, a review of the operating structures was done which culminated in implementation of cluster management approach in Operations, Human Resources and Finance.

In order to bring in more efficiencies and greater value to our people, the in house medical scheme was outsourced and a biometric system of attendance was also installed in all hotels.

Realizing that cordial working relationship between Management and Staff is very crucial to enhancing industrial peace and productivity, all newly elected Shop Stewards were trained on their role as Union Leaders.

Although it may take some time for the business to rebound, the Company is looking ahead into 2021 with a lot of optimism that the pandemic will be contained particularly with the coming in of the vaccine, and that business will start to register some normalcy, which in turn may enable implementation of the various strategic human capital programs.

Sunbird Nkopola Pool.

SUNBIRD TOURISM PLC FINANCIAL STATEMENTS

For the year ended 31 December 2020

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DIRECTORS' REPORT

For the year ended 31 December 2020

The directors have pleasure in presenting their report together with the audited financial statement for the year ended 31 December 2020.

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 eight hotel properties in Malawi. Sunbird Management and Catering Services is a division within Sunbird Tourism Plc focusing on institution catering. During the year, the company started operating the Chintheche Inn on concession agreement.

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 22 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 31 December are:

	2020	2019
	%	%
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 period was **MK105.00** (2019: MK118.00) 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, a final dividend of **MK131 million** (2019: MK131 million) representing **50 tambala** per share was declared in respect of the year ended 31 December 2019 and no interim dividend was paid (2019: MK262 million) relating to the results for the year ended 31 December 2020.

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.

DIRECTORS' REPORT

For the year ended 31 December 2020

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
Mr. Phillip Madinga	- Chairman	Up to 23rd September 2020
Mr. Anderson Kulugomba	- Director	Up to 23rd September 2020
Mr. Charlie Msusa	- Director	Up to 23rd September 2020
Mr Cliff Chiunda	- Director	Up to 23rd September 2020
Mrs Violette Santhe	- Director	Up to 23rd September 2020
Dr Ken Ndala	- Director	Up to 30th April 2020
Mr. Isaac Katopola	- Director	From 19th June 2020
Mr. Gladson Kuyeri	- Director	Full year
Dr. George Partridge	- Director	Full year and Chairman from 9th October 2020
Mr Chancy Simwaka	- Director	From 23rd September 2020
Mrs Maureen Kachingwe	- Director	From 23rd September 2020
Dr Bernadette Malunga	- Director	From 23rd September 2020
Mr Vilipo Munthali	- Director	From 23rd September 2020
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:

DIRECTORS' REPORT

For the year ended 31 December 2020

BOARD

MEMBER	March 2020	June 2020	October 2020	December 2020
Mr. Phillip Madinga (Chairman)	√	√	N	N
Mr. Charlie Msusa	√	√	N	N
Mr. Gladson Kuyeri	√	√	√	√
Mr. Anderson Kulugomba	√	√	N	N
Mr. Isaac Katopola	N	√	√	√
Dr. Ken Ndala	A	N	N	N
Dr. George Partridge	√	√	√	√
Mrs Violette Santhe	√	√	N	N
Mr. Cliff Chiunda	A	√	N	N
Mrs Maureen Kachingwe	N	N	√	√
Mr Vilipo Munthali	N	N	√	√
Mr Chancy Simwaka	N	N	√	√
Dr Bernadette Malunga	N	N	√	√

FINANCE AND AUDIT COMMITTEE

MEMBER	March 2020	June 2020	November 2020
Mr. Anderson Kulugomba (Chairman)	√	√	N
Mr. Charlie Msusa	√	√	N
Mr. Cliff Chiunda	√	√	N
Mr. Gladson Kuyeri	√	√	√
Mrs Violet Santhe	√	√	N
Vilipo Munthali	N	N	√
Chancy Simwaka	N	N	√

HUMAN CAPITAL AND DEVELOPMENT COMMITTEE

MEMBER	March 2020	June 2020	November 2020
Dr. George Partridge (Chairperson)	√	√	N
Dr. Ken Ndala	√	N	N
Mr. Gladson Kuyeli	√	√	N
Dr Bernadette Malunga	N	N	√
Mr Isaac Katopola	√	√	√

Key:

√ = Attendance

A = Apology

N = Not a Member

PROJECTS COMMITTEE

DIRECTORS' REPORT

For the year ended 31 December 2020

MEMBER	March 2020	June 2020	November 2020
Mr. Charlie Msusa (Chairperson)	√	√	N
Mr. Gladson Kuyeri	√	√	N
Mr. Anderson Kulugomba	√	√	N
Dr Bernadette Malunga	N	N	√
Mrs Maureen Kachingwe	N	N	√

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. The impact of COVID 19 pandemic has had an effect on the performance of the Company and the board has put measures to ensure that the company remains operational in the foreseeable future.

INDEPENDENT AUDITORS

Messrs Grant Thornton, Chartered Accountants and Business Advisors (Malawi), have signified their willingness to continue in office and a resolution is to be proposed at the forthcoming Annual General Meeting in relation to their appointment as auditors in respect of the year ending 31 December 2021.

FOR AND ON BEHALF OF THE BOARD

AUTHORISED DIRECTOR

AUTHORISED DIRECTOR

Date: 29 March 2021

DIRECTORS' RESPONSIBILITY STATEMENT

For the year ended 31 December 2020

The directors are responsible for the preparation and fair presentation of the financial statements of Sunbird Tourism Plc, comprising the statements of financial position at 31 December 2020, and the statements 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 8 to 46 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 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 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 **29 March 2021** and were signed on its behalf by:

AUTHORISED DIRECTOR

AUTHORISED DIRECTOR

SUNBIRD Hotels and Resorts

Grant Thornton

An instinct for growth™

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 32 to 78, which comprise the statement of financial position as at 31 December 2020, 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 2020, 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.

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MASM House
Lower Sclater Road
P.O. Box 508
Blantyre, Malawi

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e-mail: mw-information@mw.gt.com

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables *See notes 3.13, 4.1, 5.2.1, 10 and 25.2 to the financial statements* 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, high rates of unemployment and inflation impacts the ability of customers to pay the Company. Accordingly we paid particular attention to the impairment assessment of trade receivables at year end due to the following: ● 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. As a result, the impairment of trade receivables was a key audit matter.	Our audit work included the following procedures: ● 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: - 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.

SUNBIRD Hotels and Resorts

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Valuation of property *See Notes 3.2 and 6 to the financial statements* The Company operates out of various hotels throughout Malawi. All 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 asset of the Company. The valuation of the Company's properties was a key audit matter due to: ● 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.	Our audit in this area included, among others: ● Evaluating Company's inputs used in calculating the estimated fair values of the properties at year end by comparing it with historical valuations and assumptions used. We also compared it against our understanding and knowledge of the industry and the economic environment within which the Company operates in. ● We compared a sample of market data input used by the Company against independently verifiable data to evaluate its reasonableness and appropriateness. ● We tested the fair value calculations of the properties at year end by considering whether the assumptions and calculation method used are appropriate and consistent with market conditions and the economic environment prevailing during the year. ● For selected properties we assessed the physical condition of the properties relative to the valuations to assess for any indicators of impairment. ● assessing compliance with applicable financial reporting framework to ensure that the entire class is revalued. ● We assessed the professional qualifications, competence, independence and experience of the independent professional valuer used for the valuation of the properties.
Going concern *Refer to Note 31 to the financial statements.* As at 31 December 2019, a few cases of an unknown virus had been reported to the World Health Organisation. This continued to spread in 2020 resulting in the World Health Organisation declaring the COVID-19 outbreak a pandemic on 11 March 2020. The pandemic has had a downward impact on the operations of Sunbird Tourism plc in the year ended 31 December 2020 such that the Company has reported a loss before tax of MK 973.6 million from a profit before tax of MK 3.99 billion in 2019. As it is not possible to reliably assess the impact of the virus on the going concern of the Company due to the uncertainties over the pandemic, the directors have put strategies in place to ensure that the Company remains in business for the foreseeable future. Due to the significant judgements and assumptions applied by the directors in formulation of the strategies taking into account the uncertainties over the COVID-19 pandemic, the going concern of the Company is regarded as a key audit matter.	Our audit procedures included: ● We evaluated whether the directors' assumptions are reasonable and supportable in view of the Company's circumstances and are consistent with the general economic environment and our understanding of the entity. ● We tested the sensitivity of the projections to changes in the assumptions used by directors and assessed whether the outcome of the projections to changes in key assumptions properly reflect the risks inherent in the ability of the Company to continue its operations in the foreseeable future. ● We evaluated the adequacy of the disclosures in the financial statements in relation to the requirements in accordance with the applicable financial reporting standards.

INDEPENDENT AUDITOR'S REPORT

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.
- 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.

INDEPENDENT AUDITOR'S REPORT

- 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
Chartered Accountant (Malawi)
Partner

Blantyre, Malawi.
30 March 2021

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

In thousands of Malawi Kwacha	Note	2020	2019 Consolidated	2019 Separate
ASSETS				
NON CURRENT ASSETS				
Property and equipment	6	42,907,387	33,686,969	33,008,353
Investment in subsidiary	7	-	-	102,023
Intangible assets	8	137,356	141,150	141,150
Total non-current assets		43,044,743	33,828,119	33,251,526
CURRENT ASSETS				
Inventories	9	2,858,156	2,166,828	2,091,502
Trade and other receivables	10	1,724,092	2,731,420	2,573,519
Amounts due from related parties	11	1,107,937	1,271,251	669,612
Income tax receivable	23(b)	541,895	1,188,566	1,121,368
Cash and cash equivalents	12	1,109,609	675,997	669,979
Total current assets		7,341,689	8,034,062	7,125,980
TOTAL ASSETS		50,386,432	41,862,181	40,377,506
EQUITY AND LIABILITIES				
Equity				
Share capital	13	13,079	13,079	13,079
Share premium	13	1,966	1,966	1,966
Revaluation reserve		15,819,573	10,994,837	10,747,937
Retained earnings		11,183,415	12,335,644	11,567,070
Total equity		27,018,033	23,345,526	22,330,052
NON CURRENT LIABILITIES				
Corporate bonds	14(a)	10,400,000	7,800,000	7,800,000
Deferred income	19	228,301	57,149	57,149
Deferred tax liabilities	23(c)	9,860,147	7,518,280	7,411,219
Total non-current liabilities		20,488,448	15,375,429	15,268,368
CURRENT LIABILITIES				
Trade and other payables	16	2,123,818	2,182,153	1,924,598
Bank overdraft	12	-	37,248	-
Corporate bonds	14(a)	66,503	57,220	57,220
Employee benefits	15(b)	32,713	169,268	158,211
Amounts due to related parties	11	526,220	570,711	570,711
Deferred income	19	130,697	117,901	61,621
Lease liabilities	14(b)	-	6,725	6,725
Total current liabilities		2,879,951	3,141,226	2,779,086
Total liabilities		23,368,399	18,516,655	18,047,454
TOTAL EQUITY AND LIABILITIES		50,386,432	41,862,181	40,377,506

These financial statements were approved for issue by the Board of Directors on 29 March 2021 and were signed on its behalf by:

AUTHORISED DIRECTOR **AUTHORISED DIRECTOR**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

In thousands of Malawi Kwacha	Note	2020	2019 Consolidated	2019 Separate
Revenue	17	13,510,287	19,370,089	17,935,784
Cost of sales	20a	(2,931,119)	(3,830,687)	(3,301,470)
Gross profit		10,579,168	15,539,402	14,634,314
Other income	18	255,302	204,555	214,635
Administrative and other expenses	20b	(10,982,130)	(11,523,158)	(10,736,648)
Operating (loss)/ profit		(147,660)	4,220,799	4,112,301
Finance costs	21	(825,952)	(228,749)	(216,513)
(Loss)/ profit before income tax expense		(973,612)	3,992,050	3,895,788
Income tax expense	23(a)	(206,234)	(1,397,500)	(1,365,382)
(Loss)/ profit for the year		(1,179,846)	2,594,550	2,530,406
Other comprehensive income, net of tax				
Items that will not be reclassified to profit and loss				
Revaluation surplus on property and equipment net of deferred tax		4,983,144	-	-
Total other comprehensive income		4,983,144	-	-
Total comprehensive income		3,803,298	2,594,550	2,530,406
(Loss)/Profit attributable to:				
Owners of the Company		(1,179,846)	2,594,550	2,530,406
Total comprehensive income attributable to:				
Owners of the company		3,803,298	2,594,550	2,530,406
Earnings per share (tambala)				
Basic and diluted	24	(451)	992	-

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

In thousands of Malawi Kwacha	Note	Share capital	Share premium	Revaluation reserve	Retained earnings	Total
2020						
At 1 January 2020		13,079	1,966	10,994,837	12,335,644	23,345,526
Total comprehensive income for the year						
Loss for the year		-	-	-	(1,179,846)	(1,179,846)
Other comprehensive income						
Revaluation surplus		-	-	7,118,777	-	7,118,777
Deferred tax on revaluation surplus		-	-	(2,135,633)	-	(2,135,633)
Total comprehensive income for the year		-	-	4,983,144	(1,179,846)	3,803,298
Transfer to retained earnings		-	-	(158,408)	158,408	-
Transactions with owners of the company recognised directly in equity						
Dividends	24(b)	-	-	-	(130,791)	(130,791)
At 31 December 2020		13,079	1,966	15,819,573	11,183,415	27,018,033
Consolidated						
At 1 January 2019		13,079	1,966	11,113,161	9,884,353	21,012,559
Total comprehensive income for the year						
Profit for the year		-	-	-	2,594,550	2,594,550
Total comprehensive income for the year		-	-	-	2,594,550	2,594,550
Transfer to retained earnings		-	-	(118,324)	118,324	-
Transactions with owners of the company recognised directly in equity						
Dividends	24(b)	-	-	-	(261,583)	(261,583)
At 31 December 2019		13,079	1,966	10,994,837	12,335,644	23,345,526

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

In thousands of Malawi Kwacha	Note	Share capital	Share premium	Revaluation reserve	Retained earnings	Total
Separate						
2019						
At 1 January 2019		13,079	1,966	10,863,768	9,182,415	20,061,228
Total comprehensive income for the year						
Profit for the year		-	-	-	2,530,406	2,530,406
Total comprehensive income for the year		-	-	-	2,530,406	2,530,406
Transfer to retained earnings		-	-	(115,831)	115,831	-
Transactions with owners of the company recognised directly in equity						
Dividends	24(b)	-	-	-	(261,582)	(261,582)
At 31 December 2019		13,079	1,966	10,747,937	11,567,070	22,330,052

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

In thousands of Malawi Kwacha

	Note	2020	2019	2019
Cash flows from operating activities			**Consolidated**	**Separate**
Cash receipts from customers		15,646,680	18,392,299	17,100,404
Cash paid to suppliers and employees		(13,667,273)	(14,105,396)	(12,953,465)
Cash generated from operations		1,979,407	4,286,903	4,146,939
Interest paid	21	(1,380,424)	(842,119)	(829,883)
Taxation paid	23(b)	(207,474)	(924,540)	(806,025)
Net cash from operating activities		391,509	2,520,244	2,511,031
Cash flows from investing activities				
Acquisition of property and equipment	6	(2,438,412)	(6,292,137)	(6,244,371)
Acquisition of intangible assets	8	(46,958)	(52,846)	(52,846)
Proceeds from sale of property and equipment		9,195	443,251	416,197
Net cash utilised in investing activities		(2,476,175)	(5,901,732)	(5,881,020)
Cash flows from financing activities				
Proceeds from borrowings	14	3,411,728	4,560,000	4,560,000
Repayment of borrowings	14	(818,453)	(711,001)	(704,281)
Dividends paid	24(b)	(37,663)	(261,582)	(261,582)
Net cash generated from financing activities		2,555,612	3,587,417	3,594,137
Net increase in cash and cash equivalents		470,946	205,929	224,148
Cash and cash equivalents at beginning of the year		638,749	432,347	445,355
Effect of exchange rate fluctuations on cash held		(86)	473	476
Cash and cash equivalents at end of the year	12	1,109,609	638,749	669,979

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 14, 15 and 16.

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 values 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. BASIS OF PREPARATION (CONTINUED)

(g) New accounting standards and interpretations adopted as at 1 January 2020

The Company adopted the new accounting pronouncements which have become effective in 2020:

IFRIC 12 'Service Concession Arrangement'
The standard guides the service concession arrangement whereby a government or other public sector body contracts with a private operator to develop (or upgrade), operate and maintain the grantor's infrastructure assets.
The standard draws a distinction between two types of service concession arrangement:

- Financial asset model: The operator recognises a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor. The operator receives cash from the grantor to construct an asset on behalf of the grantor and operates the same and receives cash or the right to charge for the use of the asset.
- Intangible asset Model: The operator recognises an intangible asset to the extent that it receives a right, to charge users of the public service. A right to charge users of the public service is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service.

The standard becomes applicable to the Company in relation to the concession agreement made during the year.

Amendment to IFRS 3, Business Combinations.
The standard outlines the accounting when an acquirer obtains control of a business in an acquisition or merger. These combinations are accounted for using the 'acquisition method', which requires assets acquired and liabilities assumed to be measured at their fair value at the acquisition date.

The Standard has amendments on the definition of a business. These amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an acquisition of an asset. The amendments include the following:

- Clarify the minimum requirements for business
- Guidance to help entities assess whether an acquired process is substantive
- Narrow the definitions of a business and of outputs
- Introduce an optional fair value concentration test.
- Examples to illustrate the application of the guidance in the amended IFRS 3 on the definition of a business

Amendment to IFRS 16
The COVD-19 pandemic has led to some lessors proving 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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. BASIS OF PREPARATION (CONTINUED)

(g) New accounting standards and interpretations adopted as at 1 January 2020 (continued)

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.

(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.

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.

2. BASIS OF PREPARATION (CONTINUED)

(I) Comparatives
Effective 1 January 2020 Catering Solutions Limited which was the Company's wholly owned subsidiary was divisionalised. Consequently, the current year's financial statements are not consolidated.

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 Basis of consolidation

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

The accounting policies of subsidiaries are aligned to policies adopted by the Company.

Intra-company balances and unrealised income and expenses arising from inter-company transactions are eliminated. Unrealised gains arising from transactions with subsidiaries are eliminated against the investment to the extent of the Company's interest in the subsidiary. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 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 value 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.

3. SIGNIFICANT ACCOUNTING POLICIES

3.2 Property and equipment (continued)

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.

3.3 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.

3.4 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 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.

3.6 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 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.

3.8 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.

3.9 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 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.

3.11 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.

3.12 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial instruments (continued)

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

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Company's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial instruments (continued)

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).

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

Trade payables and accruals
Trade payables 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 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. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the Company at which management monitors goodwill.

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").

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Impairment (continued)

Non-financial assets

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.

3.14 Earnings per share

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.

3.15 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.

3.16 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.

3.17 Finance expenses

Finance cost comprise interest expense on borrowings and impairment losses recognised on financial assets that are recognised in profit or loss.

3.18 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 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.

3.20 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.

3.21 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.

3.22 Foreign currency gains and losses

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

3.23 Operating profit

Operating profit 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.

3.24 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. FINANCIAL RISK 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 lines of credit:

- The overdraft facility with National Bank of Malawi plc was closed in 2020 (2019: MK50 million).
- MK150 million (2019: 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 15.9% per annum (2019: 17%).

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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: – 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: – 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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.

5.2.4 Guarantees

Guarantees are in respect of the Company's maximum exposure at the reporting date if guarantees entered into by the Company in support of staff borrowings from financial institutions were called upon.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

In thousands of Malawi Kwacha

6. PROPERTY AND EQUIPMENT

See accounting policy 3.2

	Freehold property	Leasehold property	Vehicles & equipment	Work in progress	Total
<u>2020</u>					
Cost or valuation					
At 1 January 2020	17,409,050	10,142,105	5,618,466	3,043,777	36,213,398
Additions during the year	-	228,907	220,633	2,552,626	3,002,166
Work in progress capitalised	378,770	343,742	172,994	(895,506)	-
Transferred to stocks (Note 8)	-	-	(37,717)	(27,477)	(65,194)
Reclassification*	-	38,876	(38,876)	-	-
Revaluation surplus	4,035,813	2,681,924	-	-	6,717,737
Disposals during the year	-	-	(152,823)	(36,889)	(189,712)
At 31 December 2020	21,823,633	13,435,554	5,782,677	4,636,531	45,678,395
Accumulated depreciation and impairment losses					
At 1 January 2020	150,419	80,122	2,295,888	-	2,526,429
Charge for the year	96,786	72,312	607,807	-	776,905
Reclassification*	-	1,401	(1,401)	-	-
Released on revaluation	(247,205)	(153,835)	-	-	(401,040)
Eliminated on disposals	-	-	(131,286)	-	(131,286)
At 31 December 2020	-	-	2,771,008	-	2,771,008
Carrying value					
At 31 December 2020	21,823,633	13,435,554	3,011,669	4,636,531	42,907,387
<u>2019</u>					
Consolidated					
Cost or valuation					
At 1 January 2019	14,904,331	8,354,355	5,007,348	1,794,215	30,060,249
Additions during the year	52,991	8,705	698,805	6,202,226	6,962,727
Work in progress capitalised	2,451,728	1,807,350	645,638	(4,904,716)	-
Transferred to stocks (Note 8)	-	-	-	(46,082)	(46,082)
Disposals during the year	-	(28,305)	(733,325)	(1,866)	(763,496)
At 31 December 2019	17,409,050	10,142,105	5,618,466	3,043,777	36,213,398
Accumulated depreciation and impairment losses					
As at 1 January 2019	69,877	40,011	2,104,764	-	2,214,652
Charge for the year	80,542	40,535	564,924	-	686,001
Eliminated on disposals	-	(424)	(373,800)	-	(374,224)
At 31 December 2019	150,419	80,122	2,295,888	-	2,526,429
Carrying value					
At 31 December 2019	17,258,631	10,061,983	3,322,578	3,043,777	33,686,969

* Reclassification relate to marque which was previously allocated under other equipment and is being reclassified to property.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

In thousands of Malawi Kwacha

6. PROPERTY AND EQUIPMENT (CONTINUED)

See accounting policy 3.2

	Freehold property	Leasehold property	Vehicles & equipment	Work in progress	Total
<u>Separate</u>					
<u>2019</u>					
Cost or valuation					
At 1 January 2019	14,593,383	8,168,557	4,767,881	1,733,448	29,263,269
Additions during the year	52,991	8,705	673,267	6,179,998	6,914,961
Work in progress capitalised	2,451,728	1,807,350	645,638	(4,904,716)	-
WIP transferred to stock (Note 8)	-	-	-	(46,082)	(46,082)
Disposals during the year	-	(28,305)	(681,303)	(1,866)	(711,474)
At 31 December 2019	17,098,102	9,956,307	5,405,483	2,960,782	35,420,674
Accumulated depreciation and impairment losses					
At 1 January 2019	69,877	37,516	2,011,799	-	2,119,192
Charge for the year	80,542	38,040	524,703	-	643,285
Eliminated on disposals	-	(424)	(349,732)	-	(350,156)
At 31 December 2019	150,419	75,132	2,186,770	-	2,412,321
Carrying value					
At 31 December 2019	16,947,683	9,881,175	3,218,713	2,960,782	33,008,353

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

In thousands of Malawi Kwacha

6. PROPERTY AND EQUIPMENT (CONTINUED)

See accounting policy 3.2

Additions

Additions to property and equipment comprise the following:

	2020	2019 Consolidated	2019 Separate
Assets acquired at cost	2,438,412	6,292,137	6,244,371
Interest capitalised into assets	563,754	670,590	670,590
Total asset additions	3,002,166	6,962,727	6,914,961

Properties (Land and buildings)

Carrying amount at end of the year comprise the following:

	2020	2019 Consolidated	2019 Separate
Purchase cost	11,701,508	10,752,971	10,618,712
Subsequent revaluations	23,557,680	16,567,643	16,210,146
At 31 December	35,259,188	27,320,614	26,828,858

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:

	2020	2019 Consolidated	2019 Separate
Cost	14,864,808	13,913,388	13,741,311
Accumulated depreciation	(3,163,300)	(3,160,417)	(3,122,599)
Carrying amount	11,701,508	10,752,971	10,618,712

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 **MK35.3 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 2020, properties, with a carrying amount of **MK 31.5 billion** (2019: MK15.5 billion) were subject to a registered form of security for corporate bond and bank overdrafts. There were no motor vehicles pledged as security for lease liability (2019: MK41 million) (see note 12, 14(a) and 14(b)).

Work in progress

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

7. INVESTMENT IN SUBSIDIARY

See accounting policy 3.3

	Percentage Holding 2020	Percentage Holding 2019	Separate 2020	Separate 2019
	%	%		
Shares at cost:				
Catering Solutions Limited	-	100	-	102,023

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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8. INTANGIBLE ASSETS

See accounting policy number 3.3

2020	Concession start-up cost	Acquired software licenses	Total
Gross carrying amount			
At 1 January 2020	-	267,681	267,681
Additions	41,690	5,268	46,958
At 31 December 2020	41,690	272,949	314,639
Amortisation and impairment			
At 1 January 2020	-	126,531	126,531
Amortisation	586	50,166	50,752
At 31 December 2020	586	176,697	177,283
Carrying value at 31 December 2020	41,104	96,252	137,356
2019			
Consolidated and separate			
Gross carrying amount			
At 1 January 2019	-	214,835	214,835
Additions	-	52,846	52,846
At 31 December 2019	-	267,681	267,681
Amortisation and impairment			
At 1 January 2019	-	80,926	80,926
Amortisation	-	45,605	45,605
At 31 December 2019	-	126,531	126,531
Carrying value at 31 December 2019	-	141,150	141,150

The Company entered into a concession agreement with the government of Malawi in the operation of Chintheche Inn in Nkhatabay, the initial investment in the operation was recognised at cost and amortised over the period of the concession.

9. INVENTORIES

See accounting policy 3.4

	2020	2019 Consolidated	2019 Separate
Merchandise	2,017,809	1,291,699	1,257,687
Transfer from WIP and equipment (Note 6)	65,194	46,082	46,082
Consumables	571,873	611,022	592,740
Food, drink and tobacco	203,280	218,025	194,993
	2,858,156	2,166,828	2,091,502

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.

	2020	2019 Consolidated	2019 Separate
Write-down to net realisable value	37,006	41,368	39,667

NOTES TO THE FINANCIAL STATEMENTS

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10. TRADE AND OTHER RECEIVABLES

See accounting policy 3.12

	2020	2019 Consolidated	2019 Separate
Trade receivables	1,318,896	2,205,560	2,072,921
Other receivables	405,196	525,860	500,598
	1,724,092	2,731,420	2,573,519
Other receivables are made up of:			
Staff debtors	228,657	314,848	308,930
Claimable Value Added Tax (VAT) *	53,552	41,381	41,381
Prepayments *	122,987	169,631	150,287
	405,196	525,860	500,598

*: Not a financial asset

Information on financial risk management is included in notes 4 and 25

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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11. RELATED PARTY TRANSACTIONS

See accounting policy 3.12

Related parties

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

Transactions with related parties

	2020	2019 Consolidated	2019 Separate
Revenue and other income			
Government department and related entities (shareholder and entities under common shareholding):			
Accommodation, catering and conferences revenue	4,495,745	4,377,009	3,581,066
Catering Solutions (subsidiary)	-	-	10,080
Management fees			
Kara O Mula (management contract)			
Management fees for managing Kara O Mula	6,893	17,316	17,316
African Parks Ltd (management contract):			
Management fees for managing Thawale	-	10,804	10,804
	4,502,638	4,405,129	3,619,266
Administrative and other expenses			
Tevet levy:			
Government department (shareholder and entities under Common shareholding)	53,343	43,328	41,404
Electricity and water bills:			
Government departments related entities	1,084,221	1,316,298	1,252,347
	1,137,564	1,359,626	1,293,751
Amounts due from related parties			
Government departments and related parties	959,757	1,167,774	367,527
Catering Solutions Limited	-	-	198,615
Kara O Mula	117,557	78,940	78,940
African Parks Ltd	30,623	24,537	24,530
	1,107,937	1,271,251	669,612
Amounts due to related parties			
Government departments and related entities			
Advance deposits *	526,220	570,711	570,711

* 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. No expense has been recognised in the current year or prior year impairments in respect of amounts owed by related parties. The Company closed the overdraft facility for Sunbird Management and Catering Services (2019: MK50 million).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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11. RELATED PARTY TRANSACTIONS (CONTINUED)

See accounting policy 3.12

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%** (2019: 5%) of their basic pay while the company contributes **13.50%** (2019: 13.50%) of the basic pay.

Salary and cash benefits for the year were as follows:

	2020	2019 Consolidated	2019 Separate
Short-term benefits (salary and bonus)	555,088	454,277	402,584
Post-employment benefits (Employer pension contribution)	74,937	61,327	54,349
	630,025	515,604	456,933
Directors' remuneration	60,557	81,851	76,642

Information on financial risk management is included in notes 4 and 25.

12. CASH AND CASH EQUIVALENTS

See accounting policy 3.12 Consolidated Separate

Cash at bank	1,109,609	675,997	669,979
Bank overdrafts	-	(37,248)	-
	1,109,609	638,749	669,979

The Company has a bank overdraft facility of **MK150 million** (2019: MK200 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 2020 was **MK3.16 billion** (2019: MK2.66 billion). Interest is charged at the bank's base lending rate minus 200 basis points currently at **15.7%** per annum (2019: 17%). Deposits on current accounts do not attract interest while short term investments attract average interests of **12%** (2019: Nil). The facilities are repayable on demand and are renewed annually.

Information on financial risk management is included in notes 4 and 25.

13. SHARE CAPITAL

See accounting policy 3.18

	Consolidated and separate 2020	2019
Authorised		
280,000,000 (2019: 280,000,000) Ordinary shares of 5 tambala each	14,000	14,000
Issued and fully paid		
261,582,580 (2019: 261,582,580) Ordinary shares of 5 tambala each	13,079	13,079

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.	1,966	1,966

NOTES TO THE FINANCIAL STATEMENTS

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14. LOANS AND BORROWINGS; CORPORATE BONDS AND LEASE LIABILITIES

See accounting policy 3.12

2020	Corporate bonds Note 14(a)	Lease liabilities Note 14(b)	Short Term Loan Note 14(c)	Total
1 January 2020	7,800,000	6,725	-	7,806,725
Proceeds from borrowings	3,100,000	-	311,728	3,411,728
Accrued interest	66,503	-	-	66,503
Repayments during the year	(500,000)	(6,725)	(311,728)	(818,453)
31 December 2020	10,466,503	-	-	10,466,503
2019 Consolidated				
1 January 2019	3,640,000	317,726	-	3,957,726
Proceeds from borrowings	4,560,000	-	216,638	4,776,638
Accrued interest	57,220	-	-	57,220
Repayments during the year	(400,000)	(311,001)	(216,638)	(927,639)
31 December 2019	7,857,220	6,725	-	7,863,945

2019 Separate	Corporate bonds Note 14(a)	Lease liabilities Note 14(b)	Short Term Loan Note 14(c)	Total
1 January 2019	3,640,000	311,006	-	3,951,006
Proceeds from borrowings	4,560,000	-	216,638	4,776,638
Accrued interest	57,220	-	-	57,220
Repayments during the year	(400,000)	(304,281)	(216,638)	(920,919)
31 December 2019	7,857,220	6,725	-	7,863,945

NOTES TO THE FINANCIAL STATEMENTS

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14. LOANS AND BORROWINGS; (CONTINUED)

CORPORATE BONDS AND LEASE LIABILITIES (continued)

14(a) CORPORATE BONDS

See accounting policy 3.12

	Currency	Year of maturity	Amortised cost 2020	Amortised cost 2019 Consolidated
NICO Asset Managers Limited	MK	2022	601,872	1,102,091
NBM Capital Markets Limited	MK	2022	698,919	697,608
NBM Capital Markets Limited	MK	2023	1,468,743	1,465,987
NBM Capital Markets Limited	MK	2024	2,896,969	2,891,534
Old Mutual Life Assurance Company		MK 2024	1,700,000	1,700,000
Old Mutual Life Assurance Company	MK	2025	3,100,000	-
TOTAL			10,466,503	7,857,220
At 1 January			7,800,000	3,640,000
Repayments during the year			(500,000)	(400,000)
Accrued interest			66,503	57,220
Issued during the year			3,100,000	4,560,000
At 31 December			10,466,503	7,857,220
Disclosed under:				
Current liabilities			66,503	57,220
Non-current liabilities			10,400,000	7,800,000
At 31 December			10,466,503	7,857,220

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 **MK3.1 billion** (2019:MK1.7 billion) were received from Old Mutual Life Assurance Company Limited. The proceeds were used for Sunbird Nkopola 15 additional rooms and Sunbird Water Front, the new hotel adjacent to Sunbird Livingstonia in Salima. The bonds are secured over land and buildings of the Company valued at **MK31.5 billion** (2019: MK24.4 billion).

NOTES TO THE FINANCIAL STATEMENTS

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14. LOANS AND BORROWINGS; (CONTINUED)

CORPORATE BONDS AND LEASE LIABILITIES (continued)

14(b) LEASE LIABILITIES

See accounting policy 3.10

	2020	2019 Consolidated	2019 Separate
Mybucks Malawi Limited	-	6,725	6,725

The Company has a finance lease facility of MK500 million from Mybucks (formerly Nedbank) to cater for procurement of motor vehicles repayable over three to four years. Interest on the facility is charged at 9.5% above the bank base lending rate which is currently 12.3% per annum (2019: 12.0% per annum). The leased motor vehicles secure the lease obligations. The net carrying amount of leased motor vehicles was as follows:

	2020 Future minimum lease payments	2020 Interest	2020 Present value of minimum lease payments	2019 Consolidated Future minimum lease payments	2019 Consolidated Interest	2019 Consolidated Present value of minimum lease payments
Less than one year				7,409	684	6,725
Between one and four years	-	-	-	-	-	-
At 31 December	-	-	-	7,409	684	6,725
Separate						
Less than one year				7,409	684	6,725
Between one and four years	-	-	-	-	-	-
At 31 December	-	-	-	7,409	684	6,725

14(c) The Company has a short term loan facility of MK320 million from Standard bank Plc to cater for financing of insurance premiums from time to time as may be needed. Interest on the facility is charged at an average **8.75%** (2019: 8.75%). The facility is secured by the property in Sunbird Livingstonia beach currently valued at **MK3.16 billion** (2019: MK 2.66 billion).

	2020	2019
At 1 January	-	-
Issued during the year	311,727	216,638
Repayment during the year	(311,727)	(216,638)
At 31 December	-	-

Information on financial risk management is included in notes 4 and 25.

NOTES TO THE FINANCIAL STATEMENTS

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15. EMPLOYEE BENEFITS

See accounting policy 3.7

15(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 **MK549 million** (2019: MK581 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%** (2019: 5%) and **13.5%** (2019: 13.5%), respectively.

15(b) Short-term employee benefit liabilities

	2020	2019 Consolidated	2019 Separate
Short-term employee benefits *	32,713	169,268	158,211

* 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.

16. TRADE AND OTHER PAYABLES

See accounting policy 3.12

	2020	2019 Consolidated	2019 Separate
Trade payables	615,608	999,466	789,163
Output VAT*	188,513	183,274	184,626
Guest advance deposits*	418,733	234,250	234,136
Other payables and accruals	900,964	765,163	716,673
	2,123,818	2,182,153	1,924,598
Other payables and accruals include the following:			
Audit fees	26,276	34,296	24,479
Unclaimed dividend	136,466	43,338	43,338
PAYE and Withholding taxes due*	225,392	138,776	133,759
Water, electricity and Telephone accrued	80,005	126,526	120,607
Tourism levy*	17,824	15,941	15,576
Pension contributions payable*	64,517	66,370	63,020
Payroll recoveries payable	8,562	48,266	39,309
Other Accruals	341,922	291,650	333,805
	900,964	765,163	773,893

* These balances are not financial liabilities.

Information on financial risk management is included in notes 4 and 25

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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17. REVENUE

See accounting policy 3.8

	2020	2019 Consolidated	2019 Separate
Rooms revenue	5,435,627	8,462,139	8,462,139
Catering revenue	7,619,923	10,203,583	8,801,485
Other revenue	454,737	704,367	672,160
Total	13,510,287	19,370,089	17,935,784

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.

18. OTHER INCOME

See accounting policy 3.8, 3.19 and 3.21

	2020	2019 Consolidated	2019 Separate
Government grants	143,696	75,950	75,950
Management fees from Catering Solutions Limited	-	-	10,080
Net foreign exchange gains	-	476	476
Management fees from African Parks (Majete) Limited	-	10,804	10,804
Management fees from Kara O Mula	8,648	17,316	17,316
Doubtful debts recovered during the year	39,587	1,709	1,709
Reversal of prior year expenses overprovisions	16,299	27,719	27,719
Insurance claim proceeds	8,126	4,970	4,970
Profit from disposal of assets	-	53,979	54,879
Other sundry receipts	38,946	11,632	10,732
Total	255,302	204,555	214,635

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19. DEFERRED INCOME/REVENUE

See accounting policy 3.8 and 3.19

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 2020 the Company qualified for duty and excise waiver amounting to MK323 million. The grant of MK323 million was recognised as deferred income in 2020. 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, funded through hotel assessments, 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

	2020			2019 Consolidated		
	Government Grant	Guest loyalty program	Total	Government Grant	Guest loyalty program	Total
At 1 January	136,204	38,846	175,050	100,487	88,280	188,767
Add: amounts received during the year	323,210	167,718	490,929	175,036	648,703	823,739
Less: Amounts recognised in the statement of profit or loss and comprehensive income	(143,696)	(163,284)	(306,981)	(139,319)	(698,137)	(837,456)
At 31 December	315,718	43,280	358,998	136,204	38,846	175,050
Deferred income recognised under:						
Current liabilities	87,417	43,280	130,697	79,055	38,846	117,901
Non-current liabilities	228,301	-	228,301	57,149	-	57,149
	315,718	43,280	358,998	136,204	38,846	175,050

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For the year ended 31 December 2020

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19. DEFERRED INCOME/REVENUE (CONTINUED)

See accounting policy 3.8 and 3.19

Deferred income - separate

	2019		
	Government Grant	Guest loyalty program	Total
At 1 January	100,487	88,280	188,767
Add: amounts received during the year	118,756	648,703	767,459
Less: Amounts recognised in the statement of profit or loss and comprehensive income	(139,319)	(698,137)	(837,456)
At 31 December	79,924	38,846	118,770
Deferred income recognised under:			
Current liabilities	22,775	38,846	61,621
Non-current liabilities	57,149	-	57,149
	79,924	38,846	118,770

20a. COST OF SALES

See accounting policy 3.23

	2020	2019 Consolidated	2019 Separate
Food	1,717,474	2,211,415	1,787,788
Beverage	346,739	491,232	440,812
Rooms direct expenses	456,239	611,334	611,334
Catering direct expenses	323,163	395,760	346,209
Other direct costs	87,504	120,946	115,327
Total	2,931,119	3,830,687	3,301,470

20b. ADMINISTRATIVE AND OTHER EXPENSES

See accounting policy 3.23

	2020	2019 Consolidated	2019 Separate
Computer, telephone and internet expenses	276,687	308,271	284,927
Depreciation and amortisation	827,657	731,606	688,890
Directors' remuneration	60,559	81,852	76,762
Energy, repairs and maintenance costs	1,450,724	1,847,949	1,774,547
Impairment of trade receivables	126,690	16,039	-
Insurance expenses	239,376	199,659	183,219
Laundry expenses	35,300	62,637	60,061
Listing and secretarial expenses	59,820	42,946	42,946
Loss on disposal of property and equipment	49,231	-	-
Marketing expenses	130,525	241,921	227,337
Motor vehicle expenses	177,164	269,994	232,538
Other administrative expenses	440,539	731,215	663,889
Security	184,653	186,527	180,620
Staff costs	6,923,206	6,802,542	6,320,912
Total	10,982,130	11,523,158	10,736,648

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For the year ended 31 December 2020

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21. FINANCE COSTS

See accounting policy 3.17

	2020	2019 Consolidated	2019 Separate
Interest on lease liabilities	28,372	38,549	37,389
Interest on bank overdraft	6,595	21,511	10,435
Interest on corporate bonds	790,985	168,689	168,689
Finance costs	825,952	228,749	216,513
Reconciliation of interest paid			
Accrued Interest at 1 January	57,220	-	-
Interest charged to statement of profit or loss	825,952	228,749	216,513
Interest capitalised into assets	563,754	670,590	670,590
Accrued interest at 31 December	(66,502)	(57,220)	(57,220)
Interest paid	1,380,424	842,119	829,883

22. LOSS BEFORE INCOME TAX EXPENSE

	2020	2019 Consolidated	2019 Separate
(Loss)/profit before income tax expense is arrived at after charging/(crediting) the following:-			
Auditors' remuneration: - current year	29,022	32,505	25,538
- mid - year review	6,500	13,142	6,617
Depreciation and amortisation	827,657	731,606	688,890
Directors' remuneration	60,559	81,852	76,762
Deferred income	(143,696)	(139,319)	(139,319)
Loss / (profit) on disposal of property and equipment	49,231	(53,979)	(54,879)
Impairment of trade receivables	126,690	16,039	-
Pension costs	549,437	580,805	541,056
Staff costs	6,923,206	6,802,542	6,320,912

23. INCOME TAX EXPENSE

See accounting policy 3.5

23(a) Income tax

		2020		2019 Consolidated		2019 Separate
Income tax credit						
Current tax *		-		41,457		-
Deferred tax		206,234		1,356,043		1,365,382
Total income tax expense		206,234		1,397,500		1,365,382
<u>Reconciliation of effective tax rate</u>						
(Loss)/profit before income tax expense		(973,612)		3,992,050		3,895,788
	%		%		%	
Tax at standard rate	30	-	30	1,197,615	30	1,168,736
Temporary differences	(21)	206,234	5	199,885	5	196,646
Effective rate of tax	(21)	206,234	35	1,397,500	35	1,365,382

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For the year ended 31 December 2020

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23. INCOME TAX EXPENSE (CONTINUED)

See accounting policy 3.5

23(b) Income tax receivable (payable)

	2020	2019 Consolidated	2019 Separate
Current tax (assets)/liabilities at 1 January	(1,188,566)	(305,483)	(315,343)
Current year tax charge	-	41,457	-
Tax Credit Utilisation	854,145	-	-
Income tax paid	(207,474)	(924,540)	(806,025)
Current tax (assets)/liabilities at 31 December	(541,895)	(1,188,566)	(1,121,368)

23(c) Deferred tax liabilities

See accounting policy 3.5

	2020	2019 Consolidated	2019 Separate
At 1 January	7,518,280	6,162,237	6,045,838
Recognised in profit or loss and other comprehensive income:			
Deferred tax on accelerated capital allowances	213,655	1,341,210	1,347,721
Deferred tax on employment benefits and other provisions	(7,421)	14,833	17,660
Revaluation Surplus	2,135,633	-	-
At 31 December	9,860,147	7,518,280	7,411,219
Analysed as:			
Accelerated capital allowances	3,613,339	3,399,685	3,381,216
Revaluation of property	6,361,872	4,226,239	4,118,425
Deferred tax assets on employment benefits and other provisions	(115,064)	(107,644)	(88,420)
Net deferred tax liabilities	9,860,147	7,518,280	7,411,219

*The company report a tax loss of **MK2.2 billion** (2019: MK505 million), the losses will be carried forward to future periods in accordance with Taxation Act of Malawi subject to agreement with the Malawi Revenue Authority.

24(a). EARNINGS PER SHARE (BASIC AND DILUTED)

See accounting policy 3.14

The calculation of basic and diluted earnings per share is based on loss attributable to shareholders of **MK1.180 billion** (2019: MK2.595 billion) and the weighted average number of ordinary shares outstanding during the year of **261,582,580** (2019: 261,582,580) as below:

	2020	2019 Consolidated
(Loss)/profit for the year (MK'000)	(1,179,846)	2,594,500
Weighted average number of shares ('000)	261,562	261,582
Earnings per share - tambala	(451)	992

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

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24(b). DIVIDEND

A final dividend of **MK131 million** representing **50 tambala** per share was declared, and **MK38 million** has been paid in respect of the year ended 31 December 2019 and no interim dividend was paid relating to the results for the period ended 31 December 2020.

25. FINANCIAL INSTRUMENTS

See accounting policy 3.12

25.1 Accounting classification

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.

2020

	Note	Amortised Cost
Financial assets		
Trade and other receivables	10	1,547,553
Amounts due from related parties	11	1,107,937
Cash and cash equivalents	12	1,109,609
		3,765,099
Financial liabilities		
Trade and other payables	16	1,208,839
Corporate bonds	14(a)	10,466,503
		11,675,342

2019
Consolidated

Financial assets		
Trade and other receivables	10	2,520,408
Amounts due from related parties	11	1,271,251
Cash and cash equivalents	12	638,749
		4,430,408
Financial liabilities		
Trade and other payables	16	1,543,542
Corporate bonds	14(a)	7,857,220
Lease liabilities	14(b)	6,725
		9,407,487

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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25. FINANCIAL INSTRUMENTS (CONTINUED)

See accounting policy 3.12

25.1 Accounting classification (continued)

2019 **Separate**	**Note**	**Amortised Cost**
Financial assets		
Trade and other receivables	10	2,381,851
Amounts due from related parties	11	669,612
Cash and cash equivalents	12	669,979
		3,721,442
Financial liabilities		
Trade and other payables	16	1,293,481
Corporate bonds	14(a)	7,857,220
Lease liabilities	14(b)	6,725
		9,157,426

25.2 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	2020	2019 Consolidated	2019 Separate
Trade and other receivables	10	1,547,553	2,520,408	2,381,851
Amounts due from related parties	11	1,107,937	1,271,251	669,612
Cash and cash equivalents	12	1,109,609	638,749	669,979
		3,765,099	4,430,408	3,721,442
Receivables				
The maximum exposure to credit risk for receivables by receivables category at the reporting date was:				
Trade receivables	10	1,318,896	2,205,560	2,072,921
Amounts due from related parties	11	959,757	1,167,774	367,527
Total trade receivables		2,278,653	3,373,334	2,440,448
Other receivables				
Staff debtors	10	228,657	314,848	308,930
Amounts due from related parties	11	148,180	103,477	302,085
Total receivables		2,655,490	3,791,659	3,051,463

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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25. FINANCIAL INSTRUMENTS (CONTINUED)

25.2 Credit risk (continued)

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

			Consolidated	
	Receivables 2020	**Impairment 2020**	**Receivables** 2019	**Impairment** 2019
Not past due	1,004,686	40,251	1,397,567	25,757
Past due 31-60 days	454,950	24,356	648,595	29,710
Past due 61-90 days	209,752	19,412	419,949	26,355
Past due over 90 days	986,102	194,963	1,325,548	110,057
Total	2,655,490	278,982	3,791,659	191,879
Separate				
Not past due			1,317,584	24,454
Past due 31-60 days			567,941	27,608
Past due 61-90 days			374,122	23,135
Past due over 90 days			791,816	63,424
Total			3,051,463	138,621

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

	2020	**2019 Consolidated**	**2019 Separate**
Balance at 1 January	191,879	177,549	140,331
Recognised in statement of profit or loss	126,690	16,039	-
Doubtful debts recovered during the year	(39,587)	(1,709)	(1,709)
Balance at 31 December	278,982	191,879	138,622

NOTES TO THE FINANCIAL STATEMENTS

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25. FINANCIAL INSTRUMENTS (CONTINUED)

25.3 Liquidity risk

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

2020	**Note**	**Contractual amounts**	**Carrying cash flows**	**6 mths or less**	**6-12 mths**	**1-2 years**	**2-5 years**
Non-derivative financial liabilities							
Corporate bonds	14(a)	(10,400,000)	(15,921,714)	(811,095)	(811,095)	(5,627,322)	(8,672,202)
Trade and other payables	16	(1,208,839)	(1,208,839)	(1,208,839)	-	-	-
		(11,608,839)	(17,130,553)	(2,019,934)	(811,095)	(5,627,322)	(8,672,202)
2019							
Consolidated							
Non-derivative financial liabilities							
Corporate bonds	14(a)	(7,800,000)	(11,767,657)	(509,362)	(509,362)	(3,499,563)	(7,249,368)
Lease liabilities	14(b)	(6,725)	(7,409)	(3,168)	(3,168)	(1,073)	-
Trade and other payables	16	(1,543,542)	(1,543,542)	(1,543,542)	-	-	-
		(9,350,267)	(13,318,608)	(2,056,072)	(512,530)	(3,500,636)	(7,249,368)
Separate							
2019							
Non-derivative financial liabilities							
Corporate bonds	14(a)	(7,800,000)	(11,767,657)	(509,362)	(509,362)	(3,499,563)	(7,249,368)
Lease liabilities	14(b)	(6,725)	(7,409)	(3,168)	(3,168)	(1,073)	-
Trade and other payables	16	(1,293,481)	(1,293,481)	(1,293,481)	-	-	-
		(9,100,206)	(13,068,547)	(1,806,011)	(512,530)	(3,500,636)	(7,249,368)

NOTES TO THE FINANCIAL STATEMENTS

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25 FINANCIAL INSTRUMENTS (CONTINUED)

See accounting policy 3.12

25.3 Liquidity risk (continued)

Exposure to currency risk

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

	31 December 2020				31 December 2019			
	Malawi Kwacha equivalent of				*Malawi Kwacha equivalent of*			
	USD	ZAR	GBP	Euro	USD	ZAR	GBP	Euro
Cash and cash equivalents	102,588	6,340	9,358	2,544	88,984	2,638	8,448	5,276
Trade and other receivables	72,453	-	-	-	112,487	3,113	-	-
Employee benefits	(19,738)	-	-	-	(51,569)	-	-	-
	155,303	6,340	9,358	2,544	149,902	5,751	8,448	5,276

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2020	**2019**	**2020**	**2019**
Kwacha/USD	746.55	743.31	771.73	736.66
Kwacha/Rand	47.41	51.61	56.16	52.46
Kwacha/GBP	979.21	943.85	1,087.69	967.36
Kwacha/Euro	875.08	829.04	987.60	826.91

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 2020 would have increased exchange gain by **MK19 million** (2019: exchange gain of MK17 million) which would have been credited to profit or loss. The increase in equity would be **MK14 million** (2019: MK12 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.

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25 FINANCIAL INSTRUMENTS (CONTINUED)

See accounting policy 3.12

25.4 Interest rate risk

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

Variable rate instruments		Carrying Amounts		
	Note	**2020**	**2019** Consolidated	**2019** Separate
Lease liabilities	14(b)	-	6,725	6,725
Corporate bonds	14(a)	10,400,000	7,800,000	7,800,000
		10,400,000	7,806,725	7,806,725

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 **12.3%**. The commercial banks' average lending rate currently is at **25%** (2019: 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 **MK82 million** (2019: MK51 million). The decrease in equity would be **MK57 million** (2019: equity would have decreased by MK36 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

26. 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	**2020**	**2019** Consolidated	**2019** Separate
Total loans and borrowings	14	10,400,000	7,806,725	7,806,725
Less: cash and cash equivalents	12	(1,109,609)	(638,749)	(669,979)
Net debt		9,290,391	7,167,976	7,136,746
Total equity		27,018,621	23,345,526	22,330,052
Total capital		36,309,012	30,513,502	29,466,718
Gearing ratio		26%	23%	24%

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27. SEGMENTAL REPORTING

See accounting policy 3.16

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
2020				
Total revenue	5,435,627	7,619,923	454,737	13,510,287
Segment contribution	3,807,853	3,040,338	371,763	7,219,954
Other hotel expenses				(7,247,236)
Corporate expenses				(120,378)
Finance costs				(825,952)
Loss before income tax expense				(973,612)
2019				
Consolidated				
Total revenue	8,462,139	10,203,583	704,367	19,370,089
Segment contribution	6,631,573	4,930,493	527,845	12,089,911
Other hotel expenses				(7,653,613)
Corporate expenses				(215,499)
Finance costs				(228,749)
Profit before income tax expense				3,992,050

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

NOTES TO THE FINANCIAL STATEMENTS

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27. SEGMENTAL REPORTING (CONTINUED)

See accounting policy 3.16

Profile of the Target Market Segment

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

	2020 %	2019 Consolidated %	2019 Separate %
Corporates	51	50	55
Commercial Groups	22	27	24
Government	13	12	9
Leisure and airlines	12	8	8
Online	2	3	4
Total	100	100	100
Geographical Source of Business			
The geographical source of business is predominantly domestic:			
Malawi	94	86	85
Africa	3	7	8
Europe	1	4	4
Americas	1	2	2
Other	1	1	1
Total	100	100	100

28. COMMITMENTS

See accounting policy 3.21

	2020	2019 Consolidated	2019 Separate
Capital expenditure:			
Authorised but not contracted for	1,997,429	1,867,644	1,764,050

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

29. CONTINGENCIES

See accounting policy 5.2

	2020	2019 Consolidated	2019 Separate
Legal claims	60,000	10,000	10,000
Guarantees in respects of staff and bank loans	-	50,000	50,000
	60,000	60,000	60,000

The Company is defending various claims against former employees in the Industrial Relations Court. 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.

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30. 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.

	2020	2019
Kwacha/GBP	979.21	943.85
Kwacha/Rand	47.41	51.61
Kwacha/US Dollar	746.55	743.31
Kwacha/Euro	875.08	829.04
Inflation rate (%)	8.7%	9.4%

At the end of the year, the Reserve Bank of Malawi reference base-lending rate was 12.3% (2019: 12.5%). 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/GBP	1,127.51
Kwacha/US Dollar	784.61
Kwacha/Rand	55.99
Kwacha/Euro	972.28
Inflation rate (%)	8.3%

31. GOING CONCERN

See accounting policy 2d

The COVID-19 pandemic has affected the business performance of the current year, this has resulted in the company registering a loss. Management has put in place strategies to ensure that the company remains in operation for the foreseeable future. As such, 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 in the foreseeable future.

32. EVENTS AFTER REPORTING PERIOD

Subsequent to year end, no events have occurred necessitating adjustments or disclosures in these financial statements.

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