

NOTICE OF THE 33RD ANNUAL GENERAL MEETING

NOTICE is hereby given that the 33rd Annual General Meeting of the Company will be held virtually coordinated from Sunbird Mount Soche, Soche International Conference Centre, Blantyre on Friday, 18th June 2021 at 15:30 hours.

PROCESS OF HOLDING THE VIRTUAL AGM

1. ALL shareholders should register their up to date email addresses and phone numbers using the channels in paragraph 2 below.
2. The AGM pack is available at www.sunbirdmalawi.com and can be provided through email or WhatsApp by contacting the company secretary, Mr Allan Hans Muhome through allan@sunbirdmalawi.com or sunbirdshareholders@natbankmw.com or +265 888 304 274. Hard copies can be collected from the Sunbird Corporate Office (behind Sunbird Mount Soche Hotel).
3. The contents of the AGM pack are as follows: -
 - (a) Notice of AGM
 - (b) Previous Minutes
 - (c) Proxy Form
 - (d) Voting Form
 - (e) Financial Statements 2020
4. All AGM questions and comments should be channelled to the email and phone number in paragraph 2 above from Friday 28th May 2021 to Friday 4th June 2021. The consolidated questions shall be shared via email and website to shareholders by Wednesday 9th June 2021.
5. The answers to the questions shall be communicated to shareholders during the AGM.

6. The AGM shall be held online and a link shall be provided to shareholders through their registered email addresses or WhatsApp numbers.

AGENDA OF THE AGM

1. APPROVAL OF MINUTES

To consider and if deemed appropriate to approve the Minutes of the 32nd Annual General Meeting held on 19th June 2020.

2. FINANCIAL STATEMENTS

To consider and if deemed appropriate to approve the audited financial statements for the year ended 31st December 2020 together with the reports of the Auditors and Directors therein.

3. DIVIDEND

To consider that in view of the loss that the company suffered in the year 2020, no dividend should be paid in respect of the year 2020.

4. DIRECTORS' APPOINTMENTS AND RE-ELECTION

4.1 CONFIRMATION OF DIRECTORS

To confirm the appointment of directors

- a) Mrs Maureen Kachingwe (55)** - Mrs Kachingwe 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.

- b) Dr Bernadette Malunga (40)** - Dr Malunga 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.
- c) Mr Vilipo Munthali (48)** - Mr. Munthali 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.
- d) Mr. Chauncy Simwaka (55)** - Mr Simwaka 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.

- e) Mr Cornelius Majawa (51)** - Mr Majawa is a seasoned chartered accountant. He holds a bachelor's degree in accountancy from the University of Malawi and a Master's Degree in Strategic Management from the University of Derby, UK. He has vast experience in microfinance and has served in various boards including the National Economic Empowerment Fund (NEEF). He is an established consultant on microfinance.

4.2 DIRECTORS' RE-ELECTION

To re-elect director Gladson Kuyeri who retires by rotation in accordance with the terms of the Company's Articles of Association, however, being eligible, has offered himself for re-election.

4.3 DIRECTORS' RETIREMENT

To note the retirement of the following Directors: -

- a) Mr Phillip Madinga
- b) Mr Anderson Kulugomba
- c) Mr Charlie Msusa
- d) Mrs Violette Santhe and
- e) Mr Cliff Chiunda

5. DIRECTORS' REMUNERATION

To consider that directors' remuneration for the year 2021 be maintained as that of 2020 as follows: -

5.1 Fees

- Chairperson K4,544,800 per annum.
- Other Directors K3,778,900 per annum.

5.2 Sitting Allowances

- Chairperson K239,600 per sitting.
- Other Directors K191,400 per sitting.

6. APPOINTMENT OF EXTERNAL AUDITORS

To appoint Grant Thornton, Certified Public Accountants, as Auditors for the ensuing year and to authorise the Directors to fix their remuneration.

7. VIRTUAL SHAREHOLDERS' MEETINGS

To consider and, if deemed fit, to pass with or without modification the following special resolution:

To adopt a new article 35(3) of the company to incorporate the holding of virtual Shareholders' General Meetings. The proposed article is as below:

"The meetings of the Company may be conducted virtually."

The adoption of this article will neither reduce nor affect any shareholding.

8. ANY OTHER BUSINESS

To transact any other business prior notice of which should have been given to the office of the Company Secretary not less than 21 days before the date of the meeting.

Dated: 17th May 2021

By order of the Board

SIGNED

Allan Hans Muhome
COMPANY SECRETARY

Registered Office
Sunbird Corporate Office
28 Glyn Jones Road
P.O. Box 376
BLANTYRE
MALAWI

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy (or more than one proxy) to attend and vote in his/her stead. The proxy need not be a member of the Company.
2. Proxy forms should be forwarded to reach the Company's Registered Offices, whose address is provided above, or the Transfer Secretaries at National Bank of Malawi, Henderson Street, Blantyre, not later than forty-eight hours before the time of holding the meeting and in default the instrument of proxy shall not be valid.

SUNBIRD TOURISM PLC**MINUTES OF THE 32ND ANNUAL GENERAL MEETING****OF THE SHAREHOLDERS OF SUNBIRD TOURISM PLC****HELD VITUALLY ON 19TH JUNE 2020 FROM 3:30 PM****FROM SUNBIRD MOUNT SOCHE, NJAMBA ROOM****PRESENT:**

Mr. Phillip Madinga	- Chairperson	Mr. George Partridge	- Director
Mr. Gladson Kuyeri	- Director	Mrs. Violette Santhe	- Director
Mr. Charlie Msusa	- Director	Mr. Allan Muhome	- Company Secretary
Mr. Anderson Kulugomba	- Director		
Mr. Isaac Katopola	- Director		
Mr. Twaib Ali	- Director		

MANAGEMENT:

Mr. Yusuf Olela	- Chief Executive Officer
Mr. Patrick Lisilira	- Chief Finance Officer
Mr. Edward Chunga	- Chief Human Capital and Development Officer
Mr. Oswald Bwemba	- Head – Sunbird Management and Catering Services Division
Mr. Barnet Gausi	- Head of Internal Audit & Risk Management Officer
Mr. Edward Kafundu	- Finance Manager

PROXY HOLDERS:

Dr. George Partridge – Press Corporation plc
 Mr. Charlie Msusa – MDC
 Nico Asset for Associated Pensions Trust; SUCOMA Group Pension; Limbe Leaf Pension Fund; Puma Pension Fund; Public Service Pension Trust Fund
 Old Mutual for Cuthbert Munyenyeembe; Takondwa Senzani; Bernard Ndau; Robert Emmott; Paul Nyirenda; Aviation Pension Fund; Madzi Pension Fund; MPC Pension Fund

AUDITORS: Mr. Lamion Gama - Grant Thornton

Various shareholders and observers attending through ZOOM.

32.1 VIRTUAL MEETING

The Chairman stated that the COVID-19 pandemic required of members of the public to keep social distancing in order to avoid its spread. This was a requirement of Government Guidelines issued by the Ministry of Health as well as Guidelines issued by the Malawi Stock Exchange and the World Health Organisation.

The Company duly obtained approval from the Malawi Stock Exchange to hold a virtual AGM and the Notice of the meeting provided details to shareholders how the Virtual AGM would be conducted.

A ZOOM link was duly circulated to shareholders who provided their contacts to the company secretary and Voting Forms and Proxy Forms were also shared to allow for advance voting by members.

The shareholders resolved that, going forward, virtual meetings shall be conducted where relevant.

32.2 QUORUM

A quorum having been confirmed, the Chairman called the meeting to order.

32.3 NOTICE

The Notice of the Annual General Meeting, which was circulated to members within the 21 days' notice period, was taken as read.

32.4 ADOPTION OF AGENDA

The Secretary announced that at the time of the meeting, no items had been received for discussion under Any Other Business. The Agenda was therefore adopted.

32.5 RECEIPT AND ADOPTION OF AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2019, THE DIRECTORS' REPORT AND THE AUDITORS' REPORT THEREON

1. The Audited Financial Statements and Audit Report for the period ended 31st December, 2019 were presented by the External Auditors, Grant Thornton.
2. On a proposal of a motion which was duly seconded and put to a vote, it was **resolved:**

"THAT the Financial Statements for the year ended 31st December, 2019, together with the Reports of the Directors and the Auditors thereon as presented at the meeting be approved and adopted together with all matters and things undertaken and discharged by the Directors on behalf of the Company."

32.6 DECLARATION OF DIVIDEND FOR THE YEAR ENDED 31ST DECEMBER, 2019

It was resolved that the Company declares a final dividend of K131 million (representing 50 tambala per share) for the year ended 31st December 2019 to make the total dividend paid for 2019 as K262 million (or 1 Kwacha per share).

For the year 2018, the Company declared a total dividend of K262 million (representing 1 Kwacha per share).

32.7 DIRECTORS' APPOINTMENT AND RE-ELECTION

1. On a proposal of a motion, which was duly seconded, and put to a vote, it was **resolved**:

THAT Directors Isaac Dalton Katopola who had been appointed to fill a casual vacancy be confirmed as a Director,

2. On a proposal of a motion, which was duly seconded, and put to a vote, it was **resolved**:

THAT Directors Phillip Madinga and George Partridge, who had retired by rotation but, having been eligible for re-election, had offered themselves, be re-elected, be re-elected.

3. The Shareholders noted the retirement of Director Ken Ndala. The Chairman thanked the retiring Director for his invaluable contribution to the company during his tenure.

32.8 DIRECTORS' REMUNERATION

On a proposal of a motion, which was duly seconded and put to a vote, it was **resolved**:

THAT Directors' Fees and Sitting Allowances be increased as follows and that such increases be effective from 1st January, 2020:

Directors' Fees

- Chairman from K4,131,600 to K4,544.800 per annum.
- Other non-executive Directors from K3,435,300 to K3,778,900 per annum.

Sitting Allowances

- Chairman from K217,800 to K239,600 per sitting.
- Other non-executive Directors from K174,000 to K191,400 per sitting.

32.9 APPOINTMENT OF AUDITORS

On a proposal of a motion, which was duly seconded and put to a vote, it was **resolved**:

"**THAT** having agreed to continue in office as Auditors of the Company for the ensuing year, Messrs Grant Thornton, Certified Public Accountants, be and are hereby re-appointed to hold office for the year ending 31st December, 2020 and that the Directors should fix their remuneration".

32.10 AMENDMENT OF THE ARTICLES OF ASSOCIATION

On a proposal of a motion, which was duly seconded and put to a vote, it was resolved:

"**THAT** article 4 be removed from the Memorandum and Articles of Association effective 19th June 2020."

32.11 CLOSURE

In the absence of any other business on the Agenda for which prior notice was given, the Chairman thanked all members present for their participation and declared the meeting closed at 4.05 p.m.

CHAIRMAN

DATE

SUNBIRD TOURISM PLC**PROXY FORM**

I/WE (name/s in block letters) of
 (Address)
 being the member/members of the above-named company and entitled to vote do hereby appoint

1.ofor failing him/her
2.ofor failing him/her
3. The Chairman of the meeting

as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the 33rd Annual General Meeting of the Company to be held virtually through Mount Soche Hotel, Glyn Jones Road, on **Friday 18th June, 2021.**

	Agenda Item	Mark where applicable		
		In favour	Against	Abstain
	Ordinary Business			
1.	Approval of Minutes of the 32 nd Annual General Meeting held on 19 th June, 2020.			
2.	Adoption of 2020 Auditors Report and Financial Statements.			
3.	To confirm that no dividend be paid for the year 2020.			
4.	Directors Confirmation			
	4.1 To confirm the appointment of Mrs Maureen Kachingwe			
	4.2 To confirm the appointment of Dr Bernadette Malunga			
	4.3 To confirm the appointment of Mr Vilipo Munthali			
	4.4 To confirm the appointment of Mr Chauncy Simwaka			
	4.5 To confirm the appointment of Mr Cornelius Majawa			
	Re-election			
	To re-elect director Gladson Kuyeri			
	Retirement			
	To accept the retirement of the following directors: - Mr Phillip Madinga; Mr Anderson Kulugomba; Mr Charlie Msusa; Mrs Violette Santhe and Mr Cliff Chiunda.			
5.	That the remuneration for the Chairman and non-			

	Executive Directors for 2021 be maintained as that of 2020.			
6.	To appoint Grant Thornton, Certified Public Accountants, as Auditors for 2021 and to authorise the Directors to determine their remuneration for the year.			
7.	Virtual shareholders' meetings			

Signed at on this..... day of 2021

Signature

Assisted by me (where applicable) (see note 3).....

Full name/s of signatory/ies if signing in a representative capacity (see note 4).....

NOTE:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead.

A proxy need not be a member of the company.
2. If this proxy form is returned without any indication as to how the proxy should vote, the proxy will be entitled to vote or abstain from voting as he/she thinks fit.
3. A minor must be assisted by his or her guardian.
4. In order to be effective, proxy forms must reach the registered office of the company (Sunbird Corporate Office, Glyn Jones Road, Blantyre) or the Transfer Secretaries (National Bank of Malawi, P.O. Box 945, Blantyre) not later than 24 hours before the meeting.
5. If two or more proxies attend the meeting, then that person attending the meeting whose name appears first on the proxy form and whose name is not deleted shall be regarded as the valid appointed proxy.

SUNBIRD TOURISM PLC**VOTING FORM****(For Shareholders in attendance)**

Name of shareholder.....

Address.....

	Agenda Item	Mark where applicable		
		In favour	Against	Abstain
	Ordinary Business			
1.	Approval of Minutes of the 32 nd Annual General Meeting held on 19 th June, 2020.			
2.	Adoption of 2020 Auditors Report and Financial Statements.			
3.	To confirm that no dividend be paid for the year 2020.			
4.	Directors Confirmation			
	4.1 To confirm the appointment of Mrs Maureen Kachingwe			
	4.2 To confirm the appointment of Dr Bernadette Malunga			
	4.3 To confirm the appointment of Mr Vilipo Munthali			
	4.4 To confirm the appointment of Mr Chauncy Simwaka			
	4.5 To confirm the appointment of Mr Cornelius Majawa			
	Re-election			
	To re-elect director Gladson Kuyeri			
	Retirement			
	To note the retirement of the following directors: - Mr Phillip Madinga; Mr Anderson Kulugomba; Mr Charlie Msusa; Mrs Violette Santhe and Mr Cliff Chiunda.			
5.	That the remuneration for the Chairman and non-Executive Directors for 2021 be maintained as that of 2020.			
6.	To appoint Grant Thornton, Certified Public Accountants, as Auditors for 2021 and to authorise the Directors to determine their remuneration for the year.			

7.	Virtual shareholders meetings			
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Signed at on this..... day of 2021

Signature

SUNBIRD TOURISM PLC
FINANCIAL STATEMENTS

For the year ended

31 December 2020

SUNBIRD TOURISM PLC**FINANCIAL STATEMENTS****For the year ended 31 December 2020****C O N T E N T S**

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SUNBIRD TOURISM PLC**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:

	<u>2020</u> %	<u>2019</u> %
MDC Limited	71.00	71.00
Press Corporation Plc	15.00	15.00
Members of the public	<u>14.00</u>	<u>14.00</u>
	<u>100.00</u>	<u>100.00</u>

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.

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.

SUNBIRD TOURISM PLC**DIRECTORS' REPORT (CONTINUED)**
For the year ended 31 December 2020**DIRECTORATE**

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

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

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	√	√
Dr Lawrence Mapemba	N	N	√	√
Mr Chancy Simwaka	N	N	√	√
Dr Bernadette Malunga	N	N	√	√

Key:

√ = Attendance

A = Apology

N = Not a Member

SUNBIRD TOURISM PLC
DIRECTORS' REPORT (CONTINUED)
For the year ended 31 December 2020

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	√	√	√
Dr Bernadette Malunga	N	N	√
Mr Isaac Katopola	√	√	√

PROJECTS COMMITTEE

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	√
Dr Lawrence Mapemba	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

Date:March 2021

AUTHORISED DIRECTOR

SUNBIRD TOURISM PLC**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**March 2021** and were signed on its behalf by:

AUTHORISED DIRECTOR

AUTHORISED DIRECTOR

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

Opinion

We have audited the financial statements of Sunbird Tourism plc (the Company) set out on pages 8 to 45, 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.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of trade receivables</p> <p><i>See notes 3.13, 4.1, 5.2.1, 10 and 25.2 to the financial statements</i></p> <p>A significant proportion of the Company's business involves providing services relating to hotel accommodation, food and beverage, conferencing and banqueting to customers on a credit basis. The Company operates in a number of different locations within Malawi and provides services to a wide range of customers, including tourists, corporate entities, government institutions and local individuals. The impact of the market and economic conditions in Malawi, including COVID-19, high rates of unemployment and inflation impacts the ability of customers to pay the Company.</p> <p>Accordingly we paid particular attention to the impairment assessment of trade receivables at year end due to the following:</p> <ul style="list-style-type: none"> • The significance of the balance in the statements of financial position at year end. • The subjective nature of the estimation and judgement with regard to the recoverability of trade receivable balances when calculating the allowance for credit losses to be reported in the financial statements. <p>As a result, the impairment of trade receivables was a key audit matter.</p>	<p>Our audit work included the following procedures:</p> <ul style="list-style-type: none"> • We assessed management's impairment process by considering whether the impairment process is in compliance with IFRS 9 <i>Financial Instruments</i> • Management adopted the simplified approach in calculation of the expected credit losses. • We assessed the reasonability of management's impairment calculation by assessing the following: <ul style="list-style-type: none"> - the reasonableness of the unbiased and probability weighted amount determined by evaluation of a range of possible outcomes; - The reasonableness of time value of money used in the calculations; - The information used at the reporting date about past events, current conditions and forecasts of future economic conditions.

SUNBIRD TOURISM PLC

INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2020

<p>Valuation of property <i>See Notes 3.2 and 6 to the financial statements</i></p> <p>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.</p> <p>The valuation of the Company's properties was a key audit matter due to:</p> <ul style="list-style-type: none"> • The significance in the financial statements of the Company. • Estimating the fair value is a complex process involving a number of judgements and estimates regarding various inputs. Due to the nature of the assets, the valuation technique includes a number of inputs and assumptions due to a lack of an active market. 	<p>Our audit in this area included, among others:</p> <ul style="list-style-type: none"> • 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.
<p>Going concern <i>Refer to Note 2 (d) to the financial statements.</i></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • 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.

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.

SUNBIRD TOURISM PLC**INDEPENDENT AUDITOR'S REPORT**
For the year ended 31 December 2020***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.
- 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 Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group 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
Chartered Accountants and Business Advisors (Malawi)

Lamion Gama
Chartered Accountant (Malawi)
Partner

Blantyre, Malawi.
.....**March 2021**

SUNBIRD TOURISM PLC

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

In thousands of Malawi Kwacha

	<u>Note</u>	<u>2020</u>	<u>2019</u> Consolidated	<u>2019</u> Separated
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 **March 2021** and were signed on its behalf by:

 AUTHORISED DIRECTOR

 AUTHORISED DIRECTOR

SUNBIRD TOURISM PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

In thousands of Malawi Kwacha

	<u>Note</u>	<u>2020</u>	<u>2019</u> Consolidated	<u>2019</u> Separate
Revenue	17	13,510,287	19,370,089	17,935,784
Cost of sales	20a	<u>(2,931,119)</u>	<u>(3,830,687)</u>	<u>(3,301,470)</u>
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	<u>(10,982,130)</u>	<u>(11,523,158)</u>	<u>(10,736,648)</u>
Operating (loss)/ profit		<u>(147,660)</u>	4,220,799	4,112,301
Finance costs	21	<u>(825,952)</u>	<u>(228,749)</u>	<u>(216,513)</u>
(Loss)/ profit before income tax expense		<u>(973,612)</u>	3,992,050	3,895,788
Income tax expense	23(a)	<u>(206,234)</u>	<u>(1,397,500)</u>	<u>(1,365,382)</u>
(Loss)/ profit for the year		<u>(1,179,846)</u>	<u>2,594,550</u>	<u>2,530,406</u>
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		<u>4,983,144</u>	-	-
Total other comprehensive income		<u>4,983,144</u>	-	-
Total comprehensive income		<u>3,803,298</u>	<u>2,594,550</u>	<u>2,530,406</u>
Profit (Loss) attributable to:				
Owners of the Company		<u>(1,179,846)</u>	<u>2,594,550</u>	<u>2,530,406</u>
Total comprehensive income attributable to:				
Owners of the company		<u>3,803,298</u>	<u>2,594,550</u>	<u>2,530,406</u>
Earnings per share (tambala)				
Basic and diluted	24	<u>(451)</u>	<u>992</u>	

SUNBIRD TOURISM PLC

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

In thousands of Malawi Kwacha

	<u>Note</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Revaluation reserve</u>	<u>Retained earnings</u>	<u>Total</u>
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)	3,804,298
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		<u>13,079</u>	<u>1,966</u>	<u>15,819,573</u>	<u>11,183,415</u>	<u>27,018,033</u>
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		<u>13,079</u>	<u>1,966</u>	<u>10,994,837</u>	<u>12,335,644</u>	<u>23,345,526</u>

SUNBIRD TOURISM PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2020

In thousands of Malawi Kwacha

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

SUNBIRD TOURISM PLC

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

In thousands of Malawi Kwacha

	<u>Note</u>	<u>2020</u>	<u>2019</u> Consolidated	<u>2019</u> Separate
Cash flows from operating activities				
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		<u>391,509</u>	<u>2,520,244</u>	<u>2,511,031</u>
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		<u>9,195</u>	<u>443,251</u>	<u>416,197</u>
Net cash utilised in investing activities		<u>(2,476,175)</u>	<u>(5,901,732)</u>	<u>(5,881,020)</u>
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)	<u>(37,663)</u>	<u>(261,582)</u>	<u>(261,582)</u>
Net cash generated from financing activities		<u>2,555,612</u>	<u>3,587,417</u>	<u>3,594,137</u>
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		<u>(86)</u>	<u>473</u>	<u>476</u>
Cash and cash equivalents at end of the year	11	<u>1,109,609</u>	<u>638,749</u>	<u>669,979</u>

SUNBIRD TOURISM PLC**NOTES TO THE FINANCIAL STATEMENT**
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 Group and 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.

SUNBIRD TOURISM PLC

NOTES TO THE FINANCIAL STATEMENT
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 COVID-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

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:

SUNBIRD TOURISM PLC

NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 December 2020

2. BASIS OF PREPARATION (CONTINUED)

Amendment to IFRS 9 – Financial Instruments (continued)

- 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 AIS 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.

(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

SUNBIRD TOURISM PLC

NOTES TO THE FINANCIAL STATEMENT
For the year ended 31 December 2020**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.

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.

SUNBIRD TOURISM PLC

NOTES TO THE FINANCIAL STATEMENT
For the year ended 31 December 2020**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.2 Property and equipment (continued)***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 other 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.

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.

SUNBIRD TOURISM PLC

NOTES TO THE FINANCIAL STATEMENT
For the year ended 31 December 2020**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.5 Taxation (continued)**

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.

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.

SUNBIRD TOURISM PLC

NOTES TO THE FINANCIAL STATEMENT
For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3.10 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.

SUNBIRD TOURISM PLC

NOTES TO THE FINANCIAL STATEMENT
For the year ended 31 December 2020

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.

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

Trade receivables

Trade 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.

SUNBIRD TOURISM PLC

NOTES TO THE FINANCIAL STATEMENT
For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial instruments (continued)

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.

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.

SUNBIRD TOURISM PLC

NOTES TO THE FINANCIAL STATEMENT
For the year ended 31 December 2020**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.13 Impairment (continued)****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").

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.

SUNBIRD TOURISM PLC

NOTES TO THE FINANCIAL STATEMENT
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.

SUNBIRD TOURISM PLC

NOTES TO THE FINANCIAL STATEMENT
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.

SUNBIRD TOURISM PLC

NOTES TO THE FINANCIAL STATEMENT
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.

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.

SUNBIRD TOURISM PLC

NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 December 2020

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

5.1.1 Valuation of properties

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

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

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

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

5.2 Key sources of estimation and uncertainty

5.2.1 Impairment of trade and other receivables

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

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

5.2.2 Inventory provisions for obsolete stock

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

5.2.3 Legal claims

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

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.

SUNBIRD TOURISM PLC

NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 December 2020

In thousands of Malawi Kwacha

6. PROPERTY AND EQUIPMENT

See accounting policy 3.2

	<u>Freehold property</u>	<u>Leasehold property</u>	<u>Vehicles & equipment</u>	<u>Work in progress</u>	<u>Total</u>
2020					
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	<u>21,823,633</u>	<u>13,435,554</u>	<u>5,782,677</u>	<u>4,636,531</u>	<u>45,678,395</u>
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	<u>-</u>	<u>-</u>	<u>2,771,008</u>	<u>-</u>	<u>2,771,008</u>
Carrying value					
At 31 December 2020	<u>21,823,633</u>	<u>13,435,554</u>	<u>3,011,669</u>	<u>4,636,531</u>	<u>42,907,387</u>
2019					
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	<u>17,409,050</u>	<u>10,142,105</u>	<u>5,618,466</u>	<u>3,043,777</u>	<u>36,213,398</u>
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	<u>150,419</u>	<u>80,122</u>	<u>2,295,888</u>	<u>-</u>	<u>2,526,429</u>
Carrying value					
At 31 December 2019	<u>17,258,631</u>	<u>10,061,983</u>	<u>3,322,578</u>	<u>3,043,777</u>	<u>33,686,969</u>

* 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.

SUNBIRD TOURISM PLC

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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6. PROPERTY AND EQUIPMENT (CONTINUED)

See accounting policy 3.2

	<u>Freehold Property</u>	<u>Leasehold property</u>	<u>Vehicles & equipment</u>	<u>Work in progress</u>	<u>Total</u>
<u>Separate 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	<u>17,098,102</u>	<u>9,956,307</u>	<u>5,405,483</u>	<u>2,960,782</u>	<u>35,420,674</u>
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	<u>150,419</u>	<u>75,132</u>	<u>2,186,770</u>	<u>-</u>	<u>2,412,321</u>
Carrying value					
At 31 December 2019	<u>16,947,683</u>	<u>9,881,175</u>	<u>3,218,713</u>	<u>2,960,782</u>	<u>33,008,353</u>

SUNBIRD TOURISM PLC

NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 December 2020

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6. PROPERTY AND EQUIPMENT (CONTINUED)

See accounting policy 3.2

Additions

Additions to property and equipment comprise the following:

	<u>2020</u>	<u>2019</u> Consolidated	<u>2019</u> 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	<u>3,002,166</u>	<u>6,962,727</u>	<u>6,914,961</u>

Properties (Land and buildings)

Carrying amount at end of the year comprise the following:

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	<u>35,259,188</u>	<u>27,320,614</u>	<u>26,828,858</u>

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

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

Cost	14,864,808	13,913,388	13,741,311
Accumulated depreciation	(3,163,300)	(3,160,417)	(3,122,599)
Carrying amount	<u>11,701,508</u>	<u>10,752,971</u>	<u>10,618,712</u>

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

The fair value measurement of land and buildings of 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.

SUNBIRD TOURISM PLC
NOTES TO THE FINANCIAL STATEMENT
For the year ended 31 December 2020
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7. INVESTMENT IN SUBSIDIARY

See accounting policy 3.3

	Percentage Holding		Separate	
	2020	2019	2020	2019
	%	%		
Shares at cost:				
Catering Solutions Limited	<u>—</u>	<u>100</u>	<u>—</u>	<u>102,023</u>

8. INTANGIBLE ASSETS

See accounting policy number 3.3

	Concession start-up cost	Acquired software licenses	Total
2020			
Gross carrying amount			
At 1 January 2020	-	267,681	267,681
Additions	<u>41,690</u>	<u>5,268</u>	<u>46,958</u>
At 31 December 2020	<u>41,690</u>	<u>272,949</u>	<u>314,639</u>
Amortisation and impairment			
At 1 January 2020	-	126,531	126,531
Amortisation	<u>586</u>	<u>50,166</u>	<u>50,752</u>
At 31 December 2020	<u>586</u>	<u>176,697</u>	<u>177,283</u>
Carrying value at 31 December 2020	<u>41,104</u>	<u>96,252</u>	<u>137,356</u>
2019			
Consolidated and separate			
Gross carrying amount			
At 1 January 2019	-	214,835	214,835
Additions	-	<u>52,846</u>	<u>52,846</u>
At 31 December 2019	-	<u>276,681</u>	<u>276,681</u>
Amortisation and impairment			
At 1 January 2019	-	80,926	80,926
Amortisation	-	<u>45,605</u>	<u>45,605</u>
At 31 December 2019	-	<u>126,531</u>	<u>126,531</u>
Carrying value at 31 December 2019	-	<u>141,150</u>	<u>141,150</u>

The Company entered into a concession agreement with the government of Malawi in the operation of Chintchehe 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	<u>218,025</u>	<u>194,993</u>
	<u>2,858,156</u>	<u>2,166,828</u>	<u>2,091,502</u>
Inventories have been reduced by the following amounts as a result of the write-down to net realisable value. Such write-downs were recognised as an expense.			
Write-down to net realisable value	<u>37,006</u>	<u>41,368</u>	<u>39,667</u>

SUNBIRD TOURISM PLC
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10. TRADE AND OTHER RECEIVABLES

See accounting policy 3.12

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

*: Not a financial asset

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

SUNBIRD TOURISM PLC

NOTES TO THE FINANCIAL STATEMENT

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

	<u>2020</u>	<u>2019</u> Consolidated	<u>2019</u> Separate
<u>Revenue and other income</u>			
Government department and related entities (shareholder and entities under common shareholding):			
<i>Accommodation, catering and conferences revenue</i>	4,495,745	4,377,009	3,581,066
Catering Solutions (subsidiary)	-	-	10,080
<i>Management fees</i>			
Kara O Mula (management contract)			
<i>Management fees for managing Kara O Mula</i>	6,893	17,316	17,316
African Parks Ltd (management contract):			
<i>Management fees for managing Thawale</i>	-	10,804	10,804
	<u>4,502,638</u>	<u>4,405,129</u>	<u>3,619,266</u>
<u>Administrative and other expenses</u>			
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
	<u>1,137,564</u>	<u>1,359,626</u>	<u>1,293,751</u>
<u>Amounts due from related parties</u>			
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
	<u>1,107,937</u>	<u>1,271,251</u>	<u>669,612</u>
<u>Amounts due to related parties</u>			
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).

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:

	<u>2020</u>	<u>2019</u> Consolidated	<u>2019</u> 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
	<u>630,025</u>	<u>515,604</u>	<u>456,933</u>
Directors' remuneration	<u>60,557</u>	<u>81,851</u>	<u>76,642</u>

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

SUNBIRD TOURISM PLC

NOTES TO THE FINANCIAL STATEMENT

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12. CASH AND CASH EQUIVALENTS

See accounting policy 3.12

	<u>2020</u>	<u>2019</u> Consolidated	<u>2019</u> Separate
Cash at bank	1,109,609	675,997	669,979
Bank overdrafts	<u>-</u>	<u>(37,248)</u>	<u>-</u>
	<u>1,109,609</u>	<u>638,749</u>	<u>669,979</u>

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

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

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.

<u>1,966</u>	<u>1,966</u>
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14. LOANS AND BORROWINGS;
CORPORATE BONDS AND LEASE LIABILITIES

See accounting policy 3.12

<u>2020</u>	<u>Corporate bonds Note 14(a)</u>	<u>Lease liabilities Note 14(b)</u>	<u>Short Term Loan Note 14(c)</u>	<u>Total</u>
1 January	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	<u>(500,000)</u>	<u>(6,725)</u>	<u>(311,728)</u>	<u>(818,453)</u>
31 December	<u>10,466,503</u>	<u>-</u>	<u>-</u>	<u>10,466,503</u>
<u>2019</u>				
Consolidated				
1 January	3,640,000	317,726	-	3,957,726
Proceeds from borrowings	4,560,000	-	216,638	4,560,000
Accrued interest	57,220	-	-	57,220
Repayments during the year	<u>(400,000)</u>	<u>(311,001)</u>	<u>(216,638)</u>	<u>(711,001)</u>
31 December	<u>7,857,220</u>	<u>6,725</u>	<u>-</u>	<u>7,863,945</u>

SUNBIRD TOURISM PLC

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**14. LOANS AND BORROWINGS;
CORPORATE BONDS AND LEASE LIABILITIES (continued)**
See accounting policy 3.12

	Corporate bonds Note 14(a)	Lease liabilities Note 14(b)	Short Term Loan Note 14(c)	Total
2019 Separate				
1 January	3,640,000	311,006	-	3,951,006
Proceeds from borrowings	4,560,000	-	216,638	4,560,000
Accrued interest	57,220	-	-	57,220
Repayments during the year	<u>(400,000)</u>	<u>(304,281)</u>	<u>(216,638)</u>	<u>(704,281)</u>
31 December	<u>7,857,220</u>	<u>6,725</u>	<u>-</u>	<u>7,863,945</u>

14(a) CORPORATE BONDS
See accounting policy 3.12

	Currency	Year of maturity	Amortised cost	
			2020	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			<u>10,466,503</u>	<u>7,857,220</u>
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			<u>10,466,503</u>	<u>7,857,220</u>
Disclosed under:				
Current liabilities			66,503	57,220
Non-current liabilities			<u>10,400,000</u>	<u>7,800,000</u>
At 31 December			<u>10,466,503</u>	<u>7,857,220</u>

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).

SUNBIRD TOURISM PLC

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14. LOANS AND BORROWINGS;
CORPORATE BONDS AND LEASE LIABILITIES (Continued)

14(b) LEASE LIABILITIES

See accounting policy 3.10

	<u>2020</u>	<u>2019</u> Consolidated	<u>2019</u> Separate
Mybucks Malawi Limited	<u>—</u>	<u>6,725</u>	<u>6,725</u>

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:

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

- 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).

	<u>2020</u>	<u>2019</u>
At 1 January	<u>—</u>	<u>—</u>
Issued during the year	<u>311,727</u>	<u>216,638</u>
Repayment during the year	<u>(311,727)</u>	<u>(216,638)</u>
At 31 December	<u>—</u>	<u>—</u>

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

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

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

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

SUNBIRD TOURISM PLC

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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	<u>900,964</u>	<u>765,163</u>	<u>716,673</u>
	<u>2,123,818</u>	<u>2,182,153</u>	<u>1,924,598</u>
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	<u>341,922</u>	<u>291,650</u>	<u>333,805</u>
	<u>900,964</u>	<u>765,163</u>	<u>773,893</u>

* These balances are not financial liabilities.

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

17. REVENUE

See accounting policy 3.8

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

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

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	<u>38,946</u>	<u>11,632</u>	<u>10,732</u>
Total	<u>255,302</u>	<u>204,555</u>	<u>214,635</u>

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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.

	2020			Deferred income		
				2019		
	Government Grant	Guest loyalty program	Total	Government Grant	Consolidated 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

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

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20a.	COST OF SALES	2020	2019	2019
	<i>See accounting policy 3.23</i>		Consolidated	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			
	<i>See accounting policy 3.23</i>			
	Computer, telephone and internet expenses	276,687	308,271	284,927
	Depreciation and amortisation	871,658	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	396,538	731,215	663,889
	Security	184,653	186,527	180,620
	Staff costs	6,923,205	6,802,542	6,320,912
	Total	10,982,130	11,523,158	10,736,648
21.	FINANCE COSTS			
	<i>See accounting policy 3.17</i>			
	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.	PROFIT BEFORE INCOME TAX EXPENSE			
	(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	827,071	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	6,923,205	6,802,542	6,320,912

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23. INCOME TAX EXPENSE

See accounting policy 3.5

23(a) Income tax

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

23(b) Income tax receivable (payable)

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	<u>(207,474)</u>	<u>(924,540)</u>	<u>(806,025)</u>
Current tax (assets)/liabilities at 31 December	<u>(541,895)</u>	<u>(1,188,566)</u>	<u>(1,121,368)</u>

23(c) Deferred tax liabilities

See accounting policy 3.5

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	<u>2,135,633</u>	<u>-</u>	<u>-</u>
At 31 December	<u>9,860,147</u>	<u>7,518,280</u>	<u>7,411,219</u>
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	<u>(115,064)</u>	<u>(107,644)</u>	<u>(88,420)</u>
Net deferred tax liabilities	<u>9,860,147</u>	<u>7,518,280</u>	<u>7,411,219</u>

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.

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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:

	<u>2020</u>	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	<u>(451)</u>	<u>992</u>

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

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

	<u>Note</u>	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	<u>1,109,609</u>
		<u>3,765,099</u>
Financial liabilities		
Trade and other payables	16	1,208,839
Corporate bonds	14(a)	<u>10,466,503</u>
		<u>11,675,342</u>

2019

	<u>Note</u>	Amortised Costs
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	<u>638,749</u>
		<u>4,430,408</u>
Financial liabilities		
Trade and other payables	16	1,543,542
Corporate bonds	14(a)	7,857,220
Lease liabilities	14(b)	<u>6,725</u>
		<u>9,407,487</u>

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25. FINANCIAL INSTRUMENTS (CONTINUED)

25.1 Accounting classification (continued)

Separate
2019

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

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:

	<u>Note</u>	<u>2020</u>	<u>2019</u> Consolidated	<u>2019</u> Separate
Trade and other receivables	10	<u>1,547,553</u>	2,520,408	2,381,851
Amounts due from related parties	11	<u>1,107,937</u>	1,271,251	669,612
Cash and cash equivalents	12	<u>1,109,609</u>	<u>638,749</u>	<u>669,979</u>
		<u>3,765,099</u>	<u>4,430,408</u>	<u>3,721,442</u>

Receivables

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

	<u>Note</u>			
Trade receivables	10	<u>1,318,896</u>	2,205,560	2,072,921
Amounts due from related parties	11	<u>959,757</u>	<u>1,167,774</u>	<u>367,527</u>
Total trade receivables		<u>2,278,653</u>	3,373,334	2,440,448
Other receivables				
Staff debtors	10	<u>228,657</u>	314,848	308,930
Amounts due from related parties	11	<u>148,180</u>	<u>103,477</u>	<u>302,085</u>
Total receivables		<u>2,655,490</u>	<u>3,791,659</u>	<u>3,051,463</u>

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

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

	<u>Receivables</u> <u>2020</u>	<u>Impairment</u> <u>2020</u>	<u>Consolidated</u> <u>Receivables</u> <u>2019</u>	<u>Impairment</u> <u>2019</u>
Not past due	<u>1,004,686</u>	<u>40,251</u>	1,397,567	25,757
Past due 31-60 days	<u>454,950</u>	<u>24,356</u>	648,595	29,710
Past due 61-90 days	<u>209,752</u>	<u>19,412</u>	419,949	26,355
Past due over 90 days	<u>986,102</u>	<u>194,963</u>	<u>1,325,548</u>	<u>110,057</u>
Total	<u>2,655,490</u>	<u>278,982</u>	<u>3,791,659</u>	<u>191,879</u>

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	<u>791,816</u>	<u>63,424</u>
Total	<u>3,051,463</u>	<u>138,621</u>

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25 FINANCIAL INSTRUMENTS (CONTINUED)

See accounting policy 3.12

25.2 Credit risk (continued)

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

	<u>2020</u>	<u>2019</u> Consolidated	<u>2019</u> 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	<u>(39,587)</u>	<u>(1,709)</u>	<u>(1,709)</u>
Balance at 31 December	<u>278,982</u>	<u>191,879</u>	<u>138,622</u>

25.3 Liquidity risk

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

		<u>Contractual amounts</u>	<u>Carrying cash flows</u>	<u>6 mths or less</u>	<u>6-12 mths</u>	<u>1-2 years</u>	<u>2-5 years</u>
<u>2020</u>	<u>Note</u>						
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	<u>(1,208,839)</u>	<u>(1,208,839)</u>	<u>(1,208,839)</u>	-	-	-
		<u>(11,608,839)</u>	<u>(17,130,554)</u>	<u>(2,019,934)</u>	<u>(811,095)</u>	<u>(5,627,322)</u>	<u>(8,672,202)</u>
<u>2019</u>	<u>Note</u>						
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)
Obligations under finance lease	14(b)	(6,725)	(7,409)	(3,168)	(3,168)	(1,073)	-
Trade and other payables	16	<u>(1,543,542)</u>	<u>(1,543,542)</u>	<u>(1,543,542)</u>	-	-	-
		<u>(9,350,267)</u>	<u>(13,318,605)</u>	<u>(2,056,072)</u>	<u>(512,530)</u>	<u>(3,500,636)</u>	<u>(7,249,368)</u>
<u>Separate</u>							
<u>2019</u>							
Non-derivative financial liabilities							
Corporate bonds	14(a)	(7,800,000)	(11,767,657)	(509,362)	(509,362)	(3,499,563)	(7,249,368)
Obligations under finance lease	14(b)	(6,725)	(7,409)	(3,168)	(3,168)	(1,073)	-
Trade and other payables	16	<u>(1,293,481)</u>	<u>(1,293,481)</u>	<u>(1,293,481)</u>	-	-	-
		<u>(9,100,206)</u>	<u>(13,068,547)</u>	<u>(1,806,011)</u>	<u>(512,530)</u>	<u>(3,500,636)</u>	<u>(7,249,368)</u>

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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)	-	-	-
	<u>155,303</u>	<u>6,340</u>	<u>9,358</u>	<u>2,544</u>	<u>149,902</u>	<u>5,751</u>	<u>8,448</u>	<u>5,276</u>

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	<u>875.08</u>	<u>829.04</u>	<u>987.60</u>	<u>826.91</u>

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 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.

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	Note	Carrying Amounts		
		2020	2019 Consolidated	2019 Separate
Finance lease	14(b)	-	6,725	6,725
Corporate bonds	14(a)	<u>10,400,000</u>	<u>7,800,000</u>	<u>7,800,000</u>
		<u>10,400,000</u>	<u>7,806,725</u>	<u>7,806,725</u>

The prevailing interest rates for these interest bearing facilities are within the region of Reserve Bank Reference rate plus or minus 1-10%. The Reserve Bank 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.

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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:

	<u>Note</u>	<u>2020</u>	<u>2019</u> Consolidated	<u>2019</u> 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.

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

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

Profile of the Target Market Segment

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

	<u>2020</u>	<u>2019</u> Consolidated	<u>2019</u> Separate
	%	%	%
Corporates	<u>51</u>	50	55
Commercial Groups	<u>22</u>	27	24
Government	<u>13</u>	12	9
Leisure and airlines	<u>12</u>	8	8
Online	<u>2</u>	3	4
Total	<u>100</u>	<u>100</u>	<u>100</u>

Geographical Source of Business

The geographical source of business is predominantly domestic:

Malawi	<u>94</u>	86	85
Africa	<u>3</u>	7	8
Europe	<u>1</u>	4	4
Americas	<u>1</u>	2	2
Other	<u>1</u>	1	1
Total	<u>100</u>	<u>100</u>	<u>100</u>

SUNBIRD TOURISM PLC

NOTES TO THE FINANCIAL STATEMENT

For the year ended 31 December 2020

In thousands of Malawi Kwacha

28. COMMITMENTS	2020	2019	2019
See accounting policy 3.21		Consolidated	Separate

Capital expenditure:

Authorised but not contracted for

1,997,4291,867,6441,764,050

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

29. CONTINGENCIES

See accounting policy 5.2

Legal claims

60,000

10,000

10,000

Guarantees in respects of staff and bank loans

-50,00050,00060,00060,00060,000

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.

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 (%)	7.6%	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
Kwacha/US Dollar
Kwacha/Rand
Kwacha/Euro
Inflation rate (%)%

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.