SUNBIRD

Hotels and Resorts

35TH ANNUAL GENERAL MEETING

29TH JUNE 2023

AGM PACK

SUNBIRD
Hotels and Resorts

NOTICE OF THE 35TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 35th Annual General Meeting of the Company will be held at Sunbird Mount Soche, Soche International Conference Centre, Blantyre on Thursday, 29th June 2023 at 15:30 hours to transact the following business:

1. APPROVAL OF MINUTES

To consider and if deemed appropriate to approve the Minutes of the 34th Annual General Meeting held on 17th June 2022.

2. FINANCIAL STATEMENTS

To consider and if deemed appropriate to approve the audited financial statements for the year ended 31st December 2022 together with the reports of the Auditors and Directors therein.

3. DIVIDEND

To declare a final dividend of K393 million representing K1.50 per share in respect of the financial year ended 31st December 2022 as recommended by the Board of Directors. An interim dividend of K131 million representing a dividend per share of K0.50 was paid in November 2022. This will bring the total dividend for the year to K524 million representing K2.00 per share. The company did not pay any dividend relating to the year 2021.

4. DIRECTORS' APPOINTMENTS AND RE-ELECTION

To re-elect directors Mr. Gladson Kuyeri, Mr. Cornelius Majawa, and Dr MacDonald Mafuta Mwale who retire by rotation in accordance with the terms of the Company's Articles of Association, however, being eligible, have offered themselves for re-election.

5. DIRECTORS' REMUNERATION

To consider and if deemed appropriate to approve that the remuneration of the Chairman and Directors be adjusted with effect from 1st January, 2023 as follows: -

5.1 Fees

- Chairperson from K4,999,280 to K5,750,000 per annum.
- Other non-executive Directors from K4,156,790 to K4,780,000 per annum.

5.2 Sitting Allowances

- Chairperson from K263,560 to K310,000 per sitting.
- Other non-executive Directors from K210,540 to K260,000 per sitting.

6. APPOINTMENT OF EXTERNAL AUDITORS

To approve the appointment of Grant Thornton, Certified Public Accountants, as Auditors for the year ending 31st December 2023 and to authorise the Directors to fix their remuneration.

7. 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: 5th June 2023

By order of the Board

Barnet Gausi
COMPANY SECRETARY

Nota bene: **Registered Office:**
Sunbird Corporate Office,
28 Glyn Jones Road,
P.O. Box 376,
BLANTYRE

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, 7 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.

3. The AGM Packs will be sent to shareholders using their postal addresses and is also available on the company website (www.sunbirdmalawi.com).

4. Shareholders who have provided their email addresses to the Transfer Secretary will also be sent the AGM Pack electronically. Shareholders who wish to collect copies of the AGM Pack in person must do so by contacting the Transfer Secretary as follows: By email: ekhulamba@natbankmw.com; by phone: T: +265 (0) 1 820 622 (extension: 1342) | C: +265 (0) 888 168 635; in person: 7 Henderson Street, P. O. Box 945, Blantyre.

SUNBIRD TOURISM PLC

MINUTES OF THE 34TH ANNUAL GENERAL MEETING

OF THE SHAREHOLDERS OF SUNBIRD TOURISM PLC

HELD ON 17TH JUNE 2022 FROM 3:30 PM

AT SUNBIRD MOUNT SOCHE

PRESENT:	Mr. Vilipo Munthali	- Chairperson
	Mr. Gladson Kuyeri	- Director
	Mr. Chauncy Simwaka	- Director
	Dr. Bernadette Malunga	- Director
	Ms. Moureen Mbeye	- Director
	Mr. Cornelius Majawa	- Director
	Mr. George Nnensa	- Director
APOLOGIES:	Mrs. Maureen Kachingwe	- Director
	Dr. McDonald Mafuta Mwale	- Director

IN ATTENDANCE: Mr. Yusuf Olela - Chief Executive
Mr. Samson Mwale - Head of Finance
Mr. Barnet Gausi - Senior Risk, Audit and Compliance Manager
Mr. Oswald Bwemba - Head of Operations
Mrs. Temwa Kanjadza - Head of Sales, Marketing and Distribution
Mr. Edward Chunga – Division Manager – People & Culture
Mr. Allan Muhome – Head of Legal and Corporate Services
Mr. Lamion Gama – Grant Thornton
Mr. Hollen Kamanga – Grant Thornton
Shareholders – per register

34.1 QUORUM

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

34.2 NOTICE

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

34.3 ADOPTION OF AGENDA

The Secretary announced that at the time of the meeting there was no any other business received, therefore the agenda was adopted without any amendment.

34.4 RECEIPT AND ADOPTION OF AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2021, THE DIRECTORS' REPORT AND THE AUDITORS' REPORT THEREON

1. The audited financial statements and audit report for the period ended 31st December, 2021 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, 2021, 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."

34.5 DECLARATION OF DIVIDEND FOR THE YEAR ENDED 31ST DECEMBER, 2021

It was resolved that the Company should not pay any dividend considering the meagre profit of K750 million for the year ended 31st December 2021 (2020 the company made a loss of K1.2 billion and no dividend was declared).

34.6 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 the following Directors who had been appointed to fill casual vacancies be confirmed as Directors:

   - Dr. McDonald Mafuta Mwale
   - Ms. Moureen Mbeye
   - Mr. George Nnensa

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

   THAT Directors Mr. Vilipo Munthali, Mr. Chauncy Simwaka, Mrs. Maureen Kachingwe and Dr. Bernadette Malunga, who had retired by rotation but, having been eligible for re-election, had offered themselves, be re-elected.

3. The Shareholders noted that Dr. Partridge retired and thanked him for his invaluable contribution to the Board during his tenure.

34.7 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, 2022:

Directors' Fees

- Chairman from K4,544,800 to K4,999,280 per annum.
- Other non-executive Directors from K3,778,900 to K4,156,790 per annum.

Sitting Allowances

- Chairman from K239,600 to K263,560 per sitting.
- Other non-executive Directors from K191,400 to K210,540 per sitting.

34.8 APPOINTMENT OF AUDITORS

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

"**THAT** the Grant Thornton, Certified Public Accountants, be appointed as auditors for the year 2022 and Directors be authorized to fix their remuneration".

34.9 ANY OTHER BUSINESS

There was no any other business.

34.10 CLOSURE

The Chairman thanked all members present for their participation and declared the meeting closed at 5:05 p.m.

CHAIRMAN **DATE**

SUNBIRD TOURISM PLC

FINANCIAL STATEMENTS

For the year ended

31 December 2022

SUNBIRD TOURISM PLC

FINANCIAL STATEMENTS
For the year ended 31 December 2022

C O N T E N T S

SUNBIRD TOURISM PLC

DIRECTORS' REPORT
For the year ended 31 December 2022

The directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2022.

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 nine hotel properties in Malawi.

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:

	2022	2021
	%	%
MDC Limited	**71.00**	71.00
Press Corporation Plc	**15.00**	15.00
Members of the public	**14.00**	14.00
	100.00	100.00

The holding Company is MDC Limited, a dormant Company, which is wholly owned by the Malawi Government.

The share price at the end of the reporting year was **MK92.06** (2021: MK90.01) 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, there was no final dividend declared (2021: Nil) in respect of the year ended 31 December 2021 but an interim dividend on **MK131 million**, representing 50 tambala per share was declared and paid (2021: Nil) relating to the results for the year ended 31 December 2022.

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 2022
DIRECTORATE

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

Name		**Position**	**Duration**
Dr. George Partridge	-	Chairman	Up to 31th March 2022
Mr. Vilipo Munthali	-	Chairman	Full year (Chairman From 1st April 2022
Mr. Gladson Kuyeri	-	Director	Full year
Mr. Chauncy Simwaka	-	Director	Full year
Mrs. Maureen Kachingwe	-	Director	Full year
Dr. Bernadette Malunga	-	Director	Full year
Mr. Cornelius Majawa	-	Director	Full year
Mr. George Nnensa	-	Director	From 1st May 2022
Dr. MacDonald Mafuta Mwale	-	Director	From 17th February 2022
Ms. Moureen Mbeye	-	Director	From 1st April 2022
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	**24 March 2022**	**17 June 2022**	**22 July 2022**	**14 September 2022**	**16 December 2022**
Mr. Vilipo Munthali (Chairperson)	√	√	√	√	√
Mr. Gladson Kuyeri	√	√	√	√	√
Dr. McDonald Mwale	√	A	√	√	√
Mr. Cornelius Majawa	√	√	√	√	√
Mrs. Maureen Kachingwe	√	A	√	A	A
Mr. Chauncy Simwaka	√	√	√	√	√
Dr. Bernadette Malunga	√	√	√	√	√
Ms. Moureen Mbeye	N	√	√	√	√
Mr. George Nnensa	N	√	√	√	√

Key:
√ = Attendance
A = Apology
N = Not a Member

SUNBIRD TOURISM PLC

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 December 2022

DIRECTORATE

ANNUAL GENERAL MEETING

MEMBER	17 June 2022
Mr. Vilipo Munthali (Chairperson)	√
Mr. Gladson Kuyeri	√
Dr. McDonald Mwale	A
Mr. Cornelius Majawa	√
Mrs. Maureen Kachingwe	A
Mr. Chauncy Simwaka	√
Dr. Bernadette Malunga	√
Ms. Moureen Mbeye	√
Mr. George Nnensa	√

FINANCE AND AUDIT COMMITTEE

MEMBER	11 March 2022	11 May 2022	03 June 2022	29 August 2022	28 November 2022
Mr. Vilipo Munthali (Chairperson)	√	N	N	N	N
Ms. Moureen Mbeye (Chairperson)	N	√	√	√	√
Dr. McDonald Mwale	√	√	√	√	A
Mr. Gladson Kuyeri	√	A	√	√	√
Mr. George Nnensa	N	√	√	√	√

HUMAN CAPITAL AND DEVELOPMENT COMMITTEE

MEMBER	10 March 2022	02 June 2022	25 August 2022	18 November 2022
Mr. Gladson Kuyeri (Chairperson)	√	√	√	√
Dr. Bernadette Malunga	√	√	√	√
Mr. Cornelius Majawa	√	√	√	√
Mr. Chauncy Simwaka	√	A	A	√

PROJECTS COMMITTEE

MEMBER	10 March 2022	12 April 2022	01 June 2022	25 August 2022	24 November 2022
Mrs. Maureen Kachingwe (Chairperson)	√	√	√	√	√
Mr. Cornelius Majawa	√	√	√	√	√
Dr. Bernadette Malunga	√	√	√	√	√

Key:
√ = Attendance
A = Apology
N = Not a Member

SUNBIRD TOURISM PLC

DIRECTORS' REPORT (CONTINUED)
For the year ended 31 December 2022

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.

INDEPENDENT AUDITORS

Messrs Grant Thornton, Chartered Accountants and Business Advisors (Malawi), were the auditors for the year ended 31 December 2022.

FOR AND ON BEHALF OF THE BOARD

AUTHORISED DIRECTOR	**AUTHORISED DIRECTOR**

Date**: 24 March 2023**

SUNBIRD TOURISM PLC

DIRECTORS' RESPONSIBILITY STATEMENT
For the year ended 31 December 2022

The directors are responsible for the preparation and fair presentation of the financial statements of Sunbird Tourism Plc, comprising the statement of financial position at 31 December 2022, 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, which include a summary of significant accounting policies and other explanatory notes set out on pages 9 to 42 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 controls 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 **24 March 2023** 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 9 to 42, which comprise the statement of financial position as at 31 December 2022, 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 2022, 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
Impairment of trade receivables *See notes 3.12, 4.1, 5.2.1, 9 and 24.2 to the financial statements* A significant proportion of the Company's business involves providing services relating to hotel accommodation, food and beverage, conferencing and banqueting to customers on a credit basis. The Company operates in a number of different locations within Malawi and provides services to a wide range of customers, including tourists, corporate entities, government institutions and local individuals. The impact of the market and economic conditions in Malawi, including COVID-19 pandemic, high rates of unemployment and inflation impacts the ability of customers to pay the Company. Accordingly, we paid particular attention to the impairment assessment of trade receivables at year end due to the following: • The significance of the balance in the statements of financial position at year end. • The subjective nature of the estimation and judgement with regard to the recoverability of trade receivable balances when calculating the allowance for credit losses to be reported in the financial statements. As a result, the impairment of trade receivables was a key audit matter.	Our audit work included the following procedures: • We assessed management's impairment process by considering whether the impairment process is in compliance with IFRS 9 *Financial Instruments* • Management adopted the simplified approach in calculation of the expected credit losses. We assessed the reasonability of management's impairment calculation by assessing the following: - the reasonableness of the unbiased and probability weighted amount determined by evaluation of a range of possible outcomes; - The reasonableness of time value of money used in the calculations; - The information used at the reporting date about past events, current conditions and forecasts of future economic conditions.

Valuation of property	Our audit in this area included, among others:
See Notes 3.1 and 6 to the financial statements The Company operates out of various hotels throughout Malawi. Most of 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 assets of the Company. The valuation of the Company's properties was a key audit matter due to: • The significance in the financial statements of the Company. • Estimating the fair value is a complex process involving a number of judgements and estimates regarding various inputs. • Due to the nature of the assets, the valuation technique includes a number of inputs and assumptions due to a lack of an active market.	• We challenged the assumptions and inputs used in the valuation of properties. • For selected properties we assessed the physical condition of the properties relative to the valuations to assessment by management for any indicators of impairment. • We reviewed the methods, assumptions and judgements applied by management in determining the fair values of the properties as at 31 December 2022 and considered whether the method, assumptions and judgements are consistent with prior year and current market conditions

Other information
The directors are responsible for the other information. The other information comprises the Directors' Report and Directors' Responsibility Statement, which we obtained prior to the date of this auditor's report, and the Annual Report, which we expect to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the financial statements
The directors are responsible for the preparation of the financial statements which give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2013 of Malawi and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

SUNBIRD TOURISM PLC

INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2022

Auditor's responsibilities for the audit of the financial statements (continued)

- 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton

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Grant Thornton
Chartered Accountants and Business Advisors (Malawi)

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Lamion Gama
Chartered Accountant (Malawi)
Partner

Blantyre, Malawi.
29 March 2023

SUNBIRD TOURISM PLC

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
In thousands of Malawi Kwacha

	Note	2022	2021
ASSETS			
NON CURRENT ASSETS			
Property and equipment	6	**47,822,780**	46,411,839
Intangible assets	7	**123,957**	114,509
Total non-current assets		**47,946,737**	46,526,348
CURRENT ASSETS			
Inventories	8	**3,090,654**	2,277,439
Trade and other receivables	9	**3,480,402**	3,310,184
Amounts due from related parties	10	**881,157**	955,400
Income tax receivable	22(b)	**458,063**	625,579
Cash and cash equivalents	11	**2,156,748**	877,263
Total current assets		**10,067,024**	8,045,865
TOTAL ASSETS		**58,013,761**	54,572,213
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**13,079**	13,079
Share premium	12	**1,966**	1,966
Revaluation reserve		**15,409,596**	15,632,180
Retained earnings		**15,262,910**	12,120,615
Total equity		**30,687,551**	27,767,840
NON CURRENT LIABILITIES			
Corporate bonds	13(a)	**8,660,000**	9,810,000
Deferred income	18	**417,717**	494,735
Deferred tax liabilities	22(c)	**10,125,462**	9,973,761
Medium term loan	13(c)	**-**	286,714
Lease liabilities	13(b)	**39,776**	62,846
Total non-current liabilities		**19,242,955**	20,628,056
CURRENT LIABILITIES			
Bank overdraft	11	**-**	107,655
Trade and other payables	15(a)	**4,291,267**	3,186,261
Provisions	15(b)	**30,000**	-
Corporate bonds	13(a)	**1,516,850**	757,759
Employee benefits	14(b)	**957,522**	152,039
Amounts due to related parties	10	**694,533**	663,533
Deferred income	18	**238,655**	230,453
Medium term loan	13(c)	**330,975**	1,057,200
Lease liabilities	13(b)	**23,453**	21,417
Total current liabilities		**8,083,255**	6,176,317
Total liabilities		**27,326,210**	26,804,373
TOTAL EQUITY AND LIABILITIES		**58,013,761**	54,572,213

These financial statements were approved for issue by the Board of Directors on **24 March 2023** 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 2022
In thousands of Malawi Kwacha

	Note	2022	2021
Revenue	16	**25,670,156**	16,588,548
Cost of sales	19a	**(8,363,979)**	(5,875,977)
Gross profit		**17,306,177**	10,712,571
Other income	17	**271,527**	176,416
Administrative and other expenses	19b	**(11,796,955)**	(8,850,342)
Operating profit		**5,780,749**	2,038,645
Finance income	20	**24,482**	67,249
Finance costs	20	**(2,103,230)**	(1,242,888)
Profit before income tax expense		**3,702,001**	863,006
Income tax expense	22(a)	**(651,500)**	(113,614)
Profit for the year		**3,050,501**	749,392
Total comprehensive income		**3,050,501**	749,392
Profit attributable to:			
Owners of the Company		**3,050,501**	749,392
Total comprehensive income attributable to:			
Owners of the Company		**3,050,501**	749,392
Earnings per share (tambala)			
Basic and diluted	23	**1,166**	286

SUNBIRD TOURISM PLC

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022
In thousands of Malawi Kwacha

	Note	Share capital	Share premium	Revaluation reserve*	Retained earnings	Total
2022						
At 1 January 2022		**13,079**	**1,966**	**15,632,180**	**12,120,615**	**27,767,840**
Total comprehensive income for the year						
Profit for the year		**-**	**-**	**-**	**3,050,501**	**3,050,501**
Transfer to retained earnings		-		**(222,584)**	**222,584**	**-**
Transactions with the owners						
Dividend paid		**-**	**-**	**-**	**(130,790)**	**(130,790)**
At 31 December 2022		**13,079**	**1,966**	**15,409,596**	**15,262,910**	**30,687,551**
At 1 January 2021		13,079	1,966	15,819,988	11,183,415	27,018,448
Total comprehensive income for the year						
Profit for the year		-	-	-	749,392	749,392
Transfer to retained earnings		-	-	(187,808)	187,808	-
At 31 December 2021		13,079	1,966	15,632,180	12,120,615	27,767,840

* Revaluation reserve is a non-distributable reserve which is held for purposes of fluctuation of asset market value. These arise from the property valuation of land and buildings.

SUNBIRD TOURISM PLC

STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
In thousands of Malawi Kwacha

	Note	2022	2021
Cash flows from operating activities			
Cash receipts from customers		**25,870,190**	15,725,958
Cash paid to suppliers and employees		**(17,927,007)**	(11,427,285)
Cash generated from operations		**7,943,183**	4,298,673
Interest paid	20	**(2,090,043)**	(1,747,014)
Income tax paid	22(b)	**(327,133)**	(410,986)
Net cash from operating activities		**5,526,007**	2,140,673
Cash flows from investing activities			
Acquisition of property and equipment	6	**(2,473,913)**	(3,945,860)
Acquisition of intangible assets	7	**(47,737)**	(9,604)
Proceeds from sale of property and equipment		**14,191**	18,437
Net cash used in investing activities		**(2,507,459)**	(3,937,027)
Cash flows from financing activities			
Proceeds from borrowings	13	**300,000**	2,671,356
Repayment of borrowings	13	**(1,806,858)**	(1,210,713)
Dividends paid	23(b)	**(130,790)**	-
Net cash (used in)/ from financing activities		**(1,637,648)**	1,460,643
Net increase/(decrease) in cash and cash equivalents		**1,380,900**	(335,711)
Cash and cash equivalents at beginning of the year		**769,608**	1,109,609
Exchange differences on cash and cash equivalents		**6,240**	(4,290)
Cash and cash equivalents at end of the year	11	**2,156,748**	769,608

1. REPORTING ENTITY

Sunbird Tourism Plc ('the Company') is a Company incorporated and domiciled in Malawi.

The Company is a subsidiary of MDC Limited, a dormant Company incorporated in Malawi. The ultimate majority shareholder is the Malawi Government.

The main business of the Company is the provision of hotel accommodation, catering and related tourist services. The postal address of its principal business and registered office is: Sunbird Tourism Plc, P.O. Box 376, Blantyre, Malawi. Sunbird Tourism plc is listed on the Malawi Stock Exchange.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial statements (the "financial statements") have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2013 of Malawi. Details of the Company's accounting policies, including changes during the year and critical accounting judgements, are included in notes 3 and 5.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for land and property which are measured under the revaluation model.

c) Functional and presentation currency

The financial statements are presented in Malawi Kwacha, which is the Company's functional currency. Unless specifically expressed, all financial information is presented in Malawi Kwacha and has been rounded to the nearest thousand.

d) Going concern basis of accounting

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet the repayment of its liabilities and the mandatory repayment terms of the facilities as disclosed in notes 13, 14, 15, 24 and 25.

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 amounts 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.

(g) New accounting standards and interpretations adopted as at 1 January 2022

The Company adopted the following new accounting pronouncements which became effective in 2022:

Amendment to IFRS 16

The COVD-19 pandemic has led to some lessors providing 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".

2. BASIS OF PREPARATION (CONTINUED)

(g) New accounting standards and interpretations adopted as at 1 January 2022 (continued)

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

IBOR reform Phase 2 amendment
The IASB issued Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.

Amendment to IFRS 9 – Financial Instruments
The standard includes requirements for recognition and measurement, impairment and de-recognition and general hedge accounting of financial assets. Under the standard, impairment allowances for loans booked at amortised cost are based on Expected Credit Loss and must take into account forecasted economic conditions. The receivables impairment losses may be affected by the impact of the COVID 19 pandemic in terms of collectability of the receivables. It is because of this forward-looking characteristics that the rapid and dramatic change of the economic outlook entailed by the coronavirus outbreak will impact ECL estimates even before the increased credit losses show up in the data. The expected economic crisis will feed through in ECL estimates via several channels:

- An expected rise in corporate defaults leading to the higher probability of default (PD) estimates
- Falling asset prices lower the value of collateral and may cause the loss given default (LGD) risk parameter to increase.
- Liquidity issues incentive borrowers to utilise their credit lines to the full extent and may put upward pressure on the exposure at default EAD) estimates

.
The amendment to the standard has been incorporated by the Company in preparing these set of financial statements.

Amendments to IAS 16 regarding proceeds before intended use
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

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.

2. BASIS OF PREPARATION (CONTINUED)

(h) Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Company (continued)

Amendment to IAS 1: Preparation of financial statements
The standard outlines the overall requirements for the financial statements preparation, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern,

Under IAS 1 requirements, companies classify a liability as current when they do not have unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. The amendment to this is the removal of the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

There is still limited guidance on how to determine whether a right has substance and the assessment may require management to exercise interpretive judgement.

Classification of debt may also change as the amendment has clarified that a right to defer exists only if the Company complies with the conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until later date. This may change how companies classify their debt.

Making Materiality Judgement

The need for materiality judgements is pervasive in the preparation of financial statements. IFRS Standards require companies to make materiality judgements in decisions about recognition, measurement, presentation and disclosure.
The Practice Statement:

- provides an overview of the general characteristics of materiality;
- presents a four-step process companies may follow in making materiality judgements when preparing their financial statements; and
- provides guidance on how to make materiality judgements in specific circumstances; namely, how to make materiality judgements about prior-period information, errors and covenants, and in the context of interim reporting.

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.

IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors
The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information.

Amended by Definition of Accounting Estimates. These amendments introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments are Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.

The amendments to IAS 8 Accounting policies, changes in Accounting Estimates and Errors are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction
The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations.

These amendments should be applied for annual periods beginning on or after 1 January 2023

(I) Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year in accordance to IAS 1.41

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

3.1 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 amount 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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Intangible assets

The intangible assets in the financial statements of the Company are stated at cost less any accumulated amortisation and impairment losses over the period of the asset.

3.3 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.

3.4 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in other comprehensive income.

The current tax is based on the taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or by different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity or other comprehensive income.

Additional income taxes that arise from distribution of dividends are recognised at the same time as a liability to pay the related dividend is recognised.

3.5 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 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.

3.7 Revenue

To determine whether to recognise revenue, the Company follows a 5-step process:

1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognising revenue when/as performance obligation(s) are satisfied.

Accommodation, catering and conferences
For accommodation, catering and conferences the performance obligations are delivered when services are rendered.

Guest loyalty program
Provision is made for the estimated liability arising from the issue of benefits under the Company's customer reward programmes, based on the value of rewards earned by the programme members, and the expected utilisation of these rewards. The value attributed to these awards is deferred as a liability included in deferred income in the statement of financial position, and released to profit or loss as the awards are redeemed. The expected utilisation is determined through consideration of historical usage and forfeiture rates.

3.8 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.

3.9 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 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.

3.11 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.

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
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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial instruments (continued)

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 and other receivables
Trade and other receivables are measured on initial recognition at fair value, being the consideration expected to be received on settlement plus directly attributable costs. Subsequent measurement is at amortised cost using the effective interest method less impairment losses. Appropriate impairment allowances are recognised in the profit or loss when there is objective evidence that the asset is impaired.

Amounts due from related parties
Amounts due from related parties are measured on initial recognition at fair value, being the consideration expected to be received on settlement plus directly attributable costs. Subsequent measurement is at amortised cost using the effective interest method less impairment losses. Appropriate impairment allowances are recognised in the profit or loss when there is objective evidence that the asset is impaired.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value. Cash and cash equivalents are measured at amortised cost which approximates fair value. For the purposes of the statements of cash flows, cash and cash equivalents include bank overdrafts.

The Company has the following financial liabilities:

Loans and borrowings
Interest-bearing bank loans and overdrafts are initially measured at fair value plus transaction costs, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs (see note 3.9).

Lease liabilities
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. The asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

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

Trade payables and other payables
Trade payables are initially measured at fair value, being the amount expected to be incurred on settlement less transactions 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Impairment

Financial assets
IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second and third category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets
The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

Non-financial assets
The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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.

3.13 Earnings per share (basic and diluted)

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 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.

3.15 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.

3.16 Finance Cost/Income

Finance cost comprise interest expense on borrowings and impairment losses recognised on financial assets that are recognised in profit or loss. Finance income is recognised in the profit and loss when it is earned.

3.17 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.

3.18 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.

3.19 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.

3.20 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.

3.21 Foreign currency gains and losses

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

3.22 Operating results

Operating results 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. The operating expenses relating to the results are recognised when incurred.

3.23 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.

4. FINANCIAL RISK AND CAPITAL 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.

Detailed financial information is included in note 24

4. FINANCIAL RISK AND CAPITAL 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 line of credit:

- **MK150 million** (2021: 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 **21.6% per annum** (2021: 15.7%).

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

Detailed financial information is included in note 24

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.

Detailed financial information is included in note 24

4.4 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board through its Finance and Audit Committee, monitors its capital adequacy and capital returns to ensure that it remains a going concern while maximising returns to shareholders.

The capital structure of the Company comprise of share capital and share premium, revaluation reserves and retained earnings as disclosed on the statements of changes in equity.

The Finance and Audit Committee reviews the capital structure on a regular basis. As part of this review, the Committee considers the cost of capital and its associated risks. Based on recommendations of the Committee, the Company will balance its overall capital structure through the payment of dividends and revaluations of its assets.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

5.1.1 Valuation of properties

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

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

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The valuation expert adopted an open market value basis using the combination of income, cost and comparable market approaches.	To arrive at his opinion the valuer used many factors including some unobservable inputs. The major assumption used in valuation of properties on the hotels included: – profits generated by the property for the past three years (2017 – 2019); – the property yield rates arrived at by taking into account the quality and location of the property among other things. The valuer used yield rates ranging between 8%-15% – comparable average property prices adjusted for expected growth within the market and the location of the related hotel property.	The estimated fair value would increase (decrease) if: – expected profits generated by the property were higher (lower); – the property yield rates were lower (higher).

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

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.

SUNBIRD TOURISM PLC

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6. PROPERTY AND EQUIPMENT

See accounting policy 3.1

	Freehold property	Leasehold property	Vehicles & equipment	Work in progress	Total
2022					
Cost or valuation					
At 1 January 2022	**22,127,871**	**20,051,506**	**7,012,385**	**617,274**	**49,809,036**
Additions during the year	**19,740**	**23,681**	**421,654**	**2,008,838**	**2,473,913**
Reclassification	**-**	**-**	**(26,925)**	**26,925**	**-**
Work in progress capitalised	**419,886**	**696,137**	**356,681**	**(1,472,704)**	**-**
Transferred to stocks (Note 8)	**-**	**-**	**-**	**(37,452)**	**(37,452)**
Disposals during the year	**-**	**-**	**(143,950)**	**(163,800)**	**(307,750)**
At 31 December 2022	**22,567,497**	**20,771,324**	**7,619,845**	**979,081**	**51,937,747**
Accumulated depreciation and impairment losses					
At 1 January 2022	**101,902**	**90,262**	**3,205,033**	**-**	**3,397,197**
Charge for the year	**110,398**	**116,775**	**676,491**	**-**	**903,664**
Eliminated on disposals	**-**	**-**	**(185,894)**	**-**	**(185,894)**
At 31 December 2022	**212,300**	**207,037**	**3,695,630**	**-**	**4,114,967**
Carrying amount					
At 31 December 2022	**22,355,197**	**20,564,287**	**3,924,215**	**979,081**	**47,822,780**
2021					
Cost or valuation					
At 1 January 2021	21,823,633	13,435,554	5,782,677	4,636,531	45,678,395
Additions during the year	22,171	19,852	483,252	3,926,998	4,452,273
Work in progress capitalised	282,067	6,596,100	983,211	(7,861,378)	-
Transferred to stocks (Note 8)	-	-	-	(53,634)	(53,634)
Disposals during the year	-	-	(236,755)	(31,243)	(267,998)
At 31 December 2021	22,127,871	20,051,506	7,012,385	617,274	49,809,036
Accumulated depreciation and impairment losses					
At 1 January 2021	-	-	2,771,008	-	2,771,008
Charge for the year	101,902	90,262	628,880	-	821,044
Eliminated on disposals	-	-	(194,855)	-	(194,855)
At 31 December 2021	101,902	90,262	3,205,033	-	3,397,197
Carrying amount					
At 31 December 2021	22,025,969	19,961,244	3,807,352	617,274	46,411,839

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

SUNBIRD TOURISM PLC

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6. PROPERTY AND EQUIPMENT (CONTINUED)
See accounting policy 3.1

Additions
Additions to property and equipment comprise the following:

	2022	2021
Assets acquired at cost	**2,473,913**	3,945,860
Interest capitalised into assets	**-**	506,413
Total asset additions	**2,473,913**	4,452,273

Properties (Land and buildings)
Carrying amount at end of the year comprise the following:

	2022	2021
Purchase cost	**19,584,387**	18,429,532
Subsequent revaluations	**23,335,097**	23,557,680
At 31 December	**42,919,484**	41,987,212

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:

	2022	2021
Cost	**22,756,633**	21,597,189
Accumulated depreciation	**(3,172,246)**	(3,167,657)
Carrying amount	**19,584,387**	18,429,532

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 MK43.0 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 2022, properties, with a carrying amount of **MK37.0 billion** (2021: MK35.9 billion) were subject to a registered form of security for corporate bond, medium term loan and bank overdrafts. Motor vehicles pledged as security for lease liability amounted to **MK96.4 million** (2021: MK96.4 million) (see note 11, 13(a) and 13(b)).

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

In thousands of Malawi Kwacha

7. INTANGIBLE ASSETS
See accounting policy number 3.2

2022	Concession	Acquired software licenses	Total
Gross carrying amount			
At 1 January 2022	**46,044**	**278,199**	**324,243**
Additions for the year	**10,454**	**37,283**	**47,737**
Disposal for the year	**-**	**(34,933)**	**(34,933)**
At 31 December 2022	**56,498**	**280,549**	**337,047**
Amortisation and impairment			
At 1 January 2022	**2,963**	**206,771**	**209,734**
Amortisation for the year	**2,559**	**30,630**	**33,189**
Disposal for the year	**-**	**(29,833)**	**(29,833)**
At 31 December 2022	**5,522**	**207,568**	**213,090**
Carrying amount at 31 December 2022	**50,976**	**72,981**	**123,957**
2021			
Gross carrying amount			
At 1 January 2021	41,690	272,949	314,639
Additions	4,354	5,250	9,604
At 31 December 2021	46,044	278,199	324,243
Amortisation and impairment			
At 1 January 2021	586	176,697	177,283
Amortisation	2,377	30,074	32,451
At 31 December 2021	2,963	206,771	209,734
Carrying amount at 31 December 2021	43,081	71,428	114,509

The Company entered into a concession agreement with the government of Malawi in the operation of Chintheche Inn in Nkhata Bay, the investment in the operation was recognised at cost and amortised over the period of the concession. The initial cost of the concession and subsequent investment in property is recognised in the intangible assets.

8. INVENTORIES
See accounting policy 3.3

	2022	2021
Merchandise	**1,681,170**	1,126,195
Transfer from WIP and equipment (Note 6)	**37,452**	53,634
Consumables	**925,041**	759,674
Food, drink and tobacco	**446,991**	337,936
	3,090,654	2,277,439

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.

	2022	2021
Write-down to net realisable value	**89,241**	116,758

In thousands of Malawi Kwacha

9. TRADE AND OTHER RECEIVABLES

See accounting policy 3.11

	2022	2021
Trade receivables, gross**	**2,984,468**	3,132,992
Allowance for credit losses	**(373,196)**	(419,161)
Trade receivables	**2,611,272**	2,713,831
Other receivables	**869,130**	596,353
	3,480,402	3,310,184
Other receivables are made up of:		
Staff debtors	**192,228**	191,243
Kara O Mula	**101,412**	117,214
Claimable Value Added Tax (VAT) *	**337,843**	125,899
Prepayments *	**237,647**	161,997
	869,130	596,353

*: Not a financial asset
** Some of the receivables are in foreign currency
Information on financial risk management is included in notes 4 and 24.

10. RELATED PARTY TRANSACTIONS

See accounting policy 3.11

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

Transactions with related parties

	2022	2021
Revenue and other income		
Government department and related entities (shareholder and entities under common shareholding):		
Accommodation, catering and conferences revenue	**6,538,885**	5,564,649
Administrative and other expenses		
Tevet levy:		
Government department (shareholder and entities under Common shareholding)	**48,166**	46,917
Electricity and water bills:		
Government departments related entities	**1,445,203**	1,207,066
	1,493,369	1,253,983
Amounts due from related parties		
Government departments and related parties	**881,157**	955,400
Amounts due to related parties		
Government departments and related entities		
Advance deposits *	**694,533**	663,533

* 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.

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%** (2021: 5%) of their basic pay while the Company contributes **13.3%** (2021: 13.3%) of the basic pay.

Salary and cash benefits for the year were as follows:

	2022	2021
Short-term benefits (salary and bonus)	**601,891**	574,228
Post-employment benefits (Employer pension contribution)	**84,196**	76,372
	686,087	650,600
Directors' remuneration	**101,408**	64,259

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

SUNBIRD TOURISM PLC

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11. CASH AND CASH EQUIVALENTS

See accounting policy 3.11

	2022	2021
Cash at bank	**699,566**	677,263
Short term cash investments	**1,457,182**	200,000
Bank overdrafts	**-**	(107,655)
	2,156,748	769,608

Foreign currency cash equivalent

The cash balance include the foreign currency as below

	31 December 2022				31 December 2021			
	Malawi Kwacha equivalent of				*Malawi Kwacha equivalent of*			
	USD	**ZAR**	**GBP**	**Euro**	USD	ZAR	GBP	Euro
Currency	**1,055,967**	**5,320**	**9,837**	**22,340**	272,703	5,316	8,468	10,077

The Company has a bank overdraft facility of **MK150 million** (2021: MK150 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 2022 was **MK3.68 billion** (2021: MK3.16 billion). Interest is charged at the bank's base lending rate minus 200 basis points currently at **16.0%** per annum (2021: 15.7%). Deposits on current accounts do not attract interest while short term investments attract average interests of **15%** (2021: 12.0%). The facilities are repayable on demand and are renewed annually.

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

12. SHARE CAPITAL AND SHARE PREMIUM

See accounting policy 3.17

	2022	2021
Authorised		
280,000,000 (2021: 280,000,000) Ordinary shares of 5 tambala each	**14,000**	14,000
Issued and fully paid		
261,582,580 (2021: 261,582,580) Ordinary shares of 5 tambala each	**13,079**	13,079

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Share Premium

	2022	2021
The share premium arose following the issue of 4,270,105 shares at 51 tambala per share.	**1,966**	1,966

13. LOANS AND BORROWINGS
CORPORATE BONDS, MEDIUM TERM LOANS AND LEASE LIABILITIES

See accounting policy 3.11

2022	**Corporate bonds** *Note 13(a)*	**Lease liabilities** *Note 13(b)*	**Medium Term Loan** *Note 13(c)*	**Total**
1 January 2022	**10,567,759**	**84,263**	**1,343,914**	**11,995,936**
Proceeds from borrowings	**300,000**	**-**	**-**	**300,000**
Accrued interest	**66,850**	**-**	**15,126**	**81,976**
Repayments during the year	**(757,759)**	**(21,034)**	**(1,028,065)**	**(1,806,858)**
31 December 2022	**10,176,850**	**63,229**	**330,975**	**10,571,054**

2021	Corporate bonds *Note 13(a)*	Lease liabilities *Note 13(b)*	Medium Term Loan *Note 13(d)*	Total
1 January 2021	10,466,503	-	-	10,466,503
Proceeds from borrowings	700,000	96,356	1,875,000	2,671,356
Accrued interest	67,759	-	1,031	68,790
Repayments during the year	(666,503)	(12,093)	(532,117)	(1,210,713)
31 December 2021	10,567,759	84,263	1,343,914	11,995,936

SUNBIRD TOURISM PLC

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13. LOANS AND BORROWINGS; CORPORATE BONDS AND LEASE LIABILITIES (continued)
See accounting policy 3.11

13(a) CORPORATE BONDS
See accounting policy 3.11

	Currency	Year of maturity	Amortised cost 2022	Amortised cost 2021
NBM Capital Markets Limited	MK	2022	**-**	699,351
NBM Capital Markets Limited	MK	2023	**1,472,490**	1,469,650
NBM Capital Markets Limited	MK	2024	**2,904,360**	2,898,758
Old Mutual Life Assurance Company	MK	2024	**1,900,000**	1,900,000
Old Mutual Life Assurance Company	MK	2025	**2,900,000**	2,900,000
Old Mutual Life Assurance Company	MK	2026	**700,000**	700,000
Old Mutual Life Assurance Company	MK	2027	**300,000**	-
TOTAL			**10,176,850**	10,567,759
At 1 January			**10,567,759**	10,466,503
Repayments during the year			**(757,759)**	(666,503)
Accrued interest			**66,850**	67,759
Issued during the year			**300,000**	700,000
At 31 December			**10,176,850**	10,567,759
Disclosed under:				
Current liabilities			**1,516,850**	757,759
Non-current liabilities			**8,660,000**	9,810,000
At 31 December			**10,176,850**	10,567,759

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 **MK300 million** (2021: MK700 million) were received from Old Mutual Life Assurance Company Limited. The proceeds were used for various projects within the Company. The bonds are secured over land and buildings of the Company valued at **MK24.4 billion** (2021: MK24.0 billion).

13(b) LEASE LIABILITIES
See accounting policy 3.11

	Amortised Cost 2022	Amortised Cost 2021
At 1 January	**84,263**	-
Issued during the year	**-**	96,356
Repayment during the year	**(21,034)**	(12,093)
At 31 December	**63,229**	84,263
Disclosed under:		
Current liabilities	**23,453**	21,417
Non-current liabilities	**39,776**	62,846
At 31 December	**63,229**	84,263

In thousands of Malawi Kwacha

13. LOANS AND BORROWINGS;
CORPORATE BONDS AND LEASE LIABILITIES (continued)
See accounting policy 3.11

13(b) LEASE LIABILITIES (continued)

The Company has a finance lease facility of MK300 million from NBS Bank to cater for procurement of motor vehicles repayable over three to four years. Interest on the facility is charged at 4.0% above the bank base lending rate which is currently **15.0% per annum** (2021: 12.3% per annum). The leased motor vehicles secure the lease obligations. The net carrying amount of leased motor vehicles was as follows:

	2022			2021		
	Future minimum lease payments	**Interest**	**Present value of minimum lease payments**	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	**35,335**	**11,882**	**23,453**	27,687	6,270	21,417
Between one and four years	**45,470**	**5,694**	**39,776**	81,246	18,400	62,846
At 31 December	**80,805**	**17,576**	**63,229**	108,933	24,670	84,263

13(c) MEDIUM TERM LOANS
See accounting policy 3.11

The Company has a medium term loan facility of MK1.875 billion from Export Development Fund (EDF) for cash flow financing of projects and operations as may be required. The interest on the facility is charged at 1% above Reserve Bank Policy Rate, currently at **18.0 %** (2021: 13%). The loan is secured over land and buildings of the Company valued at **MK8.8 billion** (2021: MK8.6 billion).

	Amortised cost	
	2022	2021
At 1 January	**1,343,914**	-
Issued during the year	**-**	1,875,000
Accrued interest	**15,126**	1,031
Repayment during the year	**(1,028,065)**	(532,117)
At 31 December	**330,975**	1,343,914
Disclosed under:		
Current liabilities	**330,975**	1,057,200
Non-current liabilities	**-**	286,714
At 31 December	**330,975**	1,343,914

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

The loan is secured over land and buildings of the Company valued at **MK8.8 billion** (2021: MK8.6 billion).

14. EMPLOYEE BENEFITS
See accounting policy 3.6

14(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 **MK550 million** (2021: MK512 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%** (2021: 5%) and **13.3 %** (2021: 13.3%), respectively.

SUNBIRD TOURISM PLC

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14. EMPLOYEE BENEFITS (Continued)
See accounting policy 3.6

14(b) Short-term employee benefit liabilities	**2022**	2021
Short-term employee benefits *	**957,522**	152,039

* 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.

15(a). TRADE AND OTHER PAYABLES
See accounting policy 3.11

Trade payables	**886,030**	841,075
Output VAT*	**748,534**	224,562
Guest advance deposits*	**977,726**	882,265
Other payables and accruals	**1,678,977**	1,238,359
	4,291267	3,186,261

Other payables and accruals include the following:

Audit fees	**33,453**	35,820
Unclaimed dividend	**211,877**	136,598
PAYE and Withholding taxes due*	**205,399**	159,521
Water, electricity and telephone accrued	**147,875**	192,516
Tourism levy*	**33,012**	23,923
Pension contributions payable*	**75,419**	64,760
Other employee obligations	**126**	9,897
Contractors fees	**600,775**	-
Other accruals	**371,041**	615,324
	1,678,977	1,238,359

15(b). PROVISIONS

Provisions made in the year	**30,000**	-

* These balances are not financial liabilities.

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

16. REVENUE
See accounting policy 3.7

Rooms revenue	**11,051,608**	6,620,918
Catering revenue	**14,122,209**	9,506,313
Other revenue	**496,339**	461,317
Total	**25,670,156**	16,588,548

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.

17. OTHER INCOME
See accounting policy 3.7, 3.18 and 3.20

Government grants	**175,106**	87,417
Reversal of prior year provisions	**62,046**	47,633
Insurance claim proceeds	**12,999**	13,116
Other sundry receipts	**21,376**	28,250
Total	**271,527**	176,416

SUNBIRD TOURISM PLC

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18. DEFERRED INCOME/REVENUE

See accounting policy 3.7 and 3.18

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 2021 the Company qualified for duty and excise waiver amounting to **MK442 million**, this grant was recognised as deferred income in 2021. 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, during each qualifying stay at a Sunbird hotel and redeem points at a later date for free accommodation or other benefits. The future redemption liability is calculated by multiplying the number of points expected to be redeemed before they expire by the redemption cost per point.

	Deferred income					
	2022			2021		
	Government Grant	**Guest loyalty program**	**Total**	Government Grant	Guest loyalty program	Total
At 1 January	**670,614**	**54,574**	**725,188**	315,718	43,280	358,998
Add: amounts received during the year	**88,812**	**348,158**	**436,970**	442,313	206,167	648,480
Less: Amounts recognised in the statement of profit or loss and comprehensive income	**(175,106)**	**(330,680)**	**(505,786)**	(87,417)	(194,873)	(282,290)
At 31 December	**584,320**	**72,052**	**656,372**	670,614	54,574	725,188
Deferred income recognised under:						
Current liabilities	**166,603**	**72,052**	**238,655**	175,879	54,574	230,453
Non-current liabilities	**417,717**	**-**	**417,717**	494,735	-	494,735
	584,320	**72,052**	**656,372**	670,614	54,574	725,188

19a. COST OF SALES

See accounting policy 3.22

	2022	2021
Food	**4,229,934**	2,607,828
Beverage	**716,891**	398,716
Rooms direct expenses	**693,478**	503,377
Catering direct expenses	**517,974**	390,734
Other direct costs	**21,645**	18,347
Rooms direct labour expenses	**679,213**	606,798
Catering direct labour expenses	**1,504,844**	1,350,177
Total	**8,363,979**	5,875,977

SUNBIRD TOURISM PLC

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19b. ADMINISTRATIVE AND OTHER EXPENSES

See accounting policy 3.22

	2022	2021
City and ground rates	**72,141**	56,062
Computer, telephone and internet expenses	**322,067**	261,121
Depreciation and amortisation	**936,853**	853,495
Directors' remuneration	**101,408**	64,259
Energy, repairs and maintenance costs	**2,221,264**	1,631,490
Impairment of trade receivables	**-**	163,075
Insurance expenses	**140,647**	130,540
Laundry expenses	**72,342**	41,276
Licenses and permits	**132,043**	110,419
Listing and secretarial expenses	**46,198**	43,477
Loss on disposal of property and equipment	**112,765**	54,706
Marketing expenses	**252,606**	138,877
Motor vehicle expenses	**294,099**	205,875
Other administrative expenses	**588,001**	378,018
Security	**247,898**	227,928
Staff costs	**6,256,623**	4,489,724
Total	**11,796,955**	8,850,342

20. FINANCE COST/INCOME
See accounting policy 3.16

	2022	2021
Finance Income		
Interest from cash and cash equivalents	**24,482**	67,249
Total		
Finance Costs		
Interest on lease liabilities	**13,179**	33,914
Interest on bank overdraft	**10,601**	14,789
Interest on medium term loan	**117,752**	146,361
Interest on corporate bonds	**1,961,698**	1,047,824
Total	**2,103,230**	1,242,888
Reconciliation of interest paid		
Accrued Interest at 1 January	**68,789**	66,502
Interest charged to statement of profit or loss	**2,103,230**	1,242,888
Interest capitalised into assets	**-**	506,413
Accrued interest at 31 December	**(81,976)**	(68,789)
Interest paid	**2,090,043**	1,747,014

21. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging/(crediting) the following:-

	2022	2021
Auditors' remuneration: - current year	**42,195**	31,663
- mid - year review	**9,361**	7,092
Depreciation and amortisation	**938,665**	853,495
Directors' remuneration	**101,408**	64,259
Deferred income	**(175,106)**	(87,417)
Loss on disposal of property and equipment	**113,641**	54,706
Impairment of trade receivables	**(30,801)**	163,075
Pension costs	**550,127**	511,613
Staff costs	**8,440,680**	6,446,699

SUNBIRD TOURISM PLC

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22. INCOME TAX

See accounting policy 3.4

22(a) Income tax

		2022		2021
Income tax charge				
Current tax		**499,799**		-
Deferred tax		**151,701**		113,614
Total income tax expense		**651,500**		113,614
Reconciliation of effective tax rate				
Profit before income tax expense		**3,702,001**		863,006
	%		%	
Tax at standard rate	**30**	**1,110,600**	30	258,902
Temporary differences	**(12)**	**(459,100)**	(17)	(145,288)
Effective rate of tax	**18**	**651,500**	(13)	113,614

22(b) Income tax receivable

	2022	2021
Current tax assets at 1 January	**625,579**	541,895
Current year tax charge	**(499,799)**	-
Other tax receivables	**5,150**	-
Tax credit utilisation	-	(327,302)
Income tax paid	**327,133**	410,986
Current tax receivable at 31 December	**458,063**	625,579

22(c) Deferred tax liabilities

See accounting policy 3.4

	2022	2021
At 1 January	**9,973,761**	9,860,147
Recognised in profit or loss and other comprehensive income:		
Deferred tax on accelerated capital allowances	**384,398**	191,465
Deferred tax on employment benefits and other provisions	**(232,697)**	(77,851)
At 31 December	**10,125,462**	9,973,761
Analysed as:		
Accelerated capital allowances	**4,189,202**	3,804,804
Revaluation of property	**6,361,872**	6,361,872
Deferred tax assets on employment benefits and other provisions	**(425,612)**	(192,915)
Net deferred tax liabilities	**10,125,462**	9,973,761

SUNBIRD TOURISM PLC

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23(a). EARNINGS PER SHARE (BASIC AND DILUTED)
See accounting policy 3.13

The calculation of basic and diluted earnings per share is based on profit attributable to shareholders of **MK3.1 billion** (2021: Profit of MK749 million) and the weighted average number of ordinary shares outstanding during the year of **261,582,580** (2021: 261,582,580) as below:

	2022	2021
Profit for the year (MK'000)	**3,050,501**	749,392
Weighted average number of shares ('000)	**261,583**	261,583
Earnings per share - tambala	**1,166**	286

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

23(b). DIVIDEND
See accounting policy 3.20

The Company declared and paid an interim dividend of **MK131 million** (2021: Nil) in respect of year ended 31 December 2022. There was also no final dividend declared and paid in respect of year ended 31 December 2021.

24. FINANCIAL INSTRUMENTS
See accounting policy 3.11

24.1 Accounting classification and fair value measurement
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.

2022

	Note	**Amortised Cost**
Financial assets		
Trade and other receivables	9	**2,904,912**
Amounts due from related parties	10	**881,157**
Cash and cash equivalents	11	**2,156,748**
		5,942,817
Financial liabilities		
Bank overdraft	11	**-**
Trade and other payables	15	**2,251,177**
Corporate bonds	13(a)	**10,176,850**
Lease liabilities	13(b)	**63,229**
Medium term loan	13(c)	**330,975**
		12,822,231

2021

	Note	Amortised Cost
Financial assets		
Trade and other receivables	9	3,022,288
Amounts due from related parties	10	955,400
Cash and cash equivalents	11	877,263
		4,854,951
Financial liabilities		
Bank overdraft	11	107,655
Trade and other payables	15	1,831,230
Corporate bonds	13(a)	10,567,759
Lease liabilities	13(b)	84,263
Medium term loan	13(c)	1,343,914
		13,934,821

In thousands of Malawi Kwacha

24. FINANCIAL INSTRUMENTS (CONTINUED)
See accounting policy 3.11

24.2 Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	2022	2021
Trade and other receivables	9	**2,904,912**	3,022,288
Amounts due from related parties	10	**881,157**	955,400
Cash and cash equivalents	11	**2,156,748**	877,263
		5,942,817	4,854,951

Receivables

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

	Note		
Trade receivables	9	**2,712,684**	2,831,045
Amounts due from related parties	10	**881,157**	955,400
Total trade receivables		**3,593,841**	3,786,445
Other receivables			
Staff debtors	9	**192,228**	191,243
Total receivables		**3,786,069**	3,977,688

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

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

	Receivables 2022	Impairment 2022	Receivables 2021	Impairment 2021
Not past due	**1,522,295**	**76,115**	1,150,632	53,656
Past due 31-60 days	**611,259**	**42,788**	814,520	57,663
Past due 61-90 days	**322,935**	**32,294**	539,735	52,918
Past due over 90 days	**1,329,580**	**221,998**	1,472,801	254,924
Total	**3,786,069**	**373,195**	3,977,688	419,161

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

	2022	2021
Balance at 1 January	**419,161**	278,982
Recognised in statement of profit or loss	**(45,966)**	163,075
Doubtful debts recovered during the year	**-**	(22,896)
Balance at 31 December	**373,195**	419,161

Details on how the Company manages its credit risk is included in note 4.

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24 FINANCIAL INSTRUMENTS (CONTINUED)

See accounting policy 3.11

24.3 Liquidity risk

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

		Contractual amounts	Carrying cash flows	6 mths or less	6-12 mths	1-2 years	3-5 years
2022	**Note**						
Non-derivative financial liabilities							
Corporate bonds	**13(a)**	**10,110,000**	**13,983,342**	**1,654,062**	**1,684,062**	**9,441,043**	**1,204,175**
Lease liabilities	**13(b)**	**63,229**	**80,805**	**17,808**	**16,809**	**46,188**	**-**
Medium term loan	**13(c)**	**315,849**	**330,975**	**330,975**	**-**	**-**	**-**
Trade and other payables	**15**	**2,251,177**	**2,251,177**	**2,251,177**	**-**	**-**	**-**
		12,740,255	**16,646,299**	**4,254,022**	**1,700,871**	**9,487,231**	**1,204,175**
2021	Note						
Non-derivative financial liabilities							
Corporate bonds	13(a)	10,500,000	14,910,704	1,174,881	1,174,881	8,570,123	3,990,819
Lease liabilities	13(b)	84,263	108,932	16,759	16,759	67,035	8,379
Medium term loan	13(c)	1,342,883	1,476,634	590,751	590,751	295,132	-
Trade and other payables	15	1,864,097	1,864,097	1,864,097	-	-	-
		13,791,243	18,360,367	3,646,488	1,782,391	8,932,290	3,999,198

Details on how the Company manages its credit risk is included in note 4.

24.4.1 *Exposure to currency risk*

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

	31 December 2022				31 December 2021			
	Malawi Kwacha equivalent of				*Malawi Kwacha equivalent of*			
	USD	**ZAR**	**GBP**	**Euro**	USD	ZAR	GBP	Euro
Cash and cash equivalents	**1,055,967**	**5,320**	**9,837**	**22,340**	272,703	5,316	8,468	10,077
Trade and other receivables	**100,283**	-	-	-	105,409	-	-	-
Employee benefits	**(78,292)**	**-**	**-**	**-**	(44,294)	-	-	-
	1,077,958	**5,320**	**9,837**	**22,340**	333,818	5,316	8,468	10,077

The following significant exchange rates applied during the year:

	Average Rate		**Reporting Date Spot Rate**	
	2022	2021	**2022**	2021
Kwacha/USD	**957.87**	802,61	**1,028.48**	817.30
Kwacha/Rand	**63.13**	58.29	**62.33**	58.29
Kwacha/GBP	**1,243.03**	1,164,69	**1,274.17**	1,199.26
Kwacha/Euro	**1,062.83**	1,108,94	**1,126.53**	1,002.55

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 2022 would have increased exchange gain by **MK109 million** (2021: exchange gain of MK29 million) which would have been credited to profit or loss. The increase in equity would be **MK77 million** (2021: MK21 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.

Details on how the Company manages its credit risk is included in note 4.

In thousands of Malawi Kwacha

24 FINANCIAL INSTRUMENTS (CONTINUED)
See accounting policy 3.11

24.4.2 *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 2022	2021
Corporate bonds	13(a)	**10,110,000**	10,500,000
Lease liabilities	13(b)	**63,229**	84,263
Medium term loan	13(d)	**315,849**	1,342,883
		10,489,078	11,927,146

The prevailing interest rates for these interest bearing facilities are within the region of Reserve Bank of Malawi's Reference rate plus or minus 1-10%. The Reserve Bank of Malawi reference rate currently is at **17.3%** (2021: 12.2%). The commercial banks' average lending rate currently is at **25.18%** (2021: 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 **MK94 million** (2021: MK21 million). The decrease in equity would be **MK65 million** (2021: MK57 million). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Details on how the Company manages its credit risk is included in note 4.

25. CAPITAL MANAGEMENT
See accounting policy 4.4

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the movements in the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as financial liabilities (including 'current and non-current borrowings' as shown in the statements of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statements of financial position plus net debt.

The gearing ratios at 31 December were as follows:

	Note	2022	2021
Corporate bond	13(a)	**10,110,000**	10,500,000
Lease liabilities	13(b)	**63,229**	84,263
Medium term loan	13(d)	**315,849**	1,342,883
Less: cash and cash equivalents	11	**(2,156,748)**	(769,608)
Net debt		**8,332,330**	11,157,538
Total equity		**30,714,654**	27,767,840
Total capital		**39,046,984**	38,925,378
Gearing ratio		**21%**	29%

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26. SEGMENTAL REPORTING
See accounting policy 3.15

Business segments
The Company has three reportable segments, based on type of products or services being offered. The following summary describes operations of each reportable segment:

Reportable segment	**Operations**
Room income	Revenue from provision of accommodation to guests.
Catering income	Revenue from sale of food and beverages to guests.
Other income	Revenue from other services provided at the hotel to support rooms and catering segments.

Information provided to the Company's Chief Operating Decision Maker is segmented in room income, catering income and other income.

	Room income	**Catering income**	**Other services**	**Total**
2022				
Total revenue	**11,051,608**	**14,122,209**	**496,339**	**25,670,156**
Segment contribution	**9,124,955**	**6,199,424**	**341,664**	**15,666,043**
Other hotel expenses				**(9,692,815)**
Corporate expenses				**(132,997)**
Finance costs				**(2,103,230)**
Profit before income tax expense				**3,737,001**
2021				
Total revenue	6,620,918	9,506,313	461,317	16,588,548
Segment contribution	5,142,504	4,166,680	365,875	9,675,059
Other hotel expenses				(7,463,009)
Corporate expenses				(106,156)
Finance costs				(1,242,888)
Profit before income tax expense				863,006

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.

	2022	2021
	%	%
Leisure individual	**9**	13
Corporate Individual	**62**	57
Corporate Groups	**20**	27
Leisure groups	**1**	1
Online	**8**	2
Total	**100**	100

Geographical Source of Business
The geographical source of business is predominantly domestic:

Malawi	**86**	94
Africa	**9**	3
Europe	**3**	1
Americas	1	1
Other	**1**	1
Total	**100**	100

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27. COMMITMENTS
See accounting policy 3.19

	2022	2021
Capital expenditure:		
Authorised but not contracted for	**1,304,342**	753,531

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

28. CONTINGENCIES
See accounting policy 5.2

Legal claims	**125,000**	80,000
	125,000	80,000

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

29. 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.

	2022	2021
Kwacha/US Dollar	**957.87**	802.61
Kwacha/Rand	**63.13**	58.29
Kwacha/GBP	**1,243.03**	1,164.69
Kwacha/Euro	**1,062.83**	1,108,94
Inflation rate (%)	**25.4%**	9.3%

At the end of the year, the Reserve Bank of Malawi reference base-lending rate was **18.0%** (2021: 12.2%). 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/US Dollar	**1,028.48**
Kwacha/Rand	**58.38**
Kwacha/GBP	**1,298.47**
Kwacha/Euro	**1,145.02**
Inflation rate (%)	**26.7%**

30. EVENTS AFTER REPORTING PERIOD

Subsequent to year end, there was an adjustment arising from an arbitration case between Sunbird Tourism Plc and Plem Construction on the Sunbird Water Front Project. Profitability was reduced by MK21 million as a result of this adjustment.

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. ……………………………………………………of ……………………………………………or failing him/her
2. ……………………………………………………of ……………………………………………or 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 35th Annual General Meeting of the Company to be held at Mount Soche Hotel, Glyn Jones Road, on Thursday 29th June, 2023.

	Agenda Item	**Mark where applicable**		
	Ordinary Business	**In favour**	**Against**	**Abstain**
1.	Approval of Minutes of the 34th Annual General Meeting held on 17th June, 2022.			
2.	Adoption of 2022 Directors Report, Auditors Report and Financial Statements.			
3.	To confirm proposed dividend to be paid in respect of the year 2022.			
4.	**Directors Re-election** To re-elect the following directors: • Mr. Gladson Kuyeri • Mr. Cornelius Majawa • Dr. MacDonald Mafuta Mwale			
4.	To approve remuneration for the Chairman and Non-Executive Directors for 2023.			
5.	To appoint Grant Thornton, Certified Public Accountants, as Auditors for 2023 and to authorise the Directors to determine their remuneration for the year.			

Signed at ………………………………………………. on this………… day of ………………………… 2023

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.