



ANNUAL REPORT 2021



ANNUAL REPORT 2021 CONTENTS

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FINANCIAL HIGHLIGHTS

Group Summary (in millions)

| | Malawi Kwacha | | | US Dollars | | |
|-----------------------|---------------|---------|----------|------------|--------|----------|
| | 2021 | 2020 | Change % | 2021 | 2020 | Change % |
| Turnover | 249 073 | 202 898 | 22.76 | 313.49 | 269.02 | 16.53 |
| Attributable earnings | 21 728 | 3 669 | 492.20 | 27.35 | 4.86 | 462.76 |
| Shareholders' equity | 188 640 | 158 454 | 19.05 | 230.81 | 205.32 | 12.41 |

Share performance

| | | | | | | |
|--|----------|----------|---------|-------|-------|---------|
| Basic earnings per share | 180.77 | 30.52 | 492.20 | 0.23 | 0.04 | 475.00 |
| Cash retained from operations per share | 166.62 | 632.03 | (73.64) | 0.20 | 0.82 | (75.61) |
| Net asset value per share (shareholders' equity per share) | 2461 | 2031 | 21.17 | 3.01 | 2.63 | 14.45 |
| Dividend per share | 31.01 | 26.01 | 19.22 | 0.04 | 0.03 | 33.33 |
| Market price per share | 1900.00 | 1309.00 | 45.15 | 2.32 | 1.70 | 36.47 |
| Price earnings ratio | 10.51 | 42.9 | (75.49) | 10.09 | 42.50 | (76.26) |
| Number of shares in issue (in millions) | 120.20 | 120.2 | 0.00 | | | |
| Volume of shares traded (in thousands) | 5 026.00 | 8 203.00 | (38.73) | | | |
| Value of shares trades (in MK millions) | 5 207.00 | 8 100.00 | (35.72) | 6.55 | 10.74 | (39.01) |

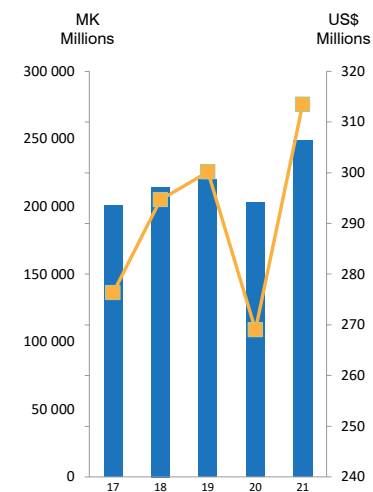
Financial statistics

| | | | | | | |
|----------------------------|-------|-------|-------|------|------|-------|
| After tax return on equity | 23.92 | 12.61 | 89.79 | 0.03 | 0.02 | 50.00 |
| Gearing | 13% | 17% | 22.78 | | | |

Average monthly exchange rates
Year end exchange rates

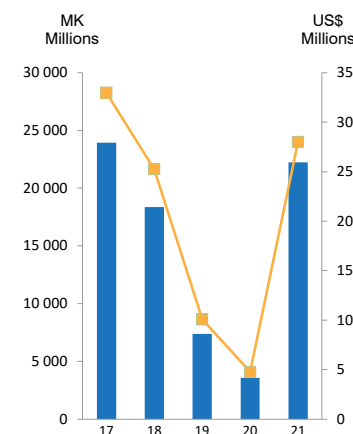
| Exchange rate (MK/US\$) | 2017 | 2018 | 2019 | 2020 | 2021 |
|--------------------------------|--------|--------|--------|--------|--------|
| Average monthly exchange rates | 725.50 | 727.70 | 733.25 | 754.22 | 794.52 |
| Year end exchange rates | 725.60 | 729.80 | 736.70 | 771.73 | 817.30 |

TURNOVER



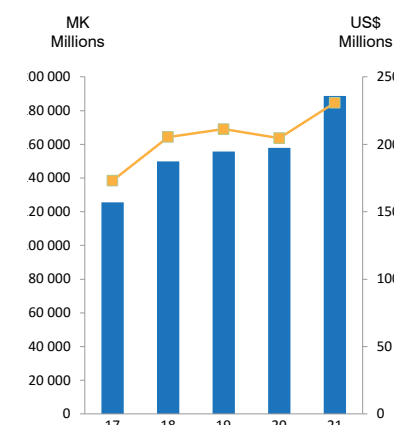
| | 17 | 18 | 19 | 20 | 21 |
|-------|---------|---------|---------|---------|---------|
| K'm | 200 480 | 214 420 | 220 066 | 202 898 | 249 073 |
| US\$m | 276 | 295 | 300 | 269 | 313 |

PROFIT ATTRIBUTABLE TO ORDINARY SHARES



| | 17 | 18 | 19 | 20 | 21 |
|-------|--------|--------|-------|-------|--------|
| K'm | 23 917 | 18 373 | 7 377 | 3 669 | 21 728 |
| US\$m | 33 | 25 | 10 | 5 | 27 |

ORDINARY SHAREHOLDERS' FUNDS



| | 17 | 18 | 19 | 20 | 21 |
|-------|---------|---------|---------|---------|---------|
| K'm | 125 557 | 149 960 | 155 668 | 158 454 | 188 640 |
| US\$m | 173 | 205 | 211 | 205 | 231 |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | 2021 MK'm | 2020 MK'm Restated | 2019 MK'm | 2018 MK'm | 2017 MK'm |
|--|--------------|--------------------------|--------------|--------------|--------------|
| Turnover and interest income | 249 073 | 202 898 | 220 066 | 214 420 | 200 480 |
| Profit before income tax and share of profit of equity-accounted investees | 65 878 | 38 026 | 36 964 | 47 302 | 49 269 |
| Share of profit of equity-accounted investees net of income tax | 2 489 | 298 | 3 415 | 4 995 | 4 842 |
| Profit before income tax | 68 367 | 38 324 | 40 379 | 52 297 | 54 111 |
| Income tax expense | (23 236) | (18 350) | (17 510) | (15 584) | (14 438) |
| Profit after income tax | 45 131 | 19 974 | 22 869 | 36 713 | 39 673 |
| Attributable to non-controlling interests | (23 403) | (16 305) | (15 492) | (18 340) | (15 756) |
| Attributable to owners of the company | 21 728 | 3 669 | 7 377 | 18 373 | 23 917 |
| Dividend paid to ordinary shareholders | (3 728) | (3 127) | (3 127) | (3 127) | (2 104) |
| Retained profit | 18 000 | 542 | 4 250 | 15 246 | 21 813 |

Basic earnings per share (MK)

Dividend per share (MK)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| Right of use assets, Property, plant and equipment | 163 335 | 151 531 | 132 402 | 113 574 | 105 908 |
| Investment properties | 12 636 | 11 166 | 9 592 | 7 810 | 6 564 |
| Investment in equity accounted investees | 55 438 | 47 887 | 48 694 | 49 112 | 40 687 |
| Other non-current assets | 363 963 | 281 882 | 188 242 | 126 916 | 85 523 |
| Net current liabilities | (248 815) | (193 186) | (97 899) | (28 555) | (15 780) |
| Total employment of capital | 346 557 | 299 280 | 281 031 | 268 857 | 222 902 |

Ordinary shareholders' funds

Non-controlling interest

Lease liabilities, Loans and borrowings

Provisions

Contract liabilities

Deferred tax liabilities

Total capital employed

CONSOLIDATED STATEMENTS OF CASH FLOWS

OPERATING ACTIVITIES

| | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| Cash generated from operations | 49 545 | 101 784 | 47 398 | 40 889 | 44 643 |
| Interest received and paid, tax paid | (29 517) | (25 814) | (22 178) | (21 448) | (24 764) |
| Cashflows from operating activities | 20 028 | 75 970 | 25 220 | 19 441 | 19 879 |

INVESTING ACTIVITIES

| | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|----------------|
| Dividend received | 3 402 | 2 841 | 5 078 | 4 840 | 3 239 |
| Capital expenditure | (37 794) | (29 320) | (27 979) | (27 830) | (26 908) |
| (Acquisition) /Disposal of subsidiaries, associate net of cash | 17 199 | (100) | - | - | 17 216 |
| Proceeds from sale of property, plant and equipment and investment properties | 217 | 557 | 2 117 | 4 686 | 1 617 |
| Cashflows (used in) investing activities | (16 976) | (26 022) | (20 784) | (18 304) | (4 836) |

FINANCING ACTIVITIES

| | | | | | |
|---|----------------|---------------|----------------|-----------------|---------------|
| Dividends paid to non-controlling shareholders | (10 291) | (7 615) | (8 111) | (8 537) | (7 209) |
| Dividends paid to shareholders of the company | (3 728) | (3 127) | (3 127) | (3 127) | (2 104) |
| Increase/(decrease) in borrowings and lease liability | 8 852 | (7 988) | (619) | (3 462) | 16 297 |
| Cashflows from/(used in) financing activities | (5 167) | (18 730) | (11 857) | (15 126) | 6 984 |
| NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS | (2 115) | 31 218 | (7 421) | (13 989) | 22 027 |

VISION

To be Malawi's premier holding company

MISSION STATEMENT

To create significant viable businesses and contribute to the socio-economic development of Malawi and the region

CORE VALUES

We have adopted the acronym **PRISE** for our core values in the conduct of our business:

People Centred

We treat our employees and all our partners with dignity, fairness and respect, fostering an environment where people can contribute, innovate and excel.

Responsibility

We believe in Ubuntu philosophy that states "I am because we are". We therefore commit to share our success with communities and sustain the environment we operate in.

Integrity

We commit to conduct our business in a transparent and ethical manner and pledge to be accountable to all our stakeholders

Stakeholder Value

We strive to surpass the expectations of our stakeholders both internally and externally. We are therefore committed to enable our stakeholders excel by: creating long-term sustainable businesses and relationships; being responsive and relevant; and delivering value consistently.

Excellence

We pursue excellence through efficiency, effectiveness and outstanding quality.



CHAIRMAN'S REPORT



THE GENERAL OPERATING ENVIRONMENT

The Financial Year 2021 ("FY 2021") saw an increase in economic activities as containment measures for the COVID-19 pandemic were progressively relaxed and daily new infections showed a downward trend. Thus, the global economy rebounded strongly from a severe contraction in 2020, and reflecting the same, Malawi's economy recovered and grew by 3.9% up from 0.8% in 2020.

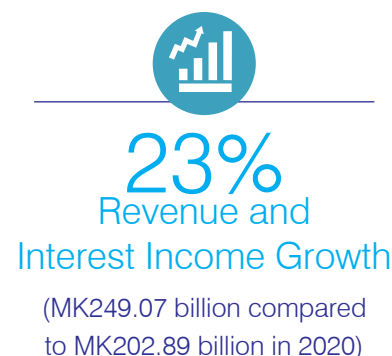
Notwithstanding the recovery signs, the financial markets were turbulent, and inflation has risen in many parts of the world. Malawi's headline inflation rate for 2021 was 9.30% compared to 8.60% in 2020. This was mainly attributed to an increase in both food and non-food inflation. The increase in non-food inflation rate emanated from upward revisions in prices of utilities: water, electricity and fuel, necessitated by rising international oil prices as well as the depreciation of the Kwacha against the US Dollar and the British Pound. The Kwacha closed the year at K816.40/US\$ from K770.84/US\$. The downward trend was mainly attributed to a decline in foreign exchange supply which in turn put pressure on the country's foreign exchange reserves. Changes in the government policy including the removal of currency swap mechanisms which previously held the Kwacha steady in times of lower reserves also negatively impacted the currency performance. Faced with such unpredictable operating terrain, the monetary policy authorities maintained a cautious approach and hence held the policy rate at 12.20% (2020: 12.10%).

The stock market registered a positive return on the index of 33.92% in US\$ terms compared to 2.21% in US\$ terms registered in 2020. In the same period, the market registered first trades on one of the private debt securities and listed 26 Government of Malawi Treasury Notes bringing the total number of listed debt securities to 46.

GROUP PERFORMANCE

Despite the need to navigate through the Covid-19 related challenges, the Group remained steadfast on its strategy implementation and hence overall, 2021 was a very strong year for the PCL Group. The company achieved double-digit revenue, and profit growth while fully establishing its investment in the Life, Pension and Asset Management segment. A Revenue growth and Interest income of 23% (MK249.07 billion compared to MK202.89 billion in 2020) coupled with strict cost containment measures resulted in a Group profit after tax of MK45.1 billion, being 126% higher than prior year Profit After Tax of MK19.9 billion.

The expansion projects in both PressCane and EthCo



were advanced while at NBM, significant resources were directed towards integrating the operations of the newly acquired Akiba Bank of Tanzania. The decision to exit both PTC and MTL resulted in successful execution of the Share Purchase Agreements in both by the year end.

DIVESTURES

The Group completed disposal of its 20% stake in Castel and the proceeds of the same have been earmarked for new investments. We will also be exiting PTC having concluded a Share Purchase Agreement with Tafika Holdings Limited.

PROSPECTS FOR 2022

While we are hopeful that the worst is behind us regarding Covid-19, the war in Ukraine has brought its own complexities hence we expect the operating environment to remain volatile in the year ahead. We will remain resilient and resolute to stay on course. We will continue to seek opportunities to drive the Group ambitions forward with the diversified range of our portfolio by leveraging on our strong track record and capabilities that we have built over the years to return to a higher level of growth and productivity.

As we move forward and in pursuit of our strategic goals, we will focus on strengthening our business performance to better position ourselves to capture growth opportunities when the business sentiment improves by enhancing production efficiency and developing new ways of meeting our stakeholder expectations. At the same time, we will remain diligent and disciplined in exercising financial prudence and managing our operating costs efficiently by ensuring that the functional review exercise that commenced in 2021 is completed.

STRATEGIC DIRECTION

The Group will continue to pursue organic and acquisitive growth opportunities aligned with the Group's strategic priorities of creating new revenue streams and diversifying the portfolio. In this respect, the Group will continue its expansion drive in the ethanol and aquaculture businesses in a bid to unlock their performance sustainability potential. Pursuit of interests in the energy and manufacturing sector will continue. To harness operational efficiencies and enhance shareholder value, the corporate office restructuring will be completed while processes to exit some investments will be advanced. The Board remains confident that the Group's business model, strategic priorities, cost containment initiatives and key growth platforms will continue to deliver shareholder value and benefit our other stakeholders in the years to come.

THE BOARD OF DIRECTORS

There were no changes to the board composition during the year. The board worked very hard in the year to ensure that the functional review exercise had remained

on course and on schedule. I would also like to thank my fellow members of the Board for their invaluable commitment, advice and guidance throughout the year. Suffice to say that the Group has consistently practiced good corporate governance, reflecting its belief that robust governance practices, processes, and culture are fundamental to inspiring investors' confidence, ensuring long-term shareholder value and protecting stakeholders' interests.

The Board will continue to focus on further improving board policies and practices, strengthening oversight of sustainability risks and opportunities, integrating sustainability goals with business strategy and operations, and promoting meaningful engagement with our stakeholders.

APPRECIATION

I would like to express my heartfelt appreciation to our management and staff for their hard work, tenacity, and resilience amidst difficult times. I am grateful for your commitment to the Group. Finally, I would like to extend my deepest gratitude to our business partners, customers, and valued shareholders for their continuous support during this challenging period.

RANDSON MWADIWA
CHAIRMAN

CHIEF EXECUTIVE'S REPORT

GROUP OPERATIONS

2021 proved to be a year that tested our true resilience and determination in striving for excellence, amidst the unprecedented COVID-19 pandemic second wave that created very challenging conditions across all industries that the Group operates in. Our business continuity plans were put to the test, along with the mettle of our people in facing adversity. I am proud to say that we have weathered the storm and emerged stronger, continuing to pursue operational excellence and following through our long-term growth strategies as we strive towards our vision.

Our excellent financial performance in 2021 is the direct result of our concerted efforts and commitment to deliver value to our stakeholders and customers with a Group profit after tax of MK45.1 billion which is 126% above same period prior year profit of MK19.9 billion.

The Group's strong performance is derived from a strong performance in financial services, ethanol businesses, PUMA and Macsteel where performance exceeded budget and prior year in a large measure. The strong rebound in performance by PUMA is because of a margin increase granted by MERA during the year, stockholding gains, increase in volumes, new service stations and the starting up again of uptakes of aviation fuel as the skies re-opened. Similarly, Macsteel's aggressive marketing strategies deployed at the beginning of the year have started bearing fruits with its performance far above that posted in prior year. A reduction in losses in the telecoms sector also ensured that the overall bottom line is enhanced.

Despite the need to navigate through the Covid-19 related challenges, the Group remained steadfast in its strategy implementation. In this respect, efforts were directed towards full operationalization of LifeCo Holdings, the Group's flagship investment in the Life Insurance and Pension segment. As a true commitment to operating sustainably, a total of \$10 million is being invested in the ethanol business aiming at modernizing ways and means of managing ethanol effluent discharge. Upon completion, the projects will enable both EthCo and PressCane attain product diversity through value creation of the effluent discharge. At NBM, significant efforts were directed towards integrating the operations of the newly acquired Akiba Bank of Tanzania. As part of completing exit formalities in both PTC and MTL, equity investors were identified and the same resulted in the execution of the Share Purchase Agreements in both by the year end, subject to relevant regulatory approvals. The search for Power Purchase Agreement continued leading to preliminary approvals being granted to proceed towards technical and grid studies. Efforts to turn around the Aquaculture business intensified and a cage expansion project spanning a 5-year period was conceptualized and approved.



Group profit after tax
MK45.1 billion
(2020: MK19.9 billion)

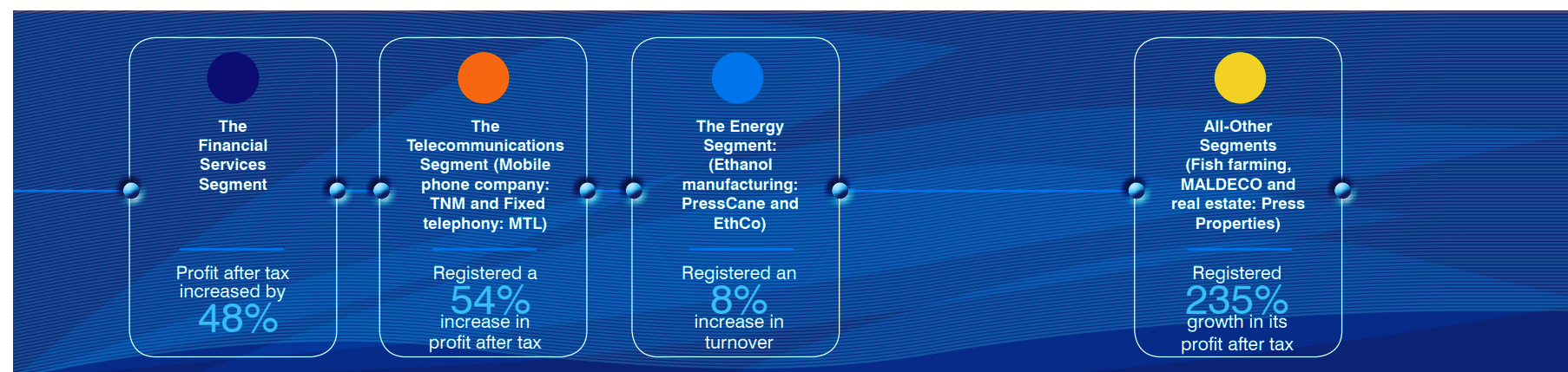
Up by **126%**

With the second wave of the pandemic hitting hard and dictating the way we work and live for most part of the year, the Group remained strongly committed and focused to ensure the health, safety and wellbeing of our people. We continued to implement extensive safety and hygiene measures in line with the governmental regulations by adopting remote working, physical distancing and investments across our digital infrastructure, systems, and security enhancements at our worksites particularly in manufacturing sites and those roles with frequent interface with customers.

Below is a synopsis of the Group segmented performance:

The Financial Services Segment (National Bank of Malawi Plc)

NBM posted a strong performance largely derived from a robust revenue growth, prudent liability management and effective risk management. Turnover at K118.4 billion was 45% above same period prior year of K81.7 billion. Gross loans and advances stood at K240.8 billion representing 20% growth above prior year loans and advances of K200.2 billion. On the other hand, average deposits grew by 38.3% to K558.2 billion. Thus, higher level of investments because of increased level of deposits and high profit earned on other income due to increased traded volumes propped up the revenue performance. The strong revenue performance coupled with some cost containment measures resulted in the Bank registering profit after tax of K33.59 billion



representing 49.6% increase from K22.5 billion reported in 2020. Efforts to continuously improve the operating efficiencies of the Bank will continue. The Bank is also implementing key strategies aiming at turning around the fortunes of newly acquired Akiba Bank of Tanzania.

The Telecommunications Segment (Mobile phone company: TNM and Fixed telephony: MTL)

The segment registered a 54% increase in profit after tax as MTL reduced its losses by 45% and profit from TNM increased by 24%. Turnover at TNM was 13% above prior year level due to several initiatives introduced in the year aiming at enhancing subscriber base and consumption of various products. For instance, the launch of Mudzi Wathu and a tactical reduction in voice tariffs resulted in noticeable increase in the subscriber base. A new strategy was developed at TNM aiming at speeding up the recovery process and help the company navigate through the dynamic operating environment brought by the pandemic. These changes are expected to positively impact the business in 2022. Discussions with a potential equity investor in MTL resulted in the execution of Share Purchase Agreement subject to all regulatory approvals.

The Energy Segment: (Ethanol manufacturing: PressCane and EthCo)

In the energy segment, the ethanol companies (EthCo and PressCane) registered an 8% increase in turnover to K24.9 billion on prior year base of K23.1 billion. Failure to procure budgeted levels of feedstock due to stiff competition brought by Covid-19 surge demand in molasses worldwide meant lower production levels than budgeted. The companies are still operating under their installed capacity due to challenges in feedstock. Both companies are implementing state of the art Effluent

Treatment Plants to enhance their effluent management capabilities and this will result in the production of organic fertilizers from effluent.

Consumer Segment: (Retail chain: Peoples) - Discontinued operation

The segment's ability to navigate through the challenges brought by Covid-19 was severely restricted by lack of adequate working capital to improve its stock holding levels. Thus, amid liquidity squeeze during Covid-19 restrictions, suppliers continued to demand cash payment terms for PTC thereby restricting its ability to maintain adequate stock levels. Consequently, revenue at K10.4 billion was 37% below prior year level of K16.6 billion. A decision was made to exit PTC and a Share Purchase Agreement was concluded.

All-Other Segments (Fish farming, MALDECO and real estate: Press Properties)

Press Properties Limited's performance for 2021 was almost constant on 2020 posting a profit after tax of K1.37 billion compared to K1.34 billion, a reflection of the operating environment characterized by Covid-19 induced rental fee reliefs which restricted rental fee adjustments. With the easing down of Covid-19 restrictions, PPL's performance is expected to pick up. Plans are also underway to implement some property development initiatives.

The Foods Company continued making losses and for this year the situation was aggravated by interruption in the feeding regime due to the impact of Covid-19 on the supply chain for feed and increase in finance cost and overheads. Accordingly, its net loss increased by 47%. A new strategy is being developed aiming at ramping up

Aquaculture production and a search for equity investors has been intensified.

As part of a long-term solution, plans are at an advanced stage to invest in a local feed mill plant.

Equity accounted businesses (Joint Ventures: PUMA, a fuel distribution company and Macsteel, a steel processing and trading company; associated companies: Limbe Leaf, a tobacco processing company; Castel, a bottling and brewing company, OCL, a fibre company; and Life Co, Life assurance, asset management and pension company).

The segment registered a 235% growth in its profit after tax occasioned by the strong performance by Puma Malawi and Macsteel which increased their PAT by 142% and 953% respectively. Puma and Macsteel's prior year performance was significantly impacted by Covid-19. In 2021, the businesses repositioned strategically and delivered on the various actions that drove sales and cost containment. The trend is expected to continue going forward by continued investment in new projects. There was also a positive impact from the exclusion of figures from Castel in line with the provision of IFRS 3: Business Combinations following its disposal in July 2021 which registered a loss of MK1.9bn in prior year.

Limbe Leaf's major negative impact was from delays in shipment and invoicing of tobacco due to congestion at the ports due to Covid-19. Open Connect Limited incurred a loss MK4.8bn in 2021 mainly due to a 41% decline in revenues occasioned by the continued decline in transmission costs globally as well as increased competition from operators who are heavily subsidised.

The company has put in place turnaround strategies and investment plans in new business lines which are expected to show positive results from the year 2022.

OUTLOOK

Looking into 2022, the Covid-19 impact is expected to subside as the world begins to adapt to the reality of co-existing with the disease. Nonetheless the economic uncertainties will continue as the mechanics of trade, goods and services are readjusting to the Covid-19 reality while at the same time making meaning of the hostilities in Ukraine. At a local level we anticipate a higher than expected increase in input prices resulting largely from the disruption in the global economy.

As demonstrated in 2021, the Group's financial strength and our resilient employees are key assets in navigating difficult environments in pursuit of our long-term objectives of rebalancing and growing the portfolio.

CONCLUSION

Management and I are grateful for the steadfast and relentless spirit shown by our people who pushed through these tumultuous and unpredictable times to uphold our core values of People Centeredness, Responsibility, Integrity, Stakeholder value and Excellence. I take this opportunity to give a special mention to all our front-line officers in all our segments who have persevered through difficult times and shown extraordinary determination in the face of all odds. Your passion and dedication has been truly inspirational and integral in keeping our Group operations running smoothly.

As we move into the new norm, there is still much uncertainty that lies ahead. With the tenacity that our people have shown and solid foundations of our vision, mission and shared values, I am confident that we will be able to handle any challenge the future may bring. Moving forward, we will continue to capitalize on growth opportunities and deliver value for our shareholders while scaling new heights to firmly establish ourselves as a truly Malawi's premier holding company.

DR LYTON CHITHAMBO
ACTING CHIEF EXECUTIVE

Business Review



National Bank of Malawi (NBM) and its subsidiaries are engaged in the business of commercial banking, SME development financing, stock broking, fund management and pension fund administration. In addition, NBM has a 47% stake in United General Insurance, a short-term insurance company as its associate.



Macfussy Kawawa > Chief Executive Officer

NBM GROUP PERFORMANCE

The Group registered a strong performance in 2021 posting a profit after tax of K33.4bn representing a 48% increase from K22.56bn reported in 2020. Net interest and investment income grew by 44%. These results were driven by volume increases in fixed income securities, made possible by growth in customer deposits. In addition, there was an increase in transaction volumes that resulted in a significant growth of 48% in non-interest income. Overall, net revenue grew by 45%. Operating expenses and impairment losses increased by 43% and 4% respectively.

Customer deposits increased by 38% year on year while the loan book grew by 20% (2020: 6%). Investment in Fixed Income securities grew by 66% (2020:35%).

The results have incorporated a full year performance for the recently acquired subsidiary, Akiba Commercial Bank in Tanzania.

The Bank implemented a new business operating model which among other changes involved the consolidation of the service centres and the business centres under a renamed division called Retail Banking Division (formerly Personal and Business Banking) and the moving of Vehicle and Asset Finance (VAF) function to Corporate Banking Division. The service centre structures were changed so that they are more business focused and what used to be Agencies were delinked from the bigger service centres to become standalone service centres fully equipped to undertake business on their own. These changes were made in the Bank's quest to become more customer focused, specialized sales, portfolio, and product development-oriented bank.

The new model settled in well in 2021 and prospects are looking good. The change increased the potential for the Bank to increase its customer base so that it remains profitable. The increased retail customer base will also

improve the Bank's competitive edge on its digital products offering which is increasingly becoming a significant source of revenue for the Bank.

OUTLOOK FOR 2022

As reported in the National Budget Statement, the economy is expected to grow by 4.1% in 2022. The growth will be supported by an increase in economic activities in mining and quarrying, manufacturing, and construction. However, some downside risks, such as the uncertainty regarding the evolution of the Covid-19 pandemic, the effects of climate change and the war in Ukraine could jeopardize growth prospects and exert pressure on inflation.

Looking ahead, the Bank envisages a challenging operating environment emanating from pressures on inflation, foreign exchange supply, and developments in the other parts of the world. Despite this, the Group has built-in flexibility, resources, and agility necessary to continue on a growth path.



TNM is the leading provider of voice, data and mobile money services to Malawian consumers and businesses. TNM aims to be the driver of Malawi 'going digital' and hence be at the centre of a connected Malawian society.



Arnold Mbwana > Chief Executive Officer

PERFORMANCE

The Group registered a satisfactory performance despite the unique challenges brought by the Covid-19 pandemic. Net profit after taxation for 2021 grew by 24% to MK9.62bn, from MK7.73bn in 2020.

Data revenue grew by 21% to MK32.54bn (2020: MK26.87bn) while mobile money revenue grew by 56% to MK11.48bn (2020: MK7.35bn). Subscriber base grew by 14% as a result of enhanced efforts to acquire new customers. This resulted in total revenue growth of 9% to MK99.13bn (2020: MK90.90bn).

Group EBITDA increased by 17% to MK36.43bn (2020: MK31.25bn) with margin of 37% compared to 35% in 2020. Increase in EBITDA margin was because of cost containment initiatives that management continues to implement and monitor.

The Group recorded an increase in depreciation expense

of 16% to MK16.33bn (2020: MK14.05bn) due to capital expenditure made in the year and because of full year effect of 2020 capital expenditure additions. TNM invested MK28.82bn (2020: MK21.04bn) in network transmission systems catering for capacity expansion, improvement and future use as customer base and data usage grow.

OUTLOOK FOR 2022 AND BEYOND

The macro-economic environment is expected to remain challenging, putting pressure on revenue and margins. The volatile exchange rates and foreign currency scarcity will continue to increase the cost of our operations. We will continue with our innovative customer-focused business model to minimize these impacts and continue to create value for our stakeholders. TNM has embarked on a recovery plan that will grow the revenues for future profitability. Management will continue to pursue cost containment initiatives in order to protect margins and improve performance

TNM invested MK28.82bn (2020: MK21.04bn) in network transmission systems catering for expansion, improvement and future use as customer base and data usage grow



Malawi Telecommunications Ltd (MTL) was incorporated as a limited liability company on 30th May 2000 and offers a wide range of Information and Communications Technology (ICT) based solutions to corporate businesses, small and medium enterprises, and consumers. The range of products and services on offer includes fixed voice, data (connectivity & Internet), and co-siting/ co-location services.



MTL is owned by five shareholders, namely, Press Corporation Plc, the majority shareholder, at 52.7% shareholding; the Government of Malawi at 20%; Old Mutual Plc at 16.1%; Nico Holdings Plc at 9.0%; and Investment Alliance at 2.2%.



Dr Harry Gombachika > Chief Executive Officer

TELECOMMUNICATION INDUSTRY OUTLOOK

Growth in the telecommunications industry in Malawi continues to be driven by the migration of consumers' demand from telephony to broadband data-centric communications solutions and the evolving business needs that are driving enterprises towards IT-based service models. We have recently noticed that the nature of the demand for ICT services has also changed. Most customers are looking for personalised services crafted around individual lifestyles placing additional complexity but exciting demand on the service operators. The new world order that was triggered by the COVID-19 global pandemic in 2020 has left a permanent mark on work behaviour. Although the pandemic was under control in the year under review due to public knowledge of preventive practices and the presence of vaccines, the use of teleconferencing tools remained the mode of holding meetings in 2021. These trends show that digital services are at the core of socio-economic development.

We at MTL, therefore, set our sights on transforming our business into a digital transformation enabler. We continue to challenge ourselves to understand more intimately what each customer needs through market segmentation and get insights via analytics and data science in order to deliver innovative solutions to meet each unique need through customer engagements.

NEW BUSINESS DIRECTION

During the period under review, MTL took a bold step to commence the journey of transforming the company into a digital transformation enabler by installing a pilot 4G/LTE network in the cities of Blantyre and Lilongwe, a universal core based on an IP Multimedia Subsystem (IMS), and a business support system (BSS). The philosophy of the new network is that of platform as a service: a platform for innovative products and services. Additionally, this forms the basis for a new chapter in the turnaround strategy for MTL.

During the year under review, MTL continued process improvement strategies, as a result, operational costs were reduced by 15% to K7.9 billion (2022: K9.2 billion)

Going forward, we expect to install additional sites in Blantyre and Lilongwe and introduce the services to Mzuzu, Zomba, Mangochi, and Salima in the coming year. This development is expected to take advantage of the recapitalisation process that commenced in 2019 and is close to finalisation.

2021 PERFORMANCE HIGHLIGHTS AND 2022 OUTLOOK

During the year under review, MTL continued process improvement strategies, as a result, operational costs were reduced by 15% to K7.9 billion (2022: K9.2 billion), and statutory covenants were fully honoured. Nevertheless, the gross trade receivables increased by 26% to K2.6 billion (2020: K2.0 billion).

Although the turnover is expected to be modest, the significant reduction in the cost of sales gained through negotiations on upstream Internet cost and in-country connectivity in 2021, piloting of innovative products and services expected in 2022 and efficient administrative processes are more likely to improve the performance of the business in 2022. Looking ahead, the business remains steadfast in delivering on its strategy and growing the shareholders' wealth, while at the same time remaining committed to being a purposeful, customer-focused, insights-driven business. Towards that end, the Company is developing a three-pronged strategy driven by commercial, technology, and human capital roadmaps to ensure simplicity in its customers' journeys.



K2.6bn
Revenue Achieved

Open Connect Limited (OCL), is a wholesale telecommunication services provider that was incorporated on 8th March 2016 to house and develop telecommunications infrastructure for providing wholesale carrier infrastructure services in Malawi. The company therefore is an open access infrastructure company, a neutral player in the telecom industry.

OCL strives to engage with network operators and Internet Service Providers (ISPs) in Malawi and beyond to provide connectivity services which include National Backbone Dark Fiber, National Backbone Managed Fiber Capacity, Metro Dark Fiber, Metro Managed Fiber Capacity, Data Center Services, Fibre to the Property (FTTx); and IP-Transit Services.



Sandile Dhlomo > Chief Executive Officer

2021 PERFORMANCE HIGHLIGHTS

In 2021, management outlined several objectives that were aimed at improving the company performance by diversifying the value proposition and attain its profitability target.

However the initiatives to achieve set targets were severely restricted by Covid-19 related effects as well as competition that disrupted the pricing structure in Malawi. This prompted OCL to revise the prices to align with the market thereby impacting on its overall performance. While the price changes were aimed at addressing long term sustainability of the company, it was anticipated that in the short term the impact will be negative as revenues would drop. Despite the threats on current business, the revision of prices enabled OCL to attract more ISPs and increased the volumes of current customers at unit levels.

Revenue achieved for the year 2021 was K2.6bn, which was lower by 43% against year 2020 revenues of K4.6bn largely because of the significant price reductions. FTTx and Data Centre Projects that are earmarked to boost revenue generation could not be implemented and rolled out during the year as planned. The delay in project implementation is partly due to scarcity of forex which meant that the Company could not remit funds for importation of requisite equipment and services.

STRATEGIC DIRECTION

The company's IGNITE LIFE Strategy indicated 2021 as the beginning of horizon two products and services which would help the business to capture new revenue streams. With this strategy, OCL aims to go beyond the legacy business which generally focuses on fibre connectivity.

2022 OUTLOOK

In an effort to improve the company performance in 2022, management is implementing IP, FTTx and datacentre projects that are aimed to launch in Q2 and Q3 of 2022. Furthermore, OCL is in the process of concluding the deployment of TNM Metro base station connectivity in Blantyre and Lilongwe. These projects will further improve the current business performance. Furthermore, the Government's digitalization program gives OCL a chance of leveraging and reinforcing the importance of datacentres and cloud computing for the industries in Malawi. The need for datacentre services is clear from the demand by the Banks, MNOs, and Ministry of Education.



Ethanol Company is one of the first ethanol manufacturers in the Southern Africa region, purposefully commissioned as a direct response to the 1970's fuel crisis in 1982. The Company has since diversified into Extra Neutral Alcohol (ENA) for the beverage and pharmaceutical industry and recently into packaged methylated spirits, gel fuel, hand sanitiser and surface disinfectants in response to societal needs. Downstream, EthCo has an associate company that purifies its raw carbon dioxide for the production of food grade carbon dioxide that meets Coca-Cola specification.

Operating Profit
K2.4b

Since 2013, EthCo has an Integrated Risk Management System and has continued to maintain its certification for Quality (ISO 9001), Environment (ISO 14001) and Occupational Health and Safety (ISO 45000 migrated from OHSAS 18001) standards. Additionally, the Company boasts of its ability to create sustainable value and since 2019, it has been reporting publicly about its efforts through an integrated sustainability report in line with Global Reporting Initiative (GRI) Standards, thereby building trust amongst its stakeholders and positioning itself amongst global best practice companies in this regard.



Lusubilo Chakaniza > Chief Executive Officer

2021 PERFORMANCE HIGHLIGHTS

Despite the prevailing Covid-19 restrictions worldwide which severely impacted on global supply of goods and services and the unavailability of production critical spare parts for EthCo, the company posted a turnover of K10.08 billion which was level with prior year performance of K10.17 billion. The operating profit of MK2.4 billion was 10% below that was achieved in 2020 (MK2.66 billion in 2020) mostly on account of a product mix that flexed towards production of more fuel ethanol with lower margins compared to the food grade ethanol ENA whose production line encountered numerous stoppages due to the spare parts shortages.

With an average of five (5) implemented frontline ideas per employee, the company's Value Improvement and Innovation Programme (VIIP) continued to mature and provided a competitive edge by increasing operating efficiency, driving down costs and empowering employees in the year under review.

STRATEGIC DIRECTION

In addition to ensuring that the workforce remains engaged, the finalisation and commissioning of upstream, midstream and downstream manufacturing projects will be key in driving strategic growth. The Company's long term and sustainable plan is to increase its capacity utilisation and the plant's flexibility to ramp up production of more fuel ethanol. This will be complemented by continued focus on the mining, harnessing and implementation of front line ideas whilst benchmarking performance against world class companies in the industry.

Revenue, EBIT & PBT



OUTLOOK FOR 2022

EthCo is poised to consolidate its performance and grow its revenue and profit in 2022 despite foreseen challenges in accessing foreign currency for its investments and critical spare parts and the rising inflation. The Company is geared to complete the installation and commissioning of its zero liquid discharge effluent treatment plant as well as cogeneration boiler projects that will result into the production of potassium-rich organic fertiliser and power respectively by the end of 2022. Besides, EthCo will

continue to invest in the maintenance of its existing plant as well as its human capital in order to enhance productivity. As part of its Corporate Social Investment, EthCo will continue using its Creating Shared Value approach in addressing the needs of society through its rural development, education, environment and health and safety focus areas that are aligned to the Company's strategy, the Malawi Agenda 2063, Africa 2063 and the UN Agenda on Sustainable Development. The Company will continue to publicise its sustainability efforts through an annual report that will be available on its website.





Since its commissioning in 2004, PressCane has sustained its market leadership in supplying Anhydrous Alcohol (AA) for blending with Malawi's petrol. The Company also produces Hydrous Alcohol (HA) for supplying to the local printing, painting and pharmaceutical industries. Since 2019, the Company has sustained its *Integrated Risk Management System Certification for Quality* (ISO 9001), Environment (ISO 14001) and Occupational Health and Safety (ISO 45001) standards. This has positioned the Company in readiness for entry into regional bioethanol markets.



Bryson Mkomaanthu > Acting Chief Executive Officer

PERFORMANCE

The company's turnover stood at K14.8bn which was 14.7% higher than K12.9bn posted in 2020 and the operating profit was K2.8bn, representing a 21% increase from K2.3bn reported in 2020. This growth was driven by a combination of better HA sales following a sustained demand post COVID-19 emergence, and containment of distribution and overhead costs to the level of prior year.

2021 HIGHLIGHTS

- A new sales volumes record was set by selling a total of 19.5m litres, up from 17.8m in 2020.
- An all-years record bioethanol production of 20.1m litres was achieved representing an increase of 13% when compared to prior year.
- Production of hollow blocks from coal ash was successfully piloted and this will be a sustainable way to manage fly ash going forward. Registration of the product with the Malawi Bureau of Standards (MBS) and the National Construction Industry Council (NCIC) will be concluded in Q2 of 2022.
- Implementation of the Zero Liquid Discharge (ZLD) and Pharma Grade projects was advanced and commissioning is expected in Q3 of 2022.
- Sourcing of molasses from Zambia and Mozambique was a challenge due to shortage of forex and this resulted in lower receipts at 73,879 tons from 77,057 tons in 2020.

STRATEGIC DIRECTION

While the company is set on operationalizing both the ZLD and the upgraded AA production plants in Q3 of 2022 which are aimed at attaining operational efficiencies, in the short to medium term its focus is on implementing the feedstock

The company's turnover stood at K14.8b which was 14.7% higher than K12.9b posted in 2020

supplement project which will enable it increase its production volumes to meet its customer demands. To this effect, Management, having intensified engagement with strategic partners to identify funds for investing into sugarcane farming in partnership with smallholder farmers, secured funding for sugarcane growing from AGCOM. To this end, land preparation and planting of sugarcane on 1000ha farm will commence in Q2 of 2022. It is anticipated that the Company will implement a sugar milling project in 2023, to start crushing sugarcane for ethanol production towards the end of 2023. This project will eliminate the need to import supplementary molasses from Zambia and Mozambique.

OUTLOOK FOR 2022

The Company looks forward to further improvement in profitability in 2022 through: (1) Introduction of a premium quality ethanol (HA) onto the market, (2) Efficiency improvement through process re-engineering and implementation of an organization-wide culture change program; Sales of beneficiated waste products namely Biogas and Hollow Blocks; and (3) Implementation of cost containment initiatives. This improved performance is expected to be secured through timely delivery of the strategic projects and stability of the macro-economic fundamentals, key among which is foreign exchange rate and its availability.



Puma Energy is one of the leading distributors of petroleum products in Malawi. Its business is in four segments in the oil industry namely:

- Retail, where it operates 63 strategically positioned service stations throughout the country
- Commercial segment where it supplies various industrial customers and resellers;
- Aviation segment where it operates at Kamuzu and Chileka International Airports; and
- Lubricants segment where it supplies lubricating oils through appointed distributors.

↑
The company
added three
new retail sites



Dominic Dhanah > Managing Director

MARKET POSITION

Total demand for ground fuels, petrol and diesel in 2021 was at 538m litres compared to 531m litres in 2020, representing a 1% growth. Puma Energy's supplies totaled 125m litres representing almost a quarter of the market share.

Puma Energy is the sole supplier of aviation fuel in the country.

HIGHLIGHTS FOR 2021

Most sectors of the economy showed signs of partial recovery from the Covid-19 pandemic disruptions of 2020. For Puma Energy Malawi, this reflected in an overall 2% volume growth from 2020 compared to industry growth of 1% with the aviation sector registering the highest recovery rate.

The following are some of the key highlights for the company in the year:

- Addition of three new retail sites
- Commissioned first truck stop in the company
- Completion of the additional 4,000m³ storage facility at Kanengo depot
- Introduction of Puma brand lubricants

The company continued to pursue growth opportunities that will see opening of at least 6 new sites in 2022.

STRATEGIC DIRECTION

Puma Energy's key focus area is to preserve cash as such global and local strategies are designed to maximize cash generation without compromising safety in customer service delivery and execution of growth opportunities.

The retail segment remains the main driver of the business as such the company will continue to be guided by a world class customer-led strategy developed by the global leadership and adapted for the local market.

The company will drive the vision to be the preferred energy solution partner for commercial customers and hence target at developing Customer Own Collection sites and securing supply contracts with most of the potential customers in power generation, construction, and transport. Investment in marketing the PUMA lubricants will continue to achieve the pre-PUMA lubricants market share.

OUTLOOK FOR 2022

Despite the acute shortages of forex and other regulatory pricing challenges, the company is optimistic of delivering a double digit volume growth in 2022 on the basis of a high level of investment in upgraded equipment, refreshing retail sites' ambience and acquisition of new sites.

The following new sites are expected to be commissioned before end of Q2 2022: Thondwe, Dwangwa, Kanjedza, Area 10, Airport Junction and Crossroads Blantyre.



PCL disposed
of PTC to Tafika
Holdings
Limited

Peoples Trading Centre Limited (PTC) was a wholly owned subsidiary of Press Corporation Plc up to 28th February 2022 when it was disposed off to Tafika Holdings Limited. PTC was registered in 1973 and it is the first retail chain store to operate in Malawi.



Ferdinand Mchacha > Chief Executive Officer

PERFORMANCE HIGHLIGHTS

Year 2021 was a very challenging year for the company as it continued to battle with the impact of the Covid-19 pandemic and shortages of stock to due working capital challenges. The Covid-19 pandemic continued to pose serious supplies logistic challenges, suppliers production challenges and dampened demand.

In addition, the company continued to operate with negative working capital which severely impacted on its relationship with suppliers. Despite this, the shareholder continued to support the company's operations and a total of about MK2 billion was pumped into the company to manage creditors and support working capital.
Subsequent Event

Subsequent to year end, Press Corporation Plc (PCL) disposed of PTC to Tafika Holdings Limited on 28th February 2022 as a strategic move for PCL to move out of the retail business and concentrate on capital intensive business ventures to increase shareholders value and contribute towards growing the Malawi economy.



↑
Profitability
grew by
1,629%

Macsteel (Malawi) Limited is the largest leading quality manufacturer and distributor of steel, wire and roofing products to the construction industry in Malawi. The Company is a Joint Venture between Press Corporation Plc and Macsteel Service Centres in South Africa.



Pangani Matandika > Managing Director

PERFORMANCE HIGHLIGHTS

Turnover was up by 100% to K9.2bn on prior year's performance of K4.6bn due to successful implementation of a 'go to market strategy' which emphasised on frequent customer interface. As a result, profitability of K726m grew by 1,629% over last year's performance of K42m and 8% higher than budget.

STRATEGIC DIRECTION

In a drive to increase volumes and reposition the company in exploiting the opportunities in the market in 2022, the company will enhance customer experience, product basket mix, introduce complimentary products and re-modelling of distribution channels to increase footprint and visibility.

OUTLOOK

The year 2022 will be a year with great opportunities with public and private sector growth now picking up from the effects of Covid-19. The country is still experiencing foreign exchange shortages which can have a negative effect on the supply chain flow. Despite the envisaged challenges the company is sufficiently confident of achieving its set targets.



Press Properties Limited (PPL) is a real estate company that provides services in property management, property development, property transactions and real estate advisory services. PPL is wholly owned by Press Corporation Plc (PCL). Established in 1969, the Company has evolved from being a service provider to the shareholder to providing services to third party clients.

↑
Profit Before Tax
52%



Richard Kwatiwani > Acting General Manager

2021 PERFORMANCE HIGHLIGHTS

The Company revenue base continued to grow due to investment in commercial property and continued growth of third-party business both in property transactions and property management. In the period to 31st December 2021 the composite yield on investment property was 19.28% (rental yield 6.2% and capital appreciation yield 13.1%) which was 10.03% higher than the average inflation of 9.25%. Despite the local economy being negatively impacted by the Covid-19 pandemic from 2020 resulting in some properties registering negative returns, the company's investment properties appreciated in value.

The Company reported an increase of 52% in profit before tax to MK1,159m (2020: MK765m). However, rental revenue decreased by 8.4% to MK477m (2020: MK521m). The economic effects of the Covid-19 pandemic posed a huge challenge to the company resulting into reduced rental escalations and vacant spaces at Maula Complex.



STRATEGIC DIRECTION

The company continued in its third year of the five-year strategic plan, which is in line with its growth strategy. In 2021 the company acquired 50% stake in a commercial development in Limbe, which is slated for development with its equity partners. The Company also had an additional two projects that were undergoing feasibility studies. Apart from being an equity partner in these projects, PPL will also provide advisory and property management services.

OUTLOOK FOR 2022

The property market is still recovering from the Covid-19 pandemic's effect on occupancy rates of rental properties most especially, commercial property. The outlook for 2022 looks promising as the company anticipates an improvement on rental escalations and occupancy rate. The company is also planning to finalise three development projects to sustain growth in the commercial lettable portfolio.



Limbe Leaf Tobacco Company Limited procures and processes tobacco leaf and exports the packed product to destinations all over the world. The Company buys tobacco leaf primarily through direct contracting with farmers.

The Company has forged partnerships with farmers and communities where tobacco is grown to ensure that the crop, the environment, and their business are sustainable.

↑
Earnings Before
Interest and Tax
increased to
K8.1b



Donal McAlpin > General Manager

2021 PERFORMANCE HIGHLIGHTS

The Company purchased 28.5% of the total tobacco crop in Malawi during the year. Factory processing volumes were 14% higher than the previous year following a higher national crop. Earnings Before Interest and Tax (EBIT) increased to K8.1 billion as compared to K6.7 billion in the previous year largely due to increased sales volumes.

The Company's environmental sustainability initiatives include a comprehensive forestry program which saw the planting of 786,500 trees under the company's smallholder forestry programs during the year. The company also built 100 houses on behalf of the parent company Universal Leaf at selected small-holder tobacco farms. The forestry programs and other related initiatives aim at progressively matching and exceeding wood use in the production of its leaf tobacco purchases.

2022 OUTLOOK

The tobacco crop in 2022 will decrease in comparison with the 2021 crop, due to weather related factors and a reduction in national production, particularly in burley.



The Foods Company Limited (TFCL), trading under the brand name Maldeco, is a wholly owned subsidiary of Press Corporation Plc situated in Mangochi along the shores of Lake Malawi. The Company's history dates as far back as the 1950s when it was set up as a trawling operation on the southern end of Lake Malawi. With the dwindling fish stocks on the lake over time, the Company embarked on a diversification drive in the 2000s when experimentation with growing fish through aquaculture commenced. The Maldeco Aquaculture Division has now become the mainstay of the Company.

2021 Revenue
K2.1b



Andrew Santhe > General Manager

2021 PERFORMANCE HIGHLIGHTS

The Company's 2021 revenue at K2.1 billion remained at same levels attained over the previous two years due to the difficult operating environment. In the aquaculture segment, delays in procuring feed due to working capital and logistic challenges led to loss of biomass thereby leading to failure to meet harvest targets. Since the advent of Covid-19, it has become extremely challenging to import fish feed. Locally, the scarcity of forex further complicated the entire feed importation eco-system. Despite the setbacks brought by the exogenous factors of feed importation there were some successes registered in the period. Fry production increased to 19.1 million in 2021, up from 18.1 million the previous year. With improved survival rates, fingerling production increased from 5.0 million in 2020 to 7.1 million in 2021, a 42% increase. For the first time in its history TFCL achieved 100% stocking of its entire 67 cage capacity in 2021.

Catch volumes in the Capture Fisheries Division plummeted from 1,082 tons in 2020 down to 613 tons in 2021, a 43% drop. This was due to a phenomenon of fish scarcity on the lake experienced in 2021 and also frequent incidents of unfriendly weather on the lake. As a way of supporting the communities we operate in, TFCL expanded its initiatives of being a ready market of fish for smallholder fish farmers. In the year a total of almost K0.5 billion revenue was generated through this initiative which helped the targeted fish sellers attain decent margins.

Fry production increased to
19.1 million in 2021, up from
18.1 million the previous year

In 2021, the Malawi Government assisted the industry with the removal of the Value Added Tax (VAT) on imported feed to assist the industry grow production scale while local feed suppliers, including Press Corporation Plc and its partners, deploy feed manufacturing plants.

OUTLOOK FOR 2022

In Aquaculture, it is expected that fingerling production will

increase further to 10 million in 2022 and stocking of the entire cage capacity has already been achieved by end March 2022, an improvement from end April in 2021. It is expected that TFCL will almost double its harvest volume in 2022 to at least 1,000 tons.

Feed availability has improved in the 2021/22 season despite the forex challenges being faced. In addition, a local producer of floating feed has started supplying TFCL though in small quantities. A second local producer is expected to commence production in the second half of 2022. These will assist in supplementing the required feed supplies.

In the Capture Fisheries Division, every effort is being made to sweat the unique assets the Company has in its fishing vessels. This is while observing its performance to determine the point at which to retire the operations if need be.

Identification of funding for commencing a project for the deployment of a modern fish processing plant is underway. It is expected that TFCL will make significant milestones in 2022 in its revenue achievement and commence its turn-around.



Annual Pension
Contribution
K114b

LifeCo Holdings Limited is a company in which Press Corporation plc owns 49.5% whilst 25.25% is held by Fidelity Limited and 25.25% is held by Equity Investments Limited. It is a holding company of three subsidiaries namely:

- LifeCo Life Limited – a life insurance company providing group life insurance, funeral insurance, Bancassurance and annuities
- LifeCo Pension Services Limited – a pension services company providing Pension Administration services, Corporate Trustees and Operator of the LifeCo Unrestricted Pension Fund.
- LifeCo Asset Management Limited – an asset management company providing fund management services and private wealth investments.

The entities commenced operations in 2021 and the performance figures represent that of a start-up at early stages of business which was able to generate revenues for less than one full year to 31 December 2021.



Ravi Savjani > Chief Executive Officer

MARKET OVERVIEW

The total market for the Group life insurance industry represents premiums of K16.4 billion as gross written premium as at December 2020 from K13.1bn in previous year – a growth rate of 25.2% and Annuities of K14.8bn. The total annuitants sit at 5,762 individuals. And there are 2,543 group risk schemes.

The RBM 2020 Financial Sector Report further states that the Insurance sector is dominated by two Life Insurance companies which account for 87.2% of the total gross premium written.

The total pension assets as at December 2020 were K1,053bn with total membership at 472,347.

The annual pension contributions were estimated at K114bn.

LifeCo entered the market to compete for this growing business.

HIGHLIGHTS FOR 2021

- Offices and equipment were established, and staff recruited to commence operations at the head office in Blantyre.
- All entities commenced trading with business on-boarded across all business lines.
- A well-targeted marketing strategy promoted the brand to professionals in their annual conferences, and planted messages on social media and street poles and shopping mall advertising.

STRATEGIC DIRECTION

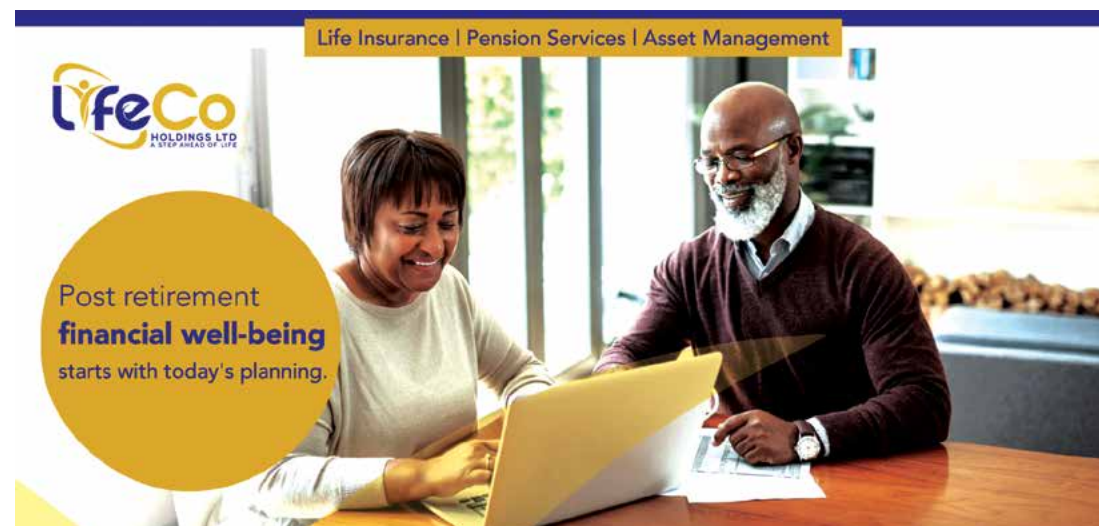
- The Group aims to be one of the largest group of its nature in the Malawi market within 10 years of its operations.
- Provide best in market service across all business lines forming a Malawi center of excellence for the industry.
- Offer alternative Pension Fund arrangement in line with the Pension Act 2010
- Take Life Insurance to the community so that every Malawian is financially included and uses Life Insurance solutions to de-risk household financial risks.
- Improve access to products by reducing access barriers.

OUTLOOK FOR 2022

- The Life Insurance and Pension sector is expected to continue to grow as the economy recovers and employment rate grows. Provide new products and

improved distribution channels, making products affordable to new communities who are excited to embrace insurance.

- Approximately 13 new group life insurance business schemes were secured in the first four months of 2022, a significant increase from the 19 schemes as at 31 December 2021, bringing total of in-book schemes to approximately 30. Further, 11 Group pension funds were on boarded in Q1 2022, an increase from 12 as at 31 December 2021, bringing total to 23 as at end March 2022.
- Assets under management already grew by approximately 50% as at March 2022 and we hope to continue this growth trajectory.
- LifeCo also looks to expand its geographic footprint beyond Blantyre during the year and spread our reach through Bancassurance and micro insurance partnerships.



CORPORATE SOCIAL RESPONSIBILITY

Recognizing that Press Corporation Plc does not operate in a vacuum, the Group continues to be actively involved in supporting the wishes and aspirations of the Malawian people. The Group continued working with relevant authorities in providing various forms of assistance towards COVID 19 pandemic prevention and management. Apart from Covid support, the Group provided other medical supplies to hospitals like Chikwawa, Salima and Nkhota-kota. Overall, in total the Group spent almost K207 million in CSR-related activities. Through our ethanol producing companies, the Group played a critical role in ensuring not only direct provision of sanitizers, but ensuring the consistent availability in the country of this key component in the fight against the COVID-19 pandemic.

In total the
Group spent
almost K207 million
in CSR-related
activities

INTEGRITY

PCL is committed to conducting its business in a transparent and ethical manner and pledges to be accountable to its shareholders and all stakeholders. As such PCL expects its employees to share its commitment to high moral, ethical and legal standards.

All PCL suppliers are bound by rules and principles set out in PCL's Procurement Manual which prohibits them from engaging in corrupt and fraudulent practices as well as collusion. The manual also acts as a guide to members of staff to maintain the integrity of the Company by acting fairly when dealing with suppliers. All procurement processes are conducted in a transparent, accountable, fair and competitive manner.

EMPLOYMENT EQUITY

PCL's employment policy is based on a system of equal opportunities for all. Employment equity seeks to identify, develop and reward employees based on their individual demonstration of initiative, enterprise, hard work and loyalty in their respective jobs.

Employment is on the basis of merit and not an individual's race, colour, creed, gender, or any other criterion unrelated to their capacity to do the job.

Employees have the right to work in an environment which is free from any form of harassment or unlawful discrimination with respect to race, colour, creed, gender, place of origin, political persuasion, disability and marital or family status. All employees sign up to the Company's Sexual Harassment Policy which ensures that the work place is free from sexual assault or any form of sexual harassment.

HIV/AIDS POLICY AND STAFF WELLNESS

Press Corporation Plc and its subsidiary companies have an HIV/AIDS Policy whose core objective is to promote the Group's responsibility for providing a healthy and conducive work environment for all employees, including those with HIV/AIDS.

PCL continues to provide free anti-retroviral therapy to its employees.

ENVIRONMENTAL MANAGEMENT

PCL and its subsidiaries are committed to developing policies that address the environmental impact of businesses by integrating pollution control, waste management and rehabilitation activities into operating procedures.

Members of staff are encouraged to "reduce, re-use and re-cycle" paper. Both ethanol producing companies namely Ethanol Company Limited (EthCo) and PressCane Limited use ponds to hold effluent from the ethanol production. The by-product called vinnase is naturally evaporated and the remaining sludge is used as a fertilizer supplement because of its richness in potassium. Part of this supplement is taken back to the sugar making company (and applied in the sugarcane fields) whose by-product is molasses as raw material for ethanol production.

Presscane's project of establishing a Zero Liquid Discharge (ZLD) Plant to treat liquid waste, including the installation of a biogas plant whose output will be fed into two gas engines to generate 2.1 megawatts of electrical power is at an advanced stage.

EthCo is also implementing a similar ZLD project for the installation of an effluent treatment plant (ETP) which will produce organic fertilizer pellets as part of the company's Environmental Management Plan. Apart from producing fertiliser pellets from distillery effluent, the plant will produce biogas which will be fed into coal and gas fired cogeneration boilers to produce steam and electricity for the needs of the ethanol distillery and the ETP unit itself.

In addition, both EthCo and Presscane have embarked on a project of producing bricks from waste core ash thereby mitigating the negative impact on the environment caused by flying core ash. This project is awaiting certification by the Malawi Bureau of Standards.

Tree planting has been an on-going exercise carried out by most of the Group companies as one way of addressing environmental degradation. Recently, collaborations are being encouraged whereby Group companies team up with other organizations to ensure multisector efforts in tree planting exercises, thereby increasing the number of trees planted and their improved survival rates.

COMMUNITY AND SOCIAL ENGAGEMENT

As a responsible corporate citizen, the Group and its subsidiaries aim to give back to the community by engaging in various corporate social responsibility activities. During the year, Corporate Office extended its hand of support to various causes aimed at helping the disadvantaged members of our society. The joint project between PCL and the Malawi Army of renovation of the maternity wing at Cobbe Barracks in Zomba is at an advanced stage. This joint collaboration will go a long way to promoting better and improved maternal health amongst the families of officers and men in Malawi Army as well as women in surrounding communities.

ANTI-CORRUPTION

PCL conforms to Principle Ten of the UN Global Compact and the Business Action Against Corruption (BAAC) which states that businesses should fight corruption in all its forms, including extortion and bribery. The principle gives guidelines for companies to proactively develop policies and concrete programs to address corruption internally and within their supply chains. PCL, as a leading member of the private sector, commits to supporting efforts of combating corruption as set out in the National Anti-Corruption Strategy.

PCL and its subsidiaries subscribe to Tip Offs Anonymous, a whistle blowing hotline service provided by Deloitte, as an extension of the Group's Fraud Policy. This can be used by those of the Group's employees who may have reservations about using the internal reporting mechanism provided for in the Fraud Policy. It can also be used by any member of the general public on any matter relating to the operations of the Group companies.

CORPORATE GOVERNANCE



BOARD OF DIRECTORS

The Board of Directors has the ultimate responsibility of setting the direction of the Group through the provision of oversight over the execution of strategic objectives and key policies by management in compliance with applicable legislation, regulations and governance codes for Malawi. The Board meets a minimum of four times in a year. During the year under review, the Board held four regular meetings in March, June, August and November 2021. It held two special meetings in July 2021 and October 2021.

At 31 December 2021 the Board consisted of six non-executive directors and one executive director. The Chairman is a non-executive director and has a casting vote.

Press Trust and Old Mutual appoint five of the non-executive directors. One director is appointed by the Shareholders on nomination of the Board. These appointments are in accordance with the Company's Articles of Association. As at 31 December 2021 Press Trust and Old Mutual Group owned 47.58% and 16.29% respectively of the shares in the Company. Executive Directors are appointed by the Board from members of Executive Management.

During the period under review, there were no changes on the Board.

The Board is accountable to shareholders, but it proceeds mindful of the interests of the Group's staff, customers, suppliers and the communities in which the Group pursues its interests. In the performance of its functions, the Board is guided by, and has due regard to, the following governance instruments:

- Companies Act, 2013
- The Malawi Code on Corporate Governance
- Listing Requirements of the Malawi Stock Exchange
- King Reports as updated from time to time

Every year, the Board undertakes a self-evaluation exercise for its Directors, to assess board processes, roles, competences and effectiveness in its decision making processes.

The names of the executive and non-executive directors in office as at 31 December 2021 and at the date of this report are set out on Pages 49 to 53.

Board Meetings – Meeting Attendance

| Member | 26 March | 7 June | 2 July | 27 Aug | 5 Oct | 23 Nov | |
|----------------|----------|--------|--------|--------|-------|--------|------|
| Mr R Mwadiwa | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 100% |
| Mr D Mawindo | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 100% |
| Mr G Ngalamila | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 100% |
| Mr J Nsomba | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 100% |
| Mr S Malata | ✓ | ✓ | ✓ | A | ✓ | ✓ | 83% |
| Mrs B Mahuka | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 100% |
| Dr G Partridge | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 100% |

Key

✓ – Present A – Apology N/A – Not applicable

BOARD COMMITTEES

APPOINTMENTS AND REMUNERATION COMMITTEE

The Committee comprises three non-executive directors. The Committee is currently chaired by Mr S Malata. Members of Executive Management also attend the Committee's meetings on invitation.

The principal function of the Committee is to ensure that the Group's human resources are best utilised and that members of staff are remunerated commensurate with their responsibilities and effectiveness, by reviewing salary trends in the market and approving salaries at the executive directors' and executive management level based on these findings.

During the year under review the Committee met three times; in March, May and November.

Appointments and Remuneration Committee Meetings – Meeting Attendance

| Member | 8 March | 24 May | 24 Nov | |
|--------------|---------|--------|--------|------|
| Mr S Malata | ✓ | ✓ | ✓ | 100% |
| Mr D Mawindo | ✓ | ✓ | ✓ | 100% |
| Mrs B Mahuka | ✓ | ✓ | ✓ | 100% |

Key

✓ – Present A – Apology N/A – Not applicable

FINANCE AND AUDIT COMMITTEE

The Committee's major responsibilities are to review the principles, policies and practices adopted in the preparation of the accounts of the Company and to ensure that the annual financial statements and any other formal announcements relating to the financial performance comply with all statutory and regulatory requirements as may be required. It also ensures that the consolidated interim financial statements comply with all statutory requirements, review the work of PCL's external and internal auditors to ensure the adequacy and effectiveness of financial, operating, compliance and risk management controls. The Committee in the year under review comprised of three non-executive directors. Members of Executive Management as well as the Group Internal Audit Manager attend the meetings by invitation. The Committee is currently chaired by Mrs Betty Mahuka. The Company's External and Internal Auditors have unrestricted access to the Committee Chairperson.

During the year under review, the Committee met four times: in March, May, August and November.

Finance & Audit Committee Meetings – Meeting Attendance

| Member | 24 March | 31 May | 23 Aug | 23 Nov | |
|----------------|----------|--------|--------|--------|------|
| Mrs B Mahuka | ✓ | ✓ | ✓ | ✓ | 100% |
| Mr G Ngalamila | ✓ | ✓ | ✓ | ✓ | 100% |
| Mr J Nsomba | ✓ | ✓ | ✓ | ✓ | 100% |

Key

✓ – Present A – Apology N/A – Not applicable

INVESTMENT COMMITTEE

The Committee comprises four non-executive directors. It is currently chaired by Mr. D Mawindo. Members of Executive Management also attend the Committee meetings on invitation. The principal function of the Committee is to deal with matters of investment.

During the year under review, the Committee met two times: in August and November.

Investment Committee Meetings – Meeting Attendance

| Member | 23 Aug | 23 Nov | |
|----------------|--------|--------|------|
| Mr D Mawindo | ✓ | ✓ | 100% |
| Mr G Ngalamila | ✓ | ✓ | 100% |
| Mr J Nsomba | ✓ | ✓ | 100% |
| Mr S Malata | ✓ | ✓ | 100% |

Key

✓ – Present A – Apology N/A – Not applicable

INTERNAL AUDIT

The effectiveness of the Group's systems of internal controls is monitored continually through reviews and reports from the Group Internal Audit Manager who reports directly to the Committee. The principal role of Internal Audit Department is to assist the Board in particular, and management in general, accomplish the Company's objectives by bringing in a systematic and disciplined approach to evaluate and improve the effectiveness of governance processes, risk management and systems of internal controls.

The Company's external auditors review and test appropriate aspects of internal financial control systems during the course of their normal statutory audits of financial statements of the Company and its subsidiaries.

A formal "Schedule of Authority" is in place that specifically reserves certain matters for the board decisions.

INTEGRITY

Directors' interests in contracts

All directors are required to complete a Declaration of Interest Form which is updated annually. No director had any material interest directly or indirectly in any contract reviewed or approved by the Board in the year under review.

Trading in company securities

Trading in the Company's securities on the Malawi Stock Exchange continues to be governed by a Share Trading Policy, a mechanism to guard against insider trading by all employees and directors.

Code of ethics

PCL and its subsidiaries are committed to a policy of fair dealing and integrity in the conduct of their businesses. This commitment is based on the fundamental belief that business should be conducted honestly, fairly and legally. The Board formally adopted a comprehensive code of ethics that is applied throughout the Group in the conduct of its affairs. This code provides a detailed guideline governing the all-important relationships between the various stakeholders and the communities in which the Group operates.

DIVERSITY

PCL continues with a gradual implementation of its policy on gender diversity which is modeled on the 30% Club. Currently female representation is at 25% at Group level. The aspiration of the Group is to appoint more qualifying women to executive and non-executive directorships on the boards of PCL or its subsidiary companies. Furthermore, the Group is keen to improve the pipeline below board level, to widen the talent pool available to its businesses.

PROFILE OF DIRECTORS AND MANAGEMENT





Mr Randson Mwadiwa (65)
MPA, MAIA, BAPA, Cert. (FEEIIP), Cert. (FMDFP)
Chairman

Appointed to the Board 01/09/2020

Mr Mwadiwa is an accomplished public administrator, with particular interest and expertise in public finance management as well as public sector reforms. He has had a distinguished and enviable public service record spanning over a period of 40 years, during which he rose to serve as Principal Secretary in various ministries including Ministries of Finance; Trade and Industry; Energy and Natural Resources; Agriculture and Food Security as well as Transport and Public Works.

In this role, he had close interaction at high level with private sector players and was instrumental in ensuring an effective interface between public and private sector interests.

Mr Mwadiwa has previously served, and continues to serve, on several boards in the private as well as public sectors.



Mrs Betty Mahuka (59)
Msc.FA, BCOM, DIBS, CGMA, CPA,
Lead Fellow (LSE)
Director

Appointed to the Board 01/09/2020

Mrs Betty Mahuka is an experienced professional Accountant and Operational Manager with over 20 years' experience at Senior Management level in both Executive and Non-Executive leadership positions. She has worked as Consultant Chief Operations Officer (COO) for the Malawi Liverpool Welcome Trust, General Manager for FDH Money Bureau, Director of Finance for ESCOM and as Head of Finance for the Malawi Environmental Endowment Trust. Mrs Mahuka has served as Board member of several organizations in Statutory Corporations and other private and public organizations operating in various sectors of the economy, including hospitality, financial and insurance sectors.

Mrs Mahuka holds a Master of Science degree in Finance and Accounting from the University of Stirling in the United Kingdom, a Bachelor of Commerce Degree from the University of Malawi and a Diploma in Business Studies. She is a Chartered Global Management Accountant (CGMA) from the Chartered Institute of Management Accountants, United Kingdom and a Chartered Public Accountant (CPA) Malawi. She is also a Lead Fellow- Leadership for Sustainable Environment



Dye Mawindo (63)
MBA, LLB
Director

Appointed to the Board 01/09/2020

A general management expert, Dye Mawindo started off his career in the legal profession before he moved on to the public sector when he joined the Malawi Development Corporation and rose to the position of Deputy General Manager/General Manager (Designate). Eight years later, he took up the position of Comptroller of Statutory Corporations in which position he was responsible for overseeing the performance of the parastatal sector in Malawi. He was thereafter appointed first Executive Director of the Privatization Commission when it was set up in 1996. Before being appointed Malawi's Director of Public Procurement.

e served in the capacity of Governance Adviser to the Vice President of the Republic of Malawi. Most recently, Dye Mawindo was appointed CEO of MCA Malawi during which he successfully implemented the first US\$350.7 million compact. Currently, he is leading a team that is developing Malawi's second compact in the capacity of CEO and National Coordinator.



Gibson S Ngalamila (42)
ACIS, ACG, FCCA, B.Acc, CA
Director

Appointed to the Board 24/11/2017

Mr Ngalamila has served as Executive Secretary of Press Trust for 5 years now. He joined Press Trust in September 2003. Prior to his current position, he served the Trust in various capacities in the Operations Department. By virtue of his position at Press Trust, Mr Ngalamila has over the years served as non-executive director on the boards of a number of companies and organisations. Currently, he chairs the boards of Mwaiwathu Private Hospital Limited and Continental Holdings Limited. He is a non-executive director on the board of Press Agriculture Limited. In his own right, he was appointed as a Trustee of the Girls Education Trust, a UNICEF-funded public organisation supporting the education of girls in Malawi.

Mr Ngalamila is a chartered company secretary and governance expert as well as a duly registered Chartered Accountant.



Stewart Malata (59)
MSc, Bcom (Acc.)
Director

Appointed to the Board 18/07/2019

Mr. Malata is CEO of Roads Fund Administration since 2014. Previously, he was working as CEO at MDC Limited. He has held a number of other Executive Leadership positions as Chief Executive Officer at Admarc Investment Holdings and Director in the Ministry of Finance, Economic Planning and Development.

He holds a Master of Sciences Degree in Accounting and Finance from the University of Stirling, Scotland and a Bachelor of Commerce (Accountancy) Degree from the University of Malawi, the Polytechnic campus obtained in 1985.

He sits on various boards including Seed Co. Malawi Ltd, Ufulu Finance Ltd and Malawi Catering Services Ltd



Jim Nsomba (60)
B.Com, FCCA, CA (M)
Director

Appointed to the Board 24/08/2018

Mr. Nsomba is Finance Director of Old Mutual Malawi Ltd since 8th May 2017. Prior to joining Old Mutual, he was Regional Manager for Africa Finance Transformation at Standard Bank Africa Head Office from 2005 to 2017.

Mr. Nsomba has worked extensively in the banking industry, having served as Head of Finance at Standard Bank Malawi from 1996 to 2005 before moving to Standard Bank in South Africa. He also served as Head of Finance at National Bank of Malawi plc from 1994 to 1996. He began his professional career at Manica Group of Companies, where he served in several positions in Malawi and South Africa from 1987 to 1994. Mr Nsomba has served on various boards in the public and private sectors. He is currently a director on the boards of Old Mutual (Malawi) Limited, Old Mutual Unit Trust (Malawi) Limited, Old Mutual Investment Group Limited, MPICO Plc and National Bank of Malawi plc.



Dr Lyton Chithambo (42)
Ph.D. (Finance), M.Sc. Finance & Risk,
FCCA, FHEA, CPA (M), B.Com
Acting Chief Executive

Dr Chithambo was born on 3rd May 1979. He is the Chief Operations Executive and is currently the Acting Chief Executive. Prior to this, he served as General Manager Operations and Project Manager for PCL. Before that, he was Group Risk Manager ultimately responsible for coordinating various projects and establishing Enterprise Risk Management structures within the Group. Prior to joining the PCL Group in January 2015, Dr Chithambo worked as Lecturer in Accounting and Finance at the Bournemouth University in the United Kingdom. Prior to relocating to the United Kingdom, Dr Chithambo spent almost a decade at the Reserve Bank of Malawi where he rose through the ranks from Examiner in Supervision to Principal Examiner responsible for financial institutions supervision.



Moureen Mbeye (40)
B. Com, CPA, CA
**Chief Finance & Administration
Executive and Company Secretary**

Moureen Mbeye was born on 28th September 1981. She is a highly experienced, results-oriented finance specialist with over 19 years diverse experience and proven record of success in directing financial operations and management of organizations ensuring continuing business growth and achievement of strategic goals. Ms Mbeye is technically competent in strategic planning and execution, financial planning and performance monitoring/reporting, budget and budgetary control, internal controls formulation and implementation, auditing, tax planning, mergers and acquisitions evaluations and analysis. She serves as a Director of several PCL Group companies and has strong decision making skills, effective interpersonal and communication skills.

Prior to joining the PCL Corporate Office Ms Mbeye worked in various senior positions at Malawi Telecommunications Limited. She also worked in senior audit positions between 2003 and 2008 for KCC Finance Associates and Peter Holdsworth and Company.

Consolidated and Separate Financial Statements

| | | |
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The Directors have pleasure in presenting their report together with the audited consolidated and separate financial statements of Press Corporation plc for the year ended 31 December 2021.

1. INCORPORATION AND REGISTERED OFFICE

Press Corporation plc is a Company incorporated in Malawi under the Companies Act, 2013. It was listed on the Malawi Stock Exchange in September 1998.

The address of its registered office is:

3rd Floor
PCL House
Kaohsiung Road
P.O. Box 1227
BLANTYRE

2. PRINCIPAL ACTIVITIES OF THE GROUP

Press Corporation plc is a diversified Group with significant interests in the Malawi economy. Its subsidiary companies operate in financial services; telecommunications; energy; retail; consumer products and real estate. Press Corporation plc has two joint venture companies in the energy and consumer goods sectors. It also has three associates in the telecommunications; agro-industrial and life insurance.

3. FINANCIAL PERFORMANCE

The results and state of affairs of the Group and the Company are set out in the accompanying consolidated and separate financial statements which comprise of the statements of: financial position; comprehensive income; changes in equity and cash flows and related notes to the financial statements.

4. SHARE CAPITAL AND SHAREHOLDING

The authorised share capital of the Group is K25 million (2020: K25 million) divided into 2,500,000,000 Ordinary Shares of K0.01 each. The issued and fully paid capital is K1.2 million (2020: K1.2 million) divided into 120,255,713 (2020: 120,255,713) fully paid Ordinary Shares of K0.01 each.

The shareholding structure at year end was as follows:-

| | 2021 % | 2020 % |
|---|-----------|-----------|
| Press Trust | 47.58 | 46.65 |
| Old Mutual Life Assurance Company Limited | 16.29 | 16.29 |
| Standard bank of South Africa Nominees ITF Northern Trust Global Services | 0.37 | 2.94 |
| Others | 35.76 | 34.12 |
| | 100.00 | 100.00 |

5. DIVIDENDS

The net profit attributable to owners of the Company for the year of K21.7 billion (2020: K3.7 billion) has been added to retained earnings. Interim dividend paid for 2021 was K722 million (2020: K722 million) representing K6.00 per share (2020: K6.00). The directors have proposed a final dividend for the year 2021 of K3.4 billion (2020: K3.0 billion) representing K28 per share (2020: K25.00) to be tabled at the forthcoming Annual General Meeting.

6. DIRECTORATE AND COMPANY SECRETARY

The names of the Company's directors and secretary are listed below:-

| | | | |
|-----------------|----------------------------------|---------------------|---------------------------|
| Mr. R Mwadiwa | Chairman | Throughout the year | Non-executive |
| Mr. J Nsomba | Director | Throughout the year | Non-executive |
| Mr. G Ngalamila | Director | Throughout the year | Non-executive |
| Mr. S Malata | Director | Throughout the year | Independent non-executive |
| Mr. D Mawindo | Director | Throughout the year | Non-executive |
| Mrs. B Mahuka | Director | Throughout the year | Non-executive |
| Dr. G Partridge | Director / Group Chief Executive | Throughout the year | Executive |
| Mr. B Ndau | Company Secretary | Throughout the year | Executive |

7. DIRECTORS' REMUNERATION

The directors' fees and remuneration for the Group and its subsidiaries was as follows:

| Entity | Non-executive Directors fees and expenses K' million | Executive Directors remuneration K' million | Total K' million |
|--|---|--|---------------------|
| For the year ended 31 December 2021 | | | |
| Press Corporation plc | 161 | 621 | 782 |
| Telekom Networks Malawi plc | 114 | - | 114 |
| National Bank of Malawi plc | 401 | 832 | 1,233 |
| The Foods Company Limited | 25 | - | 25 |
| Malawi Telecommunications Limited | 23 | 120 | 143 |
| Presscane Limited | 88 | - | 88 |
| Press Properties Limited | 19 | - | 19 |
| Ethanol Company Limited | 38 | 112 | 150 |
| Peoples Trading Centre Limited | 17 | - | 17 |
| | 869 | 1,685 | 2,554 |
| For the year ended 31 December 2020 | | | |
| Press Corporation plc | 124 | 1,032 | 1,156 |
| Telekom Networks Malawi plc | 106 | 297 | 403 |
| National Bank of Malawi plc | 241 | 764 | 1,005 |
| The Foods Company Limited | 23 | - | 23 |
| Malawi Telecommunications Limited | 26 | 119 | 145 |
| Presscane Limited | 57 | - | 57 |
| Press Properties Limited | 17 | - | 17 |
| Ethanol Company Limited | 27 | 122 | 149 |
| Peoples Trading Centre Limited | 24 | 109 | 133 |
| | 645 | 2,443 | 3,088 |

8. DIRECTORS' TENURE POLICY

In accordance with the Articles of Association, non-executive Directors are appointed by the major shareholders namely Press Trust and Old Mutual plc with the exception of one independent Director (Mr. S. Malata) who is nominated by the Board of Directors and confirmed by the Annual General Meeting.

Unless a Director resigns, non-executive Directors appointed by the major shareholders serve on the Board up until they are recalled by the particular appointing major shareholder whereas an independent non-executive Director serves a one year term renewable at the Annual General Meeting. Mr. S. Malata shall therefore retire by rotation as Director at the ensuing Annual General Meeting and is eligible for re- appointment, should he offer himself.

Executive Directors serve on the Board by virtue of their offices and their tenure is as per the terms of their contract of employment. Dr. George Partridge ceased to be an Executive Director on 31st January 2022 when he left the employment of the company.

On termination of the contract, a three months' notice in writing must be given in case of Executive Directors whereas non-executive Directors termination of their appointment is effective immediately when the notice of termination of their appointment is delivered to the Company Secretary. There is no predetermined compensation on termination of the appointment of non-executive Directors.

9. DIRECTORS' INTERESTS

The interests of the Directors in office in the shares of the Group and its subsidiaries as at 31 December 2021 is as follows:

| Director | Company | Number of shares held (ordinary shares) | |
|-----------------|-----------------------------|--|-----------|
| | | 2021 | 2020 |
| Dr. G Partridge | Telekom Networks Malawi Plc | 1,000,000 | 1,000,000 |
| Dr. G Partridge | National Bank of Malawi | 846 507 | 846,507 |
| Dr. G Partridge | Press Corporation plc | 45,000 | 45,000 |
| Mr. J Nsomba | National Bank of Malawi plc | 758 | 758 |
| Mr. R Mwadiwa | Telekom Networks Malawi Plc | 18,800 | 18,800 |
| Mr. R Mwadiwa | Press Corporation plc | 1,000 | 1,000 |

None of the Directors had, during the year ended 31 December 2021 (2020: Nil), an interest in any material contract relating to the business of the Company or of any of its subsidiary undertakings.

10. DONATIONS

As part of its corporate social responsibility, the Group and its subsidiaries made charitable donations of K207 million (2020: K105 million) as shown below;

| | 2021 K' million | 2020 K' million |
|-----------------------------------|--------------------|--------------------|
| Malawi Telecommunications Limited | - | 5 |
| Telekom Networks Malawi plc | 96 | 16 |
| National Bank of Malawi plc | 76 | 35 |
| Ethanol Company Limited | 19 | 7 |
| Presscane Company Limited | 13 | 4 |
| The Foods Company Limited | - | 1 |
| Press Corporation plc | 3 | 37 |
| | 207 | 105 |

11. AUDITORS

The Group's auditors, Deloitte, Chartered Accountants, P O Box 187, Blantyre, have indicated their willingness to continue their role as the Group's auditors. Resolutions concerning the reappointment of Deloitte as auditors of the Group for the year ending 31 December 2022 and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

12. AUDITORS REMUNERATION

The agreed fees payable by the Group and its subsidiaries to their auditors for financial audit and non-financial audit services are as follows:

| Entity | Financial Audit K' million | Half year results review K' million | Tip-offs anonymous K' million | IT system review K' million | Tax services K' million | Total K' million |
|--|----------------------------------|--|-------------------------------------|-----------------------------------|-------------------------------|---------------------|
| For the year ended 31 December 2021 | | | | | | |
| Press Corporation plc | 90 | 39 | 2 | - | - | 131 |
| Telekom Networks Malawi plc | 154 | 18 | 5 | - | - | 177 |
| National Bank of Malawi plc | 351 | 19 | 4 | - | - | 374 |
| The Foods Company Limited | 23 | 4 | - | - | - | 27 |
| Malawi Telecommunications Limited | 65 | 7 | 3 | - | - | 75 |
| Presscane Limited | 34 | 6 | 3 | - | - | 43 |
| Press Properties Limited | 22 | 4 | 2 | - | - | 28 |
| Ethanol Company Limited | 21 | 7 | 2 | - | - | 30 |
| Peoples Trading Centre Limited | 46 | 6 | - | 9 | - | 61 |
| | 806 | 110 | 21 | 9 | - | 946 |
| For the year ended 31 December 2020 | | | | | | |
| Press Corporation plc | 82 | 36 | 2 | - | - | 120 |
| Telekom Networks Malawi plc | 172 | 18 | 5 | - | - | 195 |
| National Bank of Malawi plc | 267 | 17 | 4 | - | - | 288 |
| The Foods Company Limited | 21 | 4 | - | - | - | 25 |
| Malawi Telecommunications Limited | 62 | 6 | 3 | - | - | 71 |
| Presscane Limited | 31 | 6 | 3 | - | - | 40 |
| Press Properties Limited | 17 | 2 | 2 | - | - | 21 |
| Ethanol Company Limited | 18 | 7 | 2 | - | - | 27 |
| Peoples Trading Centre Limited | 42 | 6 | 5 | 16 | - | 69 |
| | 712 | 102 | 26 | 16 | - | 856 |

The Directors are satisfied that the provision of non-audit services did not compromise the auditor independence.

13. CORPORATE GOVERNANCE

The Group continues to embrace and abide by the main principles of modern corporate governance as contained in the Malawi Code II (Code of Best Practice for Corporate Governance in Malawi). In this regard, the Group has at Board level, a Board Audit and Finance Committee, Investment Committee and a Board Appointments and Remuneration Committee. The Committees comprise of Non-Executive Directors.

14. OVERVIEW OF SUBSIDIARIES

The Group carried out its activities through its main subsidiaries namely; National Bank of Malawi plc, Malawi Telecommunications Limited, Telekom Networks Malawi plc, Ethanol Company Limited, Presscane Limited, Peoples Trading Centre Limited, Press Properties Limited and The Foods Company Limited.

The Company's shareholding in the subsidiaries, their principal activities and financial performance is disclosed in note 14 of the consolidated and separate financial statements.

14.1 Subsidiaries corporate governance

The subsidiaries have their own boards of directors having the rights and obligations to manage such companies in the best interest of the companies. The Company has its representatives on the boards of subsidiary companies and monitors the performance of the companies regularly.

14.2 Subsidiaries board of directors

During the year ended 31 December 2021, none of the subsidiary company directors had an interest in any material contract relating to the businesses of the subsidiaries.

Information about subsidiaries board of directors and their interest in shares, if any, in the respective subsidiary is shown below;

| Subsidiary | Directors | Tenure | Directors Interest in shares of the subsidiary |
|-----------------------------------|---|---|--|
| National Bank of Malawi plc | Dr. G Partridge Mr. M Nkhoma Mr. M Kawawa Mrs. E Mafeni Mrs. M Kachingwe Mr. J Mhura Mrs. B Nyirenda Mr. B Ndau Mr. H Jiya Mr. R Banda Mr. J Nsomba Mrs. D Ngwira Mr. C Mzengereza Mrs. Z Mitole | All year – Chairman All year All year All year All year All year All year From 17 th February 2021 All year All year All year All year All year All year – Company secretary | 846,507 (2020: 846,507) None 113,255 (2020: 113,255) None 1,935 (2020: 1,935) None None 31,593 (2020: 31,593) 17,306 (2020: 2,306) None 758 (2020: 758) None None None |
| Malawi Telecommunications Limited | Mrs. E Mafeni Mr. F Mvalo Dr. L Chithambo Mr. C. Kapanga Mr. M Katsala Secretary to the Treasury Principal Secretary for Information Dr. H Gombachika Mrs. C Tirigu | All year – Chairperson All year From February 2021 All year All year All year All year All year All year – Company secretary | None of the Directors had interest in shares of Malawi Telecommunications Limited |
| Telekom Networks Malawi plc | Dr. G Partridge Mr. H Anadkat Mr. D Lungu Mrs. E Mafeni Mr. K Phiri Dr. I Nzyoka Mr. L Katandula Mr. W Swart Dr. L Chithambo Mrs. C Mwansa | All year – chairman Up to 4 th March 2021 – vice chairman All year All year All year All year All year From 4 th March 2021 From 8 th April 2021 All year – Company secretary | None of the Directors had interest in shares of Telekom Networks Malawi plc except for Dr. G Partridge and Mrs. E Mafeni who held 1,000,000 and 319,601 shares respectively. Mr. H Anadkat had interest in shares of the company through their other business interest. Total shares held indirectly amounts to 229,000,000. |

14.2 Subsidiaries board of directors (Continued)

| Subsidiary | Directors | Tenure | Directors Interest in shares of the subsidiary |
|--------------------------------|--|--|--|
| Ethanol Company Limited | Mrs. E Mafeni Mr. W Mabulekesi Mr. L. Mandala Dr. L. Chithambo Mr. F Honde Mr. B W Jere Mr. G Kambale Mr. J. Ngolombe Ms L. Chakaniza Mr. T Chavura | All year - Chairperson All year Up to April 2021 From May 2021 From May 2021 All year All year All year All year All year – Company secretary | None of the Directors had interest in shares of Ethanol Company Limited |
| Presscane Limited | Mr. P Mulipa Mr. R R Patel Mr. J Korea-Mpatsa Mrs. R. Chitera Mr. B Ndau Mr. K Tembo Mr R.L. Patel Mrs. C Chihana | All year – chairman All year All year All year All year All year All year All year – Company secretary | None of the Directors had interest in shares of Presscane Limited except for Mr. R R Patel who had 49.9% indirect interest in shares of the company through his other business interest – Cane Products Limited. |
| Peoples Trading Centre Limited | Dr. G Partridge Dr. L Chithambo Mrs. E Mafeni Mrs. C Chithila Mr. F Chamba Dr. C Kanjo Mr. J Kamsesa Mr. R Kunjawa | Chairman – all year All year All year From March 2022 From March 2022 From March 2022 All year All year – Company secretary | None of the Directors had interest in shares of Peoples Trading Centre Limited |
| Press Properties Limited | Mr. B Ndau Mr. G Chipungu Mr. F Tukula Ms. M Mbeye Mr. R Kwatiwani Ms. C. Khaki | All year - Chairperson All year All year All year Company secretary - up to June 2021 Company secretary - from June 2021 | None of the Directors had interest in shares of Press Properties Limited |
| The Foods Company Limited | Mr. B Ndau Dr. B Zingano Prof. J Khomba Prof. J Kang'ombe Dr. V Msiska Ms. M Mbeye Mr. A Sesani Mr. Stephen Luwanda Ms. C. Khaki | All year - Chairperson Up to September 2021 All year All year All year All year Up to June 2021 Company secretary – up to June 2021 Company secretary – from June 2021 | None of the Directors had interest in shares of The Foods Company Limited |
| The Foods Company Limited | Mr. B Ndau Dr. B Zingano Prof. J Khomba Prof. J Kang'ombe Dr. V Msiska Ms. M Mbeye Mr. A Sesani Mr. Stephen Luwanda Ms. C. Khaki | All year - Chairperson Up to September 2021 All year All year All year All year Up to June 2021 Company secretary – up to June 2021 Company secretary – from June 2021 | None of the Directors had interest in shares of The Foods Company Limited |

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Press Corporation plc and its subsidiaries, comprising the statements of financial position at 31 December 2021, and the statements of comprehensive income, statements of changes in equity and statements 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, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2013.

The Act also requires the Directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act, 2013.

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 judgments and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards, when preparing financial statements; and
- Preparation of financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

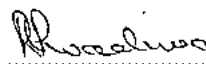
The Directors' responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Directors have made an assessment of the Group's and Company's ability to continue as a going concern and have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

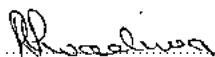
The auditor is responsible for reporting on whether the annual financial statements show a true and fair view in accordance with the applicable financial reporting framework.

Approval of the financial statements

The financial statements of the Group and Company, as indicated above, were approved by the board of Directors on 14 April 2022 and are signed on its behalf by


Chairman


Acting Chief Executive


Chairman


Acting Chief Executive

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PRESS CORPORATION PLC

Opinion

We have audited the consolidated and separate financial statements of Press Corporation plc and its subsidiaries ("the Group"), set out on pages 64 to 163, which comprise the consolidated and separate statements of financial position as at 31 December 2021, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group as at 31 December 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2013.

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 Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Malawi. We have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA code. We believe that 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 consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate 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 (Separate financial statements) | How the matter was addressed in the audit |
|---|---|
| Valuation of unlisted equity investments | |
| Unlisted equity investments are carried at fair value in the separate financial statements. Revaluation of these investments is done at the end of every financial year. The valuation methods adopted as well as the valuations are disclosed in note 14, 15 and 16. The total value of these unlisted investments is K111 billion (2020: K109 billion). | We checked the design and implementation of controls around valuation of unlisted equity investments; |
| Determination of fair values for the investments involves significant judgement and assumptions and is complex in nature. The key judgements and assumptions include growth rates and cost of capital used in the determination of future discounted cash flows, market multiples, control premiums and marketability discounts used in the determination of values using the market approach valuations methods. | We obtained valuation reports, which were independently done by E. Chokani, a registered valuer of Bridgepath Capital Limited and assessed the professional competence of the valuer by examining the valuer's qualification and experience; |
| We consider this as a key audit matter. | Assessed that the information provided by the company to the valuer is accurate and complete for valuation purposes based on our understanding of the investee companies and by agreeing the information to relevant supporting documents; |
| | Involved a specialist to assist in the review of the valuations on a sample basis; |
| | Assessed the reasonableness of assumptions used in the valuation reports in comparison to market data; |
| | Carried out retrospective reviews by comparing forecasted data against actuals for the current year; |
| | Considered the relevance and appropriateness of the valuation methods used; |
| | We found that the assumptions used in determining the valuations were reasonable and that the valuations were appropriate. We further concluded that details of the valuations have been disclosed appropriately in the financial statements. |

| Key Audit Matter (consolidated financial statements) | How the matter was addressed in the audit |
|---|--|
| Determination of Expected Credit Losses (ECL) for loans and advances | |
| The Group exercises significant judgement using subjective assumptions over both when and how much to record expected credit losses, and estimation of the amount of the impairment provision for loans and advances. | With respect to staging of loans and advances, our audit procedures comprised the following: |
| Key areas of judgment included: | <ul style="list-style-type: none"> We checked the design and implementation of controls around ECLs; We obtained an understanding of the Group's staging criteria; We assessed management's criteria for appropriateness and completeness against the requirements of IFRS 9 and other relevant regulatory guidance; We checked accuracy and completeness of data used in staging; We selected a sample of loans and advances and checked if they have been correctly staged based on the Group's accounting policy and IFRS 9 requirements; and For the selected loans and advances that were restructured, we obtained the restructure facility letters to confirm the restructure and assessed if staging is in line with the requirements of IFRS 9. |
| <ul style="list-style-type: none"> The significance of the judgements used in classifying loans and advances into various stages stipulated in IFRS 9. Staging of loans and advances is a significant component in determining the Expected Credit Losses (ECL) as such inaccurate staging may have a significant impact on ECL output. The categories of loans and advances that were determined to be significant in the Group's staging were large exposures, stage 1 and stage 2 loans as the Group's loans are concentrated under these categories; and Assumptions used in the expected credit loss model such as, expected future cash flows arising from collateral values. | For expected future cash flows arising from collateral, we performed the following procedures: |
| | <ul style="list-style-type: none"> We obtained an understanding of how the Group incorporates collateral in its ECL model; We checked whether the Group had a valid charge over the collateral that was used and also whether the collaterals were recently inspected, where necessary; We obtained management calculation of the haircuts that were applied on the collateral and checked the calculation for accuracy; and We further checked if the information that was used in the haircut calculation was complete and accurate by reference to transactions data on recent enforcements. |

Key Audit Matters (Continued)

| Key Audit Matter (consolidated financial statements) | How the matter was addressed in the audit |
|---|---|
| Determination of Expected Credit Losses(ECL) for loans and advances (Continued) | |
| <p>As at 31 December 2021, the gross loans and advances to customers were K231.2 billion (2020: K187 .1 billion) against which Expected Credit Losses of K8.2 billion (2020: K9.9 billion) were recorded. This is disclosed in note 17 (Loans and advances) to the financial statements. The Expected Credit Losses policy is presented in accounting policies in note 3 to the financial statements. Loans and advances are stated at amortised cost net of identified impairments.</p> <p>We therefore consider this as a key audit matter.</p> | <p>We found that the modelling approach and methods applied in determining expected credit losses against loans and advances were appropriate and that the amount impaired and recognised in the consolidated and separate financial statements was reasonable and complied with IFRS 9 <i>Financial Instruments</i>. We further concluded that the financial statements disclosures in relation to impairment of loans and advances were appropriate.</p> |
| Revenue recognition in the telecommunication segment | |
| <p>The Group's billing systems for voice and data operate on dedicated computer platforms. These systems process millions of pieces of data to electronic records which enables the Group to charge their customers, in real time, based on service usage.</p> <p>The operations of these systems are fairly complex with dynamic and intelligent tariffs regimes which provide for various promotions and discounts that are dependent on demand and individual usage profiles. Income is determined taking into account the profile and usage of each individual customer.</p> <p>In addition prepaid phone units are used over periods that can straddle more than one accounting period. The determination of the correct cut off between what has been used and can be included in income and what has not been used and should be deferred income (creditor) is also a key audit consideration.</p> <p>The nature of the systems and billing profiles make this a complex audit area in relation to the auditor assessing completeness of income. Accordingly, we consider this a key audit matter.</p> <p>The revenue recognition policy of the Group has been disclosed in note 3.9 and the revenue streams analysis is in note 37 to the financial statements.</p> | <p>We involved our Information Technology (IT) risk specialists in the engagement and carried out the following procedures:</p> <ul style="list-style-type: none">Assessed the general computer controls around the significant revenue and billing systems;Evaluated the process for capturing the tariff plans, combined with testing of a sample of related transactions. A key aspect of this exercise was to ensure that tariffs are properly approved;We obtained downloads of information recorded in the group's billing system and by using advanced data analytics mirror the dynamic, intelligent tariff regimes to independently compute the income for the selected months of the year and thus assess the completeness and accuracy of the figures in the revenue reports.Assessed whether revenue was recorded in the correct period;Obtained a reconciliation for the expected contract liabilities as at period end and tested the accuracy and completeness of the reconciling items;Re-computed contract liabilities from Intelligent Network data using Computer Assisted Audit Techniques (CAATS); andChecked that contract liabilities in the billing system are being reconciled to the records. <p>Based on the work performed, we concluded that revenue was properly recorded. We have also found revenue recognition policy to be in line with International Financial Reporting Standards. In addition, the contract liabilities disclosed in note 33 to the financial statements have been assessed to be in accordance with the revenue recognition policy.</p> |

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report and the Statement of Directors' responsibilities, as required by the Companies Act, 2013 which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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 the Directors for the Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated and separate 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 Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period 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.



Chartered Accountants

Nkondola Uka
Partner
21 June 2022

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

In millions of Malawi Kwacha

| Assets | Notes | Group | | | Company | | |
|--|-------|-----------|----------------------|---------------------|----------|----------------------|---------------------|
| | | 31/12/21 | 31/12/20 Restated | 1/01/20 Restated | 31/12/21 | 31/12/20 Restated | 1/01/20 Restated |
| Non-current assets | | | | | | | |
| Property, plant and equipment | 8 | 145,779 | 136,857 | 123,460 | 1,245 | 889 | 758 |
| Right-of-use assets | 9 | 17,556 | 14,674 | 8,942 | - | 13 | 55 |
| Biological assets | 10 | 50 | 65 | 69 | - | - | - |
| Goodwill | 11 | 4,547 | 4,547 | 4,974 | - | - | - |
| Intangible assets | 12 | 19,570 | 18,401 | 18,573 | 223 | 214 | 210 |
| Investment properties | 13 | 12,636 | 11,166 | 9,592 | 459 | 417 | 399 |
| Investments in subsidiaries | 14 | - | - | - | 329,981 | 284,592 | 265,662 |
| Investments in joint ventures | 15 | 16,148 | 8,370 | 7,639 | 18,317 | 21,774 | 22,922 |
| Investments in associates | 16 | 39,290 | 39,517 | 42,426 | 45,013 | 41,534 | 57,956 |
| Loans and advances to customers | 17 | 148,237 | 131,634 | 84,554 | - | - | - |
| Finance lease receivables | 18 | 13,282 | 15,752 | 15,494 | - | - | - |
| Contract asset | 24 | 1,187 | 601 | 559 | - | - | - |
| Long term receivable – other | 19 | 1,989 | 1,740 | 1,573 | 1,926 | 1,659 | 1,473 |
| Other investments | 20 | 161,847 | 98,588 | 50,991 | 3,532 | 4,120 | 3,963 |
| Deferred tax assets | 21 | 13,254 | 10,554 | 10,084 | - | - | - |
| Total non-current assets | | 595,372 | 492,466 | 378,930 | 400,696 | 355,212 | 353,389 |
| Current assets | | | | | | | |
| Inventories | 22 | 4,729 | 6,063 | 8,532 | 11 | 12 | 12 |
| Biological assets | 10 | 712 | 782 | 591 | - | - | - |
| Loans and advances to customers | 17 | 74,686 | 45,589 | 80,154 | - | - | - |
| Finance lease receivables | 18 | 1,630 | 1,733 | 1,636 | - | - | - |
| Other investments | 20 | 257,893 | 137,590 | 127,574 | - | - | - |
| Trade and other receivables – Group companies | 23 | - | - | - | 1,833 | 4,911 | 2,007 |
| Trade and other receivables | 24 | 30,037 | 32,753 | 28,328 | 378 | 1,123 | 1,433 |
| Income tax recoverable | 26 | 4,730 | 2,764 | 1,574 | 680 | 526 | 299 |
| Cash and cash equivalents | 27 | 91,900 | 92,196 | 1,585 | 8,434 | 82 | 2,432 |
| Assets classified as held for sale | 25 | 24,010 | 1,539 | 58,934 | 7,564 | 8,473 | - |
| Total current assets | | 490,327 | 321,009 | 308,908 | 18,900 | 15,127 | 6,183 |
| Total assets | | 1,085,699 | 813,475 | 687,838 | 419,596 | 370,339 | 359,572 |
| Equity and liabilities | | | | | | | |
| Equity | | | | | | | |
| Share capital | 28 | 1 | 1 | 1 | 1 | 1 | 1 |
| Share premium | | 2,097 | 2,097 | 2,097 | 2,097 | 2,097 | 2,097 |
| Other reserves | 29* | 65,960 | 53,667 | 52,163 | 364,712 | 325,292 | 309,243 |
| Retained earnings | | 120,582 | 102,689 | 101,840 | 28,641 | 27,105 | 26,353 |
| Total equity attributable to equity holders of the company | | 188,640 | 158,454 | 156,101 | 395,451 | 354,495 | 337,694 |
| Non-controlling interest | | 107,186 | 85,687 | 75,601 | - | - | - |
| Total equity | | 295,826 | 244,141 | 231,702 | 395,451 | 354,495 | 337,694 |
| Non-current liabilities | | | | | | | |
| Loans and borrowings | 30 | 38,825 | 46,867 | 37,946 | 3,260 | 4,890 | 8,150 |
| Lease liabilities | 9 | 5,732 | 2,964 | 6,176 | - | - | 23 |
| Contract liabilities | 33 | 392 | 297 | 119 | - | - | - |
| Financial guarantees | 34 | - | - | - | 7,956 | - | - |
| Deferred tax liabilities | 21* | 5,782 | 5,011 | 5,521 | - | 133 | 7,930 |
| Total non-current liabilities | | 50,731 | 55,139 | 49,762 | 11,216 | 5,023 | 16,103 |

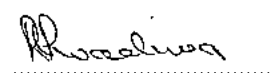
CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2021

| | | Group | | | | Company | |
|---|-------|-----------|----------|----------|----------|----------|----------|
| | Notes | 31/12/21 | 31/12/20 | 1/01/20 | 31/12/21 | 31/12/20 | 1/01/20 |
| | | | Restated | Restated | | Restated | Restated |
| Current liabilities | | | | | | | |
| Bank overdraft | 27 | 11,545 | 9,942 | 7,986 | 6,457 | 4,524 | 4,251 |
| Loans and borrowings | 30 | 21,330 | 11,359 | 16,152 | 1,630 | 1,630 | - |
| Lease liabilities | 9 | 3,042 | 3,367 | 3,316 | - | 33 | 58 |
| Financial guarantees | 34 | - | - | - | 2,275 | - | - |
| Provisions | 31 | 7,392 | 4,640 | 4,049 | - | - | 262 |
| Income tax payable | 32 | 7,114 | 7,473 | 6,448 | 62 | 50 | 130 |
| Trade and other payables | 33 | 108,095 | 76,554 | 52,944 | 2,492 | 884 | 1,007 |
| Trade and other payables – Group companies | 35 | - | - | - | 13 | 3,700 | 67 |
| Customer deposits | 36 | 547,083 | 400,860 | 315,479 | - | - | - |
| Liabilities directly associated with assets classified as held for sale | 25 | 33,541 | - | - | - | - | - |
| Total current liabilities | | 739,142 | 514,195 | 406,374 | 12,929 | 10,821 | 5,775 |
| Total liabilities | | 789,873 | 569,334 | 456,136 | 24,145 | 15,844 | 21,878 |
| Total equity and liabilities | | 1,085,699 | 813,475 | 687,838 | 419,596 | 370,339 | 359,572 |

*Refer to note 52 for details of restatement.

The financial statements of the Group and Company were approved for issue by the Board of Directors on 14 April 2022 and were signed on its behalf by:


Mr. R Mwadiwa


Dr. L Chithambo

The notes on pages 70 to 163 are an integral part of these consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

As at 31 December 2021

In millions of Malawi Kwacha

| Notes | Group | | Company | |
|--|-------|------------------|----------|------------------|
| | 2021 | 2020 Restated | 2021 | 2020 Restated |
| Continuing operations | | | | |
| Revenue | 37* | 170,176 | 152,000 | 14,248 |
| Interest revenue | 37* | 78,897 | 50,898 | - |
| Direct trading expenses | 38 | (72,574) | (65,595) | - |
| Gross profit | | 176,499 | 137,303 | 10,654 |
| Other operating income | 39* | 15,136 | 4,604 | 1,579 |
| Distribution expenses | 40 | (3,284) | (2,420) | - |
| Impairment losses on financial assets | 41* | (4,348) | (3,165) | (58) |
| Administrative expenses | 42* | (104,366) | (87,327) | (5,570) |
| Results from operating activities | | 79,637 | 48,995 | 6,348 |
| Finance income | 43 | 2,214 | 2,135 | 944 |
| Finance costs | 43 | (11,540) | (7,949) | (12,697) |
| Net finance costs | | (9,326) | (5,814) | (11,753) |
| Share of results of equity-accounted investees | 44 | 2,489 | 298 | - |
| Profit/(loss) before income tax | | 72,800 | 43,479 | (1,554) |
| Income tax expense | 45 | (23,236) | (18,350) | (1,472) |
| Profit/(loss) from continuing operations | | 49,564 | 25,129 | (3,026) |
| Discontinued operations | | | | |
| Loss from discontinued operations (net of income tax) | 46 | (4,433) | (5,155) | - |
| Profit for the year | | 45,131 | 19,974 | (3,026) |
| Other comprehensive income: | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Gain on property revaluation | | 7,870 | 2,200 | 111 |
| Share of other comprehensive income of equity accounted investments | 29,44 | 7,884 | 246 | - |
| Fair value gain on investments in equity instruments designated as at fair value through other comprehensive income (FVTOCI) | 29 | - | - | 47,307 |
| Income tax relating to items that may not be reclassified subsequently to profit or loss | 21 | 448 | 761 | 292 |
| Other comprehensive income for the year (net of tax) | | 16,202 | 3,207 | 47,710 |
| Total comprehensive income for the year | | 61,333 | 23,181 | 44,684 |
| Profit attributable to: | | | | |
| Owners of the Company | | 21,728 | 3,669 | (3,026) |
| Non-controlling interest | | 23,403 | 16,305 | - |
| Profit for the year | | 45,131 | 19,974 | (3,026) |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | | 33,695 | 5,480 | 44,684 |
| Non-controlling interest | | 27,638 | 17,701 | - |
| Total comprehensive income for the year | | 61,333 | 23,181 | 44,684 |
| Earnings per share | | | | |
| Basic and diluted earnings per share (K) | 47 | 180.77 | 30.52 | |
| Continuing operations | | | | |
| Basic and diluted earnings per share (K) | 47 | 217.65 | 73.41 | |

* Refer to notes 37,39, 41, 42 and 52 for details of restatements.

STATEMENTS OF CHANGES IN EQUITY

As at 31 December 2021

In millions of Malawi Kwacha

| Group | Issued capital | Share premium | Other reserves | Retained earnings | Total equity attributable to equity holders of company | Non-controlling interest | Total Equity |
|--|----------------|---------------|----------------|-------------------|--|--------------------------|--------------|
| Balance at 1 January 2021 as previously stated | 1 | 2,097 | 53,667 | 102,177 | 157,942 | 85,687 | 244,141 |
| Prior year adjustment (note 52) | - | - | - | 512 | 512 | - | 512 |
| Balance at 1 January 2021 as restated | 1 | 2,097 | 53,667 | 102,689 | 158,454 | 85,687 | 244,141 |
| Profit for the year | - | - | - | 21,728 | 21,728 | 23,403 | 45,131 |
| Other comprehensive income | - | - | 11,967 | - | 11,967 | 4,235 | 16,202 |
| Total comprehensive income for the year | - | - | 11,967 | 21,728 | 33,695 | 27,638 | 61,333 |
| Depreciation transfer land and buildings (note 29) | - | - | (32) | 48 | 16 | (16) | - |
| Transfer to Regulatory reserve (note 29) | - | - | 215 | (417) | (202) | 202 | - |
| Translation differences (note 29) | - | - | 278 | - | 278 | 261 | 539 |
| Minority interest arising on business combinations (note 14) | - | - | - | - | - | 3,832 | 3,832 |
| Reclassification (note 29) | - | - | (135) | 262 | 127 | (127) | - |
| Dividends to equity holders | - | - | - | (3,728) | (3,728) | (10,291) | (14,019) |
| Balance at 31 December 2021 | 1 | 2,097 | 65,960 | 120,582 | 188,640 | 107,186 | 295,826 |
| 2020 – Restated | | | | | | | |
| Balance at 1 January 2020 as previously stated | 1 | 2,097 | 52,163 | 101,407 | 155,668 | 75,601 | 231,269 |
| Prior year adjustment (note 52) | - | - | - | 433 | 433 | - | 433 |
| Balance at 1st January 2020 | 1 | 2,097 | 52,163 | 101,840 | 156,101 | 75,601 | 231,702 |
| Profit for the year | - | - | - | 3,669 | 3,669 | 16,305 | 19,974 |
| Other comprehensive income | - | - | 1,811 | - | 1,811 | 1,396 | 3,207 |
| Total comprehensive income for the year | - | - | 1,811 | 3,669 | 5,480 | 17,701 | 23,181 |
| Depreciation transfer land and buildings | - | - | (307) | 307 | - | - | - |
| Dividends to equity holders | - | - | - | (3,127) | (3,127) | (7,615) | (10,742) |
| Balance at 31 December 2020 | 1 | 2,097 | 53,667 | 102,689 | 158,454 | 85,687 | 244,141 |

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

As at 31 December 2021

In millions of Malawi Kwacha

| | Issued capital | Share premium | Other reserves | Retained earnings | Total Equity |
|---|----------------|---------------|----------------|-------------------|--------------|
| Company | | | | | |
| 2021 | 1 | 2,097 | 257,161 | 26,593 | 285,852 |
| Balance at 1 January 2021 as previously stated | - | - | 68,131 | 512 | 68,643 |
| Prior year adjustment (note 52) | 1 | 2,097 | 325,292 | 27,105 | 354,495 |
| Balance at 1 January 2021 as restated | - | - | - | (3,026) | (3,026) |
| Profit for the year | - | - | 47,710 | - | 47,710 |
| Other comprehensive income | - | - | - | - | - |
| Total comprehensive income for the year | - | - | 47,710 | (3,026) | 44,684 |
| Release of revaluation surplus on disposal of investments in equity instruments designated as at fair value through other comprehensive income (FVTOCI) | - | - | (8,290) | 8,290 | - |
| Dividends to equity holders | - | - | - | (3,728) | (3,728) |
| Balance at 31 December 2021 | 1 | 2,097 | 364,712 | 28,641 | 395,451 |
| 2020 – Restated | | | | | |
| Balance at 1 January 2020 as previously stated | 1 | 2,097 | 249,257 | 25,920 | 277,275 |
| Prior year adjustment (note 52) | - | - | 59,986 | 433 | 60,419 |
| Balance at 1 January 2020 | 1 | 2,097 | 309,243 | 26,353 | 337,694 |
| Profit for the year | - | - | - | 3,879 | 3,879 |
| Other comprehensive income | - | - | 16,049 | - | 16,049 |
| Total comprehensive income for the year | - | - | 16,049 | 3,879 | 19,928 |
| Dividends to equity holders | - | - | - | (3,127) | (3,127) |
| Balance at 31 December 2020 | 1 | 2,097 | 325,292 | 27,105 | 354,495 |

CONSOLIDATED AND SEPARATE STATEMENTS OF CASHFLOWS

As at 31 December 2021

In millions of Malawi Kwacha

| | Notes | Group | | Company | |
|--|--------|-----------|------------------|----------|------------------|
| | | 2021 | 2020 Restated | 2021 | 2020 Restated |
| Profit before income tax | | 68,367 | 38,324 | (1,554) | 4,748 |
| Adjustments for: | | | | | |
| Depreciation, amortization and impairment | | 24,138 | 20,497 | 72 | 96 |
| Finance costs | | 9,326 | 9,501 | 12,697 | 1,879 |
| Finance income | | (2,214) | (2,136) | (944) | (279) |
| Share of results from equity accounted investments | | (2,489) | (298) | - | - |
| (Profit)/loss on sale of investment property and property, plant and equipment | | (92) | (131) | 6 | 2 |
| Profit on disposal of investment in associate | | (9,586) | - | (1,113) | - |
| Fair value adjustments and unrealised foreign exchange losses | | (891) | (1,066) | (230) | (30) |
| Negative goodwill arising on acquisition of Akiba | | (277) | - | - | - |
| Investment income (dividends) | | - | - | (13,555) | (9,963) |
| (Decrease)/Increase in provisions | | 2,752 | 591 | - | (262) |
| Working capital changes: | | | | | |
| Working capital relating to assets and liabilities held for sale | | 14,055 | - | - | - |
| Decrease in inventories | | 1,334 | 2,469 | 1 | - |
| Increase in Loans and advances to customers | | (19,234) | (12,515) | - | - |
| Decrease/(Increase) in Finance lease receivables | | 2,573 | (355) | - | - |
| Decrease/(Increase) in trade and other receivables | | 2,710 | (4,634) | (34) | 124 |
| Decrease/(Increase) in trade and other receivables –Group | | - | - | 3,078 | (2,904) |
| Increase in other investments | | (175,933) | (57,632) | - | - |
| .Increase/(Decrease) in trade and other payables | | 30,292 | 23,788 | 1,608 | (123) |
| Increase in trade and other payables- Group | | - | - | (3,687) | 3,633 |
| Increase in customer deposits | | 104,714 | 85,381 | - | - |
| Cash generated from/(used in) operations | | 49,545 | 101,784 | (3,655) | (3,079) |
| Interest paid | | (7,083) | (9,067) | (2,466) | (1,879) |
| Interest received | | 1,738 | 2,136 | 944 | 279 |
| Income tax refunds | 26 | 122 | - | - | - |
| Income taxes paid | 26, 32 | (24,294) | (18,883) | (1,455) | (1,303) |
| Net cash from/ (used in) operating activities | | 20,028 | 75,970 | (6,631) | (5,982) |
| Cash flows from investing activities | | | | | |
| Purchase of property, plant and equipment | | (36,922) | (28,235) | (296) | (112) |
| Purchase of intangible assets | | (871) | (929) | (24) | (17) |
| Purchase of investment property | | (1) | (156) | - | - |
| Purchase / additions of other investments | | (766) | (100) | (766) | (100) |
| Proceeds from sale of investment property and property, plant and equipment | | 217 | 557 | 1 | 1 |
| Proceeds on disposal of investment in associate | | 9,586 | - | 9,586 | - |
| Proceeds from contingent consideration on the sale of OCL | | 512 | - | 512 | - |
| Investment in subsidiaries | 14 | - | - | (4,315) | (1,574) |
| Dividend received | | 3,402 | 2,841 | 13,555 | 9,963 |
| Net cash flow from the acquisition of Akiba | | 7,867 | - | - | - |
| Net cash (used in)/from investing activities | | (16,976) | (26,022) | 18,253 | 8,161 |
| Cash flows used in financing activities | | | | | |
| Proceeds from long term borrowings | | 26,319 | 10,930 | - | - |
| Repayments of long term borrowings | | (11,725) | (7,236) | (1,630) | (1,630) |
| Repayment of principal element of leasing liability | | (5,742) | (11,682) | (33) | (48) |
| Dividend paid to non-controlling interest | | (10,291) | (7,615) | - | - |
| Dividend paid | | (3,728) | (3,127) | (3,728) | (3,127) |
| Net cash (used in)/ from in financing activities | | (5,167) | (18,730) | (5,391) | (4,805) |
| Net decrease in cash and cash equivalents | | (2,115) | 31,218 | 6,230 | (2,626) |
| Cash and cash equivalents at beginning of the year | | 82,254 | 50,948 | (4,442) | (1,819) |
| Effect on foreign exchange rate changes | | 216 | 88 | 189 | 3 |
| Cash and cash equivalents at end of the year | 27 | 80,355 | 82,254 | 1,977 | (4,442) |

Details of restatement have been included on note 52*



1. GENERAL INFORMATION

1.1 Reporting entity

Press Corporation plc ('the Company') is a company incorporated in Malawi under the Companies Act, 2013. It was listed on the Malawi Stock Exchange in September 1998.

The Company and its subsidiaries operate in financial services; telecommunications; energy; retail; consumer products and real estate. The Company has two joint venture companies in the energy and consumer goods sectors. It also has three associates in the telecommunications; agro-industrial and life insurance sector.

The consolidated financial statements as at, and for the year ended, 31 December 2021 comprise the company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in associates and joint ventures.

The address of its registered office and principal place of business are disclosed in the directors' report together with the principal activities of the Group.

1.2 Going concern

The directors have, at the time of approving the Consolidated and Separate Financial Statements, a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Companies in the Group declare dividends only when they satisfy the solvency requirements of the Companies Act which requires that dividends can only be declared when companies have adequate resources to meet expenditures in the normal course of business. Dividend distributions are governed by agreed dividend policies which take into consideration the investments and operational requirements of the entities. Where necessary companies in the Group arrange for facilities of varying durations with financial institutions to augment their cashflow requirements. Thus they continue to adopt the going concern basis of accounting in preparing the Consolidated and Separate Financial Statements.

1.3 Functional and presentation currency

These consolidated and separate financial statements are presented in Malawi Kwacha, which is the functional currency of the principal subsidiaries within the Group. Except as indicated, all financial information presented in Malawi Kwacha has been rounded to the nearest million.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS)

2.1 New and amended IFRSs that are effective for the current year with material impact

In the current year, there were no new and amended IFRSs whose adoption by the Group had a material impact on its results.

2.2 New and amended IFRSs that are effective for the current year but with no material impact

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2021 and are relevant to its operation. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements

| | |
|---|---|
| Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) | The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.. |
| Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) | The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. |

2.3 New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective. The Group does not plan to adopt these standards early.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS (CONTINUED))

2.3 New and revised IFRSs in issue but not yet effective (Continued)

These will be adopted in the period that they become mandatory. The directors anticipate that these Standards and Interpretations in future periods will have no significant impact on the financial statements of the Group.

| Effective date | Standard, Amendment or Interpretation |
|---|---|
| Annual reporting periods beginning on or after 1 January 2023 | IFRS 17 Insurance Contracts IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees. |
| Annual reporting periods beginning on or after 1 January 2022 | Reference to the Conceptual Framework (Amendments to IFRS 3) The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. |
| Annual reporting periods beginning on or after 1 January 2023 | Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. |
| Annual reporting periods beginning on or after 1 January 2022 | Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) The amendments 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. |
| Annual reporting periods beginning on or after 1 January 2022 | Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract) |
| Annual reporting periods beginning on or after 1 January 2022 | Annual Improvements to IFRS Standards 2018–2020 Makes amendments to the following standards: <ul style="list-style-type: none"> IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique |

3. SIGNIFICANT ACCOUNTING POLICIES**3.1 Statement of compliance**

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and provisions of the Companies Act, 2013.

3.2 Basis of accounting

The consolidated and separate financial statements have been prepared on the historical cost basis except for the following items in the statement of financial position:

- Financial instruments at fair value through profit or loss are measured at fair value.
- Financial instruments at fair value through other comprehensive income are measured at fair value.
- Biological assets are measured at fair value less costs to sell.
- Investment property is measured at fair value.
- Non-current assets held for sale are measured at fair value less costs to sell.
- Investments in subsidiaries, joint ventures and associates are measured at fair value in the company financial statements.
- Land and buildings is measured at fair value.

The methods used to measure fair values are discussed further in note 6.7.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 and 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety.

These different levels have been defined in note 6.7.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated and separate financial statements, and have been applied consistently by Group entities.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities that are controlled by the Company and its subsidiaries. Under the Companies Act, 2013 and International Financial Reporting Standard 10, *Consolidated Financial Statements*, control is achieved when the company:

- Has power over the investee;
- Is exposed, or has rights to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the company has, does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income and financial position from the date the company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES**3.3 Basis of consolidation (Continued)**

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

In the separate financial statements the equity investments are measured at fair value through other comprehensive income. These are valued on a regular basis by external valuers.

- 3.3.1 Changes in the Group's ownership interests in existing subsidiaries
- Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group has directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.4 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred except for instances where equity instruments are issued.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income taxes and IAS 19 Employee benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share based payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable on the basis specified in another IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES**3.4 Business combinations (Continued)**

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is re-measured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss when such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

3.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described at note 3.6 below.

3.6 Investments in associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES**3.6 Investments in associates and Joint Ventures (Continued)**

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

In the Company's separate financial statements, investments in associates and joint ventures are carried at fair value through other comprehensive income.

3.7 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IFRS 9 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

3. SIGNIFICANT ACCOUNTING POLICIES**3.7 Non-current assets held for sale (Continued)**

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

3.8 Revenue recognition

The Group's revenue arises mainly from provision of telecommunication services, Sale of goods – retail and other, Interest income and Fees and commission. The Company's main revenue is dividend income.

3.8.1 Provision of telecommunication services

The Group generates revenue from providing mobile and fixed telecommunication services such as network services (comprising of data, voice and SMS), enterprise business services, mobile money services, interconnect and roaming services, as well as from the sale of various devices. These products and services are either sold separately or in bundled packages. The typical length of a contract for postpaid bundled package is 24 months.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties such as taxes. The Group recognises revenue when it transfers control of a product or as services are rendered to a customer.

Bundled packages

For bundled packages, the Group accounts for individual products and services separately if they are distinct - i.e. if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group sells mobile devices and network services separately.

Mobile telecommunications services

These are considered to represent a single performance obligation as all are provided over the Group's network and transmitted as data representing a digital signal on the network.

The transmission of voice, data and SMS all consume network bandwidth and therefore, irrespective of the nature of the communication, the subscriber ultimately receives access to the network and the right to consume network bandwidth. Network services are, therefore viewed as a single performance obligation represented by capacity on the Group's network.

Revenue from mobile telecommunication services is recognized when the customer has received access to the network and has used the service. This faithfully depicts the transfer of the service to the customer as it is the actual point at which the customer enjoys the service.

Enterprise business services and mobile money

Customers either pay in advance for these services or pay monthly in equal instalments over the contractual period. The Group recognises revenue from these services as they are provided. Revenue is recognised based on actual units of network services/mobile money services provided during the reporting period.

Devices

The Group sells a range of devices. The Group recognises revenue when customers obtain control of devices, normally being when the customers take possession of the devices. For devices sold separately, customers pay in full at the point of sale. For devices sold in bundled packages, customers usually pay monthly in equal instalments over a period of 24 months. Contract assets are recognised when customers take possession of devices and are amortised over the contract period.

The Group assesses postpaid contracts including handsets to determine if they contain a significant financing component. The Group has elected to apply the practical expedient that allows the Group not to adjust the transaction price for the significant financing component for contracts where the time difference between customer payment and transfer of goods or services is expected to be one year or less. Much as the contracts are for a period of two years, the Group does not charge for financing component. The Group however still assesses whether there are significant financing components in the contracts and these are found to be insignificant.

Interconnect and roaming

The Group recognises interconnect and roaming revenue as the service is provided unless it is not probable (based on historical information) on transaction date that the interconnect revenue will be received, in which case interconnect revenue is recognised only when the cash is received or where a right of set-off exists with interconnect parties. Payments for interconnect and roaming are generally received on a monthly basis. Some interconnect and roaming debtors have a historical pattern of late payments due to sanctions imposed. The Group has continued to provide services to these debtors (due to regulatory requirements) where the recovery of principal is significantly delayed beyond the contractual terms.

3. SIGNIFICANT ACCOUNTING POLICIES**3.8 Revenue recognition (Continued)**Interconnect and roaming (Continued)

The Group has considered historical payment patterns (i.e. customary business practice) in assessing whether the contract contains a significant financing component. For contracts containing a significant financing component, the Group reduces interconnect and roaming revenue and recognises interest revenue over the period between satisfying the related performance obligation and payment.

3.8.2 Sale of goods

The Group operates a chain of retail stores selling groceries and perishables. For sale of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price for the retail stores is due immediately when the customer purchases the goods.

Sale of goods to non-retail customers, revenue is recognised when a Group entity transfers control of the goods to the customer, being at the point in time when the customer takes undisputed delivery of the goods. A 30 days credit period is granted in respect of other goods sold.

3.8.3 Interest income

Interest income for all interest-bearing financial instruments except for those classified as held for trading or designated at fair value through profit and loss are recognised as interest income in the statement of comprehensive income using the effective interest rate method. Non trading interest income is disclosed within finance income in the statement of comprehensive income and is recognised on accruals basis.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

3.8.4 Fees and commissions

Fees and commission income that are integral to the effective interest rate on a financial asset are included in the effective interest rate; specifically:

- Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan once it is withdrawn.
- Loan syndication fees are recognised as revenue when the syndication has been completed and the bank retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants.
- Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognised on completion of the underlying transaction.
- Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time apportion basis.
- Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. The same principle is applied to wealth management, financial planning and custody services that are continuously provided over an extended period of time.
- Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

Other fees and commission are generally recognised on an accrual basis when the services have been provided.

3.8.5 Dividend income

Dividends are recognised in the statement of comprehensive income when the Group's right to receive payment is established.

3. SIGNIFICANT ACCOUNTING POLICIES**3.8 Revenue recognition (Continued)****3.8.6 Rental income**

Rental income from investment property is recognized in the profit or loss on a straight line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income to be received. Rental income from properties whose main business is not renting properties is recognised as other income. The Group's policy for recognition of revenue from operating leases is described in note 3.10 below.

The Group receives short-term rental advances from its customers. The Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised lease to the customer and when the customer pays for that good or service will be one year or less.

3.8.7 Premium on foreign exchange deals

Premium on spot foreign exchange deals are recognised as income when the deal is completed.

3.8.8 Other income

Other income is recognised on the date all risks and rewards associated with the sale are transferred to the purchaser. Income on other services is recognised upon the performance of the contractual obligation. Details of composition of other income is on note 39.

3.9 Leases**3.9.1 The Group as lessee**

The Group assesses whether a contract is or contains a lease, at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee at the lease commencement date, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments);
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position and is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

3. SIGNIFICANT ACCOUNTING POLICIES**3.9 Leases (Continued)****3.9.1 The Group as lessee (Continued)**

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses (in accordance with IAS 36), if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Administrative expenses" in profit or loss.

3.9.2 The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

3.10 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

3.11 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.

3. SIGNIFICANT ACCOUNTING POLICIES**3.11 Borrowing costs (Continued)**

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.12 Employee benefits**3.12.1 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 in the periods during which services are rendered by employees.

The Group contributes to a number of defined contribution pension schemes on behalf of its employees, the assets of which are kept separate from the Group. Contributions to the Fund are based on a percentage of the payroll and are recognised as an expense in the profit or loss when employees have rendered service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Once the contributions have been paid, the Group has no further payment obligations.

3.12.2 Termination benefits

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

3.12.3 Short-term benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, sick leave and non-monetary benefits in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.13 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.13.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated and separate statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Income taxes that arise from dividend income are recognised at the same time as the dividend income is recognised.

3.13.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated and separate 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 assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from

3. SIGNIFICANT ACCOUNTING POLICIES**3.13 Taxation (Continued)****3.13.2 Deferred tax (Continued)**

deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of the Company reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted. As a result, the Group has recognised any deferred taxes on changes in fair value of the investment properties as the Group is subject to any income taxes on the fair value changes of the investment properties on disposal.

3.13.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.14 Property, plant and equipment**3.14.1 Recognition and measurement**

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by independent valuers with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. The basis of valuation used is current market value.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of those assets.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES**3.14 Property, plant and equipment (Continued)**

- 3.14.1 Recognition and measurement (Continued)
Freehold land is not depreciated.

Motor vehicles, plant, furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant 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.

- 3.14.2 Subsequent expenditure
Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

- 3.14.3 Depreciation
Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

- 3.14.4 Reclassification to investment property
When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified accordingly. Any gain arising on this re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve. Any loss is recognised in profit and loss.

3.15 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.16 Intangible assets

- 3.16.1 Intangible assets acquired separately
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life (five years – current and comparative years) and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES**3.16 Intangible assets (Continued)**

- 3.16.2 Internally-generated intangible assets – research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

- 3.16.3 Intangible assets acquired in a business combination
Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

- 3.16.4 Subsequent expenditure
Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

- 3.16.5 De-recognition of intangible assets
An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

3.17 Impairment of tangible and intangible assets other than goodwill and financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3. SIGNIFICANT ACCOUNTING POLICIES**3.17 Impairment of tangible and intangible assets other than goodwill and financial assets (Continued)**

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.18 Biological assets

Biological assets are measured at fair value less costs to sell, with any gain or loss recognised in profit or loss. Costs to sell include all costs that would be necessary to sell the assets including transportation costs.

The fair value of fish held for sale is based on the market price of fish of similar age, breed and genetic merit.

3.19 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of items transferred from biological assets is their fair value less costs to sell at the date of transfer.

3.20 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.20.1 Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

3.20.2 Restructuring

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity. Future operating losses are not provided for.

3.20.3 Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 and the amount initially recognised less cumulative amortisation recognised in accordance with IFRS 15 Revenue.

3.21 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

3. SIGNIFICANT ACCOUNTING POLICIES**3.21 Discontinued operations (Continued)**

- represents a separate major line of business or geographical area of operations;
- is a part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is represented as if the operations had been discontinued from the start of the comparative year.

3.22 Share capital and dividends**i. Ordinary shares**

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12 – Income taxes.

ii. Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the directors.

iii. Dividend per share

The calculation of dividend per share is based on the ordinary dividends recognised during the period divided by the number of ordinary shareholders on the register of shareholders on the date of payment.

iv. Earnings per share

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. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees. Where new equity shares have been issued by way of capitalisation or subdivision, 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.

v. Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3.23 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised in the Group's and company's statement of financial position when the Group / Company becomes a party to the contractual provisions of the instrument.

3.24 Financial assets**3.24.1 Classification and initial measurement of financial assets**

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss). Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in 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); and
- Fair value through other comprehensive income (FVTOCI).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The

3. SIGNIFICANT ACCOUNTING POLICIES**3.24 Financial assets (Continued)**

Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group applies the following business models:-

- i. Holding financial instruments for trading to maximize income and reduce losses,
- ii. Holding financial instruments to maturity. Thus the Group receives only principal and interest from the financial instruments, and
- iii. Holding financial instruments for liquidity management.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Debt and loan instruments that are held by the Group whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are measured at amortised cost. For an asset to be classified and measured at amortised cost, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with the basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to the basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

The Group recognises loss allowances for expected credit losses on the financial instruments that are not measured at FVTPL but are carried at amortised cost: No impairment loss is recognised on equity investments. IFRS 9 eliminates impairment assessment requirements for investments in equity instruments as they are only measured at FVPL or FVTOCI without recycling of fair value changes to profit and loss.

3.24.2 Subsequent measurement of financial assets

Subsequently, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

i. Financial assets at amortised cost (debt instruments)

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.

Financial assets at amortised cost are subsequently measured using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period,

3. SIGNIFICANT ACCOUNTING POLICIES**3.24 Financial assets (Continued)****3.24.2 Subsequent measurement of financial assets (Continued)****Amortised cost and effective interest method (Continued)**

to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

ii. Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income calculated using the effective interest method, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

iii. Financial assets designated at fair value through OCI (equity instruments)

On initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Gains and losses arising from changes in fair value of these financial assets are recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9 except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

3. SIGNIFICANT ACCOUNTING POLICIES**3.24 Financial assets (Continued)****iv. Financial assets at fair value through profit or loss**

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL.
- In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Foreign exchange gains and losses are recognised as follows:

- on financial assets at FVTPL and at amortised cost, are recognised in profit or loss
- on equity instruments at FVTOCI are recognised in other comprehensive income.
- on debt instruments held at FVTOCI are recognised in profit or loss, with the foreign currency element not based on the amortised cost being recognised in other comprehensive income

3.24.3 Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables, loans and advances and contract assets, as well as on banking business financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime ECL for its financial instruments unless there has been no significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. Both Lifetime ECL and 12-month ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The collective assessment is based on the Group's customer classification per industrial sectors as disclosed in note 6.4.5.

Expected credit losses on trade receivables, finance lease receivables and contract assets are determined using the simplified approach. Under this approach expected credit losses are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

i. Significant increase in credit risk (SICR)

The Group performs an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

3. SIGNIFICANT ACCOUNTING POLICIES**3.24 Financial assets (Continued)**

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk where the borrower has a strong capacity to meet their contractual cashflow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. It also considers assets in the investment grade category to be low credit risk assets.

For banking business financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

ii. Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

iii. Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES**3.24 Financial assets (Continued)****3.24.3 Impairment of financial assets (Continued)****iv. Write-off policy**

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

v. Measurement and recognition of expected credit losses for loans and advances

The measurement of expected credit losses for loans and advances is based on a probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

- **PD – The Probability of Default** is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The 12-month and lifetime PDs of a financial instrument represent the probability of a default occurring over the next 12 months and over its expected lifetime respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

Internal risk rating grades are inputs to the IFRS 9 PD models and historic default rates are used to generate the PD term structure covering the lifetime of financial assets.

- **EAD – The Exposure at Default** is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. As for financial assets, this is represented by the assets' gross carrying amount at the reporting date. For banking business financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

The Group's modelling approach for EAD reflects current contractual terms of principal and interest payments, contractual maturity date and expected utilisation of undrawn limits on revolving facilities and irrevocable off-balance sheet commitments.

- **LGD – The Loss Given Default** is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. LGD estimates are based on historical loss data.

When estimating the ECL, the Group considers the stages in which an asset is and also whether there has been a SICR. Each of the stages and the specific conditions of the assets is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure. The stages considered are as described below;

- **Stage 1:** Stage 1 financial instruments are those whose credit risk is low or has improved hence reclassified from Stage 2. Reclassifications from Stage 2 are however subject to 'cooling off' period of 3 months. The Group calculates 12-months ECL for this stage based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR;
- **Stage 2:** When financial instruments have shown a significant increase in credit risk since origination, the Group records an allowance for the Lifetime ECL. The calculation is done as explained under stage 1 above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR. Stage 2 financial instruments also include those whose credit risk has improved hence has been reclassified from Stage 3. Reclassifications from stage 3 are however subject to a 'cooling off' period of 3 months;
- **Stage 3:** financial instruments under this stage are considered credit-impaired. The Group records an allowance for the Lifetime ECLs.
- **POCI:** Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

3. SIGNIFICANT ACCOUNTING POLICIES**3.24 Financial assets (Continued)****3.24.3 Impairment of financial assets (Continued)****v. Measurement and recognition of expected credit losses for loans and advances (Continued)**

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) de-recognition of the financial asset.

Loan commitments and letters of credit: When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For overdrafts, revolving facilities that include both a loan and an undrawn commitment and loans commitments, ECLs are calculated and presented together with the loans and advances.

For a banking business financial guarantee contract, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Group estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The ECLs related to financial guarantee contracts are recognised together with loans and advances.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

vi. Forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group uses multiple scenarios to model the non-linear impact of assumptions about macroeconomic factors on ECL. The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Group has not made changes in the estimation techniques or significant assumptions made during the reporting period.

Macroeconomic model

The Group elected to develop a macro-economic model to predict the overall Group loan loss allowance rate and determined the correlation of the loan loss allowance rate to the overall provisions.

The macro-economic model is used to predict the loan loss allowance rate, after which a forward-looking scalar is derived and applied to existing loan loss allowance ratio to estimate the forward-looking loan loss allowance ratio. The predicated relationships between the key macro-economic indicators, the loan loss allowance rates and the overall provisions on the portfolio of financial assets was based on analysing historical data over the past five years.

The prime rate proved to be statistically significant in the macro-economic model. As such, the Group forecasted the future prime rates and calibrated NPL ratio accordingly which was incorporated in the calculation of the ECLs.

Sensitivity Analysis

The purpose of sensitivity analysis is to provide management with an outlook on possible macro-economic scenarios. The scenarios that were created in the analysis include both stressed and favourable scenarios. Each different macro-economic scenario was derived from the historical bank rate (prime rate), that are sourced from the Reserve Bank of Malawi. The table below outlines these different scenarios.

Macro-Economic Scenarios derived from historical performance of the Bank Rate (Prime Rate) in Malawi. The Economic Scenarios were derived based on historical information.

3. SIGNIFICANT ACCOUNTING POLICIES**3.24 Financial assets (Continued)****3.24.3 Impairment of financial assets (Continued)****vi. Forward-looking information****Sensitivity Analysis (Continued)**

Upturn Economic Scenario

Downturn Economic Scenario

| Scenario | Value of Prime | Change in Prime (decrease in current Prime) | Scenario | Value of Prime | Change in Prime (decrease in current Prime) |
|---|----------------|---|---|----------------|---|
| Best economic outlook of Prime in History | 8.00 | (6.50) | Worst economic outlook in History | 75.33 | 60.83 |
| Best economic outlook of Prime in last 20 years | 13.00 | (1.50) | Worst economic outlook in last 20 years | 75.33 | 60.83 |
| Best economic outlook of Prime in last 10 years | 13.00 | (1.50) | Worst economic outlook in last 10 years | 27.00 | 12.50 |
| Best economic outlook of Prime in last 5 years | 13.50 | (1.00) | Worst economic outlook in last 5 years | 27.00 | 12.50 |
| Best economic outlook of Prime in last 2 years | 13.50 | (1.00) | Worst economic outlook in last 2 years | 16.00 | 1.50 |

Three Economic Scenarios were chosen under either a favourable outcome or stressed outcome. The minimum bank rate over a certain period of time were considered in the different favourable economic scenarios. The maximum bank rate over a certain period of time were considered in the different stressed economic scenarios.

After a thorough evaluation of the most stressed scenarios that have occurred in the past, the following scenario weights were accordingly applied to get to a FLI Overlay. A weighting of 50% were applied to the baseline scenario (prime remains constant) and a weighting of 50% were applied to the first stressed scenario (prime went up by 2%). No favourable economic scenarios were given a weighting, due to the uncertainty associated with the pandemic. The other stressed economic scenarios are very unrealistic and were therefore also assigned with a 0% weighting.

Low risk assets

In applying the IFRS 9 model, the Group identified the following as assets having a low credit risk;

1. Malawi Government Securities
2. Interbank Placements
3. Other trading and non trading receivables

The Group evaluated both internal and external factors related to the assets and concluded that as at the reporting date the risk of default for these assets was low, the borrowers had a strong capacity to meet their contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but would not necessarily, reduce the ability of the borrowers to fulfil their contractual cash flow obligations.

The above factors coupled with extensive evaluation of credit histories resulted in classifying these assets in the investment grade.

Based on the assessment per each classification of assets, Probabilities of Default were assigned to these assets and an Expected Credit Loss was computed.

3.24.4 Reclassifications of financial assets

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

3.24.5 Modification of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

3. SIGNIFICANT ACCOUNTING POLICIES**3.24 Financial assets (Continued)****3.24.5 Modification of financial assets (Continued)**

The Group renegotiates loans to customers in financial difficulty to maximise collection and minimize the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Group has an established forbearance policy which applies for corporate and retail lending.

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer solely payments of Principal and Interest (SPPI), change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then; and
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10% the Group deems the arrangement is substantially different leading to derecognition.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- The remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- The remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Group's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Group calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

3.24.6 De-recognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

On de-recognition due to modifications, the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

3. SIGNIFICANT ACCOUNTING POLICIES**3.25 Financial liabilities and equity****3.25.1 Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.25.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3.25.3 Financial liabilities**i. Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and banking business financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

ii. Subsequent measurement**Financial liabilities at FVTPL**

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together;
- And has a recent actual pattern of short-term profit-taking; or
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item (note 38) in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

3. SIGNIFICANT ACCOUNTING POLICIES**3.25 Financial liabilities and equity (Continued)****3.25.3 Financial liabilities (Continued)**

Gains or losses on banking business financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities for the banking business are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9; and
- The amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Financial guarantee contracts at company level are disclosed as contingent liabilities and only crystallize into a liability at the point of default by the counterparty.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

iii. De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.26 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

3.27 Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES**3.28 Sale and repurchase agreements**

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method. Securities lent to counterparties are also retained in the financial statements.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see note 4.2 below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4.1.1 Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

4.1.2 Going concern

In order to assess whether it is appropriate for the Group to be reported as a going concern, the Directors apply judgement, having undertaken appropriate enquiries and having considered the business activities and the Group's principal risks and uncertainties. In arriving at this judgement there are a large number of assumptions involved in calculating future cash flow projections. This includes management's expectations of revenue, earnings before interest, tax and depreciation, timing and quantum of future capital expenditure and cost of future funding.

4.1.3 Significant increase in credit risk

As explained in note 3, Expected Credit Losses (ECL) are measured as an allowance equal to 12 month ECL for stage 1 assets, or life time ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information – refer to note 3.25.3.

4.1.4 Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**4.1 Critical judgements in applying accounting policies (Continued)****4.1.5 Models and assumptions used**

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk – refer to note 3.25.1.

4.1.6 Control over Telekom Networks Malawi plc (TNM)

The directors of the Company assessed whether or not the Group has control over TNM based on whether the Group has the practical ability to direct the relevant activities of TNM unilaterally. In making their judgement, the directors considered the Group's right to appoint a majority of directors on the board which gives them the power to direct the affairs of the company. After assessment, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of TNM plc and therefore the Group has control over TNM.

4.1.7 Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has recognised any deferred taxes on changes in fair value of investment properties as the Group is subject to income taxes on the fair value changes of the investment properties on disposal.

4.1.8 Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 Residual values and useful lives of tangible assets

The estimated residual values and useful lives of property, plant and equipment are reviewed and adjusted, if appropriate, at each reporting date to reflect current thinking on their remaining lives in the light of technological change, prospective economic utilisation and physical conditions of the assets concerned as described in note 3.15.

4.2.2 Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data (level 1 inputs) to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs into the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities and related fair values are disclosed in note 6.7.2 and 10.

4.2.3 Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in leases, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**4.2 Key sources of estimation uncertainty (Continued)****4.2.4 Loss allowance for trade and other receivables**

The Group uses a provision matrix to calculate ECLs for trade receivables, finance lease receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by product type, customer type). The provision matrix is initially based on the Group's historical observed default rates adjusted with forward-looking information and factors that are specific to the debtors.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

4.2.5 Loss allowance for loans and advances

The Group applies three-stage approach to measuring ECL on loans and advances. In doing so, the Group applies significant estimates in the following areas;

i. Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario. When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other – refer 3.25.3.

ii. Incorporating collateral and applying haircuts to market values of securities

Group includes collateral in calculation of LGD for an exposure. The Group applies different haircuts on various types of collateral depending on the asset's liquidity and price volatility. The collateral values are based on open market valuations. According to the Group's policy collateral is revalued every five years. However, the Group inspects the assets offered as collateral every year. Customers are required to carry out professional desk-top valuations every 3 years.

iii. Probability of Default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

iii. Loss Given Default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive.

iv. Determination of life of revolving credit facilities

The Group measures ECL considering the risk of default over the maximum contractual period. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. For such financial instruments the Group measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period.

5. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the returns to stakeholders through optimisation of the debt and equity balance. The overall Group strategy remains unchanged from 2020.

The capital structure of the Group consists of equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 28 and 29).

The banking business of the Group is subjected to the following capital requirements:

5.1 Regulatory capital

The Reserve Bank of Malawi sets and monitors capital requirements for the Group's banking business as a whole. Regulatory capital requirement is the minimum amount of capital required by the Reserve Bank of Malawi, which if not maintained will usually permit or require supervisory intervention.

In implementing current capital requirements, The Reserve Bank of Malawi requires the Group's banking business to maintain a prescribed ratio of total capital to total risk-weighted assets. The minimum capital ratios under the implemented Basel II are as follows:

5. CAPITAL MANAGEMENT**5.1 Regulatory capital (Continued)**

- A core capital (Tier 1) of not less than 11.5% of total risk-weighted on statement of financial position assets plus risk-weighted off-statement of financial position items; and
- A total capital (Tier 2) of not less than 15% of its total risk-weighted on statement of financial position assets plus risk-weighted off-statement of financial position items.
- Core capital (Tier 1) which consists of ordinary share capital, share premium, retained profits, 60% of after-tax profits in the current year (or less 100% of current year loss), less any unconsolidated investment in financial companies.
- Total capital (Tier 2), which consists of revaluation reserves and general provisions, when such general provisions have received prior approval of the Reserve Bank of Malawi plus tier 1 capital. Supplementary capital must not exceed core capital i.e. shall be limited to 100% of total core capital.

Banking operations are categorised as either trading book or banking book and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-statement of financial position exposures.

The Board of Directors are responsible for establishing and maintaining at all times an adequate level of capital. The Group'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 impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a lower gearing position.

The Group and individually regulated operations have complied with all externally imposed capital requirements throughout the period. The Group also complied with these requirements in prior years.

The Group's banking business regulatory capital position at 31 December was as follows:

| | 2021 | 2020 |
|--|---------|---------|
| Tier 1 capital | | |
| Ordinary share capital | 467 | 467 |
| Share premium | 613 | 613 |
| Retained earnings | 107,291 | 87,923 |
| Unconsolidated investments | (6,560) | (3,767) |
| | 101,811 | 85,236 |
| Tier 2 capital | | |
| <u>Supplementary capital</u> | | |
| Deferred tax | 31 387 | (8,617) |
| Revaluation reserve | (8 902) | 26,461 |
| Unconsolidated investments | (6 560) | (3,767) |
| | 117 736 | 99,313 |
| Total tier 2 capital (total regulatory capital) | | |
| | 435 793 | 392,417 |
| Risk-weighted assets | | |
| Retail bank, corporate bank and treasury | | |
| | 27% | 25% |
| Capital ratios | | |
| Total regulatory capital expressed as a percentage of total risk-weighted assets | | |
| | 23% | 22% |

The Reserve Bank of Malawi, in 2015, revised the minimum capital requirements for Banks from USD5m to USD10m effective 01 January 2020. The Group's banking business is in full compliance with the revised minimum capital requirement.

6. CAPITAL MANAGEMENT (CONTINUED)**5.3 Sub-subsidiary (Akiba Commercial Bank) Capital management**

The Bank's objectives when managing capital, which is a broader concept than the "equity" on the face of the statement of financial positions, are:

- To comply with the capital requirements set by are Bank of Tanzania (BoT).
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the Bank of Tanzania (BoT) for supervisory purposes. The required information is filed with the BoT monthly.

The Bank of Tanzania required each bank of banking group to:

- Hold a minimum level of core capital of TZS15 billion
- Maintain of ratio of core capital to the risk-weighted assets plus risk-weighted off-balance sheet assets or above the required minimum of 12.5%; and
- Maintain total capital of not less than 14.5% of risk-weighted assets plus risk-weighted off-balance sheet items
- Maintain a capital conversation buffer of 2.5% of risk-weighted assets and off-balance sheet exposures. The capital conversation buffer is be made up of items the qualify as tier 1 capital

When a bank is holding capital conversation buffer of less than 2.4% of risk-weighted assets and off-balance sheet but is meeting minimum capital requirements the bank:

- Shall not distribute dividends to shareholders or bonuses to senior management and other staff members until the buffer is restored to at least 2.5%
- Shall submit a capital restoration plan to the Bank of Tanzania within a specified period by BoT including how the Bank is going to raise capital to meet its minimum requirement including capital conservation buffer with a specified period; and
- If BoT does not approve the capital restoration plan, it may direct the bank to raise additional capital within a specified time to restore its capital conservation buffer.

The Bank's regulatory capital is divided into two tiers:

- Tier 1 capital: means permanent shareholders' equity in the form of issued and fully paid ordinary shares, and perpetual non-cumulative preference shares, capital grants and disclosed reserves less year to date losses, goodwill organization, pre-operating expenses, prepaid expenses, deferred charges, leasehold rights and any other intangible assets.
- Tier 2 capital: means general provisions which are held against future, presently unidentified losses and are truly available to meet losses which subsequently materialize, subordinated debts, commutative redeemable preferred stocks and any other form of capital as may be determined and announced from time to time by the Bank.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarizes the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2021 and year ended 31 December 2020. During these two periods, the Bank has not complied with all the externally imposed capital requirements to which they are subject.

5. CAPITAL MANAGEMENT (CONTINUED)**5.3 Sub-subsidiary (Akiba Commercial Bank) Capital management (Continued)****Tier 1 capital**

| | | |
|----------------------------------|----------|---------|
| Share capital | 27,797 | 10,984 |
| Share premium | 2,432 | 2,432 |
| Retained earnings | (12,101) | (5,627) |
| Deferred charges | (7,067) | (7,067) |
| Prepaid expenses | (953) | (640) |
| Others (Advance Towards Capital) | 5,888 | 16,992 |
| Total qualifying Tier 1 capital | 15,996 | 17,074 |

Tier 2 capital

| | | |
|---------------------------------|-------|-------|
| Allowance supplementary capital | 2,370 | 2,289 |
|---------------------------------|-------|-------|

Total regulatory capital (Tier 1 & Tier 2)**Risk-weighted assets**

| | | |
|---|---------|---------|
| On-balance sheet | 105,108 | 101,719 |
| Off-balance sheet | 56 | 72 |
| Operational Risk | 13,005 | 16,697 |
| Market Risk | 342 | 79 |
| Total risk-weighted assets, operational and market risk | 118,511 | 118,567 |

Tier 1 capital (BOT minimum 12.5%)

Tier 1 + Tier 2 capital (BOT minimum 14.5%)

6. FINANCIAL INSTRUMENTS**6.1 Classes and categories of financial instruments**

The table below sets out the Group's and Company's classification of each class of financial assets and liabilities:

| Notes | Amortised cost | Fair value through P&L | Fair value through OCI | Total carrying amount |
|------------------------------|----------------|------------------------|------------------------|-----------------------|
| Group | | | | |
| At 31 December 2021 | | | | |
| Financial assets | | | | |
| 27 | 91,900 | - | - | 91,900 |
| 19,24 | 27,327 | - | - | 27,327 |
| 20 | 398,726 | 17,482 | 3,532 | 419,740 |
| 18 | 14,912 | - | - | 14,912 |
| 17 | 222,923 | - | - | 222,923 |
| | 757,788 | 17,482 | 3,532 | 778,802 |
| Financial liabilities | | | | |
| 27 | 11,545 | - | - | 11,545 |
| 30 | 60,155 | - | - | 60,155 |
| 33 | 108,487 | - | - | 108,487 |
| 35 | 547,083 | - | - | 547,083 |
| | 727,270 | - | - | 727,270 |
| At 31 December 2020 | | | | |
| Financial assets | | | | |
| 27 | 92,196 | - | - | 92,196 |
| 19,24 | 30,578 | - | - | 30,578 |
| 20 | 221,117 | 9,941 | 4,120 | 236,178 |
| 18 | 17,485 | - | - | 17,485 |
| 17 | 177,223 | - | - | 177,223 |
| | 539,599 | 9,941 | 4,120 | 553,660 |
| Financial liabilities | | | | |
| 27 | 9,942 | - | - | 9,942 |
| 30 | 58,226 | - | - | 58,226 |
| 33 | 76,851 | - | - | 76,851 |
| 35 | 400,860 | - | - | 400,860 |
| | 545,879 | - | - | 545,879 |

6. FINANCIAL INSTRUMENTS (CONTINUED)**6.1 Classes and categories of financial instruments (Continued)**

| | Notes | Amortised cost | Fair value through P&L | Fair value through OCI | Total carrying amount |
|---|-------|----------------|------------------------|------------------------|-----------------------|
| Company | | | | | |
| At 31 December 2021 | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | 27 | 8,434 | - | - | 8,434 |
| Trade and other receivables – Group | 23 | 1,833 | - | - | 1,833 |
| Trade and other receivables | 19,24 | 2,304 | - | - | 2,304 |
| Other Investments | 20 | - | - | 3,532 | 3,532 |
| Asset held for sale | 25 | - | - | 7,564 | 7,564 |
| Investments in associates | 16 | - | - | 45,013 | 45,013 |
| Investments in joint ventures | 15 | - | - | 18,317 | 18,317 |
| Investments in subsidiaries | 14 | - | - | 329,981 | 329,981 |
| | | 12,571 | - | 404,407 | 416,978 |
| Financial liabilities | | | | | |
| Bank overdraft | 27 | 6,457 | - | - | 6,457 |
| Loans and borrowings | 30 | 4,890 | - | - | 4,890 |
| Trade and other payables | 33 | 2,493 | - | - | 2,493 |
| Trade and other payables to Group companies | 34 | 13 | - | - | 13 |
| | | 13,853 | - | - | 13,853 |
| At 31 December 2020 | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | 27 | 82 | - | - | 82 |
| Trade and other receivables – Group | 23 | 4,911 | - | - | 4,911 |
| Trade and other receivables | 24 | 2,782 | - | - | 2,782 |
| Other Investments | 20 | - | - | 4,120 | 4,120 |
| Asset held for sale | 25 | - | - | 8,473 | 8,473 |
| Investments in associates | 16 | - | - | 41,534 | 41,534 |
| Investments in joint ventures | 15 | - | - | 21,774 | 21,774 |
| Investments in subsidiaries | 14 | - | - | 284,592 | 284,592 |
| | | 7,775 | - | 360,493 | 368,268 |
| Financial liabilities | | | | | |
| Bank overdraft | 27 | 4,524 | - | - | 4,524 |
| Loans and borrowings | 30 | 6,520 | - | - | 6,520 |
| Trade and other payables | 33 | 884 | - | - | 884 |
| Trade and other payables to Group companies | 34 | 3,700 | - | - | 3,700 |
| | | 15,628 | - | - | 15,628 |

6.2 Financial risk management

The Group has exposure to the following risks from its transactions in financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (Currency risk, interest rate risk and price risk);

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for identification, measurement, monitoring and controlling risk, and the Group's management of capital.

6.3 Risk management framework

The Group's approach to risk management is based on a well-established governance process and relies both on individual responsibility and collective oversight, supported by comprehensive reporting. This approach balances stringent corporate oversight with independent risk management structures within the business units.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board approves the risk appetite and risk tolerance limits appropriate to the Group's strategy and requires that management maintains an appropriate system of internal controls to ensure that these risks are managed within the agreed parameters. The Board delegates risk related responsibilities to the Finance and Audit Committee which is responsible for developing and monitoring Group risk management policies.

6. FINANCIAL INSTRUMENTS (CONTINUED)**6.3 Risk management framework (Continued)**

The Finance and Audit Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Finance and Audit Committee is assisted in these functions by the Internal Audit Department which undertakes both regular and ad-hoc reviews of risk management controls, the results of which are reported back to the Committee.

The Internal Audit Department provides a holistic oversight of the risks affecting the Group and the control measures that should be put in place to mitigate the risks and thereby reduce the potential losses.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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, products and services offered. The Group strives to maintain a disciplined and constructive control environment, in which all employees understand their roles and obligations.

6.3.1 Current and Emerging Risks

The Group identifies Current and Emerging risks, determines the appropriate response, and monitors the effectiveness of the implemented response. The following are the existing Current and Emerging risks to the Group's strategic ambitions and the mitigations that have been undertaken:-

- Economic and Business Environment Risk – the economic and Business risk remained high for 2021. The economy which is heavily reliant of imports has suffered from huge forex shortage in the year that has put pressure on the Kwacha which is now unstable and continues to depreciate. This has resulted in increased prices impacting businesses.
- Technology and Cyber security risk : The Group's banking business as part of integration with third parties connects through Application Programming Interfaces (APIs) to enable its customers access its services. These third-party services offered through Mo626 are directly interfaced with the providers and customers access them through USSD and mobile app services with payments validated and done in real time. Among the institutions connected through APIs are MRA, ESCOM, Universities, Shoprite, Dstv, and Water Boards among others. This has increased the attack surface for cybercriminals.
- The Impact of Covid-19 which was very disruptive to many business models in 2020 was moderate in 2021. The country is experiencing the 'fourth wave' of the Covid-19 pandemic although the economy remained open for business but still economic activity and business was subdued in some sectors. There has been continuous risk and security assessment and improvements in response.
- Climate change – the country has been affected by various cyclones which have destroyed major hydro power station for the nation thereby impacting production. The hurricanes have also destroyed roads and some infrastructure as well as crops in the Country. This will result into unexpected fiscal outlay by the government which will affect its public expenditure plan as well as food deficit respectively given that most crops have been affected and the yield will not be as per the initial projected levels. Some of our customers in those areas have been affected in their business operations.
- Investment in new territory – In January 2021, the Group's banking business had completed the acquisition of Akiba Commercial Bank plc of Tanzania. The Group is therefore exposed to the risks associated with the investment in the new territory. The Group has put in place measures to identify, manage and mitigate itself against the impact of such risks on its investment in Akiba. In 2021, Akiba has made a loss after tax of K1,942 million.

6.4 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its financial assets including trade and other receivables, cash and cash equivalents, investment securities, loans and advances, finance lease receivable and contract assets.

The Group manages its risk by evaluating, measuring and controlling risk exposures through the day-to-day activities of the Group. The Group has an Internal Audit department that is responsible for providing an independent oversight of the risks and provides the assurance.

For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

6.4.1 Exposure of credit risk

The following table shows the maximum exposure to credit risk by class of financial instrument without taking into account any collateral or other credit enhancements. Financial instruments include financial instruments defined and recognized under IFRS 9 Financial Instruments: recognition and measurement as well as other financial instruments not recognised. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

6. FINANCIAL INSTRUMENTS (CONTINUED)**6.4 Credit risk (Continued)**

6.4.1 Exposure of credit risk (Continued)

| | Group | | Company | |
|---|----------------|----------------|---------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| Gross maximum exposure | | | | |
| Trade and other receivables | 27,327 | 32,171 | 2,304 | 2,782 |
| Trade and other receivables – Group companies | - | - | 1,833 | 4,911 |
| Other investments | 419,773 | 236,197 | 3,532 | 4,120 |
| Loans and advances to customers | 231,172 | 187,083 | - | - |
| Finance lease receivables | 15,339 | 17,835 | - | - |
| Cash and cash equivalents | 91,900 | 92,196 | 8,434 | 82 |
| Total recognised financial instruments | 787,511 | 565,482 | 16,103 | 11,895 |
| Guarantees and performance bonds | 28,316 | 20,449 | 9,504 | 17,100 |
| Customers fund management | 122,392 | 98,193 | - | - |
| Letters of credit | 26,937 | 22,708 | - | - |
| Total unrecognised financial instruments | 177,645 | 141,350 | 9,504 | 17,100 |
| Total credit exposure | 965,156 | 706,832 | 25,607 | 28,995 |

In respect of certain financial assets, the Group has legally enforceable rights to offset them with financial liabilities. However, in normal circumstances, there would be no intention of settling net, or of realising the financial assets and settling the financial liabilities simultaneously. Consequently, the financial assets are not offset against the respective financial liabilities for financial reporting purposes. As at the end of the year, the Group had financial liabilities in the form of cash deposits amounting to K12,388 million (2020: K5,612 million) held as security for some loans and advances which in the event of default will be offset against such loans and advances.

6.4.2 Trade and other receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, geographically there is no concentration of credit risk.

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements and in some cases bank references. Sales limits are established for each customer, which represents the maximum open amount without requiring approval from the credit control department; these limits are reviewed regularly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment or cash basis.

Most of the Group's customers have been transacting with the Group for many years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, industry, aging profile, maturity and existence of previous financial difficulties.

The average credit period on sales of goods and services is 30 days except for international incoming receivables whose credit period is 60 days. No interest is charged on the trade and other receivables settled beyond these periods. The Group has provided fully for all receivables over 120 days, except those deemed recoverable based on past payments pattern or settlement agreements in place. Trade and other receivables between 30 days and 120 days are provided for based on the estimated recoverable amounts determined by reference to past default experience and prevailing economic conditions.

The Group does not require collateral in respect of credit sales.

There is no significant concentration of credit risk, with exposure spread over a number of counter parties and customers and they are unrelated.

Impairment of Trade receivables

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

6. FINANCIAL INSTRUMENTS (CONTINUED)**6.4 Credit risk (Continued)**

The following table details the risk profile of trade receivables based on the Group's provision matrix.

| | 2021 trade receivables – days past due | | | | | |
|--|--|------------|--------------|------------|---------------|-------------|
| | Not past due | <30 days | 31-60 days | 61-90 days | 91-120 days | >120 days |
| Expected credit loss rate – ranges* | 0.1% to 1.7% | 0.4% to 6% | 0.6% to 8.1% | 1% to 10% | 1.4% to 12.5% | 2% to 25.3% |
| Estimated total gross carrying amount at default | 2,415 | 1,145 | 1,399 | 1,156 | 1,110 | 1,468 |
| Lifetime ECL | 5 | 11 | 10 | 21 | 16 | 89 |

| | 2020 trade receivables – days past due | | | | | |
|--|--|-------------|-------------|-------------|-------------|--------------|
| | Not past due | <30 days | 31-60 days | 61-90 days | 91-120 days | >120 days |
| Expected credit loss rate – ranges* | 0.2% to 17% | 0.9% to 18% | 1.4% to 19% | 1.8% to 20% | 2.8% to 18% | 4.7% to 100% |
| Estimated total gross carrying amount at default | 2,342 | 1,028 | 507 | 678 | 727 | 1,369 |
| Lifetime ECL | 19 | 61 | 39 | 50 | 135 | 407 |

The expected credit loss rate ranges are wide due to different segments in which the Group operates, since receivables per segment have different risks.

Movement in the allowance for credit loss

The movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9 was as follows:

| | Lifetime ECL – not credit impaired | | Lifetime ECL – credit impaired | Total |
|--------------------------------------|------------------------------------|-----------------------|--------------------------------|-------|
| | Collectively assessed | Individually assessed | | |
| 2021 | | | | |
| As of 1 January 2021 | 732 | 387 | 474 | 1,593 |
| Written off | - | - | (344) | (344) |
| Reclassified to assets held for sale | (550) | (4) | - | (554) |
| Net Remeasurement of loss allowance | (30) | 243 | 1,355 | 1,568 |
| Balance at end of the year | 152 | 626 | 1,485 | 2,263 |
| 2020 | | | | |
| As of 1 January 2020 | 732 | 168 | 358 | 1,258 |
| Written off | (62) | - | - | (62) |
| Net Remeasurement of loss allowance | 62 | 219 | 116 | 397 |
| Balance at end of the year | 732 | 387 | 474 | 1,593 |

6.4.3 Cash and cash equivalents

The Group held cash and cash equivalents comprising of cash and bank balances net of bank overdrafts amounting to K80,355 million as at 31 December 2021 (2020: K82,254 million). The cash and cash equivalents are held with banks and financial institutions counterparties which have high credit ratings.

The Group's banking business deposits its cash with the Reserve Bank of Malawi and other highly reputable banks in and outside Malawi

6.4.4 Investments

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a good credit rating and ventures into profitable businesses. Given these high credit ratings and a track record of profitable business management, the Group does not expect any counterparty to fail to meet its obligations.

6. FINANCIAL INSTRUMENTS (CONTINUED)**6.4 Credit risk (Continued)****6.4.5 Loans and advances and lease receivables**

Loans and advances and lease receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group's banking business does not intend to sell immediately or in the near term.

When the Group's banking business is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within loans and advances.

When the Group's banking business purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date ("reverse repo"), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's financial statements.

The risk that counterparties to trading instruments might default on their obligations is monitored on an on-going basis. In monitoring credit risk exposure, consideration is given to trading instruments with a positive fair value and the volatility of the fair value of trading instruments.

To manage the level of credit risk, the Group deals with counterparties of sound credit standing, enters into master netting agreements wherever possible, and when appropriate, obtains collateral. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default.

Maximum exposure to credit risk for Loans and advances by sector

The Group monitors loans and advances concentration of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

| | 2021 | % | 2020 | % |
|-----------------------------|---------|-----|---------|-----|
| Agriculture | 33,863 | 15 | 38,408 | 21 |
| Finance and insurance | 8,222 | 4 | 4,365 | 2 |
| Manufacturing | 21,759 | 9 | 22,970 | 12 |
| Others* | 36,018 | 16 | 20,373 | 11 |
| Personal accounts | 54,116 | 23 | 42,894 | 23 |
| Real estate | 7,358 | 3 | 6,763 | 4 |
| Transport and communication | 13,076 | 6 | 8,896 | 5 |
| Wholesale and retail | 56,760 | 24 | 42,414 | 22 |
| | 231,172 | 100 | 187,083 | 100 |

*Others relates to individually insignificant sectors such as restaurants etc.

The Group's exposure as at 31 December 2021 was at K231,172 million (2020: K187,083 million) with Non Performing Loans (NPL) standing at 10.45% (2020: 15.05%). The decrease in default rates is due to enhanced debt recovery efforts and stringent credit risk management enforced by the Group during the period under review.

NPL are loans that are overdue by over 90 days and falls under stage 3.

Extent of utilization of granted limit

The Group closed 2021 with utilized overdrafts of K41,626m (2020: K33,124m) against limits of K71,315m (2020: K55,546m) representing 58.37% (2020: 59.63%) of the total limits.

Forbearances (both requested and granted)

Due to COVID-19, there are significant forbearances in the reporting period. Refer to note 17 for the impact of the forbearances.

Changes in business, financial and economic conditions

In spite of COVID-19, the business condition was relatively stable in the reporting period. The economy experienced marginal depreciation of the kwacha and average inflation remained in single digit. During the same period the interest rates have remained relatively constant. The inflation rate is expected to remain stable in 2022 though prone to increase due to economic fundamentals such as shortages of foreign currency.

6. FINANCIAL INSTRUMENTS (CONTINUED)**6.4 Credit risk (Continued)**Credit quality analysis of loans and advances

In order to minimise credit risk, the Group maintains credit risk grading to categorise exposures according to their degree of risk of default. The Group's credit risk grading framework comprises ten categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure. The following data are typically used to monitor the Group's exposures:

- Payment record, including payment ratios and ageing analysis;
- Extent of utilisation of granted limit;
- Forbearances (both requested and granted);
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies;
- For retail exposures: internally generated data of customer behaviour, affordability metrics etc.; and
- For corporate exposures: information obtained by periodic review of customer files including audited financial statements review, changes in the financial sector the customer operates etc.

Apart from the macroeconomic factors above, the qualitative factors are considered when estimating the PD. These factors include general customer behaviour and changes in the customer business sector.

Credit rating information supplied by external rating agencies

The Group uses the credit reference Bureau to obtain credit history of all the loan applications it gets before approving the loans. This enhances the credit risk management in that loans are only given out to customers who have the capability to pay.

The table below shows the credit quality of the loans and advances, based on the Group's credit rating system.

| | Group | |
|--------------------------------|---------|---------|
| | 2021 | 2020 |
| Grade 9: individually impaired | 14,103 | 18,435 |
| Grade 8: sub-standard | 11,983 | 5,375 |
| Grade 7: Watch list | 20,230 | 11,098 |
| Grade 4-6 Fair risk | 151,210 | 138,321 |
| Grade 1-3 Low risk | 33,646 | 13,854 |
| Impairment provision | (8,249) | (9,860) |
| Total carrying amount | 222,923 | 177,223 |

The Group applies three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost and debt instruments classified as FVTOCI as explained under note 3.25. The table below shows expected credit losses per risk grade and related ECL stage.

| | Gross Amount | Loss allowance | ECL stage |
|--------------------------------|--------------|----------------|-----------|
| 2021 | | | |
| Grade 9: individually impaired | 14,103 | 3,163 | 3 |
| Grade 8: sub-standard | 11,983 | 1,656 | 3 |
| Grade 7: Watch list | 20,230 | 995 | 2 |
| Grade 4-6 Fair risk | 151,210 | 1,808 | 1 |
| Grade 1-3 Low risk | 33,646 | 627 | 1 |
| Total gross carrying amount | 231,172 | 8,249 | |
| 2020 | | | |
| Grade 9: individually impaired | 18,435 | 5,811 | 3 |
| Grade 8: sub-standard | 5,375 | 1,029 | 3 |
| Grade 7: Watch list | 11,098 | 668 | 2 |
| Grade 4-6 Fair risk | 138,321 | 2,266 | 1 |
| Grade 1-3 Low risk | 13,854 | 86 | 1 |
| Total gross carrying amount | 187,083 | 9,860 | |

6. FINANCIAL INSTRUMENTS (CONTINUED)**6.4 Credit risk (Continued)****Individually impaired and substandard - Grade 8 and 9**

Substandard and impaired loans and advances are loans and advances for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan /advances agreement(s). These loans are graded 8 and 9 in the Group's internal credit risk grading system and are categorised under stage 3 when calculating the ECL.

Watch list – Grade 7

These are loans and advances where contractual interest or principal payments are past due but the Group believes that individual impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group. These are graded 7 in the Group's internal credit risk grading system and are categorised under stage 2 when calculating the ECL.

These are performing loans that the Group expects to fully recover the estimated future cash flows. These are graded 1 to 6 in the Group's internal credit risk grading system and are categorised under stage 1 when calculating the ECL.

Write-off policy

The Group writes off a loan balance (and any related allowances for impairment losses) when it has determined that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

During the period under review, the Group wrote off K9.6 billion (2020: K4.6 billion) out of which K8.2 billion (2020:K4.5 billion) has been charged to the statement of comprehensive income and K1.4 billion (2020: nil) has been written off against provisions. The amounts written off are subject to enforcement activity by the Group to recover.

Collateral held as security against loans and advances

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, cash, equities, registered securities over assets, guarantees and other forms of collateral. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are only updated when performing the annual review except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities lending activity.

There were no significant changes in the Group's collateral policies and there were also no significant changes in the quality and values of the collateral during the period under review.

An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below:

| Group | 2021 | 2020 |
|--|----------------|----------------|
| Against individually impaired | | |
| Motor vehicles | 5 398 | 1,205 |
| Commercial property | 12 569 | 12,286 |
| Residential property | 13 518 | 849 |
| Cash | 40 | - |
| Government guarantees | - | 12,523 |
| Total | 31,525 | 26,863 |
| Against the rest of the loan book | | |
| Motor vehicles | 19,822 | 19,634 |
| Commercial property | 120,526 | 115,429 |
| Residential property | 109,364 | 27,126 |
| Cash | 12,388 | 5,612 |
| Total | 262,100 | 167,801 |
| Grand total | 293 625 | 194,664 |

The Group reposses collateral held when the customer misses three repayment instalments.

Collateral repossessed

It is the Group's policy to dispose of repossessed collateral in an orderly fashion. The proceeds are used to reduce or repay the outstanding loan balance.

6. FINANCIAL INSTRUMENTS (CONTINUED)**6.5 Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

6.5.1 Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the board of directors which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements. The responsibility for the day to day management of these risks lies with management.

The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, by matching the maturity profiles of financial assets and liabilities.

The Group's banking business has a Liquidity and Funds Management Policy that provides guidance in the management of liquidity.

The daily management of liquidity of the Group's banking business is entrusted with the Treasury and Financial Institutions Division (TFID). TFID receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. TFID then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group's banking business. The liquidity requirements of business units are funded through deposits from customers. Any short-term fluctuations are funded through treasury activities such as inter-bank facilities, repurchase agreements and others. TFID monitors compliance of all operating units of the Group's banking business with local regulatory limits on a daily basis.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by Asset and Liability Committee (ALCO). Daily reports cover the liquidity position of both the Group and operating units. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

6.5.2 Measurement of liquidity risk – Group's banking business

The key measure used by the Group's banking business for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment securities for which there is an active and liquid market less any deposits from banks, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's banking business compliance with the liquidity limit established by the Reserve Bank of Malawi. Details of the reported Group's banking business ratio of net liquid assets to deposits from customers at the year-end date and during the reporting period were as follows:

At 31 December

Average for the period

Maximum for the period

Minimum for the period

| | 2021 | 2020 |
|--|------|------|
| | 48% | 41% |
| | 47% | 36% |
| | 52% | 41% |
| | 39% | 25% |

6. FINANCIAL INSTRUMENTS (CONTINUED)**6.5 Liquidity risk (Continued)****6.5.1 Liquidity risk table**

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows but excludes the impact of netting agreements:-

| Group | Less than 1 month | 1-3 months | 3-12 months | 2-5 years | Over 5 years | Total | Carrying amount |
|---|----------------------|----------------|----------------|---------------|-----------------|----------------|--------------------|
| At 31 December 2021 | | | | | | | |
| Bank overdraft | 11,699 | - | - | - | - | 11,699 | 11,545 |
| Loans and borrowings | - | 1,180 | 21,794 | 55,808 | 2,189 | 80,971 | 60,155 |
| Customer deposits | 465,364 | 72,626 | 11,812 | - | - | 549,802 | 547,083 |
| Trade and other payables | 51,677 | 56,810 | - | - | - | 108,487 | 108,487 |
| Total financial liabilities | 528,740 | 130,616 | 33,606 | 55,808 | 2,189 | 750,959 | 727,270 |
| At 31 December 2020 | | | | | | | |
| Bank overdraft | 10,066 | - | - | - | - | 10,066 | 9,942 |
| Loans and borrowings | - | 2,930 | 9,426 | 58,651 | 1,751 | 72,758 | 58,226 |
| Customer deposits | 363,304 | 37,304 | 3,145 | - | - | 403,753 | 400,860 |
| Trade and other payables | 12,557 | 64,294 | - | - | - | 76,851 | 76,851 |
| Total financial liabilities | 385,927 | 104,528 | 12,571 | 58,651 | 1,751 | 563,428 | 545,879 |
| Company | | | | | | | |
| At 31 December 2021 | | | | | | | |
| Bank overdraft | 6,543 | - | - | - | - | 6,543 | 6,457 |
| Loans and borrowings | - | - | 1,826 | 4,303 | - | 6,129 | 4,890 |
| Trade and other payables to Group companies | 13 | - | - | - | - | 13 | 13 |
| Trade and other payables | 2,012 | 480 | - | - | - | 2,492 | 2,492 |
| Total financial liabilities | 8,568 | 480 | 1,826 | 4,303 | - | 15,177 | 13,852 |
| At 31 December 2020 | | | | | | | |
| Bank overdraft | 4,581 | - | - | - | - | 4,581 | 4,524 |
| Loans and borrowings | - | - | 1,813 | 7,091 | - | 8,904 | 6,520 |
| Trade and other payables to Group companies | 79 | - | 3,893 | - | - | 3,972 | 3,700 |
| Trade and other payables | 884 | - | - | - | - | 884 | 884 |
| Total financial liabilities | 5,544 | - | 5,706 | 7,091 | - | 18,341 | 15,628 |

6.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity and commodity prices will affect the Group's income or the value of holding financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group monitors this risk on a continuing basis. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

6.6.1 Currency risk

The Group undertakes transactions denominated in foreign currencies consequently, exposure to exchange rate fluctuations arise.

The Group is exposed to currency risk mainly on commercial transactions and borrowings that are denominated in a currency other than the functional currencies of Group entities, primarily U.S. Dollars (USD), Great British Pound (GBP), Euro and South African Rand (ZAR) and in foreign exchange deals in the financial services sector.

6. FINANCIAL INSTRUMENTS (CONTINUED)**6.6 Market risk (Continued)****6.6.1 Currency risk (Continued)**Management of currency risk

To manage foreign currency risk arising from future commercial transactions and recognized assets and liabilities, some of the Group's goods and services pricing is pegged to the United States dollar. Management monitors the exchange rate exposure on a daily basis.

The Group also mitigates currency risk by utilising borrowing facilities from local banks and minimizing foreign supplier credit.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Currency risk exposure

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

| Group | Liabilities | | Assets | |
|-----------------------------|-------------|--------|--------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| United States Dollars (USD) | 97,459 | 96,230 | 82,897 | 99,262 |
| British Pound (GBP) | 9,724 | 3,318 | 9,920 | 3,549 |
| EURO | 8,373 | 10,277 | 4,924 | 8,242 |
| South African Rand (ZAR) | 603 | 515 | 937 | 586 |
| Tanzania shillings | 52,662 | - | 52,519 | - |
| Other currencies | - | 267 | 9 | 16 |
| Company | | | | |
| United States Dollars (USD) | - | - | 9,952 | 2,231 |

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in the Malawi Kwacha against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit before tax where the Malawi Kwacha strengthens 10% against the relevant currency. For a 10% weakening of the Malawi Kwacha against the relevant currency, there would be a comparable impact on the profit before tax, and the balances below would be negative.

| Group | Group | | Company | |
|-----------------------------|-------|------|---------|------|
| | 2021 | 2020 | 2021 | 2020 |
| United States Dollars (USD) | 1,456 | 303 | 995 | 223 |
| British Pound (GBP) | 20 | 23 | - | - |
| EURO | 345 | 204 | - | - |
| South African Rand (ZAR) | 33 | 7 | - | - |
| Tanzania shillings | 14 | - | - | - |

6.6.2 Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates.

Management of interest rate risk

The risk is managed by the Group by maintaining an appropriate mix between fixed and floating interest rates on borrowings.

The Group's banking business principal risk to which non-trading portfolio are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The Asset and Liability Committee is the monitoring body for compliance with these limits and is assisted by Treasury and Financial Institutions Division in its day-to-day monitoring activities.

6. FINANCIAL INSTRUMENTS (CONTINUED)

6.6 Market risk (Continued)

6.6.2 Interest rate risk (Continued)

Exposure to interest rate risk on financial assets and financial liabilities

The Group does not bear any interest rate risk on off balance sheet items. A summary of the Group's interest sensitivity gap position on non-trading portfolio is as follows:

| | Less than 1 month | 1-3 months | 3-12 months | 2-5 years | Over 5 years | Total |
|---|----------------------|----------------|----------------|----------------|------------------|----------------|
| Group | | | | | | |
| At 31 December 2021 | | | | | | |
| Financial assets | | | | | | |
| Investments in joint ventures and associates | - | - | - | - | 55,624 | 55,624 |
| Other investment | 95,681 | 60,645 | 101,567 | 152,797 | 9,050 | 419,740 |
| Cash and cash equivalents | 31,367 | 53,311 | - | - | 7,222 | 91,900 |
| Loans and advances to customers | 14,460 | 13,787 | 46,439 | 148,237 | - | 222,923 |
| Finance lease receivables | 128 | 286 | 1,216 | 13,282 | - | 14,912 |
| Trade and other receivables | - | - | - | 1,989 | 25,338 | 27,327 |
| Total financial assets | 141,636 | 128,029 | 149,222 | 316,305 | 97,234 | 832,426 |
| Financial liabilities | | | | | | |
| Bank overdraft | 11,545 | - | - | - | - | 11,545 |
| Loans and borrowings | - | 1,150 | 19,970 | 38,825 | 210 | 60,155 |
| Customer deposits | 463,818 | 71,907 | 11,358 | - | - | 547,083 |
| Trade and other payables | 51,677 | - | - | - | 56,810 | 108,487 |
| Total financial liabilities | 527,040 | 73,057 | 31,328 | 38,825 | 57,020 | 727,270 |
| Interest sensitivity gap | (385,404) | 54,972 | 117,894 | 277,480 | 40,214 | 105,156 |
| At 31 December 2020 | | | | | | |
| Financial assets | | | | | | |
| Investments in joint ventures and associates | - | - | - | - | 47,887 | 47,887 |
| Other investment | 41,279 | 22,851 | 73,460 | 89,397 | 9,191 | 236,178 |
| Cash and cash equivalents | 44,231 | 37,738 | - | - | 10,227 | 92,196 |
| Loans and advances to customers | 6,976 | 4,874 | 33,739 | 131,634 | - | 177,223 |
| Finance lease receivables | - | - | 1,733 | 15,752 | - | 17,485 |
| Trade and other receivables | - | - | - | 1,740 | 28,838 | 30,578 |
| Total financial assets | 92,486 | 65,463 | 108,932 | 238,523 | 96,143 | 601,547 |
| Financial liabilities | | | | | | |
| Bank overdraft | 9,942 | - | - | - | - | 9,942 |
| Loans and borrowings | - | 2,824 | 8,473 | 46,679 | 250 | 58,226 |
| Customer deposits | 210,466 | 36,394 | 2,926 | - | 151,074 | 400,860 |
| Trade and other payables | 12,557 | - | - | - | 64,294 | 76,851 |
| Total financial liabilities | 232,965 | 39,218 | 11,399 | 46,679 | 215,618 | 545,879 |
| Interest sensitivity gap | (140,479) | 26,245 | 97,533 | 191,844 | (119,475) | 55,668 |
| Company | | | | | | |
| At 31 December 2021 | | | | | | |
| Financial assets | | | | | | |
| Investments in subsidiaries joint ventures and associates | - | - | - | - | 393,311 | 393,311 |
| Asset held for sale | - | - | - | - | 7,564 | 7,564 |
| Other investment | - | - | - | - | 3,532 | 3,532 |
| Cash and cash equivalents | 8,349 | 7 | - | - | 78 | 8,434 |
| Trade and other receivables – Group companies | - | - | - | - | 1,833 | 1,833 |
| Trade and other receivables | - | - | - | 1,926 | 378 | 2,304 |
| Total financial assets | 8,349 | 7 | - | 1,926 | 406,696 | 416,978 |
| Financial liabilities | | | | | | |
| Bank overdraft | 6,457 | - | - | - | - | 6,457 |
| Loans and borrowings | - | - | 1,630 | 3,260 | - | 4,890 |
| Trade and other payables to Group companies | - | - | - | - | 13 | 13 |
| Trade and other payables | - | - | - | - | 2,492 | 2,492 |
| Total financial liabilities | 6,457 | - | 1,630 | 3,260 | 2,505 | 13,852 |
| Interest sensitivity gap | 1,892 | 7 | (1,630) | (1,334) | 404,191 | 403,126 |

6. FINANCIAL INSTRUMENTS (CONTINUED)

6.6 Market risk (Continued)

6.6.2 Interest rate risk (Continued)

Company**At 31 December 2020****Financial assets**

| | Less than 1 month | 1-3 months | 3-12 months | 2-5 years | Over 5 years | Total |
|---|----------------------|---------------|----------------|--------------|-----------------|---------|
| Investments in subsidiaries joint ventures and associates | - | - | - | - | 347,900 | 347,900 |
| Asset held for sale | - | - | - | - | 8,473 | 8,473 |
| Other investment | - | - | - | - | 4,120 | 4,120 |
| Cash and cash equivalents | - | 7 | - | - | 75 | 82 |
| Trade and other receivables – Group companies | - | - | 3,123 | - | 1,788 | 4,911 |
| Trade and other receivables | - | - | - | 1,659 | 1,123 | 2,782 |

Total financial assets

| | | | | | | |
|--|---|---|-------|-------|---------|---------|
| | - | 7 | 3,123 | 1,659 | 363,479 | 368,268 |
|--|---|---|-------|-------|---------|---------|

Financial liabilities

| | | | | | | |
|---|-------|---|-------|-------|-----|-------|
| Bank overdraft | 4,524 | - | - | - | - | 4,524 |
| Loans and borrowings | - | - | 1,630 | 4,890 | - | 6,520 |
| Trade and other payables to Group companies | - | - | 3,621 | - | 79 | 3,700 |
| Trade and other payables | - | - | - | - | 885 | 885 |

Total financial liabilities

| | | | | | | |
|--|-------|---|---------|---------|---------|---------|
| | 4,524 | 7 | (2,128) | (3,231) | 362,515 | 352,639 |
|--|-------|---|---------|---------|---------|---------|

Interest sensitivity gap

| | | | | | | |
|--|-------|---|---------|---------|---------|---------|
| | 4,524 | 7 | (2,128) | (3,231) | 362,003 | 352,127 |
|--|-------|---|---------|---------|---------|---------|

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates on the financial assets and liabilities at the reporting date. The interest rate sensitivity is also calculated based on a 5% movement on the interest rates. If the interest rates had gone up or down by 5% the Group's profit for the year ended 31 December 2021 would decrease/increase by K3.2 billion (2020: K8.1 billion) and for the Company by K53 million (2020: K494 million).

6.6.3 Other market price risk

The Group is exposed to equity price risks arising from equity investments listed on the Malawi Stock Exchange. The Group's equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Exposure to equity price risk

As at 31 December 2021, the Group had the following financial assets that exposed it to equity price risk.

| | Group | | Company | |
|----------------------------|-------|-------|---------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| Financial asset | | | | |
| Investment in subsidiaries | - | - | 289,852 | 247,535 |
| Other investment -equity | 8,888 | 8,865 | 3,532 | 4,120 |
| | 8,888 | 8,865 | 293,384 | 251,655 |

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

At 31 December 2021, if the equity price had weakened/strengthened by 5% with all other variables held constant, the Group's performance for the year would have been higher/lower as follows:

| | Group | | Company | |
|----------------------------|-------|------|---------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Financial asset | | | | |
| Investment in subsidiaries | - | - | 14,493 | 12,377 |
| Other investment - equity | 444 | 443 | 177 | 206 |
| | 444 | 443 | 14,670 | 12,583 |

The analysis is performed on the same basis for 2021 and 2020 and assumes that all other variables remain the same.

6. FINANCIAL INSTRUMENTS (CONTINUED)**6.7 Fair values measurements**

This note provides information about how the Group determines fair values of various financial assets and financial liabilities

6.7.1 Fair value hierarchy

The table below shows an analysis of financial instruments carried that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| Group | Notes | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|-------|---------|---------|---------|---------|
| At 31 December 2021 | | | | | |
| Other investment - equity | 20 | 8,888 | - | - | 8,888 |
| Government promissory notes | 20 | - | 12,126 | - | 12,126 |
| | | 8,888 | 12,126 | - | 21,014 |
| At 31 December 2020 | | | | | |
| Other investment - equity | 20 | 8,865 | - | - | 8,865 |
| Government promissory notes | 20 | - | 5,196 | - | 5,196 |
| | | 8,865 | 5,196 | - | 14,061 |
| Company | | | | | |
| At 31 December 2021 | | | | | |
| Other investment - equity | 20 | 3,532 | - | - | 3,532 |
| Asset held for sale | 25 | - | - | 7,564 | 7,564 |
| Investments in associates | 16 | - | - | 45,013 | 45,013 |
| Investments in joint ventures | 15 | - | - | 18,810 | 18,317 |
| Investments in subsidiaries | 14 | 289,852 | - | 40,129 | 329,981 |
| | | 293,384 | - | 111,516 | 404,900 |
| At 31 December 2020 | | | | | |
| Other investment - equity | 20 | 4,120 | - | - | 4,120 |
| Asset held for sale | 25 | - | - | 8,473 | 8,473 |
| Investments in associates | 16 | - | - | 41,534 | 41,534 |
| Investments in joint ventures | 15 | - | - | 21,774 | 21,774 |
| Investments in subsidiaries | 14 | 247,535 | - | 37,057 | 284,592 |
| | | 251,655 | - | 108,838 | 360,493 |

6.7.2 Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis
Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

| Group | Fair value as at | | Fair value hierarchy | Valuation technique(s) and key input(s) |
|-----------------------------|------------------|-------|----------------------|---|
| Financial asset | 2021 | 2020 | | |
| Government promissory notes | 12,126 | 5,196 | Level 2 | Discounted cash flows using applicable interest rates and agreed repayment plan |

6. FINANCIAL INSTRUMENTS (CONTINUED)**6.7 Fair values measurements (Continued)**

6.7.2 Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

A reconciliation showing opening balance, gains/losses recognized during the year, transfers as well as closing balance is disclosed under related notes 13,14 and 15.

Company

| Asset | Fair value as at | | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|------------------|---------|----------------------|--|---|--|
| | 2021 | 2020 | | | | |
| Investment in Sunbird Malawi Limited, National Bank of Malawi plc and Telekom Networks Malawi plc | 293,384 | 251,655 | Level 1 | Stock market share prices. | N/A | N/A |
| Investment in Open Connect Limited and Puma Malawi Limited | 16,113 | 19,527 | Level 3 | <p>The The Enterprise value to EBITDA ("EV/EBITDA") ratio: The approach measures value of a company by looking at how company's Cashflow compares to the assets being used to generate the cash flow. An adjustment was made for cash, long term loans and tax to accommodate third parties with interest in the company. This method involves;</p> <ul style="list-style-type: none"> Identifying companies in similar industries to the subject company, in the open market and determining the appropriate multiples. Applying discounts/premiums to the quoted multiples to compensate for differences between the reasonably similar companies and the subject being valued. | <ul style="list-style-type: none"> The observable multiple was adjusted for size and geography by 10%. A marketability discount of 7.5% and 15% A minority discount of 15% and 4%. | <ul style="list-style-type: none"> The higher the discount applied on the multiple the lower the fair value The higher the marketability discount applied the lower the fair value. The higher the minority discount applied the lower is the fair value. |

6. FINANCIAL INSTRUMENTS (CONTINUED)

6.7 Fair values measurements (Continued)

6.7.2 Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Company

| Asset | Fair value as at | | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|------------------|--------|----------------------|---|--|--|
| | 2021 | 2020 | | | | |
| Presscane Limited and Macsteel (Malawi) Limited | 14,981 | 14,459 | Level 3 | <p><i>The Market Approach</i> The approach measures value based on the current pricing statistics for companies (where publicly available information is present), which can be considered reasonably similar to those being analysed. This method involves;</p> <ul style="list-style-type: none"> identifying companies in similar industries to the subject company, in the open market and determining the appropriate multiples. applying discounts/premiums to the quoted multiples to compensate for differences between the reasonably similar companies and the subject being valued | <ul style="list-style-type: none"> The observable multiple was adjusted for size and geography by 5% and 8%. Control premiums of 10%-15% | <ul style="list-style-type: none"> The higher the discount applied on the multiple the lower the fair value The higher the control premium the higher is the fair value. |
| Press Properties Limited | 14,349 | 9,734 | Level 3 | <p><i>The Price to book Approach</i> The approach measures value of a company based on its market price relative to its net assets. This method involves;</p> <ul style="list-style-type: none"> identifying companies in similar industries to the subject company, in the open market and determining the appropriate multiples. applying discounts/premiums to the quoted multiples to compensate for differences between the reasonably similar companies and the subject being valued. | <ul style="list-style-type: none"> The observable multiple was discounted by 8% to account for the smaller size of Press Properties in comparison to its peers listed on the stock exchange | <ul style="list-style-type: none"> The higher the discount applied on the multiple the lower the fair value. |

6. FINANCIAL INSTRUMENTS (CONTINUED)

6.7 Fair values measurements (Continued)

6.7.2 Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Company

| Asset | Fair value as at | | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|--|------------------|--------|----------------------|--|--|---|
| | 2021 | 2020 | | | | |
| Investment in Ethanol Company Limited | 12,099 | 9,656 | Level 3 | <p><i>The Price Earnings Approach</i> The approach measures value of a company based on its current share price relative to its earnings per share (EPS). This method involves;</p> <ul style="list-style-type: none"> Identifying companies in similar industries to the subject company, in the open market and determining the appropriate multiples. Applying discounts/premiums to the quoted multiples to compensate for differences between the reasonably similar companies and the subject being valued. | <ul style="list-style-type: none"> The observable multiple adjusted for size and geography by 5%. A control premium of 8%-11.5% A marketability discount of 10%-15% | <ul style="list-style-type: none"> The higher the discount applied on the multiple the lower the fair value The higher the marketability discount applied the lower the fair value. The higher the control premium the higher is the fair value. |
| Investment in , Limbe Leaf Tobacco Company Limited and The Foods Company Limited | 38,969 | 38,320 | Level 3 | <p><i>The Enterprise value to Revenue ("EV/ Revenue") ratio</i> The approach measures value of a company based on its revenues while taking into account both its equity and debt. This method involves;</p> <ul style="list-style-type: none"> Identifying companies in similar industries to the subject company, in the open market and determining the appropriate multiples Applying discounts/premiums to the quoted multiples to compensate for differences between the reasonably similar companies and the subject being valued. | <ul style="list-style-type: none"> The revenue multiple adjusted for size and country risk by 10% and 65%. A minority discount of 12.5% A control premium of 7% -7.5% | <ul style="list-style-type: none"> The higher the discount applied on the multiple the lower the fair value The higher the minority discount applied the lower the fair value. The higher the control premium the higher is the fair value. |

6. FINANCIAL INSTRUMENTS (CONTINUED)**6.7 Fair values measurements (Continued)**

6.7.2 Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Company

| Asset | Fair value as at | | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---------------------------------------|------------------|-------|----------------------|--|--|---|
| | 2021 | 2020 | | | | |
| Investment in LifeCo Holdings Limited | 827 | 100 | Level 3 | Net asset values: DCF and MM valuations methods were not adopted as they yield results not consistent with the earning potential of the company as it is a new company which has no track record, has untested projections and has no operating history. The method measure the equity holders' claim on the residual assets after paying off the company's liabilities. | Judgements and assumptions for recognition and measurement of asset and liabilities | The more favourable the judgements and estimates used in a particular economic environment, the higher the fair value. |
| Open Connect Limited | 6,121 | 4,044 | Level 3 | The income approach (Discounted Cash Flow): The methodology is based on the Capital Asset Pricing Model and the concept that the value of an Enterprise should equal the present value of its future free cashflows. This approach entails; <ul style="list-style-type: none"> Estimating the expected free cashflows. Free Cashflow is calculated as tax-adjusted earnings and other non-cash operating expenses, further adjusted by capex projections. Discounting the cashflows to present value using Weighted Average Cost of Capital ("WACC"). Discounting the value to take into account marketability | <ul style="list-style-type: none"> Deriving the projected free cashflows based on management's experience, knowledge of the market conditions of the specific industries, and any strategic considerations. Weighted average cost of capital of 19.9% (2020: 21.3%) determined using a capital asset pricing model. The perpetuity value - used a long-term forecast growth rate of 5%. Marketability discount rate of 10% | <p>The higher the weighted average cost of capital and the discount rate the lower the fair value.</p> <p>The higher the marketability discount the lower the fair value.</p> |

7. OPERATING SEGMENTS

An operating segment is a component of the Group 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 Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer ("CEO") to make decisions about resources to be allocated to the segment and 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.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, investment property and intangible assets other than goodwill.

7.1 Basis for segmentation

The Group has five reportable segments which are based on the type of business among its subsidiary, associated companies and joint ventures. These segments are: Financial Services, Telecommunication, Energy, Consumer Goods, and All Other Reportable Segments. The segments offer different products and services, and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations in each of the Group's reportable segments:

7. OPERATING SEGMENTS (CONTINUED)**7.1 Basis for segmentation (Continued)****Reportable segments**

Financial Services segment

Telecommunications segment

Energy segment

Consumer Goods segment

All other segments

Operations

Provides retail, corporate and investment banking as well as stockbroking, insurance and pension administration services.

Provides a wide range of Information and Communications Technology (ICT) based products and services.

Ethanol manufacturers.

Supermarket chain – now discontinued

Property investment and development, Holding company, Manufacturer and distributor of fish products.

7.2 Geographical segment presentation

The operations of the Group are in Malawi and Tanzania however geographical segment presentation has not been made since the Tanzania business segment is insignificant to the total business of the Group.

7.3 Information about major customers

The Group revenues are earned from a range of customers, none of which constitute ten percent or more of the total Group's revenues.

7.4 Information about reportable segments

Information regarding the results of each reportable segment is set out below. Performance is measured based on segment profit after income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit after income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income earning assets and revenue, interest bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

| | Financial services | Tele-communications | Energy | All other segments | Total |
|---|--------------------|---------------------|---------------|--------------------|----------------|
| 2021 | | | | | |
| Revenue | | | | | |
| External revenues | 117,842 | 103,480 | 24,891 | 2,860 | 249,073 |
| Inter-segment revenue | 579 | 3,725 | - | 809 | 5,113 |
| Segment revenue | 118,421 | 107,205 | 24,891 | 3,669 | 254,186 |
| Segment operating profit/(loss) | 50,564 | 19,432 | 5,185 | 10,278 | 85,459 |
| Segment interest income | - | 572 | 1,499 | 959 | 3,030 |
| Segment interest expense | (1,078) | (7,827) | (9) | (13,876) | (22,790) |
| Segment income tax expense | (16,113) | (3,897) | (2,030) | (1,197) | (23,237) |
| Segment profit/(loss) for the year | 33,373 | 8,280 | 4,645 | (3,836) | 42,462 |
| Depreciation and amortization | 5,569 | 17,625 | 651 | 431 | 24,276 |
| Segment assets | 803,164 | 164,169 | 34,878 | 438,233 | 1,440,444 |
| Segment liabilities | 657,613 | 109,553 | 5,721 | 102,277 | 875,164 |
| Capital additions | 3,488 | 29,788 | 5,277 | 528 | 39,081 |
| 2020 | | | | | |
| Revenue | | | | | |
| External revenues | 80,936 | 96,233 | 23,042 | 2,687 | 202,898 |
| Inter-segment revenue | 736 | 2,999 | - | 1,010 | 4,745 |
| Segment revenue | 81,672 | 99,232 | 23,042 | 3,697 | 207,643 |
| Segment operating profit/(loss) | 33,527 | 15,592 | 4,859 | 6,893 | 60,871 |
| Segment interest income | - | 395 | 1,411 | 293 | 2,099 |
| Segment interest expense | (576) | (5,415) | (7) | (2,698) | (8,696) |
| Segment income tax expense | (10,392) | (5,208) | (1,624) | (1,125) | (18,349) |
| Segment profit/(loss) for the year | 22,559 | 5,364 | 4,639 | 3,363 | 35,925 |
| Depreciation and amortization | 4,291 | 15,295 | 674 | 527 | 20,787 |
| Segment assets | 572,693 | 140,957 | 31,235 | 399,960 | 1,144,845 |
| Segment liabilities | 454,776 | 92,942 | 5,866 | 87,196 | 640,780 |
| Capital additions | 4,101 | 21,242 | 3,264 | 597 | 29,204 |

7. OPERATING SEGMENTS (CONTINUED)

7.5 Reconciliations of information on reportable segments to IFRS measures

| | 2021 | 2020 |
|---|------------------|----------------|
| Revenues | | |
| Total revenues for reportable segments | 254,186 | 207,643 |
| Elimination of inter-segment revenue | (5,113) | (4,745) |
| Consolidated revenue | 249,073 | 202,898 |
| Depreciation and amortisation | | |
| Total depreciation and amortisation for reportable segments | 24,276 | 20,787 |
| Elimination of inter-segment depreciation | (1,122) | (1,182) |
| Consolidated depreciation and amortisation | 23,154 | 19,605 |
| Profit | | |
| Total profit for reportable segments | 42,462 | 35,925 |
| Elimination of dividend income from Group companies | (13,555) | (9,963) |
| Financial guarantees recognised as liabilities at company level | 10,231 | (427) |
| Additional Profit on disposal of an associate | 8,473 | - |
| Share of profit of equity accounted investees | 2,489 | 298 |
| Impairment of equity accounted investees | (186) | - |
| Loss from discontinued operation | (4,783) | (5,859) |
| Consolidated profit | 45,131 | 19,974 |
| Assets | | |
| Total assets for reportable segments | 1,440,444 | 1,144,845 |
| Assets for discontinued operations | 5,106 | 4,621 |
| Inter-segment eliminations | (19,025) | (19,675) |
| Elimination of fair value relating to equity accounted investees | (6,418) | (31,724) |
| Impairment of equity accounted investees | (186) | - |
| Elimination of investment in subsidiaries | (334,222) | (284,592) |
| Consolidated total assets | 1,085,699 | 813,475 |
| Liabilities | | |
| Total liabilities for reportable segments | 875,164 | 640,780 |
| Liabilities for discontinued operations | 19,439 | 17,874 |
| Inter-segment eliminations | (19,025) | (18,997) |
| Financial guarantees recognised as liabilities at company level | (10,231) | - |
| Elimination of deferred tax liabilities arising from fair value measurement of investments in separate financial statements | (75,474) | (70,323) |
| Consolidated total liabilities | 789,873 | 569,334 |

8. PROPERTY, PLANT AND EQUIPMENT

| Group | Land and buildings | furniture and equipment | Plant and machinery | Motor vehicles | Capital work in progress | Total |
|---|--------------------|-------------------------|---------------------|----------------|--------------------------|----------|
| Cost or valuation | | | | | | |
| Balance at 1 January 2021 | 56,153 | 9,598 | 134,236 | 7,259 | 14,775 | 222,021 |
| Additions | 37 | 885 | 9,309 | 1,179 | 21,226 | 32,636 |
| Transfer from investment property (note 13) | 273 | - | - | - | - | 273 |
| Disposals | (89) | (77) | (1,918) | (871) | - | (2,955) |
| Acquired through business combinations (note 14) | 301 | 18 | 199 | 5 | - | 523 |
| Transfers between classes | 2,303 | - | 17,195 | - | (19,498) | - |
| Reclassified from intangibles (note 12) | - | - | - | - | 311 | 311 |
| Re-classified to non-current assets held for sale (note 25) | (11,630) | (1,562) | (20,676) | (392) | (1,089) | (35,349) |
| Write-off | - | (7) | (176) | - | - | (183) |
| Revaluation increase | 6,686 | - | - | - | - | 6,686 |
| Balance at 31 December 2021 | 54,034 | 8,855 | 138,169 | 7,180 | 15,725 | 223,963 |

8. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Group | Land and buildings | furniture and equipment | Plant and machinery | Motor vehicles | Capital work in progress | Total |
|---|--------------------|-------------------------|---------------------|----------------|--------------------------|----------|
| Balance at 1 January 2020 | 53,491 | 7,833 | 121,617 | 7,144 | 6,897 | 196,982 |
| Additions | 205 | 1,561 | 10,386 | 1,336 | 14,747 | 28,235 |
| Disposals | (4) | (460) | (1,237) | (1,271) | - | (2,972) |
| Transfers between classes | 812 | 665 | 3,505 | 50 | (5,032) | - |
| Transfer to intangibles (note 12) | - | - | - | - | (1,785) | (1,785) |
| Transfer to investment property (note 13) | - | - | - | - | (52) | (52) |
| Write-off | - | (1) | (35) | - | - | (36) |
| Impairment | (137) | - | - | - | - | (137) |
| Revaluation increase | 1,786 | - | - | - | - | 1,786 |
| Balance at 31 December 2020 | 56,153 | 9,598 | 134,236 | 7,259 | 14,775 | 222,021 |
| Accumulated depreciation and impairment | | | | | | |
| Balance at 1 January 2021 | 5,211 | 6,124 | 69,685 | 4,144 | - | 85,164 |
| Depreciation expense | 1,525 | 442 | 13,134 | 1,178 | - | 16,279 |
| Re-classified to non-current assets held for sale (note 25) | (337) | (1,301) | (16,478) | (335) | - | (18,451) |
| Eliminated on revaluation | (1,737) | - | - | - | - | (1,737) |
| Write-off | - | (7) | (165) | - | - | (172) |
| Eliminated on disposal of assets | (215) | (50) | (1,876) | (758) | - | (2,899) |
| Balance at 31 December 2021 | 4,447 | 5,208 | 64,250 | 4,229 | - | 78,184 |
| Balance at 1 January 2020 | 4,178 | 5,574 | 59,071 | 4,696 | 3 | 73,522 |
| Depreciation expense | 1,598 | 458 | 11,689 | 1,080 | - | 14,825 |
| Transfer to intangible (note 12) | - | - | - | - | (3) | (3) |
| Reclassification | - | 521 | (5) | (516) | - | - |
| Eliminated on revaluation | (564) | - | - | - | - | (564) |
| Write-off | - | (1) | (34) | - | - | (35) |
| Eliminated on disposal of assets | (1) | (428) | (1,036) | (1,116) | - | (2,581) |
| Balance at 31 December 2020 | 5,211 | 6,124 | 69,685 | 4,144 | - | 85,164 |
| Carrying amounts | | | | | | |
| At 31 December 2021 | 49,587 | 3,647 | 73,869 | 2,951 | 15,725 | 145,779 |
| At 31 December 2020 | 50,942 | 3,474 | 64,551 | 3,115 | 14,775 | 136,857 |

The group has in current year disaggregated furniture and equipment. The balance was previously aggregated within plant and machinery. The comparatives have also been disaggregated.

Company

| | Land and building | Furniture and equipment | Motor vehicle | Total |
|--|-------------------|-------------------------|---------------|-------|
| Cost or valuation | | | | |
| Balance at 1 January 2021 | 699 | 637 | 58 | 1,394 |
| Additions | - | 24 | - | 24 |
| Acquired through business combinations | 272 | - | - | 272 |
| Revaluation increase | 111 | - | - | 111 |
| Disposals | - | (8) | - | (8) |
| Balance at 31 December 2021 | 1,082 | 653 | 58 | 1,793 |
| Balance at 1 January 2020 | 636 | 594 | 3 | 1,233 |
| Additions | - | 57 | 55 | 112 |
| Revaluation increase | 63 | - | - | 63 |
| Disposals | - | (14) | - | (14) |
| Balance at 31 December 2020 | 699 | 637 | 58 | 1,394 |

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**Company****Accumulated depreciation**

Balance at 1 January 2021
Depreciation expense
Eliminated on disposal of assets
Balance at 31 December 2021

Balance at 1 January 2020
Depreciation expense
Eliminated on disposal of assets
Balance at 31 December 2020

Carrying amounts

At 31 December 2021
At 31 December 2020

| | Land and building | Furniture and equipment | Motor vehicle | Total |
|----------------------------------|-------------------|-------------------------|---------------|-------|
| Balance at 1 January 2021 | - | 501 | 4 | 505 |
| Depreciation expense | - | 35 | 9 | 44 |
| Eliminated on disposal of assets | - | (1) | - | (1) |
| Balance at 31 December 2021 | - | 535 | 13 | 548 |
| Balance at 1 January 2020 | - | 472 | 3 | 475 |
| Depreciation expense | - | 40 | 1 | 41 |
| Eliminated on disposal of assets | - | (11) | - | (11) |
| Balance at 31 December 2020 | - | 501 | 4 | 505 |
| At 31 December 2021 | 1,082 | 118 | 45 | 1,245 |
| At 31 December 2020 | 699 | 136 | 54 | 889 |

Registers of land and buildings giving details required under the Companies Act 2013 are maintained at the respective registered offices of each company within the Group and are open for inspection by members or their duly authorised agents.

8.1 Useful lives

The following estimated useful lives for the current and comparative periods are used in the calculation of depreciation:

| | |
|-------------------------|-------------|
| Buildings | 40-50 years |
| Plant and machinery | 8-15 years |
| Furniture and equipment | 2-6 years |
| Motor vehicles | 3-5 years |

8.2 Fair value measurement of the Group's land and buildings

The Group's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent impairment losses. The fair value measurements of the Group's land and buildings were performed by qualified valuers as detailed below. There has been no change in the valuation technique this year.

Land and buildings relating to Malawi Telecommunications Limited were revalued as at 31 December 2018 by Simeon D. Banda BSc (Hons) MSIM MRICS Chartered Quantity Surveyor of SFS Property Consultants in association with Sam M. Nhlane (Hons) Lond, MSIM Registered Valuation Surveyor of SMN Property Professionals. Valuations were carried out on the basis of open market value. Directors consider that the carrying amounts are not materially different from the fair values as determined in the last valuation.

Land and buildings relating to the banking business were fair valued as at 31 December 2021 by Bernard J Mughogho, BSc (Est. Mgmt), qualified independent valuers with Knight Frank Malawi. Valuations were carried out based on a current market value basis. Out of the K4 559m (2020: K2 287m) the Group's gross revaluation surplus, K105m (2020: K48m) was credited to the statement of comprehensive income to reverse decreases in fair values previously charged to the statement of comprehensive income and the balance of K4 454m (2020: K2 239m) was credited to the revaluation reserve through the statement of other comprehensive income (refer note 34).

Revaluation of freehold land and buildings relating to the Foods Company Limited as at 31 December 2021 were performed by Mabvuto Phula, MSIM, MRAC Valuation Surveyor of CMC Property Consultants and Valuers. Valuations were carried out based on the market comparable approach that reflects recent transaction prices for similar properties in similar geographical locations.

Leasehold properties, civil works, relating to Ethanol Company Limited were re-valued on 31 December 2021 by Mr Nickson S.C. Mwanyali, BSc (Est. Man), Dip (Bus Mngt), MSIM Valuation Surveyor of Knight Frank Malawi Limited on an Open Market Value.

Land and buildings relating to Telekom Networks Malawi plc were fair valued as at 31 December 2021 by Rhemont Ngwira BSc (Hons) Property Mngt; Dip (Real Estate); Elliot K. Jambo MSc: Real Estate; MBA; BA; MSIM of MPICO plc. Valuations were carried out based on the basis of open market value.

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**8.2 Fair value measurement of the Group's land and buildings (Continued)**

Land and buildings relating to Press Corporation plc were fair valued as at 31 December 2021 by L.A. Nkosi, Msc (RE); Bsc (UEM); BA (Hons); Cert.Prop. Val; MSIM Valuation Surveyor of Prudential Real Estate and Consultancy Services. Valuations were carried out based on Sales Comparison and Investment approach that reflects recent transaction prices for similar properties in similar geographical locations.

Details of the Group's information about the properties fair value hierarchy as at 31 December 2021 are as follows:

| | Fair value as at | | Fair value hierarchy |
|--------------------|------------------|------------|----------------------|
| | 31/12/2021 | 31/12/2020 | |
| Land and buildings | 49,587 | 50,942 | Level 2 |

There were no transfers between Level 1 and Level 2 and Level 3. The fair value of the lands and buildings was determined using transaction prices of similar properties.

Had the Group's and Company's land and buildings been measured on a historical cost basis, their carrying amount would have been as follows;

| | 2021 | 2020 |
|------------------------------|--------|--------|
| Group's land and buildings | 15,639 | 13,013 |
| Company's land and buildings | 560 | 287 |

8.3 Assets pledged as security

The Group's assets with a carrying amount of approximately K81 billion (2020: K67 billion) have been pledged to secure borrowings. The Group is not allowed to sell these assets to another entity without prior approval of the lenders. The carrying amount of the related borrowings amount to K40 billion (2020: K26 billion) – see note 27 and 30 below.

9 LEASES (GROUP AS A LESSEE)

The Group and the company has lease contracts for various items of plant, machinery, vehicles, land and buildings used in its operations. Leases of plant and machinery generally have lease terms between 3 and 5 years, land and buildings between 2 and 13 years (largely with options for renewal) while motor vehicles have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group has options to purchase certain leased assets at the end of the lease term.

9.1 Right of use assets**Group****Cost**

Balance at 1 January 2021
Addition
Disposal
Acquired through business combinations (note 14)
Re-classified to non-current assets held for sale (note 25)
Balance at 31 December 2021

Balance at 1 January 2020
Addition
Disposal
Balance at 31 December 2020

Depreciation

Balance at 1 January 2021
Charge for the year
Disposal
Re-classified to non-current assets held for sale (note 25)
Balance at 31 December 2021

| | Land and buildings | Plant and machinery | Total |
|---|--------------------|---------------------|---------|
| Balance at 1 January 2021 | 7,358 | 11,663 | 19,021 |
| Addition | 1,284 | 1,932 | 3,216 |
| Disposal | (121) | - | (121) |
| Acquired through business combinations (note 14) | 4,522 | - | 4,522 |
| Re-classified to non-current assets held for sale (note 25) | (2,181) | (628) | (2,809) |
| Balance at 31 December 2021 | 10,862 | 12,967 | 23,829 |
| Balance at 1 January 2020 | 7,726 | 4,145 | 11,871 |
| Addition | 436 | 10,428 | 10,864 |
| Disposal | (804) | (2,910) | (3,714) |
| Balance at 31 December 2020 | 7,358 | 11,663 | 19,021 |
| Balance at 1 January 2021 | 2,833 | 1,514 | 4,347 |
| Charge for the year | 3,743 | 157 | 3,900 |
| Disposal | (75) | - | (75) |
| Re-classified to non-current assets held for sale (note 25) | (1,428) | (471) | (1,899) |
| Balance at 31 December 2021 | 5,073 | 1,200 | 6,273 |

9 LEASES (GROUP AS A LESSEE) (CONTINUED)**9.1 Right of use assets (Continued)**

| Group | Land and buildings | Plant and machinery | Total |
|--------------------------------------|----------------------|---------------------|---------|
| Balance at 1 January 2020 | 1,643 | 1,286 | 2,929 |
| Charge for the year | 1,282 | 1,507 | 2,789 |
| Disposal | (92) | (1,279) | (1,371) |
| Balance at 31 December 2020 | 2,833 | 1,514 | 4,347 |
| Carrying amounts | | | |
| At 31 December 2021 | 5,789 | 11,767 | 17,556 |
| At 31 December 2020 | 4,525 | 10,149 | 14,674 |
| Company | | | |
| | Motor vehicle | | |
| | 2021 | 2020 | |
| Cost | | | |
| Balance at the beginning of the year | 125 | 125 | |
| Disposal | (125) | - | |
| | - | 125 | |
| Depreciation | | | |
| Balance at 1 January | 112 | 70 | |
| Charge for the year | 13 | 42 | |
| Disposal | (125) | - | |
| | - | 112 | |
| Carrying amount - At 31 December | - | 13 | |

9.2 Lease liabilities

| | Group | | Company | |
|---|---------|---------|---------|------|
| | 2021 | 2020 | 2021 | 2020 |
| Non-Current | 5,732 | 2,964 | - | - |
| Current | 3,042 | 3,367 | - | 33 |
| At 31 December | 8,774 | 6,331 | - | 33 |
| Movement in lease liabilities during the year was as follows: | | | | |
| As at 1 January | 6,331 | 9,492 | 33 | 81 |
| Addition | 3,145 | 436 | - | - |
| Acquired through business combinations (note 14) | 4,883 | - | - | - |
| Interest on lease | 1,078 | 956 | 14 | 14 |
| Lease liability directly associated with assets classified as held for sale | (946) | - | - | - |
| Repayment | (5,717) | (4,553) | (47) | (62) |
| At 31 December | 8,774 | 6,331 | - | 33 |

Maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

| | 2021 | 2020 | | |
|---------|--------|--------|---|----|
| Year 1 | 3,329 | 2,824 | - | 36 |
| Year 2 | 3,453 | 3,653 | - | - |
| Year 3 | 1,256 | 2,668 | - | - |
| Year 4 | 1,226 | 371 | - | - |
| Year 5 | 1,473 | 263 | - | - |
| Onwards | 5,692 | 748 | - | - |
| | 16,429 | 10,527 | - | 36 |

9.3 Amounts recognised in the statement of profit or loss

| | | | | |
|--|-------|-------|----|----|
| Depreciation expense on right-of-use assets | 4,012 | 2,789 | 13 | 42 |
| Interest expense on lease liabilities | 1,078 | 956 | 14 | 14 |
| Expense relating to short-term leases | 84 | 139 | 84 | 58 |
| Expense relating to leases of low value assets | - | 75 | - | - |
| Expense relating to variable lease payments not included in the measurement of the lease liability | - | 33 | - | - |
| Income from sub-leasing right-of-use assets | - | 11 | - | - |

9 LEASES (GROUP AS A LESSEE) (CONTINUED)**9.3 Amounts recognised in the statement of profit or loss (Continued)**

Some of the property leases in which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased store. Lease payments for such stores are therefore 100% variable since they are linked to store cash flows.

The Group and the company had total cash outflows for leases of K5.7 billion and K47 million (2020: K4.5 billion and K62 million) respectively.

10 BIOLOGICAL ASSETS**10.1 Reconciliation of carrying amount of biological assets**

| Group | Fish stock | Growing Cane | Total |
|-----------------------------------|------------|--------------|---------|
| 2021 | | | |
| Balance at 1 January | 685 | 162 | 847 |
| Depreciation | (16) | (7) | (23) |
| Increase due to acquisition | 8 | - | 8 |
| Increase due to birth | 1,404 | - | 1,404 |
| Decrease due to sales | (1,202) | - | (1,202) |
| Decrease due to death | (155) | - | (155) |
| Increase/(decrease) in fair value | (155) | 38 | (117) |
| Balance at 31 December | 569 | 193 | 762 |
| Non-current biological assets | 22 | 28 | 50 |
| Current biological assets | 547 | 165 | 712 |
| Balance at 31 December | 569 | 193 | 762 |
| 2020 | | | |
| Balance at 1 January | 478 | 182 | 660 |
| Depreciation | (14) | (7) | (21) |
| Increase due to acquisition | 114 | - | 114 |
| Increase due to birth | 1,116 | - | 1,116 |
| Decrease due to sales | (959) | - | (959) |
| Decrease due to death | (172) | - | (172) |
| Increase/(decrease) in fair value | 122 | (13) | 109 |
| Balance at 31 December | 685 | 162 | 847 |
| Non-current biological assets | 30 | 35 | 65 |
| Current biological assets | 655 | 127 | 782 |
| Balance at 31 December | 685 | 162 | 847 |

One of the Group's subsidiaries, Presscane Limited invested in Chisanja Limited which is involved in the growing of sugar cane in order to address its current feed stock challenges by growing its own sugarcane from which juice would be extracted to produce ethanol. As at 31 December 2021, the cane growth was estimated at 50% (2020: 40%) with a harvest area of 90 hectares (2020: 89 hectares) and estimated harvest tonnage of 101 (2020: 105 tonnage).

As at 31 December 2021, fish stock comprised of 81.2 tons of fish (2020: 139 tons) and 13.8 tons of fingerlings (2020: 1.2 tons). During 2021, the Group sold 640 tons of fish (2020: 608 tons).

10.2 Measurement of fair values

The valuation of fish, fingerlings and brood stock is based on the selling value of the projected weight of fish to be harvested on maturity less any estimated costs to be incurred in growing the fish to table size and in selling and distributing the fish after harvest. The valuation takes into account mortality of the fish which is based on past experience and actual mortality experienced during the period to harvest.

In determining the fair value of the fish, the following procedures are used:

- The Group estimates the weight of the fish that is in cages or ponds through sampling. This estimate is used to determine the projected harvest, which takes into account a factor of mortality.
- The projected harvest is valued using selling price based on fish categories.
- The cost to harvest is estimated and this includes cost of feed, both starter and grower and all direct costs to be incurred to produce the fish.
- The value of the fish is then the difference between the value of the projected harvest and the costs to be incurred to harvest.
- Fingerlings are valued at the current selling price of each fingerling achieved during the year.

10 BIOLOGICAL ASSETS (CONTINUED)**10.2 Measurement of fair values (Continued)**

Assumptions

- Average weight per fish – Average harvest weight achieved during the year is used as basis for calculating biomass.
- Mortality is assumed at 25% (2020: 15%) for cages and 30% (2020: 20%) for fingerlings based on experience and history. The Group no longer stocks fish in ponds; and
- Average selling price – Current selling price based on fish categories as per harvest records.

The fair value measurements of both fish and fingerlings have been categorized as Level 3 fair values;

| | Fair value as at | | Fair value hierarchy |
|-------------|------------------|------------|----------------------|
| | 31/12/2021 | 31/12/2020 | |
| Fish stocks | 569 | 685 | Level 3 |

*The fair value hierarchy was incorrectly disclosed as level 2 instead of level 3 in the prior year. This has been restated.

The fair value of the growing cane is determined using inputs that are unobservable. Using the best information available in the circumstances growing cane falls into the level 3 fair value category. The key assumptions in the valuation of growing cane includes expected area to harvest the following season of 90 hectares (2020: 89 hectares), estimated yield of 101 tons (2020: 105 tons), estimated sucrose content of 13% (2020: 12.3%) and cane growth percentage of 50% (2020: 40%) at 31 December 2021.

| | Fair value as at | | Fair value hierarchy |
|--------------|------------------|------------|----------------------|
| | 31/12/2021 | 31/12/2020 | |
| Growing cane | 193 | 162 | Level 3 |

10.3 Financial risk management strategies related to agricultural activities

The Group is exposed to the following risks relating to its biological assets:-

Regulatory and environmental risks

The Group is subject to laws and regulations relating to fish breeding and protection of the environment. The Group has established environmental policies and procedures aimed at compliance with environmental laws relating to effluent disposal, certification of hatchery activities and environmental impact assessments of new fish breeding projects.

In respect of growing cane, the Group complies with the rules and regulations of the South African Sugar Research Institute which we are registered as a member.

Supply, demand and commodity risks

The Group is exposed to risks arising from fluctuations in the prices of fish and fish products which are based on general supply of fish in the country. The bigger the general supply of fish in the country the lower the fish prices. The Group manages this risk by aligning its harvest volumes with the market supply and demand. Management performs regular industry trend analyses for projected harvest volumes and pricing.

Similarly, the Group is exposed to risks arising from fluctuations in the prices of sugar. Sugar is valued at the estimated sucrose content, valued at the estimated sucrose price for the following season as obtained from the foreign and domestic markets.

Climate, weather, diseases and other risks

The Group's fish stocks are exposed to the risk of damage from climatic changes (including annual upwelling of water, temperature variations including stratification of water and low dissolved oxygen levels), diseases, theft of brood stock and breeding fish and predation from birds, otters and others. The Group has extensive processes in place aimed at monitoring and mitigating the risks, including monitoring and prevention of diseases, theft and bird predation prevention, monitoring of water temperatures and dissolved oxygen.

The Group uses water from Shire River for Irrigation. In the event of heavy siltation, such that the Group is unable to pump adequate water for irrigation, the yield of growing cane is likely to be affected which in turn would affect the valuation of the biological asset.

11 GOODWILL

| | 2021 | 2020 |
|--------------------------------|-------|-------|
| At the beginning of the year | 4,547 | 4,974 |
| Impairment losses for the year | - | (427) |
| At the end of the year | 4,547 | 4,547 |

11.1 Impairment testing for cash generating units containing goodwill

Goodwill has been allocated for impairment testing purposes to the following cash-generating units;

| | | |
|---------------------------------------|-------|-------|
| TNM Enterprise Business Services Unit | 588 | 588 |
| Corporate banking division | 3,959 | 3,959 |
| | 4,547 | 4,547 |

TNM Enterprise Business services unit

The goodwill associated with TNM enterprise business services unit arose when the Group's subsidiary, Telekom Networks Malawi plc acquired Burco Electronics Systems Limited on 31 December 2014.

The recoverable amount of this cash generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a pre tax discount rate of 33% (2020: 34%) per annum.

Cash flow projections during the budget period are based on the assumption that the unit will grow at an average of 5% (2020: 5%) year on year. The growth was estimated by directors of the unit based on past performance of the cash generating unit and their expectations of market developments. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

The recoverable amount of the Cash Generating Unit is calculated to be K13.5 billion (2020: K14.3 billion) and its carrying amount is K0.9 billion (2020: K0.9 billion) as such the related goodwill is not impaired.

Whole Banking Division

The banking business of the Group, National Bank of Malawi plc acquired a 97.05% interest in Indebank Limited on 31 October 2015. In 2016, the Bank acquired an additional 2.95% in Indebank previously held by the Indebank employee share ownership program (ESOP) thus increasing its shareholding to 100%. This brought the purchase consideration to K6,616 million and the goodwill arising on acquisition to K3,959 million.

The carrying amount of this goodwill was allocated to the Corporate Banking Division (CBD) as a cash generating unit.

The recoverable amount of this cash generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a five-year period, and discounted at a weighted average pre tax discount rate of 24.13% (2020: 26.45%). Cashflow projections during the budget period were based on the same expected gross margins and price inflation through the budget period. Cash flows beyond that five-year period have been extrapolated using an average of 10% (2020: 10%) per annum growth rate which is the projected long term average growth rate for Corporate Banking Business. The Directors believe that any reasonably possible change in the key assumption on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

The recoverable amount of the Cash Generating Unit (CBD) is calculated to be K77.1billion (2020: K46.6 billion) and its carrying amount is K10.2 billion (2020: K9.3 billion) as such the related goodwill is not impaired.

12 INTANGIBLE ASSETS

| Group | Computer software | Capitalised Development costs | Work in Progress | Patents and trade marks | Total |
|---|-------------------|-------------------------------|------------------|-------------------------|---------|
| Cost | | | | | |
| 2021 | | | | | |
| Balance at 1 January 2021 | 30,811 | 219 | 2,497 | 1,648 | 35,175 |
| Transfer to PPE (note 8) | - | - | (311) | - | (311) |
| Transfer between classes | 1,012 | - | (1,012) | - | - |
| Write-off* | (258) | (219) | (76) | - | (553) |
| Acquired through business combinations (note 14) | 249 | - | - | - | 249 |
| Re-classified to non-current assets held for sale (note 25) | (2,101) | - | - | - | (2,101) |
| Additions | 4,292 | - | 865 | - | 5,157 |
| Balance at 31 December 2021 | 34,005 | - | 1,963 | 1,648 | 37,616 |
| 2020 | | | | | |
| Balance at 1 January 2020 | 28,701 | 265 | 2,059 | 1,648 | 32,673 |
| Transfer from PPE (note 8) | 1,785 | - | - | - | 1,785 |
| Transfer between classes | 476 | - | (476) | - | - |
| Write-off* | (166) | (46) | - | - | (212) |
| Additions | 15 | - | 914 | - | 929 |
| Balance at 31 December 2020 | 30,811 | 219 | 2,497 | 1,648 | 35,175 |
| Accumulated amortisation | | | | | |
| 2021 | | | | | |
| Balance at 1 January 2021 | 15,498 | 219 | - | 1,057 | 16,774 |
| Write-off | (195) | (219) | - | - | (414) |
| Re-classified to non-current assets held for sale (note 25) | (2,087) | - | - | - | (2,087) |
| Amortisation expense | 3,608 | - | - | 165 | 3,773 |
| Balance at 31 December 2021 | 16,824 | - | - | 1,222 | 18,046 |
| 2020 | | | | | |
| Balance at 1 January 2020 | 12,942 | 265 | - | 893 | 14,100 |
| Transfer from PPE (note 8) | 3 | - | - | - | 3 |
| Write-off | (166) | (46) | - | - | (212) |
| Amortisation expense | 2,719 | - | - | 164 | 2,883 |
| Balance at 31 December 2020 | 15,498 | 219 | - | 1,057 | 16,774 |
| Carrying amounts | | | | | |
| At 31 December 2021 | 17,181 | - | 1,963 | 426 | 19,570 |
| At 31 December 2020 | 15,313 | - | 2,497 | 591 | 18,401 |

* write off relates to computer software and systems which are not being fully utilised by the banking business of the Group due to operability limitations. The work in progress write off relates to expenditures which were incurred by the banking business in implementing credit quest system which was later cancelled due to punitive licensing requirements and poor business relationship with the system provider.

Company

Cost

| | Computer software |
|---------------------------|-------------------|
| | 2021 |
| Balance at 1 January | 338 |
| Additions during the year | 24 |
| Balance at 31 December | 362 |

Accumulated amortisation

| | 2021 |
|----------------------------------|------|
| Balance at 1 January | 111 |
| Amortisation charge for the year | 15 |
| Balance at 31 December | 139 |

Carrying amounts

| | 2021 |
|--|------|
| | 223 |

Intangibles relating to the company are all externally generated and they comprise of costs relating to the SAP ERP and SAP Business Planning and Consolidation software.

12 INTANGIBLE ASSETS (CONTINUED)

12.1 Useful lives

The following estimated useful lives for the current and comparative periods are used in the calculation of depreciation:

| | |
|------------------------|--------------|
| Computer software | 5 – 15 years |
| Patents and trademarks | 10 years |

13 INVESTMENT PROPERTIES

Group

| | Freehold land and buildings | Leasehold land and buildings | Undeveloped freehold land | Undeveloped leasehold land | Total |
|---|-----------------------------|------------------------------|---------------------------|----------------------------|---------------|
| Balance at 1 January 2021 | 7,298 | 3,474 | 393 | 1 | 11,166 |
| Additions during the year | 1 | - | - | - | 1 |
| Transfer to Property, Plant and Equipment (note 8) | (273) | - | - | - | (273) |
| Re-classified to non-current assets held for sale (note 25) | - | (163) | - | - | (163) |
| Disposal | (13) | - | - | - | (13) |
| Gain on property revaluation | 1,159 | 748 | 11 | - | 1,918 |
| Balance at 31 December 2021 | 8,172 | 4,059 | 404 | 1 | 12,636 |
| Balance at 1 January 2020 | 6,259 | 2,973 | 359 | 1 | 9,592 |
| Additions during the year | 19 | 137 | - | - | 156 |
| Transferred from Property, Plant and Equipment (note 8) | 52 | - | - | - | 52 |
| Gain on property revaluation | 968 | 364 | 34 | - | 1,366 |
| Balance at 31 December 2020 | 7,298 | 3,474 | 393 | 1 | 11,166 |

Company

Valuation

| | Freehold land and buildings |
|------------------------------|-----------------------------|
| | 2021 |
| Balance at 1 January | 417 |
| Gain on property revaluation | 42 |
| Balance at 31 December | 459 |

A register of investment properties giving details required under the Companies Act, 2013 is maintained at the registered offices of the company and is available for inspection by members or their duly authorised agents.

13.1 Valuation techniques and Fair value hierarchy

Investment properties were professionally and independently revalued by Mabvuto Phula, BSc (Edu), Cert (P/Mgmt), MSC (Real Estates), and a chartered valuation surveyor with CMC Property Consultants & Valuers at 31 December 2021 (also for 2020) on an open market value basis and the resultant gains/losses are recognised in the profit and loss. There has been no change to the valuation technique during the year.

The fair value measurement for investment properties has been categorised as a level 2 fair value based on the inputs to the valuation techniques used.

Details of the Group's information about the investment properties fair value hierarchy as at 31 December 2021 are as follows:

| | Fair value as at | Fair value hierarchy |
|-----------------------|------------------|----------------------|
| | 31/12/2021 | 31/12/2020 |
| Investment properties | 12,636 | 11,166 |
| | | Level 2 |

There were no transfers between Level 1 and Level 2 and Level 3.

13.2 Operating lease arrangements

Operating leases, in which the Group is the lessor, relate to investment property owned by the Group with lease term of one year but with yearly extension option. All operating lease contracts include a clause to enable upward revision of the rental charge in accordance with the prevailing market conditions in the event that the lessee exercises its option to renew. There are no other variable lease payments that depend on an index or rate. The lessee does not have an option to purchase the property at the expiry of the lease period.

13 INVESTMENT PROPERTIES (CONTINUED)**13.2 Operating lease arrangements (Continued)**

Although the risks associated with rights that the Group retains in underlying assets are not considered to be significant, the Group employs strategies to further minimise these risks. For example, by ensuring all contracts include clauses requiring the lessee to maintain the related property to the standard it was before handing over the property to the Group at the expiry of the lease term. The Group also collects a security deposit equivalent to one month rental which is used in circumstances where the lessee fails to maintain the property to the desired level.

Rental income recognised by the Group during the year is K699 million (2020: K620 million). Direct operating expenses which generated rental during period were K252 million (2020: K226 million)

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

| | 2021 | 2020 |
|------|-------|-------|
| 2021 | - | 682 |
| 2022 | 769 | 750 |
| 2023 | 846 | 825 |
| 2024 | 930 | 908 |
| 2025 | 1,023 | 999 |
| 2026 | 1,126 | 1,099 |

14 INVESTMENTS IN SUBSIDIARIES**14.1 Details of the Group's subsidiaries**

Details of the Group's subsidiaries at the end of the reporting period are as follows:

| Name of subsidiary | Principal Activity | Place of incorporation and operation | Proportion of ownership interest and voting power held by the Group | |
|---|---|--------------------------------------|---|-------|
| | | | 2021 | 2020 |
| Financial Services segment | | | | |
| National Bank of Malawi plc (NBM) | Financial Services | NBM Building, Blantyre | 51.49 | 51.49 |
| Telecommunications segment | | | | |
| Malawi Telecommunications Limited (MTL) – held for sale | Information and Communication | Lunjika House, Blantyre | 52.70 | 52.70 |
| Telekom Networks Malawi plc (TNM) | Information and Communication | Livingstone towers, Blantyre | 41.31 | 41.31 |
| Energy segment | | | | |
| Ethanol Company Limited | Ethanol manufacturer | Matiki industrial complex, Dwangwa | 66.0 | 66.0 |
| Presscane Limited | Ethanol manufacturer | Mwitha Village, Chikwawa | 50.1 | 50.1 |
| The All other segments | | | | |
| Press Properties Limited | Property investment and development | Top Mandala, Blantyre | 100.0 | 100.0 |
| The Foods Company Limited | Manufacturer and distributor of fish products | Mithechi Village, Mangochi | 100.0 | 100.0 |
| Manzinzi Bay Limited | Investment property | Monkeybay, Mangochi | 100.0 | 100.0 |
| Discontinued Operations | | | | |
| Malawi Pharmacies Limited | Dormant | Blantyre | 100.0 | 100.0 |
| Peoples Trading Centre Limited – held for sale | Supermarket chain | PTC House, Blantyre | 100.0 | 100.0 |

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)**14.1 Details of the Group's subsidiaries (Continued)**

Telekom Networks Malawi plc is listed on the Malawi Stock Exchange. Although the Group has only 41.31% ownership in the company, the Directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Telekom Networks Malawi plc on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by the other shareholders. Another shareholder owns 23.65% with the balance of 35.04% ownership interests being owned by thousands of shareholders that are unrelated to the Group, none individually holding more than 5.63%.

14.2 Shareholders dispute at Presscane Limited

The shareholders are involved in a dispute over the capital contributions made towards the company. The dispute remains unresolved. Efforts to settle the matter out of court have been unsuccessful and the parties await the completion of the litigation process. An independent consultant's verification of the respective contributions undertaken in 2005 has not been adopted by the shareholders. The Directors are convinced that the outcome of the case will not result in loss of control. Accordingly, Presscane Limited is recognised as a subsidiary in the Group's financial statements in accordance with the Group's 50.1% shareholding.

14.3 Reconciliation of carrying amount**Balance at 1 January**

Additions

Re-classified to assets held for sale (note 25)

Increase in fair value

Balance at 31 December

| Company | |
|---------|---------|
| 2021 | 2020 |
| 284,592 | 265,662 |
| 4,315 | 1,574 |
| (7,564) | - |
| 48,638 | 17,356 |
| 329,981 | 284,592 |

During the year, Press Corporation plc made equity injection to its subsidiaries The Foods Company Limited and Peoples Trading Centre Limited amounting to K0.5 billion (2020: K0.5 billion) and K3.8 billion (2020: K1.0 billion) respectively in order to boost working capital.

During the year, the Group decided to dispose of its stake in its two subsidiaries Peoples Trading Centre Limited and Malawi Telecommunications Limited. Accordingly, the carrying amount of these investments has been reclassified and disclosed as assets held for sale – refer to note 25 for more details.

14.4 Analysis of carrying amount

The carrying amount of subsidiaries shown above is analysed as follows:

| | 2021 | | 2020 | |
|-----------------------------------|------------------------|-------------------|------------------------|-------------------|
| | Fair value (PCL Share) | Dividend received | Fair value (PCL Share) | Dividend received |
| National Bank of Malawi plc | 194,787 | 5,408 | 156,286 | 4,306 |
| Press Properties Limited | 14,349 | - | 9,734 | - |
| Manzinzi Bay Limited | - | - | 2 | - |
| The Foods Company Limited | 904 | - | 930 | - |
| Ethanol Company Limited | 12,099 | 383 | 9,656 | 528 |
| Presscane Limited | 12,777 | - | 12,212 | - |
| Malawi Telecommunications Limited | - | - | 2,503 | - |
| Telecom Networks Malawi plc | 95,065 | - | 91,249 | 2,281 |
| Peoples Trading Centre Limited | - | - | 2,020 | - |
| | 329,981 | 5,791 | 284,592 | 7,115 |

Telekom Networks Malawi plc and National Bank of Malawi plc are listed on the Malawi Stock Exchange and are quoted at market values and were valued at stock market prices.

Unquoted investments in subsidiaries were valued by E. Chokani, a registered valuer of Bridgepath Capital on behalf of the directors for the year ended 31 December 2021 (2020 also). The valuation methods used for the unlisted investments were as follows:

Unlisted investment

Ethanol Company Limited
Presscane Limited
Press Properties Limited
The Foods Company Limited

Valuation method

PE multiple
Market multiples
Price to book
EV/Revenue

13 INVESTMENT PROPERTIES (CONTINUED)

14.5 Acquisition of a sub-subsidiary

On 1st January 2021 one of the Groups' subsidiary National Bank of Malawi acquired 60.48% interest in Akiba Commercial Bank plc as part of its International growth strategy. The consideration transferred to materialise the acquisition was cash.

Below are acquisition details;

| Entity | Principal activity | Effective date of acquisition | Interest acquired | Consideration transferred |
|------------------|--------------------|-------------------------------|-------------------|---------------------------|
| Akiba Commercial | Commercial banking | 01 January 2021 | 60.48% | 5,585 |

Fair value of assets acquired and liabilities recognised as at the date of acquisition

Fair valuation exercise was carried out by KPMG, Chartered Accountants. The fair value of the assets acquired and liabilities recognized as at the acquisition date, 01 January 2021 were as follows:

Assets

| | |
|-----------------------------------|--------|
| Cash and Funds with Central Banks | 7,796 |
| Placements with other Banks | 5,899 |
| Loans and advances | 26,466 |
| Government securities | 7,616 |
| Unquoted equity investment | 13 |
| Other assets | 1,341 |
| Current income tax receivable | 841 |
| Property, plant and equipment | 523 |
| Right of use asset | 4,522 |
| Intangible assets | 249 |
| Deferred tax | 2,407 |
| Total assets | 57,673 |

Liabilities

| | |
|----------------------------|--------|
| Amounts due to other banks | 243 |
| Customer deposits | 41,509 |
| Lease liability | 4,883 |
| Other liabilities | 1,344 |
| Total liabilities | 47,979 |

Net asset fair value

9,694

Goodwill arising on acquisition

| | |
|--|---------|
| Consideration transferred | 5,585 |
| Non-controlling interest | 3,831 |
| Less: Fair value of identifiable net assets acquired | (9,694) |
| Negative goodwill arising on acquisition recognized in Statement of Comprehensive income | (278) |

The bargain purchase of K278m arose due to the fact that the acquired (Akiba Commercial Bank plc) had liquidity and capital challenges. Consequently the acquirer (National Bank of Malawi plc) was requested to pay capital in advance pending finalization of the final price.

Non-Controlling Interest (NCI) fair value

The non-controlling interest of 39.52% recognized at the acquisition date was by reference to the net asset fair value of the NCI amounting to K3,831m

Net cash outflow on acquisition of subsidiary

| | |
|--|--------------|
| Cash and cash equivalent balances acquired | 13,452 |
| Less: Consideration paid | (5,585) |
| | 7,867 |

Impact of acquisition on the results of the Group

Included in the profit for the year is a loss of K1,942m attributable to the additional business generated by Akiba Commercial Bank plc. Income for the year includes K10,095m in respect of Akiba Commercial Bank plc.

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

14.6 Summarised financial information in respect of Group's subsidiaries that have material non-controlling interest

Summarised below is financial information of subsidiaries with material non-controlling interest before elimination of intercompany transactions:

| | NBM | | TNM | | MTL | | Eithanol | | Presscane | |
|--|-----------|----------|----------|----------|------|---------|----------|---------|-----------|---------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Non-current assets | 388,696 | 303,100 | 104,622 | 89,188 | - | 15,474 | 7,676 | 5,566 | 10,685 | 10,968 |
| Current assets | 414,468 | 269,593 | 39,103 | 32,825 | - | 3,471 | 4,662 | 5,153 | 12,789 | 9,548 |
| Non-current liabilities | 12,035 | 12,070 | 26,816 | 24,519 | - | 3,408 | 323 | 146 | 849 | 813 |
| Current liabilities | 645,578 | 442,706 | 71,053 | 53,586 | - | 11,239 | 2,328 | 2,664 | 2,221 | 2,243 |
| Equity attributable to owners of the Company | 74,944 | 60,715 | 21,004 | 18,134 | - | 2,265 | 9,687 | 5,220 | 10,222 | 8,747 |
| Non-controlling interests | 70,607 | 57,202 | 29,852 | 25,774 | - | 2,033 | 6,393 | 2,689 | 10,182 | 8,713 |
| Revenue | 118,421 | 81,672 | 98,869 | 90,556 | - | 8,633 | 10,090 | 10,175 | 14,802 | 12,867 |
| Profit (loss) for the year | 33,592 | 22,506 | 9,625 | 7,792 | - | (2,241) | 1,686 | 2,236 | 2,960 | 2,403 |
| Other comprehensive income | 4,927 | 2,118 | 1,643 | - | - | - | 621 | - | - | - |
| Total comprehensive income / (loss) | 38,519 | 24,624 | 98,869 | 7,792 | - | (2,241) | 2,307 | 2,236 | 2,960 | 2,403 |
| Non-controlling interest share | 48.51% | 48.51% | 58.70% | 58.70% | - | 47.30% | 34.00% | 34.00% | 49.90% | 49.90% |
| Profit (loss) attributable to owners of the Company | 17,297 | 11,588 | 3,975 | 3,218 | - | (1,181) | 1,113 | 1,476 | 1,483 | 1,204 |
| Profit (loss) attributable to non-controlling interests | 16,295 | 10,918 | 5,650 | 4,574 | - | (1,060) | 573 | 760 | 1,477 | 1,199 |
| Other comprehensive income attributable to owners of the Company | 2,537 | 1,091 | 679 | - | - | - | 410 | - | - | - |
| Other comprehensive income attributable to non-controlling interests | 2,390 | 1,027 | 964 | - | - | - | 211 | - | - | - |
| Total comprehensive income attributable to owners of the Company | 19,833 | 12,679 | 4,654 | 3,218 | - | (1,181) | 1,523 | 1,476 | 1,483 | 1,204 |
| Total comprehensive income attributable to non-controlling interests | 18,686 | 11,945 | 6,614 | 4,574 | - | (1,060) | 784 | 760 | 1,477 | 1,199 |
| Dividends paid to non-controlling interests | 7,520 | 4,057 | 2,534 | 3,241 | - | - | 196 | 270 | - | - |
| Net cash inflow / (outflow) from operating activities | 143,409 | 101,364 | 22,638 | 34,939 | - | 991 | 1,268 | 3,673 | 906 | 2,207 |
| Net cash outflow from investing activities | (107,379) | (62,166) | (28,333) | (20,593) | - | (135) | (1,347) | (2,722) | (1,876) | (2,728) |
| Net cash outflow from financing activities | (20,584) | (12,021) | 4,205 | (12,602) | - | (304) | (576) | (793) | - | - |
| Net cash inflow / (outflow) | 15,446 | 27,177 | (1,490) | 1,744 | - | 552 | (655) | 158 | (970) | (521) |

15 INVESTMENT IN JOINT VENTURES**15.1 Details of the Group's joint ventures**

Details of the Group's joint ventures at the end of the reporting period is as follows:

| Name of joint venture | Principal Activity | Principal place of operation | Proportion of ownership interest and voting power held by the Group | |
|----------------------------|--|----------------------------------|---|------|
| | | | 2021 | 2020 |
| Puma Energy Malawi Limited | Distribution of petroleum products | Standard bank building, Blantyre | 50.0 | 50.0 |
| Macsteel (Malawi) Limited | Manufacture and sale of steel products | Raynor Avenue, Limbe, Blantyre | 50.0 | 50.0 |

Two companies, Puma Energy Malawi Limited and Macsteel (Malawi) Limited are 50% owned by Press Corporation plc and 50% owned by technical partners and they are not publicly listed. These have been equity accounted for in the Group accounts and carried at fair value in the separate financial statements of the Company. This is in compliance with IAS 28 Investments.

15.2 Reconciliation of carrying amount

| | Group | | Company | |
|---|---------------|--------------|---------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| At the beginning of the year | 8,370 | 7,639 | 21,774 | 22,922 |
| Decrease in fair value recognised in other comprehensive income | - | - | (3,457) | (1,148) |
| Impairment | (186) | - | - | - |
| Group's share of profits | 1,926 | 680 | - | - |
| Group's share of other comprehensive income | 6,438 | 154 | - | - |
| Dividend received | (400) | (103) | - | - |
| At end of the year | 16,334 | 8,370 | 18,317 | 21,774 |

15.3 Analysis of carrying amount

The carrying amount of joint ventures shown above is analysed as follows:

| | Group | | Company | |
|----------------------------|---------------|--------------|---------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| Puma Energy Malawi Limited | 13,944 | 6,902 | 16,113 | 19,527 |
| Macsteel (Malawi) Limited | 2,204 | 1,468 | 2,204 | 2,247 |
| Total | 16,148 | 8,370 | 18,317 | 21,774 |

Investments in joint ventures were equity accounted in the consolidated financial statements and were fair valued in the separate financial statements using EV/EBITDA and market multiples method in respect of Puma Energy Malawi Limited and Macsteel (Malawi) Limited respectively.

Investments in joint ventures were valued by E. Chokani, a registered valuer of Bridgepath Capital on behalf of the directors for the year ended 31 December 2021. (2020 also).

15.4 Summarised financial information of joint ventures

Summarised financial information in respect of the Group's joint ventures in its own financial statements and reconciliation of the summarised financial information to the carrying amount of the Group's interest in joint ventures recognised in the consolidated financial statements:

| | Puma | | Macsteel | |
|-------------------------|----------|----------|----------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| Non-current assets | 36,484 | 15,026 | 3,677 | 1,913 |
| Current assets | 16,400 | 10,976 | 9,097 | 3,093 |
| Non-current liabilities | (6,650) | (1,199) | (1,023) | (956) |
| Current liabilities | (18,347) | (10,999) | (6,972) | (1,115) |

15 INVESTMENT IN JOINT VENTURES (CONTINUED)**15.4 Summarised financial information of joint ventures (Continued)**

The above amounts of assets and liabilities include the following:

| | Puma | | Macsteel | |
|--|---------|--------|----------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| Cash and cash equivalents | 8,980 | 4,078 | (9) | 306 |
| Revenue | 116,408 | 89,788 | 9,154 | 4,606 |
| Profit for the year | 3,124 | 1,289 | 726 | 42 |
| Other comprehensive income for the year | 11,756 | 308 | 1,120 | - |
| Total comprehensive income for the year | 14,880 | 1,597 | 1,846 | 42 |
| Dividends received from the joint ventures during the year | 800 | - | - | 203 |

The above profit for the year include the following:

| | | | | |
|-------------------------------|-------|-------|-----|----|
| Depreciation and amortisation | 1,392 | 1,205 | 82 | 73 |
| Interest income | 242 | 255 | - | - |
| Interest expenses | - | - | 90 | 22 |
| Foreign exchange loss | 576 | 146 | 44 | 92 |
| Income tax expenses | 1,322 | 1,164 | 339 | 42 |

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

| | | | | |
|---|--------|--------|-------|-------|
| Net assets of the joint venture | 27,887 | 13,804 | 4,779 | 2,935 |
| Proportion of the Group's ownership interest in the joint venture | 50% | 50% | 50% | 50% |
| Impairment | - | - | (186) | - |
| Carrying amount of the Group's interest in the joint venture | 13,944 | 6,902 | 2,204 | 1,468 |

16 INVESTMENT IN ASSOCIATES**16.1 Details of the Group's associates**

Details of the Group's associates at the end of the reporting period are as follows:

| Name of associate | Principal Activity | Principal place of operation | Proportion of ownership interest and voting power held by the Group | |
|---|--|---|---|-------|
| | | | 2021 | 2020 |
| Limbe Leaf Tobacco Company Limited (LLTC) | Tobacco processors and merchants | Alimaunde industrial area, Lilongwe | 41.99 | 41.99 |
| Open Connect Limited | Wholesale data connectivity services | Old Air Malawi Complex, Blantyre | 22.01 | 22.01 |
| United General Insurance Company Limited | General Insurance | National Bank of Malawi plc, Victoria Avenue service centre, Blantyre | 47.00 | 47.00 |
| LifeCo Holdings Limited | life insurance, pension and asset management | Hannover House, Blantyre | 49.50 | 49.50 |

LLTC is an associate company in which the Group has a 41.99% ownership interest. The company is principally engaged in tobacco processing and merchandising. LLTC is not publicly listed.

Open Connect Limited (OCL) nature of business is provision of wholesale data connectivity and services. The Group owns 22.01% shareholding.

The Group through its banking business holds 47% (2020: 47%) of United General Insurance Company Limited's (UGI) share capital. The company is involved in the provision of general insurance services.

During the year, the Group invested K766m (2020: K100m) in a newly established company, LifeCo Holdings Limited thus acquiring 49.5% of its stake. The nature of the company's business is life insurance, pension administration and asset management.

In the consolidated financial statements, the associates were equity accounted whereas in separate financial statements, they are measured at fair value.

16 INVESTMENT IN ASSOCIATES (CONTINUED)

16.2 Reconciliation of carrying amount

| | Group | | Company | |
|---|---------------|------------------|---------------|---------------|
| | 2021 | 2020 Restated | 2021 | 2020 |
| At the beginning of the year | 39,517 | 42,445 | 41,534 | 57,956 |
| Group's share of profit | 563 | (382) | - | - |
| Group's share of other comprehensive income | 1,446 | 92 | - | - |
| Addition | 766 | 100 | 766 | 100 |
| Dividend received | (3,002) | (2,738) | - | - |
| Reclassified as held for sale | - | - | - | (8,473) |
| Decrease in fair value recognised in other comprehensive income | - | - | 2,713 | (8,049) |
| At end of the year | 39,290 | 39,517 | 45,013 | 41,534 |

Refer to details of restatement on note 52

16.3 Analysis of carrying amount

The carrying amount of associates shown above is analysed as follows:

| | Group | | Company | |
|--|---------------|------------------|---------------|---------------|
| | 2021 | 2020 Restated | 2021 | 2020 |
| Open Connect Limited (OCL) | 5,241 | 6,189 | 6,121 | 4,044 |
| Limbe Leaf Tobacco Company Limited (LLTC) | 31,664 | 31,889 | 38,065 | 37,390 |
| United General Insurance Company Limited (UGI) | 1,558 | 1,339 | - | - |
| LifeCo Holdings Limited (LifeCo) | 827 | 100 | 827 | 100 |
| Total | 39,290 | 39,517 | 45,013 | 41,534 |

Investment in associates were equity accounted in the consolidated financial statements and were fair valued using EV/EBITDA, EV/revenue multiples and net asset value methods in respect of OCL, LLTC and LifeCo respectively in the separate financial statements.

Investments in associates were valued by E. Chokani, a registered valuer of Bridgepath Capital on behalf of the directors for the year ended 31 December 2021. (2020 also).

16.4 Summarised financial information of associates

Summarised below is the financial information of the associates in their own financial statements and reconciliation of the summarised financial information to the carrying amount of the Group's interest in associates recognised in the consolidated financial statements:

| | LLTC | | LifeCo | | UGI | | OCL | |
|--|----------|----------|---------|------|---------|---------|----------|----------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Non-current assets | 43,322 | 42,194 | 901 | 202 | 2,984 | 2,782 | 22,366 | 21,218 |
| Current assets | 64,987 | 64,314 | 3,751 | - | 6,674 | 6,530 | 8,508 | 8,534 |
| Non-current liabilities | (894) | (986) | (680) | - | (55) | (375) | (14,752) | (12,437) |
| Current liabilities | (32,007) | (29,578) | (2,301) | - | (6,288) | (6,088) | (5,082) | (1,966) |
| Revenue for the year | 103,659 | 82,440 | 231 | - | 5,646 | 5,547 | 2,731 | 4,594 |
| Profit for the year | 3,169 | 4,107 | 79 | - | 465 | (108) | (2,627) | (513) |
| Other comprehensive income for the year | 1,446 | 92 | - | - | - | - | - | - |
| Total comprehensive income for the year | 4,615 | 4,199 | 79 | - | 465 | (108) | (2,627) | (513) |
| Dividends received from associates during the year | 3,005 | 2,455 | - | - | - | - | - | - |

16 INVESTMENT IN ASSOCIATES (CONTINUED)

16.4 Summarised financial information of associates (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associates recognised in the consolidated financial statements:

| | LLTC | | LifeCo | | UGI | | OCL | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Net assets of the associate | 75,408 | 75,944 | 1,671 | 202 | 3,315 | 2,849 | 11,040 | 15,349 |
| Proportion of the Group's ownership interest in the associate | 41.99% | 41.99% | 49.50% | 49.50% | 47.00% | 47.00% | 22.01% | 22.01% |
| Group's interest | 31,664 | 31,889 | 827 | 100 | 1,558 | 1,339 | 2,430 | 3,378 |
| Goodwill | - | - | - | - | - | - | 2,811 | 2,811 |
| Carrying amount of the Group's interest in Associate | 31,664 | 31,889 | 827 | 100 | 1,558 | 1,339 | 5,241 | 6,189 |

17 LOANS AND ADVANCES TO CUSTOMERS

Gross loans and advances to customers at amortised cost

Allowance for impairment losses

Loans and advances, net

Gross loans and advances are due to mature as follows:

- Within three months
- Between three months and one year
- After one year

Loans, net are split into:

Long term loans

Short term loans

Analysis of recoveries

Interest in suspense

Provision

Debts previously written off

Transferred to profit or loss

Analysis of gross loans by currency

Malawi Kwacha denominated

Tanzania shillings denominated

United States dollar denominated

Movement of allowance for impairment losses

2021

| | | | | |
|--|--------------|--------------|--------------|--------------|
| At 1 January 2021 | 4,007 | 4,827 | 1,026 | 9,860 |
| Acquired through business combination | 643 | 72 | 1,645 | 2,360 |
| Transfer to stage 1 | 574 | (13) | (561) | - |
| Transfer to stage 2 | (10) | 383 | (373) | - |
| Transfer to stage 3 | (1,908) | (4,626) | 6,534 | - |
| Changes in loss allowance for off balance sheet assets | (63) | 2 | 45 | (16) |
| New financial assets originated | 431 | 235 | 482 | 1,148 |
| Financial assets that have been de-recognised | (399) | (63) | (686) | (1,148) |
| Charge to income statement | (227) | 187 | (2,526) | (2,566) |
| Write-off | - | - | (1,389) | (1,389) |
| Closing Balance | 3,048 | 1,004 | 4,197 | 8,249 |

2020

| | | | | |
|--|--------------|--------------|--------------|--------------|
| At 1 January 2020 | 3,572 | 3,289 | 4,228 | 11,089 |
| Transfer to stage 1 | 1,233 | (296) | (937) | - |
| Transfer to stage 2 | (7) | 4,330 | (4,323) | - |
| Transfer to stage 3 | - | (7) | 7 | - |
| Charge to income statement | (909) | (2,466) | 2,076 | (1,299) |
| Changes in loss allowance for off balance sheet assets | 118 | (23) | (25) | 70 |
| Closing Balance | 4,007 | 4,827 | 1,026 | 9,860 |

| | Group | |
|---|---------|---------|
| | 2021 | 2020 |
| Gross loans and advances to customers at amortised cost | 231,172 | 187,083 |
| Allowance for impairment losses | (8,249) | (9,860) |
| Loans and advances, net | 222,923 | 177,223 |
| Gross loans and advances are due to mature as follows: | | |
| - Within three months | 30,325 | 21,686 |
| - Between three months and one year | 53,448 | 33,739 |
| - After one year | 147,399 | 131,658 |
| | 231,172 | 187,083 |
| Loans, net are split into: | | |
| Long term loans | 148,237 | 131,634 |
| Short term loans | 74,686 | 45,589 |
| | 222,923 | 177,223 |
| Analysis of recoveries | | |
| Interest in suspense | 406 | - |
| Provision | 338 | - |
| Debts previously written off | 2,443 | 709 |
| Transferred to profit or loss | 3,187 | 709 |
| Analysis of gross loans by currency | | |
| Malawi Kwacha denominated | 150,140 | 130,100 |
| Tanzania shillings denominated | 28,229 | - |
| United States dollar denominated | 52,803 | 56,983 |
| | 231,172 | 187,083 |

17 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The Malawi Kwacha average lending rate for the Bank's loans and advances as at 31 December 2021 was 20.18% (2020: 20.85%) per annum and the US Dollar denominated loans carried an average interest rate of 8.14% (2020: 8.26%) per annum and the Tanzanian shilling denominated loans were at an average interest rate of 23.22%.

Interest income is no longer recognised in profit and loss once the loan is classified as sub-standard (grade 8 and 9 as disclosed under note 6.4.5 above).

Restructured loans and modifications relating to COVID-19

The Group introduced a number of support measures for customers impacted by COVID-19, which included loan repayment deferrals. During the year, loans with a total carrying amounting of K16 602m (2020: K32 884m) were restructured (modified). Their total fair value after restructuring was K16 418m (2020: K33 008m) resulting into a net fair value loss of K184m (2020: net gain of K124m) which was recognised in the statement of comprehensive income. Out of the total restructured facilities, the carrying amount of loans restructured due to COVID-19 was K840m (2020: K28 377m) and their fair value was K859m (2020: K28 361m) resulting in a net modification gain amounting to K19m (2020: net gain of K16m) which has been recognised in the statement of comprehensive income. In accordance with the Reserve Bank of Malawi's measures to mitigate the impact of COVID-19, restructured facilities due to COVID -19 were maintained in the stages they were before restructure.

The Group has also recognised a net loss of K277m relating to amortization of the gains and losses on loans that were modified in 2018, 2019, 2020 and 2021. The net loss recognised in the statement of income for the year ended 31 December 2020 is therefore K461m.

18 FINANCE LEASE RECEIVABLES

Current finance lease receivable
Non-current finance lease receivable

| Group | |
|--------|--------|
| 2021 | 2020 |
| 1,630 | 1,733 |
| 13,282 | 15,752 |
| 14,912 | 17,485 |

The finance leases mainly relate to motor vehicle leases. The residual value of the leases in all cases is guaranteed by the lessee and is fully secured. The lease income included in the statement of comprehensive income did not include any contingent rents. The average term of the leases is 3 years (The maximum is 5 years and the minimum 1 year). The average effective interest rate for the reporting period ended 31 December 2021 was 20.22% (2020: 19.36%). All leases are denominated in Malawi kwacha.

18.1 Amounts receivable under finance leases

Not later than one year
Later than one year and not later than five years

| Minimum lease payments | |
|------------------------|---------|
| 2021 | 2020 |
| 1,700 | 1,852 |
| 17,560 | 20,357 |
| 19,260 | 22,209 |
| (3,921) | (4,374) |
| 15,339 | 17,835 |
| (427) | (350) |
| 14,912 | 17,485 |

Less; unearned finance income
Present value of minimum lease payments receivable
Allowance for uncollectible lease payments

The net investment in finance leases matures as follows:

Within three months
Between three months and one year
After one year and not later than five years

| Group | |
|--------|--------|
| 2021 | 2020 |
| 414 | 348 |
| 1,216 | 1,385 |
| 13,282 | 15,752 |
| 14,912 | 17,485 |

18.2 Movement in allowance for uncollectible lease payments

At the beginning of the year
Net Remeasurement of loss allowance

| Group | |
|-------|-------|
| 2021 | 2020 |
| 350 | 655 |
| 77 | (305) |
| 427 | 350 |

19 LONG TERM RECEIVABLES

Open Connect Limited (OCL)
Mibawa Limited

Movement during the year was as follows:

Balance at 1 January
Interest capitalised
Effects of movements in foreign exchange
Loans repaid
Balance at 31 December

| Group | | Company | |
|-------|-------|---------|-------|
| 2021 | 2020 | 2021 | 2020 |
| 1,926 | 1,659 | 1,926 | 1,659 |
| 63 | 81 | - | - |
| 1,989 | 1,740 | 1,926 | 1,659 |
| 1,740 | 1,573 | 1,659 | 1,473 |
| 166 | 140 | 166 | 140 |
| 102 | 79 | 101 | 79 |
| (19) | (52) | - | (33) |
| 1,989 | 1,740 | 1,926 | 1,659 |

In 2018, the company entered into a debt swap arrangement with its then subsidiary Open Connect Limited (OCL). The debt swap involved taking over OCL debts with external parties and converting part of the amount into a long term shareholders receivable. The receivable is denominated in US dollars, is unsecured and attracts interest of 9% pa. The repayment date of the loan is the tenth anniversary of the date of issue of the Shareholders Loan.

In 2019 the Group's subsidiary Press Properties Limited (PPL), entered into a long term lease agreement with Mibawa Limited and Peoples Trading Centre (PTC) in respect of property situated at Plot Number LC 360 Limbe. The agreement was that PPL will pay 6 years rentals in advance to Mibawa Limited amounting to K129 million. PPL in turn, sub-leased the property to PTC over the same period of six years.

20 OTHER INVESTMENTS**20.1 Maturity of other investments**

Total other investments are due to mature as follows:

Non-current investments

Non – maturing investments
Between one year and five years

Current investments

Between three months and one year
Within three months

Total other investments**Comprises of the following:**

Government of Malawi Treasury Bills and Notes
Money market deposits
Government securities -Akiba
Government of Malawi promissory note
Other investments
Equity investments

Total investments**20.2 Government of Malawi bills, Reserve Bank of Malawi bonds and Government securities - Akiba**

Government of Malawi Treasury Bills
Government of Malawi Treasury Notes
Government securities - bonds
Expected credit loss

The bills and notes are due to mature as follows:

- Within three months
- Between three months and one year
- Over one year

| Group | | Company | |
|---------|------------------|---------|-------|
| 2021 | 2020 Restated | 2021 | 2020 |
| 3,694 | 4,515 | 3,532 | 4,120 |
| 158,153 | 94,073 | - | - |
| 161,847 | 98,588 | 3,532 | 4,120 |
| 156,326 | 115,880 | - | - |
| 101,567 | 21,710 | - | - |
| 257,893 | 137,590 | - | - |
| 419,740 | 236,178 | 3,532 | 4,120 |
| 293,406 | 180,435 | - | - |
| 99,556 | 41,279 | - | - |
| 5,510 | - | - | - |
| 12,126 | 5,196 | - | - |
| 92 | 77 | - | - |
| 9,050 | 9,191 | 3,532 | 4,120 |
| 419,740 | 236,178 | 3,532 | 4,120 |

| Average interest rate | | Group | |
|-----------------------|--------|---------|---------|
| 2021 | 2020 | 2021 | 2020 |
| 12.29% | 11.70% | 125,610 | 79,104 |
| 19.76% | 10.40% | 167,823 | 101,348 |
| 11.62% | n/a | 5,510 | - |
| | | (27) | (17) |
| | | 298,916 | 180,435 |
| | | 60,984 | 21,710 |
| | | 83,730 | 62,991 |
| | | 154,202 | 95,734 |
| | | 298,916 | 180,435 |

20 OTHER INVESTMENTS (CONTINUED)**20.2 Government of Malawi bills, Reserve Bank of Malawi bonds and Government securities - Akiba (Continued)**

Government of Malawi treasury bills and treasury notes are denominated in Malawi Kwacha. Government bonds are in Tanzanian Shilling. All the securities are held to maturity. The Group assessed the Government securities for impairment. No impairment has been recognised in the financial statements.

20.3 Money market deposits

| | Average interest rate | | Group | |
|--|-----------------------|-------|--------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Money market investments with Reserve Bank of Malawi and other banks | 13.00% | 11.5% | 99,561 | 41,280 |
| Expected credit loss | | | (5) | (1) |
| | | | 99,556 | 41,279 |

Money market investments with Reserve Bank of Malawi, Bank of Tanzania and other banks are held to maturity and mature within one month (2020: one month) after the year-end.

20.4 Government promissory notes

| | Group | |
|--------------------------------------|--------|-------|
| | 2021 | 2020 |
| Government of Malawi promissory note | 12,127 | 5,197 |
| Expected credit loss | (1) | (1) |
| | 12,126 | 5,196 |

In 2018, the Group extended a K12,902m loan facility to Lilongwe Water Board. This was in respect of Salima Lilongwe Water Project. The Government of Malawi (GoM) is the guarantor for the loan. During the year 2020, on 18 December, GoM issued to the Group a promissory note with a face value of K5,871m on maturity. This was in settlement of loan arrears (principal and interest) as at that date. The promissory note matured on 17 December 2021 and was settled in full. The promissory note was discounted at 13.56%. The discount rate was based on the weighted average Treasury Bills rate. The discounted value was K5,170m. The Group recognized a loss of K701m and a discount income amounting to K27m in the statement of income for the year ended 31 December 2020.

During the year, on 29 June 2021, GoM issued to the Group a promissory note with a face value of K7,794m on maturity. This was in full settlement of Lilongwe Water Board loan balance (principal and interest) as at that date. The promissory note matures on 31 March 2022. The promissory note was discounted at 13.85%. The discount rate was based on the weighted average Treasury Bills rate. The discounted value was K7 057m. The Group recognized a loss of K736m and a discount income amounting to K496m in the statement of income for the year ended 31 December 2021.

Additionally, the Group purchased three Promissory note instruments from the secondary market with combined face value of K4,838m. They were discounted at an average rate of 13.34%. The total discounted value was K4,199m. Interest income amounting to K375m has been recognized in the statement of income for the year ended 31 December 2021. The newest matures on 31 May 2022.

The fair value level has been disclosed under note 6.7.

20.5 Equity investments

| | Group | | Company | |
|--|-------|-------------------------|---------|-------|
| | 2021 | 2020 <i>Restated</i> | 2021 | 2020 |
| Held for capital appreciation | | | | |
| Sunbird Tourism plc | 3,532 | 4,120 | 3,532 | 4,120 |
| Rascom Project | - | 245 | - | - |
| National switch Limited | 162 | 81 | - | - |
| | 3,694 | 4,446 | 3,532 | 4,120 |
| Held for trading | | | | |
| Illovo Sugar (Malawi) Plc | 474 | 125 | - | - |
| NICO Holdings Plc | 1,087 | 1,028 | - | - |
| Malawi Property Investment Company Plc | 706 | 716 | - | - |
| National Investment Trust Plc | 633 | 633 | - | - |
| NBS Bank Plc | 458 | 297 | - | - |
| Standard Bank of Malawi Plc | - | 105 | - | - |
| Sunbird Tourism plc | 508 | 592 | - | - |
| Telekom Networks Plc | 1,039 | 670 | - | - |
| FMB Capital Holdings plc | 41 | - | - | - |
| Airtel Malawi plc | 410 | 579 | - | - |
| | 5,356 | 4,745 | - | - |
| Total Equity Investments | 9,050 | 9,191 | 3,532 | 4,120 |

Equity investments held for long term capital appreciation are accounted at fair value through other comprehensive income whereas those held for trading are accounted at fair value through profit and loss.

21 DEFERRED TAX ASSETS/(LIABILITIES)

| | Assets | | Liabilities | | Net | |
|---|--------|--------|-------------|---------|---------|---------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Group | | | | | | |
| Property, plant and equipment | 7,631 | 6,456 | (4,173) | (3,565) | 3,458 | 2,891 |
| Investment properties | 397 | 326 | (1,709) | (1,524) | (1,312) | (1,198) |
| Provisions | 1,466 | 1,516 | 111 | 167 | 1,577 | 1,683 |
| Un-realised exchange differences | - | - | (58) | (164) | (58) | (164) |
| Tax value of loss carried forward | 3,760 | 2,256 | 47 | 75 | 3,807 | 2,331 |
| Tax assets/(liabilities) | 13,254 | 10,554 | (5,782) | (5,011) | 7,472 | 5,543 |
| Company | | | | | | |
| Property and investments in subsidiaries and associates | - | - | - | (133) | - | (133) |

Deferred tax balances within each subsidiary are presented on net basis. However Malawi does not have a group tax registration as such there is no legal right to offset liability from one subsidiary and asset from another.

21.1 Movement in net deferred tax asset/(liabilities)

| | Opening balance | Recognised in profit or loss | Recognised in other comprehensive income | Reclassified combination | Acquired on business combination | Closing balance |
|---|-----------------|------------------------------|--|--------------------------|----------------------------------|-----------------|
| Group | | | | | | |
| 2021 | | | | | | |
| Property, plant and equipment | 2,891 | (130) | 448 | - | 249 | 3,458 |
| Investment properties | (1,198) | (114) | - | - | - | (1,312) |
| Provisions | 1,683 | (106) | - | - | - | 1,577 |
| Un-realised exchange differences | (164) | 106 | - | - | - | (58) |
| Tax value or loss carried forward | 2,331 | (682) | - | - | 2,158 | 3,807 |
| Total net asset/(liabilities) | 5,543 | (926) | 448 | - | 2,407 | 7,472 |
| 2020 | | | | | | |
| Property, plant and equipment | 1,805 | 435 | 761 | (110) | - | 2,891 |
| Investment properties | (1,039) | (159) | - | - | - | (1,198) |
| Provisions | 3,076 | (162) | - | (1,231) | - | 1,683 |
| Un-realised exchange differences | (325) | 161 | - | - | - | (164) |
| Tax value or loss carried forward | 1,046 | 104 | - | 1,181 | - | 2,331 |
| Total net asset/(liabilities) | 4,563 | 379 | 761 | (160) | - | 5,543 |
| Company | | | | | | |
| 2021 | | | | | | |
| Investment in subsidiaries and associates | (292) | - | 292 | - | - | - |
| Property | 159 | (117) | - | - | (42) | - |
| | (133) | (117) | 292 | - | (42) | - |
| 2020 - restated | | | | | | |
| Investment in subsidiaries and associates | (67,948) | - | (475) | - | - | (68,423) |
| Property | 32 | 127 | - | - | - | 159 |
| As previously stated | (67,916) | 127 | (475) | - | - | (68,264) |
| Prior year adjustment – note 52 | 59,986 | - | 8,145 | - | - | 68,131 |
| | (7,930) | 127 | 7,670 | - | - | (133) |

21 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)**21.2 Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the concerned company can utilise the benefits there from.

| | Group | | Company | |
|---|--------|-------------------------|---------|-------------------------|
| | 2021 | 2020 <i>Restated</i> | 2021 | 2020 <i>Restated</i> |
| Tax losses | 42,632 | 50,611 | 34,626 | 22,470 |
| Deductible temporary differences; | | | | |
| Provisions | 46 | 4 | 17 | 17 |
| Investment in subsidiaries and associates | - | - | 33,671 | - |
| Property, plant and equipment | 378 | (7,480) | 1,085 | - |
| Unrealised Exchange losses | - | 735 | - | - |
| | 43,056 | 43,870 | 69,399 | 22,487 |
| Un-recognised deferred tax asset @30% | 12,917 | 13,161 | 20,820 | 6,746 |

Tax losses shown above expire after 6 years according to the tax laws in Malawi.

These deferred tax assets relates to Press Corporation Plc (the Company), Press Properties Limited, and The Foods Company Limited.

The 2020 unrecognised deferred tax assets have been restated in respect of a recognition error on fair value of contingent consideration on disposal of shares in Open Connect Limited in 2018. Refer to note 52 for more details. The restatement has resulted in the decrease in unrecognised deferred tax assets for 2020 for the company by K154 million from K6,900 million to K6,746 million and for the group by K154 million from K13 315 million to K13,161 million.

22. INVENTORIES

| | Group | | Company | |
|-------------------------------|-------|-------|---------|------|
| | 2021 | 2020 | 2021 | 2020 |
| Finished goods | 2,162 | 2,762 | - | - |
| Raw materials and consumables | 2,497 | 3,086 | 11 | 12 |
| Work in progress | 54 | 190 | - | - |
| Goods in transit | 16 | 25 | - | - |
| | 4,729 | 6,063 | 11 | 12 |

In 2021, inventories of K19 billion (2020: K15 billion) were recognised as an expense during the year and included in 'Direct trading expenses'.

During the year, inventories of K0.3 billion (2020: K0.9 billion) were written off in profit and loss due to stock shrinkages, damages and expiry.

In addition, during the year, inventories have been reduced by nil (2020: K5 million) as a result of the write-down to net realisable value. Such write-downs were recognised as an expense and included in 'Administrative expenses'. There were no reversals of such write-downs and all inventories are expected to be recovered within twelve months. The carrying amount of inventory carried at net realisable value as at 31 December 2021 was Nil (2020: Nil).

23. TRADE AND OTHER RECEIVABLES FROM GROUP COMPANIES

| | Company | |
|---|---------|-------|
| | 2021 | 2020 |
| Amounts due from related party companies | | |
| Press Properties Limited | 244 | 188 |
| Malawi Telecommunications Limited | 483 | 427 |
| Telecom Networks Malawi plc | 622 | 498 |
| Peoples Trading Centre Limited | - | 349 |
| Presscane Limited | 22 | 23 |
| The Foods Company Limited | 756 | 3,592 |
| Other | 8 | 51 |
| | 2,135 | 5,128 |
| Loss allowance | (302) | (217) |
| Trade and other receivables | 1,833 | 4,911 |

The amounts due from related party companies are denominated in Malawi Kwacha, are payable within 30 days and are interest free.

24. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|-------------------------------|---------|-------------------------|---------|-------|
| | 2021 | 2020 <i>Restated</i> | 2021 | 2020 |
| Trade receivables | 14,640 | 12,227 | 5 | 6 |
| Contract asset | 1,165 | 637 | - | - |
| Prepayments | 5,886 | 4,516 | - | - |
| Letters of credit | 1,163 | 2,425 | - | - |
| Employee benefit subsidy | 571 | 616 | - | - |
| Investment for Phantom Shares | 884 | 625 | - | - |
| ESCROW Account | - | 5,585 | - | - |
| Malawi Government Settlements | 161 | 794 | - | - |
| Goods in Transit | 771 | 847 | - | - |
| MasterCard accounts | 2,972 | 1,093 | - | - |
| Other receivables* | 4,087 | 4,981 | 373 | 1,117 |
| | 32,300 | 34,346 | 378 | 1,123 |
| Loss allowance | (2,263) | (1,593) | - | - |
| Trade and other receivables | 30,037 | 32,753 | 378 | 1,123 |
| | 1,187 | 601 | - | - |

Contract asset – non current (note 37.2)

*Other receivables consists of several individually insignificant balances in respect of banking business suspense accounts, staff receivables and non trade receivables among others.

The average credit period on sales of goods and services is 30 days except for international incoming receivables in relation to telephony companies whose credit period is 60 days. No interest is charged on the trade and other receivables settled beyond these periods.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Employee benefit subsidy

In accordance with IAS 19 *Employee Benefits*, the fair value adjustment to staff loans is recognised as an asset representing a future employee benefit which is expensed as and when the employees render their services to the Group.

Credit and market risks, and credit losses

Information about the Group's exposure to credit and market risks, and credit losses for trade and other receivables is included in notes 6.4 and 6.6.

*Refer to details of restatement on note 52.

25. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

In 2021 the Group decided to dispose of its stake in its two subsidiaries namely Peoples Trading Centre Limited (PTC) and Malawi Telecommunications Limited (MTL). As at year end, substantial progress towards the sale was made and the Group was at an advanced stage in negotiating with potential buyers. The assets and liabilities of these companies have been classified as held for sale in the consolidated statement of financial position. The proceeds of disposal are expected to exceed the carrying amount of the related acquired net assets and accordingly no impairment losses have been recognised on the classification of these operations as held for sale.

At company level, these investments were carried at fair value and considering that the disposal proceeds less cost to sale are lower than the carrying amount for PTC, an impairment of K4 billion was recognised in other comprehensive income. No impairment was recognised in respect of MTL.

PTC is a wholly owned subsidiary of the Group and is in the business of selling fast moving consumer goods in Malawi. The company operates retail chain stores under the names Peoples Express, Peoples Metro, SPAR and Food Lovers Market. Following a strategic review, the Group decided to get out of the retail business to give chance to upcoming entrepreneurs to grow their portfolio while it concentrates on capital intensive investments to increase shareholder value. The disposal was concluded on 28th February 2022.

MTL is a subsidiary of the Group with 52.7% shareholding. The principal activity of the company is the provision of a wide range of Information and Communications Technology (ICT) based products and services. Following a strategic review, the Group decided to exit the company so that it can concentrate on other investment operating in the same telecommunication sector. The disposal is expected to be completed towards the end of the second quarter of 2022.

In addition to above sales, the Group intends to dispose some of its excess properties within the next 12 months. An active search is underway for potential buyers.

25. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

The summary of assets held for sale is as follows;

| | Group | | Company | |
|-----------------------------------|--------|-------|---------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| Land and buildings | 4 | 1,538 | - | - |
| Investment in associate (note 16) | - | - | - | 8,473 |
| Disposal group (MTL and PTC) | 23,843 | - | 7,564 | - |
| Investment property | 163 | 1 | - | - |
| | 24,010 | 1,539 | 7,564 | 8,473 |

Included in land and buildings and investment property held for sale is an amount of K163 million (2020: K0.9 million) relating to plots of land that the Group has sold but are held by the Group because Government consent to sale has not been awarded yet.

25.1 Reconciliation of carrying amount of assets held for sale

| | Group | | Company | |
|---|---------|-------|---------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| At the beginning of the period | 1,539 | 1,574 | 8,473 | - |
| Disposed during the period | (56) | (35) | (8,473) | - |
| Relocated to assets of a disposal group | (1,478) | - | - | - |
| Reclassified from associates (note 16) | - | - | - | 8,473 |
| Reclassified from subsidiaries (note 14) | - | - | 7,564 | - |
| Assets relating to disposal groups | 23,843 | - | - | - |
| Reclassified from investment property (note 13) | 162 | - | - | - |
| | 24,010 | 1,539 | 7,564 | 8,473 |

The asset relocated to disposal group above represents an asset for Malawi Telecommunications Limited (MTL) which was classified as held for sale in the prior year and is now being relocated into the disposal group where all MTL assets have been included following reclassification of MTL as held for sale.

25.2 Classes and liabilities of operations classified as held for sale

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

| | PTC | 2021 MTL | Total |
|---|-----------------|---------------|----------------|
| Property, plant and equipment and right of use | 2,368 | 16,918 | 19,286 |
| Intangibles | 9 | 5 | 14 |
| Non-maturing investments - long term | - | 260 | 260 |
| Inventories | 886 | 297 | 1,183 |
| Trade and other receivables | 138 | 2,435 | 2,573 |
| Bank and cash | 136 | 13 | 149 |
| Tax receivable (note 26) | 378 | - | 378 |
| Total assets classified as held for sale | 3,915 | 19,928 | 23,843 |
| Borrowings | 11,067 | 3,308 | 14,375 |
| Lease liability | 551 | 395 | 946 |
| Trade and other payables | 7,059 | 10,400 | 17,459 |
| Provisions | - | 219 | 219 |
| Bank overdraft | 7 | 535 | 542 |
| Total liabilities associated with assets classified as held for sale | 18,684 | 14,857 | 33,541 |
| Net assets of disposal group | (14,769) | 5,071 | (9,698) |

26. INCOME TAX RECOVERABLE

| | Group | | Company | |
|---|-------|-------|---------|------|
| | 2021 | 2020 | 2021 | 2020 |
| Opening balance | 2,764 | 1,585 | 526 | 299 |
| Tax paid | 1,625 | 1,179 | 154 | 227 |
| Reclassified as held for sale (note 25) | (378) | - | - | - |
| Acquired through business combinations | 841 | - | - | - |
| Tax transfer to other taxes | (122) | - | - | - |
| Total income tax recoverable | 4,730 | 2,764 | 680 | 526 |

27. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|----------|---------|---------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| Reserve Bank of Malawi | 9,744 | 10,227 | - | - |
| Bank balances | 14,638 | 12,983 | 78 | 75 |
| Placement with other banks | 31,367 | 44,231 | - | - |
| Call deposits | 9,989 | 8,352 | 8,356 | 7 |
| Cash on hand | 26,162 | 16,403 | - | - |
| Cash and cash equivalents | 91,900 | 92,196 | 8,434 | 82 |
| Bank overdrafts | (11,545) | (9,942) | (6,457) | (4,524) |
| Cash and cash equivalents as shown in the statement of cash flows | 80,355 | 82,254 | 1,977 | (4,442) |

Balances held at central banks which are denominated in Malawi Kwacha, United States Dollars and Tanzanian shilling are non-interest bearing and are regulated as disclosed in Note 5.

Money market placements with other banks are held to maturity and mature within one month (2020: one month) of the year end and are denominated in the following currencies:

| | Average interest rates | | Group | |
|------------------|------------------------|-------|--------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| US Dollars | 0.50% | 0.50% | 15,930 | 32,192 |
| GBP | 1.75% | 1.75% | 4,714 | 3,350 |
| Euro | 0.50% | 0.50% | 9,829 | 8,203 |
| ZAR | 4.00% | 4.00% | 885 | 470 |
| Other currencies | - | - | 9 | 16 |
| Totals | | | 31,367 | 44,231 |

Overdraft facilities

Bank overdrafts forms an integral part of the Group's cash management. These are repayable on demand. As at 31 December 2021, the available overdraft facilities were as follows;

| | Group | | Company | |
|-----------------------------|--------|--------|---------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| First Capital Bank plc | 5,400 | 6,700 | 3,400 | 2,400 |
| Eco bank Malawi Limited | 3,000 | 3,000 | 3,000 | 3,000 |
| CDH Investment Bank Limited | 200 | 650 | - | - |
| Standard Bank plc | 3,500 | 3,500 | - | - |
| | 12,100 | 13,850 | 6,400 | 5,400 |

The overdraft facilities of the Group are secured as follows;

- K0.2 billion (2020: K3.1 billion) is secured by Press Corporation plc guarantee;
- K5.5 billion by a debenture (2020: K1.8 billion) over Group's assets and;
- K6.4 billion (2020: K8.9 billion) is unsecured.

The Company's Eco bank Malawi Limited and First Capital Bank overdraft facilities are due for renewal on 1 July 2022 and 30 November 2022 respectively and are unsecured.

28. SHARE CAPITAL**Authorised ordinary share capital**

- Number (millions)
- Nominal value per share (K)
- Nominal value (K million)

Issued and fully paid

- Number (millions)
- Nominal value (K million)

The Group has one class of ordinary shares which carry no right to fixed income.

| | Group and Company | |
|-----------------------------------|-------------------|-------|
| | 2021 | 2020 |
| Authorised ordinary share capital | | |
| - Number (millions) | 2,500 | 2,500 |
| - Nominal value per share (K) | 0.01 | 0.01 |
| - Nominal value (K million) | 25 | 25 |
| Issued and fully paid | | |
| - Number (millions) | 1 | 1 |
| - Nominal value (K million) | 1 | 1 |

29. OTHER RESERVES – EXCLUDING NON-CONTROLLING INTERESTS

| Group | Revaluation reserve | Translation reserve | Regulatory reserve | Other | Total |
|--|---------------------|---------------------|--------------------|--------------|---------------|
| 2021 | | | | | |
| Balance at beginning of the year | 30,451 | 19,471 | - | 3,745 | 53,667 |
| Revaluation of property | 3,894 | - | - | - | 3,894 |
| Depreciation Transfer land and buildings | (32) | - | - | - | (32) |
| Transfer – regulatory reserves | - | - | 215 | - | 215 |
| Transfer to other equity accounts | (135) | - | - | - | (135) |
| Share of other comprehensive income of equity accounted investment | 6,438 | 1,446 | - | - | 7,884 |
| Translation differences | - | 278 | - | - | 278 |
| Income tax on other comprehensive income | 189 | - | - | - | 189 |
| Balance at 31 December 2021 | 40,805 | 21,195 | 215 | 3,745 | 65,960 |
| 2020 | | | | | |
| Balance at beginning of the year | 29,039 | 19,379 | - | 3,745 | 52,163 |
| Revaluation of property | 1,173 | - | - | - | 1,173 |
| Depreciation Transfer land and buildings | (307) | - | - | - | (307) |
| Share of other comprehensive income of equity accounted investment | 154 | 92 | - | - | 246 |
| Income tax on other comprehensive income | 392 | - | - | - | 392 |
| Balance at 31 December 2020 | 30,451 | 19,471 | - | 3,745 | 53,667 |

Company

| | Revaluation reserve | Translation reserve | Total |
|--|---------------------|---------------------|----------------|
| 2021 | | | |
| Balance at beginning of the year - restated | 325,181 | 111 | 325,292 |
| Fair value gain on investments | 47,307 | - | 47,307 |
| Release of revaluation surplus on disposal of available for sale financial asset | (8,290) | - | (8,290) |
| Revaluation of property | 111 | - | 111 |
| Deferred tax on revaluation | 292 | - | (7,106) |
| Balance at 31 December 2021 | 364,601 | 111 | 364,712 |
| 2020 | | | |
| Balance at beginning of the year | 249,146 | 111 | 249,257 |
| Fair value gain on investments | 8,316 | - | 8,316 |
| Revaluation of property | 63 | - | 63 |
| Deferred tax on revaluation | (475) | - | (475) |
| Balance at 31 December 2020 – as previously stated | 257,050 | 111 | 257,161 |
| Prior year adjustment – note 52 | 68,131 | - | 68,131 |
| Balance at 31 December 2020 – as restated | 325,181 | 111 | 325,292 |

Revaluation reserve

For Group, the revaluation reserve arises on revaluation of property whereas for Company only, the revaluation reserve relates to revaluation of property and investments in subsidiaries, associates and joint ventures and comprises the cumulative increase in the fair value at the date of valuation. These reserves are not distributable to shareholders until the relevant revalued assets have been disposed of or, in the instance of revalued property, when consumed through use.

Translation reserves

Exchange differences relating to translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit and loss on disposal of the foreign operation.

Regulatory reserve

Regulatory reserve represents the surplus of Expected Credit Losses (ECL) computed in accordance with Bank of Tanzania regulations over ECL for loans and advances computed in accordance with International Financial Reporting Standards.

Other reserves

The other reserves for the Group comprise capital redemption reserve.

30. LOANS AND BORROWINGS

30.1 Loans and borrowings summary

Group

2021

More than 5 years
Due between 1 and 5 years

Due within 1 year or less

2020

More than 5 years
Due between 1 and 5 years

Due within 1 year or less

Company

2021

Due between 1 and 5 years
Due within 1 year or less

2020

Due between 1 and 5 years
Due within 1 year or less

| | Secured | Unsecured | Total |
|---------------------------|---------|-----------|--------|
| 2021 | | | |
| More than 5 years | 1,117 | - | 1,117 |
| Due between 1 and 5 years | 27,111 | 10,597 | 37,708 |
| Due within 1 year or less | 28,228 | 10,597 | 38,825 |
| | 21,330 | - | 21,330 |
| | 46,697 | 10,597 | 60,155 |
| 2020 | | | |
| More than 5 years | - | 1,751 | 1,751 |
| Due between 1 and 5 years | 34,491 | 10,625 | 45,116 |
| Due within 1 year or less | 34,491 | 12,376 | 46,867 |
| | 11,359 | - | 11,359 |
| | 45,850 | 12,376 | 58,226 |
| Company 2021 | | | |
| Due between 1 and 5 years | 3,260 | - | 3,260 |
| Due within 1 year or less | 1,630 | - | 1,630 |
| | 3,260 | - | 3,260 |
| 2020 | | | |
| Due between 1 and 5 years | 4,890 | - | 4,890 |
| Due within 1 year or less | 1,630 | - | 1,630 |
| | 6,520 | - | 6,520 |

30.2 Movement in borrowings

Group

Local borrowings

| | At 01/01/21 | Draw-downs | Repayments | Exchange fluctuations | Reclassified as held for sale | Interest accrual | At 31/12/21 |
|---|---------------|---------------|----------------|-----------------------|-------------------------------|------------------|---------------|
| Belgium Government | 111 | - | - | - | (111) | - | - |
| Commercial Debt-Old Mutual | 15,000 | 2,000 | - | - | - | 676 | 17,676 |
| Commercial Debt-Nico | - | - | - | - | - | - | - |
| Asset Managers | 5,000 | - | - | - | - | 186 | 5,186 |
| CDH loan | 800 | 100 | (66) | - | (836) | 2 | - |
| PTC Corporate bond | 7,500 | - | (469) | - | (7,031) | - | - |
| DANIDA loan | 545 | - | - | - | (545) | - | - |
| FCB Loan | - | 3,200 | - | - | (3,200) | - | - |
| Kuwait Development Fund | 1,253 | - | - | - | (1,253) | - | - |
| Malawi Government | 210 | - | - | - | - | - | 210 |
| Press Corp Corporate Bond | 6,520 | - | (1,630) | - | - | - | 4,890 |
| Standard Bank Dual Currency Loan | 6,400 | 14,160 | (5,740) | - | - | 21 | 14,841 |
| Syndicated loan - NBM Capital Markets Ltd | - | 4,700 | - | - | - | 186 | 4,886 |
| EDF loan | - | 2,000 | - | - | - | 79 | 2,079 |
| NORDIC Development Fund | 1,134 | - | - | - | (1,134) | - | - |
| Total local borrowings | 44,473 | 26,160 | (7,905) | - | (14,110) | 1,150 | 49,768 |

30 LOANS AND BORROWINGS (CONTINUED)

30.2 Movement in borrowings (Continued)

| | At 01/01/21 | Draw- downs | Repayments | Exchange fluctuations | Reclassified as held for sale | Interest accrual | At 31/12/21 |
|---|----------------|----------------|------------|--------------------------|-------------------------------------|---------------------|----------------|
| Foreign borrowings | | | | | | | |
| Libyan Government | 250 | - | - | - | (265) | 15 | - |
| European Investment Bank | 13,503 | 159 | (3,820) | 545 | - | - | 10,387 |
| Total foreign borrowings | 13,753 | 159 | (3,820) | 545 | (265) | 15 | 10,387 |
| Total borrowings | 58,226 | 26,319 | (11,725) | 545 | (14,375) | 1,165 | 60,155 |
| Company | | | | | | | |
| Corporate Bond | 6,520 | - | (1,630) | - | - | - | 4,890 |
| Group | | | | | | | |
| | At 01/01/21 | Draw- downs | Repayments | Exchange fluctuations | Reclassified as held for sale | Interest accrual | At 31/12/21 |
| Local borrowings | | | | | | | |
| Belgium Government | 106 | - | - | - | 5 | - | 111 |
| Commercial Debt-Old Mutual | 5,000 | 10,000 | - | - | - | - | 15,000 |
| Commercial Debt-Nico | | | | | | | |
| Asset Managers | 5,000 | - | - | - | - | - | 5,000 |
| CDH loan | - | 800 | - | - | - | - | 800 |
| PTC Corporate bond | 7,500 | - | - | - | - | - | 7,500 |
| DANIDA loan | 693 | - | - | - | (148) | - | 545 |
| FCB Loan | 679 | 130 | (809) | - | - | - | - |
| Kuwait Development Fund | 1,178 | - | - | - | 75 | - | 1,253 |
| Malawi Government | 210 | - | - | - | - | - | 210 |
| Press Corp Corporate Bond | 8,150 | - | (1,630) | - | - | - | 6,520 |
| Standard Bank Dual Currency Loan | 7,988 | - | (1,726) | - | - | 138 | 6,400 |
| Syndicated loan - NBM Capital Markets Ltd | 63 | - | (63) | - | - | - | - |
| NORDIC Development Fund | 1,066 | - | - | - | 68 | - | 1,134 |
| Total local borrowings | 37,633 | 10,930 | (4,228) | - | - | 138 | 44,473 |
| Foreign borrowings | | | | | | | |
| Huawei long term payable | 100 | - | (100) | - | - | - | - |
| Libyan Government | 239 | - | - | 11 | - | - | 250 |
| European Investment Bank | 16,126 | - | (2,908) | 285 | - | - | 13,503 |
| Total foreign borrowings | 16,465 | - | (3,008) | 296 | - | - | 13,753 |
| Total borrowings | 54,098 | 10,930 | (7,236) | 296 | - | 138 | 58,226 |
| Company | | | | | | | |
| Corporate Bond | 8,150 | - | (1,630) | - | - | - | 6,520 |

30 LOANS AND BORROWINGS (CONTINUED)

30.3 Terms and debt repayment schedules

| | Over 5 years | Due within 2 - 5 year | Due in 1 year | Agreed date redemption finishes | Agreed date redemption commences | Security | Repayment terms | Interest rate | Currency | Lender's name |
|---|-----------------|-----------------------------|------------------|---------------------------------------|--|----------------------------|--|-----------------------|---------------|---------------|
| Group - 2021 | | | | | | | | | | |
| Commercial Debt- Old Mutual | - | 17,000 | 676 | 2025 | 2020 | Debenture on TNM Assets | 5 Years - Option for bullet payments of MK1 billion tranches after 3rd year | 364 TB rate + 2% | Malawi Kwacha | |
| Commercial Debt- Nico Asset Managers | - | - | 5,186 | 2022 | 2020 | Debenture on TNM Assets | 5 Years - Option for bullet payments of MK1 billion tranches after 3rd year | 180 TB rate + 1.8% | Malawi Kwacha | |
| Malawi Government | - | - | 210 | 2022 | 2022 | Unsecured | 0% | 3% | Malawi Kwacha | |
| Standard Bank Dual Currency Loan | - | 6,410 | 8,431 | 2023 | 2022 | Debenture on TNM Assets | 48 months | Libor +6% | Malawi Kwacha | |
| Press Corp corporate bond | - | 3,260 | 1,630 | 2025 | 2021 | TNM Shares | Quarterly | 364TB+4% | Malawi Kwacha | |
| European Investment Bank | - | 6,530 | 3,857 | 2022 | 2016 | Unsecured | Semi-annually | 3% | Malawi Kwacha | |
| EDF loan | 480 | 1,508 | 570 | 2027 | 2022 | PCL guarantee | Monthly | RBM rate +3.5% | Malawi Kwacha | |
| Bond - NBM capital market | 637 | 3,000 | 770 | 2027 | 2022 | PCL guarantee | Quarterly | 91 TB rate +5% | Malawi Kwacha | |
| Total | 1,117 | 37,708 | 21,330 | | 2018 | TNM Shares | Quarterly after 2 years | | | |
| Company - 2021 | | | | | | | | | | |
| Press Corp corporate bond | - | 3,260 | 1,630 | 2025 | | | | 364TB+3% | Malawi Kwacha | |

30 LOANS AND BORROWINGS (CONTINUED)

30.3 Terms and debt repayment schedules (Continued)

| Lender's name | Currency | Interest rate | Repayment terms | Security | Agreed date redemption commences | Agreed date redemption finishes | Due in 1 year | Due within 2-5 year | Over 5 years |
|-------------------------------------|---------------|--------------------|--|--------------------|----------------------------------|---------------------------------|---------------|---------------------|--------------|
| Group - 2020 (Restated) | | | | | | | | | |
| Belgium Government | Malawi Kwacha | 0% | 1/2 yearly | Government | 2018 | 2028 | 24 | 28 | 59 |
| Commercial Debt-Old Mutual | Malawi Kwacha | 364 TB rate + 2% | 5 Years - Option for bullet payments of MK1billion tranches after 3rd year | Debt on TNM Assets | 2020 | 2025 | - | 15,000 | - |
| Commercial Debt-Nico Asset Managers | Malawi Kwacha | 180 TB rate + 1.8% | 5 Years - Option for bullet payments of MK1billion tranches after 3rd year | Debt on TNM Assets | 2020 | 2022 | - | 5,000 | - |
| CDH loan | Malawi Kwacha | 17% | Monthly | PCL Guarantee | 2020 | 2023 | 230 | 570 | - |
| PTC commercial paper | Malawi Kwacha | 91TB + 5% | 5 years | PCL Guarantee | 2020 | 2025 | 375 | 7,125 | - |
| DANIDA loan | Malawi Kwacha | 0% | 1/2 yearly | Government | 2018 | 2028 | 118 | 136 | 291 |
| Kuwait Development Fund | Malawi Kwacha | 0% | 1/2 yearly | Government | 2018 | 2028 | 272 | 313 | 668 |
| Malawi Government | Malawi Kwacha | 3% | 0% | Unsecured | 2034 | 2043 | - | 210 | - |
| Standard Bank Dual Currency Loan | Malawi Kwacha | Libor + 6% | 48 months | Debt on TNM Assets | 2018 | 2022 | 4,494 | 1,906 | - |
| Press Corp corporate bond | Malawi Kwacha | 364TB + 4% | Quarterly | TNM Shares | 2021 | 2025 | 1,630 | 4,890 | - |
| NORDIC Development Fund | Malawi Kwacha | 0% | 1/2 yearly | Government | 2018 | 2028 | 246 | 283 | 605 |
| European Investment Bank | Malawi Kwacha | 3% | Semi-annually | Unsecured | 2016 | 2022 | 3,908 | 9,595 | - |
| Libyan Government | US Dollars | 0% | Dividend offset | None | n/a | n/a | 62 | 60 | 128 |
| Total | | | | | | | 11,359 | 45,116 | 1,751 |
| Company - 2020 | | | | | | | 1,630 | 4,890 | - |
| Press Corp corporate bond | Malawi Kwacha | 364TB + 3% | Quarterly after 2 years | TNM Shares | 2018 | 2025 | | | |

*The Standard Bank Dual Currency Loan interest was in the prior year erroneously disclosed as LIBOR plus 6% instead preference rate plus 1.9%. This has been restated above.

31 PROVISIONS

Group
2021

Balance at the beginning of the year 661
Provisions associated with assets classified as held for sale (219)
Provision made during the year -
Provision used during the year (442)
Balance at the end of the year -

2020

Balance at the beginning of the year 219
Provision made during the year 442
Provision used during the year -
Balance at the end of the year 661

Company
2021

Balance at the beginning of the year -
Provision used during the year -
Balance at the end of the year -

2020

Balance at the beginning of the year -
Provision used during the year -
Balance at the end of the year -

All provisions are due within 1 year or less.

Legal Claims

The provision for legal claims represents estimated amounts which may be required to settle legal and other related claims made against the Group in the ordinary course of business. The provision is based on legal advice from the Group's attorneys on the outcome of claims which the Group is facing.

Group bonus

The provision for Group bonus represents incentive pay to eligible employees. The estimate has been made on the basis of rules governing Group's performance incentive policies and may vary as a result of final operating results of the Group.

Other Provisions

Other provisions includes employees' related accrued benefits and Levy provision. Employees' benefits provided amount was derived from expected liability based on existing legal and company conditions of service. Levy provision was based on existing legal framework governing respective levies.

32 INCOME TAX PAYABLE

Opening balance 7,473
Current charge 22,494
Cash paid (22,853)
Total income tax payables 7,114

| Legal claim | Group bonus | Other | Total |
|-------------|-------------|-------|---------|
| 661 | 3,881 | 98 | 4,640 |
| (219) | - | - | (219) |
| - | 6,809 | 360 | 7,169 |
| (442) | (3,750) | (6) | (4,198) |
| - | 6,940 | 452 | 7,392 |
| 219 | 3,747 | 83 | 4,049 |
| 442 | 3,825 | 54 | 4,321 |
| - | (3,691) | (39) | (3,730) |
| 661 | 3,881 | 98 | 4,640 |
| - | - | - | - |
| - | - | - | - |
| - | 262 | - | 262 |
| - | (262) | - | (262) |
| - | - | - | - |

| Group | | Company | |
|----------|----------|---------|---------|
| 2021 | 2020 | 2021 | 2020 |
| 7,473 | 6,448 | 50 | 130 |
| 22,494 | 18,729 | 1,355 | 996 |
| (22,853) | (17,704) | (1,343) | (1,076) |
| 7,114 | 7,473 | 62 | 50 |

33 TRADE AND OTHER PAYABLES

| | Group | | Company | |
|--|---------|--------|---------|------|
| | 2021 | 2020 | 2021 | 2020 |
| Trade payables | 33,554 | 37,387 | 29 | 24 |
| Liabilities to other banks | 51,677 | 12,557 | - | - |
| Taxes and levies | 4,194 | 10,221 | 141 | 86 |
| Contract liabilities (note 37.2) | 4,767 | 5,610 | - | - |
| Accruals | 7,956 | 6,539 | 2,232 | 649 |
| Other payables* | 4,598 | 2,746 | - | 125 |
| Staff payables | 465 | 787 | - | - |
| Dividend payable | 884 | 707 | 90 | - |
| Trade and other payables | 108,095 | 76,554 | 2,492 | 884 |
| Contract liabilities – non current (note 37.2) | 392 | 297 | - | - |

* Other payables consists of several individually insignificant payable balances such as suspenses accounts, unclaimed balances relating to banking business and sundry creditors balances.

The average credit period on purchases of certain goods is 30 days. No interest is charged on the trade payables that are overdue. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Accruals are in respect of various expenses incurred but whose invoices had not yet been received.

34 FINANCIAL GUARANTEES

| | Company | |
|-------------|---------|------|
| | 2021 | 2020 |
| Current | 2,275 | - |
| Non-current | 7,956 | - |
| | 10,231 | - |

The company provides individual financial guarantees in favour of its Group companies and these are disclosed as contingent liabilities (note 48) as they would only crystallize into a liability in the event of default by the Group companies. In 2021, the company started servicing loans it guaranteed on behalf of its subsidiary that is facing cashflow constraints. Accordingly, the carrying amounts of the loans were recognised in the company's books.

35 TRADE AND OTHER PAYABLES TO GROUP COMPANIES

| | Company | |
|-----------------------------------|---------|-------|
| | 2021 | 2020 |
| Manzini Bay Limited | - | 19 |
| Press Properties Limited | 7 | 54 |
| Malawi Telecommunications Limited | 6 | 6 |
| Presscane Limited | - | 3,621 |
| | 13 | 3,700 |

Amounts due to Presscane Limited in 2020 represent treasury deposits with Press Corporation plc treasury. Interest on deposits was charged at market deposit interest rate plus 1% margin calculated quarterly on the outstanding balance. Any overdue interest thereafter is capitalized.

Other trade and other payables to Group companies are interest free and are payable on demand.

36 CUSTOMER DEPOSITS**Analysed by account type:**

Current accounts
Deposit accounts
Savings accounts
Foreign currency accounts*
Client funds

Analysed by interest risk type:

Interest bearing deposits
Non-interest bearing deposits

Total liabilities to customers are payable as follows:

Within three months
Between three months and one year

Analysis of deposits by sector

Personal accounts
Manufacturing
Agriculture
Wholesale and retail
Finance and insurance
Construction
Electricity, gas, water and energy
Transport, storage and communications
Restaurants and hotel
Mining and qualifying
Real Estate
Client funds
Others

* The foreign currency denominated account balances as at 31 December were as follows:-

US Dollar denominated
GBP denominated
Euro denominated
ZAR denominated

All interest bearing accounts, excluding deposit accounts are at floating rates that are adjusted at the Group's banking business discretion.

37 REVENUE**37.1 Disaggregated revenue information**

Revenue from contracts with customers is disaggregated by major products and service lines. Set out below is the disaggregation of the Group's revenue from contracts with customers and a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 7).

| Segments | Financial services | Telecommunications | Energy | Consumer goods | All other segments | Total |
|-----------------------------|--------------------|--------------------|--------|----------------|--------------------|---------|
| Group | | | | | | |
| Sale of goods | - | 2,945 | 24,891 | - | 2,162 | 29,998 |
| Telecommunication Services | - | 89,058 | - | - | - | 89,058 |
| Interest revenue | 78,897 | - | - | - | - | 78,897 |
| Fees and commission | 27,987 | 11,477 | - | - | - | 39,464 |
| Rental income | - | - | - | - | 699 | 699 |
| Gain foreign exchange deals | 10,957 | - | - | - | - | 10,957 |
| | 117,841 | 103,480 | 24,891 | - | 2,861 | 249,073 |

37 REVENUE (CONTINUED)**37.1 Disaggregated revenue information (Continued)**

| Segments | Financial services | Telecommu- nications | Energy | Consumer goods | All other segments | Total |
|-----------------------------|--------------------|-------------------------|--------|----------------|--------------------|---------|
| Sale of goods | - | 1,676 | 23,042 | - | 2,067 | 26,786 |
| Telecommunication Services | - | 85,211 | - | - | - | 85,211 |
| Interest revenue | 50,898 | - | - | - | - | 50,898 |
| Fees and commission | 24,090 | 9,346 | - | - | - | 33,436 |
| Rental income | - | - | - | - | 620 | 620 |
| Gain foreign exchange deals | 5,948 | - | - | - | - | 5,948 |
| | 80,936 | 96,233 | 23,042 | - | 2,687 | 202,898 |
| Company | | | | | | |
| Management fees | - | - | - | - | 693 | 693 |
| Dividend income | - | - | - | - | 13,555 | 13,555 |
| | - | - | - | - | 14,248 | 14,248 |
| | 2020 | | | | | |
| Management fees | - | - | - | - | 691 | 691 |
| Dividend income | - | - | - | - | 9,963 | 9,963 |
| | - | - | - | - | 10,654 | 10,654 |

A prior year restatement has been made in respect of an error in the presentation of interest revenue for the banking business. Interest revenue which was previously included within the revenue line on the face of the income statement has now been separately in line with requirements of IAS 1 Presentation of financial statements. The restatement has resulted in a decrease of the 2020 revenue line for the group for continuing operations from K202.9 billion to K152 billion on the face of the statement of comprehensive income representing K50.1 billion that has been presented separately as interest revenue.

37.2 Contract balances

| | Group | | Company | |
|--|--------|--------|---------|------|
| | 2021 | 2020 | 2021 | 2020 |
| Trade receivables (note 24 net of ECL) | 12,377 | 10,634 | 5 | 6 |
| Contract assets – non current (note 24) | 1,187 | 601 | - | - |
| Contract assets – current (note 24) | 1,165 | 637 | - | - |
| Contract liabilities – non current (note 33) | 392 | 297 | - | - |
| Contract liabilities – current (note 33) | 4,767 | 5,610 | - | - |

Trade receivables arise as a result of goods and services delivered to contract customers whose consideration is not yet received by the Group. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Contract assets primarily relate to up-front unbilled revenue recorded for the sale of telecommunication devices. Contract assets are assessed for impairment in terms of IFRS 9: Financial Instruments.

Contract liabilities relates to the value of unused prepaid airtime sold to customers as at year end, sales of properties where government consent has not yet been obtained, fees and commission that relate to banking facilities that have a tenure of more than one year. Management expects that the contract liabilities will be recognised as revenue during the following reporting period;

| | Group | |
|------|-------|-------|
| | 2021 | 2020 |
| 2021 | - | 5,610 |
| 2022 | 5,159 | 19 |
| 2023 | 52 | 75 |
| 2024 | 130 | 104 |
| 2025 | 64 | 84 |
| 2026 | 61 | 4 |
| 2027 | - | 2 |
| 2028 | 35 | - |
| 2030 | 8 | 9 |
| 2031 | 42 | - |

38 DIRECT TRADING EXPENSES

| | Group | | Company | |
|----------------------|--------|--------|---------|------|
| | 2021 | 2020 | 2021 | 2020 |
| Cost of sales | 18,653 | 15,640 | - | - |
| Interest expense | 7,778 | 5,314 | - | - |
| Direct service costs | 46,143 | 44,641 | - | - |
| | 72,574 | 65,595 | - | - |

39 OTHER OPERATING INCOME

| | Group | | Company | |
|--|--------|------------------|---------|------|
| | 2021 | 2020 Restated | 2021 | 2020 |
| Net gains/(loss) from trading in foreign currencies | 47 | 17 | - | - |
| Fair value adjustment of investment property | 1,295 | 1,332 | 42 | 27 |
| Gains and losses from fair value adjustment of biological assets | (47) | 109 | - | - |
| Net gain on remeasurement of derivatives | - | 79 | - | 79 |
| Net gain on financial instruments classified as held for trading | 725 | 343 | - | - |
| Profit/(loss) on disposal of property, plant and equipment | 92 | 130 | (5) | (2) |
| Profit on disposal of financial assets | 9,586 | - | 1,113 | - |
| Profit on merger | 185 | - | 185 | - |
| Sundry income* | 3,253 | 2,594 | 244 | 173 |
| | 15,136 | 4,604 | 1,579 | 277 |

*Sundry income is comprised of income earned from non-core business activities of the Group and they include board members fees and rental income generated by Group companies that are not in property business, among others. Included in profit on disposal of financial assets for the group is K10.1 billion gain on disposal of Castel Malawi Limited which was concluded in July 2021.

Prior year other income was restated – refer to notes 41 and 52 for details of the restatement.

40 DISTRIBUTION EXPENSES

| | Group | | Company | |
|---------------------------|-------|-------|---------|------|
| | 2021 | 2020 | 2021 | 2020 |
| Marketing and publication | 2,202 | 1,425 | - | - |
| Selling expenses | 98 | 62 | - | - |
| Carriage outwards | 675 | 691 | - | - |
| Other | 309 | 242 | - | - |
| | 3,284 | 2,420 | - | - |

41 IMPAIRMENT LOSSES ON FINANCIAL ASSETS

| | Group | | Company | |
|---|---------|------------------|---------|------------------|
| | 2021 | 2020 Restated | 2021 | 2020 Restated |
| Net Remeasurement of loss allowance | | | | |
| - Loans and advances (Note 17) | (2,566) | (1,299) | - | - |
| - Finance leases (Note 18.2) | 77 | (305) | - | - |
| - trade receivables (Note 6.4.2) | 1,568 | 397 | 58 | 217 |
| Recoveries from impaired loans and advances (Note 17) | (3,187) | (709) | - | - |
| Written off | 8,456 | 5,081 | - | - |
| | 4,348 | 3,165 | 58 | 217 |

A prior year restatement has been processed in respect of an error in presentation of impairment losses on financial assets. Impairment losses on financial instruments and related recoveries which were previously presented within the administrative expenses and other income notes respectively have now been presented on the face of the statement of comprehensive income and on this separate note in line with requirements of IAS 1 Presentation of financial statements. The restatement has resulted in a decrease of prior year administrative expenses from continuing operations for the group by K3.9 billion from K91.2 billion to K87.3 billion and a decrease in administrative expenses for the company by K0.2 billion from K4.6 billion to K4.4 billion. The restatement has also resulted in a decrease in prior year other income from continuing operations for the group by K0.7 billion and in addition to the upward restatement of K79 billion disclosed on note 52, total prior year other income for the Group has decreased by K0.6 from K5.2 billion to K5.0 billion.

42 ADMINISTRATIVE EXPENSES

| | Group | | Company | |
|--|---------|------------------|---------|------------------|
| | 2021 | 2020 Restated | 2021 | 2020 Restated |
| Auditors' remuneration - current year fees | 1,004 | 851 | 117 | 111 |
| - other professional services | 5 | 12 | - | 7 |
| Directors' emoluments - fees & expenses | 869 | 621 | 161 | 124 |
| - executive directors' remuneration | 1,685 | 2,334 | 621 | 1,032 |
| Personnel costs | 46,644 | 34,594 | 3,599 | 1,941 |
| Pension contribution costs | 3,265 | 2,599 | 253 | 251 |
| Legal and professional fees | 2,051 | 1,527 | 67 | 111 |
| Stationery and office expenses | 2,534 | 2,049 | 113 | 110 |
| Security services | 3,235 | 2,421 | 58 | 59 |
| Motor vehicle expenses | 1,975 | 1,579 | 38 | 36 |
| Repairs and maintenance | 8,421 | 6,239 | 153 | 181 |
| Depreciation, impairment and amortisation | 22,765 | 19,064 | 71 | 97 |
| Travel expenses | 733 | 523 | 21 | 13 |
| Communication | 984 | 816 | 78 | 98 |
| Stock write off, impairment | 73 | 440 | - | - |
| Impairment of equity investment | 186 | - | - | - |
| Card expenses | 2,496 | 2,769 | - | - |
| SMS banking expenses | 968 | 655 | - | - |
| Other* | 4,473 | 8,234 | 220 | 195 |
| | 104,366 | 87,327 | 5,570 | 4,366 |

Prior year administrative expenses were restated – refer note 41 for details of the restatement.

* Other relates to several individually insignificant administrative expense balances such as corporate image, corporate subscription, entertainment, losses and sundry expenses.

42 ADMINISTRATIVE EXPENSES (CONTINUED)**Liability for defined contribution obligations**

The principal Group pension scheme is the Press Corporation plc Group Pension and Life Assurance Scheme covering all categories of employees with 3,850 (2020: 3,864) members as at 31 December 2021. The Fund is a defined contribution fund and is independently self-administered by its Trustees. Under this arrangement employer's liability is limited to the pension contributions.

43 FINANCE INCOME AND COSTS

| | Group | | Company | |
|----------------------------------|----------|---------|----------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| Finance income | | | | |
| Interest income on bank deposits | 1,331 | 1,734 | 408 | 191 |
| Net foreign exchange gain | 476 | 81 | 475 | 81 |
| Other | 407 | 320 | 61 | 7 |
| | 2,214 | 2,135 | 944 | 279 |
| Finance costs | | | | |
| Bank overdrafts | (1,380) | (1,291) | (1,189) | (642) |
| Loans | (7,481) | (5,322) | (11,367) | (1,223) |
| Lease liability | (1,196) | (719) | (12) | (14) |
| Foreign exchange loss | (1,483) | (617) | (129) | - |
| | (11,540) | (7,949) | (12,697) | (1,879) |
| Net finance costs | (9,326) | (5,814) | (11,753) | (1,600) |

During the year, nil borrowing costs were capitalised (2020: Nil).

44 SHARE OF RESULTS FROM EQUITY ACCOUNTED INVESTEEES**Share of profit, net of tax**

| | Group | | Company | |
|--|-------|---------|---------|------|
| | 2021 | 2020 | 2021 | 2020 |
| Limbe Leaf Tobacco Company Limited | 1,331 | 1,725 | - | - |
| Castel Malawi Limited | - | (1,943) | - | - |
| Puma Energy (Malawi) Limited | 1,563 | 645 | - | - |
| Macsteel (Malawi) Limited | 363 | 35 | - | - |
| LifeCo Holdings Limited | (39) | - | - | - |
| United General Insurance Company Limited | 219 | (51) | - | - |
| Open Connect Limited | (948) | (113) | - | - |
| | 2,489 | 298 | - | - |

Share of other comprehensive income, net of tax

| | Group | | Company | |
|------------------------------------|-------|------|---------|------|
| | 2021 | 2020 | 2021 | 2020 |
| Limbe Leaf Tobacco Company Limited | 1,446 | 92 | - | - |
| Macsteel (Malawi) Limited | 560 | - | - | - |
| Puma Energy (Malawi) Limited | 5,878 | 154 | - | - |
| | 7,884 | 246 | - | - |

45. INCOME TAXES**Current tax expense**

Current year at 30% (2020:30%) based on taxable profits
Final tax on dividend received from associates, subsidiaries and joint ventures

Deferred tax (credit)/expense

In respect of the current year
Total Income tax expense recognised in the current year

| | Group | | Company | |
|--|--------|--------|---------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| | 21,139 | 17,733 | - | - |
| | 1,355 | 996 | 1,355 | 996 |
| | 22,494 | 18,729 | 1,355 | 996 |
| | 742 | (379) | 117 | (127) |
| | 23,236 | 18,350 | 1,472 | 869 |

The Group's tax expense on continuing operations excludes the Group's share of the tax expense of equity accounted investees of K1,473 million (2020: K1,308 million), which has been included in 'share of profit of equity-accounted investees, net of tax.

45. INCOME TAXES (CONTINUED)**45.1 Tax losses carried forward**

The Group has estimated tax losses of K42.6 billion (2020: K51.1 billion). These include capital losses, which can be set off against future capital gains. Where relevant, these tax losses have been set off against deferred tax liabilities, which would arise on the disposal of revalued assets at carrying value. Tax losses are subject to agreement by the Malawi Revenue Authority and are available for utilisation against future taxable income, including capital gains, only in the same company. Under the Malawi Taxation Act it is not possible to transfer tax losses from one subsidiary to another or obtain Group relief.

Tax losses can only be carried forward for six years.

45.2 Reconciliation of effective tax rate

The tax on the Group's and Company's profit before tax differs from theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group and Company.

The income tax expense for the year can be reconciled to the accounting profit as follows;

| | | 2021 | | 2020 |
|--|--------|---------|-------|---------|
| Group | | | | |
| Profit before tax from continuing operations | | 72,800 | | 43,479 |
| Tax using the Group's domestic tax rate | 30% | 21,840 | 30% | 13,044 |
| Tax effect of: | | | | |
| Share of profit of equity-accounted investees reported net of tax | (1%) | (681) | 0% | (105) |
| Expenses not deductible for tax purposes | 1% | 420 | 1% | 317 |
| Effects of final tax on dividends from associates and subsidiaries | 2% | 1,355 | 2% | 996 |
| Unrecognised taxable losses | 1% | 950 | 7% | 3,019 |
| Income not subject to tax | (4%) | (3,029) | (1%) | (480) |
| Other permanent differences | 3% | 2,381 | 4% | 1,559 |
| Effective tax rate and income tax charge | 32% | 23,236 | 43% | 18,350 |
| Company | | | | |
| (Loss)/Profit before tax from continuing operations | | (1,554) | | 4,748 |
| Tax using the Group's domestic tax rate – 30% | 30% | (466) | 30% | 1,424 |
| Effects of final tax on dividends from associates and subsidiaries | (130%) | 1,355 | 21% | 996 |
| Tax effect on expenses not deductible for tax purposes | (295%) | 3,069 | - | - |
| Unrecognised taxable losses | 253% | (2,486) | (33%) | (1,551) |
| Effective tax rate and income tax charge | (142%) | 1,472 | 19% | 869 |

46 DISCONTINUED OPERATIONS

In 2021 the Group decided to dispose of its stake in its subsidiary Peoples Trading Centre Limited (PTC) which carried out all of the Group's Consumer segment operations. The disposal was in line with a strategic decision of getting out of the retail business to give chance to upcoming entrepreneurs to grow their portfolio while it concentrates on capital intensive investments to increase our shareholder value. The disposal was concluded subsequent to the balance sheet date on 28th February 2022 on which date control of PTC passed to the acquirer. The operation has been classified as a disposal group held for sale and presented separately in the statement of financial position – refer to note 25.

The results of the discontinued operations, which have been included in the profit for the year, were as follows:

| | Group | |
|---|----------|----------|
| | 2021 | 2020 |
| Revenue | 11,218 | 16,736 |
| Expenses | (15,478) | (21,883) |
| Loss before tax | (4,260) | (5,147) |
| Attributable tax expense | (173) | (8) |
| Loss for the year net of tax | (4,433) | (5,155) |
| Basic and diluted earnings per share (MK) | (1,630) | (1,728) |

During the year, PTC contributed negative K2.5 billion (2020: K3.7 billion) to the Group's net operating cash flows, K49 million (2020: paid K93 million) in respect of investing activities and K4.3 billion (2020: K1.5 billion) in respect of financing activities.

47 BASIC EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

Calculation of basic earnings per share and diluted earnings per share is based on the profit attributable to ordinary shareholders of K21,728 million (2020: K4,102 million) and a weighted average number of ordinary shares outstanding during the year of 120.2 million (2020: 120.2 million).

| | Group | |
|---|----------|----------|
| | 2021 | 2020 |
| Profit attributable to owners of the Company | 21,728 | 3,669 |
| Profit from continuing operations attributable to the ordinary equity holders of the parent Company | 49,564 | 25,129 |
| Profit from continuing operations | (23,403) | (16,305) |
| Non-controlling interest | 26,161 | 8,824 |
| Weighted average number of ordinary shares | 120.2 | 120.2 |
| Basic and diluted earnings per share (K) | 180.77 | 30.52 |
| Earnings per share from continuing operations (K) | 217.65 | 73.41 |

48 CONTINGENT LIABILITIES

| | Group | | Company | |
|--|--------|--------|---------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| Foreign guarantees | 2,016 | 1,967 | - | - |
| Local guarantees and performance bonds | 26,300 | 18,482 | 9,504 | 17,100 |
| Letters of credit | 26,937 | 22,708 | - | - |
| | 55,253 | 43,157 | 9,504 | 17,100 |
| Legal and other claims | 4,778 | 4,241 | - | - |
| Tax payable | 3,289 | 6,402 | - | - |
| Total contingent liabilities | 63,320 | 53,800 | 9,504 | 17,100 |

- Guarantees and performance bonds represent acceptances, guarantees, indemnities and credits issued by National Bank of Malawi plc to non-Group entities which would crystallize into a liability only in the event of default on the part of the relevant counterparty. For the Company, the guarantees represents guarantees made by the parent Company for bank loans taken by The Foods Company Limited, Malawi Telecommunication Limited, Press Properties Limited and Peoples Trading Centre Limited.
- Letters of credit (LCs) relate to standby LCs issued by National Bank of Malawi plc on behalf of selected customers. By issuing these LCs, the Bank is guaranteeing payment to the third party in the event that the customer defaults on their contractual obligations on the transaction. These are non-cash upfront LCs and are therefore memoranda items only.
- Legal and other claims represent legal and other claims made against the Group in the ordinary course of business, the outcome of which is uncertain. The amount disclosed represents an estimate of the cost to the Group in the event that legal proceedings find the Group to be in the wrong. In the opinion of the directors the claims are not expected to give rise to a significant cost to the Group.
- Tax payable relates to disputes that the Group's subsidiaries and the Group's associate have with the Malawi Revenue Authority.

49 CAPITAL COMMITMENTS

| | Group | | Company | |
|---------------------------------------|--------|--------|---------|------|
| | 2021 | 2020 | 2021 | 2020 |
| Authorised and contracted for | 7,692 | 15,068 | - | - |
| Authorised but not yet contracted for | 38,144 | 45,243 | 100 | 256 |
| | 45,836 | 60,311 | 100 | 256 |

These commitments are to be funded from internal resources and long term loans.

50 RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

50.1 Trading transactions

During the year, the Group entered into the following trading transactions with related parties that are not members of the Group;

| | Sales | | Purchases | |
|--------------------------------|-------|-------|-----------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| Joint ventures of the Group | 5,271 | 2,402 | 1,351 | 2,658 |
| Shareholder - Old Mutual Group | 30 | 28 | - | - |
| Associates of the Group | 778 | 712 | 1,612 | 7,029 |
| | 6,079 | 3,142 | 2,963 | 9,687 |

| | Interest Income | | Interest Expense | |
|--------------------------------|-----------------|-------|------------------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| Joint ventures of the Group | 3 | 3 | - | (9) |
| Shareholder - Old Mutual Group | - | 143 | - | (1,329) |
| Associates of the Group | 30 | 140 | - | - |
| Directors | 6 | - | - | - |
| Employees | 1,125 | 1,107 | (780) | (765) |
| | 1,164 | 1,393 | (780) | (2,103) |

Sale of goods and services to related parties were made at the Group's usual list prices. Purchases were made at market price.

50.2 Receivables and payables

| | Amounts owed by related parties | | Amounts owed to related parties | |
|--------------------------------|---------------------------------|-------|---------------------------------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| Joint ventures of the Group | 2,392 | 686 | 63 | 14 |
| Shareholder - Old Mutual Group | - | 2 | - | - |
| Associates of the Group | 1,926 | 1,716 | 4,577 | 2,371 |
| Employees | - | 18 | - | - |
| | 4,318 | 2,422 | 4,640 | 2,385 |

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior years for doubtful debts in respect of the amounts owed by related parties.

50.3 Loans and deposits

| | Loans | | Deposits | |
|--------------------------------|--------|--------|----------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| Joint ventures of the Group | 89 | 2 | 338 | 511 |
| Shareholder - Old Mutual Group | - | 19,698 | 4,926 | 4,953 |
| Associates of the Group | 4,416 | 2 | 1,124 | 2,728 |
| Shareholder - Press Trust | - | - | 15 | 66 |
| Directors | 429 | 406 | 125 | 102 |
| Employees | 6,560 | 5,680 | 655 | 446 |
| Related Pension Funds | - | - | 29 | 86 |
| | 11,494 | 25,788 | 7,212 | 8,892 |

Loans are granted and deposits accepted on normal banking terms. Loans are secured.

During the year no amount due from a related party was written off against interest in suspense and provision for loan losses. There were no provisions in respect of loans granted to related parties as at the end of the year (2020: nil).

There were no material related party transactions with the ultimate controlling entity of the Group, Press Trust, in the current or prior financial period.

50 RELATED PARTIES (CONTINUED)

50.4 Compensation of key management personnel

Directors of the Company and their immediate relatives control 0.04% (2019: 0.04%) of the voting shares of the Company.

Directors' emoluments are included in administrative expenses more fully disclosed in note 39.

The remuneration of directors and other members of key management personnel during the year was as follows:

| | Group | | Company | |
|--|-------|--------|---------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| Salaries and benefits for key management | 7,118 | 8,131 | 762 | 716 |
| Directors remuneration | 2,554 | 3,088 | 782 | 1,156 |
| | 9,672 | 11,219 | 1,544 | 1,872 |

51 DIVIDEND PER SHARE

| | Group and Company | |
|--|-------------------|-------|
| | 2021 | 2020 |
| Final dividend | 3,400 | 3,006 |
| Interim dividend | 722 | 722 |
| | 4,122 | 3,728 |
| Number of ordinary shares in issue (million) | 120.2 | 120.2 |
| Dividend per share (K) | 34.00 | 31.00 |

During the year, the Group declared and paid a total of K3,728 million representing final dividend for 2020 of K3,006 million and interim dividend for 2021 of K722 million. The proposed final dividend for the year 2021 is K3,400 million (2020: K3,006 million) representing K28 per share (2020: K25).

52 PRIOR YEAR ADJUSTMENTS

Deferred tax (Company financial statements)

Prior year restatement is in respect of over estimation of deferred tax in respect of revaluation reserves. The deferred tax error relates to the erroneous attribution of capital gains on the appreciation in value of equity investments which due to the operation of the law are exempted from capital gains. The financial statements have accordingly been restated in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and related disclosures made in accordance with IAS 1 *Presentation of Financial Statements*.

The impact of these restatements is detailed in the analysis below.

| | As previously reported | Adjustment | Restated |
|---|------------------------|------------|----------|
| Statement of financial position | | | |
| 2020 | | | |
| Deferred tax liabilities (note 21) | 68,264 | (68,131) | 133 |
| Other reserves (note 29) | 257,161 | 68,131 | 325,292 |
| 2019 | | | |
| Deferred tax liabilities | 67,916 | (59,986) | 7,930 |
| Other reserves | 249,257 | 59,986 | 309,243 |
| Statement of comprehensive income | | | |
| 2020 | | | |
| Other comprehensive income – Income tax relating to items that may not be reclassified subsequently to profit or loss (note 21) | (475) | 8,145 | 7,670 |
| Total comprehensive income for the year | 11,704 | 8,145 | 19,849 |

Investment in associate (Group financial statements)

A prior year restatement has been made in respect of a reclassification error for an investment in United General Insurance Company Limited (UGI). The investment which is an associate of National Bank of Malawi Plc was previously classified under other investments instead of investments in associates. The financial statements have been restated accordingly and the impact of these restatements is detailed in the analysis below:

52 PRIOR YEAR ADJUSTMENTS (CONTINUED)

Statement of financial position

2020

Investments in associates (note 16)
Other investments (note 20)

| As previously reported | Adjustment | Restated |
|------------------------|------------|----------|
| 38 178 | 1 339 | 39 517 |
| 237 517 | (1 339) | 236 178 |

2019

Investments in associates
Other investments

| | | |
|---------|---------|---------|
| 41 055 | 1 371 | 42 426 |
| 179 936 | (1 371) | 178 565 |

Other operating income (Group and Company financial statements)

A prior year restatement has been made in respect of a recognition error on fair value of contingent consideration on disposal of shares in Open Connect Limited in 2018. The amount was booked in 2021 instead of booking the initial fair value in 2018 and subsequent fair value adjustments in 2019 and 2020. The financial statements have been restated accordingly and the impact is detailed in the analysis below:

| | As previously reported | Adjustment | Restated |
|--|------------------------|------------|----------|
| Statement of financial position | | | |
| 2020 | | | |
| Trade and other receivables - Group | 32,241 | 512 | 32,753 |
| Trade and other receivables - Company | 611 | 512 | 1,123 |
| Retained earnings - Statement of changes in equity - Group | 102,177 | 512 | 102,689 |
| Retained earnings - Statement of changes in equity - Company | 26,593 | 512 | 27,105 |
| Statement of comprehensive income | | | |
| 2020 | | | |
| Other operating income - Company | 198 | 79 | 277 |
| Earnings per share (K) | 29.87 | 0.65 | 30.52 |

The restatement has further resulted in an increase in 2020 other income for the Group by K79 million.

This adjustment in addition to the K0.7 billion downward restatement disclosed on note 41, has led to a net decrease in prior year other income for the Group of K0.6 billion from K5.2 billion to K4.6 billion.

Cash flow statement

2020

Increase in trade and other receivables - Group
Decrease in trade and other receivables - Company

| | | |
|---------|---------|-----|
| (4,555) | 203 | 79 |
| (79) | (4,634) | 124 |

Statement of financial position

2019

Trade and other receivables - Group
Trade and other receivables - Company
Retained earnings - Statement of changes in equity - Group
Retained earnings - Statement of changes in equity - Company

| | | |
|---------|-----|---------|
| 27,895 | 433 | 28,328 |
| 1,000 | 433 | 1,433 |
| 101,407 | 433 | 102,840 |
| 25,920 | 433 | 26,353 |

53 IMPACT OF COVID-19

During the financial year, the number of COVID-19 pandemic infections and deaths have generally been on downward trend. It appears the vaccinations are being effective. The global economy is opening up and it is anticipated that the global economy will recover to pre-pandemic levels. The Malawi economy also has a similar expectation.

The Group is involved in diverse sectors that have been impacted differently. Notable effects are as follows:

- The Group's banking business has written off loans amounting to K9,555m (2020: K4,548m) out of which K8,166m (2020:K4,548m) has been charged to the statement of comprehensive income and K1,389m (2020: nil) has been written off against provisions. While the write downs were not directly due to the pandemic, the economic downturn exacerbated the customers default position. The Group also incurred K76m in COVID-19 containment measures including but not limited to sanitizer and masks. The Group's lending portfolios continue to be monitored closely, with detailed portfolio stress testing as the situation continues to evolve. The focus for the Group continues to be supporting our customers through continued operational excellence underpinned by the commitment and pride of our people.
- The Group's telecommunication sector is not significantly impacted since the downside effect on revenues i.e. reduction in voice revenues was compensated with upside effect, increase in data revenues as more people prefer to work from home and online meetings.
- Energy sector particularly manufacturing of Alcohol Ethanol experienced an increase in the demand for its products since the alternative source, importation, was difficult. The sector also introduced a new product 'Hand sanitizer' hence increasing its revenue base.
- The All Other segment particularly the fishing business experienced logistical challenges especially with the importation of feed. In year 2021, the Group put in place mitigation measures to these challenges so that it is not negatively affected.

54 SUBSEQUENT EVENTS

The directors have proposed a dividend of K28 per share as disclosed in note 51. This dividend is subject to approval by shareholders at the Annual General Meeting.

Subsequent to the reporting period, in January 2022, the Group's banking business finalised a preference share investment in Akiba Commercial Bank plc of Tanzania at a cash consideration of K2 133m.

As at balance sheet date, the Group was in active discussions with potential buyers of its 100% stake in Peoples Trading Centre Limited. Subsequent to the reporting period, an agreement was reached and sale agreement was signed with an effective sale date of 28th February 2022.

Generally the number of COVID-19 cases has been dwindling during the months of January 2022 to March 2022 when compared to the same period last year. However, there remains significant uncertainty regarding how the COVID-19 pandemic will evolve given the coming in of different variants over the years since its inception. Its duration, severity and speed of economic recovery is also uncertain. However, the world has started opening up to business and it is expected that the global economy will recover to pre-pandemic era.

In accordance with IAS 10 Events after the reporting period, the Group considered whether events after the reporting period confirmed conditions existing before reporting the date. The Group did not identify any subsequent events precipitated by COVID-19 related developments, which would require adjustments to the amounts or disclosures in the financial statements. Further, no other material non-adjusting subsequent events relating to COVID-19 were identified requiring disclosure in the financial statements. Given the fluid nature of the current situation, the Group will continue to regularly review forward looking assumptions and forecast economic scenarios.

The escalating political ension in Eastern Europe which has culminated into Russia's invasion of Ukraine has serious implications for global economic and political stability. Russia, which is the second largest producer of crude oil and has the world's largest natural gas deposits is facing stringent economic sanctions, which have driven oil prices very high due to reduced global supply in the wake of an ever-increasing demand as the global economy is recovering from a two-year Covid-19 crisis. Furthermore, Russia has since been excluded from the SWIFT system, thus isolating it from the global financial system. This unfolding situation has serious implications for the Malawi economy as Russia is amongst its Top-10 export destinations which accounted for up to K8.2b in 2021 and K21.4b in the year before. The group will continue to regularly review the situation so that it puts in place mechanisms that will ensure that its strategic objectives are achieved.

55 EXCHANGE RATES

The average of the year-end buying and selling rates of the major foreign currencies affecting the performance of the Company and Group are stated below.

Exchange rates as at 31 December.

| | 2021 | 2020 |
|-----------------------------|---------|---------|
| Kwacha/United States Dollar | 817.3 | 771.7 |
| Kwacha/Euro | 1,002.6 | 987.6 |
| Kwacha/British Pound | 1,199.3 | 1,087.7 |
| Kwacha/South African Rand | 58.7 | 56.2 |

At the time of signing these Consolidated and separate financial statements, the exchange rates had moved to:-

| | |
|------------------|----------|
| Kwacha/GBP | 1,339.01 |
| Kwacha/Rand | 69.11 |
| Kwacha/US Dollar | 1,024.02 |
| Kwacha/Euro | 1,151.59 |

Inflation rates as at 31 May 2022 19.10%

ON THE MALAWI STOCK EXCHANGE

Shareholdings

| | % of total shares in | Number of shares | Shareholding range | Number of shareholders | % |
|--|-------------------------|---------------------|-----------------------|---------------------------|----------------|
| Press Trust | 47.58% | 57 222 217 | 1,000,000 + | 16 | 1.00% |
| Standard bank of South Africa Nominees | | | | | |
| ITF Northern Trust Global Services | 0.37% | 439 986 | 10,001 - 1,000,000 | 131 | 8.22% |
| Old Mutual Life assurance (Malawi) Limited | 16.29% | 19 589 861 | 5,001 - 10,000 | 43 | 2.70% |
| Others | 35.76% | 43 003 649 | 1 - 5,000 | 1 403 | 88.07% |
| Total | | 120 255 713 | | 1 593 | 100.00% |

Share Market

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| Total number of shares in issue | 120 255 713 | 120 255 713 | 120 255 713 | 120 255 713 | 120 255 713 |

Malawi Stock Exchange (MSE)
Market statistics

| | | | | | |
|--|---------|---------|---------|---------|--------|
| Market capitalization at 31 December (MKm) | 228 486 | 157 415 | 168 358 | 137 092 | 72 153 |
| Market capitalization at 31 December (US\$m) | 279.56 | 203.98 | 228.53 | 187.85 | 99.44 |

Subscription price at listing MK14.89

Last traded price

| | | | | | |
|---------------------------------|----------|----------|----------|----------|----------|
| 31 December (MK per share) | 1 900.00 | 1 309.00 | 1 400.00 | 1 140.00 | 600.00 |
| Highest (MK per share) | 1 900.00 | 1 572.00 | 1 400.00 | 1 150.00 | 600.00 |
| Lowest (MK per share) | 1 199.93 | 1 189.00 | 1 100.00 | 600.00 | 540.00 |
| Net asset value (NAV) per share | 2 461.11 | 2 031.12 | 1 924.03 | 1 803.41 | 1 512.85 |
| Value of shares traded (MKm) | 5 207.00 | 8 100.00 | 4 725.00 | 569.00 | 272.00 |
| Earnings per share % | 180.77 | 30.52 | 61.37 | 152.85 | 198.98 |
| Dividend yield % | 1.63 | 1.99 | 1.86 | 2.28 | 2.92 |

[illegible]

