PRESS CORPORATION LTD

ANNUAL REPORT 2014

PRESS CORPORATION LIMITED

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VISION

To be the premier holding company dominating every market it serves with strength and agility

MISSION STATEMENT

To create and sustain industry-dominant businesses in order to generate real growth in shareholder value and contribute to the socio-economic development of Malawi and the region

CORE VALUES

Our core values are the PRICE we are committed to pay in conducting 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 our customers, shareholders and society.

Customer Value

We strive to surpass customers' expectations both internally and externally. We are therefore committed to enable our customers excel by: creating long-term relationships, being responsive and relevant, and delivering value consistently.

Excellence

We pursue excellence through highly efficient and effective processes that deliver goods and services of outstanding quality.

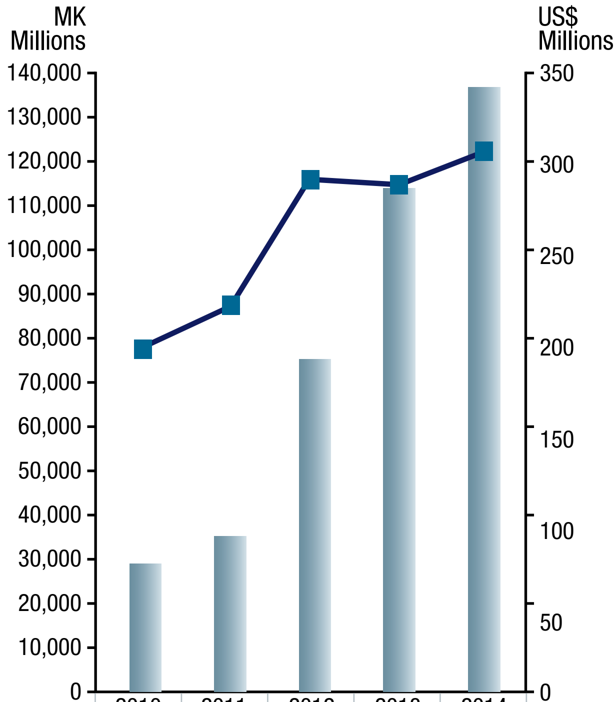
FINANCIAL HIGHLIGHTS

	Malawi Kwacha / millions			US Dollars / millions		
	2014	2013	Change	2014	2013	Change
Group Summary (in millions)			%			%
Turnover	136,787	113,717	20.29	301	293	2.59
Attributable earnings	11,248	9,372	20.02	25	24	2.36
Shareholders' equity	75,245	57,090	31.80	158	132	19.97
Share performance						
Basic earnings per share	93.58	77.97	20.02	0.21	0.20	2.36
Cash retained from operations per share	268.68	404.69	(33.61)	0.56	0.93	(39.57)
Net asset value per share						
(shareholders' equity per share)	893	670	33.42	1.88	1.55	21.45
Dividend per share	10.51	5.50	91.07	0.02	0.01	73.93
Market price per share	453.1	285	58.98	0.95	0.66	44.71
Price earnings ratio	4.8	3.7	32.47	4.62	3.27	41.38
Number of shares in issue (in millions)	120.2	120.2	0.00			
Volume of shares traded (in thousands)	1,244	6,609	(81.18)			
Value of shares trades (in MK miilions)	454	1,688	(73.10)	1.00	4.36	(77.06)
Financial statistics						
After tax return on equity	29.42	30.42	(3.29)	0.06	0.07	(11.96)
Gearing	14%	18%	21.23			
Average monthly exchange rates				454.45	387.58	
Year end exchange rates				475.80	433.10	

Exchange Rate (MK/US$)	2010	2011	2012	2013	2014
Average monthly exchange rates	149.12	157.30	252.93	387.58	454.45
Year end exchange rates	150.80	163.80	342.06	433.10	475.80

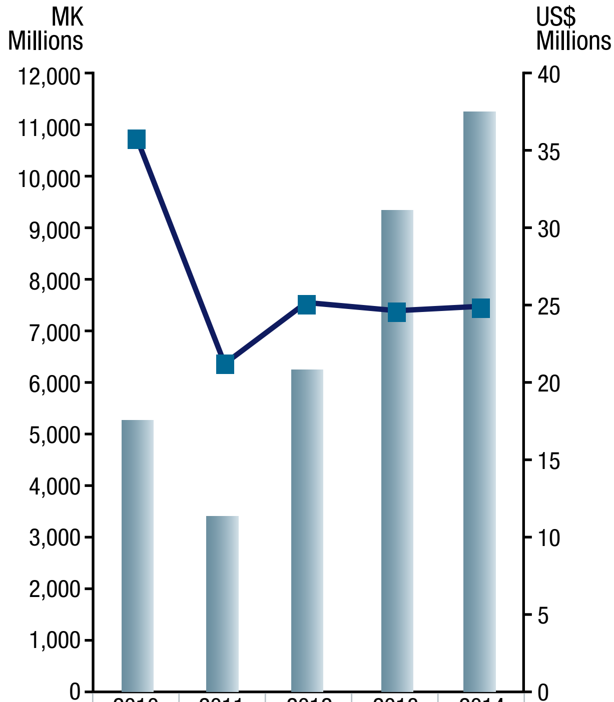
FINANCIAL HIGHLIGHTS

Turnover



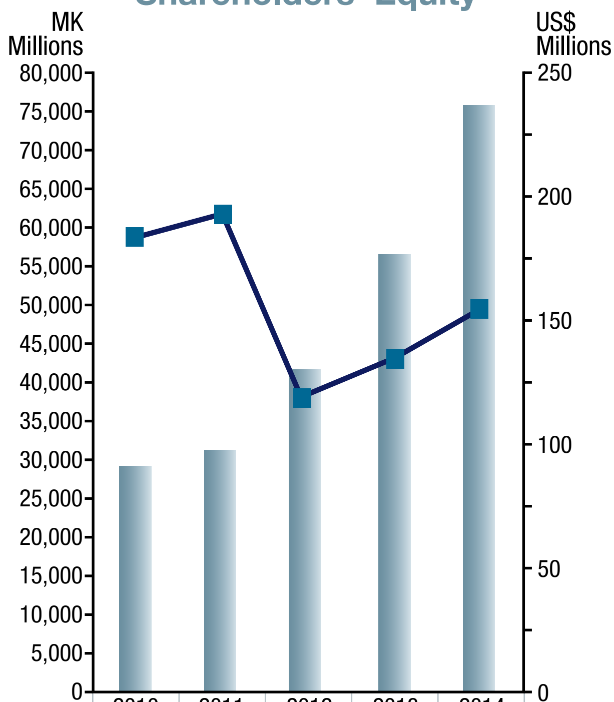
	2010	2011	2012	2013	2014
MK 'm	29,249	35,305	74,544	113,717	136,787
US$ 'm	196	224	295	293	301

Attributable Earnings



	2010	2011	2012	2013	2014
MK 'm	5,317	3,469	6,340	9,372	11,248
US$ 'm	36	22	25	24	25

Shareholders' Equity



	2010	2011	2012	2013	2014
MK 'm	28,033	31,532	41,977	57,090	75,245
US$ 'm	186	193	123	132	158

CORPORATE SOCIAL RESPONSIBILITY

Press Corporation Limited is a member of the UN Global Compact Network and, by signing up, has endorsed the Global Compact Principles in terms of the Group's operations.

INTEGRITY

Press Corporation Limited is committed to conducting its business in a transparent and ethical manner and pledge to be accountable to customers, shareholders and society. As such Press Corporation Limited expects all its employees to share its commitment to high moral, ethical and legal standards.

Press Corporation Limited has an established multi-departmental procurement committee and a procurement manual which is in line with procurement best practice. Press Corporation Limited conducts all procurement processes in a transparent, accountable, fair and competitive manner with impeccable standards. Our suppliers are bound by the rules of this manual which prevents them from being engaged in corrupt and fraudulent practices as well as collusion. The manual also acts as a guide to staff members to maintain the integrity of the Company by acting fairly when dealing with suppliers.

EMPLOYMENT EQUITY AND HIV/AIDS POLICY

Press Corporation Limited's employment policy is based on a system of opportunities for all. Employment equity seeks to identify, develop and reward each employee who demonstrates the qualities of individual initiative, enterprise, hard work and loyalty in their jobs

Employment is on the basis of merit rather than 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, marital, family status or disability.

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

To this end, Press Corporation Limited has a fully equipped clinic to provide free anti-retroviral therapy to employees of the Group and, for a nominal fee, to the general public. The members of staff at the clinic have been trained to provide the appropriate counselling to employees and members of the public who are diagnosed with the HIV virus.

ENVIRONMENTAL MANAGEMENT

Press Corporation Limited and its subsidiary and associate companies are committed to developing operational policies to address the environmental impact of its business activities 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. All waste paper is shredded and donated to a local recycling organisation.

CORPORATE SOCIAL RESPONSIBILITY

Carlsberg Malawi, embraces pollution control and waste management by treating and returning waste water to the environment. The aim is to return 100% of the water used in its processes. The Company constructed a waste water treatment plant in its new soft drink plant which treats all liquid waste to acceptable limits before being discharged back to the environment.

Carlsberg Malawi also has an ozone protection programme in place which ensures that the company does not use ozone depleting substances in its operations which include cooling systems, solvents and refrigeration gases. All ozone depleting gases e.g. R22, R12 have been replaced by other ozone friendly gases, e.g. 134a.

As a way of managing waste, both our Ethanol producing companies, Ethanol Company Limited (ETHCO) and Presscane Limited, use ponds to withhold effluent from the ethanol production. This byproduct called vinnase is naturally evaporated and the remaining sludge is used as a fertiliser supplement because of its richness in potassium. Part of this supplement is applied in sugar cane fields.

ETHCO also maximises the use of steam from a renewable source (sugar cane bagasse steam from Dwangwa Sugar Corporation) as opposed to steam from coal, which is a fossil fuel, in order to protect the environment.

Puma Energy adopted a strategy of installing only double-skinned tanks complete with leakage detectors at all the underground tank installation sites to prevent any product leaks into the ground. During the year, Puma built a brand new retail site in Zomba that is equipped with modern tanks and Interceptors that will prevent any possible leakage of fuel from damaging the environment. The Lake Road filling station in Mangochi was also upgraded and equipped with similar equipment.

Deforestation has continued to be catastrophic in Malawi, a country whose economy depends mainly on agriculture. Effects have been loss of soil fertility, change in rainfall patterns and floods. As a way of giving back to the community, the Press Group continued planting thousands of tree seedlings across the country in an attempt to reverse the deforestation effects.

COMMUNITY ENGAGEMENT

As a responsible corporate citizen, Press Corporation Limited and its subsidiaries aim to give back to the communities in which we operate.

ETHCO freely delivers the dry sludge from the ethanol production process to local small scale farmers in its community within a 20 km radius. This sludge is used as a fertiliser supplement in their gardens hence reducing the communities' fertilizer costs

TNM partnered with YONECO a non-governmental organisation whose aim is the elimination of child abuse, violence against children and exploitation of children in schools and communities in Malawi, through the expansion of the Child Helpline Services in Malawi. TNM provides the Toll Free lines and in 2014, TNM donated computers to YONECO for this cause.

SOCIAL INVESTMENTS

Further to its commitment to the community, Press Corporation Limited and its subsidiary and associate companies make donations in cash and in kind to organisations involved in serving the less privileged members of the society. In the year 2014, donations were made towards education, health and access to safe drinking water amongst other.

The Company continued to award a cash prize to the students who complete the final stage of the ACCA programme at the Malawi College of Accountancy with the highest marks in the Strategic Financial Management paper.

Similarly, our subsidiary company National Bank of Malawi during the year completed the five year sponsorship of establishing and delivery of a Masters Degree in Commercial Law by the Faculty of Law at Chancellor College, a constituent college of the University of Malawi. The University is now able to run the programme on it's own, using student's fees and other resources.

National Bank, Puma Energy and TNM during the year continued with their projects of educating the nation. The scholarship programme which which National Bank partnered with Christian Health Association of Malawi entered its second year with 18 students benefitting from the fund. Through this programme the bank is proud to contribute towards alleviating shortage of Health Care Workers in the country. Puma Energy and TNM through Hope for the Blind which is a non-governmental organisation, continued to sponsor blind students for their secondary school education in order to facilitate access to education for the students.

Carlsberg Malawi, through The Coca-Cola Africa Foundation (TCCAF), engaged in the improved water supply project at Mwandama village in Zomba, a cluster of 114 villages which had poor access to water with villages served by shallow unprotected wells and, in cases, near-dry boreholes. The aim of the project is to increase sustainable access to safe drinking water and to promote better hygiene practice. The project targeted 15,454 learners and it received $100 000 funding from TCCAF, the Coca-Cola company's charitable foundation.

HEALTH

As part of its corporate social responsibility, and to assist the less privileged in the community, Press Corporation Limited, has not limited its provision of health services to the members of staff only, but has opened up its clinic to the general public.

Maldeco Fisheries, a subsidiary of Press Corporation Limited adopted the same concept and has a fully fledged clinic offering an array of services to the communities surrounding the company, who in the past had to travel long distances to access medical care.

Realising that tuberculosis (TB) is one of the most critical health problems in Malawi, National Bank of Malawi in 2010 pledged to refurbish the TB Ward at the biggest referral hospital in the country, Queen Elizabeth Central Hospital, with MK20 million spread over a period of four years. The aim of the refurbishment was to help reduce the transmission of the disease to other patients and provide an open air ward to facilitate the circulation of fresh air which is known to quicken the healing process. The refurbishment was completed during the year 2014 and the Bank donated a further MK8 million for final touches and beddings.

Malawi is one of the countries in the sub-Saharan Africa region with a high maternal mortality rate. One of the Millennium Development Goals is to reduce the maternal mortality rate by 75% by 2015. In order to complement government efforts, Press Corporation Limited through its subsidiary and associate companies continue making donations towards maternal health. During the year, TNM erected a water tank at Ntcheu District Hospital which supplies water to the maternity wing and the main theatre.

During the year, Puma Energy donated solar equipment to Trinity Mission Hospital in Nsanje district worth MK46 million. The equipment has the capacity to provide electricity to the Maternity theatre, main theatre, Children's ward, Laboratory and drug store for up to five hours during normal power supply interruptions.

Carlsberg Malawi, as a bottler for The Coca-Cola Company continues to support the Ministry of Health through annual donations of medicines and medical equipment. In 2013, Carlsberg Malawi, embarked on the ShareHope project which will run up to 2017. The project aims to provide medical relief to Malawi through donations of medical equipment and medicines to three target hospitals, Ekwendeni Mission, Zomba Central and Queen Elizabeth Central Hospitals. The Project has four contributing partners: Coca-Cola (sponsors the container); MedShare and CitiHope (collect equipment and pharmaceuticals for donations); and Carlsberg Malawi (co-ordinates relations with beneficiary hospitals and manages logistics from the entry port right to the beneficiary hospital). In 2014, Ekwendeni Mission Hospital received brand new equipment valued at over MK300 million.

Carlsberg Malawi also sponsored Cancer Association of Malawi to host a radio awareness programme on Malawi Broadcasting Corporation for three months, August - October. The aim was to tackle prevention through early detection of cancer, by encouraging testing. CAM reported an increase in the number of people presenting for testing at QECH and also had inquiries from various areas across the country.

ANTI-CORRUPTION

Press Corporation Limited and its subsidiary companies continue to support one of the main objectives of the Business Action Against Corruption (BAAC) which is to actively promote business commitment to fighting corruption and foster widespread support for the Business Code of Conduct and to pursue linkages with relevant national and regional business led anti-corruption initiatives.

As an extension of the Group's Fraud Policy, Press Corporation Limited and its subsidiaries subscribe to Tip-Offs Anonymous, a whistle blowing hotline service provided by Deloitte. This can be used by those of the Group's employees who may have reservations about using the internal reporting mechanism provided in the Fraud Policy.

CHAIRMAN'S REPORT

THE GENERAL ECONOMY

The Malawi Economy attained a GDP growth of 6.1% in 2014 from a growth of 5% the previous year. The growth was driven by tobacco exports and continued growth in agriculture, manufacturing and services sectors as well as the continued availability of foreign exchange. However, the mining sector declined by 7.8% compared to a growth of 7.6% in the previous year due to the suspension of uranium mining at Kayelekela mine in Karonga in May 2014, owing to depressed world uranium prices.

Tobacco production grew by 13% to 191 million kilograms from 169 million kilograms in 2013. Average tobacco prices, on the other hand, declined to USD1.88 per kilogram from USD2.14 in 2013 due to over-supply and declining demand globally, following growing anti-smoking campaigns. Consequently, total revenue from tobacco, at USD 361,564,472 was level with 2013. Similarly, the year saw a bumper harvest of maize as production increased by 8% to 3.9 million tonnes from 3.6 million tonnes. Maize prices were low and continued to decrease throughout the year, reaching the lowest in recent years of MK78 per kilogram by December 2014.

Total foreign exchange reserves increased by 20% during the year and closed at U$922 million, translating to an import cover of 4.83 months compared to 4.09 months in 2013. Although budgetary support from development partners remained suspended following the "Cashgate" scandal, direct funding of projects continued and this provided additional foreign exchange besides exports.

Inflation remained high in 2014 and closed at 24.2% by December compared to 23.5 % in December 2013. The average headline inflation, on the other hand, at 23.8% was lower than the 28.6% average in 2013. The high inflation was triggered by increases in both food and non-food inflation due to speculation and uncertainty in the macro-economic environment following continued suspension of budgetary support. This put immense pressure on government budget implementation, resulting in contraction in fiscal expenditure which in turn put pressure on exchange rates and inflation.

EXCHANGE RATES AND MARKET DEVELOPMENTS

The Malawi Kwacha was generally stable during 2014 compared to recent years. It depreciated by 8.97% (2013: 22.2%) against the United States Dollar to MK475.82 from MK433.14 in 2013, 3.35% (2013: 21.45%) against the British Pound to close at MK738.34 from MK713.72. The currency appreciated against the Euro and the South African Rand by 3.78% and 4.69% respectively (2013: 22.36% and 2.16%). The Euro closed at MK575.45 from MK597.21, whilst the South African Rand was at MK41.02 from MK42.94 in 2013.

The Reserve Bank of Malawi raised the benchmark interest rate (the policy rate) from 22.5% to 25% in October 2014 to contain inflationary pressures although the rate had only been reduced to 22.5% in July 2014 from 25% when inflation was on the decline. In response to the increase in the Bank rate, commercial banks increased their base lending rates to range from 37% to 39.5% during the year.

Treasury bill rates decreased on all tenors. The 91-day tenor closed the year at 26.92% from 33.15% in 2013 while the 182-day tenor and the 364-day tenor decreased to 26.42% and 26.98% from 32.69% and 37.17 respectively. Applications during the year under review amounted to MK430 billion (MK235 billion in 2013). The 91 day tenor was the most popular, with 36% of the applications, seconded by the 182 day tenor which had 35% of the applications and followed by the 364 day tenor with 29% of the applications. The total Treasury bill maturities stood at MK197 billion against a total allotted amount of MK286 billion with a net withdrawal of MK88.96 billion.

STOCK MARKET DEVELOPMENT

The Stock Market was sluggish during the year under review registering a return on investment of 18.79% (8.14% in USD) down from 108.31% (97.26% in USD) achieved in 2013. The Malawi All Share Index (MASI) increased by 18.79% to close at 14,886.12 points in December 2014 from 12,531.04 points. The market transacted a total of 1,724,271,388 shares at a total consideration of MK10.8 billion which was a 60.89% decrease in terms of volumes and an 18.50% decrease in terms of value (2013: 4,409,237,082 shares at a total consideration of MK13.3 billion).

The Domestic Share Index (DSI) gained by 18.99% to close at 11720.43 points from a gain of 108.45% and a closing of 9850.19 points. The Foreign Share Index (FSI) increased by 2.94% to close at 1759.61 points from 1709.34 points in 2013.

GROUP PERFORMANCE

The Group profit after tax for 2014, at MK22.134 billion, was 27% above 2013, while profit attributable to PCL shareholders, at MK11.246 billion, was 20% above the corresponding year. The results were delivered notwithstanding the poor macro-economic environment that prevailed during the period characterized by slow revenue growth due uncertainty in the run up to the General Elections in May 2014. The operating environment remained subdued after the election due to the suspension of budgetary support from the country's development partners in the wake of the 'Cashgate' scandal.

DIVIDEND

An interim dividend for 2014 of MK420.7 million (2013: MK240.4 million) representing MK3.50 per share (2013: MK2.00 per share) was paid on 24 October 2014 and the Directors have proposed a final dividend for 2014 of MK1,081.8 million (2013: MK841.8 million), representing MK9.00 per share (2013: MK7.00 per share). This brings the total dividend for 2014 to MK1,502.5 million (2013: MK1,082.2) representing MK12.50 per share (2013: MK9.00). A resolution to approve the final dividend will be tabled at the Annual General Meeting scheduled for 26th June 2015.

PROSPECTS FOR 2015

The year started on a good note with the Kwacha strengthening against all major foreign currencies on account of tight monetary policies adopted by the Reserve Bank of Malawi which resulted in an influx of foreign currency on the market. The Malawi Kwacha is expected to be relatively stable as tobacco sales commence in the second quarter. GDP is forecasted to be 5.8% down from the 6.1% growth achieved in 2014. This is due to the expected decline in tobacco production in response to lower prices fetched in 2014 and the continued suspension of the Kayelekera uranium mine. Inflation is expected to increase due to the poor maize harvest anticpated on account of the floods which afflicted the southern region of the country in January 2015.

The International Monetary Fund announced resumption of its credit support to Malawi in March 2015 and it is expected that other development partners will follow suit.

According to the IMF, the resumption of Malawi's Extended Credit Facility follows the new Government's commitment to rebuilding trust in public institutions and bringing the IMF-supported programme back on track, including maintaining a flexible exchange rate and the automatic fuel pricing mechanism. Going forward, bringing inflation down to single digit and boosting official foreign exchange reserves remain key policy objectives for the Government.

Building on the strength of our widely diversified portfolio, the Group is well positioned for growth. Our focus is to nurture and grow our current

CHAIRMAN'S REPORT

businesses while we continue to search for profitable business opportunities both locally and in the region.

MANAGEMENT OF THE COMPANY

Mr. Charles James Evans, who held the position of Group Administration Manager, retired from the Company on 31st March 2014 after having served the Company diligently for 37 years. I thank him for his dedicated service to the Group and wish him a happy retirement.

THE BOARD OF DIRECTORS

Mrs. Maureen S. T. Kachingwe retired from the board in May 2014 and was replaced by Mr. Patrick D Mhango in accordance with the Company's Memorandum and Articles of Association. I wish to thank Mrs. Kachingwe for her valuable contributions during her tenure and welcome Mr. Mhango to the board and look forward to his contributions in the deliberations of the board.

APPRECIATION

I wish to thank my fellow Directors, management and staff for their continued support, cooperation and dedication during the year. With their support, the Company was able to face and overcome difficult challenges and achieve impressive results during the year as outlined in this Report. I look forward to another successful year in 2015.

CLEMENT S. CHILINGULO
CHAIRMAN

PROFILE OF DIRECTORS

CLEMENT S CHILINGULO

LL. B., FCIS, Chairman

Age 61, appointed to the Board 7 February 2001

Mr Chilingulo has served in legal and company secretarial positions of several companies beginning with Press (Holdings) Limited where he rose to the position of Deputy Group Company Secretary. This was followed by Indebank and then Commercial Bank of Malawi (now Standard Bank) where he served as Legal Counsel & Company Secretary. From September 1997, he was Executive Secretary of Press Trust until his retirement on 31st March 2014.

CHRIS A. KAPANGA

Dip Bus Mgt., ACII, MBA, Chartered Insurer

Age 55, appointed to the Board 26 August 2012

Mr Kapanga is a Chartered Insurer with over thirty years international experience in the insurance industry. He has held senior positions in various insurance companies in Malawi and South Africa. He is currently Group Chief Executive Officer of Old Mutual (Malawi) Ltd. He is also a director on a number of boards as a representative of Old Mutual.

SIMON A ITAYE

B.Com., FCCA, MBA

Age 57, appointed to the Board 5 March 1998

Mr Itaye has extensive experience in audit, financial and strategic general management and is currently the Managing Director of Nampak Malawi Limited (NML). He is non-executive Chairman in Marsh Limited, Millennium Challenge Account - Malawi, Easy Loans Limited and Investments Alliance Limited.

PROFILE OF DIRECTORS

ANDREW G BARRON
HND Bus

Age 55, appointed to the Board 29 August 2000

Mr Barron is a farmer and the Managing Director of Mbabzi Estates Limited and Lincoln Investments (Pvt) Limited, a position that he has held since 1989. He also has a number of other business interests and is a director at Malawi Property Investments Company Limited, New Capital Properties Limited, Capital Developments Limited, Auction Holdings Limited, Seed-Co Malawi Ltd, Plantation House Investments Limited and he chairs Malawi Leaf Ltd. He is an alternate councillor at the Tobacco Association of Malawi.

PATRICK D MHANGO
B.Soc Sc., MBA

Age 53, appointed to the Board 1 April 2014

Mr Mhango is the Chief Executive Officer of Press Trust. He joined the Trust in 2004 as Head of Operations and was promoted to his current position on 1st April, 2014. Prior to that, he worked as Operations Manager of Indefund Limited. He is an economist with extensive knowledge and experience in financial services and general operations. By virtue of his position with Press Trust, he sits on the boards of several companies in which the Trust has invested. In his own right, he is currently a member of the Economics Association of Malawi (ECAMA) where he served as Treasurer General until July 2014. He is also a Rotarian (President Elect), being a member of Rotary Club of Bwaila in Lilongwe.

DR BERNARD ZINGANO
Ph.D, RIBA, MIA, FRSA

Age 67, appointed to the Board 21 May 2013

Dr Zingano is a Chartered Architect, but his Doctorate is in Mechanical Engineering related to Solar Energy. He is currently the Director and Senior Partner of Zingano and Associates. Prior to the establishment of his practice he worked in the civil service for over 20 years, ascending to the post of Principal Secretary in the Ministry of Works and Supplies. Dr. Zingano is an accomplished researcher and author having published articles on architecture and solar energy in both local and international journals. He is a member of the Royal Institute of British Architects, Royal Society of Arts of London and World Renewable Energy Network and is a founding member of the Malawi Institute of Architects (MIA).

GROUP CHIEF EXECUTIVE'S REPORT

OVERVIEW

During the year under review the Group achieved a consolidated profit after tax of MK22.134 billion (2013: MK17.364 billion) for the year ended 31st December 2014. This represents a 27% growth on prior year. Net profit attributable to ordinary shareholders was MK11.248 billion (2013: MK9.372 billion), representing a 20% increase on 2013. The performance was achieved against the background of a dampened operating environment, characterised by tight liquidity emanating from reduced government spending following the suspension of budgetary support by Malawi's development partners. This was aggravated by increased operating costs occasioned by high interest rates and the attendant high inflation that prevailed during the greater part of the period.

The Financial Services segment continued to be the main driver of the Group's results and registered a 26% increase in its earnings. Likewise, the Telecommunications segment delivered excellent results following the outstanding performance by the mobile phone business. The fixed phone business registered a profit following the successful restructuring of its balance sheet.

The equity accounted investments registered a 32% growth in their earnings (PCL's share grew by 24%) with the Bottling and Brewing business delivering a 43% growth while the tobacco processing business delivered a 24% growth.

Earnings from the ethanol manufacturing business declined due to the increase in the price of feedstock and lower yields due to lower sugar content in the feedstock. Plans to invest in feedstock independence are at an advanced stage.

The Consumer Goods segment made a loss following a stock loss incurred during the year. The fishing business continued on its path to recovery and significantly reduced the loss from operations. The company successfully restructured its balance sheet and the search for a strategic partner in its fish farming division is currently in progress.

GROUP COMPANY HIGHLIGHTS

FINANCIAL SERVICES

NATIONAL BANK OF MALAWI

The bank recorded a pre-tax profit of MK20.7 billion, representing a 14.6% growth over the previous year's results. The operating environment during the first half of the year was uncertain and subdued in the run-up to the May 2014 Tripartite general elections, as major investment decisions by most of the Bank's customers were postponed. In addition, the high cost of borrowing had the adverse effect of dampening demand for most of the bank's products.

Management took deliberate steps to control the growth of the lending book, as the risk of bad debts increased in the high interest rate environment. After the elections, business started to improve such that towards the end of the second half of the year demand for lending increased. Consequently, the loan book grew by 26% while deposits grew by 16% by year-end. At year-end non-performing loans were higher at 5.5% compared to 3.8% the previous year but were nevertheless much better than industry average.

Revenue from treasury operations continued to be one of the major sources of income for the bank. Despite relatively low foreign exchange availability, in part occasioned by the suspension of the Extended Credit Facility (ECF) programme with the International Monetary Fund (IMF) as a result of the Cashgate scandal in Government, which,

Despite a very uncertain operating environment in the first half of 2014, National Bank recorded a 14.6% growth in pre-tax profits over 2013

GROUP COMPANY HIGHLIGHTS

in turn, left many bilateral donors withholding aid, foreign exchange earnings met expectations.

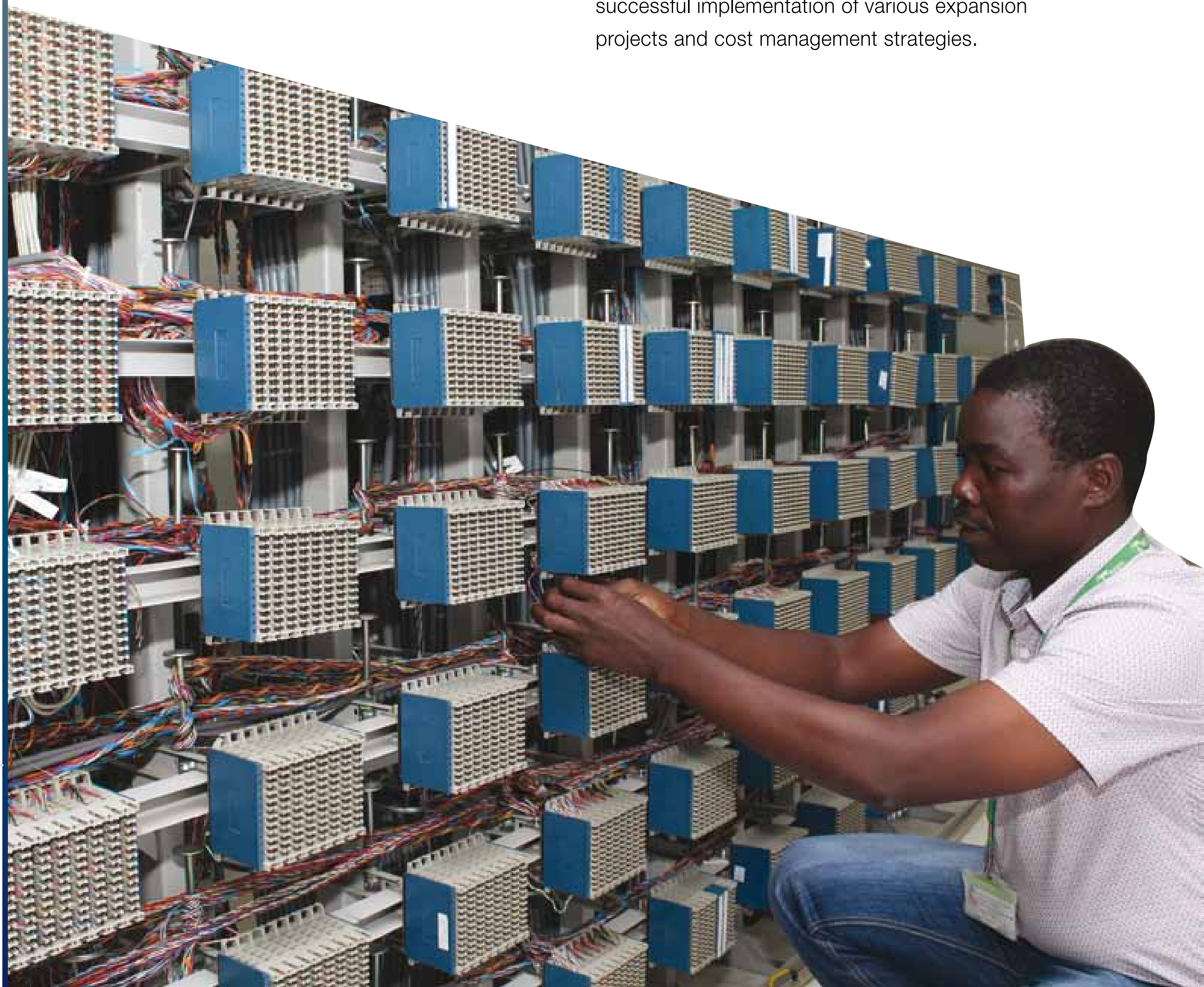
The controlled growth in lending levels cited above led to excess liquidity for the bank for most part of the year, resulting in larger than planned amounts of funds being invested in the money markets. Consequently, money market income exceeded expectations; this situation is likely to continue in 2015 as the cost of borrowing has increased further with the restructuring of the compliance conditions for the Liquidity Reserve Requirement (LRR) in the last quarter of 2014.

Outlook for 2015 is dampened by the negative impact the recent floods in the country will have on agricultural output, a situation that may negatively affect economic activity, the supply of foreign exchange, and the corresponding income for the Bank.

TELECOMMUNICATIONS

TNM LIMITED

Service revenue grew by 40% over the prior year's result, on account of a subscriber base which registered a 20% growth. There was also continued significant growth in data revenue. These achievements were supported by the successful implementation of various expansion projects and cost management strategies.



GROUP CHIEF EXECUTIVE'S REPORT

GROUP COMPANY HIGHLIGHTS

Although the company's after-tax profit grew by 102% above the previous year, the high inflation environment, high interest rates, volatile exchange rate movements, and a very significant increase in regulatory fees continued to drive increases in operational costs. Consequently, the entity requires higher levels of profitability to support sustainable investments in infrastructure. In 2014 alone, the company spent MK11.9 billion for the upgrade of the pre-paid billing systems, core network upgrades, network coverage expansion, and the expansion of coverage for the 3G data network.

During the year, the company acquired an ISP business (Burco Electronic Systems) and related infrastructure assets. This investment will be the foundation for the development of TNM's Business Services Division, which will focus on the needs of enterprise and SME customers.

Although growth levels in the business are expected to slow down in 2015 on account of uncertainty in the macro-economic environment and competition, attention will be focused on improving profitability. In this regard, the company has initiated various business expansion strategies, supported by significant investments in the provision of data, general network modernisation, and capacity expansion.

MALAWI TELECOMMUNICATIONS LTD (MTL)

Service revenue grew by only 9% over the previous year, which was well below average inflation. This outcome was mainly due to failure to fully implement the planned expansion of the CDMA network, a key component of the access network. In addition, international revenue dropped significantly, following the decision by two key clients to establish their own international gateways. However, most of the revenue growth achieved was attributed to data revenue, which remains a key growth area.

Although the company continues to suffer from a heavy interest burden due to heavy borrowings for its capital investments, there was a 55% drop in finance costs compared to last year, due to the

The subscriber base at TNM Limited registered a 20% growth in 2014 and service revenue grew by 40%

GROUP CHIEF EXECUTIVE'S REPORT

appreciation of the Kwacha in the last quarter, which reversed a significant portion of accrued foreign exchange losses. The profit reflected for the year (MK945 million) is on account of profits on sale proceeds from shares that MTL held in TNM; otherwise, there was no profit from service revenues.

In the continued quest to improve the company's financial position, the board of MTL decided to hive off the Fibre Optic Backbone into a separate entity, which will run as an independent company. It was further decided that 80% of the fibre company should be sold to interested parties, and the proceeds to be used to liquidate major foreign currency loans and to improve the access network. It is expected that this matter will be concluded within the course of the third quarter in 2015.

ENERGY

ETHANOL COMPANY LTD

Sales volumes were 1% below the previous year, largely caused by lower alcohol recoveries due to lower sugar content in the molasses received during the year. This led periodically to insufficient product supplies to the market. Consequently, turnover growth was only 12% over the previous year, well below the average inflation of 24%. There were also fewer purchases of ethanol by oil marketing companies (OMCs) due to lower than anticipated demand for petrol, occasioned by the national slowdown in economic activity.

There was a 6% drop in profit margins compared to the previous year, due to the devaluation of the Kwacha. This was so because molasses (the key raw material) and other production raw materials are priced in US Dollars; raw material price increases cannot be routinely passed on because fuel selling prices are regulated.

Ethanol produced by PCL companies Ethco and Presscane was designated by MERA in 2014 as a fuel in its own right. It can now be sold and used without blending with petrol. A project is underway to install separate tanks and pumps in major urban areas

GROUP CHIEF EXECUTIVE'S REPORT

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During the year, ethanol was designated by MERA as a fuel in its own right, such that it can now be sold and used without blending with petrol. In this regard, a project is underway to install separate tanks and pumps at selected sites in major urban areas (Blantyre, Zomba, Lilongwe and Mzuzu).

Outlook for 2015 is mixed because the drop in global oil prices has led to reduced sales revenues as pump prices have come down. In addition, Government has banned the sale of liquor in sachets (of any size), which effectively outlaws the biggest sales channel for liquor on the local market. This will lead to reduced sales volumes on the local market, but plans are in progress to intensify export of potable alcohol to counter the anticipated drop in local sales. The designation of ethanol as a fuel in its own right and the initiative to install specific infrastructure to sell fuel ethanol will open up opportunities for additional sales volumes.

PRESSCANE LIMITED

Sales volumes were 13% above prior year due to carryover stocks from the previous year, which led to continued sales in the traditional off-season period (January to April) when there is usually no product to sell. This was achieved due to more molasses being available than was expected. In addition, the company imported molasses from Mozambique on a trial-run basis and, although there were logistical problems, the initiative will continue in 2015.

In view of the constant availability of product, turnover grew 30% above the prior year (reflecting a real growth of 6%). Accordingly, pre-tax profit was 20% above 2013 levels and, in addition to higher sales volumes, this achievement was also the result of better production efficiencies which led to lower cost of production.

During the year, a re-boiler column was installed and this saw a reduction in coal consumption by 9%. It also made possible the recycling of water, which in turn resulted in a reduction in effluent discharge and a reduction in the cost of effluent treatment.

Looking ahead, the global reduction in base oil prices threatens revenue performance in 2015, but the launch of ethanol as a fuel in its own right is expected to increase sales volumes later in the year and compensate for the expected lower selling prices.

FAST MOVING CONSUMER GOODS

PEOPLE'S TRADING CENTRE LTD

Turnover was 25% above prior year, reflecting a reclamation of market share, following various actions taken during the year to achieve this outcome, including the opening of four new outlets. The refurbishment of stores continued during the year and is still ongoing.

During the year, the company signed a franchise agreement with SPAR of South Africa and commenced the conversion of the Lilongwe City Centre store into a SPAR shop. It is expected that the store will start to operate as a SPAR in the second quarter of 2015.

During the year-end statutory audit, a significant stock loss was reflected and, in view of the fact that the cause of the loss could not be identified, it was decided that a forensic audit be conducted in the company. The work is being conducted by external auditors and the Group Internal Audit Department.

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GROUP COMPANY HIGHLIGHTS

ALL OTHER REPORTABLE SEGMENTS

REAL PROPERTY

PRESS PROPERTIES LTD

Turnover was 51% below the previous year and this was occasioned by delays in the completion of the town-house development project in Lilongwe and late receipt of Government consents following the disposal of several properties. Revenue from sale of properties is recognised only after Government consent has been obtained. The duration of the consent process is entirely unpredictable. In 2014 consents for the sale of several major properties was granted only in February 2015. These proceeds will therefore be accounted for in 2015.

During the year, the major challenge in the property market was the high interest rate environment, which made the cost of mortgages exorbitant and therefore dampened sales prospects. It is anticipated that the stabilisation of the Kwacha will lead to reduced inflation and some measure of certainty on the market. However, if interest rates do not come down, the property market may remain dampened for the rest of the year because of the high costs of borrowing.

FISH BUSINESS

THE FOODS COMPANY LTD

Fish sales volumes were 5% above prior year due to unexpectedly higher fish catches in the first quarter. However, feed sales volumes dropped by 54% compared to the previous year, due to many smallholder chicken farmers going out of business following heavy price discounting by larger scale chicken producers.

Total sales revenue grew only by 2% above the previous year, but gross profit grew by 58% above the prior year. This was occasioned by better fish handling (to maximise prices), increased value addition through fish-smoking, increased packing and freezing of fish products for retail shops, and the creation of more distributor outlets.

During the first quarter, one of the fishing vessels (the Fish Eagle) capsized but was recovered and re-floated. At year-end, an amount of MK312 million was impaired in respect of the vessel. During the year, the company embarked on importation of smoked fish from Tanzania, a product that was well received on the local market. Another development during the year was the conversion of a shareholder loan (MK1.6 billion) into equity, which significantly improved the Statement of Financial Position of the company.

Excluding the impairment loss on the vessel, the trading loss incurred in the year was about half of the loss incurred in the previous year.

The company successfully restructured its balance sheet by converting its indebtedness to the holding company to equity and the search for a strategic partner in its fish farming division is now at an advanced stage.

EQUITY ACCOUNTED COMPANIES

JOINT VENTURES
PUMA ENERGY MALAWI LTD

Sales volumes were 14% below 2013, mainly because of the suspension of mining activities at Paladin Uranium Mine, reduced demand due to

GROUP CHIEF EXECUTIVE'S REPORT

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unfavourable macro-economic conditions, and low demand of aviation fuel caused by aircraft refuelling in neighbouring countries where fuel is cheaper. This notwithstanding, the company maintained its overall market leader position at 41% market share.

Despite the drop in sales volumes, turnover was 4% above prior year; EBTDA margin grew by 20% above prior year and after-tax profit grew by 15% above the previous year. This was on account of improved profit margins (following the approval of margin increase earlier in the year), and reduction of variable expenses and overheads due to concerted cost reduction efforts.

Looking ahead, it is anticipated that volume growth will remain static due to the lack of major construction projects. However, aggressive marketing activities will continue to be engaged in order to maintain market share.

MACSTEEL MALAWI LTD

Sales volumes were 12% below the previous year. The Kwacha devalued as the year began and it remained so until the last quarter when it appreciated. The devaluation led to price increases which, in turn, resulted in reduced demand for

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products. The appreciation of the Kwacha in the last quarter did not have a significant impact on sales.

Although profit margins remained unchanged compared to the previous year, pre-tax profit was 47% below that of 2013, largely because of interest expenses which grew by 78%. This was the result of increased borrowing - to pay off foreign creditors to avoid foreign exchange losses following devaluation of the Kwacha.

Economic activity remains low, a state that has negatively affected the construction industry more seriously compared to other sectors. Consequently, the outlook for 2015 may be characterised as one of cautious optimism.

ASSOCIATED COMPANIES

CARLSBERG MALAWI LTD

Sales volumes were flat (just under 1% above the previous year) and this was across all product categories. This was occasioned by frequent production machinery breakdowns and irregular supply of utilities (power and water). However, product availability improved significantly in the last quarter following resolution of some of the impediments, such that peak demand in the Christmas season was adequately met without difficulty.

Despite a lack of sales volume growth in 2014, pre-tax profit at Carlsberg Malawi grew by 43% above that achieved in 2013. The company promotes waste management by treating and returning waste water to the environment and has constructed a treatment system in its new Lilongwe soft drink plant with the aim of returning 100% of the water used in production.

During the year, a major project was embarked upon, whose outcome is the wholesale improvement in production, logistics, and market servicing. In this regard, the soft drinks bottling line in Blantyre is being replaced. There were also several other technical upgrades and improvements carried out in all production facilities and the process is ongoing.

Despite the lack of sales volume growth, pre-tax profit grew by 43% above that achieved in the previous year. This was singularly driven by the smaller foreign exchange loss (MK440 million) in the year compared to the prior year's foreign exchange loss (MK2 billion). The appreciation of the Kwacha in the last quarter facilitated this outcome.

Outlook for 2015 remains cautious due to uncertainties in the macro-economy and the effect of recent floods which will compromise crop production in some parts of the country. A reduction in the production of cash crops will lead to a reduction in disposable incomes. The heavy rains have also damaged roads in many parts, to the extent it will take time before some areas are fully accessible again by heavy goods vehicles.

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LIMBE LEAF TOBACCO COMPANY LTD

Trading results were significantly impacted by the devaluation of the Kwacha. Trading volumes were 15% below prior year, but there was a slight increase (9%) in turnover following the devaluation of the Kwacha. Total production volumes were 6% below the previous year on account of reduced customer orders.

The industry remains rather unsettled due to challenges occasioned by the introduction of industry changes, aimed at achieving a better organised industry. There are various opponents to the changes being introduced, especially the implementation of an industry-wide registration system. The hope is that in the end, reason will prevail over apprehension. There are two new buyers that have become active in the market.

The after-tax profit was 23% above prior year, a growth barely above inflation. This weak growth is largely attributed to reduced customer orders.

Looking ahead, the 2015 crop season was initially threatened by inclement weather, but it appears volumes may not be too badly affected; both quality and yield are reported to be encouraging, despite the fact that some areas have been affected by flooding.

STAFF WELFARE AND DEVELOPMENT

Press Corporation Limited continues to play its part in the fight against HIV/AIDS in the workplace with all related awareness activities being conducted during working hours. The company is an active member of the Malawi Business Coalition Against HIV/AIDS (MBCA) which is a private sector initiative. HIV/AIDS awareness events continued to be held during the year. On World AIDS Day, the Group commemorated the day by holding an event for employees and their spouses, where experts from different organisations and individuals made speeches and presentations in line with the 2011-2015 theme of "Getting to Zero."

Furthermore, Press Corporation Limited is aggressively continuing with Employee Wellness Programmes where the focus is on the total well-being of the employee. The company realises that there are other lifestyle diseases which are equally dangerous but can be avoided or controlled with lifestyle behavioural changes.

Training and development of staff continues to play an important role in the company's capacity building programme in the context of its overall strategic plan in order to allow for the efficient delivery of services and also provide for effective succession planning. Training in leadership and management is encouraged at senior and middle management levels. In the year just ended, nineteen senior- and mid-level employees drawn from Group companies underwent and completed a seven-month in-house Leadership Development Programme bringing the pool of graduates to fifty (50) since 2002. Other employees continue to be sponsored on courses relevant to their individual developmental needs in areas such as accounting, marketing and human resources.

We continue to seek and recruit qualified and young graduates into the Press Group "Management Trainee" Programme which has been running for the past ten years. Upon completion of their training, the trainees are placed in the various companies within the Group to ensure that the Group has a reservoir of future managers and leaders.

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STRATEGIC DIRECTION

Press Corporation Limited is keen to maintain its leadership position and significant role in the private sector by focusing on and nurturing profitable operations to ensure that they grow market share and maintain dominance in their respective sectors.

EXPAND OPPORTUNITIES

Viable investment opportunities will continue to be explored in various sectors to strengthen the Group's portfolio of investments and enhance its income stream.

In the short-term, potential opportunities are in the energy sector, specifically generation of electricity through solar and hydro-power. In the medium to long term, the Company intends to venture into mining and tourism.

IMPROVE PRODUCTIVITY

We will continue to invest in Research and Development in our businesses in order to identify modern technologies that will improve production efficiencies.

Our strong capabilities across the Group will be exploited by sharing skills and ideas, building procurement and Information Technology synergies and leveraging on group policy administration in order to improve efficiencies and effectiveness in costs across the Group.

INVEST IN PEOPLE

Our major success factor lies in our people. We will continue to motivate, inspire and build capacity in our people by investing in leadership and management training programmes aimed at creating a pool of talented and skilled leaders across the Group; as well as rewarding excellence and offering opportunities for career progression within the Group.

The Group's policies will continue to be:-

- Hold at least a 50% equity in investments so as to influence key decisions and overall strategy
- Ensure that Group's debt-equity ratio remains consistent with the company's risk policy
- Pay such dividends as take into account cash flows vis-à-vis potentially profitable investment opportunities for growth and sustainability
- Operate with reputable joint venture partners to take advantage of their management and technical expertise
- Maintain strict performance criteria for investments and divest under-performing assets in timely manner
- Conduct business in an environmentally responsible manner and work with various stakeholders, e.g. Government, Non-Governmental Organisations and Development Partners in promoting sustainable development
- Build a successful team with a culture of excellence by investing in leadership training for our people
- Invest in people through training in leadership in order to promote a culture of excellence, team work and innovation
- Ensure diversity by employing more women in decision-making positions

In conclusion, I wish to thank sincerely the Board of Directors, management and staff of Press Corporation Limited and all the Group companies, subsidiaries and associates for their untiring support during the year. I look forward to the future with great expectations for the enduring teamwork to take the Group to greater heights.

Dr M A P Chikaonda

Group Chief Executive

BOARD OF DIRECTORS

The Board of Directors is responsible to the shareholders for setting the direction of the Group through the establishment of strategic objectives and key policies. The Board meets quarterly, settles the strategic mission and is responsible for the overall direction and control of the Group.

At 31 December 2014 the Board consisted of six non-executive directors and two executive directors. The Chairman is a non-executive director and has a casting vote.

Press Trust and Old Mutual appoint five of the non-executive directors. These appointments are in accordance with the Company's Articles of Association. At 31 December 2014 Press Trust and Old Mutual owned 44.47% and 13.5% respectively of the shares in the Company.

Executive directors are appointed by the whole Board from members of Executive Management.

The corporate board is responsible 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.

The names of the executive and non-executive directors in office at 31 December 2014 and at the date of this report are set out on page 28.

PRINCIPAL BOARD COMMITTEES ARE:

AUDIT COMMITTEE

The Committee currently comprises two non-executive directors and one non-board member and meets no less than twice in the year. The Group Chief Executive, the Group Financial Controller, and the Group Internal Audit Manager attend the meetings by invitation. The external auditors have access to this committee. It is currently chaired by Mr S A Itaye. In the year ended 31 December 2014 the committee met four times; in March, June, August and November.

The Committee's principal functions are to review the annual and interim financial statements and accounting policies, the effectiveness of internal controls over management information and other systems of internal control, the preliminary reported financial information, and to discuss the auditors' findings and recommendations. The external auditors are appointed each year based on recommendations of the Committee, which is also responsible for fixing their remuneration. In addition, it reviews the corporation's procedures and policies.

APPOINTMENTS AND REMUNERATION COMMITTEE

The Committee comprises three non-executive directors. It is currently chaired by Mr A G Barron.

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 place and approving salaries at the executive directors' and executive management level based on these findings.

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

RISK COMMITTEE

The Committee comprises three non-executive directors. Members of Executive Management also attend the committee's meetings. The Group

Risk Manager attends on invitation. Mr C Kapanga currently chairs the Committee.

The Committee was set up as part of the Group's overall risk strategy, with the principle objective of ensuring that there are policies and strategies in place to manage all risks relating to all operations of Press Corporation Limited and companies within the Group and that Executive Management has adequate skills and knowledge and is competent to manage the identified and perceived risks.

During the year, the Committee met once in February.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board of Directors has overall responsibility for ensuring that the Group has appropriate risk management and internal controls in place and that they are working effectively. To fulfil its responsibilities, management maintains accounting records and has developed and continues to maintain appropriate systems of internal control. The directors report that the Group's internal controls and systems of internal control are designed to provide reasonable but not absolute assurance, as to the integrity and reliability of financial statements. The internal control measures are meant to safeguard, verify and maintain accountability of the Group's assets and to detect and minimise fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations.

The systems of internal control are based on established organisational structures implemented by Management together with written policies and procedures, including budgeting and forecasting disciplines and the comparison of actual results against these budgets and forecasts. The directors have satisfied themselves that these systems and procedures are implemented, maintained and monitored by appropriately trained personnel with proper segregation of authority, duties and reporting lines, and by comprehensive use of advanced computer hardware and software technologies. Employees are required to maintain the highest ethical standards in ensuring that business practices are conducted in a manner which in all reasonable circumstances is above reproach. The effectiveness of the systems of internal control in operation is monitored continually through reviews and reports from the Group Internal Audit Manager.

In addition, the Group'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 subsidiaries.

A formal "Limits of Authority" is in place that specifically reserves certain matters for Board decision.

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

The Group has established a comprehensive process for the review and consideration of risk at both Group and subsidiary level.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS AND MANAGEMENT

DIRECTORS

Mr C S Chilingulo	Chairman
Mr S A Itaye	Audit Committee Chairman
Mr C A Kapanga	Risk Committee Chairman
	Appointments and Remuneration Committee Member
Mr A G Barron	Appointments and Remuneration Committee Chairman
	Risk Committee Member
Mr P D Mhango	Audit Committee Member
Dr B Zingano	Appointments and Remuneration Committee Member
	Risk Committee Member
Dr M A P Chikaonda	Group Chief Executive
Mr P P Mulipa	Group Operations Executive

MANAGEMENT

Dr M A P Chikaonda	Group Chief Executive
Mr P P Mulipa	Group Operations Executive
Mrs E Mafeni	Group Financial Controller
Mr B M W Ndau	Group Administration Executive / General Counsel
Mr C J Evans	Group Administration Manager (Until 31/03/2014)

CODE OF ETHICS

Press Corporation Limited 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

Press Corporation Limited 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 women to executive and non-executive directorships on the boards of Press Corporation Limited and its subsidiary companies. Furthermore, the Group is keen to improve the pipeline below board level, to widen the talent pool available to its businesses. The Group shall strive to support and encourage successful women in the work space.

FIVE YEAR GROUP FINANCIAL REVIEW

for the year ended 31 December 2014

In millions of Malawi Kwacha

	2014 Mkm	2013 MKm	2012 MKm	2011 MKm	2010 MKm
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME					
Turnover	136,787	113,717	74,544	35,305	29,249
Profit before income tax	27,394	20,509	9,830	6,160	8,281
Share of profit of equity-accounted investees net of income income tax	7,316	5,915	3,421	2,439	2,054
Profit before income tax	34,710	26,424	13,251	8,599	10,335
Income tax expense	(12,576)	(9,060)	(3,738)	(2,471)	(2,592)
Profit after income tax	22,134	17,364	9,513	6,128	7,743
Attributable to non-controlling interests	(10,886)	(7,992)	(3,173)	(2,659)	(2,426)
Attributable to equity holders of the company	11,248	9,372	6,340	3,469	5,317
Dividend paid to ordinary shareholders	(1,263)	(661)	(560)	(560)	(560)
Retained profit	9,985	8,711	5,780	2,909	4,757
Basic earnings per share (MK)	93.58	77.97	52.75	28.86	44.23
Dividend per share (MK)	10.51	5.50	5.16	4.66	4.66
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION					
Property, plant and equipment	77,816	68,206	63,774	48,450	47,971
Investment properties	3,270	3,096	3,591	2,869	2,667
Investment in equity accounted investees	20,142	13,922	8,914	7,462	5,474
Other non-current assets	50,148	33,119	32,387	17,779	17,702
Net current liabilities	(24,900)	(17,092)	(29,604)	(19,741)	(19,144)
Total employment of capital	126,476	101,251	79,062	56,819	54,670
Ordinary shareholders' funds	75,245	57,090	41,977	31,532	28,033
Non-controlling interest	32,138	23,394	17,148	16,384	14,877
Loans and borrowings	17,395	17,306	17,001	6,828	4,543
Provisions	-	-	88	913	2,364
Deferred tax liabilities	1,698	3,461	2,848	3,878	4,853
Total capital employed	126,476	101,251	79,062	59,535	54,670
CONSOLIDATED STATEMENTS OF CASH FLOWS					
OPERATING ACTIVITIES					
Cash generated from operations	48,215	60,616	27,903	18,174	14,051
Interest and tax paid	(15,920)	(11,972)	(10,853)	(4,509)	(5,625)
Cashflows from operating activities	32,295	48,644	17,050	13,665	8,426
INVESTING ACTIVITIES					
Interest/Dividend received	4,779	8,923	1,744	186	240
Capital expenditure	(22,663)	(12,290)	(17,554)	(9,016)	(15,093)
Acquisition /(Disposal)of subsidiaries net of cash	-	-	892	-	-
(Acquisition)/disposal of other investments	(7,319)	(18,230)	4,048	(2,972)	6,342
Proceeds from sale of property, plant and equipment and investment properties	1622	874	923	759	377
Cashflows (used in) investing activities	(23,581)	(20,723)	(9,947)	(11,043)	(8,134)
FINANCING ACTIVITIES					
Proceeds from issue of shares	-	-	-	-	-
Dividends paid to non-controlling shareholders	(3,779)	(3,242)	(1,615)	(1,012)	(1,531)
Dividends paid to shareholders of the company	(1,263)	(661)	(560)	(560)	(560)
Increase/(decrease) in borrowings	2,934	(582)	9,516	3,184	(905)
Cashflows from/(used in) financing activities	(2,108)	(4,485)	7,341	1,612	(2,996)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	6,606	23,436	14,444	4,234	(2,704)

PROFILES OF MANAGEMENT

DR MATHEWS A P CHIKAONDA

BA Finance & Economics (Hons), Diploma in Business Studies (Distinction), MBA (Finance), Ph.D (Finance) Director, Group Chief Executive

Age 60, appointed to the Board 1 April 2002

Dr Chikaonda was born on 8th August, 1954. He joined the Group in April 2002 as Group Chief Executive. Prior to this, he served as Assistant Professor of Finance and Associate Professor of Finance (tenured) from 1988 to 1991, and 1992 to 1994, respectively, at Memorial University of Newfoundland in Canada before serving as Deputy Governor of the Reserve Bank of Malawi from August 1994. In January 1995, Dr Chikaonda was appointed Governor of the Reserve Bank of Malawi and served in this post until March 2000 when he was appointed to the Cabinet and served in the Government of Malawi as Minister of Finance and Economic Planning until January 2002. In his own right, Dr Chikaonda is a Director of Illovo Sugar (Malawi) Limited and is also a member of the Leadership Council for the US - based Initiative for Global Development (IGD).

PIUS P MULIPA

B.A., Dip (Mgt.), M.Sc. (Mgt.)
Director, Group Operations Executive

Age 61, appointed to the Board on 1 January 2008

Mr Mulipa was born on 11th January, 1953. He joined the Group as a Management Trainee in 1977 initially at Peoples Trading Centre Limited and more latterly at Hardware and General Dealers, and Tambala where he was appointed General Manager. In 1996 he was promoted to the position of Assistant Group General Manager – Foods at Press Corporation. In the year 2000 he was responsible for the Industrial Division. In the year 2001, he was appointed Group General Manager – Business Development for the Company. He was appointed the Group Operations Executive with effect from 25 September 2001. In his own right, Mr Mulipa is a director of Old Mutual Life Assurance Company Malawi Ltd and the Malawi Revenue Authority.

PROFILES OF MANAGEMENT

ELIZABETH MAFENI

MBL, FCCA, CPA(M), B.Com.
Group Financial Controller

Age 46

Mrs Elizabeth Mafeni was born on 26th October 1968. She joined the Group in September 1999 as Chief Accountant at Malawi Pharmacies Limited. In June 2000 she was transferred to the Corporate Head Office initially as Chief Accountant until 2003 when she was promoted to the position of Group Financial Accountant. On 01 October 2010, she was promoted to the position of Group Financial Controller

BENARD M W NDAU

LL.M (USA); LL.B. (Hons)
Group Administration Executive and General Counsel

Age 42

Mr. Ndau was born on 12 January 1972. He joined the Group in December 2012 as Company Secretary/ Compliance Officer. Prior to this, he served as Director of Regulatory Affairs at Airtel Malawi Ltd. Before joining Airtel, Mr Ndau worked as General Counsel of the Malawi Communications Regulatory Authority (MACRA) from 2008 to 2011 and as Legal Counsel in the legal department of the World Bank in Washington DC from 2005 to 2007. As Legal Practitioner, he worked for a private practice firm of Messrs Savjani & Co from 1999 to 2004. In his own right, Mr. Ndau is a Fulbright Scholar and a part time post graduate lecturer in International Commercial Arbitration at the Law School of the University of Malawi, Chancellor College.

CHARLES J EVANS

B.A.
Group Administration Manager (Until 31/03/2014)

Age 63

Mr. Evans was born on 7 June 1951. He joined the Group as a Management Trainee in November 1975. He worked in various subsidiary companies before being appointed substantively as a Training Officer in 1977. He was transferred to the People's Trading Centre Group in 1981 where he became Personnel and Training Manager until 1991, when he was promoted to Press Corporation Limited first as deputy, before assuming the position of Manpower Development Manager in 1995. In January 2001 he was appointed Group General Manager - Human Resources. He was appointed Group Administration Manager/ Company Secretary in September 2001. Mr Evans retired from the company on 31st March 2014.

PRESS CORPORATION LIMITED AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS

for the year ended 31 December 2014

DIRECTORS' REPORT

31 December 2014

The Directors have pleasure in presenting their report together with the audited consolidated and separate financial statements of Press Corporation Limited for the year ended 31 December 2014.

Incorporation and Registered Office

Press Corporation Limited is a company incorporated in Malawi under the Malawi Companies Act, 1984. It was listed on the Malawi Stock Exchange in September 1998 and as a Global Depository Receipt on the London Stock Exchange in July 1998.

The address of its registered office is: 7th Floor, Chayamba Building, P.O. Box 1227, Blantyre

Principal Activities of the Group and the Company

Press Corporation Limited is a diversified group with significant interests in the Malawi economy. Its subsidiary companies operate in real estate; energy; retail and consumer products; financial services and telecommunications. Press Corporation Limited has two joint venture companies in energy and consumer goods sectors, it also has two associates in the agro-industrial and food and beverages sectors.

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.

Shareholding

The shareholding structure at year end was as follows:-

	2014	2013
	%	%
Press Trust	44.47	44.47
Old Mutual	14.37	12.71
Deutsche Bank Trust Company America	22.34	22.37
Others	18.82	20.45
	100.00	100.00

Dividends

The net profit attributable to owners of the company for the year of MK11.25 billion (2013: MK9.37 billion) has been added to retained earnings. An interim dividend of MK421 million (2013: MK240 million) representing MK3.5 per ordinary share (2013: MK2) was paid during the year. The directors have further proposed a final dividend for the year 2014 of MK1,082 million (2013: MK841.4 million) representing MK9 per share (2013: MK7) to be tabled at the forthcoming Annual General Meeting.

Directorate and Company Secretary

Mr. C.S. Chilingulo	-	Chairman	(Throughout the year)
Dr. M.A.P. Chikaonda	-	Director / Group Chief Executive	(Throughout the year)
Mr. S.A. Itaye	-	Director	(Throughout the year)
Mrs. M.S.T. Kachingwe	-	Director	(Up to May 2014)
Mr. P.D Mhango	-	Director	(From May 2014)
Mr. A.G. Barron	-	Director	(Throughout the year)
Mr P.P. Mulipa	-	Director	(Throughout the year)
Mr. C. Kapanga	-	Director	(Throughout the year)
Dr. B. Zingano	-	Director	(Throughout the year)
Mr. B.M.W. Ndau	-	Company Secretary	(Throughout the year)

Mr. C. Chilingulo
Chairman
27 March 2014

Dr M A P Chikaonda
Group Chief Executive

STATEMENT OF DIRECTORS' RESPONSIBILITIES

31 December 2014

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Press Corporation Limited and its subsidiaries, comprising the statements of financial position at 31 December 2014, 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, and the Directors' report, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 1984.

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, 1984.

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
- 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 ability to continue as a going concern and have a reasonable expectation that the Group 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 are fairly presented 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 27 March 2014 and are signed on its behalf by:

Mr. C. Chilingulo
Chairman

Dr M A P Chikaonda
Group Chief Executive

27 March 2014

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF PRESS CORPORATION LIMITED
for the year ended 31 December 2014

Deloitte.

P.O Box 187
Blantyre
Malawi

Public Accountants
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INDEbank House
Kaohsiung Road

Tel : +265 (0)1 822 277
+265 (0)1 820 506
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We have audited the separate and consolidated financial statements of Press Corporation Limited and its subsidiaries (the Group) as set out on pages 38 to 120, which comprise the statements of financial position as at 31 December 2014, and the statements of comprehensive income, statements of changes in equity and the statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements
The Group's directors are responsible for preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1984 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with international standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in accordance with the provisions of the Companies Act, 1984, so far as concerns the members of the company.

Deloitte.
Certified Public Accountants
Blantyre, Malawi.

31 March 2014

Audit • Tax • Consulting • Financial Advisory •

Resident Partners: N.T Uka J.S. Melrose L.L. Katandula V.W. Beza C.A. Kapenda

A member firm of
Deloitte Touche Tohmatsu

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

as at 31 December 2014

In millions of Malawi Kwacha

		Group		Company	
	Notes	31/12/14	31/12/13	31/12/14	31/12/13
Assets					
Non-current assets					
Property, plant and equipment	9	77,816	68,206	845	874
Biological assets	10	2	12	-	-
Goodwill	11	1,015	427	-	-
Intangible assets	12	11,854	5,698	394	502
Investment properties	13	3,270	3,096	-	-
Investments in subsidiaries	14	-	-	102,912	86,849
Investments in joint ventures	15	1,546	1,212	9,063	8,074
Investments in associates	16	18,596	12,710	23,271	19,010
Loans and advances to customers	17	24,687	16,252	-	-
Finance lease receivables	18	6,849	4,133	-	-
Loans receivable from group companies	19	-	-	4	5
Other investments	20	1,409	1,669	-	-
Deferred tax assets	21	4,332	4,928	-	-
Total non-current assets		151,376	118,343	136,489	115,314
Current assets					
Inventories	22	10,013	6,561	13	7
Biological assets	10	49	36	-	-
Loans and advances to customers	17	41,606	34,152	-	-
Finance lease receivables	18	474	712	-	-
Other investments	20	39,921	32,342	-	-
Trade and other receivables-group companies	23	-	-	461	898
Trade and other receivables - other	24	35,119	21,387	465	440
Assets classified as held for sale	25	1,008	200	-	-
Income tax recoverable	26	410	342	66	40
Cash and cash equivalents	27	65,852	58,022	107	491
Total current assets		194,452	153,754	1,112	1,876
Total assets		345,828	272,097	137,601	117,190
Equity and liabilities					
Equity					
Share capital	28	1	1	1	1
Share premium		2,097	2,097	2,097	2,097
Other reserves	29	30,596	18,577	101,048	81,985
Retained earnings		42,551	36,415	5,654	4,129
Total equity attributable to equity holders of the company		75,245	57,090	108,800	88,212
Non-controlling interest		32,138	23,394	-	-
Total equity		107,383	80,484	108,800	88,212
Non-current liabilities					
Loans and borrowings	30	17,395	17,306	2,804	80
Provisions		-	-	-	-
Long term loans payable to group companies	32	-	-	990	2,765
Deferred tax liabilities	21	1,698	3,461	21,680	23,976
Total non-current liabilities		19,093	20,767	25,474	26,821
Current liabilities					
Bank overdraft	27	4,259	3,035	340	589
Loans and borrowings	30	14,100	10,036	1,878	495
Provisions	31	4,215	3,619	588	393
Income tax payable	33	3,739	3,304	68	109
Trade and other payables	34	52,661	32,311	422	523
Trade and other payables to group companies	35	-	-	31	48
Customer deposits	36	140,378	118,541	-	-
Total current liabilities		219,352	170,846	3,327	2,157
Total liabilities		238,445	191,613	28,801	28,978
Total equity and liabilities		345,828	272,097	137,601	117,190

The financial statements of the Group and Company were approved for issue by the Board of Directors on 27 March 2014 and were signed on its behalf by:

Mr. C. Chilingulo
Chairman

Dr M A P Chikaonda
Group Chief Executive

The notes on pages 43 to 120 are an integral part of these consolidated and separate financial statements

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2014

In millions of Malawi Kwacha

	Notes	Group 2014	Group 2013	Company 2014	Company 2013
Continuing operations					
Revenue	37	136,787	113,717	6,935	6,846
Direct trading expenses	38	(60,200)	(51,821)	(23)	(22)
Gross profit		76,587	61,896	6,912	6,824
Other operating income	39	6,173	4,684	918	431
Distribution expenses`	40	(2,585)	(1,530)	-	-
Administrative expenses	41	(49,269)	(38,089)	(3,080)	(3,100)
Results from operating activities		30,906	26,961	4,750	4,155
Finance income	42	2,283	4,222	128	1,311
Finance costs	42	(5,801)	(10,679)	(1,422)	(2,335)
Net finance costs		(3,518)	(6,457)	(1,294)	(1,024)
Share of results of equity-accounted investees	43	7,316	5,915	-	-
Profit before income tax		34,704	26,419	3,456	3,131
Income tax expense	44	(12,576)	(9,060)	(668)	(653)
Profit from continuing operations		22,128	17,359	2,788	2,478
Discontinued operations					
Profit from discontinued operations (net of income tax)	8	6	5	-	-
Profit for the year		22,134	17,364	2,788	2,478
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss:					
Foreign currency translation difference		-	(8)	-	-
Revaluation of property, plant and equipment		4,150	1,806	84	-
Share of other comprehensive income of equity accounted investments		2,989	3,796	-	-
Income tax on other comprehensive income	21	753	2,119	2,296	(14,373)
Items that may be reclassified subsequently to profit or loss:					
Net change in fair value of available for sale financial assets		19	184	16,683	46,385
Other comprehensive income for the year (net of tax)		7,911	7,897	19,063	32,012
Total comprehensive income for the year		30,045	25,261	21,851	34,490
Profit attributable to:					
Owners of the Company		11,248	9,372	2,788	2,478
Non-controlling interest		10,886	7,992	-	-
Profit for the year		22,134	17,364	2,788	2,478
Total comprehensive income attributable to:					
Owners of the Company		16,824	15,774	21,851	34,490
Non- controlling interests		13,221	9,487	-	-
Total comprehensive income for the year		30,045	25,261	21,851	34,490
Earnings per share					
Basic and diluted earnings per share (MK)	45	93.58	77.97	-	-
Continuing operations					
Basic and diluted earnings per share (MK)	45	93.53	77.93	-	-

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2014

In millions of Malawi Kwacha

	Issued capital	Share premium	Other reserves	Retained earnings	Total equity attributable to equity holders of company	Non-controlling interest	Total Equity
GROUP							
2014							
Balance at 1 January 2014	1	2,097	18,577	36,415	57,090	23,394	80,484
Profit for the year	-	-	-	11,248	11,248	10,886	22,134
Other comprehensive income	-	-	5,576	-	5,576	2,335	7,911
Total comprehensive income for the year	-	-	5,576	11,248	16,824	13,221	30,045
Transfer to loan loss reserve	-	-	1,077	(1,077)	-	-	-
Depreciation transfer land and buildings	-	-	(49)	49	-	-	-
Net reserve movement on THL deregistration	-	-	5,415	(2,821)	2,594	(698)	1,896
Dividends to equity holders	-	-	-	(1,263)	(1,263)	(3,779)	(5,042)
Balance at 31 December 2014	1	2,097	30,596	42,551	75,245	32,138	107,383
GROUP							
2013							
Balance at 1 January 2013	1	2,097	13,013	26,866	41,977	17,148	59,125
Profit for the year	-	-	-	9,372	9,372	7,992	17,364
Other comprehensive income	-	-	6,402	-	6,402	1,495	7,897
Total comprehensive income for the year	-	-	6,402	9,372	15,774	9,487	25,261
Release of revaluation surplus on disposal	-	-	(11)	11	-	-	-
Transfer to loan loss reserve	-	-	(662)	662	-	-	-
Depreciation transfer land and buildings	-		(165)	165	-	-	-
Dividends to equity holders	-	-	-	(661)	(661)	(3,241)	(3,902)
Balance at 31 December 2013	1	2,097	18,577	36,415	57,090	23,394	80,484

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2014

In millions of Malawi Kwacha

	Note	Issued capital	Share premium	Other reserves	Retained earnings	Total
COMPANY						
2014						
Balance at 1 January 2014		1	2,097	81,985	4,129	88,212
Profit for the year		-	-	-	2,788	2,788
Other comprehensive income		-	-	19,063	-	19,063
Total comprehensive income for the year		-	-	19,063	2,788	21,851
Dividends to equity holders		-	-	-	(1,263)	(1,263)
Balance at 31 December 2014		1	2,097	101,048	5,654	108,800
2013						
Balance at 1 January 2013		1	2,097	49,973	2,312	54,383
Profit for the year		-	-	-	2,478	2,478
Other comprehensive income		-	-	32,012	-	32,012
Total comprehensive income for the year		-	-	32,012	2,478	34,490
Dividends to equity holders		-	-	-	(661)	(661)
Balance at 31 December 2013		1	2,097	81,985	4,129	88,212

CONSOLIDATED STATEMENTS OF CASHFLOWS

for the year ended 31 December 2014

In millions of Malawi Kwacha

		Group		Company	
	Notes	2014	2013	2014	2013
Cash generated by/(used in) operations	49	48,215	60,616	(1,307)	(3,296)
Interest paid		(5,583)	(3,106)	(1,422)	(945)
Income taxes paid		(10,337)	(8,866)	(735)	(584)
Net cash from/(used in) operating activities		32,295	48,644	(3,464)	(4,825)
Cash flows from investing activities					
Purchase of property, plant and equipment		(16,614)	(9,645)	(96)	(159)
Purchase intangible assets		(6,039)	(2,590)	80	(271)
Purchase of investment property		(10)	(55)	-	-
Purchase / additions of other investments		(23,254)	(29,585)	(4,631)	(2,579)
Proceeds on disposal of other investments		15,935	11,355	-	-
Loan proceed from subsidiary companies		-	-	186	-
Loans repaid to subsidiary companies		-	-	(61)	-
Loans issued to subsidiary companies		-	-	-	(202)
Proceeds from sale of Investment property and property, plant and equipment		1,622	874	101	11
Dividend received		2,496	4,701	6,678	6,551
Interest received		2,283	4,222	128	151
Net cash flow from investing activities		(23,581)	(20,723)	2,385	3,502
Cash flows from financing activities					
Long term borrowings received		11,654	5,680	4,629	2,974
Repayments of long term borrowings		(8,720)	(6,262)	(2,422)	(1,453)
Dividend paid to non-controlling interest		(3,779)	(3,242)	-	-
Dividend paid		(1,263)	(661)	(1,263)	(661)
Net cash flow from financing activities		(2,108)	(4,485)	944	860
Net increase/(decrease) in cash and cash equivalents		6,606	23,436	(135)	(463)
Cash and cash equivalents at start of the year		54,987	31,551	(98)	365
Cash and cash equivalents at end of the year	27	61,593	54,987	(233)	(98)

1. REPORTING ENTITY

Press Corporation Limited ('the company') is a company incorporated in Malawi under the Companies Act, 1984. It was listed on the Malawi Stock Exchange in September 1998 and as a Global Depository Receipt on the London Stock Exchange in July 1998. The consolidated and separate financial statements as at, and for the year ended, 31 December 2014 comprise the company and its subsidiaries (together referred to as '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 principal activities of the group

2. BASIS OF PREPARATION

2.1 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, 1984

2.2 Basis of measurement

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.
- Biological assets are measured at fair value less costs to sell.
- Investment property is measured at fair value.
- Investments in subsidiaries, joint ventures and associates are measured at fair value in the company financial statements.
- Property is measured at fair value.

The methods used to measure fair values are discussed further in note 4.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

The preparation of consolidated and separate financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

3.1 Basis of consolidation

i) Subsidiaries

The consolidated and separate financial statements include all subsidiaries that are controlled by the Company. Under the Companies Act, 1984 and International Financial Reporting Standard 10, *Consolidated Financial Statements,* control is presumed to exist where the company is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The control principle is applied in circumstances when voting rights or similar rights give an investor power including situations where the company holds less than a majority of voting rights and in circumstances involving potential voting rights; when the entity is designed so that voting rights are not the dominant factor in deciding who controls the entity; in circumstances involving agency

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

i) Subsidiaries (continued)

relations and when the company has control over specified assets of an entity. The financial statements of subsidiaries are included in the consolidated and separate financial statements from the date that control commences until the date that control ceases.

In the separate financial statements the investments are measured at fair value. These are valued on a regular basis by external valuators.

ii) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Accounting for jointly controlled entities is governed by IFRS 11 which requires jointly controlled entities to be accounted using the equity method.

Investments in jointly controlled entities are initially recognised at cost which includes transaction costs.

In the separate financial statements, the investments are measured at fair value. These are valued on a regular basis by external valuers on behalf of the directors.

iii) Associates

The consolidated and separate financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. Investments in associates are initially recognised at cost which includes transaction costs. Associated companies are those entities in which the Company or a subsidiary has a long-term interest and has significant influence, but not control, over the financial and operating policies. Where associates have different year-ends to the Company, management accounts for the year-end that is coterminous with the group's year are used after review for compliance with year-end procedures and Group accounting policies. The Group's investment includes goodwill identified at acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees. When the Group's share of losses exceeds the carrying amount of the associate including any long-term interests that form part thereof, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations or has made payment on behalf of the associates.

In the separate financial statements the investments are measured at fair value. These are valued on regular basis by external valuers.

iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

v) Non-controlling interest

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's interest therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

vi) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.2 Foreign currency

i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Malawi Kwacha at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Malawi Kwacha at exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit or loss except for differences arising from retranslation of non-monetary available-for-sale instruments which are recognised in other comprehensive income.

ii) *Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Malawi Kwacha at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Malawi Kwacha at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

3.3 Property, plant and equipment

(i) *Recognition and measurements*

Land and buildings are measured at revalued amounts less accumulated depreciation and impairment losses. Items of all plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located when the group has the obligation to remove the asset or restore the site. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Interest and foreign exchange losses on loans which are utilised for the purchase and construction of qualifying assets are capitalised until when the asset is substantially ready for use after which they are recognised in profit or loss.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other operating income in profit or loss. When revalued assets are disposed of, the amounts included in the revaluation reserve are transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment (continued)

ii) *Reclassification to investment properties*

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. A gain is recognised in profit or loss to the extent it reverses a previous impairment on the specific property. Any remaining gain arising on re-measurement is recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the specific property, with any remaining loss recognised immediately in the profit or loss.

iii) *Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefit embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iv) *Revaluation*

Revaluations of property and plant are carried out by independent valuers with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date as economic conditions dictate. The basis of valuation used is current market value. Surpluses on revaluations are accounted for in the revaluation reserve. Accumulated depreciation is eliminated to the gross carrying amount on revaluation. On disposal of the asset, the portion of the reserve related to the specific asset is transferred to retained earnings. Revaluation decreases are charged to the profit or loss except to the extent that they relate to revaluation surpluses previously transferred to the revaluation reserve. An amount equivalent to the additional depreciation arising from revaluations is transferred annually, net of deferred tax, from the revaluation reserve to retained earnings.

v) *Depreciation*

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognised in profit or loss on a straight- line basis over the estimated useful lives of each item of property, plant and equipment. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Items of property, plant and equipment are depreciated from the date they are ready for use. Leased assets are depreciated over the shorter of the lease term and their useful lives if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	40 - 50 years
Plant, furniture and equipment	2- 40 years
Motor vehicles	3- 5 years

The assets' residual values, useful lives and depreciation method are reviewed and adjusted if appropriate, at each reporting date.

3.4 Intangible assets

i) *Goodwill*

Goodwill arising on an acquisition represents the excess of the fair value of the consideration transferred, the recognised amount of any non-controlling interests in the acquiree and, in a business combination achieved in stages, the fair value of existing equity interest in the acquiree over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is measured at cost less impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

ii) *Gain from bargain purchase*

A gain resulting from a bargain purchase arising on an acquisition represents the excess of the fair value of the net identifiable assets acquired over the fair value of the consideration transferred, the recognised amount of any non-controlling interests in the acquiree and, in a business combination achieved in stages, the fair value of existing equity interest in the acquiree. The gain from a bargain purchase is recognised immediately in profit or loss.

iii) *Computer software*

Acquired computer software that has a probable economic life exceeding one year is recognised as an intangible asset and is capitalised on the basis of the costs to acquire and bring to use the specific software. Computer software is amortised over its useful life. The estimated useful life is five years (current and comparative years).

iv) *Other intangible assets*

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and impairment losses. The estimated useful life is five years (current and comparative years).

v) *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.

vi) *Amortisation*

Amortisation is based on the cost of an asset less its residual value. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Goodwill is not amortised but is reviewed for impairment annually as outlined in note 3.9 below.

3.5 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.

3.6 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of material and direct labour, any other cost directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

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.

3.7 Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to/from the Group. All other leases are classified as operating leases.

i) *The group as a lessor*

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 company's net investment outstanding in respect of the leases.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (continued)

ii) *The group as a lessee*

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability to the lessor is recognised in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are recognised in profit or loss.

Rentals payable under operating leases are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term. Investment property held under an operating lease is recognised on the Group's statement of financial position at its fair value.

3.8 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.

3.9 Impairment

i) *Financial assets*

A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset, that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. Interest on an impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment to decrease, the decrease in impairment loss is reversed through profit or loss.

Individually significant financial assets are tested for impairment on an individual basis. The difference between the acquisition cost (net of principal repayment and amortisation) and current fair value less any impairment loss previously recognised in profit or loss are assessed collectively in groups that share similar credit characteristics, excluding assets considered individually significant.

ii) *Available-for-sale financial assets*

An impairment loss in respect of an available-for-sale financial asset are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation and the current fair value, less any impairment loss recognised previously in profit or loss. If, in subsequent period, the fair value of the impaired available-for-sale financial assets increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available for sale security is recognised in other comprehensive income.

iii) ***Non-financial assets***

The carrying amounts of the Group's non-financial assets, other than biological assets, investment property, inventories, deferred tax assets, income tax, assets and non-current assets held for sale within the scope of IFRS 5 are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's or cash generating unit's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value and the risks specific to the asset.

For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amounting is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash inflows that largely are independent from other assets or group of assets. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately and therefore is not tested for impairment separately. Instead, the entire amount of investment in the associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.10 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as being met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Immediately before classification as held for sale, the measurement of the assets and/or components of a disposal group are brought up-to-date in accordance with applicable IFRSs. Then, they are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss. The same applies to gains and losses on subsequent remeasurement. Gains are not recognised in excess of any cumulative impairment loss.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed or is held for sale, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. 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 period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Employee benefits

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 as incurred. Once the contributions have been paid, the group has no further payment obligations.

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. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

i) Other long term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted.

ii) Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after reporting period, then they are discounted to their present value.

iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the 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.

iv) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

3.12 Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding up of the discount is recognised as finance cost.

i) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Costs relating to the on-going activities of the Group are not provided for. Future operating losses are not provided for.

ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. 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.

iii) *Warranties*

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

3.13 Revenue

Revenue represents amounts invoiced or sales otherwise made in the normal course of trade of the respective companies after deduction of Value Added Tax (VAT) and credit notes where applicable. Group revenue excludes sales between group companies.

Dividends are recognised when the company is entitled thereto.

i) *Goods sold and services rendered*

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Revenue from the sale of goods is recognised in profit or loss when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

ii) *Fees and commissions*

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

Fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed or upon the occurrence of a specific act such as a sale, placement or syndication. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

iii) *Dividend income*

Dividend income for available-for-sale equities is recognised when the right to receive payment is established – this is the ex-dividend date for equity securities.

iv) *Other revenue*

Revenue on other sales is recognised on the date all risks and rewards associated with the sale are transferred to the purchaser.

Revenue on other services is recognised upon the performance of the contractual obligation.

3.14 Finance income and expense

Finance income comprises interest income on funds invested, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised through profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of discount on provisions, foreign currency losses, changes in fair value of financial assets at fair value through profit or loss, and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Share capital and dividends

i) *Share issue costs*

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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.

3.16 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

i) *Current income tax*

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

ii) *Deferred tax*

Deferred tax recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: taxable temporary differences arising on the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting nor taxable profit or loss, and temporary differences relating to investments in subsidiaries, associates and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax is measured based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to the same taxable entity, or on different tax entities, but that intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary difference to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

3.17 Government grants

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with it, and credited to the profit or loss on a straight-line basis over the expected lives of the related assets. All other grants of revenue nature are credited to the profit or loss in the year of receipt.

3.18 Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

Purchases and sales of financial assets at fair value through profit or loss and available-for-sale are recognised on trade-date which is the date on which the Group commits to purchase or sell the asset. Loans and receivables are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as effective hedging instrument. Financial assets at fair value through profit or loss are subsequently measured at fair value with changes in fair value recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are subsequently measured at amortised cost using the effective interest method less any impairment losses.

Loans and receivables comprise trade and other receivables and cash and cash equivalents.

a) Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts (i.e. impairment losses) are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other receivables comprise inter-branch accounts, interest receivables, staff advances and other assets and are measured at their amortised cost less impairment losses (refer accounting policy 3.9).

b) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are subsequently measured at amortised cost. Bank overdrafts that are payable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Financial assets (continued)

(iii) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or which do not meet the definition of fair value through profit or loss, loans and receivables or held-to-maturity financial assets.

Shares in other companies and unlisted shares classified as available for sale and are independently valued as economic conditions dictated. Listed shares are carried at market value.

These investments are subsequently measured at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in other comprehensive income should be recognised in profit or loss. However, interest on interest-bearing available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the entity's right to receive payment is established.

3.19 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.

3.20 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.

3.21 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measure at fair value with changes in fair value recognised in profit or loss.

3.22 Financial liabilities

The accounting policies adopted for specific financial liabilities are set out below:

i) Customer deposits and liabilities to other banks

Customer deposits and liabilities to other banks are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. These are subsequently measured at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in profit or loss as interest over the period of the borrowings using the effective interest method.

ii) *Other liabilities*

Other financial liabilities comprise loans and borrowings, overdrafts and trade and other payables. Other liabilities are initially measured at fair value net of transaction costs incurred, and are subsequently measured at amortised cost, using the effective interest method.

The group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

3.23 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 or income of the Group.

3.24 Segment reporting

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.

3.25 Financial guarantee contracts

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 payment when due in accordance with the original or modified terms of a debt instrument.

These are initially measured at fair value and subsequently at the higher of the amount initially recognised less amortisation or the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

3.26 Adoption of new and revised International Financial Reporting Standards

Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements

In the current year, the company has adopted those new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2014.

The adoption of these new and revised Standards and Interpretations did not have a significant impact on the financial statements of the company.

In millions of Malawi Kwacha

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.27 New standards and interpretations not yet effective

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but not yet effective:

Pronouncement	Issued	Effective date
IFRS 1 ***First time Adoption of International Financial Reporting Standards*** • *Annual Improvements 2011-2013 Cycle* (clarifies which versions of IFRSs can be used on initial adoption)	December 2013	Annual periods beginning on or after 1 July 2014
IFRS 2 ***Share-based Payment*** • Amendments resulting to *Annual Improvements 2010-2012 Cycle* (Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition')	December 2013	Annual periods beginning on or after 1 July 2014
IFRS 3 ***Business Combinations*** • Amendments resulting to *Annual Improvements 2010-2012 Cycle* (Requires fair value measurement for contingent consideration at each reporting date)	December 2013	Annual periods beginning on or after 1 July 2014
• *Annual Improvements 2012-2014 Cycle* (Clarifies exclusion from its scope the accounting for the formation of a joint arrangement)	December 2013	Annual periods beginning on or after 1 July 2014
IFRS 5 ***Non-current Assets Held and Discontinued Operation*** • Amendments resulting from *Annual Improvements 2012-2014 Cycle* (Clarifies the reclassification of an asset from held for sale to held for distribution or vice versa.)	September 2014	Annual periods beginning on or after 1 July 2016
IFRS 7 ***Financial Instruments: Disclosures*** • Amendments resulting from *Annual Improvements 2012-2014* (Clarifies on offsetting disclosures.)	September 2014	Annual periods beginning on or after 1 July 2016

In millions of Malawi Kwacha

Pronouncement	Issued	Effective date
IFRS 8 ***Operating Segments*** • Amendments resulting to *Annual Improvements 2010-2012 Cycle* (Requires disclosure of the judgments made by management)	December 2013	Annual periods beginning on or after 1 July 2014
IFRS 9 ***Financial Instrument: Disclosures*** • Contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*	November 2013	Annual periods beginning on or after 1 January 2018
IFRS 10 ***Consolidated Financial Statements*** • Clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	September 2013	Annual periods beginning on or after 1 January 2016
• Consolidation exception for investment entities	Decemebr 2014	Annual periods beginning on or after 1 January 2016
IFRS 11 ***Joint Arrangements*** • Requires an acquirer of an interest in a joint operation in which the activity constitutes a business to apply all of the business combination accounting principles and disclose information required by IFRSs for business combination.	May 2014	Annual periods beginning on or after 1 January 2016
IFRS 12 ***Disclosure of Interests in Other Entities*** • Consolidation exception for investment entities	Decemebr 2014	Annual periods beginning on or after 1 January 2016
IFRS 13 ***Fair Value Measurement*** • Amendments resulting from *Annual Improvements 2010-2012 Cycle* (Clarifies measurement of certain short-term receivables and payables on an undiscounted basis)	December 2013	Annual periods beginning on or after 1 July 2014
• *Annual Improvements 2011-2013 Cycle* (Clarifies scope of the portfolio exception in paragraph 52	December 2013	Annual periods beginning on or after 1 July 2014

In millions of Malawi Kwacha

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.27 New standards and interpretations not yet effective (continued)

Pronouncement	Issued	Effective date
IFRS 14 ***Regulatory Deferral Accounts*** • Adopters of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements	January 2014	Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2017
IFRS 15 ***Revenue from Contracts with Customers*** • Provides a single, principles based five-step model to be applied to all contracts with customers	May 2014	Applicable to an entity's first annual IFRS Financial statements for a period beginning on or after 1 January 2017
IAS 1 ***Presentation of Financial Statements*** • Amendments resulting from *Annual Improvements 2012-2014* (Amendments to address perceived impediments to preparers exercising their judgments in presenting their Financial reports)	September 2014	Annual periods beginning on or after 1 July 2016
IAS 16 ***Property, Plant and Equipment*** • Amendments resulting from *Annual Improvements 2010-2012 Cycle* (proportionate restatement of accumulated depreciation on revaluation)	December 2013	Annual periods beginning on or after 1 July 2014
• Amends the definition of a bearer plant and requires biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with this standard	June 2014	Annual periods beginning on or after 1 July 2016
IAS 19 ***Employee Benefits*** • Amendments clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	November 2013	Annual periods beginning on or after 1 July 2014
• Amendments resulting from *Annual Improvements 2012-2014* (Clarifies high quality bonds used in estimating the discount rate)	September 2014	Annual periods beginning on or after 1 July 2016

In millions of Malawi Kwacha

Pronouncement	Issued	Effective date
IAS 24 ***Related Party Disclosures*** • Amendments resulting from *Annual Improvements 2010-2012 Cycle* (management entities)	December 2013	Annual periods beginning on or after 1 July 2014
IAS 27 ***Separate Financial Statements*** • Amends to permit investments in subsidiaries, joint ventures and associate to be optionally accounted for using the equity method	August 2014	Annual periods beginning on or after 1 January 2016
IAS 28 ***Investment in Associate and Joint Ventures*** • Clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture. • Consolidation exception for investment entities	September 2014 December 2014	Annual periods beginning on or after 1 January 2016 Annual periods beginning on or after 1 January 2016
IAS 34 ***Interim Financial Reporting*** • Amendments resulting from Annual Improvements 2012-2014 (Clarifies the meaning of 'elsewhere in the interim report' and require a cross reference.)	September 2014	Annual periods beginning on or after 1 July 2016
IAS 38 ***Intangible Assets*** • Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	December 2013	Annual periods beginning on or after 1 July 2014
IAS 40 ***Investment Property*** • Amendments resulting from Annual Improvements 2011-2013 Cycle (interrelationship between IFRS 3 and IAS 40)	December 2013	Annual periods beginning on or after 1 July 2014
IAS 41 ***Agriculture*** • Clarifies that produce growing on bearer plants remains within the scope of IAS 41	June 2014	Annual periods beginning on or after 1 January 2016

The directors anticipate that other than IFRS 9 and IFRS 13, these Standards and Interpretations in future periods will have no significant impact on the financial statements of the company. IFRS 9 will impact the measurement of financial instruments whilst IFRS 13 will affect fair value disclosures.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability.

i) Property

The fair value of property recognised subsequent to initial recognition is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

ii) Biological assets

The fair value of fish older than 9 months, being the age at which it becomes marketable, is based on the market price. The fair value of mother fish is based on the market price of fish of similar age, breed and genetic make-up. The fair value of fingerlings is based on the present value of the net cash flows expected to be realised at maturity.

iii) Investment property

An external, independent valuation company, having appropriate recognised professional's qualifications and recent experience in the location and category of property being valued, values the Group investment property every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged for on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

iv) Determination of Telekom Networks Malawi (TNM) as a subsidiary of Press Corporation Limited (PCL)

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 absolute size of holding in TNM of 41.31% (2013: 38.86%) and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of TNM Limited and therefore the Group has control over TNM.

v) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

4.2 Impairment losses on financial assets

The Group reviews its financial assets to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from financial assets before the decrease can be identified with an individual financial asset. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Key assumptions used:

a) Cash flows arising from repayment agreement are aggregated over yearly intervals of 12 months and assumed to arise at the end of the period;

b) Where there is an agreement but no security in place and cash flows in the subsequent years are doubtful total future estimated cash flows are assumed to be nil;

c) Unsupported guarantees are assumed to result in nil cash flows;

d) No cash flows are assumed to arise where there is no repayment agreement and no security and repayments are erratic or unpredictable; and

e) Cash flows arising from security realisation have been assumed to arise at the end of the calendar year in which they are expected.

4.3 Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

5. STATUTORY REQUIREMENTS

In accordance with Section 38 of the Banking Act, 2009, the Reserve Bank of Malawi has established the following requirements as at the reporting date related to the Group's banking business:

5.1 Liquidity reserve requirement

The Group's banking business is required to maintain a liquidity reserve with the Reserve Bank of Malawi equivalent to not less than 15.5% (2013: 15.5%) of total customer deposits. At the end of the year, the liquidity reserve was equivalent to 61.31% (2013: 65.69%) of total customer deposits.

5.2 Capital adequacy requirement as per Section 10(1) of the Banking Act, 2009

The Bank's available capital is required to be a minimum of 10% (2013: 10%) of its risk bearing assets and contingent liabilities. At the end of the year the Bank's available capital was 21.9% (2013: 18.5%) of its risk bearing assets and contingent liabilities.

5.3 Prudential aspects of bank liquidity

As a complement to Section 38 of the Banking Act, 2009, the Reserve Bank of Malawi had issued the following guidelines on the management of liquidity as at the reporting date:

- Liquidity Ratio I - Net liquidity (total liquid asset less suspense accounts in foreign currency) divided by total deposits must be at least 30%.

- Liquidity Ratio II - Net liquidity (total liquid assets less suspense accounts in foreign currency and cheques in the course of collection) divided by total deposits must be at least 20%.

At the end of the year, the Bank's liquidity ratio I was 61.50% (2013: 65.69%) and liquidity ratio II was 61.3% (2013: 65.69%).

5. STATUTORY REQUIREMENTS (CONTINUED)

5.4 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 are as follows:

- A core capital (Tier 1) of not less than 10% of total risk-weighted on statement of financial position assets plus risk-weighted off-statement of financial position items.

- 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.

The Group's regulatory capital is analysed into two tiers:

- 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. 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 of the bank is 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.

There have been no material changes in the Group's management of capital during the period.

In millions of Malawi Kwacha

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

	2014	2013
Tier 1 capital		
Ordinary share capital	467	467
Share premium	613	613
Retained earnings	26,542	19,802
Unconsolidated investments	(396)	(390)
	27,226	20,492
Tier 2 capital		
Loan loss reserve	1,076	-
Revaluation reserve	9,318	6,231
Total regulatory capital	37,620	26,723
Risk-weighted assets		
Retail bank, corporate bank and treasury	171,764	144,555
Total risk-weighted assets	171,764	144,555
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	21.9%	18.5%
Total tier 1 capital expressed as a percentage of risk-weighted assets	15.9%	14.2%

6. FINANCIAL RISK MANAGEMENT

Overview

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

- Strategic risk
- Credit risk;
- Liquidity risk;
- Market risk;
- Currency risk
- Operational risk
- Compliance risk
- Capital adequacy and
- Environmental and social risks.

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.

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 develops 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 three Board Committees: The Risk Committee, the Audit Committee and the Appointments and Remuneration Committee, which are all responsible for developing and monitoring Group risk management policies in their specified areas. All Board Committees have non-executive members and report regularly to the Board of Directors on their activities.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management framework (continued)

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.

The Risk 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 Risk Committee is assisted in these functions by the Group Internal Audit Department which undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Risk Committee.

6.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, loans and advances, investment securities and cash and cash equivalents.

i) Trade and other receivables

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, when available, and in some cases bank references. Purchase 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 over 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. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment or cash basis.

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

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

ii) 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, a track record of profitable business management does not expect any counterparty to fail to meet its obligations.

In millions of Malawi Kwacha

iii) *Loans and advances*

Loans and advances 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 Bank's financial statements.

iv) *Cash and cash equivalents*

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

The credit risks on balances with banks, treasury bills and local registered stocks are limited because the counterparties are institutions with high credit ratings.

6.1 a) Exposure of credit risk

Maximum exposure to credit risk without taking into account any collateral or other credit enhancements.

The table below shows the maximum exposure to credit risk by class of financial instrument. Financial instruments include financial instruments defined and recognised under IAS39 *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.

	Group		Company	
	2014	2013	2014	2013
Gross maximum exposure				
Long term loans receivable – Group	-	-	4	5
Investments in joint ventures and associates	20,142	13,922	135,246	113,933
Trade and other receivables	35,119	21,387	926	1,338
Loans and advances to customers	66,293	50,404	-	-
Finance lease receivables	7,323	4,845	-	-
Cash and cash equivalents	65,852	58,021	107	491
Total recognised financial instruments	194,729	148,579	136,283	115,767
Guarantees and performance bonds	2,238	2,793	1,100	1,100
Loan commitments and other credit facilities	17,391	8,457	-	-
Total unrecognised financial instruments	19,629	11,250	1,100	1,100
Total credit exposure	214,358	159,829	137,383	116,867

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1(b) Net exposure to credit risk without taking into account any collateral or other credit enhancements

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. However, the exposure to credit risk relating to the respective financial assets is mitigated as follows:

GROUP	Carrying amount	Offset	Net exposure to credit risk
At 31 December 2014			
Investments in joint ventures and associates	20,142	-	20,142
Trade and other receivables	35,119	-	35,119
Loans and advances to customers	66,293	-	66,293
Finance Lease receivables	7,323	-	7,323
Cash and cash equivalents	65,852	-	65,852
	194,729	-	194,729
At 31 December 2013			
Investments in joint ventures and associates	13,922	-	13,922
Trade and other receivables	21,387	-	21,387
Loans and advances to customers	50,404	-	50,404
Finance Lease receivables	4,845	-	4,845
Cash and cash equivalents	58,021	-	58,021
	148,579	-	148,579
COMPANY			
At 31 December 2014			
Long term loans receivable – group	4	-	4
Investments in subsidiaries joint ventures and associates	135,246	-	135,246
Trade and other receivables	926	-	926
Cash and cash equivalents	107	-	107
	136,283	-	136,283
At 31 December 2013			
Long term loans receivable – group	5	-	5
Investments in subsidiaries joint ventures and associates	113,933	-	113,933
Trade and other receivables	1,338	-	1,338
Cash and cash equivalents	491	-	491
	115,767	-	115,767

The Group's credit risk is primarily attributed to credit sales made to customers, overdraft and loan facilities extended to its customers. The amounts presented in the statement of financial position are net of provisions for impairment. The specific provision represents allowances for estimated irrecoverable amounts when there is objective evidence that the asset is impaired.

In February 2013, the Government of Malawi issued promissory notes to settle its exposure and several other Government Guaranteed loans, including interest, up to the effective date of the promissory notes. The total exposure of the Group to these Government Guarantee loans as at 1 February 2013 was MK16.9 billion. The Group accepted the promissory notes to settle Government Guarantee loans effective 1 February 2013. The promissory notes are in blocks with the longest certificate maturing in 2016.

In millions of Malawi Kwacha

6.1(c) Credit quality of loans and advances

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

GROUP	2014	2013
Loans and advances		
Individually impaired		
Grade 8: Impaired	971	1,712
Grade 9: Impaired	3,738	747
Gross amount	4,709	2,459
Allowance for impairment	(1,831)	(369)
Carrying amount	2,878	2,090
Past due but not impaired		
Grade 7: Watch list	3,055	1,696
Neither past due nor impaired		
Grade 1-3 Low risk	14,947	12,658
Grade 4-6 Fair risk	45,413	33,960
Total carrying amount	66,293	50,404

Impaired loans and advances

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 to 9 in the Group's internal credit risk grading system.

Past due but not impaired loans

These are loans and advances where contractual interest of principal payments are past due but the Group believes that 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.

Allowance for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individual significant exposures.

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1(c) Credit quality of loans and advances (continued)

Write-off policy

The Group writes off a loan balance (and any related allowances for impairment losses) when it is 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.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade.

	Loans and advances to customers		
GROUP	Gross	Allowance for Impairment	Net
31 December 2014			
Grade 8: Individually impaired	971	-	971
Grade 9: Individually impaired	3,738	(1,831)	1,907
Total	4,709	(1,831)	2,878
31 December 2013			
Grade 8: Individually impaired	1,712	-	1,712
Grade 9: Individually impaired	747	(369)	378
Total	2,459	(369)	2,090

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 not updated 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.

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

GROUP	2014	2013
Against individually impaired		
Motor vehicles	368	347
Commercial property	1,586	13
Residential property	701	557
Total	2,655	917
Against the rest of the loan book		
Motor vehicles	13,426	6,830
Commercial property	8,951	9,413
Residential property	25,107	20,395
Cash	2,467	3,374
Equities	4,196	228
Government guarantees	-	-
Treasury Bill	25	41
Mortgages over farmland	3,841	3,186
Bank guarantees	142	302
Total	58,155	43,769
Grand total	60,810	44,686

In millions of Malawi Kwacha

Collateral repossessed

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding loan balance. In general the Group does not occupy repossessed properties for its business.

The Group monitors its banking business concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

Loans and advances to customers

Concentration by sector	2014	2013
Agriculture	16,335	9,857
Finance and Insurance	501	4,753
Manufacturing	20,235	8,349
Other	2,566	2,186
Personal	11,239	7,898
Wholesale and Retail	18,097	19,237
	68,973	52,280

Concentration by sector percentage	%	%
Agriculture	24	19
Finance and Insurance	1	9
Manufacturing	29	16
Other	4	4
Personal	16	15
Wholesale and retail	26	37
	100	100

Credit quality of investment securities

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.

Credit quality of other financial assets

To manage the level of credit risk, the Group deals with counterparties of good 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.

6.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities as they fall due. Liquidity risk arises from financial liabilities that are settled with cash or other financial assets.

(i) Management of liquidity risk

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

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 as a whole. 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.

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Liquidity risk (continued)

(i) Management of liquidity risk (continued)

TFID monitors compliance of all operating units of the Group 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.

(ii) Exposure to liquidity risk

The key measure used by the Group 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 compliance with the liquidity limit established by the Reserve Bank of Malawi. Details of the reported Group banking business ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	2014	2013
At 31 December	62%	66%
Average for the period	62%	60%
Maximum for the period	65%	66%
Minimum for the period	59%	54%

In millions of Malawi Kwacha

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

GROUP	Less than 1 month	1-3 months	3-12 months	Over 1 year	Total	Carrying amount
At 31 December 2014						
Bank overdraft	4,259	-	-	-	4,259	4,259
Loans and borrowings	1,274	1,781	11,045	17,395	31,495	31,495
Liabilities to customers	125,670	12,039	2,650	19	140,378	140,378
Trade and other payables	-	52,661	-	-	52,661	52,661
Total financial liabilities	131,203	66,481	13,695	17,414	228,793	228,793
At 31 December 2013						
Bank overdraft	3,035	-	-	-	3,035	3,035
Loans and borrowings	7,253	696	2,087	17,306	27,342	27,342
Liabilities to customers	112,113	4,065	2,189	174	118,541	118,541
Trade and other payables	-	32,311	-	-	32,311	32,311
Total financial liabilities	122,401	37,072	4,276	17,480	181,229	181,229
COMPANY						
At 31 December 2014						
Bank overdraft	340	-	-	-	340	340
Loans and borrowings	-	463	1,415	2,804	4,682	4,682
Long-term loans to group companies	-	-	-	990	990	990
Trade and other payables	-	453	-	-	453	453
Total financial liabilities	340	916	1,415	3,794	6,465	6,465
At 31 December 2013						
Bank overdraft	589	-	-	-	589	589
Loans and borrowings	-	20	515	40	575	575
Long-term loans to group companies	-	-	-	2,765	2,765	2,765
Trade and other payables	-	571	-	-	571	571
Total financial liabilities	589	591	515	2,805	4,500	4,500

6.3 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 future cash flows or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

6.3(a) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of Group entities, primarily U.S. Dollars (USD), British Pound (GBP), Euro and South African Rand (ZAR).

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.

The Group's investments in subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)
6.3(a) Currency risk (continued)

The Group had the following significant foreign currency positions:

	MK	USD	GBP	EURO	ZAR	OTHER	TOTAL
GROUP							
At 31 December 2014							
Financial assets							
Investments in joint ventures and associates	20,142	-	-	-	-	-	20,142
Cash and cash equivalents	36,562	21,940	4,001	1,006	584	1,759	65,852
Finance leases, loans and advances to customers	50,756	22,860	-	-	-	-	73,616
Trade and other receivables	15,692	1,011	46	18,180	190	-	35,119
Total financial assets	123,152	45,811	4,047	19,186	774	1,759	194,729
Financial liabilities							
Bank overdraft	4,259	-	-	-	-	-	4,259
Loans and borrowings	11,302	20,193	-	-	-	-	31,495
Customers deposits	99,616	34,536	3,585	2,273	332	36	140,378
Trade and other payables	26,200	25,020	134	855	285	167	52,661
Total financial liabilities	141,377	79,749	3,719	3,128	617	203	228,793
Net balance open position	(18,225)	(33,938)	328	16,058	157	1,556	(34,064)
GROUP							
At 31 December 2013							
Financial assets							
Investments in joint ventures and associates	13,922	-	-	-	-	-	13,922
Cash and cash equivalents	17,113	31,174	4,899	4,234	378	224	58,022
Finance leases, loans and advances to customers	36,416	13,987	1	-	-	-	50,404
Trade and other receivables	21,387	-	-	-	-	-	21,387
Total financial assets	88,838	45,161	4,900	4,234	378	224	143,735
Financial liabilities							
Bank overdraft	3,035	-	-	-	-	-	3,035
Loans and borrowings	18,994	8,348	-	-	-	-	27,342
Customers deposits	76,668	33,195	4,652	3,746	230	50	118,541
Trade and other payables	16,355	14,286	125	622	406	517	32,311
Total financial liabilities	115,052	55,829	4,777	4,368	636	567	181,229
Net balance open position	(26,214)	(10,668)	123	(134)	(258)	(343)	(37,494)

In millions of Malawi Kwacha

	MK	USD	GBP	EURO	ZAR	OTHER	TOTAL
COMPANY							
At 31 December 2014							
Financial assets							
Long term loans receivable – Group	4	-	-	-	-	-	4
Investments in joint ventures associates and subsidiaries	135,246	-	-	-	-	-	135,246
Cash and cash equivalents	83	24	-	-	-	-	107
Total financial assets	135,333	24	-	-	-	-	135,357
Financial liabilities							
Bank overdraft	340	-	-	-	-	-	340
Long term payable group	990	-	-	-	-	-	990
Loans and borrowings	4,682	-	-	-	-	-	4,682
Trade and other payables	453	-	-	-	-	-	453
Total financial liabilities	6,465	-	-	-	-	-	6,465
Net balance open position	128,868	24	-	-	-	-	128,892
COMPANY							
At 31 December 2013							
Financial assets							
Long term loans receivable – Group	5	-	-	-	-	-	5
Investments in joint ventures associates and subsidiaries	113,933	-	-	-	-	-	113,933
Cash and cash equivalents	491	-	-	-	-	-	491
Total financial assets	114,429	-	-	-	-	-	114,429
Financial liabilities							
Bank overdraft	589	-	-	-	-	-	589
Long term payable group	2,765	-	-	-	-	-	2,765
Loans and borrowings	575	-	-	-	-	-	575
Trade and other payables	523	-	-	-	-	-	523
Total financial liabilities	4,452	-	-	-	-	-	4,452
Net balance open position	109,977	-	-	-	-	-	109,977

Foreign currency sensitivity

At the reporting date, if the Malawi Kwacha had weakened/strengthened by 10% against its major trading currencies, with all other variables held constant, post-tax profit for the year would have been higher/lower as follows, mainly as a result of foreign exchange gains/losses:

	Group		Company	
	2014	2013	2014	2013
United States Dollar	(3,411)	(1,073)	2	-
Great British Pound	3	12	-	-
Euro	1,606	(13)	-	-
South African Rand	2	26	-	-

This analysis is based on foreign currency exchange rate variances that the group considered to be reasonably possible at the reporting date.

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)
6.3 Market risk (continued)

6.3(b) Interest rate risk
The Group adopts a policy of ensuring that between 40 and 60 percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis.

Exposure of interest rate risk-non-trading portfolio

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

GROUP	Less than 1 month	1-3 months	3-12 months	Over 1 year	Non interest sensitive	Total	Carrying amount
At 31 December 2014							
Financial assets							
Investments in joint ventures and associates	-	-	-	20,142	20,142	20,142	20,142
Cash and cash equivalents	-	18,000	47,852	-	31,249	65,852	65,852
Loans and advances to customers	-	9,844	31,762	24,687	-	66,293	66,293
Finance lease receivables	-	70	637	6,616	-	7,323	7,323
Trade and other receivables	-	35,119	-	-	-	35,119	35,119
Total financial assets	-	63,033	80,251	51,445	51,391	194,729	194,729
Financial liabilities							
Bank overdraft	4,259	-	-	-	-	4,259	4,259
Loans and borrowings	1,274	1,781	11,045	17,395	159	31,495	31,495
Customer deposits	125,670	12,039	2,650	19	1,196	140,378	140,378
Trade and other payables	-	52,661	-	-	52,661	52,661	52,661
Total financial liabilities	131,203	66,481	13,695	17,414	54,016	228,793	228,793
Maturity profile gap	(131,203)	(3,448)	66,556	34,031	(2,625)	(34,064)	(34,064)
At 31 December 2013							
Financial assets							
Investments in joint ventures and associates	-	-	-	13,922	13,922	13,922	13,922
Cash and cash equivalents	-	33,785	24,237	-	24,237	58,022	58,022
Loans and advances to customers	9,467	10,167	19,905	10,865	-	50,404	50,404
Finance lease receivables	-	-	4,845	-	-	4,845	4,845
Trade and other receivables	-	21,387	-	-	-	21,387	21,387
Total financial assets	9,467	65,339	48,987	24,787	38,159	148,580	148,580

In millions of Malawi Kwacha

GROUP	Less than 1 month	1-3 months	3-12 months	Over 1 year	Non interest sensitive	Total	Carrying amount
At 31 December 2013							
Financial liabilities							
Bank overdraft	3,035	-	-	-	-	3,035	3,035
Loans and borrowings	-	696	9,340	17,306	-	27,342	27,342
Customer deposits	112,113	4,065	2,189	174	2,256	118,541	118,541
Trade and other payables	-	32,311	-	-	-	32,311	32,311
Total financial liabilities	115,148	37,072	11,529	17,480	2,256	181,229	181,229
Maturity profile gap	(105,681)	28,267	37,458	7,307	35,903	(32,649)	(32,649)
COMPANY							
At 31 December 2014							
Financial assets							
Long term loans receivable-Group	-	-	-	4	-	4	4
Investments in subsidiaries joint ventures and associates	-	-	-	135,246	135,246	135,246	135,246
Cash and cash equivalents	-	107	-	-	-	107	107
Trade and other receivables	-	465	-	-	465	465	465
Total financial assets	-	572	-	135,250	135,711	135,822	135,822
Financial liabilities							
Bank overdraft	-	340	-	-	-	340	340
Loans and borrowings	-	463	1,389	2,830	-	4,682	4,682
Long term loans to group companies	-	-	-	990	-	990	990
Trade and other payables	-	453	-	-	453	453	453
Total financial liabilities	-	1,256	1,389	3,820	453	6,465	6,465
Interest sensitivity gap	-	(684)	(1,389)	131,430	135,258	129,357	129,357

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)
6.3 Market risk (continued)
6.3(b) Interest rate risk (continued)

COMPANY	Less than 1 month	1-3 months	3-12 months	Over 1 year	Non interest sensitive	Total	Carrying amount
At 31 December 2013							
Financial assets							
Long term loans receivable-Group	-	-	-	5	-	5	5
Investments in subsidiaries joint ventures and associates	-	-	-	113,933	113,933	113,933	113,933
Cash and cash equivalents	-	491	-	-	-	491	491
Trade and other receivables	-	-	-	-	1,338	1,338	1,338
Total financial assets	-	491	-	113,938	115,271	115,767	115,767
Financial liabilities							
Bank overdraft	589	-	-	-	-	589	589
Loans and borrowings	-	-	-	80	-	80	80
Long term loans to group companies	-	-	-	2,765	-	2,765	2,765
Trade and other payables	-	571	-	-	-	571	571
Total financial liabilities	589	571	-	2,845	-	4,005	4,005
Interest sensitivity gap	589	(80)	-	111,093	115,271	111,762	111,762

6.3(c) Other market price risk

Equity price risk arises from available-for-sale equity securities listed on the Malawi Stock Exchange.

As at 31 December 2014, the Company had the followings financial assets that exposed it to price risk.

	2014	2013
Financial asset		
Investment in National Bank of Malawi	57,946	51,695
Investment in Telekom Networks Malawi Limited	16,964	9,612
	74,910	61,307

Exposure of interest rate risk-non-trading portfolio

At 31 December 2014, if the share price had weakened/strengthened by 5% with all other variables held constant, the Company's post-tax profit for the year would have been higher/lower as follows:

Financial asset	2014	2013
Investment in National Bank of Malawi	2,897	2,585
Investment in Telekom Networks Malawi Limited	848	481
	3,745	3,066

The analysis is performed on the same basis for 2012 and 2013 and assumes that all other variables remain the same.

6.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objectives is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the Group's Audit Committee by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Prevention of business disruption and system failures and development of contingency plans;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective; and
- Safeguarding assets against loss or damage.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by internal audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

6.5 Compliance risk

Compliance is an independent core risk management activity, which also has unrestricted access to the Chief Executive and the Chairman of the Board. The Group is subject to extensive supervisory and regulatory regimes, and the Executive management remains responsible for overseeing the management of the Group's compliance risk.

Money laundering control and occupational health and safety (including aspects of environment risk management) are managed within the compliance function and there are increasingly onerous legislative requirements being imposed in both areas. The Group has adopted anti-money laundering policies including Know Your Customer policies and procedures and adheres to the country's anti-money laundering legislation and Reserve Bank of Malawi regulations and directives.

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Financial assets and liabilities

Accounting classifications and fair values

The table below sets out the Group's and company's classification of each class of financial assets and liabilities, and their fair values:

GROUP	Note	Loans and receivables	Available for sale	Amortised cost	Total carrying amount	Fair value
At 31 December 2014						
Financial assets						
Cash and cash equivalents	27	65,852	-	-	65,852	65,852
Trade and other receivables	24	35,119	-	-	35,119	35,119
Other investments	20	-	6,349	41,330	41,330	41,330
Finance lease receivables	18	7,323	-	-	7,323	7,323
Loans and advances to customers	17	66,293	-	-	66,293	66,293
		174,587	6,349	41,330	215,917	215,917
Financial liabilities						
Bank overdraft	27	-	-	4,259	4,259	4,259
Loans and borrowings	30	-	-	30,295	30,295	30,295
Trade and other payables	34	-	-	52,661	52,661	52,661
Customer deposits	36	-	-	140,378	140,378	140,378
		-	-	227,593	227,593	227,593
At 31 December 2013						
Financial assets						
Cash and cash equivalents	27	58,022	-	-	58,022	58,022
Trade and other receivables	24	21,387	-	-	21,387	21,387
Other investments	20		18,820	10,765	29,585	29,585
Finance lease receivables	18	4,133	-	-	4,133	4,133
Loans and advances to customers	17	50,404	-	-	50,404	50,404
		133,946	18,820	10,765	163,531	163,531
Financial liabilities						
Bank overdraft	27	-	-	3,035	3,035	3,035
Loans and borrowings	30	-	-	27,342	27,342	27,342
Trade and other payables	34	-	-	32,311	32,311	32,311
Customer deposits	36	-	-	118,541	118,541	118,541
		-	-	181,229	181,229	181,229

In millions of Malawi Kwacha

COMPANY	Note	Loans and receivables	Available for sale	Amortised cost	Total carrying amount	Fair value
At 31 December 2014						
Cash and cash equivalents	27	107	-	-	107	107
Trade and other receivables – Group	23	461	-	-	461	461
Trade and other receivables	24	465	-	-	465	465
Loans receivables – Group	19	4	-	-	4	4
Investments in associates	16	-	23,271	-	23,271	23,271
Investments in joint ventures	15	-	9,063	-	9,063	9,063
Investments in subsidiaries	14	-	102,912	-	102,912	102,912
		1,037	135,246	-	136,283	136,283
Financial liabilities						
Bank overdraft	27	-	-	340	340	340
Loans and borrowings	30	-	-	4,682	4,682	4,682
Trade and other payables	34	-	-	422	422	422
Trade and other payables to Group companies	35	-	-	31	31	31
Long term loans payable to Group companies	32	-	-	990	990	990
		-	-	6,465	6,465	6,465
At 31 December 2013						
Financial assets						
Cash and cash equivalents	27	491	-	-	491	491
Trade and other receivables – Group	23	898	-	-	898	898
Trade and other receivables	24	440	-	-	440	440
Loans receivables – Group	19	5	-	-	5	5
Investments in associates	16	-	19,010	-	19,010	19,010
Investments in joint ventures	15	-	8,074	-	8,074	8,074
Investments in subsidiaries	14	-	86,849	-	86,849	86,849
		1,834	113,933	-	115,767	115,767
Financial liabilities						
Bank overdraft	27	-	-	589	589	589
Loans and borrowings	30	-	-	575	575	575
Trade and other payables	34	-	-	523	523	523
Trade and other payables to Group companies	35	-	-	48	48	48
Long term loans payable to Group companies	32	-	-	2,765	2,765	2,765
		-	-	4,500	4,500	4,500

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)
6.6 Financial assets and liabilities (continued)

Fair value hierarchy of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The table below sets out the Group's and company's fair values of financial assets and liabilities that are not measured at fair value but fair value disclosures are required:

GROUP	Notes	Level 1	Level 2	Level 3	Total
At 31 December 2014					
Financial liabilities					
Cash and cash equivalents	27	38,457	-	-	38,457
Trade and other receivables	24	-	35,119	-	35,119
Balances with other banks	27	27,395	-	-	27,395
Other investments	20	6,349	34,981	-	41,330
Finance lease receivables	18	-	7,323	-	7,323
Loans and advances to customers	17	-	66,293	-	66,293
		72,201	143,716	-	215,917
Financial liabilities					
Bank overdraft	27	-	4,259	-	4,259
Loans and borrowings	30	-	30,295	-	30,295
Trade and other payables	34	-	52,661	-	52,661
Customer deposits	36	-	140,378	-	140,378
		-	227,593	-	227,593
COMPANY					
At 31 December 2014					
Cash and cash equivalents	27	107	-	-	107
Trade and other receivables – Group	23	-	461	-	461
Trade and other receivables	24	-	465	-	465
Loans receivables – Group	19	-	4	-	4
Investments in associates	16	-	-	23,271	23,271
Investments in joint ventures	15	-	-	9,063	9,063
Investments in subsidiaries	14	74,910	-	28,002	102,912
		75,017	930	60,336	136,283
Financial liabilities					
Bank overdraft	27	-	340	-	340
Loans and borrowings	30	-	4,682	-	4,682
Trade and other payables	34	-	422	-	422
Trade and other payables to Group companies	35	-	31	-	31
Long term payable to Group companies	32	-	990	-	990
		-	6,465	-	6,465

In millions of Malawi Kwacha

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: 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 2014					
Government promissory notes	20	-	6,349	-	6,349
At 31 December 2013					
Government promissory notes	20	-	10,765	-	10,765
COMPANY					
At 31 December 2014					
Investments in associates	16	-	-	23,271	23,271
Investments in joint ventures	15	-	-	9,063	9,063
Investments in subsidiaries	14	74,910	-	28,002	102,912
		74,910	-	60,336	135,246
At 31 December 2014					
Investments in associates	16	-	-	19,010	19.010
Investments in joint ventures	15	-	-	8,074	8,074
Investments in subsidiaries	14	61,307	-	25,542	86,849
		61,307	-	52,626	113,933

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.7 Fair value measurements

Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis

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
	2014	2013				
Investment in National Bank of Malawi and Telekom Networks Malawi Limited	74,910	61,307	Level 1	Stock market share prices	N/A	N/A
Investment in Carlsberg Malawi Limited	7,688	7,039	Level 3	Discounted cashflow	Long term revenue growth rate and pre-tax operating margin taking into account management's knowledge of market conditions of the specific industries. Weighted average cost of capital determined using a capital asset pricing model and a discount for lack of marketability determined by reference to the share price of listed entities in similar industries	The higher the revenue growth rate and pre-tax operating margin the higher the fair value. The higher the weighted average cost of capital and the discount the lower the fair value
Investment in Puma	8,304	7,111	Level 3	Discounted cash flow	Long term revenue growth rate and pre-tax operating margin taking into account management's knowledge of market conditions of the specific industries. Weighted average cost of capital determined using a capital asset pricing model and a discount for lack of marketability determined by reference to the share price of listed entities in similar industries	The higher the revenue growth rate and pre-tax operating margin the higher the fair value. The higher the weighted average cost of capital and the discount the lower the fair value

In millions of Malawi Kwacha

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
	2014	2013				
Investment in Peoples Trading Centre Limited, Ethanol Company Limited, PressCane Limited, Manzinzi Bay Limited, Press Trading Property Limited.	17,415	17,833	Level 3	Discounted cashflow	Long term revenue growth rate and pre-tax operating margin taking into account management's knowledge of market conditions of the specific industries. Weighted average cost of capital determined using a capital asset pricing model and a discount for lack of marketability determined by reference to the share price of listed entities in similar industries	The higher the revenue growth rate and pre-tax operating margin the higher the fair value. The higher the weighted average cost of capital and the discount the lower the fair value
Investment in Limbe Leaf Tobacco company	15,583	11,971	Level 3	Net asset values of the company	Accounting policies judgements and assumptions for recognition and measurement of asset and liabilities	The more favourable the accounting policies used in a particular economic environment, the higher the fair value.
Investment in Telecom Holdings Limited, The Foods Company Limited and Press Properties Limited	10,587	7,709	Level 3	Net asset values of the company	Accounting policies judgements and assumptions for recognition and measurement of asset and liabilities	The more favourable the accounting policies used in a particular economic environment, the higher the fair value.
Investment in Macsteel	759	963	Level 3	Net asset values of the company	Accounting policies judgements and assumptions for recognition and measurement of asset and liabilities	The more favourable the accounting policies used in a particular economic environment, the higher the fair value.

7. OPERATING SEGMENTS

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis.

The Group recognises five operating industries 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.

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.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit 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.

The following summary describes the operations in each of the Group's reportable segments:

Industry	% shareholding	Nature of business
Financial Services		
National Bank of Malawi	51.49	Financial Services
Telecommunications		
Malawi Telecommunications Limited (MTL)	52.70	Telecommunications Services
Telekom Networks Limited	41.31	Mobile Telecommunications
Energy		
Ethanol Company Limited	66.0	Ethanol manufacturer
Presscane Limited	50.1	Ethanol manufacturer
Consumer Goods		
People's Trading Centre Limited	100.0	Supermarket chain
The All Other Segment		
Press Properties Limited	100.0	Property investment and development
Press Corporation Limited	-	Holding company
The Foods Company Limited	100.0	Manufacturer and distributor of food products
Manzinzi Limited	100.0	Investment property

Industry	% shareholding	Nature of business
Equity Accounted Investments		
Associates		
Carlsberg Malawi	39.6	Beverage manufacturer and distributor
Limbe Leaf Tobacco Company Limited	42.0	Tobacco processors
Joint Ventures		
Puma Energy Malawi Limited	50.0	Fuel & Oil distributor
Macsteel Malawi Limited	50.0	Steel processors
Discontinued Operations		
Press Trading (Pty) Limited	100.0	Dormant
Malawi Pharmacies Limited	100.0	Dormant

Some operations were discontinued as part of re-organisation and restructuring, others were discontinued after they became unprofitable. The dormant companies shown above are the ones that have been retained for future use as vehicles for new projects.

Jointly Controlled Entities

Two companies, Puma Energy Malawi Limited and Macsteel (Malawi) Limited are 50% owned by the Company and 50% owned by technical partners. These have been equity accounted for in the group accounts and carried at fair value in the separate financials of the Company. This is in compliance with IFRS 11 *Joint arrangements.*

Geographical segment presentation

All operations of the Group are in Malawi except for Press Trading (Proprietary) Limited, a dormant company incorporated in South Africa, and therefore geographical segment presentation has not been made.

In millions of Malawi Kwacha

7. OPERATING SEGMENTS (CONTINUED)

2014	Financial services	Telecomm-unication	Energy	Consumer goods	The all other segments	Total
Revenue						
Sales	-	1,016	11,396	35,941	6,598	54,951
Interest income	40,120	-	-	-		40,120
Services	-	49,864	-	-	369	50,233
Total revenues	40,120	50,880	11,396	35,941	6,967	145,304
Inter-group revenue	(1,587)	(2,270)	-	-	(288)	(4,145)
Investment income dividend received from subsidiary companies	-	-	-	-	(4,372)	(4,372)
Revenue from external customers	38,533	48,610	11,396	35,941	2,307	136,787
Segment results						
Operating profits	19,575	12,307	4,079	(1,469)	(3,586)	30,906
Net finance (costs)/income	-	(3,539)	402	41	(422)	(3,518)
Share of profit of equity accounted investment -	-	-	-	-	7,316	7,316
Income tax expense	(6,137)	(2,929)	(1,517)	281	(2,274)	(12,576)
Profit from discontinued operations	-	-	-	-	6	6
Profit for the year	13,438	5,839	2,964	(1,147)	1,040	22,134
Other information						
Capital additions	3,628	16,119	994	660	928	22,329
Depreciation and amortisation	1,880	4,981	326	193	286	7,666
Statement of financial position						
Assets						
Non-current assets	59,806	56,613	4,353	1,505	29,099	151,376
Current assets	164,626	13,292	7,479	6,191	2,864	194,452
Consolidated total assets	224,432	69,905	11,832	7,696	31,963	345,828
Liabilities						
Non-current liabilities	2,379	10,891	766	856	4,201	19,093
Current liabilities	177,210	26,318	3,449	7,537	4,838	219,352
Consolidated total liabilities	179,589	37,209	4,215	8,393	9,039	238,445
Cash flows						
Cash flows from operating activities	31,101	14,369	2,422	(1,502)	(5,255)	41,135
Cash flows investing activities	(11,381	(9,880)	(19)	(581)	2,823	(19,038)
Cash flows (used in)/ from financing activities	(9,560)	(1,571)	(718)	1,434	3,725	(6,690)

In millions of Malawi Kwacha

2013	Financial services	Telecomm-unication	Energy	Consumer goods	The all other segments	Total
Revenue						
Sales	-	605	9,358	29,888	6,011	45,862
Interest income	36,947	-	-	-		36,947
Services	-	38,045	-	-	425	38,470
Total revenues	36,947	38,650	9,358	29,888	6,436	121,279
Inter-group revenue	(1,974)	(1,982)	-	-	(246)	(4,202)
Investment income dividend received from subsidiary companies	-	-	-	-	(3,360)	(3,360)
Revenue from external customers	34,973	36,668	9,358	29,888	2,830	113,717
Segment results						
Operating profits	16,446	7,242	4,192	436	(1,355)	26,961
Net finance (costs)/income	-	(6,548)	693	210	(812)	(6,457)
Share of profit of equity accounted investment -	-	-	-	-	5,915	5,915
Income tax expense	(5,740)	(149)	(1,477)	(199)	(1,495)	(9,060)
Gain on sale of discontinued operations, net of tax	-	-	-	-	5	5
Profit for the year	10,706	545	3,408	447	2,258	17,364
Other information						
Capital additions	3,600	6,349	542	414	1,387	12,292
Depreciation and amortisation	1,732	4,437	193	120	226	6,707
Statement of financial position						
Assets						
Non-current assets	45,130	45,709	3,944	754	22,806	118,343
Current assets	128,612	9,126	6,839	4,538	4,639	153,754
Consolidated total assets	173,742	54,835	10,783	5,292	27,445	272,097
Liabilities						
Non-current liabilities	5,565	12,161	745	23	2,740	21,234
Current liabilities	142,938	20,207	2,050	3,133	2,051	170,379
Consolidated total liabilities	148,503	32,368	2,795	3,156	4,791	191,613
Cash flows						
Cash flows from operating activities	40,654	2,978	2,193	63	2,756	48,644
Cash flows investing activities	(22,494)	(2,345)	(350)	(203)	4,669	(20,723)
Cash flows (used in)/ from financing activities	(1,127)	(2,567)	(350)	-	(441)	(4,485)

In millions of Malawi Kwacha

8. DISCONTINUED OPERATION

	Group	
	2014	2013 Restated
Results from discontinued operations		
Revenue	11	11
Expenses	(5)	(6)
Profit for the year net of tax	6	5
Basic earnings per share (MK)	1	1
Diluted earnings per share (MK)	1	1
Cash flows from discontinued operation		
Net cash from operating activities	6	5

9. PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and buildings	Plant, furniture & equipment	Motor vehicles	Capital work in progress	Total
Cost or valuation					
Balance at 1 January 2014	24,035	58,269	5,995	6,113	94,412
Additions	922	7,657	1,655	6,380	16,614
Disposals	(57)	(758)	(2,363)	-	(3,178)
Transfers between classes	1,094	4,182	-	(5,276)	-
Transfer to intangible assets (note 12)	-	-	-	(1,708)	(1,708)
Reclassified as held for sale	(808)	-	-	-	(808)
Impairment	(17)	(50)	-	-	(67)
Surplus on revaluation	4,588	-	-	-	4,588
Balance at 31 December 2014	29,757	69,300	5,287	5,509	109,853
Balance at 1 January 2013	21,694	53,016	4,523	6,556	85,789
Additions	607	3,013	1,485	4,084	9,189
Disposals	(129)	(1,011)	(374)	-	(1,514)
Transfers between classes	539	3,572	363	(4,474)	-
Transfer to other reporting categories	-	-	(2)	(53)	(55)
Impairment	-	(321)		-	(321)
Surplus on revaluation	1,324	-	-	-	1,324
Balance at 31 December 2013	24,035	58,269	5,995	6,113	94,412

In millions of Malawi Kwacha

Accumulated depreciation and impairment losses	Land and buildings	Plant, furniture & equipment	Motor vehicles	Capital work in progress	Total
Balance at 1 January 2014	60	22,928	3,218	-	26,206
Depreciation charge for the year	560	5,963	1,143	-	7,666
Eliminated on revaluation	(230)	-	-	-	(230)
Impairment	(1)	265	-	-	264
Released on disposal	-	(732)	(1,137)	-	(1,869)
Balance at 31 December 2014	389	28,424	3,224	-	32,037
Balance at 1 January 2013	555	19,047	2,413	-	22,015
Depreciation charge for the year	353	5,007	1,087	-	6,447
Eliminated on revaluation	(482)	-	-	-	(482)
Impairment	48	(138)	-	-	(90)
Released on disposal	(1)	(992)	(282)	-	(1,275)
Reclassification to other reporting categories	(4)	4	-	-	-
Revaluation increase	(409)	-	-	-	(409)
Balance at 31 December 2013	60	22,928	3,218	-	26,206
Carrying amounts					
At 31 December 2014	29,368	40,876	2,063	5,509	77,816
At 31 December 2013	23,975	34,978	2,776	6,478	68,206

COMPANY

Cost or valuation	Land and buildings	Plant, furniture & equipment	Motor vehicles	Capital work in progress	Total
Balance at 1 January 2014	452	458	249		1,159
Additions	15	56	25		96
Surplus on revaluation	85	-	-		85
Disposals	-	(20)	(201)		(221)
Balance at 31 December 2014	552	494	73		1,119
Balance at 1 January 2013	371	401	123		897
Additions	81	66	160		159
Disposals	-	(9)	(34)		(43)
Balance at 31 December 2013	452	458	249		1,159
Accumulated depreciation and impairment losses					
Balance at 1 January 2014	-	184	101		285
Depreciation charge for the year	-	90	31		121
Released on disposal	-	(24)	(108)		(132)
Balance at 31 December 2014	-	250	24		274
Balance at 1 January 2013	-	119	82		201
Depreciation charge for the year	-	72	46		118
Released on disposal	-	(7)	(27)		(34)
Balance at 31 December 2013	-	184	101		285
Carrying amounts					
At 31 December 2014	552	325	(32)		845
At 31 December 2013	452	355	67		874

In millions of Malawi Kwacha

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Registers of land and buildings giving details required under the Companies Act 1984, Schedule 3, Section 16, 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.

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 values measurements of the Group's land buildings were performed by quantified valuers as detailed below. There has been no change in the valuation technique this year.

Certain land and buildings for Press Properties were professionally and independently revalued by Don Whayo, B.Sc. (Est. Man), Dip (Urb Man), BA, MRICS, MSIM, a chartered valuation surveyor with Knight Frank (Malawi) Limited at 31 December 2013 on an open market value basis.

Land and buildings relating to the banking business were fair valued as at 31 December 2014 by Knight Frank, qualified independent valuers. The valuation of the Business Centre and Office Complex resulted in an increase in carrying value of MK714m. Out of the MK2,517m total revaluation surplus, MK616m 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 MK1,901m was credited to the revaluation reserve through the statement of other comprehensive income. The basis of the valuations was current market value.

Land and buildings relating to Malawi Telecommunications Limited were revalued as at 31 December 2014 by Simeon D. Banda B.Sc (Hons), MSIM, MRICS, Chartered Quantity Surveyor of SFS Property Consultants in association with Samuel M. Nhlane B.Sc (Hons) London, MSIM Registered Valuation Surveyor of SMN Property Professionals. Valuations were carried out on the basis of open market value.

Freehold land and buildings relating to the Foods Company Limited as at 31 December 2013 were performed by Simeon Banda, B.Sc. (Hons), MRICS, MSIM, and Samuel Nhlane B.Sc. (Hons), MSIM, a Chartered Valuation Surveyor of SFS Property Consultants in association with SMN Property Professional and Independent Registered Valuation Surveyor who is not related to the company.

Fishing vessels belonging to The Foods Company Limited, included under plant, furniture and equipment were revalued on depreciated replacement cost basis as at 31 December 2012 by O. E. Singini MSc. (Shipping Management Tech).

Capital work in progress

Capital work in progress for Press Properties represents costs incurred in relation to the area 9 housing project which is not yet completed.

Details of the Groups information about the properties fair value hierarchy as at 31 December 2014 are as follows:

	Fair value hierarchy			Fair value as at
	Level 1	Level 2	Level 3	31/12/2014
Land and buildings	-	29,363	-	29,368

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 and in the absence of that information discounted value of rents for similar properties.

In millions of Malawi Kwacha

10. BIOLOGICAL ASSETS

	Group	
	2014	2013
Balance at 1 January	48	97
Increase due to acquisition	-	2
Increase due to birth	145	174
Decrease due to sales	(54)	(89)
Decrease due to death and changes in fair value	(88)	(136)
Balance at 31 December	51	48
Non-current biological assets	2	12
Current biological assets	49	36
Balance at 31 December	51	48

As at 31 December 2014 and 2013 biological assets held for sale comprised of fish and fingerlings.

In determining the value of fish, the following procedures are used:

- The company estimates the weight of the fish that is in cages or ponds through sampling. This estimate is used to come up with the projected harvest, which takes into account a factor of mortality.
- The projected harvest is valued using average 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 projected harvest and the costs to be incurred to harvest.

Assumptions

- Average weight per fish – Average harvest weight achieved during the year is used as basis for calculating biomass.
- Mortality – Mortality for cages is assumed at 85% and for the ponds assumed at 70% based on experience and history.
- Average selling price – Current selling price based on fish categories as per harvest records.

Details of the company's land and buildings and information about fair value hierarchy as at 31 December 2014 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 31/12/2014
Fish stocks	-	51	-	51

There were no transfers between Level 1 and Level 2 during the year.

In millions of Malawi Kwacha

11. GOODWILL

	Group	
	2014	2013
Opening balance	427	427
Acquisition through business combination	588	-
	1,015	427

Goodwill amounting to MK 427 million arose in the acquisition of 50% shares in PTC from a joint venture partner which resulted in 100% ownership in the company. Management's impairment assessment of the goodwill indicates that the goodwill was not impaired as at 31 December 2014.

During the year, one of the group's subsidiary Telecom Networks Malawi Limited acquired Burco Electronics Limited. The transaction resulted in Goodwill amounting to MK588 million.

12. INTANGIBLE ASSETS

GROUP	Computer Software	Development Costs Software Upgrades	Work in Progress	Patents and Trade Marks	Total
Cost					
2014					
Balance at 1 January 2014	5,706	326	1,835	-	7,867
Transfer from PPE (note 9)	1,708	-	-	-	1,708
Acquisition during the year	2,806	-	997	1,648	5,451
Balance at 31 December 2014	10,220	326	2,832	1,648	15,026
2013					
Balance at 1 January 2013	4,046	326	905	-	5,277
Acquisition during the year	1,660	-	930	-	2,590
Balance at 31 December 2013	5,706	326	1,835	-	7,867
Accumulated amortisation and impairment losses					
2014					
Balance at 1 January 2014	1,929	240	-	-	2,169
Amortisation charge for the year	852	82	-	69	1,003
Balance at 31 December 2014	2,781	322	-	69	3,172
2013					
Balance at 1 January 2013	1,421	238	-	-	1,659
Amortisation charge for the year	508	2	-	-	510
Balance at 31 December 2013	1,929	240	-	-	2,169
Carrying amounts					
At 31 December 2014	7,439	4	2,832	1,579	11,854
At 31 December 2013	3,777	86	1,835	-	5,698

In millions of Malawi Kwacha

	2014			2013		
COMPANY	Computer Software	Work in Progress	Total	Computer Software	Work in Progress	Total
Cost						
Balance at 1 January	408	129	537	266	5	271
Reversals during the year	-	(80)	(80)	-	-	-
Additions during the year	-	-	-	142	124	266
Balance at 31 December	408	49	457	408	129	537
Accumulated amortisation and impairment						
Balance at 1 January	35	-	35	12	-	12
Amortisation charge for the year	28	-	28	23	-	23
Balance at 31 December	63	-	63	35	-	35
Carrying amounts	345	49	394	373	129	502

Work in progress comprises the costs related to the SAP Business Objects Software Project.

13. INVESTMENT PROPERTIES

GROUP	Freehold land and buildings	Leasehold land and buildings	Undeveloped freehold land	Undeveloped leasehold land	Total
Balance at 1 January 2014	1,455	1,343	297	1	3,096
Additions during the year	10	-	-	-	10
Disposals	(26)	(100)	(6)	-	(132)
Surplus on revaluation	155	141	-	-	296
Balance at 31 December 2014	1,594	1,384	291	1	3,270
Balance at 1 January 2013	1,862	1,431	297	1	3,591
Additions during the year	2	53			55
Disposals	(540)	(19)	-	-	(559)
Surplus on revaluation	131	78	-		209
Reclassification as held for sale	-	(200)	-	-	(200)
Balance at 31 December 2013	1,455	1,343	297	1	3,096

Investment properties relating to Press Properties were professionally and independently revalued by Don Whayo, B.Sc (Est. Man), Dip (Urb Man), BA, MRICS, MSIM, a chartered valuation surveyor with Knight Frank (Malawi) Limited at 31 December 2014 on an open market value basis.

Registers of land and buildings giving details required under the Companies Act 1984, Schedule 3, Section 16, 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.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2014 are as follow:

	Level 1	Level 2	Level 3	Fair value as at 31/12/2014
Investment properties	-	3,270	-	3,270

In millions of Malawi Kwacha

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
Balance at 1 January	86,849	38,655
Acquisitions	4,631	2,579
Increase in fair value and other additions	11,432	45,615
Balance at 31 December	102,912	86,849

The investments are analysed as follows:

	2014		2013	
	Fair value/cost (PCL Share)	Dividend received	Fair value/cost (PCL Share)	Dividend received
National Bank of Malawi	57,946	2,777	51,695	2,522
Press Properties Limited	3,450	-	3,946	-
Manzinzi Bay Limited	2	-	2	-
The Foods Company Limited	1,856	-	566	-
Ethanol Company Limited	8,518	466	8,110	532
Presscane Limited	4,536	-	5,436	-
Malawi Telecommunications Limited	5,281	-	3,197	-
Telecom Networks Malawi Limited	16,964	979	9,612	305
Peoples Trading Centre Limited	4,340	150	4,266	-
Press Trading (Proprietary) Limited	19	-	19	-
	102,912	4,372	86,849	3,359

Investments in subsidiaries were independently valued by National Bank Capital Markets Limited on behalf of the Directors as at 31st December 2014 (2013: KPMG). Discounted cash flow valuation method was used for unlisted investments except for Press Properties Limited, the Foods Company Limited and Malawi Telecommunications Limited which were valued using net assets valuation method. Telekom Networks Malawi Limited and National Bank of Malawi are listed on the Malawi Stock Exchange and are quoted at market values and were valued at stock market prices.

Shareholders dispute at Presscane Limited

The shareholders are involved in a dispute over the capital contributions made towards the company. The dispute remains unresolved and 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.

In millions of Malawi Kwacha

Summarised below is financial information of subsidiaries with material non-controlling interest before elimination of intercompany transactions:

	NBM		TNM		THL		Ethanol		PressCane	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Non-current assets	61,240	47,887	29,814	19,681	26,800	26,029	2,400	2,145	1,953	1,798
Current assets	166,694	137,415	9,793	4,953	4,316	4,670	3,905	2,768	7,034	4,470
Total assets	227,934	185,302	39,607	24,634	31,116	30,699	6,305	4,913	8,987	6,268
Non-current liabilities	2,379	5,565	2,538	1,792	9,313	11,432	502	475	274	269
Current liabilities	181,274	147,573	23,819	12,928	12,355	13,105	1,600	885	1,880	1,108
Total liabilities	183,653	153,138	26,357	14,720	21,668	24,537	2,102	1,360	2,154	1,377
Revenue	40,120	36,947	40,517	28,874	10,361	9,878	4,961	4,418	6,435	4,940
Profit/(loss) after tax	14,558	12,706	5,243	2,599	945	(2,578)	1,377	1,865	1,942	1,542
Other comprehensive income	2,952	2,788	-	-	1,930	226	(26)	298	-	-
Total comprehensive income	17,510	15,494	5,243	2,599	2,875	(2,352)	1,351	2,163	1,942	1,542
Dividends declared	5,393	4,898	1,908	904	-	-	700	800	-	-
Minority interest share	48.51%	48.51%	58.7%	61.14%	47.3%	34.12%	34.00%	34.00%	49.90%	49.90%
Dividends paid to minority interests	2,616	2,376	929	598	-	-	234	268	-	-
Equity attributable to owners of the company	44,043	32,117	14,176	9,914	9,449	6,165	4,204	3,553	6,833	4,891
Non-controlling interest	237	46	-	913	(3)	-	-		-	-
Profit attributable to owners of the company	14,535	12,678	5,243	2,599	945	(2,063)	1,377	1,865	1,942	1,542
Profit attributable to non-controlling interest	23	28	-	-	-	(516)	-	-	-	-
Cashflows										
Net cash flows from operating activities	31,101	46	15,001	3,822	(632)	556	1,313	1,323	1,109	(322)
Net cash flows from investing activities	(11,381)	(16)	(12,769)	(2,818)	2,890	472	(269)	(252)	250	178
Net cash flows from financing activities	(9,560)	1	1,485	(2,011)	(3,057)	(556)	(718)	-	-	(98)
Net cash inflow/outflow	10,160	31	3,717	(1,007)	(799)	472	326	1,071	1,359	(242)

In millions of Malawi Kwacha

15. INVESTMENTS IN JOINT VENTURES

	Group (Equity Accounted)		Company (Fair Value)	
	2014	2013	2014	2013
Balance at 1 January	1,212	2,586	8,074	7,096
Increase in fair value	-	-	989	978
Share of profit	1,657	894	-	-
Dividends	(1,323)	(2,268)	-	-
Balance at 31 December	1,546	1,212	9,063	8,074

	2014		2013	
	Fair value (PCL share)	Dividend received	Fair value (PCL share)	Dividend received
Puma Energy Malawi Limited	8,304	1,275	7,111	2,250
Macsteel Limited	759	48	963	18
	9,063	1,323	8,074	2,268

Investments in joint ventures were independently valued by National Bank of Malawi Capital Markets Limited (2013: KPMG) on behalf of the Directors at 31 December 2014. Puma Energy Malawi Limited was valued using discounted cash flow whereas Macsteel was valued using net asset valuation method in the separate financial statements of the company.

In the consolidated financial statements, the joint ventures were equity accounted.

GROUP	PUMA		MACSTEEL	
	2014	2013	2014	2013
Non –current assets	6,929	5,941	1,079	1,071
Current assets	6,539	9,634	2,655	2,644
Total Assets	13,468	15,575	3,734	3,715
Non-current liabilities	699	427	276	261
Current liabilities	10,042	13,086	2,209	2,204
Total liabilities	10,741	13,513	2,485	2,465
Revenue	85,639	82,266	4,181	4,226
Profit from continuing operations	3,219	2,891	95	191
Total comprehensive income	3,219	2,891	95	191
Cash and cash equivalents	377	1,921	(244)	107
Current financial liabilities	9,687	12,777	2,133	48
Depreciation and amortisation	(864)	(386)	(36)	(29)
Interest income	56	315	1	1
Interest expenses	(2)	(19)	(138)	(78)
Foreign exchange loss	-	(38)	-	-
Income tax expenses	(1,213)	(1,257)	(48)	(84)
Dividends received	249	-	-	-

In millions of Malawi Kwacha

16. INVESTMENT IN ASSOCIATES

	Group (Equity Accounted)		Company (Fair Value)	
	2014	2013	2014	2013
a) Investment at the year end				
Limbe Leaf Tobacco Company	13,094	8,855	15,583	11,971
Carlsberg Malawi	5,502	3,855	7,688	7,039
Total	18,596	12,710	23,271	19,010
b) Movement during the year				
At beginning of the year	12,710	6,328	19,010	18,511
Share of profits	7,059	7,306	-	-
Dividend	(1,173)	(924)	-	-
Increase in fair value recognised in other comprehensive income	-	-	4,261	499
At end of the year	18,596	12,710	23,271	19,010

The company has a 42% (2013:42%) equity interest in Limbe Leaf Tobacco Company Limited and 39.6% equity interest in Carlsberg Malawi.

Investments in associates were independently valued by National Bank of Malawi Capital Markets Limited, on behalf of the directors as at 31 December 2014 (2013: KPMG) in the company financial statements.

However, at group level, these were accounted for using the equity method.

Summarised below is the financial information of the associates as at 31 December 2014 and for the year then ended:

	Limbe Leaf		Carlsberg Malawi	
	2014	2013	2014	2013
Non-current assets	26,843	20,159	19,374	14,387
Current assets	29,126	33,734	20,701	16,291
Total assets	55,969	53,893	40,075	30,678
Non-current liabilities	11,205	13,254	2,925	1,735
Current liabilities	7,661	12,138	21,617	16,815
Total liabilities	18,866	25,392	24,542	18,550
Revenue	80,236	73,365	49,749	40,680
Profit from continuing operations	4,843	3,927	5,134	4,887
Cash and cash equivalents	1,028	618	4,421	246
Non-current financial liabilities	9,340	10,679	426	912
Current financial liabilities	6,907	10,548	19,436	14,284
Dividends received	-	751	-	-

In millions of Malawi Kwacha

17. LOANS AND ADVANCES TO CUSTOMERS

	2014	2013
Gross loans and advances to customers	67,996	51,743
Allowance for impairment losses	(1,703)	(1,339)
Net loans and advances	66,293	50,404
Gross loans and advances are due to mature as follows:		
- Within three months	11,547	8,787
- Between three months and one year	31,762	19,905
- After one year	24,687	23,051
	67,996	51,743
Net loans are split into:		
Long term loans	24,687	16,252
Short term loans	41,606	34,152
	66,293	50,404
Movement of allowance for impairment losses		
At the beginning of the year	1,339	950
Charged during the year	1,976	749
Recoveries on expunged debts	(1,302)	(252)
Recovered during the year	(310)	(108)
Balance at the end of the year	1,703	1,339
Analysis of gross loans and advances by sector:		
- Wholesale and retail	18,097	19,237
- Others	2,566	2,186
- Personal accounts	11,239	7,898
- Agriculture	16,335	9,857
- Manufacturing	20,235	8,349
- Finance and insurance	500	4,753
	68,972	52,280
Provision for impairment of interest from impaired loans and advances	(976)	(537)
	67,996	51,743
Movement of provision for impairment of interest from impaired loans and advances		
At the beginning of the year	537	221
Applied against advances	(1,404)	(408)
Suspended during the year	2,062	752
Recovered during the year	(219)	(28)
At the end of the year	976	537

	Group	
	2014	2013
Analysis of recoveries		
Specific provisions	309	108
Interest in suspense	219	28
Debts previously written off	816	376
Transferred to profit or loss	1,344	512
Analysis of gross loans by currency		
Malawi Kwacha denominated	45,136	37,963
United States dollar denominated	22,860	13,780
	67,996	51,743

In millions of Malawi Kwacha

18. FINANCE LEASE RECEIVABLES

	Group 2014	Group 2013	Company 2014	Company 2013
Gross investment – finance lease receivables	11,399	7,236		
Unearned finance income on finance leases	(3,948)	(2,301)		
	7,451	4,935		
Specific allowance for impairment	(128)	(90)		
Net investment in finance leases	7,323	4,845		
The net investment in finance leases matures as follows:				
- Within three months	70	87		
- Between three months and one year	404	625		
Total within one year	474	712		
- After one year and not later than five years	6,849	4,133		

The base lending rate for Group's banking subsidiary as at 31 December 2014 was 37% (2013: 40%) and the US Dollar denominated loans were given at an average interest rate of 9% (2013: 8.8%). The finance lease receivables are secured by the leased assets.

The Group's credit risk is primarily attributed to overdraft and other loan facilities extended to its customers. The amounts presented in the statement of financial position are net of provisions for impairment allowances as shown above. The specific allowance for impairment represents allowances for estimated irrecoverable amounts when there is objective evidence that the asset is impaired.

19. LOANS RECEIVABLES FROM GROUP COMPANIES

	Group 2014	Group 2013	Company 2014	Company 2013
Malawi Telecommunications Limited			4	4
National Poultry			-	1
			4	5
Summary of inter-company loans				
Movement during the year was as follows:				
Balance at 1 January			5	207
Loans granted during the year			-	202
Provision for impairment			(1)	(404)
Balance at 31 December			4	5

The loans are unsecured and payable within five years.

In millions of Malawi Kwacha

20. OTHER INVESTMENTS

Total other investments are due to mature as follows:

	Group 2014	Group 2013	Company 2014	Company 2013
i) Long term investments				
- Non – maturing investments	653	-	-	-
- Between one year and five years	756	1,669	-	-
	1,409	1,669	-	-
ii) Current investments				
- Between three months and one year	13,602	25,763	-	-
- Within three months	26,319	6,579	-	-
	39,921	32,342	-	-
Total other investments	41,330	34,011	-	-
Movement				
Opening balance	34,011	15,376	-	304
Additions	23,254	29,990	-	-
Disposals	(15,935)	(11,355)	-	-
Other movements	-	-	-	(304)
Closing balance	41,330	34,011	-	-
Comprises of the following:				
Government of Malawi and Reserve Bank of Malawi Bills	23,523	8,209	-	-
Money market deposits	7,933	13,039	-	-
Government of Malawi Local Registered Stock	-	-	-	-
Government of Malawi promissory note	6,349	10,765		
Other	3,525	1,998	-	-
Total investments	41,330	34,011	-	-

	Average interest rate 2014	Average interest rate 2013	Group 2014	Group 2013
(a) Government of Malawi and Reserve Bank of Malawi bills				
Government of Malawi Treasury Bills	18.2%	23.6%	23,523	8,209
The bills are due to mature as follows:				
- Within three months			9,351	2,152
- Between three months and one year			13,602	4,809
- Over one year			570	1,248
			23,523	8,209

Government of Malawi and Reserve Bank of Malawi bills are denominated in Malawi Kwacha and are held to maturity

(b) Money market deposits

	Average interest rate 2014	Average interest rate 2013	Group 2014	Group 2013
Balances with discount houses	26.8%	28%	7,933	13 039
			7,933	13 039

Money market deposits are denominated in Malawi Kwacha

In millions of Malawi Kwacha

	Average interest rate		Group	
	2014	2013	2014	2013
(c) Government of Malawi promissory note				
Government of Malawi promissory note	91 day treasury bill rate plus 2%	91 day treasury bill rate plus 2%	6,349	10,765
The notes are due to mature as follows:				
- Within three months			-	1,058
- Between three months and one year			2,116	3,175
- Between one and five years			4,233	6,532
			6,349	10,765

In February 2013, the Government of Malawi issued promissory notes to settle its exposure and several other Government Guaranteed loans, including interest. The total exposure of National Bank of Malawi to these Government Guarantee loans as at 1 February 2013 was MK16.9 billion. The Bank accepted the promissory notes to settle the Government Guaranteed loans effective 1 February 2013. The promissory notes are in blocks with the longest certificate maturing in 2016. The notes attract interest at the rate of the earliest 91 day Treasury bill yield during each quarter plus 2%. MK2,116m has been recognised in the statement of comprehensive income. The Bank sold off the certificate maturing in 2017 representing 25% of the whole investment. This meant that the whole portfolio has to be disclosed as an available for sale asset. The face value of the closing book was MK6,349m. The investment has been presented at fair value. The fair value has been determined by computing the net present value of the future cashflows using the effective interest rate method. This fair value presentation resulted in a MK203m increase in value when compared with the face value. The surplus has been recognised in other comprehensive income. Government's promissory notes are denominated in Malawi Kwacha.

The financial assets are held to maturity, available for sale financial assets and loans carried at amortised cost.

21. DEFERRED TAX ASSETS/(LIABILITIES)

	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
GROUP						
Property, plant and equipment	228	337	(1,649)	(1,029)	(1,421)	(692)
Investment properties	-	-	(813)	(795)	(813)	(795)
Provisions	646	443	200	-	846	443
Other items	3,112	4,051	468	(1,637)	3,580	2,414
Tax value of loss carried forward	346	97	96	-	442	97
Tax assets/(liabilities)	4,332	4,928	(1,698)	(3,461)	2,634	1,467
COMPANY						
Property and investments in subsidiaries and associates	-	-	(21,680)	(23,976)	(21,680)	(23,976)

In millions of Malawi Kwacha

21. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

GROUP	Opening balance	Recognised in profit and loss	Recognised in other comprehensive income	Closing balance
2014				
Property, plant and equipment	(692)	(1,482)	753	(1,421)
Investment properties	(795)	(18)	-	(813)
Provisions	443	403	-	846
Other items	2,414	1,166	-	3,567
Tax value or loss carried forward	97	345	-	442
Total liabilities	1,467	414	753	2,634
2013				
Property, plant and equipment	(2,943)	132	2,119	(692)
Investment properties	(900)	105	-	(795)
Provisions	435	8	-	443
Other items	1,636	778	-	2,414
Tax value or loss carried forward	196	(99)	-	97
Total liabilities	(1,576)	924	2,119	1,467

COMPANY	Opening balance	Recognised in other comprehensive income	Closing balance
Movement of net deferred tax liabilities is as follows:-			
2014			
Investment in subsidiaries and associates	(23,924)	2,296	(21,628)
Property	(52)	-	(52)
	(23,976)	2,296	(21,680)
2013			
Investment in subsidiaries and associates	(9,551)	(14,373)	(23,924)
Property	(52)	-	(52)
	(9,603)	(14,373)	(23,976)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following:

	Group		Company	
	2014	2013	2014	2013
Un-recognised deferred tax asset	4,369	3,371	2,818	1,764
Related Tax losses	15,825	4,202	9,395	2,595

Deferred tax assets have not been recognised in respect of these tax losses because it is not probable that future taxable profit will be available against which the concerned company can utilise the benefits there from. Tax losses expire after 6 years. These losses relate to PCL Company, Malawi Telecommunications Limited and The Foods Company Limited.

In millions of Malawi Kwacha

	Group		Company	
	2014	2013	2014	2013

22. INVENTORIES

Finished goods	7,357	4,984	8	7
Raw materials and consumables	2,545	1,419	5	-
Work in progress	105	33	-	-
Goods in transit	6	125	-	-
	10,013	6,561	13	7

23. TRADE AND OTHER RECEIVABLES FROM GROUP COMPANIES

Amounts due from related party companies

Press Properties Limited	-	-	29	7
Malawi Telecommunications Limited	-	-	104	60
Telecom Networks Malawi	-	-	291	97
Peoples Trading Centre	-	-	22	11
Ethanol Company Limited	-	-	5	1
National Bank of Malawi	-	-	-	722
Other	-	-	10	-
	-	-	461	898

24. TRADE AND OTHER RECEIVABLES (OTHER)

Trade receivables	6,646	5,640	431	18
Prepayments	1,830	1,195	30	23
Letters of credit	18,193	10,286	-	-
Other receivables	8,506	4,782	44	445
	35,175	21,903	505	486
Provision for potential loss on other receivables	(56)	(516)	(40)	(46)
	35,119	21,387	465	440

25. ASSETS CLASSIFIED AS HELD FOR SALE

Property				
Cost	1,008	200	-	-

26. INCOME TAX RECOVERABLE

Opening balance	342	214	40	17
Current credit	26	23	26	23
Cash paid (received)	42	84	-	-
Prior period charge	-	13	-	-
Tax transfer	-	8	-	-
Total income tax recoverable	410	342	66	40

In millions of Malawi Kwacha

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	31/12/14	31/12/13	31/12/14	31/12/13
Reserve Bank of Malawi	20,457	12,233	-	-
Bank balances	373	733	26	7
Placement with other banks	27,395	33,785	-	-
Call deposits	6,835	4,633	81	484
Cash on hand	10,792	6,638	-	-
Cash and cash equivalents	65,852	58,022	107	491
Bank overdrafts	(4,259)	(3,035)	(340)	(589)
Cash and cash equivalents as shown in the statement of cash flows	61,593	54,987	(233)	(98)

Balances held at Reserve Bank of Malawi are non-interest bearing and are regulated as disclosed in Note 5.

The Company has banking facilities of MK400 million (2013:K400 million) due for renewal on 30 November 2015. This is an unsecured facility.

28. SHARE CAPITAL

	Group and Company	
	2014	2013
Authorised ordinary share capital		
- Number (millions)	2,500	2,500
- Nominal value per share (MK)	0.01	0.01
- Nominal value (MK million)	25	25
Issued and fully paid		
- Number (millions)	1	1
- Nominal value (MK million)	1	1

29. OTHER RESERVES – EXCLUDING NON-CONTROLLING INTERESTS

GROUP	Revaluation reserve	Translation reserve	Loan loss reserve	Other	Total
2014					
Balance at beginning of the year	14,508	3,953	-	116	18,577
Revaluation of property	2,191	-	-	-	2,191
Transfer to loan loss reserve	-	-	1,077	-	1,077
Depreciation Transfer land and buildings	(49)	-	-	-	(49)
Net change in fair value of available for sale financial asset	-	-	-	10	10
Net reserve movement on THL deregistration	1,475	-	-	3,940	5,415
Share of equity accounted investments translation reserves	-	2,990	-	-	2,990
Income tax on other comprehensive income	385	-	-	-	385
Balance at 31 December 2014	18,510	6,943	1,077	4,066	30,596

In millions of Malawi Kwacha

GROUP	Revaluation reserve	Translation reserve	Loan loss reserve	Other	Total
2013					
Balance at beginning of the year	12,169	161	662	21	13,013
Foreign currency translation difference	-	(4)	-	-	(4)
Revaluation of property	1,233	-	-	-	1,233
Transfer to loan loss reserve	-	-	(662)	-	(662)
Depreciation Transfer land and buildings	(165)	-	-	-	(165)
Release of revaluation surplus on disposal of PPE	(11)				(11)
Net change in fair value of available for sale financial asset	-	-	-	95	95
Share of equity accounted investments translation reserves	-	3,796	-	-	3,796
Income tax on other comprehensive income	1,282	-	-	-	1,282
Balance at 31 December 2013	14,508	3,953	-	116	18,577
COMPANY					
2014					
Balance at 1 January 2014	81,875	110	-	-	81,985
Fair value gain on investments	16,683	-	-	-	16,683
Revaluation of property plant and equipment	84	-	-	-	84
Deferred tax on revaluation	2, 296	-	-	-	2,296
Balance at 31 December 2014	100,938	110	-	-	101,048
2013					
Balance at 1 January 2013	49,863	110	- -	- -	49,973
Fair value gain on investments	46,385	-	-	-	46,385
Deferred tax on revaluation	(14,373)	-	-	-	(14,373)
Balance at 31 December 2013	81,875	110	-	-	81,985

Revaluation reserve

For group, the revaluation reserve relates to 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 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

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Loan loss reserve

This relates to excess of provisions for impairment losses as required by the Reserve Bank of Malawi which are above the impairment loss allowed by IAS 39.

Other reserves

The other reserves for the group comprise capital redemption reserve and capital profits.

In millions of Malawi Kwacha

30. LOANS AND BORROWINGS

GROUP	Secured	Unsecured	Total
2014			
Terms and debt repayment schedules			
More than 5 years	-	39	39
Due between 1 and 5 years	12,353	5,003	17,356
	12,353	5,042	17,395
Due within 1 year or less	5,562	8,538	14,100
	17,915	13,580	31,495
2013			
Terms and debt repayment schedules			
More than 5 years	-	90	90
Due between 1 and 5 years	10,957	6,259	17,216
	10,957	6,349	17,306
Due within 1 year or less	4,791	5,245	10,036
	15,748	11,594	27,342
COMPANY			
2014			
Terms and debt repayment schedules			
Due between 1 and 5 years	2,804	-	2,804
Due within 1 year or less	1,878	-	1,878
	4,682	-	4,682
2013			
Terms and debt repayment schedules			
Due between 1 and 5 years	80	-	80
Due within 1 year or less	-	495	495
	80	495	575

In millions of Malawi Kwacha

GROUP Movement in borrowings	At 01/01/14	Draw- downs	Re- payments	Exchange fluctuations	Interest accrual	At 31/12/14
Local borrowings						
Belgium Government	92	-	-	-	5	97
CDH Bank Limited	164	-	(164)	-	-	-
DANIDA loan	665	-	-	-	20	685
FDH Bank Limited	46		(46)	-	-	-
FDH Bank Limited	-	714	(36)	-	-	678
FDH Bank Limited	28	-	(28)	-	-	-
FMB – MWK Loan	28	-	(28)	-	-	-
FMB – USD	157	-	(145)	(12)	-	-
FMB – USD Loan	471	-	(264)	16	-	223
FMB – USD Loan	440	-	(407)	(33)	-	-
Kuwait Development Fund	971	-	-	-	77	1,048
Malawi Government	2	-	-	-	1	3
NBS Bank Limited	18	-	(18)	-	-	-
NBS Bank Limited	8	-	(8)	-	-	-
NBM commercial paper	-	1,200	-	-	-	1,200
Press Corp MTN coupon loan	-	4,629	-	-	-	4,629
NBS Bank Limited	-					-
NORDIC Development Fund	903	-	-	-	63	966
Leasing and Finance Company	-	180	-	-	-	180
Leasing and Finance Company	7		(7)			-
Standard Bank – MWK Loan	2,713	-	(1,174)	-	-	1,539
Standard Bank – MWK Loan	80	-	(27)	-	-	53
Standard Bank – MWK Loan	448	-	(448)	-	-	-
Total local borrowings	7,241	6,723	(2,800)	(29)	166	11,301
Foreign borrowings						
Development Bank of South Africa	487	-	(487)	-	-	-
Libyan Government	144	-	-	15	-	159
ZTE Vendor financing	2,319	681	(1,757)	(163)	21	1,101
Huawei deferred payment	-	4,250	-	386	-	4,636
Nederlands FMO	8,348	-	(2,797)	-	31	5,582
PTA Bank	8,803	-	(879)	792	-	8,716
Total foreign borrowings	20,101	4,931	(5,920)	1,030	52	20,194
Total borrowings	27,342	11,654	(8,720)	1,001	218	31,495
COMPANY						
NBS Bank Limited	8	-	(8)	-	-	-
MTN coupon	-	4,629	-	-	-	4,629
Standard Bank of Malawi Limited	80	-	(27)	-	-	53
Total local borrowings	88	4,629	(35)	-	-	4,682
Foreign borrowings						
Development Bank of South Africa	487	-	(487)	-	-	-
Total borrowings	575	4,629	(522)	-	-	4,682

In millions of Malawi Kwacha

30. LOANS AND BORROWINGS (CONTINUED)

GROUP 2013 Movement in borrowings	At 01/01/13	Draw- downs	Re- payments	Exchange fluctuations	Interest accrual	At 31/12/13
Local borrowings						
Belgium Government	87	-	-	-	5	92
CDH Bank Limited	166	550	(552)	-	-	164
DANIDA loan	644	-	-	-	21	665
FDH Bank Limited	23	-	-	-	23	46
FDH Bank Limited	-	55	(27)			28
FMB – MWK loan	48	-	(20)	-	-	28
FMB – USD	188		(77)	46	-	157
FMB – USD loan	564	-	(231)	138	-	471
FMB – USD loan	527	-	(216)	129	-	440
Kuwait Development Fund	894	-	-	-	77	971
Malawi Government	2	-	-	-	-	2
NBS Bank Limited	19	-	(1)	-	-	18
NBS Bank Limited	19		(11)			8
NBS Bank Limited	10	-	(10)	-	-	-
NBS Bank Limited	60	-	(60)	-	-	-
NORDIC Development Fund	840	-	-	-	63	903
Leasing and Finance Company	7	-	-	-	-	7
Standard Bank – MK Loan	6,274		(3,561)	-	-	2,713
Standard Bank – MK Loan	-	80	-	-	-	80
Standard Bank – MK Loan	606	-	(158)	-	-	448
Total local borrowings	10,978	685	(4,924)	313	189	7,241
Foreign borrowings						
Development Bank of South Africa	1,115	-	(858)	230		487
Libyan Government	110	-	-	34	-	144
ZTE Vendor financing	1,775	-	-	544	-	2,319
Nederlands FMO	3,395	4,995	(88)	-	46	8,348
PTA Bank	7,118	-	(392)	2,011	66	8,803
Total foreign borrowings	13,513	4,995	(1,338)	2,819	112	20,101
Total borrowings	24,491	5,680	(6,262)	3,132	301	27,342

COMPANY Movement in borrowings	At 01/01/13	Draw- downs	Re- payments	Exchange fluctuations	Interest accrual	At 31/12/13
NNBS Bank Limited	19	-	(11)	-	-	8
CDH Bank		550	(550)	-	-	-
Standard Bank of Malawi Limited	-	80	-	-	-	80
Total local borrowings	19	630	(561)	-	-	88
Foreign borrowings						
Development Bank of South Africa	1,115	-	(860)	232	-	487
Total borrowings	1,134	630	(1,421)	232	-	575

In millions of Malawi Kwacha

Loans analysis
GROUP 2014

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
Belgium Government	Malawi Kwacha	8	½ yearly	Government	2003	2020	71	22	4
DANIDA loan	Malawi Kwacha	4	½ yearly	Government	2004	2020	466	184	35
FDH Bank Limited	Malawi Kwacha	38	Monthly	Board resolution	2014	2018	124	554	-
FMB – USD loan	US Dollars	10	Monthly	None	2011	2015	223	-	-
Kuwait Development Fund	Malawi Kwacha	15	½ yearly	Government	2003	2017	953	95	-
Malawi Government	Malawi Kwacha	8.5	½ yearly	None	1999	2014	3	-	-
NBM commercial paper	Malawi Kwacha	364TB+4%	Quarterly	PCL shares	2015	2017	400	800	-
Press Corp MTN coupon loan	Malawi Kwacha	364TB+4%	Quarterly	TNM shares	2015	2017	1,852	2,777	-
NORDIC Development Fund	Malawi Kwacha	15	½ yearly	Government	2003	2018	872	94	-
Leasing and Finance Company	Malawi Kwacha	35%	One off	None	2015	2015	180	-	-
Standard Bank – MK loan	Malawi Kwacha	35	Annually	Debenture	2012	2016	1,261	278	-
Standard Bank – MK loan	Malawi Kwacha	34	Quarterly	Related asset	2010	2016	26	27	-
Libyan Government	US Dollars	-	-	Dividend offset	-	-	159	-	-
ZTE Vendor financing	US Dollars	9	½ yearly	Asset financed	2012	2015	316	786	-
Huawei deferred payment	US Dollars	7%	Quarterly	None	2015	2016	2,408	2,228	-
Nederlands FMO	US Dollar	9	½ Yearly	None	2012	2016	3,202	2,379	-
PTA Bank	US Dollars	8	Quarterly	Debenture	2009	2018	1,584	7,132	-
Total							14,100	17,356	39

Company - 2014

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
Standard Bank of Malawi Limited	Malawi Kwacha	34	Quarterly	Related asset	2010	2016	26	27	-
Press Corp MTN coupon loan	Malawi Kwacha	364TB+4%	Quarterly	TNM shares	2015	2017	1,852	2,777	-
Total							1,878	2,804	-

In millions of Malawi Kwacha

30. LOANS AND BORROWINGS (CONTINUED)

Loans analysis
GROUP 2013

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 years	Over 5 years
Belgium Government	Malawi Kwacha	8	½ Yearly	Government	2005	2020	60	22	10
CDH Bank Limited	Malawi Kwacha	43	Monthly	PCL guarantee	2012	2014	164	-	
DANIDA	Danish Kroner	4	½ Yearly	Government	2004	2018	400	184	81
Development Bank of South Africa	US Dollars	6 months libor +4%	½ yearly	NBM shares	2008	2015	146	341	
FDH Bank Limited	Malawi Kwacha	43	Monthly	Debenture	2012	2014	28	-	-
FDH Bank Limited	Malawi Kwacha	43	Monthly	Debenture	2012	2014	46	-	-
FMB Limited	Malawi Kwacha	34	Monthly	Debenture	2010	2015	20	8	-
FMB Limited	US Dollars	9	½ yearly	TNM Shares	2010	2015	269		
FMB Limited	US Dollars	9	Monthly	TNM Shares	2010	2015	341	256	-
Kuwait Development Fund	Malawi Kwacha	15	½ Yearly	Government	2003	2017	822	149	-
Libyan Government	Malawi Kwacha	-	Dividends offset	-	-	-	144	-	-
Malawi Government	Malawi Kwacha	8.5	½ yearly	-	1999	2014	2	-	-
NBS Bank Limited	Malawi Kwacha	37	Monthly	Buildings	2008	2014	8	-	-
NBS Bank Limited	Malawi Kwacha	37	Monthly	Buildings	2010	2015	18	-	-
NORDIC Development Fund	Malawi Kwacha	15	½ Yearly	Government	2003	2018	768	135	-
Leasing and Finance	Malawi Kwacha		Monthly	Government	2012	2014	7	-	-
Standard Bank Malawi Limited	Malawi Kwacha	34	Quarterly	PCL Guarantee	2013	2014	80	-	-
Standard Bank Malawi Limited	US Dollars	9	Quarterly	Related assets	2012	2016	1,415	1,298	-
Standard Bank Malawi Limited	Malawi Kwacha	34	Quarterly	Related assets	2012	2016	158	290	-
PTA Bank	US Dollars	8	Quarterly	Debenture	2009	2015	898	7,905	-
ZTE	US Dollar	9	Quarterly	Vendor finance	2012	2015	1,459	860	-
Nederlands FMO	US Dollar	9	½ Yearly	Government	2012	2030	2,783	5,565	-
Total							10,036	17,215	91

Company - 2013

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 years	Over 5 years
Standard Bank of Malawi Limited	Malawi Kwacha	34	Quarterly	Related assets	2010	2015	-	80	-
NBS Bank Limited	Malawi Kwacha	47	Monthly	Buildings	2010	2014	8	-	-
Development Bank of South Africa	US Dollars	6 months libor +4	½ yearly	NBM shares	2008	2015	487	-	-
Total							495	80	-

In millions of Malawi Kwacha

a) *Government of Malawi Guaranteed Loans*

The Government of Malawi borrowed funds from Denmark, Nordic Development Fund, Kuwait Fund for Arab Economic Development and Belgium Government to finance the development of telecommunications services in terms of bilateral agreements, which were on lent to the Group. The Group is responsible for servicing the loans, through the Government of Malawi. These loans are guaranteed by the Government of Malawi.

In June 2006, the Group agreed with the Government of Malawi to convert to Malawi Kwacha the loans on lent to the company at the foreign currency exchange rates ruling as at April 2003 and revise some of the interest rates.

Government of Malawi/ Kingdom of Denmark	The Government of the Kingdom of Denmark made available to the Government of Malawi a grant of Danish Kroners (DKK) 79,000,000 to support the implementation of the preparatory programme to support the Telecommunications sector. Under Article 13 of the Bilateral Agreement, the Government made available to Malawi Telecommunications Limited (then Malawi Posts and Telecommunications Corporation) a loan amounting to DKK53,200,000. The loan bears interest at 3.5% per annum and is payable half-yearly in arrears. The loan is unsecured, but ranks pari passu with future loan facilities and it is repayable over 20 years from the date of receipt of all equipment. In the addendum signed in June 2006 between the Company and the Government of Malawi, the loan was fixed at MK920,947,960.94 and interest was maintained at 3.5% per annum.
Nordic Development Fund	The loan bears interest at 15% per annum and is repayable half-yearly in arrears. The loan is unsecured, but ranks pari passu with future loan facilities and it is repayable over 17 years from the date of receipt of all equipment. It was agreed in the addendum signed in June 2006 between the Company and Government of Malawi to fix the loan at MK627,159,500 and the interest was set at 7.5% per annum.
Kuwait Fund for Arab Economic Development	The loan bears interest at 7% per annum and is repayable half-yearly in arrears. The loan is unsecured, but ranks pari passu with future loan facilities and is repayable over 16 years including a 4-year grace period. It was agreed in the addendum signed in June 2006 between the Company and Government of Malawi to fix the loan at MK918,457,716.39 and the interest was put at 15% per annum.
Government of Belgium	The loan bears interest at 7.5% per annum and is repayable half-yearly in arrears starting from 31 March 2005. The loan is unsecured, but ranks pari passu with future loan facilities and it is repayable over 15 years. It was agreed in the addendum signed in June 2006 between the Company and Government of Malawi to fix the loan at MK88,701,816.63 with interest rate maintained at 7.5% per annum.
Libyan Government	The loan is interest free and unsecured. There are no repayment terms.

In millions of Malawi Kwacha

31. PROVISIONS

GROUP	Legal claims	Group bonus	Other	Total
2014				
Balance at the beginning of the year	7	2,898	714	3,619
Charge for the year	20	3,988	18	4,026
Provision used in the year	-	(3,209)	(221)	(3,430)
Balance at the end of the year	27	3,677	511	4,215
Due within 1 year or less	27	3,677	511	4,215
Balance as at the end of the year	7	3,677	511	4,215
2013				
Balance at the beginning of the year	45	2,217	944	3,206
Charge/(reversal) for the year	-	3,789	(72)	3,717
Provision used in the year	(38)	(3,108)	(158)	(3,304)
Balance at the end of the year	7	2,898	714	3,619
Due within 1 year or less	7	2.898	714	3,619
Balance as at the end of the year	7	2,898	714	3,619
COMPANY				
2014				
Balance at the beginning of the year	-	393	-	393
Paid out during the year	-	(393)	-	(393)
Provision made during the year	-	588	-	588
Balance at the end of the year	-	588	-	588
Due within one year or less	-	588	-	588
2013				
Balance at the beginning of the year	-	384	-	384
Paid out during the year	-	(384)	-	(384)
Provision made during the year	-	393	-	393
Balance at the end of the year	-	393	-	393
Due within one year or less	-	393	-	393

In millions of Malawi Kwacha

	Group		Company	
	2014	2013	2014	2013

32. LONG TERM LOANS PAYABLE TO GROUP COMPANIES

The Foods Company Limited			-	8
National Bank of Malawi			63	1,955
Press Properties Limited			-	53
Presscane Limited			927	749
			990	2,765
Movement				
Opening balance			2,765	453
Additions during the year			186	2,344
Repayments			(1,961)	(32)
Closing balance			990	2,765

The loans are unsecured and payable within five years and attract interest at market rates currently at 35% (2013: 35%).

33. INCOME TAX PAYABLE

Opening balance	3,304	1,906	109	-
Current charge	12,276	10,120	668	652
Cash paid	(11,858)	(8,730)	(709)	(543)
Prior period charge	17	-	-	-
Tax transfer	-	8	-	-
Total payables	3,739	3,304	68	109

34. TRADE AND OTHER PAYABLES

Trade payables	19,330	9,467	36	14
Accruals	673	668	308	89
Liabilities to other banks	5,228	213	-	-
Letters of credit	17,391	9,860	-	-
Others	10,039	12,103	78	420
	52,661	32,311	422	523

35. TRADE AND OTHER PAYABLES TO GROUP COMPANIES

Amounts due to related party companies				
Press Properties Limited			1	13
Malawi Telecommunications Limited			9	22
Manzinzi			14	11
Telekom Networks			3	2
Ethanol			4	-
			31	48

In millions of Malawi Kwacha

36. CUSTOMER DEPOSITS

	Group	
	2014	2013
Current accounts	58,270	36,602
Deposit accounts	17,635	22,511
Savings accounts	23,711	17,555
Foreign currency accounts*	40,762	41,873
	140,378	118,541
Analysed by interest risk type:		
Interest bearing deposits	139,182	116,285
Non-interest bearing deposits	1,196	2,256
	140,378	118,541
Total liabilities to customers are payable as follows:		
- Within three months	139,182	116,146
- Between three months and one year	1,196	2,395
	140,378	118,541
Analysis of deposits by sector		
- Personal accounts	35,884	57,697
- Manufacturing	4,277	3,549
- Agriculture	180	4,999
- Wholesale and retail	13,382	9,178
- Finance and insurance	9,161	5,799
- Others	77,494	37,319
	140,378	118,541
* The foreign currency denominated account balances as at 31 December were as follows:-		
US Dollar denominated	34,536	33,195
GBP denominated	3,585	4,652
Euro denominated	2,273	3,746
ZAR denominated	332	230
Other currencies	36	50
	40,762	41,873

The interest rate on foreign currency accounts averaged 0.5 % (2013:0.5%)

	Group		Company	
	2014	2013	2014	2013

37. REVENUE

Sales	50,007	42,502	257	295
Services	48,246	36,242	-	-
Interest	38,534	34,973	-	-
Investment income – dividend	-	-	6,678	6,551
	136,787	113,717	6,935	6,846

38. DIRECT TRADING EXPENSES

Cost of sales	34,776	29,587	23	22
Interest Expense	3,773	5,289	-	-
Direct service costs	21,651	16,945	-	-
	60,200	51,821	23	22

In millions of Malawi Kwacha

	Group		Company	
	2014	2013	2014	2013

39. OTHER OPERATING INCOME

	Group 2014	Group 2013	Company 2014	Company 2013
Net gains from trading in foreign currencies	7	81	-	-
Recoveries from impaired loans and advances	1,344	512	-	-
Fair value adjustment of investment property	295	209	-	-
Fair value adjustment of other assets	1,316	1,027	-	-
Profit on disposal of property, plant and equipment	181	262	10	2
Profit on disposal of available for sale financial assets	1,052	504	-	-
Sundry income	1,978	2,089	908	429
	6,173	4,684	918	431

40. DISTRIBUTION EXPENSES

	Group 2014	Group 2013	Company 2014	Company 2013
Marketing and publications	1,866	21	-	-
Selling expenses	89	964	-	-
Carriage outwards	412	305	-	-
Other	218	240	-	-
	2,585	1,530	-	-

41. ADMINISTRATIVE EXPENSES

		Group 2014	Group 2013	Company 2014	Company 2013
Auditors' remuneration	- current year fees	280	244	51	36
	- prior year fees	-	7	-	-
	- other professional services	1	2	-	-
Directors' emoluments	- fees & expenses	123	57	47	41
	- executive directors' remuneration	531	418	-	-
Personnel costs		19,281	16,326	1,948	1,241
Pension contribution costs		1,390	1,192	85	69
Legal and professional fees		545	481	66	108
Stationery and office expenses		1,507	1,118	261	236
Security services		1,174	841	31	23
Motor vehicle expenses		1,899	1,663	45	38
Bad debts		2,403	1,097	2	895
Repairs and maintenance		3,638	2,991	168	86
Depreciation and amortisation		8,402	6,707	139	140
Other		8,095	4,945	237	187
		49,269	38,089	3,080	3,100

Liability for defined contribution obligations

The principal group pension scheme is the Press Corporation Limited Group Pension and Life Assurance Scheme covering all categories of employees with 2,752 (2013: 2,129) members as at 31 December 2014. The Fund is a defined contribution fund and is independently administered by NICO Life Insurance Company Limited. Under this arrangement employer's liability is limited to the pension contributions.

In millions of Malawi Kwacha

	Group		Company	
	2014	2013	2014	2013

42. FINANCE INCOME AND COSTS

	Group 2014	Group 2013	Company 2014	Company 2013
Interest income				
Interest income on bank deposits	743	978	83	52
Net foreign exchange gain	1,377	2,998	42	1,160
Other	163	246	3	99
	2,283	4,222	128	1,311
Interest expense				
Bank overdrafts	(1,237)	(1,253)	(39)	(71)
Loans	(2,121)	(2,154)	(1,383)	(874)
Foreign exchange loss	(2,443)	(7,272)	-	(1,390)
	(5,801)	(10,679)	(1,422)	(2,335)
Net finance costs	(3,518)	(6,457)	(1,294)	(1,024)

43. SHARE OF RESULTS FROM EQUITY ACCOUNTED INVESTEES

	Group 2014	Group 2013	Company 2014	Company 2013
Limbe Leaf Tobacco Company Limited	2,265	1,765	-	-
Carlsberg Malawi	2,763	1,938	-	-
Puma Energy (Malawi) Limited	2,216	2,074	-	-
Macsteel Malawi Limited	72	138	-	-
	7,316	5,915	-	-

44. INCOME TAX EXPENSE

	Group 2014	Group 2013	Company 2014	Company 2013
Current tax expense				
Current year at 30% (2012: 30%) based on taxable profits	11,608	10,120	-	-
Under-provisions for prior years	17	-	-	-
Final tax on dividend received from associates, subsidiaries and joint ventures	668	16	668	653
	12,293	10,136	668	653
Deferred tax expense				
Utilisation of tax losses	(346)	-	-	-
Origination and reversal of temporary differences	629	(1,076)	-	-
	283	(1,076)	-	-
Income tax expense	12,576	9,060	668	653

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 as follows:

	%	%	%	%
Standard tax rate	30	30	30	30
Permanent differences	5	4	(13)	(7)
Effective tax rate	35	34	17	23

In millions of Malawi Kwacha

	Group		Company	
	2014	2013	2014	2013

The Group has estimated tax losses of MK19,931 billion (2013: MK8.8billion). 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.

The effective tax rate at company level is way below the standard tax rate of 30% because the income tax charge is in respect of tax on dividend income at a rate of 10%. This tax is deducted at source.

Under the Malawi Taxation Act it is not possible to transfer tax losses from one subsidiary to another or obtain group relief.

45. 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 MK11,284 million (2013: MK9,372 million) and a weighted average number of ordinary shares outstanding during the year of 120.2 million (2013:120.2 million).

Profit attributable to owners of the company	11,248	9,372
Weighted average number of ordinary shares	120.2	120.2
Basic earnings per share (MK)	93.58	77.97
Number of shares in issue	120.2	120.2
Diluted earnings per share (MK)	93.58	77.97
Profit from continuing operations	22,128	17,359
Non-controlling interest	(10,886)	(7,992)
	11,242	9,367
Basic earnings per share (from continuing operations) (MK)	93.53	77.93
Diluted earnings per share (from continued operations) (MK)	93.53	77.93

46. CONTINGENT LIABILITIES

Foreign guarantees	52	213	-	-
Local guarantees and performance bonds	3,386	5,580	2,300	1,100
	3,438	5,793		
Legal and other claims	1,177	1,356	-	-
Net deficit on NBM Pension Fund	2,488	-	-	-
Tax payable	3,724	1,900	-	-
Total contingent liabilities	10,827	9,049	2,300	1,100

(a) Guarantees and performance bonds represent acceptances, guarantees, indemnities and credits issued by National Bank of Malawi to non-group entities which would crystallise 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 and Peoples Trading Centre Limited.

In millions of Malawi Kwacha

	Group		Company	
	2014	2013	2014	2013

46. CONTINGENT LIABILITIES (CONTINUED)

(b) Legal and other claims represent legal 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.

(c) National Bank of Malawi operates a self-managed Pension Fund. The Fund was valued by independent actuaries, Alexander Forbes, as at 31st December 2013. As per the actuarial valuation, the General Fund had a surplus of MK1 903m and the Special Fund had a deficit of MK4 391m.

In as far as the Special Fund is concerned, the above position was based on the old rules which fell away with the ushering-in of new rules that do not require that there be a separate salary under-pin cover and a separate death cover within the fund. Since this liability fell away, every member's benefit was confirmed by the trustees to have been fully funded as at 1st July 2014 as required by law such that there is no longer a deficit applicable after 30th June 2014. The directors are also of the opinion that following these changes the actuarial valuation report as at 31 December 2014 will confirm the falling away of the deficit on the Special Fund. However, pending the new actuarial report that should among other matters guide the trustees on how the idle funds remaining in the Special Fund may be utilised, the net deficit of MK2 488m on the two funds has been disclosed as a contingent liability.

(d) Tax liability relates to disputes that Limbe Leaf Tobacco and Carlsberg Malawi Limited has with MRA which may result in a tax payable of MK9.1bn and the MK3.7bn represents PCL's portion of the liability.

47. CAPITAL COMMITMENTS

Authorised and contracted for	3,818	3,706	-	-
Authorised but not yet contracted for	20,829	15,138	-	-
	24,647	18,844	-	-

These commitments are to be funded from internal resources and long term loans.

48. RELATED PARTIES

The Group has a related party relationship with its subsidiaries, associates, joint ventures and with its Directors and Executive Officers.

There were no material related party transactions with the ultimate controlling entity of the Group, Press Trust, in the current or prior financial period.

Transactions with Directors and Executive Officers
Directors of the Company and their immediate relatives control 0.01% (2013: 0.01%) of the voting shares of the Company.

Directors' emoluments are included in administrative expenses more fully disclosed in note 41.

Details of transactions between the Group and other related parties are disclosed below.

As at 31 December		
Loans granted to group companies	2,534	3,741
Sales within group companies	2,558	2,273
Interest income	2,059	2,496
Compensation of key management	531	418
Corporate expenses	159	240

In millions of Malawi Kwacha

Other related party transactions

Associates

Associates purchased goods from the Group on an arm's length basis and at the reporting date associates the balance due from the associates to the Group is MK11 million (2013: MK10 million)

Joint ventures

Joint ventures purchased goods from the Group on an arm's length basis and at the reporting date joint ventures owed the Group MK12 million (2013: MK11 million).

49. CASH FLOWS FROM OPERATING ACTIVITIES

	Group		Company	
	2014	2013	2014	2013
Profit before tax	34,704	26,419	3,456	3,130
Adjustments for:				
Depreciation and amortisation	9,000	6,957	149	141
Interest payable	5,801	3,407	1,422	945
Interest receivable	(2,283)	(4,222)	(128)	(151)
Gross share of profit from equity accounted investments	(7,316)	(5,915)	-	-
Profit on sale of investment property and property, plant and equipment	(181)	(262)	(12)	(2)
Fair value adjustments and unrealised forex losses	(638)	4,206	-	254
Net reserves effect on inclusion of MTL	1,896	-	-	-
Investment income (dividends)	-	-	(6,678)	(6,551)
Increase in provisions	596	706	195	9
Working capital changes:				
(Increase)/Decrease in inventories	(3,452)	(926)	(6)	6
(Increase)/Decrease in Loans and advances to customers	(15,889)	(1,869)	-	-
(Increase)/Decrease in Finance lease receivables	(2,478)	(75)	-	-
(Increase)/Decrease in trade and other receivables	(13,732)	(3,628)	(25)	(282)
(Increase)/Decrease in trade and other receivables -group	-	-	438	(793)
Increase/(Decrease) in trade and other payables	20,350	5,111	(101)	(4)
Increase/(Decrease) in trade and other payables- group	-	-	(17)	2
Increase/(Decrease) in customer deposits	21,837	30,707	-	-
Cash generated by/(used in) operations	48,215	60,616	(1,307)	(3,296)

50. DIVIDEND PER SHARE

	Group and Company	
	2014	2013
Final dividend (prior year)	842	421
Interim dividend (current)	421	240
	1,263	661
Number of ordinary shares in issue (million)	120.2	120.2
Dividend per share (MK)	10.5	5.50

The proposed final dividend for the year is MK1,082 million (2013: MK841.8 million) representing MK9 per share (2013: MK7).

In millions of Malawi Kwacha

51. INFLATION AND 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, together with the increase in the National Consumers Price Index which represents an official measure of inflation.

Exchange rates as at 31 December	2014	2013
Kwacha/United States Dollar	475.8	433.1
Kwacha/Euro	575.4	597.2
Kwacha/British Pound	738.4	713.7
Kwacha/South African Rand	41.0	42.9
Inflation rates as at 31 December (%)	24.2	23.5

At the time of signing these Consolidated and separate financial statements, the exchange rates had moved to:-

Kwacha/GBP	636.2
Kwacha/Rand	36.5
Kwacha/US Dollar	437.2
Kwacha/Euro	474.3
Inflation rates as at February 2015	19.7%

PRESS CORPORATION LIMITED ON THE MALAWI STOCK EXCHANGE

Shareholdings	% of total shares in issue	Number of shares	shareholding range	Number of shareholders	%
Press Trust	44.47%	53,475,249	1,000,000 +	11	0.70%
Deutsche Bank Trust Company America	22.34%	26,860,500	10,001 - 1,000,000	73	4.63%
Old Mutual Life Assurance (Malawi) Limited	14.37%	17,282,578	5,001 - 10,000	35	2.22%
Others	18.82%	22,637,386	1 - 5,000	1,459	92.46%
Total		120,255,713		1,578	100.00%

Share Market

	2014	2013	2012	2011	2009
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 capitalisation at 31 December (MKm)	54,488	34,273	22,608	21,646	20,443
Market capitalisation at 31 December (US$'m)	114.52	79.13	66.09	132.15	135.57

Subscription price at listing MK14.89

Last traded price					
31 December (MK per share)	453.10	285.00	188.00	180.00	170.00
Highest (MK per share)	453.10	285.00	180.00	170.00	205.00
Lowest (MK per share)	285.00	188.00	176.00	153.00	120.00
Net asset value (NAV) per share	893.37	669.58	396.41	353.94	319.52
Value of shares traded (MKm)	454.00	1,688.00	152.00	176.67	475.00
Earnings per share %	93.58	77.97	28.86	44.23	27.23
Dividend yield %	2.32	1.93	2.59	2.59	1.51