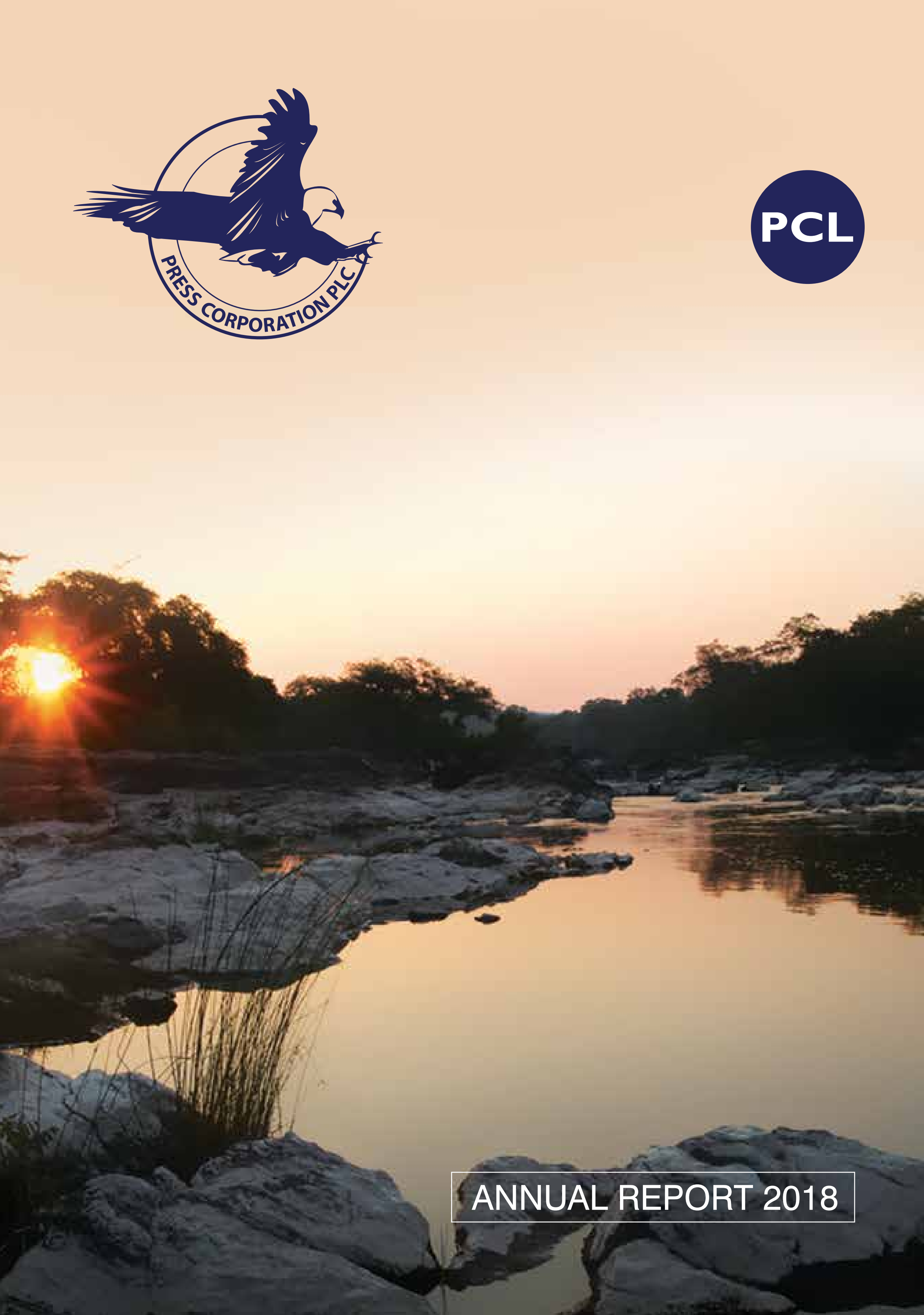
PRESS CORPORATION PLC

PCL



ANNUAL REPORT 2018

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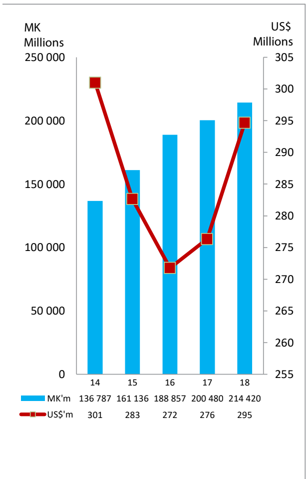
Cover photo (Bua River) courtesy of Land and Lakes Safaris . Inside photos by Govati Nyirenda

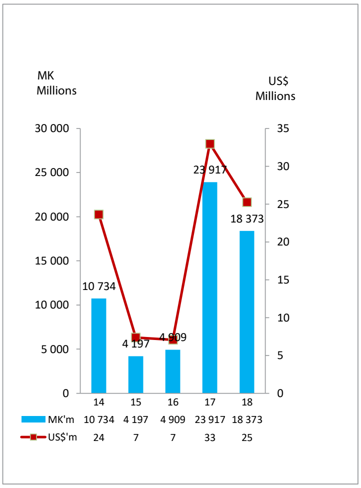
FINANCIAL **HIGHLIGHTS**

	Malawi Kwacha			US Dollars		
	2018	**2017**	**Change %**	**2018**	**2017**	**Change %**
Group Summary (in millions)						
Turnover	214,420	200,480	6.95	295	276	6.63
Attributable earnings	18,373	23,917	(23.18)	25	33	(23.41)
Shareholders' equity	150,912	125,557	20.19	207	173	19.50
Share performance						
Basic earnings per share	152.85	198.98	(23.18)	0.21	0.27	(23.41)
Cash retained from operations per share	161.74	165.38	(2.20)	0.22	0.23	(2.77)
Net asset value per share (shareholders' equity per share)	1,823	1,513	20.47	2.50	2.08	19.78
Dividend per share	26.01	17.50	48.62	0.04	0.02	47.77
Market price per share	1,140.00	600.00	90.00	1.56	0.83	88.91
Price earnings ratio	7.46	3.00	147.33	7.44	3.02	146.65
Number of shares in issue (in millions)	120.20	120.20	0.00			
Volume of shares traded (in thousands)	4,409.00	993.00	344.01			
Value of shares trades (in MK miilions)	4,725.00	569.00	730.40	6.49	0.78	727.89
Financial statistics						
After tax return on equity	24.33	31.60	(23.01)	0.03	0.04	(23.45)
Gearing	18%	17%	(2.33)			
Average monthly exchange rates				727.70	725.50	
Year end exchange rates				729.80	725.60	

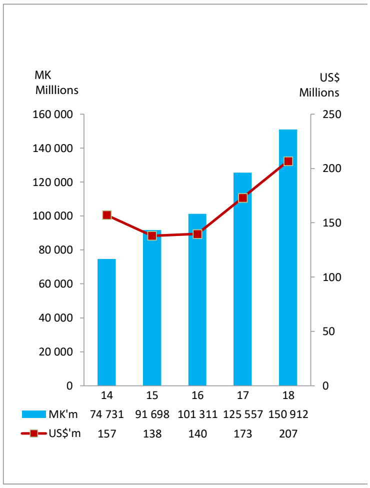
TURNOVER



PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS



ORDINARY SHAREHOLDERS' FUNDS



Exchange rate (MK/US$)	2014	2015	2016	2017	2018
Average monthly exchange rates	454.45	570.10	694.90	725.50	727.70
Year end exchange rates	475.80	664.40	725.40	725.60	729.80

Integrity

Employment Equity

HIV/AIDS Policy

Environmental Management

Community and Social Engagement

Governance and Law Reform

Anti-Corruption

CORPORATE SOCIAL RESPONSIBILITY

Through donations, projects, programs and social investments, the Group invested about MK650 million in Corporate Social Responsibility.

INTEGRITY

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

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

EMPLOYMENT EQUITY

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

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

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

HIV/AIDS POLICY AND STAFF WELLNESS

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

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

In its pursuit of providing fully the individual needs for its employees, PCL organized a wellness day during which employees were trained and counseled on various matters relating to their health, including nutrition, physical exercise and non-communicable and communicable diseases. This will be an annual event.

ENVIRONMENTAL MANAGEMENT

PCL and its subsidiaries are committed to developing policies that address the environmental impact of 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.

Castel Malawi Ltd embraces pollution control and waste management by treating and returning waste water to the environment. The aim is to retain 100% of the water used in its processes. The company has a waste water treatment equipment in its soft drink plant which treats all liquid waste to acceptable limits before being discharged back to the environment.

As a way of managing waste, both ethanol producing companies namely Ethanol Company Limited (EthCo) and PressCane Limited use ponds to hold effluent from the ethanol production. This by-product called vinnase is naturally evaporated and the remaining sludge is used as a fertilizer supplement because of its richness in potassium. Part of this supplement is taken back to the sugar making company (and applied in the sugarcane fields) whose byproduct is molasses which is the ethanol production raw material.

EthCo also maximizes the use of steam from a renewable source (sugarcane bagasse steam from Dwangwa Sugar Corporation) as opposed to steam from coal which is a fossil fuel in order to protect the environment. Tree planting has been an ongoing exercise carried out by most of the Group companies as one way of addressing environmental degradation. During the year, National Bank of Malawi and Limbe Leaf Tobacco Company took the lead in planting thousands of trees across the country in an attempt to reverse the effects of deforestation.

COMMUNITY AND SOCIAL ENGAGEMENT

As a responsible corporate citizen, the PCL Group and its subsidiaries aim to give back to the community by engaging in various corporate social responsibility activities. During the year, Corporate Office extended its hand of support to various causes aimed at helping the disadvantaged members of our society. In particular, PCL among other initiatives, responded favorably to the appeal from Queen Elizabeth Central Hospital (QECH) by arranging for specialized scanning services at Mwaiwathu Private Hospital for 10 children who otherwise would not have accessed the services, following the breakdown of the MRI machine at QECH. In the same vein, PCL provided support to the Cancer Survivors Quest and the Rotary Club of Limbe to assist the cause of cancer survivors and the less privileged.

GOVERNANCE AND LAW REFORM

During the year, PCL partnered with the Faculty of Law at Chancellor College when it co-sponsored the Research Dissemination and Corporate Engagement conference, where research papers on commercial law-related emerging issues were discussed and shared with the corporate world. National Bank has been a key sponsor of the Masters in Law (Commercial Law) program. PCL's support to the conference is therefore a continuation of the close relationship that the Group enjoys with the University of Malawi, particulary the Faculty of Law.

ANTI-CORRUPTION

PCL conforms to Principle Ten of the UN Global Compact which states that businesses should fight corruption in all its forms, including extortion and bribery as well as other forms of corruption. The principle gives guidelines for companies to proactively develop policies and concrete programs to address corruption internally and within their supply chains.

PCL and its subsidiaries support the objective 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.

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

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

CHAIRMAN'S **REPORT** ↓

The Group recorded a consolidated profit after tax of MK36.71 billion (2017: MK39.67 billion).

THE GENERAL OPERATING ENVIRONMENT

Key macroeconomic indicators were relatively stable in 2018. Average inflation rate was 9.2% per annum compared to 11.6% in prior year. The Policy Rate remained at 16% throughout the year.

The value of the Malawi Kwacha remained stable against major currencies. The stability was underpinned by foreign exchange reserves of US$1.08 billion as at end December 2018 representing 5.19 months' worth of import cover, a position that held throughout the reporting period.

The Malawi stock market was buoyant for the second consecutive year as it registered a positive return on index of 33.42% (US$ terms) compared to 62.09% in 2017. Market liquidity improved both in total traded value and volume compared to the corresponding period of 2017. Listed companies within the Group registered significant positive movements with trading gains in PCL (90%), TNM (93%) and NBM (23%). For the first time in the past five years, the PCL share price registered a significant share price increase, moving from MK600 in January to closing at MK1,140 in December, 2018. This reflects growing investor confidence in the strategic direction of the Group.

Power challenges continued impacting on the cost of production and service delivery for most of the Group entities due to over-dependence on diesel generators. However the power situation improved in the 4th quarter with the onset of the rains and completion of the rehabilitation works on some hydro power stations under the Millennium Challenge Compact project funded by the United States Government.

Like many companies, the highlighted factors have shaped the operating landscape of Group Companies in one way or the other. Management's task has been to ensure that Group Companies are prepared for all risks while at the same time taking advantage of opportunities availed by such an operating environment.

GROUP PERFORMANCE

Notwithstanding the challenging operating environment, our management team delivered a strong performance, building on the previous year's positive results. The Group recorded a consolidated profit after tax of MK36.71billion(2017:MK39.67billion). In 2017 the Group had a once off transaction which resulted in a profit of MK14.28 billion arising from the sale of 19% of Castel (Malawi) shares whilst in 2018 there was a once off transaction arising out of the restructuring of OCL resulting in a gain of MK6.16 billion. Without the two once off transactions the Group registered a 20% growth in its underlying profit after tax.

In addition to the strong financial performance, the year under review was a momentous year for PCL as it started implementing its strategic goal of diversifying into the tourism sector. The Group firmly set its foot into the sector with an initial acquisition of a 15% stake in Sunbird Tourism PLC. Going forward the Group's ambition is to steadily grow its presence in this growing important segment of the economy.

Another major milestone during the year was the acquisition of our own 'home' to house the Group's Corporate Office and other subsidiaries. PCL, through Press Properties Limited, purchased a 51% controlling interest in Indetrust Holdings Limited, a prime property in the City of Blantyre. The property has now been christened "PCL House".

PROSPECTS FOR 2019

The macro economic environment will inevitably be unpredictable it being a tripartite election year as this could undermine effective policy making and implementation. Initial crop estimates indicate a good agricultural season due to the favourable rainfall pattern which, if combined with sound monetary policy, bodes well on the inflation front. However, the otherwise good harvest could partly be undermined by flooding which happened late in the cropping season caused by cyclone Idai, affecting mainly the southern part of the country. The GDP growth rate has therefore been projected at 4.5%.

Building on the strong foundation laid in 2018, the Group is well positioned for growth and expansion in new and existing profitable business areas in spite of the risks highlighted above. The efficiency measures, capital adequacy improvements and the successful restructuring exercises undertaken in most business units during the year has favourably repositioned the Group for continued growth. Directors are also confident that the restructuring and strategies being implemented in loss making entities are now bearing fruit.

THE BOARD OF DIRECTORS

Mrs Edith Jiya, a director nominated by Old Mutual, retired during the year and was replaced by Mr Jim Nsomba. I would like to welcome Mr Jim Nsomba and look forward to his contributions on the Board. In the same vein, I would like to take this opportunity to thank Mrs Edith Jiya for her valuable contributions while serving on the Board and wish her well in her retirement.

APPRECIATION

I wish to thank my fellow Directors for their wise counsel, Management and staff for their hard work, cooperation and dedication during the year. With their efforts, the Group achieved excellent results as outlined in this report. Equally, my thanks go to all Group customers and suppliers, for without their continued loyalty and trust, these results would not have been possible. I look forward to another successful year.

PATRICK W KHEMBO
CHAIRMAN

GROUP CHIEF EXECUTIVE OFFICER'S **REPORT**

The Group's strategic goal of expansion was achieved through the acquisition of 15% shareholding in Sunbird Tourism Plc

GROUP OPERATIONS

During the year, Management's focus was on the turnaround of underperforming businesses namely MTL, Peoples, TFCL, PPL and OCL, while nurturing profitable entities. Strategies being implemented targeted cost savings and efficiency drives through process re-engineering, rebranding, as well as organic growth, and in certain instances, through disposals and acquisitions.

Significant financial resources were applied to support the turn-around strategies of those companies. MK5.6 billion and MK1.2 billion were earmarked for the recapitalization of Peoples and TFCL respectively; and K1.9 billion for the recapitalization of PPL through the acquisition of 51% shareholding in IndeTrust Holdings Limited, the company that owns PCL House. There were disposals of non-performing assets in MTL to pay off the Company's debts and statutory obligations which were crippling its operations, while OCL's shareholding was restructured to offer a 60% stake in the Company to an equity investor. Proceeds of the OCL share subscription transaction were used to pay off significant amounts of debts, while USD5 million was earmarked for the rehabilitation of the fibre network. The coming in of the new investor into OCL also brought in the much needed technical expertise in the business.

Looking back, it is pleasing to note that, overall, there has been a remarkable improvement in the performance of these companies. PPL, MTL and OCL recorded profits compared with persistent substantial losses in

The telecommunications segment delivered excellent results and more than doubled its profit after tax

PressCane delivered excellent results with a 182% growth in profits driven by the increase in sales volumes and improved margins.

Excellent results were also delivered by Limbe Leaf and Macsteel

prior years. Peoples recorded reduced losses while TFCL continued to make losses due to the substantial front-loading of expenditure for the turn-around efforts. The Group's strategic goal of expansion was achieved through the acquisition of 15% shareholding in Sunbird Tourism Plc, giving the Group a strong entrance into this growing industry as well as the acquisition of a 51% stake in IndeTrust Holdings. Viable investment opportunities having a strategic fit with the Group will continue to be explored in line with the Group's strategic plans. Efforts to enter the power sector market are continuing with the signing of several MOUs with a number of potential technical partners.

Below is a synopsis of the Groups' segmental performance:

The Telecommunications Segment: *(mobile phone company: **TNM**, fixed telephony: **MTL**, and the telecommunications infrastructure company: **OCL**)*

The telecommunications segment delivered excellent results and more than doubled its profit after tax, driven by the continued strong results from TNM, the turnaround in OCL and a profit registered in MTL. At MTL, discussions are underway with a potential strategic investor to rejuvenate the business.

The Financial Services Segment: *(National Bank of Malawi Plc)*

The Bank delivered satisfactory results and achieved an overall growth of 6.4% in its Statement of Financial Position, driven by a 21% growth in the loan book and 5.8% increase in customer deposit. Non-performing loans were within acceptable levels. Net interest income, on the other hand, declined due to the subdued operating environment despite the reduction in interest rates during the period. Consequently the Bank's profit after tax declined by 16.6%. Efforts are underway to implement strategies aimed at reversing the current trend.

The Energy Segment: *(ethanol manufacturing: **PressCane** and **EthCo**)*

PressCane delivered excellent results with a 185% growth in profits driven by the increase in sales volumes and improved margins. EthCo made a loss mainly due to lower than anticipated sales of extra neutral alcohol resulting from the aftermath of a prolonged statutory temporary closure of its major off-takers in 2017; lower margins achieved on the export market; and the impact of a write off of prospecting costs capitalized over the years relating to feed stock production. As a result of the weak results from EthCo, the segment registered a 15% decline in profit after tax. The search for alternative sources of feed stock is on-going.

The Consumer Goods Segment: *(retail chain: **Peoples**)*

The turnaround strategies for the company are on course. The company was restructured into 4 major brands from the original 6 namely Spar, Food Lovers, Peoples Metro and Peoples Express, with the first 2 of the brands meant to re-position the company as an upmarket brand. New management has been recruited to drive the turn-around plan. The company registered an 18% improvement in its bottom line, driven by improvements in operating efficiencies and the impact of the rebranding exercise. The continuing collaboration with Spar is making a significant impact in the turn-around journey.

All-Other Segment: *(fish farming: **Maldeco,** and real estate: **Press Properties**)*

As earlier pointed out, the fish farming business continued to make losses but was successfully restructured to improve operating efficiencies and to position the company for growth. The company has high potential for growth and profitability due to existing high demand for the aqua tilapia. During the year, the Company received a capital injection of K1.1 billion to invest in additional breeding ponds for brood stock and fingerling production and to increase the number of cages. As a result, the company increased its Aqua fish production from 170 tons in 2017 to 712 tons during the year.

The real estate business continued on the path to recovery after a successful restructuring to streamline its operations. The company delivered excellent results and its profit after tax more than doubled compared to prior year.

Equity accounted businesses: *(Joint ventures: **PUMA**, a fuel distribution company and **Macsteel**, a steel processing and trading company; associated companies: **Limbe Leaf**, a tobacco processing company; and **Castel**, a bottling and brewing company)*

The Group's share of profit from equity accounted investments grew by 3%. Excellent results were delivered by Limbe Leaf and Macsteel while results from the fuel distribution company remained flat but satisfactory. Castel Malawi successfully completed the rehabilitation of its production plants to reposition the Company for growth. During the year, the company made a loss mainly due to rehabilitation costs, reduced margins occasioned by the impact of erratic power supply and the attendant operating and quality control challenges.

CORPORATE HEAD OFFICE

Efforts to improve operational efficiencies at Corporate Office continued during the year. Improvements in ICT systems are ongoing with the recent automation of the Group consolidation system on the SAP BPC platform. As part of giving total attention to the welfare of its employees, a tailor-made wellness program was introduced during the year.

OUTLOOK

Management is confident of delivering planned results. The Group is well positioned to exploit growth opportunities following the restructuring of most of the businesses. In addition, the prevailing stable macro-economic environment provides a platform for continued growth.

CONCLUSION

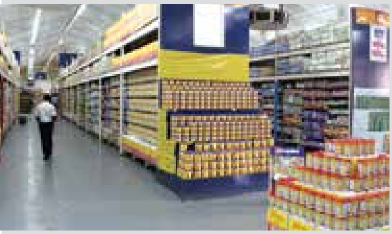
I wish to thank the Board for the invaluable counsel, direction and guidance. The positive strides in performance that the Group has demonstrated is possible due to the belief and trust that the Board reposes in us. As a result, and despite the tough economic environment, the Group managed to achieve very satisfactory results.

Let me also take this opportunity to sincerely thank members of staff for their dedication to duty and hard work. Following the restructuring exercises, there was general acceptance of the need for such interventions and the transition was unexpectedly smooth with no disruptions to service and productivity. On behalf of the Board, I wish to express my sincere appreciation to members of staff and all directors in the different boards of our Group companies for a successful year in spite of challenges in the operating environment. I look forward to another fruitful and adventurous year.

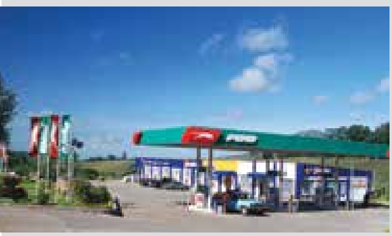
GEORGE B. PARTRIDGE
GROUP CHIEF EXECUTIVE



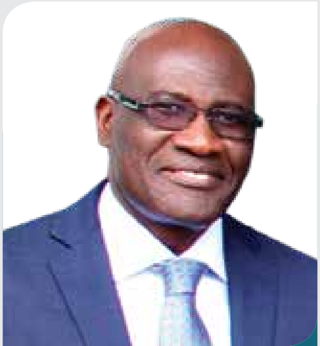







BUSINESS OVERVIEW



Macfussy Kawawa
Chief Executive Officer

National Bank of Malawi plc (NBM) and its subsidiaries are engaged in commercial banking, stock broking, fund management and pension fund administration. In addition, NBM has a 47% stake in United General Insurance, a general short term insurance company.

NBM GROUP PERFORMANCE

The Bank registered a group profit after tax of MK16.27 billion from MK19.15 billion in 2017 representing a decrease of 15% and achieved an overall growth of 6.4% in the Statement of Financial Position. This was mainly on account of slow uptake of loans and advances during the first half of the year.

Economic activity was for a greater part of the year generally subdued, as among other factors the country continued to experience prolonged power outages resulting from low water levels in both the Lake Malawi and the Shire River. Load shedding programs adversely affected the manufacturing sector whose reduced production levels meant reduced appetite for credit facilities and other ancillary products. In addition, poor agricultural production in some parts of the country exacerbated the position due to reduced purchasing power by agriculture-dependent rural masses. Consequently, the loan book grew by 21% and customer deposits grew by 5.8%.

The Bank has therefore demonstrated remarkable resilience in its performance under the circumstances.

As part of the bank's ongoing initiative to improve over-the-counter customer experience, refurbishment and construction work on two modern Service Centres was completed during the year. The two service centres now offer spacious parking and banking hall space and have been fitted with modern banking facilities.

OUTLOOK FOR 2019

In spite of the uncertainities associated with general elections to be held in May 2019, the outlook is more positive in 2019 than in 2018. Growth drivers include agriculture sector spill-over benefits on account of favorable rains, in addition to government's agriculture and irrigation sector-wide policy initiatives that will lead to better yields in the food and non-food sectors. Beneficiary sectors will include wholesale and retail, construction, manufacturing, transportation, energy and telecommunication, along with anticipated increase in Foreign Direct Investments and the expected recovery in commodity prices.

Looking ahead we envisage a strong performance through the Bank's ability to leverage on its core strengths to address challenges and exploit opportunities in the market.

The Bank registered a group profit after tax of MK16.27 billion from MK19.15 billion in 2017

Eric Valentine
Acting Chief Executive Officer

COMPANY PROFILE

TNM is a leading mobile telecom, ICT and multimedia service provider in Malawi offering leading edge technologies and solutions that suit the needs of its customers. The Company is listed on the Malawi Stock Exchange.

PERFORMANCE

The Company achieved strong revenue and subscriber growth in 2018 which resulted in improved margins and profitability. These achievements were supported by consumer business growth and the introduction of new ICT and enterprise products, leveraging on the strong TNM brand whilst containing costs.

The Company registered an EBITDA margin of 39% in 2018 (2017: 37%). Net profit after tax at MK16.67 billion represents an increase of 27% from MK13.12 billion in 2017.

TNM spend on capital expenditure amounted to MK19.36 billion in 2018 (2017: MK19.04 billion). The expenditure was mainly on 4G mobile technology (LTE) expansions, network quality improvement, new coverage sites across the country and the replacement of the mobile money platform. LTE technology positions the Company as a leading ICT provider employing leading edge technology to offer world class mobile and fixed broadband services.

OUTLOOK

The Company continues to pursue its stated vision of becoming the leading ICT and multimedia service provider through improved customer experience and product innovation. The focus is therefore on long-term growth benefits from investment in infrastructure and building loyalty of its subscribers.

TNM plans to grow its mobile and fixed subscriber base focused on consumer, enterprise as well as small and medium businesses. There will also be a very strong drive to grow the Mobile Money ecosystem to ensure innovative and convenient services by the expanding the TNM agent and merchant network whilst aggressively growing the customer base.

TNM expects to enhance its 2G and 3G network outreach by utilizing UMTS900 technology across the country ensuring access to quality voice and data services. The fixed and mobile 4G LTE coverage will be expanded to ensure a high speed data network to cater for the growing demand for data services. TNM will also expand the 4.5G LTE network to meet the demands of the enterprise market.

> Net profit after tax at MK16.67 billion represents an increase of 27% from MK13.12 billion in 2017

Dr Harry Gombachika
Chief Executive Officer

COMPANY PROFILE

Malawi Telecommunications Ltd (MTL) which was incorporated as a limited liability company on 30th May 2000 offers a wide range of Information and Communications Technology (ICT) based solutions. The range of products and services offered include fixed voice, data (connectivity & Internet), and co-siting/ co-location services.

TELECOMMUNICATION INDUSTRY OUTLOOK

Driven by the continuous migration of consumers from fixed telephony to broadband data-centric communications solutions, and the evolving business needs that are driving enterprises towards IT-based service models, the telecommunications industry in Malawi continues to grow mainly in the mobile voice, mobile broadband, fixed broadband, and internet market segments, consistent with global trends.

BUSINESS MODEL AND STRATEGY

During the year under review, MTL continued implementing its turnaround strategy that hinges on a focused approach in determining products and services offerings on the market in order to capture relevant opportunities in the telecommunication ecosystems which the company has a competitive advantage on.

- MTL fine-tuned its business model and strategy based on the new philosophy that aims to transform the Company from being a provider of communication technologies to a provider of connectivity solutions for quality customer experience. Additionally, MTL continued with its business process re-engineering measures coupled with the implementation of a new responsive performance management system.

- The Company surgically attended to issues that were seriously affecting the network quality which included power supply and security systems. Power systems on some key sites and Internet gateways were refreshed, resulting in improved quality of services. Additionally, MTL installed access nodes (MSANs) close to key customer premises in order to reduce its dependence on copper which is highly susceptible to theft and vandalism.

- The Company implemented various cost saving initiatives including the review of services contracts with major suppliers and renegotiated some of the terms and conditions which resulted in significant cost savings.

- The Company continued to consolidate and rationalise its portfolio of non-earning assets.

The company recorded a net profit of MK295.56 million compared with a loss of MK2.88 billion incurred in prior year.

2018 PERFORMANCE HIGHLIGHTS

The Company continues to show a positive trend in its profitability. Continued focus was placed on operational process improvements, and the restructuring of its balance sheet through the disposal of some of its non-performing assets which were used to restructure debt to sustainable levels. As a result of these initiatives, the company recorded a net profit of MK295.56 million compared with a loss of MK2.88 billion incurred in prior year.

OUTLOOK FOR 2019

The significant efficiency measures and the reduction of debt levels that have resulted in improved working capital are expected to improve the performance of the business in 2019.

Stella Senti
Chief Executive Officer

BRIEF COMPANY PROFILE

Open Connect Limited (OCL) is a company that was incorporated in March 2016 following the unbundling of the fibre optic backbone business from the Malawi Telecommunication Limited (MTL). OCL was registered as a Special Purpose Vehicle to operate and manage the fibre Network.

OCL has the largest fibre optic coverage in Malawi and owns 50% of the fibre network market in Malawi with a presence in all four regions of the country. It is a carrier of carriers and provides redundant lit services to leading mobile operators, Internet Service Providers (ISP's) and Terrestrial TV providers. As the largest and only redundant fibre network provider in the Malawi market, with key international fibre links to Mozambique and Tanzania, OCL additionally has a direct connection to SEACOM's Indian Ocean Submarine Cable and to EASSY via Mozambique de Telecommunication (TDM).

This network is approximately 2250 kilometres of fibre.

SEARCH FOR STRATEGIC INVESTORS

In order to improve financial position and performance of the Company, OCL's founding Shareholders partnered with Harith General Partners, a South African based private equity investor, who have invested US$ 24.1 million in the company. The transaction was concluded on 28th June 2018. The injected capital was utilised to clear all outstanding debts and for the financing of some of the much needed capital expenditure for the rehabilitation and upgrading of the network.

After the shareholder restructuring, Harith General Partners at 60% are now the majority shareholder while PCL remained with 22.02%. Other shareholders being Old Mutual Malawi (14.7%), Malawi Government(2.05%), NICO Holdings (0.92%) and Investments Alliance (0.23%)

PERFORMANCE HIGHLIGHTS AND OUTLOOK

After the shareholding restructuring, the business turned around and reported a loss of MK131.40 million in 2018 from a loss of MK1.8 billion in prior year. The company is expected to significantly improve its profitability as a result of reduced debt levels and rehabilitation of the network.

OCL has the largest fibre optic coverage in Malawi and owns 50% of the fibre network market

Lusubilo Chakaniza
Chief Executive Officer

COMPANY PROFILE

Ethanol Company Limited (EthCo) is the sole producer of Extra Neutral Alcohol (ENA) in Malawi. In addition, the Company produces Anhydrous (fuel ethanol) and rectified (industrial) spirit and has an associate that produces Coca Cola grade carbon dioxide for the beverage industry. In keeping abreast with global standards, the Company has ISO 9001, ISO14001 and OHSAS 18001 certification and is targeting ISO 22000 (Food Safety) certification by December 2019.

2018 PERFORMANCE HIGHLIGHTS

Despite growth in sales volume and revenue of 33% and 34% respectively, maturation of the local ENA market and unfavourable fuel ethanol prices strained the margins in the year. The financial position of the Company was further weakened by bad debt provisions, severance payments and a write off of accumulated expenditures on a feedstock project, bringing about a 92% reduction in pre-tax profits against prior year.

In spite of these challenges, positive strides were made in the improvement of manufacturing efficiency and the management of other expense lines. Furthermore, implementation of various risk mitigation strategies meant that the overall inherent risk exposure was on a downward trend and remained within set appetite levels throughout the year.

OUTLOOK FOR 2019

EthCo is poised to strengthen its position in 2019 by increasing production and sales volumes beyond 2018 levels and implementing a strategy that focuses on innovation, product diversification, business process re-engineering and employee productivity enhancement initiatives. Additionally, a new marketing strategy will be rolled out to enable the Company to consolidate both the local and export ENA markets.

STRATEGIC DIRECTION

In line with the new strategy, the Company is targeting growth through diversification with a goal to triple revenue by end 2023. Management plans to increase the degree of flexibility of the plant to enable more fuel ethanol production in line with market demands. Management will therefore continue to lobby Government on a sustainable fuel ethanol pricing and tax model that will justify this investment. On the other hand, efforts to increase the existing plant capacity utilisation through sourcing of molasses at reasonable prices remain a critical survival strategy for the ethanol line of business.

Dr Christopher Guta
Chief Executive Officer

COMPANY PROFILE

Presscane is Malawi's leading producer and marketer of automotive fuel grade ethanol that has been used in Malawi for blending with imported petrol since 1985. It also produces rectified spirit used in industrial and manufacturing processes.

PERFORMANCE

The Company registered significant growth in revenue in 2018 compared to 2017. Revenue grew by 50.7% responding to improved gross margin and higher sales volumes of both fuel ethanol and rectified spirit. Growth was also underpinned by improved operational efficiencies whose effect was the attainment of lower unit cost of production than budget. Thus, the combined effect of a 12.1% reduction in the unit cost of production on the one hand; and an 8.5% increase in the average price of fuel ethanol and rectified spirit on the other hand, was realization of an operating profit of MK1.596 billion compared to an operating loss of K267 million recorded in 2017.

Underpinning this performance was the business re-engineering exercise which, in addition to optimizing staff levels in the Company, also identified specific actions whose implementation in the year gave rise to the improved production levels.

2018 HIGHLIGHTS

- Effected a business re-engineering exercise that led to reduction in head count and the related overhead costs.
- Achieved record high production volume of 16.7 million litres, molasses conversion efficiency of 252 tons per ton and an improved daily production throughput following installed plant capacity enhancement from 18 to 27 million liters per annum in 2017.
- Achieved record setting sales revenues following improved business environment indicated by fairly stable exchange rate; better product prices in the second half of the year especially for fuel ethanol; a better product sales mix owing to planned availability of rectified spirit throughout the year; and an early start of the production season in March compared to June in 2017.
- Timely restoration of production following the collapse of overhead cable track in July and a major electric fire incident in October both of which had potential to derail attainment of 2018 profit targets.
- Improved labour productivity with each employee accounting for MK133.6million of the total revenue up from MK62.0million in 2017.

STRATEGIC DIRECTION

The Company will continue to implement already identified actions regarding areas for further operational efficiency improvements and cost containment in 2019 and beyond. Following the decision to put the project for the development of raw materials (RAMA Project) on hold, process efficiency gains are critical for continued actions to identify new sources of molasses from new potential suppliers in the neighbouring countries. This will improve plant capacity utilisation currently at 62% to the targeted 75% by 2020 thereby unlock benefits arising from economies of scale. Product diversification is also in the line of sight of Management. To this end, resource investments will focus on market and product development initiatives including production of ethanol derivatives.

Dr Davis Lanjesi
Managing Director

BRIEF COMPANY PROFILE

PUMA is a joint venture between Press Corporation PLC and PUMA Energy International. The Company is a leading distributor of petroleum products in Malawi. The business operates in four market segments comprising Retail (62 service stations); Commercial/wholesale; Aviation (at Kamuzu and Chileka International airports); and Lubricants.

MARKET POSITION AND REGULATORY AMENDMENTS

Countrywide demand for petroleum fuels at 399.36 million litres increased by 9% in 2018 compared with 7% growth in previous year. The industry has registered a 13% increase in the number of retail sites.

The Malawi Energy Regulatory Authority (MERA) introduced a distribution margin claim policy for transport cost on fuel deliveries to retail sites beyond a radius of 20 kilometres from the fuel depot. However, no transport recoveries will be payable for deliveries to commercial customers. MERA also amended the regulation on fuel purchases by oil companies from the Strategic Fuel Reserve (SFR). This requires all Oil Marketing Companies (OMC's) to purchase fifty percent (50%) of their sales from the strategic reserves through National Oil Company of Malawi (NOCMA), a government owned company. This regulation has had a negative impact on PUMA's business model.

HIGHLIGHTS FOR 2018

Puma revised its retail investment policy for Dealer - owned -Dealer Operated (DODO) sites that resulted in a reduction of its retail network by four. However four new DODO sites are expected to be operational by end of first quarter in 2019.

Key focus areas included dealer performance reviews, customer service and safety improvements. The Company was restructured following the centralization of Finance, Business Supply and Support functions to Mumbai, India.

Product supply was good despite the collapse in the proposed 50-50 fuel supply split agreement between National Oil Company of Malawi (NOCMA) and Petroleum Importers Limited (PIL).

BUSINESS AND PERFORMANCE OVERVIEW

A margin increase was awarded in November 2018. The Company continued its strategies of being a low cost leader of revenue in lubricants segment.

A total of 145 million litres of petroleum products was sold as compared with 139 million litres in 2018

A total of 145 million litres of petroleum products was sold as compared with 139 million litres in 2018 representing a four (4%) growth.

representing a four (4%) growth. The company registered significant market share growth in lubricants and business to business segments. More customers used cards for fuel purchases at retail sites than in 2017. Total turnover at MK116 billion was 11% higher than MK105 billion achieved in 2017. Total operating costs at MK4.06 billion were 4% higher than MK3.9 billion in 2017. Profit before tax at MK5.47 billion was 3% higher than MK5.3 billion in 2017.

STRATEGIC DIRECTION

In line with the stable macroeconomic environment, but with increased competition, Puma Energy Malawi has revised its marketing strategy to maintain both a leadership and profitable position in the industry. Revenue maximization, efficient cash management and cost leadership will remain key pillars of the strategy. A customised investment strategy will be implemented in urban and semi urban centres to drive business growth.

James Madondo
Chief Executive Officer

COMPANY PROFILE

Peoples Trading Centre Limited (PTC) is a wholly owned subsidiary of Press Corporation Plc and is the pioneer of chain stores in Malawi.

PTC as the retail chain leader has 51 stores across Malawi, with a footprint in almost all districts.

PERFORMANCE HIGHLIGHTS

PTC was recapitalised and has undergone a major restructuring program which includes a change in its business model. The company is now operating under four trading brands (from six previously); Peoples Metro, Peoples Express, SPAR and Food Lovers. 22 stores that did not fit in with the new model were discontinued. Despite the reduction in the number of stores, revenue has been growing 4% month on month after recapitalisation in May 2018. The revenue growth trend is expected to continue with the rebranding and refurbishment of some stores.

The Company continues to deploy stringent controls measures on stock shrinkage and waste. In 2018, the Company completed the automation of all shops and the integration of the point of sale system to the accounting system.

Working capital remained a challenge although this was abated by capital injection which culminated in positive supplier confidence in Q3 and Q4 as the company's strategic initiatives began to reflect in revenue growth. While expenses remained under control and in line with budget, significant growth was recorded in margins, with notable increases in bakery, butchery, Fruit & Veg and Home Meal replacement.

STRATEGIC DIRECTION

The strategy to segment the market by focusing on brands has been well received by the consumers, with Food Lovers and SPAR franchises focusing on the high-end market, while People's Express stores provide convenience shopping and the Metros for general merchandise and wholesale shopping.

Four Peoples stores were converted to SPAR and the incremental sales have been significant. The Company has, through the new stores upscaled the quality of local retailing. The focus going forward will be improving the ambience of the stores and improving the product offering especially service departments.

PTC is working to retain its leading retail position. Accordingly, work ethics initiatives are planned to reinforce customer service.

High debt levels continue to exert significant pressure on the business and remains a key challenge to the Company which still requires additional capital for sustenance and a complete turnaround.

OUTLOOK FOR 2019

The prospects for 2019 look promising as a result of the re-capitalisation as well as the refurbishment of the stores. Having been recapitalised and shops refurbished the prospects for the business look bright. There will be two more SPAR conversions in 2019 and significant face lifting of Peoples Expresses and Metros. The Company will also expand the foot print for Fruit & Veg offering as in the Food Lovers.

Ricky White
Managing Director

BRIEF COMPANY PROFILE

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

PERFORMANCE

Sales volumes in 2018 were 7,303 tonnes representing a growth of 24% against prior year. Gross Profit margins were higher than budget and as a result Macsteel Malawi has registered a profit before tax of K1.03 billion which was 71% above budget and 131% higher than 2017 profit. Production and administration efficiencies improved and costs continued to be kept under control.

OUTLOOK

Malawi's key economic indicators have been stable in 2018 and likely to continue throughout 2019. Increased investment in energy and water supplies by the Government and improved agricultural performance entails increased investment in infrastructure and improved disposable incomes. Macsteel Malawi will aim at leveraging on this relatively stable macroeconomic environment and efforts will intensify to increase the company's brand visibility in 2019.

Gross Profit margins were higher than budget and as a result Macsteel Malawi has registered a profit before tax of K1.03 billion which was 71% above budget and 131% higher than 2017 profit.

Gilles let Clerc
Chief Executive Officer

COMPANY PROFILE

Castel (Malawi) Ltd is the leading producer and distributor of alcoholic and non-alcoholic beverages in Malawi. The Company is comprised of three business entities namely Castel Malawi Brewery Limited (CMBL), Southern Bottlers Limited (SBL) and Malawi Distilleries Limited (MDL). The Company operates from four sites across the country with six production lines supplying customers and consumers via thirteen owned depots and seven contracted depots.

MARKET POSITION

Castel Malawi has continued to be the leading beverage producer in Malawi with its beer brands which include Carlsberg Green, Stout, Special Brew, Chill and local power brand Kuche-Kuche. The soft drinks range includes Coca-Cola, Fanta, Sprite, Sobo CSD and squash, Quench still water. The spirits range includes the iconic Malawi Gin, Malawi Vodka, Powers Brandy, Powers No. 1 and Premier Brandy. Castel Malawi holds 87% of the clear beer market, 82% of the soft drinks market, 33% of the water market and 70% of the syrups market. Amongst the spirits, Malawi Gin is the best seller and is an export product as well.

2018 PERFORMANCE HIGHLIGHTS

Overall, the business recorded a slight volume increase of 0.5% in 2018 compared to 2017 after several years of continuous decline. The Company achieved a 5% increase of soft drink volumes mainly due to the growth of its plastic bottles (PET) launched in 2017. Water and spirits sales volumes also went up by 25% and 39% respectively. On the other hand, beer volumes decreased by 6% and squash by 13% compared to 2017. These decreases are mainly attributed to:

- irregular product quality challenges,
- an increase in the selling prices in a period of declining consumer purchasing power,
- the withdrawal of orange squash from the market for a period of four months due to the presence of a non-authorized additive in the product and
- the growing presence of informal imported drinks. An estimated 80% of the competition was coming onto the market through smuggling. This resulted in the company losing some market share.

In 2018, Castel Malawi discontinued the production of several products or formats due to low levels of sales. These products included XXL, Sobo Tonic, Squash peach and Quench 2L. The company launched a cider (Booster) in order to expand its portfolio and to compete favourably with other ciders on the market.

OUTLOOK

2019 will be a year of increased focus on quality and availability of Castel Malawi's products on the market so as to meet demand and expectations. The Company plans to launch two new beer brands (Castel Beer and Doppel Munich) at a compatitive selling price in a

> Overall, the business recorded a slight volume increase of 0.5% in 2018 compared to 2017

pursuit of growth and to respond to competition posed by imported beers.

The Company will also change its distribution model across the country, aiming at creating a strong partnership with logistic companies and distributors for efficiency and to boost sales of Castel Malawi's products on the market.

The main goal of the business at present is to regain the desired levels of volumes, further operating efficiencies and to deliver on 2019 priorities. In the long term, the Company aims to consistently grow the product base in Malawi, broaden the product range and offer Malawi's consumers a complete range of beverages at affordable prices.

Overall, management is committed to ensuring that its set plans are implemented effectively, timely and in a quality manner in order to secure a stronger and successful 2019.

Martin Chimangeni
General Manager

COMPANY PROFILE

Press Properties Limited (PPL) was established in 1969, and is a 100% subsidiary of Press Corporation Plc (PCL). For 50 years, the Company's major business has been property development and letting of its own properties. The Company has now introduced other services such as development services, valuation services and real estate transactions for third party clients.

2018 PERFORMANCE HIGHLIGHTS

During the year, the Company managed to refurbish the majority of its property portfolio with a motive of improving ambience, life span of the properties and ultimately rental yields. The Company also underwent a restructuring process to improve on efficiencies and costs.

An aggressive marketing campaign on property management business was launched with an intention of improving this revenue stream. The Company reported a profit after tax of MK2.06 billion (2017: MK655.32 million). Marketing initiatives for Chapima plots that were launched in 2017 have continued to register positive results. All sales of plots that were pending sale were finally concluded during the year.

PCL recapitalised the Company through the purchase of a 51% stake in Indetrust Holdings Limited. Indetrust Holdings owns NBM Top Mandala House (a prime property which has since been christened PCL House), NBM Mchinji Branch building and a vacant plot at Top Mandala.

OUTLOOK FOR 2019

The prospects for 2019 are very positive as the Company is realising its strides in growing the property management and property transactions income through Group synergies and brokering deals for third parties. Capacity building has been vital and we will continue aligning our skills to the needs of the industry in line with our growth strategy.

The Company will also focus on property management, brokerage and offering property development services by partnering with clients in providing their real estate needs. The Company is in the process of acquiring additional properties through a reorganisation and recapitalisation drive by the shareholder.

STRATEGIC DIRECTION

Press Properties continued implementing its strategic plan for the years 2017 to 2020 titled "consolidation and growth strategy" in order to sustain and grow shareholders' value. The strategic plan's main objectives are to prioritise revenue diversification by growing property services income and enhancing earning technical capacity of personnel for diversification purposes.

The Company reported a profit after tax of MK2.06 billion (2017: MK655.32 million).

Donal McAlpine
Managing Director

BRIEF COMPANY PROFILE

Limbe Leaf Tobacco Company Limited procures and packs tobacco leaf through its two processing facilities in Lilongwe and Limbe, and exports the packed product to destinations all over the world. The Company buys tobacco leaf directly from contracted farmers and from the auction floors.

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

2018 PERFORMANCE HIGHLIGHTS

The Company purchased 29% of total national leaf tobacco crop production during the year. Factory processing volumes were 66% higher than the previous year following a higher national crop. Pre-tax profits therefore increased by 29% as compared to the previous year.

The Company's sustainability programmes included a comprehensive forestry program implemented during the year which saw the planting of 230 hectares and 150 hectares of trees under the company's smallholder and commercial forestry programmes respectively. The programme and other related initiatives aim at progressively matching and exceeding wood use in the production of its leaf tobacco purchases.

2019 OUTLOOK

It is expected that the tobacco crop in 2019 will be comparable to the 2018 crop.

Andrew Santhe
General Manager

BRIEF COMPANY PROFILE

TFCL is a wholly owned subsidiary of Press Corporation PLC situated in Mangochi along the shores of Lake Malawi. The Company is the single largest commercial fishing company and large scale producer of tilapia in Malawi. Maldeco Fisheries and Maldeco Aquaculture which produces farmed tilapia in circular floating cages, are the two divisions of the Company which were active in 2018. The company was partially re-capitalised, restructured and new management was recruited.

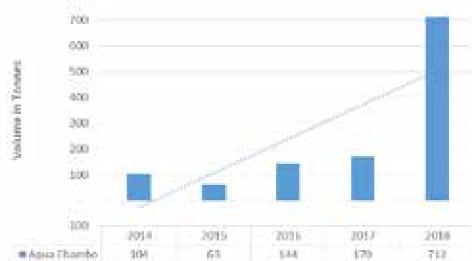
2018 PERFORMANCE HIGHLIGHTS

The Company's performance improved in 2018 with revenue growing from MK1.4 billion in 2017 to MK2.5 billion in 2018 representing 79% growth. However, challenges in the operating environment and the Company's legacy issues negatively impacted its budget achievement on revenues and profitability. Notable challenges were the high cost of production of Aquaculture Chambo due to imported feed, high cost of borrowing, the power challenges and its cost, and lack of holding facilities which led to frequent price discounting. These factors saw the Company incurring an accumulated loss before Tax of K2.1 billion.

Aquaculture

The performance of this division continues to improve. The Company was able to grow its Aqua Chambo harvest from 170 tonnes in 2017 to 712 tonnes in 2018, thus a growth of 319%. This success is mainly attributed to the utilisation of the whole 44 cage production capacity in the year apart from improvements in following the feeding regime and improved Aquaculture management generally.

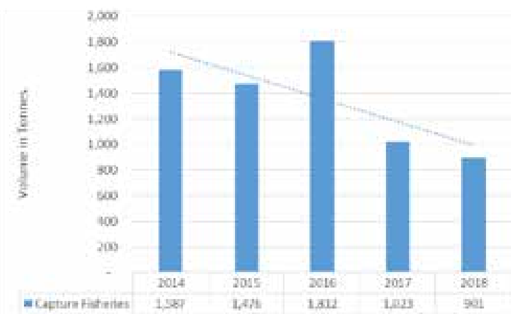
Aqua Chambo Five Year Performance



Capture Fisheries

Capture Fisheries volumes dropped in 2018, achieving 901 tonnes from 1,023 tonnes the previous year. Fish stock on the lake continues to dwindle as a result of climate change and over fishing from illegal fishing operations. Offshore fishing trials and change from the traditional fishing areas yielded positive results.

Capture Fisheries Five Year Performance



OUTLOOK FOR 2019

The Company is being re-capitalised gradually. The proceeds for recapitalisation are being earmarked to be deployed in the following areas; processing plant, production expansion for fingerling ponds and cages, security fence for the pond area, holding facilities, plant and machinery for Aquaculture production and rehabilitation of vessels. Usage of a more cost-effective source of floating feed is underway as an interim measure. Management is also revamping the whole Marketing Mix which coupled with the other initiatives will see the Company growing revenues to K4.5 billion and registering a growth in Operating PBIT from K223 million in 2018 to K1 billion in 2019 as planned.

STRATEGIC DIRECTION

The market for fish in Malawi is huge, estimated to be over 137,000 tonnes annually. The industry has potential to be among the economic mainstays of the country in future hence the need to grow TFCL's presence in this market.

The market for Chambo is grossly unsatisfied. TFCL's estimated market share in the commercial sector is at 35%. Growth in Aquaculture production is currently the company's main strategic focus area. Additional 20 cages are being deployed in 2019 will assist grow the annual production volumes to 1,281 tonnes by the end of 2019, a critical mass for the business to be profitable. Further increases in production capacity will be made in the medium to long term aiming to achieve 2,700 tonnes by 2022 through a gradual re-capitalisation program.

Despite decline in Capture Fisheries production volumes its contribution margin remains positive, and it supplements the growing Aquaculture Division. The Company therefore, will continue operating in this division until its business case is no longer viable. TFCL will also be exploring different formats of operating in this sector in addition to trawling.

The Company aims to achieve a complete turn-around by 2021.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

The Board of Directors has the ultimate responsibility of setting the direction of the Group through the provision of oversight over the execution of strategic objectives and key policies by management in compliance with applicable legislation, regulations and governance codes for Malawi. The Board meets a minimum of four times in a year. During the year under review, the Board held four regular meetings in April, May, August and November 2018. There was no special meeting.

At 31 December 2018 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 2018 Press Trust and Old Mutual Group owned 45.46% and 15.84% respectively of the shares in the Company. Executive Directors are appointed by the Board from members of Executive Management.

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

i. Companies Act, 2013
ii. The Malawi Code on Corporate Governance
iii. Listing Requirements of the Malawi Stock Exchange
iv. King Reports as updated from time to time
v. The Cadbury Report of UK as updated from time to time

The names of the executive and non-executive directors in office as at 31 December 2018 and at the date of this report are set out on Page 42.

Board Meetings – Meeting Attendance

Member	6 April	25 May	24 August	21 Nov	
Mr P W Khembo	✓	✓	✓	✓	100%
Mr A G Barron	✓	✓	✓	✓	100%
Mr P D Mhango	✓	✓	✓	✓	100%
Mr A B Chidyaonga	✓	✓	✓	✓	100%
Mr G Ngalamila	✓	✓	✓	✓	100%
Dr G B Partridge	✓	✓	✓	✓	100%
Mr J Biziwick	✓	✓	✓	✓	100%
Former Directors					
Mrs E Jiya	✓	✓	N/A	N/A	50%

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

BOARD COMMITTEES

Appointments and Remuneration Committee

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

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

During the year under review the Committee met three times; in April, August, and November.

Appointments And Remuneration Committee Meetings – Meeting Attendance

Member	03 Apr	23 Aug	14 Nov	
Mr A G Barron	✓	✓	✓	100%
Mr A B Chidyaonga	✓	✓	✓	100%
Mrs E Nuka	✓	✓	✓	100%
Dr G Partridge	✓	✓	✓	100%
Mr J Biziwick	✓	✓	✓	100%

Key

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

Finance, Audit and Invesment Committee

The Committee's major responsibilities are to review the principles, policies and practices adopted in the preparation of the accounts of the Company and to ensure that the annual financial statements and any other formal announcements relating to the financial performance comply with all statutory and regulatory requirements as may be required. It also ensures that the consolidated interim financial statements comply with all statutory requirements, review the work of PCL's external and internal auditors to ensure the adequacy and effectiveness of financial, operating, compliance and risk management controls. It ensures that management has put in place appropriate policies and processes in respect of investment and finance activities proposed or undertaken by PCL.

The Committee in the year under review comprised of three non-executive directors. Members of Executive Management as well as the Group Internal Audit Manager attend the meetings by invitation. The Committee is currently chaired by Mrs E Nuka. The Company's External and Internal Auditors have unrestricted access to the Committee Chairperson.

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

Audit Committee Meetings – Meeting Attendance

Member	03 Apr	20 August	14 Nov	
Mrs Nuka	✓	✓	✓	100%
Mr G Ngalamila	✓	✓	✓	100%
MR J Nsomba	N/A	N/A	✓	33%
Dr G Partridge	✓	✓	✓	100%
Mr J Biziwick	✓	✓	✓	100%
Former Directors				
Mrs E Jiya	✓	N/A	N/A	33%

Key

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

INTERNAL AUDIT

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

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

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

INTEGRITY

Directors' interests in contracts

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

Trading in company securities

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

Code of ethics

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

DIVERSITY

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

Strategic Report | Corporate Governance | Financial Statements | On the Malawi Stock Exchange


Press Corporation PLC

Patrick W. Khembo
Director (64)
BSc (Agr.)
CHAIRMAN (from 05/05/2016)

Appointed to the Board on 26/6/2015

Mr. Khembo is an Agronomist and, until his retirement in 2015, was the Managing Director of Chemicals & Marketing Co which was previously known as ICI Malawi Ltd, a subsidiary of ICI Plc. He joined ICI Malawi Ltd in 1984 and was seconded to ICI Agrochemicals International Headquarters based in Surrey United Kingdom in 1989 where he was appointed Marketing Manager covering Angola, Malawi, Mozambique Zambia and Zimbabwe. In 1993 he was one of the two principle shareholders of the company following a management buyout that was carried out as a result of the voluntary liquidation of the company. Mr. Khembo started his career in 1977 when he joined Shell Chemicals Malawi Ltd, a subsidiary of Shell Plc trading in agricultural and industrial chemicals as a Sales Representative. He has previously served and continues to serve on several boards including Standard Bank, Indebank, Cotton Council of Malawi, Malawi Human Rights Resource Centre, Legumes Development Trust and Blantyre Health Research & Training Trust among others.

Andrew G. Barron
Director (59)
HND Bus
DIRECTOR

Appointed to the Board on 29/08/2000

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 Mpico PLC, Mpico Malls Ltd, Team Planet Ltd. and Plantation House Investments Limited. He also chairs Seed-Co Malawi and sits on the Seed-Co group board.

Archtect Arthur Ben Chidyaonga
Director (62)
RIBA: DIP Arch; BA Arch;DIP TT
DIRECTOR

Appointed to the Board on 01/04/2016

Mr. Chidyaonga is a Chartered Architect and the Managing Partner of The ABC Design Associates, an Architectural firm he established in 1996. Prior to setting up his firm, he worked in the civil service at the Ministry of Education where he served under the Projects Implementation Unit as Project Architect. Later he served as Deputy Project Manager responsible for overall design management and implementation of education building projects funded by the World Bank and the African Development Fund. Between 1988 and 1992, he worked in the United Kingdom with a London based architectural firm called Integrated Design Architects as its Project Architect. Mr. Chidyaonga served as a Trustee of Press Trust from 2002 to 2016. He is also a member of several professional bodies including The Royal Institute of British Architects, Malawi Institute of Architects, and Board of Architects and Quantity Surveyors in Malawi. He has sat and chaired various professional boards including the National Construction Industry Council of Malawi (NCIC), a board responsible for regulating and development of the construction industry in Malawi.

Profile of Directors

Estelle Wongani Nuka (53)
MBA, FCCA, CPA(M), B.Com
DIRECTOR

Appointed to the Board on 27/05/16

Mrs. Nuka is a chartered accountant with extensive experience in financial management and accounting. She is a Financial Management Consultant, Certified Trainer in The Success Principles, Certified Life, Organisational Development, Leadership & Executive Coach and is a member of the International Certified Coaches Alliance. She is the founder of EWN Consulting & Training, a consulting and coaching firm that specializes in providing consulting, training and coaching services for corporations as well as individuals on financial management, leadership and principles of success and transformation. Prior to setting up EWN Consulting & Training, she worked as Head of Finance and Administration and Director of Finance for the following organizations: Christian Health Association of Malawi, Malawi Revenue Authority, National Seed Company of Malawi and PSI/ Malawi. She also worked as an auditor with Price Waterhouse. She has over the years served on several boards including Mandala Limited, NBS Bank, Electricity Supply Corporation, Malawi Energy Regulatory Authority Francis Pilau (Mtengowanthenga) Hospital and Pakachere Trust. She currently chairs the board of United General Insurance (UGI) and sit on the board of Select Financial Services (Malawi).

Edith Jiya (42)
CII, MSc, BA (Bus.Admn)
DIRECTOR

Appointed to the Board on 25/08/2017

Mrs. Jiya is Group CEO of Old Mutual Malawi Ltd since 1st March 2017. Previously, she was the Managing Director of the Old Mutual Life Assurance Company (Malawi) Ltd. She has held a number of other managerial positions as a senior manager within Old Mutual Life Assurance Company Malawi Ltd and BP Malawi Ltd.

She is an associate member of the Chartered Insurance Institute (CII) UK and the Chartered Institute of Marketing (CIM). She holds a Master of Sciences Degree in Strategic Management from the University of Derby and a Bachelor of Business Administration Degree from the University of Malawi, the Polytechnic obtained in 1996. She sits on various boards including FDH Financial Holdings Ltd, Insurance Institute of Malawi and Holy Family Nursing College.

Gibson S Ngalamila (38)
ACIS, FCCA, B.Acc, CA (Mw)
DIRECTOR

Appointed to the Board on 24/11/2017

Mr Ngalamila is the Executive Secretary of Press Trust. He joined Press Trust on 1st September 2003 and has served the Trust in various capacities within the operations department. As Head of Operations he was responsible for managing the strategic interests of the Trust. He was appointed Executive Secretary on 1st November 2017. He holds a Bachelor of Accountancy (B.Acc.) degree with distinction from the University of Malawi. He is also a Fellow of the Association of Chartered Certified Accountants (FCCA). He is a duly registered chartered accountant (CA) with the Malawi Accountants Board and a member of the Institute of Chartered Accountants in Malawi (ICAM). He is also a chartered company secretary with the Institute of Chartered Secretaries and Administrators (ICSA). Mr Ngalamila has over the years served as director on the boards of a number of companies and organisations. Currently, he is a non-executive director on the boards of Mwaiwathu Private Hospital Ltd, Press Agriculture Limited and Continental Holdings Limited (CHL).

Profile of Directors

Jim Nsomba (57)
B.Com, FCCA, CA (M)
DIRECTOR

Appointed to the Board on 24/08/2018

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

Mr. Nsomba has worked extensively in the banking industry, having served as Head of Finance at Standard Bank Malawi from 1996 to 2005, and Head of Finance at National Bank of Malawi from 1994 to 1996. He sits on various board in the public and private sectors.

Dr George Partridge (55)
B.Soc.Sc, (Econ), MSc (Finance), FCCA, CA(M), Ph.D
EXECUTIVE DIRECTOR

Appointed to the Board on 24/11/2016

Dr. Partridge was appointed Group Chief Executive on 1st November 2016. Prior to this, he was the Chief Executive Officer of National Bank of Malawi a position he held from November 2006 to October 2016. Before that, he served as Head of Treasury and Finance, General Manager and Deputy Chief Executive Officer having joined the Bank in 1994. Prior to joining the Bank, he worked in various capacities at the Reserve Bank of Malawi for 11 years rising to the position of Director. Dr. Partridge was instrumental in the formation of the Institute of Bankers of Malawi, where he served as its first President. In his own right, Dr. Partridge has over the years served on a number of private and public sector boards and national economic advisory committees. Currently, he is Chairman of Malawian Airlines Board. In recognition of his achievements and service to society, he was awarded an honorary Doctor of Philosophy (PhD) degree in Leadership and Management in 2015 by the University of Malawi.

John Biziwick (60)
B.Soc Sc (Economics), Msc (Economics)
EXECUTIVE DIRECTOR

Appointed to the Board on 27/11/2015

Mr Biziwick joined the Group as Group Operations Executive-Designate on 5th October, 2015. Prior to this, he worked as Commissioner General of the Malawi Revenue Authority from June 2012 to July 2014. Before joining the MRA, Mr. Biziwick worked for NBS Bank as the Chief Executive Officer from 2002 to 2012 and as Deputy General Manager (Operations) from 2000 to 2002. Mr. Biziwick began his professional career in the Reserve Bank of Malawi which he joined in 1980 as an Economist. From 1980 to 2000 he worked in various departments including the Research and Statistics, Foreign Exchange, Exchange Control and International Operations.

Profile of Management

Dr George Partridge (55)
B.Soc.Sc, (Econ), MSc (Finance),
FCCA, CA(M), Ph.D
GROUP CHIEF EXECUTIVE

Dr. Partridge was born on 22nd May 1963. He was appointed Group Chief Executive on 1st November 2016. Prior to this, he was the Chief Executive Officer of National Bank of Malawi a position he held from November 2006 to October 2016. Before that, he served as Head of Treasury and Finance, General Manager and Deputy Chief Executive Officer having joined the Bank in 1994. Prior to joining the Bank, he worked in various capacities at the Reserve Bank of Malawi for 11 years rising to the position of Director. Dr. Partridge was instrumental in the formation of the Institute of Bankers in Malawi, where he served as its first President. In his own right, Dr. Partridge has over the years served on a number of private and public sector boards and national economic advisory committees. Currently, he is Chairman of the board of Malawian Airlines. In recognition of his achievements and service to society, he was awarded an honorary Doctor of Philosophy (PhD) degree in Leadership and Management in 2015 by the University of Malawi.

John Biziwick (60)
B.Soc Sc (Economics),
Msc (Economics)
GROUP OPERATIONS EXECUTIVE

Mr Biziwick was born on 13th June 1958. He joined the Group as Group Operations Executive on 5th October, 2015. Prior to this, he worked as Commissioner General of the Malawi Revenue Authority (MRA) from June 2012 to July 2014. Before joining the MRA, Mr. Biziwick worked for NBS Bank as the Chief Executive Officer from 2002 to 2012 and as Deputy General Manager (Operations) from 2000 to 2002. Mr. Biziwick began his professional career in the Reserve Bank of Malawi which he joined in 1980 as an Economist. From 1980 to 2000 he worked in various departments including the Research and Statistics, Foreign Exchange, Exchange Control and International Operations.

Elizabeth Mafeni (Mrs) (50)
MBL, FCCA, CPA(M), BCom.
GROUP FINANCIAL CONTROLLER

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 (46
LL.M (USA), LL.B (Hons)..
GROUP ADMINISTRATION
EXECUTIVE AND GENERAL
COUNSEL

Mr. Ndau was born on 12th 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 millions of Malawi Kwacha

	2018 MK'm	2017 MK'm	2016 MK'm	2015 MK'm	2014 MK'm
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME					
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME					
Turnover	214,420	200,480	188,857	161,136	36,787
Profit before income tax and share of profit of equity-accounted investees	47,302	49,269	24,194	19,488	27,394
Share of profit of equity-accounted investees net of income tax	4,995	4,842	5,543	4,284	5,213
Profit before income tax	52,297	54,111	29,737	23,772	32,607
Income tax expense	(15,584)	(14,438)	(14,418)	(11,528)	(10,987)
Profit after income tax	36,713	39,673	15,319	12,244	21,620
Attributable to non-controlling interests	(18,340)	(15,756)	(10,410)	(8,047)	(10,886)
Attributable to owners of the company	18,373	23,917	4,909	4,197	10,734
Dividend paid to ordinary shareholders	(3,127)	(2,104)	(1,022)	(1,563)	(1,263)
Retained profit	15,246	21,813	3,887	2,634	9,471
Basic earnings per share (MK)	152.85	198.98	40.84	34.92	89.30
Dividend per share (MK)	26.01	17.50	8.50	13.00	10.51
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION					
Property, plant and equipment	113,574	105,908	93,453	89,820	77,816
Investment properties	7,810	6,564	5,360	4,783	3,270
Investment in equity accounted investees	49,112	40,687	39,627	32,835	19,628
Other non-current assets	126,916	85,523	68,568	64,579	50,148
Net current liabilities	(26,250)	(15,780)	(36,246)	(49,726)	(24,900)
Total employment of capital	271,162	222,902	170,762	142,291	125,962
Ordinary shareholders' funds	150,912	125,557	101,311	91,698	74,731
Non-controlling interest	68,163	56,287	46,214	38,710	32,138
Loans and borrowings	47,386	38,248	20,246	10,150	17,395
Provisions	-	70	-	-	-
Deferred revenue	141	-	-	-	-
Deferred tax liabilities	4,560	2,740	2,991	1,733	1,698
Total capital employed	271,162	222,902	170,762	142,291	125,962
CONSOLIDATED STATEMENTS OF CASH FLOWS OPERATING ACTIVITIES					
Cash generated from operations	40,889	44,643	42,486	32,308	40,896
Interest and tax paid	(21,448)	(24,764)	(20,698)	(23,333)	(15,920)
Cashflows from operating activities	19,441	19,879	21,788	8,975	24,976
INVESTING ACTIVITIES					
Interest/Dividend received	4,840	3,239	4,072	4,103	4,779
Capital expenditure	(27,830)	(26,908)	(19,420)	(17,248)	(22,663)
(Acquisition) /Disposal of subsidiaries net of cash	-	17,216	(26)	(575)	-
Proceeds from sale of property, plant and equipment and investment properties	4,686	1,617	1,585	1172	1622
Cashflows (used in) investing activities	(18,304)	(4,836)	(13,789)	(12,548)	(16,262)
FINANCING ACTIVITIES					
Proceeds from issue of shares	-	-	-	-	-
Dividends paid to non-controlling shareholders	(8,537)	(7,209)	(5,079)	(5,040)	(3,779)
Dividends paid to shareholders of the company	(3,127)	(2,104)	(1,022)	(1,563)	(1,263)
Increase/(decrease) in borrowings	(3,462)	16,297	(2,529)	(455)	2,934
Cashflows from/(used in) financing activities	(15,126)	6,984	(8,630)	(7,058)	(2,108)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	(13,989)	22,027	(631)	(10,631)	6,606

CONSOLIDATED AND SEPARATE
FINANCIAL STATEMENTS

For the year ended 31 December 2018

The Directors have pleasure in presenting their report together with the audited consolidated and separate financial statements of Press Corporation plc for the year ended 31 December 2018.

1. INCORPORATION AND REGISTERED OFFICE

Press Corporation plc is a Company incorporated in Malawi under the Companies Act, 2013. It was listed on the Malawi Stock Exchange in September 1998 and on the London Stock Exchange in July 1998 as a Global Depository Receipt.

The address of its registered office is:
3rd Floor
PCL House
Kaohsiung Road
P.O. Box 1227
BLANTYRE

2. PRINCIPAL ACTIVITIES OF THE GROUP

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

3. FINANCIAL PERFORMANCE

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

4. SHARE CAPITAL AND SHAREHOLDING

The authorised share capital of the Group is K25 million (2017: K25 million) divided into 2,500,000,000 Ordinary Shares of K0.01 each. The issued and fully paid capital is K1.2 million (2017: K1.2 million) divided into 120,255,713 (2016: 120,255,713) fully paid Ordinary Shares of K0.01 each.

The shareholding structure at year end was as follows:-

	2018 %	2017 %
Press Trust	45.45	45.08
Old Mutual Life Assurance Company Limited	15.84	15.15
Deutsche Bank Trust Company America	18.88	22.34
Others	19.83	17.73
	100.00	100.00

5. DIVIDENDS

The net profit attributable to owners of the Company for the year of K18.4 billion (2017: K23.9 billion) has been added to retained earnings. The directors have proposed a final dividend for the year 2018 of K2.4 billion (2017: K2.4 billion) representing K20.00 per share (2017: K20.00) to be tabled at the forthcoming Annual General Meeting.

The Dividend Policy of the Company provides for 35% of the Company's profits after tax to be paid out to shareholders as dividends, after due consideration of the Company's future commitments and subject to the Directors' being of the opinion that, upon payment, the Company would satisfy the solvency test.

6. DIRECTORATE AND COMPANY SECRETARY

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

Mr. P Khembo	Chairman	Throughout the year	Non-executive
Mr. B Chidyaonga	Director	Throughout the year	Non-executive
Mrs. E Nuka	Director	Throughout the year	Non-executive
Dr. G Partridge	Director / Group Chief Executive	Throughout the year	Executive
Mr J Biziwick	Director / Group Operations Executive	Throughout the year	Executive
Mrs. E Jiya	Director	Up to August 2018	Non-executive

6. DIRECTORATE AND COMPANY SECRETARY (Continued)

Mr. J Nsomba	Director	From August 2018	Non-executive
Mr. G Ngalamila	Director	Throughout the year	Non-executive
Mr. A Barron	Director	Throughout the year	Independent non-executive
Mr. B Ndau	Company Secretary	Throughout the year	Executive

7. DIRECTORS' REMUNERATION

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

Entity	Non-executive Directors fees and expenses K' million	Executive Directors remuneration K' million	Total K' million
For the year ended 31 December 2018			
Press Corporation plc	118	1,185	1,303
Telekom Networks Malawi plc	86	-	86
National Bank of Malawi plc	49	316	365
The Foods Company Limited	12	-	12
Malawi Telecommunications Limited	32	65	97
Presscane Limited	23	-	23
Press Properties Limited	13	-	13
Ethanol Company Limited	27	-	27
Peoples Trading Centre Limited	25	114	139
	385	1,680	2,065
For the year ended 31 December 2017			
Press Corporation plc	67	875	942
Telekom Networks Malawi plc	104	451	555
National Bank of Malawi plc	56	264	320
The Foods Company Limited	19	-	19
Malawi Telecommunications Limited	22	54	76
Open Connect Limited	6	-	6
Presscane Limited	21	-	21
Press Properties Limited	10	-	10
Ethanol Company Limited	23	-	23
Peoples Trading Centre Limited	23	48	71
	351	1,692	2,043

8. DIRECTORS' TENURE POLICY

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

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

Executive Directors serve on the Board by virtue of their offices and their tenure is as per the terms of their contract of employment. Accordingly, the current contract of employment for Executive Director Dr. G Partridge expires on 22nd May 2023 and that of Mr. J Biziwick expires on 30th September 2020.

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

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9. DIRECTORS' INTERESTS

The interests of the Directors in office in the shares of the Group and its subsidiaries as at 31 December 2018 is as follows;

Director	Company	Number of shares held (ordinary shares) 2018	2017
Dr. G Partridge	National Bank of Malawi Plc	846,507	846,507
	Telekom Networks Malawi Plc	1,000,000	-
	Press Corporation Plc	45,000	-
Mr. J Biziwick	National Bank of Malawi Plc	2,546	2,546
Mr. A Barron (through other business interests)	Press Corporation Plc		
- Mbadzi Estates Limited		76,390	205,557
- Lincoln Investments Limited		105,717	105,717
Mrs. E Nuka	Telekom Networks Malawi Plc	3,500,365	5,500,365

None of the Directors had, during the year ended 31 December 2018 (2017: Nil), an interest in any material contract relating to the business of the Company or of any of its subsidiary undertakings.

10. DONATIONS

As part of its corporate social responsibility, the Group and its subsidiaries made charitable donations of K183 million (2017: K158 million) as shown below;

	2018 K' million	2017 K' million
Malawi Telecommunications Limited	3	3
Telekom Networks Malawi Plc	96	94
National Bank of Malawi Plc	59	46
Peoples Trading Centre Limited	11	-
Ethanol Company Limited	11	11
Presscane Company Limited	-	1
Press Corporation Plc	3	3
	183	**158**

11. AUDITORS

The Group's auditors, Deloitte, Chartered Accountants, P O Box 187, Blantyre, have indicated their willingness to continue their role as the Group's auditors. Resolutions concerning the reappointment of Deloitte as auditors of the Group for the year ending 31 December 2019 and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

12. AUDITORS REMUNERATION

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

Entity	Financial Audit K' million	Half year results review K' million	Tip-offs anony-mous K' million	Agreed upon proce-dure K' million	Tax services K' million	Total K' million
For the year ended 31 December 2018						
Press Corporation plc	82	30	2	-	8	122
Telekom Networks Malawi plc	130	15	4	4	-	153
National Bank of Malawi plc	206	10	3	-	-	219
The Foods Company Limited	20	4	-	-	-	24
Malawi Telecommunications Limited	60	6	2	-	-	68
Presscane Limited	22	4	2	-	-	28
Press Properties Limited	15	3	2	-	-	20
Ethanol Company Limited	15	7	2	-	-	24
Peoples Trading Centre Limited	32	5	4	-	3	44
	582	**84**	**21**	**4**	**11**	**702**

12. AUDITORS REMUNERATION (CONTINUED)

Entity	Financial Audit K' million	Half year results review K' million	Tip-offs anony-mous K' million	Agreed upon proce-dures K' million	Tax services K' million	Total K' million
For the year ended 31 December 2017						
Press Corporation plc	67	27	2	-	-	96
Telekom Networks Malawi plc	107	12	4	-	-	123
National Bank of Malawi plc	140	8	3	-	-	151
The Foods Company Limited	22	3	-	-	-	25
Malawi Telecommunications Limited	49	6	2	-	-	57
Open Connect Limited	6	1	-	-	-	7
Presscane Limited	19	4	2	-	-	25
Press Properties Limited	14	3	2	-	-	19
Ethanol Company Limited	14	4	2	-	-	20
Peoples Trading Centre Limited	28	4	4	-	-	36
	466	**72**	**21**	**-**	**-**	**559**

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

13. CORPORATE GOVERNANCE

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

14. OVERVIEW OF SUBSIDIARIES

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

The Company's shareholding in the subsidiaries, their principal activities and financial performance is disclosed in note 13 of the consolidated and separate financial statements.

14.1 Subsidiaries corporate governance

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

14.2 Subsidiaries board of directors

During the year ended 31 December 2018, none of the subsidiary company directors had an interest in any material contract relating to the businesses of the subsidiaries.

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

Subsidiary	Directors	Tenure	Directors Interest in shares of the subsidiary
National Bank of Malawi plc	Dr. G Partridge	All year	846,507 (2017: 846,507)
	Mr. E Kambalame	All year	None
	Mr. M Kawawa	All year	113,255 (2017: 113,255)
	Mrs. E Mafeni	All year	None
	Mrs. M Kachingwe	All year	1,935 (2017: 1,935)
	Mr. J Mhura	All year	None
	Mr. M Msiska	Up to 20 July 2018	None (2017: 20,367)
	Mr. J Biziwick	All year	2,546 (2017: 2,546)
	Mr. H Jiya	All year	2,306 (2016: 2,306)
	Mr. R Banda	All year	None
	Mr. J Nsomba	All year	758 (2017: 758)
	Mr. D Ngwira	From 29 October 2018	None
	Mrs. Z Mitole	All year – Company secretary	None

14. OVERVIEW OF SUBSIDIARIES (Continued)

14.2 Subsidiaries board of directors (Continued)

Subsidiary	Directors	Tenure	Directors Interest in shares of the subsidiary
Malawi Telecommunications Limited	Mr. J Biziwick Mrs. E Mafeni Mr. F Mvalo Secretary to the Treasury Principal Secretary for Information Mr. L Katandula Mr. M Msungama Dr. H Gombachika Mrs. C Tirigu	All year – Chairman All year All year All year All year All year All year All year All year – Company secretary	None of the Directors had interest in shares Malawi of Telecommunications Limited
Telekom Networks Malawi plc	Dr. G Partridge Mr. H Anadkat Mr. D Lungu Mr. J O'Neill Mrs. E Mafeni Mr. J Biziwick Mr. K Phiri Mr. G Randall Mrs. C Mwansa	All year – Chairman All year – Vice chairman All year All year All year All year All year All year All year – Company secretary	None the Directors had interest in shares of Telekom Networks Malawi plc except for Mr. H Anadkat and Mr. J O'Neill who had interest in shares of the company through their other business interest, as well as Dr Partridge who had 1 million shares in the Company. Total shares held indirectly amounts to 804,600,000 & 38,000,000 respectively.
Ethanol Company Limited	Mr. J Biziwick Mrs. E Mafeni Mr. W Mabulekesi Mr. L. Mandala Mr. L Katandula Mr. B W Jere Mr. G Kambale Mr. C Masoatengenji	All year – Chairman All year All year All year All year All year All year All year – Company secretary	None of the Directors had interest in shares of Ethanol Company Limited
Presscane Limited	Mr. P Mulipa Mr. R R Patel Mr. A Chanje Mr. J Korea-Mpatsa Mrs. R. Chitera Mr. B Ndau Mr. K Tembo Mr R.L. Patel Mrs. C Chihana	All year – Chairman All year Up to 12 February 2018 All year All year All year From 14 March 2018 From 14 March 2018 All year – Company secretary	None of the Directors had interest in shares of Presscane Limited except for Mr. R R Patel who had 49.9% indirect interest in shares of the company through his other business interest – Cane Products Limited.
Peoples Trading Centre Limited	Dr. G Partridge Mr. J Biziwick Mrs. E Mafeni Dr. L Chithambo Mr. B Ndau Mr. J Evans Mr. J Madondo Prof. J Khomba Mr. P Mulipa Mr. J Kamsesa Dr. R Bakuwa Mr. D Saeluzika Mr. R Kunjawa	From 23 February - Chairman All year All year Up to 23 February Up to 23 February All year All year All year From 23 February From 23 February From 23 February From 23 February All year – Company secretary	None of the Directors had interest in shares of Peoples Trading Centre Limited

14. OVERVIEW OF SUBSIDIARIES (Continued)

14.2 Subsidiaries board of directors (Continued)

Subsidiary	Directors	Tenure of the subsidiary	Directors Interest in shares
Press Properties Limited	Mr. J Biziwick Mr. G Chipungu Dr. C. Silungwe Mr. F Tukula Mrs. B. Mahuka Ms. M Mbeye Mr. D Mwanyongo Mr. A Mando	All year – Chairman All year All year All year All year All year Company secretary - up to January 2018 Company secretary - from March 2018	None of the Directors had interest in shares of Press Properties Limited
The Foods Company Limited.	Mr. J Biziwick Dr. B Zingano Prof. J Khomba Prof. J Kang'ombe Dr. V Msiska Mrs. A Valera Mr. A Sesani Mr. B Ndau Mr. W Mtawali Mr. A Mando	All year – Chairman All year All year All year All year All year All year All year Company secretary – up to March 2018 Company secretary – from October 2018	None of the Directors had interest in shares of The Foods Company Limited

Chairman

Group Chief Executive

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Press Corporation plc and its subsidiaries, comprising the statements of financial position at 31 December 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2013.

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

In preparing the financial statements, the Directors accept responsibility for the following:

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

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

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

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

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

Approval of the financial statements

The financial statements of the Group and Company, as indicated above, were approved by the board of Directors on 29th March 2019 and are signed on its behalf by

Chairman

Group Chief Executive

Deloitte.

P.O. Box 187
Blantyre
Malawi

Deloitte Chartered Accountants
Registered Auditors
First Floor
PCL House, Top Mandala
Blantyre
Malawi

Tel : +265 (0) 1 822 277
: +265 (0) 1 820 506
Fax : +265 (0) 1 821 229
Email : btdeloitte@deloitte.co.mw
www.deloitte.com

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

Opinion

We have audited the consolidated and separate financial statements of Press Corporation plc and its subsidiaries ("the Group"), set out on pages 55 to 154, which comprise the consolidated and separate statements of financial position as at 31 December 2018, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group as at 31 December 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2013.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Malawi. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Partners: N.T. Uka V.W. Beza C.A Kapenda M.C Mwenelupembe (Mrs.)
Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Key Audit Matters (Continued)

Key Audit Matter (Separate financial statements)	How the matter was addressed in the audit
Valuation of unlisted equity investments	
Unlisted equity investments are carried at fair value in the separate financial statements. Revaluation of these investments is done at the end of every financial year. The valuation methods adopted as well as the valuations are disclosed in note 13, 14 and 15. The total value of these unlisted investments is K109 billion. Determination of fair values for the investments involves significant judgement and assumptions and is complex in nature. We consider this as a key audit matter.	We obtained the valuation reports, which were independently done by NICO Asset Managers Limited, and assessed the professional competence of the valuer by examining the valuer's qualification and experience. Assessed that the information provided by the company to the valuer is accurate and complete for valuation purposes based on our understanding of the investee companies. Read the valuation reports and assessed the reasonableness of assumptions used in the valuations reports in comparison to market data. Considered the relevance and appropriateness of the valuation methods used. Agreed information used in the valuation such as net assets, shareholding, profits, and others to relevant supporting documents of the investment companies. We found that the assumptions used in determining the valuations were reasonable and that the valuations were appropriate. We further concluded that details of the valuations have been disclosed appropriately in the financial statements.

Key Audit Matter (Consolidated financial statements)	How the matter was addressed in the audit
Adoption of IFRS 9 *Financial Instruments* and impairment of loans and advances to customers	
The International Accounting Standards Board (IASB) issued IFRS 9 *Financial Instruments* which replaces IAS 39 Financial Instruments: Recognition and Measurement. Effective 1 January 2018, the Group has adopted IFRS 9. As permitted by IFRS 9, the requirements have been applied without restating comparatives. The key changes arising from adoption of IFRS 9 are that credit losses are now based on expected losses rather than on incurred losses, and the change in the classification and measurement of financial assets and liabilities as detailed in notes 2 and 3 to the financial statements. There were no significant changes arising from the adoption of the hedge accounting requirements of IFRS 9 because the Group does not apply hedge accounting for its financial assets and financial liabilities. We considered adoption of IFRS 9 *Financial Instruments* and impairment of loans and advances as a key audit matter because of the following: • IFRS 9 *Financial Instruments* is a new standard that is complex and requires expert knowledge, judgement and use of modelling approaches; and • IFRS 9 *Financial Instruments* has been implemented for the 2018 financial reporting period for the first time. As at 31 December 2018, the gross loans and advances to customers were K151 billion against which an impairment provision of K6 billion was recorded. This is disclosed in note 16 to the financial statements. The impairment provision policy is presented in accounting policies in note 3.25 to the financial statements. Key areas of judgement are disclosed in note 4 (Critical judgements in applying the Group's accounting policies) to the financial statements.	With respect to classification and measurement of financial assets and financial liabilities, our audit procedures comprised the following: • We evaluated the Group's IFRS 9 based classification and measurement of financial assets and financial liabilities policy against the requirements of IFRS 9; and • We obtained an understanding and checked the Group's business model assessment and the test on the contractual cash flows, which give rise to cash flows that are 'solely payments of principal and interest' [SPPI test] performed by management. With respect to impairment methodology, our audit procedures comprised the following; • We evaluated the IFRS 9 based impairment provisioning policy against the requirements of IFRS 9; • With the involvement of our Credit Specialists and Specialist Accounting Technical Teams, we evaluated the methodology that was used for determinations of Expected Credit Losses (ECL) against the requirements of IFRS 9; • For a sample of exposures, we checked the appropriateness of the Group's staging; • We checked and understood the key data sources and assumptions for data used in the ECL models (the Models) to determine impairment provisions; • We assessed assumptions used in the determination of ECL for reasonability; • For a sample of exposures, we checked the appropriateness of determining Exposure at Default, Probability of Default (PD) and Loss Given Default (LGD) used in the ECL calculations.

Key Audit Matters (Continued)

Key Audit Matter (Consolidated financial statements)	How the matter was addressed in the audit
Adoption of IFRS 9 *Financial Instruments* and impairment of loans and advances to customers (Continued)	
	• We recomputed ECL and compared with amounts recognised by the Group; • On a sample basis, we checked the completeness and accuracy of the data that was used in the ECL calculation loans and advances as of 31 December 2018 and 1 January 2018; and • We checked the appropriateness of the opening balance adjustments. We assessed the financial statement disclosures arising on adoption of IFRS 9 to determine if they were in accordance with the requirements of the Standard. Refer to the accounting policies, critical accounting estimates and judgements, disclosures of loans and advances and credit risk management in notes 2, 3, 4, 6 and 16 to the financial statements. We found that the modelling approach and methods applied in determining ECLs were appropriate and that the amounts recorded were reasonable and complied with IFRS 9. We further concluded that the financial statements disclosures in relation to impairment of loans and advances to customers are appropriate and that the adoption of IFRS 9 was in line with the requirements
Depreciation and capitalisation of property plant and equipment in the telecommunication segment	
Depreciation of property, plant and equipment requires management estimation. Key judgments relate to the use of appropriate residual values for assets without a ready secondary market and determining appropriate useful lives. The Group also continued to invest in significant capital expenditure during the year ended 31 December 2018. The determination of when an asset has been commissioned and brought into use has an impact on the depreciation charged during the year. Further the significant level of capital expenditure requires consideration of the nature of costs incurred to ensure that capitalisation of property, plant and equipment meets the specific recognition criteria in IAS 16, 'Property, Plant and Equipment' (IAS 16), specifically in relation to constructed assets and the application of the directors' judgement in assigning appropriate useful economic lives. As a result, this was noted as a key audit matter. The Group's accounting policy in relation to property, plant and equipment is disclosed in note 3.15.	We assessed the reasonableness of residual values and useful lives in line with our understanding of the business and industry practice. For a sample of assets, we performed the following: • Assessed residual values and useful lives with reference to the Group's historical experience, industry practice, our understanding of the future utilisation of assets by the Group and by reference to the depreciation policies applied by third parties operating similar assets. • Assessed whether depreciation was correctly computed; • Assessed the nature of property, plant and equipment capitalised by the Group to test the validity of amounts capitalised to confirm that only items of a capital nature are capitalised; and • Assessed if capitalisation of assets occurred when the asset was in the location and condition necessary for it to be capable of operating in the manner intended by the Group and that a consistent approach was applied by the Group across all significant operations. In this regard, we examined compliance to the commission and project completion acceptance processes used by the Group. The capitalisation of assets was assessed to be appropriate and the timing of commencement of depreciation on the capitalised assets was also appropriate. We concluded that the useful economic lives assigned to these assets are appropriate based on the evidence obtained.
Revenue recognition in the telecommunication segment	
The Group's billing systems for voice and data operate on dedicated computer platforms. These systems process millions of pieces of data to electronic records which enables the Group to charge their customers, in real time, based on service usage. The operations of these systems are fairly complex with dynamic and intelligent tariffs regimes which provide for various promotions and discounts that are dependent on demand and	We involved our Information Technology (IT) risk specialists in the engagement and carried out the following: • Assessed the general computer controls around the significant revenue and billing systems; • Evaluated the process for capturing the tariff plans, combined with testing of a sample of related transactions. A key aspect of this exercise was to ensure that tariffs are properly approved;

Key Audit Matters (Continued)

Key Audit Matter (Consolidated financial statements)	How the matter was addressed in the audit
Revenue recognition in the telecommunication segment (Continued)	
individual usage profiles. Income is determined taking into account the profile and usage of each individual customer. In addition prepaid phone units are used over periods that can straddle more than one accounting period. The determination of the correct cut off between what has been used and can be included in income and what has not been used and should be deferred income (creditor) is also a key audit consideration. The nature of the systems and billing profiles make this a complex audit area in relation to the auditor assessing completeness of income. Accordingly, we consider this a key audit matter. The revenue recognition policy of the Group has been disclosed in note 3.9 and we have assessed the policy and found it to be in line with International Financial Reporting Standards and industry practice. In addition the deferred income which is disclosed in note 32 as contract liabilities has been assessed to be in accordance with the revenue recognition policies.	• Obtained downloads of information recorded in the Group's billing systems and by using advanced data analytics mirror the dynamic, intelligent tariff regimes to independently compute the income for the year and thus assess the completeness and accuracy of the figures in the revenue reports; • Assessed whether revenue was recorded in the correct period; • Obtained a deferred income reconciliation for the expected deferred income as at period end and tested the accuracy and completeness of the reconciling items; • Re-computed deferred revenue from Intelligent Network data using Computer Assisted Audit Techniques (CAATS); and • Checked that the deferred income in the billing system are being reconciled to the records. Based on the work performed, we concluded that revenue was properly recorded.
Goodwill impairment assessment	
As disclosed in note 10, the carrying value of goodwill was K5 billion as at 31 December 2018. Significant judgement is required by the Directors in assessing the impairment of goodwill, which is determined with reference to the value in use, based on the cash flow forecast for each cash-generating unit. The assumptions with the most significant impact on the cash flow forecast were: • The growth rate, which is highly subjective since it is based on the Directors' experience and expectations. • Cash flow projections based on expected future performance. • The discount rate is subjective and the calculation is complex. Accordingly, for the purposes of our audit, we identified the impairment of goodwill as a key audit matter due to significant assumptions used in the determination of impairment for goodwill and the complexity of the value in use calculation.	In evaluating the impairment of goodwill, we reviewed the value in use calculations prepared by the Directors, with a particular focus on the growth rate and discount rate. We performed various procedures, including the following: • Tested inputs into the cash flow forecast against performance and in comparison to the Directors' strategic plans in respect of each cash-generating unit; • Compared the growth rates used for the cash generating units to available forecast economic growth rates; and • We checked the accuracy of the value in use calculation as well as the discount factor used. The results of our assessment indicated that goodwill is not impaired. We further concluded that disclosures made in the financial statements in relation to goodwill impairment are appropriate.
Going Concern	
Subsidiaries of the Group, The Foods Company Limited, Peoples Trading Centre Limited and Malawi Telecommunications Limited have been making losses for a number of years and have net current liability positions as at 31 December 2018. The continued losses and net current liability positions raises questions about the ability of these companies to continue as going concerns and the impact of this on the Group's valuation of assets and liabilities using the going concern basis of accounting. The Directors believe that these subsidiaries will continue as going concerns based on strategic plans that they have put in place. These plans involve making significant judgements and assumptions. We therefore consider the going concern of these subsidiaries and valuation of the respective assets and liabilities as a key audit matter.	In assessing the going concern of these subsidiaries we performed the following procedures: • Evaluated management strategic plans for future actions and assess whether the outcome of those plans is likely to improve the situation and whether management's plans are feasible in the circumstances; • Assessed if assumptions used in the management plans were based on reasonable data; • Examined the financing structures for these companies and assessed whether adequate funds are available to sustain operations; and • Assessed if any going concern uncertainties affecting these companies has a material impact on the Group as a whole. We concluded that despite the existence of uncertainties in the specific subsidiaries, the going concern assumption used for those subsidiaries was appropriate. As a consequence, we also consider the valuation of the assets and liabilities appropriate.

Other Information

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

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Deloitte

Chartered Accountants

Nkondola Uka
Partner

22nd April 2019

In millions of Malawi Kwacha

		Group		Company	
Assets	**Notes**	**2018**	**2017**	**2018**	**2017**
Non-current assets					
Property, plant and equipment	8	113,574	105,908	572	597
Biological assets	9	76	21	-	-
Goodwill	10	4,974	4,974	-	-
Intangible assets	11	17,716	16,519	218	230
Investment properties	12	7,810	6,564	231	231
Investments in subsidiaries	13	-	-	226,896	171,429
Investments in joint ventures	14	7,049	6,198	21,160	20,618
Investments in associates	15	42,063	34,489	56,566	54,608
Loans and advances to customers	16	57,538	42,478	-	-
Finance lease receivables	17	16,179	9,207	-	-
Contract asset	23	303	-	-	-
Long term loans receivable - group	18	-	-	-	1,733
Long term loans receivable - other	18	1,403	-	1,403	-
Other investments	19	19,315	4,378	6,069	-
Deferred tax assets	20	9,412	7,946	-	-
Total non-current assets		297,412	238,682	313,115	249,446
Current assets					
Inventories	21	10,337	11,510	19	9
Biological assets	9	684	977	-	-
Loans and advances to customers	16	85,308	78,196	-	-
Finance lease receivables	17	1,635	1,110	-	-
Other investments	19	131,578	135,981	-	1,246
Trade and other receivables – Group companies	22	-	-	1,970	2,767
Trade and other receivables – other	23	28,900	26,022	243	559
Assets classified as held for sale	24	414	743	-	-
Income tax recoverable	25	1,524	2,141	357	128
Cash and cash equivalents	26	64,581	75,148	5,056	6,751
Total current assets		324,961	331,828	7,645	11,460
Total assets		622,373	570,510	320,760	260,906
Equity and liabilities					
Equity					
Share capital	27	1	1	1	1
Share premium		2,097	2,097	2,097	2,097
Other reserves	28	51,036	52,012	226,024	187,308
Retained earnings		97,778	71,447	24,691	23,768
Total equity attributable to equity holders of the company		150,912	125,557	252,813	213,174
Non-controlling interest		68,163	56,287	-	-
Total equity		219,075	181,844	252,813	213,174
Non-current liabilities					
Loans and borrowings	29	47,386	38,248	8,217	214
Provisions	30	-	70	-	-
Deferred revenue	32	141	-	-	-
Deferred tax liabilities	20	4,560	2,740	53,711	45,066
Total non-current liabilities		52,087	41,058	61,928	45,280
Current liabilities					
Bank overdraft	26	6,212	2,790	3,782	213
Loans and borrowings	29	4,232	16,916	221	890
Provisions	30	4,568	5,795	970	790
Income tax payable	31	3,477	4,538	104	94
Trade and other payables	32	39,666	42,496	895	423
Trade and other payables – Group companies	33	-	-	47	42
Customer deposits	34	293,056	275,073	-	-
Total current liabilities		351,211	347,608	6,019	2,452
Total liabilities		403,298	388,666	67,947	47,732
Total equity and liabilities		622,373	570,510	320,760	260,906

The financial statements of the Group and Company were approved for issue by the Board of Directors on 29 March 2019 and were signed on its behalf by:

Mr. P. Khembo

Dr. G.B Patridge

The notes on pages 61 to 154 are an integral part of these consolidated and separate financial statements.

In millions of Malawi Kwacha

		Group		Company	
	Notes	2018	2017	2018	2017
Continuing operations					
Revenue	35	214,420	200,480	10,517	8,626
Direct trading expenses	36	(88,379)	(81,996)	-	(14)
Gross profit		126,041	118,484	10,517	8,612
Other operating income	37	14,471	24,394	248	17,702
Distribution expenses	38	(3,283)	(2,847)	-	-
Administrative expenses	39	(86,786)	(83,505)	(5,270)	(5,160)
Results from operating activities		50,443	56,526	5,495	21,154
Finance income	40	2,326	1,714	933	955
Finance costs	40	(5,476)	(8,975)	(1,395)	(1,682)
Net finance costs		(3,150)	(7,261)	(462)	(727)
Share of results of equity-accounted investees	41	4,995	4,842	-	-
Profit before income tax		52,288	54,107	5,033	20,427
Income tax expense	42	(15,584)	(14,438)	(983)	(823)
Profit from continuing operations		36,704	39,669	4,050	19,604
Discontinued operations				-	
Profit from discontinued operations (net of income tax)		9	4	-	-
Profit for the year		36,713	39,673	4,050	19,604
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss:					
Gain on property revaluation		5,792	3,308	-	-
Share of other comprehensive income of equity accounted investments		(39)	498	-	-
Fair value gain/(loss) on investments in equity instruments designated as at fair value through other comprehensive income (FVTOCI)		1,268	-	47,394	-
Income tax relating to items that may not be reclassified subsequently to profit or loss	20	648	(25)	(8,678)	-
Items that may be reclassified subsequently to profit or loss:					
Net change in fair value of available for sale financial assets		-	178	-	36,848
Income tax relating to items that may be reclassified subsequently to profit or loss		-	-	-	780
Revaluation surplus on disposal of available for sale financial asset		-	-	-	(22,277)
Other comprehensive income for the year (net of tax)		7,669	3,959	38,716	15,351
Total comprehensive income for the year		44,382	43,632	42,766	34,955
Profit attributable to:					
Owners of the Company		18,373	23,917	4,050	19,604
Non-controlling interest		18,340	15,756	-	-
Profit for the year		36,713	39,673	4,050	19,604
Total comprehensive income attributable to:					
Owners of the Company		23,192	26,350	42,766	34,955
Non- controlling interest		21,190	17,282	-	-
Total comprehensive income for the year		44,382	43,632	42,766	34,955
Earnings per share					
Basic and diluted earnings per share (K)	43	152.85	198.98		
Continuing operations					
Basic and diluted earnings per share (K)	43	152.78	198.94		

STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2018

In millions of Malawi Kwacha

Group
2018

	Issued capital	Share premium	Other reserves	Retained earnings	Total equity attributable to equity holders of company	Non-controlling interest	Total Equity
Balance at 1 January 2018	1	2,097	52,012	71,447	125,557	56,287	181,844
Adjustment in respect of adoption of IFRS 9 (note 2)	-	-	-	(2,516)	(2,516)	(2,370)	(4,886)
Deferred tax in respect of adoption of IFRS 9 (note 2)	-	-	-	755	755	711	1,466
Adjusted balance as at 1st January 2018	1	2,097	52,012	69,686	123,796	54,628	178,424
Profit for the year	-	-	-	18,373	18,373	18,340	36,713
Other comprehensive income	-	-	4,819	-	4,819	2,850	7,669
Total comprehensive income for the year	-	-	4,819	18,373	23,192	21,190	44,382
Transfer to loan loss reserve	-	-	(609)	609	-	-	-
Depreciation transfer land and buildings	-	-	(226)	226	-	-	-
Reversal of accumulated depreciation on disposal	-	-	(2,335)	2,335	-	-	-
De-recognised on loss of control (note 13.5)	-	-	(2,857)	10,142	7,285	648	7,933
Reclassification	-	-	232	(466)	(234)	234	-
Dividends to equity holders	-	-	-	(3,127)	(3,127)	(8,537)	(11,664)
Balance at 31 December 2018	1	2,097	51,036	97,778	150,912	68,163	219,075
2017							
Balance at 1 January 2017	1	2,097	49,423	49,790	101,311	46,214	147,525
Profit for the year	-	-	-	23,917	23,917	15,756	39,673
Other comprehensive income	-	-	2,433	-	2,433	1,526	3,959
Total comprehensive income for the year	-	-	2,433	23,917	26,350	17,282	43,632
Transfer from loan loss reserve	-	-	395	(395)	-	-	-
Depreciation transfer land and buildings	-	-	(239)	239	-	-	-
Dividends to equity holders	-	-	-	(2,104)	(2,104)	(7,209)	(9,313)
Balance at 31 December 2017	1	2,097	52,012	71,447	125,557	56,287	181,844

In millions of Malawi Kwacha

	Issued capital	Share premium	Other reserves	Retained earnings	Total Equity
Company					
2018					
Balance at 1 January 2018	1	2,097	187,308	23,768	213,174
Profit for the year	-	-	-	4,050	4,050
Other comprehensive income	-	-	38,716	-	38,716
Total comprehensive income for the year	-	-	38,716	4,050	42,766
Dividends to equity holders	-	-	-	(3,127)	(3,127)
Balance at 31 December 2018	1	2,097	226,024	24,691	252,813
2017					
Balance at 1 January 2017	1	2,097	171,957	6,268	180,323
Profit for the year	-	-	-	19,604	19,604
Other comprehensive income	-	-	15,351	-	15,351
Total comprehensive income for the year	-	-	15,351	19,604	34,955
Dividends to equity holders	-	-	-	(2,104)	(2,104)
Balance at 31 December 2017	1	2,097	187,308	23,768	213,174

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF CASH FLOWS

For the year ended 31 December 2018

In millions of Malawi Kwacha

	Notes	Group 2018	Group 2017	Company 2018	Company 2017
Cash generated by/(used in) operations	47	40 889	44,643	(4,740)	(12,175)
Interest paid		(5,560)	(7,194)	(1,395)	(1,645)
Income tax refunds	25	762	-	-	-
Income taxes paid	25, 31	(16,650)	(17,570)	(1,235)	(880)
Net cash from/ (used in) operating activities		19,441	19,879	(7,370)	(14,700)
Cash flows from investing activities					
Purchase of property, plant and equipment		(24,095)	(22,617)	(39)	(82)
Purchase of intangible assets		(3,706)	(4,050)	-	-
Purchase of investment property		(29)	(241)	-	-
Proceeds from disposal of shares	15.1	-	17,216	-	17,216
Proceeds from sale of investment property and property, plant and equipment		4,686	1,617	27	46
Investment in subsidiaries	13	-	-	(9,327)	(92)
Dividend received		2,514	1,525	10,129	8,231
Interest received		2,326	1,714	933	955
Net cash (used in)/from investing activities		(18,304)	(4,836)	1,723	26,274
Cash flows used in financing activities					
Proceeds from long term borrowings		25,066	25,701	4,500	-
Repayments of long term borrowings		(28,528)	(9,404)	(990)	(958)
Dividend paid to non-controlling interest		(8,537)	(7,209)	-	-
Dividend paid		(3,127)	(2,104)	(3,127)	(2,104)
Net cash from/ (used) in financing activities		(15,126)	6,984	383	(3,062)
Net (decrease)/ increase in cash and cash equivalents		(13,989)	22,027	(5,264)	8,512
Cash and cash equivalents at beginning of the year		72,358	50,331	6,538	(1,974)
Cash and cash equivalents at end of the year	26	58,369	72,358	1,274	6,538

1. General Information

1.1 Reporting entity

Press Corporation plc ('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 Companyand its subsidiaries operate in financial services; telecommunications; energy; retail; consumer products and real estate. The Company has two joint venture companies in the energy and consumer goods sectors. It also has three associates in the telecommunications; agro-industrial and food and beverages sectors.

The consolidated financial statements as at, and for the year ended, 31 December 2018 comprise the company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in associates and joint ventures.

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

1.2 Going concern

The directors have, at the time of approving the Consolidated and Separate Financial Statements, a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Consolidated and Separate Financial Statements.

1.3 Functional and presentation currency

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

2. Adoption of new and revised International Financial Reporting Standards (IFRSs)

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

2.1.1 Impact of initial application of IFRS 9 *Financial instruments*

In the current year, the Group has applied IFRS 9 *Financial Instruments* (as revised in July 2014). IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

Transition
Changes in accounting policies resulting from the adoption of IFRS 9 have been applied as described below;

(a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

(b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
- The determination of the business model within which a financial asset is held;
- Designation of equity investments as at FVTOCI;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL;and
- If a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that credit risk on the asset had not increased significantly since its initial recognition.

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below.

a) Classification and measurement of financial assets
IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

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

2.1.1 Impact of initial application of IFRS 9 *Financial instruments* (Continued)

a) Classification and measurement of financial assets (Continued)

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. Similary, financial assets that were measured at amortised cost under IAS 39 continue to be measured at amortised cost under IFRS 9. The following are the changes in the classification of the Group's financial assets:

- Trade and other receivables, loans and advances and other non-current financial assets previously classified as Loans and receivables, are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as Debt instruments at amortised cost.
- Investments in equity instruments (not held for trading) that were previously classified as available-for-sale financial assets in the separate financial statement and were measured at fair value at each reporting date under IAS 39 have been designated as at FVTOCI. The change in fair value on these equity instruments continues to be accumulated in the investment revaluation reserve. The entity elected to classify irrevocably these equity investments under this category as it intends to hold these investments for the foreseeable future.
- There is no change in the measurement of the Group's investments in equity instruments that are held for trading. Those instruments were and continue to be measured at FVTPL;

b) Classification and measurement of financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI and it is not subsequently reclassified to profit or loss, but instead transferred to retained earnings when the financial liability is derecognised; and
- The remaining amount of change in the fair value is presented in profit or loss.

Financial liabilities previously measured at amortised cost under IAS 39 have been classified and measured under IFRS 9 at amortised cost using effective interest rate method. There have been no changes in the classification and measurement of financial liabilities on the adoption of IFRS 9.

c) Impairment of financial assets

IFRS 9 replaces the 'incurred credit loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Key changes in the Group's accounting policy for impairment of financial assets are listed below:

For trade and other receivables, the Group applies the simplified approach and recognises lifetime ECL for these assets. For loans and advances to customers, the Group applies a three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost and debt instruments classified as FVTOCI. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

For exposures where there has not been a significant increase in credit risk (SICR) since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a SICR since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

Upon the adoption of IFRS 9, the Group did not recognise any additional impairment in respect of trade and other receivables. The Group however, recognised additional impairment on the Group's loans and advances to customers of K4,886 million, which resulted in a decrease in Retained earnings of K3,420 million (net of tax) as at 1 January 2018.

In millions of Malawi Kwacha

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

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

2.1.1 Impact of initial application of IFRS 9 *Financial instruments* (Continued)

c) Impairment of financial assets (Continued)

Set out below is the reconciliation of the ending impairment allowances for loans and advances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

	Group Loans and Advances
Loss allowance	
31 December 2017 – IAS 39 impairement provision	5,955
Additional loss allowance on off balance sheet assets	874
Impact of forward looking information	(123)
IFRS 9 12 months expected credit losses (ECL) on stage 1	16
Increase in stage 2 and 3 ECL to lifetime (discounted)	4,119
ECL under IFRS 9 as at 1 January 2018	10,841

d) Impact of initial application of IFRS 9 on classificiation and measurement of financial instruments

On the date of initial application, 1 January 2018, the financial instruments of the Group were remeasured and reclassified as follows:

	As at 31 December 2017		IFRS 9 measurement category – 1 January 2018			
IAS 39 measurement category 31/12/2017	**IAS 39 Carrying amount 31/12/2017**	**Remeasu- -rement**	**IFRS 9 carrying amount 01/01/2018**	**Fair value through profit or loss**	**Amortised cost**	**Fair value through OCI**
Group						
Financial assets						
Loans and receivables						
Cash and cash equivalents	75,148	-	75,148	-	75,148	-
Trade and other receivables	26,022	-	26,022	-	26,022	-
Finance lease receivables	10,317	-	10,317	-	10,317	-
Loans and advances to customers	120,674	(4,886)	115,788	-	115,788	-
Available for sale						
Other investments	3,746	-	3,746	3,746	-	-
Amortised cost						
Other investments	136,613	-	136,613	-	136,613	-
	372,520	(4,886)	367,634	3,746	363,888	-
Financial liabilities						
Amortised cost						
Bank overdraft	2,790	-	2,790	-	2,790	-
Loans and borrowings	55,164	-	55,164	-	55,164	-
Trade and other payables	42,496	-	42,496	-	42,496	-
Customer deposits	275,073	-	275,073	-	275,073	-
	375,523	-	375,523	-	375,523	-
Company						
Financial assets						
Loans and receivables						
Cash and cash equivalents	6,751	-	6,751	-	6,751	-
Trade and other receivables - Group	4,500	-	4,500	-	4,500	-
Trade and other receivables	559	-	559	-	559	-
Available for sale						
Equity instruments	246,655	-	246,655	-	-	246,655
Amortised cost						
Other investments	1,246	-	1,246	-	1,246	-
	259,711	-	259,711	-	13,056	246,655

In millions of Malawi Kwacha

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

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

2.1.1 Impact of initial application of IFRS 9 *Financial instruments* (Continued)

d) Impact of initial application of IFRS 9 on classificiation and measurement of financial instruments (Continued)

	As at 31 December 2017		IFRS 9 measurement category – 1 January 2018			
IAS 39 measurement category 31/12/2017	**IAS 39 Carrying amount 31/12/2017**	**Remeasu--rement**	**IFRS 9 carrying amount 01/01/2018**	**Fair value through profit or loss**	**Amortised cost**	**Fair value through OCI**
Financial liabilities						
Amortised costs						
Bank overdraft	213	-	213	-	213	-
Loans and borrowings	1,104	-	1,104	-	1,104	-
Trade and other payables	423	-	423	-	423	-
Trade and other payables to Group companies	42	-	42	-	42	-
	1,782	-	1,782	-	1,782	-

e) Impact of initial application of IFRS 9 on financial performance

Impact to statement of financial position balances from IAS 39 to IFRS 9 at 1 January 2018:

	Carrying Amount 31/12/2017	Remeasurement	IFRS 9 carrying amount 01/01/2018	Retained earnings effect
Group				
Loans and advances to customers	120,674	(4,886)	115,788	(4,886)
Related deferred tax	-	1,466	1,466	1,466
		(3,420)		**(3,420)**

2.1.2 Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group has adopted the terminology used in IFRS 15 to describe such balances. The term deferred revenue is used in respect of unused airtime paid for by customers as at period end, properties sold where government consent has not yet been obtained, fees and commission that relate to banking facilities that have a tenure of more than one year.

Contracts with multiple performance obligations

Some of the Group's contracts relating to telecommunication services comprise of more than one performance obligation made up of telecommunication devices and services. Under IFRS 15, the Group is required to evaluate the separability of the promised goods or services based on whether they are 'distinct'. A promised good or service is 'distinct' if both:

- The customer benefits from the item either on its own or together with other readily available resources, and
- It is 'separately identifiable' (i.e. the Group does not provide a significant service integrating, modifying or customising it).

Accordingly, the Group's telecommunication devices and service portions in the contracts qualify as separate performance obligations. The devices performance obligation is fulfilled upon the delivery of the device to the customer and its revenue is therefore recognized upon delivery. The service portion is recognized over 24 months as and when the service is being delivered to the customers. The recognition of revenue in line with separate performance obligations has not had a significant impact on the Group since the Group was already previously recognising revenue from such obligations separately. In addition revenue from contracts with multiple performance obligations does not constitute a significant portion of the Group's revenue.

In millions of Malawi Kwacha

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

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

2.1.2 Impact of application of IFRS 15 *Revenue from Contracts with Customers* (Continued)

Acquisition of new subscribers cost

The Group expects that incremental subscriber acquisition costs for obtaining and renewing contracts are recoverable. These costs are agents' incentives.

The Group expects that incremental subscriber acquisition costs for obtaining and renewing contracts are recoverable. These costs are agents' incentives.

In terms of a practical expedient, the Group has elected to recognise the incremental costs of obtaining contracts as direct operational expense in profit or loss, when incurred, because the amortisation period of the assets that the Group would otherwise have recognised is less than 12 months.

The Group's accounting policies for its revenue streams are disclosed in detail in note 3 below.

Apart from providing more disclosures for the Group's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.

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

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018 and are relevant to its operation. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements

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IAS 40 (amendments) Transfers of Investment Property	The Group has adopted the amendments to IAS 40 Investment Property for the first time in the current year. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).
Annual Improvements to IFRS Standards 2014 – 2016 Cycle	The Group has adopted the amendments to IAS 28 included in the Annual Improvements to IFRS Standards 2014–2016 Cycle for the first time in the current year. The amendments clarify that the option for a venture capital organization and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition.
Amendments to IAS 28 Investments in Associates and Joint Ventures	In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue). The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

2.3 New and revised IFRSs in issue but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019, and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory.

The directors anticipate that other than IFRS 16, these Standards and Interpretations in future periods will have no significant impact on the financial statements of the Company.

In millions of Malawi Kwacha

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)

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

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2019	IFRIC 23 Uncertainty over Income Tax Treatments
Annual periods beginning on or after 1 January 2019	Prepayment Features with Negative Compensation (Amendments to IFRS 9)
Annual periods beginning on or after 1 January 2019	Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
Annual periods beginning on or after 1 January 2019	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
Annual periods beginning on or after 1 January 2020	Amendments to References to the Conceptual Framework in IFRS Standards
Annual reporting periods beginning on or after 1 January 2020	Definition of a Business (Amendments to IFRS 3)
Annual reporting periods beginning on or after 1 January 2020	Definition of Material (Amendments to IAS 1 and IAS 8)
Annual reporting periods beginning on or after 1 January 2021	IFRS 17 Insurance Contracts

IFRS 16 Leases
IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guide including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are aid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion that will be presented as financing and operating cash flows respectively.

In contracts to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.Furthermore, extensive disclosures are required by IFRS 16.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Early adoption is permitted; however, the Group has decided not to early adopt. So far, the Group:

- Has decided to make use of the practical expedient not to perform a full review of existing leases and apply IFRS 16 only to new or modified contracts. As some leases will be modified or renewed in 2019, the Group has reassessed these leases and concluded they will be recognised on the statement of financial position as a right-of-use asset.
- Elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.
- Believes that the most significant impact will be that the Group will need to recognise a right of use asset and a lease liability for office buildings and network sites currently treated as operating leases. This will mean that the nature of the expense of the above cost will change from being an operating lease expense to depreciation and interest expense.
- Concludes that there will be a significant impact to the finance leases currently held on the statement of financial position.

The Group is planning to adopt IFRS 16 on 1 January 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. Comparative information is not restated.

IFRS 16 has not made any significant changes to the accounting for lessors, and therefore the Group does not expect any changes for leases where they are acting as a lessor.

The Group's assessment of the impact of the adoption of the new standard is still in progress.

3. Significant accounting policies

3.1 Statement of compliance

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

3.2 Basis of accounting

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

- Financial instruments at fair value through profit or loss are measured at fair value.
- 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.
- Land and buildings is measured at fair value.

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

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

These different levels have been defined in note 6.7.

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

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3.3 Basis of consolidation

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

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

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

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

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

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

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

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

3. Significant accounting policies (Continued)

3.3 Basis of consolidation (Continued)

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

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

3.3.1 Changes in the Group's ownership interests in existing subsidiaries

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

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

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

All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group has directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.4 Business combinations

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

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

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

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

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

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date

3. Significant accounting policies (Continued)

3.4 Business combinations (Continued)

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is re-measured at subsequent reporting dates in accordance with IAS 39 Financial Instruments: Recognition and Measurement, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate with the corresponding gain or loss being recognized in profit or loss.

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

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

3.5 Goodwill

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

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

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

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

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

3.6 Investments in associates and Joint Ventures

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

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

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

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at costand adjusted thereafter to recognise the Group's share of the profit or loss and

3. Significant accounting policies (Continued)

3.6 Investments in associates and Joint Ventures (Continued)

other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

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

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

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

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

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

3.7 Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement haverights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:
- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

3. Significant accounting policies (Continued)

3.7 Interests in joint operations (Continued)

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

3.8 Non-current assets held for sale

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

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

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

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

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

3.9 Revenue recognition

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

To determine whether to recognise revenue, the Group follows a 5-step process:
- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. Revenue is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services and excludes any amounts collected on behalf of third parties.

3. Significant accounting policies (Continued)

3.9 Revenue recognition (Continued)

3.9.1 Provision of telecommunication services

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

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

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

<u>Mobile telecommunications services</u>
These are considered to represent a single performance obligation as all are provided over the Group's network and transmitted as data representing a digital signal on the network.

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

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

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

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

<u>Interconnect and roaming</u>
The Group recognises interconnect and roaming revenue as the service is provided unless it is not probable (based on historical information) on transaction date that the interconnect revenue will be received, in which case interconnect revenue is recognised only when the cash is received or where a right of set-off exists with interconnect parties. Payments for interconnect and roaming are generally received on a monthly basis.

Some interconnect and roaming debtors have a historical pattern of late payments due to sanctions imposed. The Group has continued to provide services to these debtors (due to regulatory requirements) where the recovery of principal is significantly delayed beyond the contractual terms. The Group has considered historical payment patterns (i.e. customary business practice) in assessing whether the contract contains a significant financing component. For contracts containing a significant financing component, the Group reduces interconnect and roaming revenue and recognises interest revenue over the period between satisfying the related performance obligation and payment.

3. Significant accounting policies (Continued)

3.9 Revenue recognition (Continued)

3.9.2 Sale of goods

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

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

3.9.3 Interest income

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

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

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

3.9.4 Fees and commissions

Fees and commission income that are integral to the effective interest rate on a financial asset are included in the effective interest rate.Other fees and commission are generally recognised on an accrual basis when the services have been provided, specifically:

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

3.9.5 Dividend income

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

3. Significant accounting policies (Continued)

3.9 Revenue recognition (Continued)

3.9.6 Rental income

Rental income from investment property is recognized in the profit or loss on a straight line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income to be received. Rental income from other property is recognised as other income.The Group's policy for recognition of revenue from operating leases is described in note 3.10 below.

The Group receives short-term rental advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised lease to the customer and when the customer pays for that good or service will be one year or less.

3.9.7 Premium on foreign exchange deals

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

3.9.8 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.

3.10 Leases

Leases are classified as finance lease 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.

3.10.1 The Group as 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 Group'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 lease. 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.

3.10.2 The Group as 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 included in the consolidated and separate 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 expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see note 3.12 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. 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.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentive is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. Significant accounting policies (Continued)

3.11 Foreign currencies

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

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

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlementis neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Currency Units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulatedin equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest ina joint arrangement or an associate that includes a foreign operation of which the retained interest becomesa financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differencesare re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rateof exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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

3.13 Employee benefits

3.13.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

3. Significant accounting policies (Continued)

3.13 Employee benefits (Continued)

3.13.1 Defined contribution plans (Continued)

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

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

3.13.2 Termination benefits

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

3.13.3 Short-term benefits

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

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

3.14 Taxation

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

3.14.1 Current tax

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

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.

3.14.2 Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. Significant accounting policies (Continued)

3.14 Taxation Continued)

3.14.2 Deferred tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

3.14.3 Current and deferred tax for the year

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

3.15 Property, plant and equipment

3.15.1 Recognition and measurement

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

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

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

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of

3. Significant accounting policies (Continued)

3.15 Property, plant and equipment (Continued)

3.15.1 Recognition and measurement (Continued)

a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.15.2 Subsequent expenditure

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

3.15.3 Depreciation

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

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

3.15.4 Reclassification to investment property

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

3.16 Investment property

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

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

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

3.17 Intangible assets

3.17.1 Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated

3. Significant accounting policies (Continued)

3.17 Intangible assets (Continued)

3.17.1 Intangible assets acquired separately (Continued)

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

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

3.17.2 Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

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

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

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

3.17.3 Intangible assets acquired in a business combination

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

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

3.17.4 Subsequent expenditure

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

3.17.5 De-recognition of intangible assets

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

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

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

3. Significant accounting policies (Continued)

3.18 Impairment of tangible and intangible assets other than goodwill and financial assets (Continued)

of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

3.19 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.

3.20 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.

3.21 Provisions

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

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

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

3.21.1 Onerous contracts

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

3. Significant accounting policies (Continued)

3.21 Provisions (Continued)

3.21.1 Onerous contracts (Continued)

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

3.21.2 Restructuring

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

3.21.3 Contingent liabilities acquired in a business combination

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

3.22 Discontinued operations

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

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

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

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

3.23 Share capital and dividends

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

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

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

iv) Earnings per share
The calculation of basic earnings per share is based on the profit or loss attributable to ordinary shareholders for the year and the weighted average number of shares in issue throughout the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees. Where new equity shares have been issued by way of capitalisation or subdivision, the profit is apportioned over the shares in issue after the capitalisation or subdivision and the corresponding figures for all earlier periods are adjusted accordingly.

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

3. Significant accounting policies (Continued)

3.24 Financial instruments

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

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

3.25 Financial assets

3.25.1 Classification and initial measurement of financial assets

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

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:
- Amortised cost;
- Fair value through profit or loss (FVTPL); and
- Fair value through other comprehensive income (FVTOCI).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group applies the following business models:-
(i) Holding financial instruments for trading to maximize income and reduce losses,
(ii) Holding financial instruments to maturity. Thus the Group receives only principal and interest from the financial instruments, and
(iii) Holding financial instruments for liquidity management.

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

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

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

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

3. Significant accounting policies (Continued)

3.25 Financial assets (Continued)

3.25.1 Classification and initial measurement of financial assets (Continued)

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

3.25.2 Subsequent measurement of financial assets

Subsequently, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

(i) Financial assets at amortised cost (debt instruments)

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows.
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

<u>Amortised cost and effective interest method</u>
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

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

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

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

3. Significant accounting policies (Continued)

3.25 Financial assets (Continued)

3.25.2 Subsequent measurement of financial assets (Continued)

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

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

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

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

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

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

A financial asset is held for trading if:

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

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

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

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

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

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

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

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

3. Significant accounting policies (Continued)

3.25 Financial assets (Continued)

Foreign exchange gains and losses

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

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

3.25.3 Impairment of financial assets

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

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

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

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

(i) Significant increase in credit risk

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

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

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

3. Significant accounting policies (Continued)

3.25 Financial assets (Continued)

3.25.3 Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:
- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

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

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

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:
- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

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

(iii) Credit-impaired financial assets

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

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

3. Significant accounting policies (Continued)

3.25 Financial assets (Continued)

3.25.3 Impairment of financial assets (Continued)

(iv) Write-off policy

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

(v) Measurement and recognition of expected credit losses for loans and advances

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

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

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

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

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

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

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

- Stage 1: Stage 1 financial instruments are those whose credit risk is low or has improved hence reclassified from Stage 2. Reclassifications from Stage 2 are however subject to 'cooling off' period of 3 months. The Group calculates 12-months ECL for this stage based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR;

- Stage 2: When financial instruments have shown a significant increase in credit risk since origination, the Group records an allowance for the Lifetime ECL. The calculation is done as explained under stage 1 above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to

3. Significant accounting policies (Continued)

3.25 Financial assets (Continued)

3.25.3 Impairment of financial assets (Continued)

v) Measurement and recognition of expected credit losses for loans and advances (Continued)

the original EIR. Stage 2 financial instruments also include those whose credit risk has improved hence has been reclassified from Stage 3. Reclassifications from stage 3 are however subject to a 'cooling off" period of 3 months;

- Stage 3: financial instruments under this stage are considered credit-impaired. The Group records an allowance for the Lifetime ECLs.

- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

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

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

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

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

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

(vi) Forward-looking information

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

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

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

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

3. Significant accounting policies (Continued)

3.25 Financial assets (Continued)

3.25.3 Impairment of financial assets (Continued)

(vi) Forward-looking information (Continued)

Macroeconomic model (Continued)

The Malawi Food Consumer Price Index (CPI) proved to be statistically significant in the macro-economic model. As such, the Group forecasted the future Food CPIs and calibrated Loan loss allowance ratio accordingly which was incorporated in the calculation of the ECLs.

Sensitivity Analysis
In addition to the base case scenario the Group uses 1 upside and 1 downside scenarios, with associated probability weightings. The probability weighting is such that the base scenario has the highest weighting, since it is the most likely outcome and the weighting of the upside and downside scenarios depend on the probability of the scenario.

The base case scenario was assumed at 95% confidence interval while the 1 upside and 1 downside scenarios were assumed at +2.5% and -2.5% above or below 95% confidence level respectively.

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

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

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

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

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

3.25.4 Reclassifications of financial assets

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

3.25.5 Modification of financial assets

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

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

3. Significant accounting policies (Continued)

3.25 Financial assets (Continued)

3.25.5 Modification of financial assets (Continued)

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

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

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

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

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

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

3.25.6 De-recognition of financial assets

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

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

On de-recognition due to modifications explained under 3.25.7 above, the loss allowance for ECL is remeasured at thedate of derecognition to determine the net carrying amount of the asset at that date. The differencebetween this revised carrying amount and the fair value of the new financial asset with the new termswill lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measuredbased on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at asignificant discount to its revised par amount because there remains a high risk of default which has notbeen reduced by the modification. The Group monitors credit risk of modified financial assets byevaluating qualitative and quantitative information, such as if the borrower is in past due status underthe new terms.

3. Significant accounting policies (Continued)

3.26 Financial liabilities and equity

3.26.1 Classification as debt or equity

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

3.26.2 Equity instruments

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

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

3.26.3 Financial liabilities

3.26.3.1 Initial recognition and measurement

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

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

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

3.26.3.2 Subsequent measurement

i) Financial liabilities measured subsequently at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item (note 11) in profit or loss.

3. Significant accounting policies (Continued)

3.26 Financial liabilities and equity (Continued)

3.26.3 Financial liabilities (Continued)

3.26.3.2 Subsequent measurement (Continued)

i) Financial liabilities measured subsequently at FVTPL (Continued)

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

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

ii) Financial liabilities measured subsequently at amortised cost

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

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

iii) Financial guarantee contract liabilities

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

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

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

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

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

iv) Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'finance costs" line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign

3. Significant accounting policies (Continued)

3.26 Financial liabilities and equity (Continued)

3.26.3 Financial liabilities (Continued)

3.26.3.2 Subsequent measurement (Continued)

(iv) Foreign exchange gains and losses (Continued)

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

(v) De-recognition of financial liabilities

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

Accounting policies applied to financial instruments prior to 1 January 2018

3.27 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.28 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3.28.1 Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:
- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 6.7.

3. Significant accounting policies (Continued)

3.28 Financial assets (Continued)

3.28.2 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

3.28.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and loans and advances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

3.28.4 Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period in separate financial statements (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in note 6.7. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

3.28.5 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For loans and advances, the Group assess individually significant loans whether objective evidence of impairment exists for these loans. If there is objective evidence that an impairment loss has been incurred, the amount of loss is calculated as the difference between the loans' carrying amount and the present value of estimated future cash flows. If the Group determines that no objective evidence

3. Significant accounting policies (Continued)

3.28 Financial assets (Continued)

3.28.5 Impairment of financial assets (Continued)

of impairment exist for individually significant loans, it includes the loan in a group of loans with similar credit characteristics and collectively assess them for impairment.

In the assessment of individual loans, if a borrower's account has remained unpaid for over three months after attaining sub-standard status and on which collection or repayment in full is highly improbable, provisioning is warranted depending on the estimated recoverable amount of the pledged collateral if any.

An account attains a sub-standard status when it has recorded two cumulative monthly instalments arrears or for those payable quarterly, biannually or yearly, an instalment has been missed.

In determining the collective loss, the Group makes collective evaluation of impairment by using estimated default rates based on historical loss experience of each group of financial asset.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
- adverse changes in the payment status of borrowers in the group; and
- national or local economic conditions that correlate with defaults on the assets in the group.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. Significant accounting policies (Continued)

3.28 Financial assets (Continued)

3.28.6 De-recognition of financial assets

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

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On de-recognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.29 Financial liabilities

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

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3.29.1 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is:
(i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies,
(ii) held for trading, or
(iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:
- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 6.7.

3.29.2 Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

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

3. Significant accounting policies (Continued)

3.29 Financial liabilities (Continued)

3.29.2 Other financial liabilities (Continued)

3.29.3 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 payments when due in accordance with the terms of a debt instrument. These contracts have several legal forms such as Letters of credit (LCs), Guarantees and performance bonds.

Letters of credit (LCs) relate to standby LCs issued on behalf of selected customers. By issuing these LCs, the Group entity is guaranteeing payment to the third party in the event that the customer defaults on their contractual obligations on the transaction. These are non-cash upfront LCs.

Guarantees and performance bonds represent acceptances, guarantees, indemnities and credits which will crystallise into an asset and a liability only in the event of default on the part of the relevant counterparty.

These financial guarantee contract 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***.

3.29.4 De-recognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.30 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.

3.31 Fiduciary activities

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

3.32 Sale and repurchase agreements

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

4 Critical accounting judgements and key sources of estimation uncertainty

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

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

4.1 Critical judgements in applying accounting policies

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

4.1.1 Business model assessment

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

4.1.2 Going concern

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

4.1.3 Significant increase in credit risk

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

4.1.4 Establishing groups of assets with similar credit risk characteristics

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

4.1.5 Models and assumptions used

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

4 Critical accounting judgements and key sources of estimation uncertainty (Continued)

4.1 Critical judgements in applying accounting policies (Continued)

4.1.6 Control over Telekom Networks Malawi (TNM)

The directors of the Company assessed whether or not the Group has control over TNM based on whether the Group has the practical ability to direct the relevant activities of TNM unilaterally. In making their judgement, the directors considered the Group's absolute size of holding in TNM of 41.31% (2017: 41.31%) 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.

4.1.7 Deferred taxation on investment properties

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

4.2 Key sources of estimation uncertainty

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

4.2.1 Residual values and useful lives of tangible assets

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

4.2.2 Fair value measurements and valuation processes

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

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in the notes specific to those assets or liabilities.

4.2.3 Loss allowance for trade and other receivables

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

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

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.

4 Critical accounting judgements and key sources of estimation uncertainty (Continued)

4.2 Key sources of estimation uncertainty (Continued)

4.2.4 Loss allowance for loans and advances

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

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

(ii) Probability of Default (PD)

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

(iii) Loss Given Default (LGD)

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

(iv) Determination of life of revolving credit facilities

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

5.0 Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the returns to stakeholders through optimisation of the debt and equity balance. The overall Group strategy remains unchanged from 2017.

The capital structure of the Group consists of equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 27 and 28).

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

5.1 Regulatory capital

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

In implementing current capital requirements, The Reserve Bank of Malawi requires the Group's banking business to maintain a prescribed ratio of total capital to total risk-weighted assets. The minimum capital ratios under the implemented Basel II are as follows:
- 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; and
- A total capital (Tier 2) of not less than 15% of its total risk-weighted on statement of financial position assets plus risk-weighted off-statement of financial position items.

The Group's banking business regulatory capital is analysed into two tiers as follows:
- Core capital (Tier 1) which consists of ordinary share capital, share premium, retained profits, 60% of after-tax profits in the current year (or less 100% of current year loss), less any unconsolidated investment in financial companies.
- Total capital (Tier 2), which consists of revaluation reserves and general provisions, when such general provisions have received prior approval of the Reserve Bank of Malawi plus tier 1 capital. Supplementary capital must not exceed core capital i.e. shall be limited to 100% of total core capital.

In millions of Malawi Kwacha

5.0 Capital management (Continued)

5.1 Regulatory capital (Continued)

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

The Board of Directors are responsible for establishing and maintaining at all times an adequate level of capital. The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a lower gearing position.

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

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

	2018	2017
Tier 1 capital		
Ordinary share capital	467	467
Share premium	613	613
Retained earnings	61,369	51,740
Unconsolidated investments	(3,763)	(3,459)
	58,686	49,361
Tier 2 capital		
Supplementary capital		
Loan loss reserve	-	1,160
Deferred tax	(7,599)	(6,332)
Revaluation reserve	21,156	18,158
Unconsolidated investments	(3,763)	(3,459)
Total tier 2 capital (total regulatory capital)	68,480	58,888
Risk weighted assets		
Retail bank, corporate bank and treasury	339,076	263,452
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	20%	22%
Total tier 1 capital expressed as a percentage of risk-weighted assets	17%	19%

6 Financial instruments

6.1 Classes and categories of financial instruments

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

	Notes	Amortised cost	Fair value through P&L	Fair value through OCI	Total carrying amount
Group					
At 31 December 2018					
Financial assets					
Cash and cash equivalents	26	64,581	-	-	64,581
Trade and other receivables	23	29,203	-	-	29,203
Other investments	19	143,383	1,441	6,069	150,893
Finance lease receivables	17	17,814	-	-	17,814
Loans and advances to customers	16	144,249	-	-	144,249
		399,230	1,441	6,069	406,740
Financial liabilities					
Bank overdraft	26	6,212	-	-	6,212
Loans and borrowings	29	51,618	-	-	51,618
Trade and other payables	32	39,807	-	-	39,807
Customer deposits	34	293,056	-	-	293,056
		390,693	-	-	390,693

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.1 Classes and categories of financial instruments (Continued)

Group	Notes	Amortised cost	Loans and receivables	Available for sale	Total carrying amount
At 31 December 2017					
Financial assets					
Cash and cash equivalents	26	-	75,148	-	75,148
Trade and other receivables	23	-	26,022	-	26,022
Other investments	19	140,311	-	48	140,359
Finance lease receivables	17	-	10,317	-	10,317
Loans and advances to customers	16	-	120,674	-	120,674
		140,311	232,161	48	372,520
Financial liabilities					
Bank overdraft	26	2,790	-	-	2,790
Loans and borrowings	29	55,164	-	-	55,164
Trade and other payables	32	42,496	-	-	42,496
Customer deposits	34	275,073	-	-	275,073
		375,523	-	-	375,523

Company	Notes	Amortised cost	Fair value through P&L	Fair value through OCI	Total carrying amount
At 31 December 2018					
Financial assets					
Cash and cash equivalents	26	5,056	-	-	5,056
Trade and other receivables – Group	22	1,970	-	-	1,970
Trade and other receivables	23	243	-	-	243
Other Investments	19	-	-	6,069	6,069
Investments in associates	15	-	-	56,566	56,566
Investments in joint ventures	14	-	-	21,160	21,160
Investments in subsidiaries	13	-	-	226,896	226,896
		7,269	-	310,691	317,960
Financial liabilities					
Bank overdraft	26	3,782	-	-	3,782
Loans and borrowings	29	8,438	-	-	8,438
Trade and other payables	32	895	-	-	895
Trade and other payables to Group companies	33	47	-	-	47
		13,162	-	-	13,162

	Notes	Amortised cost	Loans and receivables	Available for sale	Total carrying amount
At 31 December 2017					
Financial assets					
Cash and cash equivalents	26	-	6,751	-	6,751
Trade and other receivables – Group	22	-	4,500	-	4,500
Trade and other receivables	23	-	559	-	559
Other investments	19	1,246	-	-	1,246
Investments in associates	15	-	-	54,608	54,608
Investments in joint ventures	14	-	-	20,618	20,618
Investments in subsidiaries	13	-	-	171,429	171,429
		1,246	11,810	246,655	259,711
Financial liabilities					
Bank overdraft	26	213	-	-	213
Loans and borrowings	29	1,104	-	-	1,104
Trade and other payables	32	423	-	-	423
Trade and other payables to Group companies	33	42	-	-	42
		1,782	-	-	1,782

6.2 Financial risk management

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

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

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

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.3 Financial risk management

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

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

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

At management level, there is an Internal Audit Department which provides a holistic oversight of the risks affecting the Group and the control measures that should be put in place to mitigate the risks and thereby reduce the potential losses.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group strives to maintain a disciplined and constructive control environment, in which all employees understand their roles and obligations.

6.4 Credit risk

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

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

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

6.4.1 Exposure of credit risk

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
Gross maximum exposure				
Trade and other receivables	29,203	26,022	1,646	559
Trade and other receivables – Group companies	-	-	1,970	4,500
Other investments	150,893	140,359	-	1,246
Loans and advances to customers	144,249	120,674	-	-
Finance lease receivables	17,814	10,317	-	-
Cash and cash equivalents	64,581	75,148	5,056	6,751
Total recognised financial instruments	406,740	372,520	8,672	13,056
Guarantees and performance bonds	7,929	25,495	6,970	16,470
Customers fund management	54,605			
Letters of credit	28,720	28,808	-	-
Total unrecognised financial instruments	91,254	54,303	6,970	16,47
Total credit exposure	497,994	426,823	15,642	29,526

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.4 Credit risk (Continued)

6.4.1 Exposure of credit risk (Continued)

In respect of certain financial assets, the Group has legally enforceable rights to offset them with financial liabilities. However, in normal circumstances, there would be no intention of settling net, or of realising the financial assets and settling the financial liabilities simultaneously. Consequently, the financial assets are not offset against the respective financial liabilities for financial reporting purposes. As at the end of the year, the Group had financial liabilities in the form of cash deposits amounting to K7,325 million (2017: K8,150 million) held as security for some loans and advances which in the event of default will be offset against such loans and advances.

6.4.2 Trade and other receivables

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

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

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

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

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

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

Impairment of Trade receivables IAS 39 - 2017

The Group establishes an allowance for credit loss 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.

The movement in the allowance in respect of 2017 trade and other receivables was as follows:

	Group 2017
Balance at beginning of the year	897
Impairment (reversal)/charge recognised in the year	1,128
Balance at end of the year	2,025

Trade and other receivables that are past due but not impaired are those that the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

	Group 2017
30 – 120 days	2,056
Over 120 days	5,442
Balance at end of the year	7,498

Impairment of Trade receivables IFRS 9 – 2018

Effective 1 January 2018, the Group has adopted to measure the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.4 Credit risk (Continued)

6.4.2 Trade and other receivables (Continued)

using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The adoption of IFRS 9 simplified approach in the determination of loss allowance for trade receivables has not given rise to significant impact on the amount of loss allowance recognised by the Group.

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

	2018 trade receivables – days past due						Total
	Not past due	<30 days	31-60 days	61-90 days	91-120 days	>120 days	
Expected credit loss rate– ranges*	0.1% to 19%	0.1% to 19%	0.1% to 20%	0.4% to 22%	0.6% to 47%	1.8% to 47%	-
Estimated total gross amount at default	4,083	852	413	748	124	1,963	8,183
Lifetime ECL	126	57	28	10	24	463	708

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

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

	Lifetime ECL - not credit impaired		Lifetime ECL – credit impaired	Total
	Collectively assessed	Individually assessed		
As of 1 January 2018	727	806	492	2,025
Written off	(622)	-	-	622
Recoveries	(16)	-	-	(16)
Net Remeasurement of loss allowance	619	21	(43)	597
De-recognised on loss of control (note 13.5)	-	(321)	-	(321)
Reclassified to other receivables allowance	-	(302)	-	(302)
Balance at end of the year	708	204	449	1,361

The adoption of IFRS 9 did not have a significant impact on the loss allowance for trade receivables. Consequently, no reconciliation of 2017 closing impairment allowance under IAS 39 and opening allowance in 2018 under IFRS 9 is presented since no adjustment was done by the Group in respect of trade receivables.

6.4.3 Cash and cash equivalents

The Group held cash and cash equivalents comprising of cash and bank balances net of bank overdrafts amounting to K58,369 million as at 31 December 2017 (2017: K72,358 million). The cash and cash equivalents are held with bank and financial institution counterparties which have high credit ratings.

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

6.4.4 Investments

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

6.4.5 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.

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.4 Credit risk (Continued)

6.4.5 Loans and advances (Continued)

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

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

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

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

Maximum exposure to credit risk for Loans and advances by sector

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

	2018		2017	
	Amount	**%**	**Amount**	**%**
Wholesale and retail	47,198	31	48,632	38
Other	12,752	10	9,429	7
Personal	27,813	18	17,670	14
Agriculture	27,957	19	22,200	18
Manufacturing	28,581	19	26,113	21
Finance and insurance	4,850	3	2,585	2
	149,151	100	126,629	100

The Group's exposure as at 31 December 2018 was at K149,151 million with Non Performing Loans (NPL) standing at 4.83% while in 2017, the bank closed the year with a loan book worth K126,629 million with NPL ratio of 9.01%. With default rate declining from the previous reporting period and the Group's enhanced recoveries, the credit risk management, it is expected to reduce further in 2019.

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

Extent of utilization of granted limit

The bank closed 2018 with utilized overdrafts of K48,426 million against limits of K59,401 million representing 81.52% of the total limits compared to the unutilized limits of K57,136 million against limits of K110,422 million in December 2017 representing 51.74% of the total limits. The increase in limits utilization is as a result of liquidity squeeze in the market. The utilized ratio is expected to increase further in 2019 due to new measures that have been put in place to ensure customers use up the commitments.

Forbearances (both requested and granted)

There are no significant forbearances in the reporting period.

Changes in business, financial and economic conditions;
The business condition was stable in the reporting period due to stability of the economy driven by stable exchange rates and single digit inflation rate. The inflation rate is expected to decline in 2019 due to recent reduction in fuel price which are a cost driver for many commodities.

Credit quality analysis of loans and advances

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

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.4 Credit risk (Continued

6.4.5 Loans and advances **(**Continued)

Credit quality analysis of loans and advances **(**Continued)

at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure. The following data are typically used to monitor the Group's exposures:

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

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

Credit rating information supplied by external rating agencies

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

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

	Group	
	2018	**2017**
Grade 9: Individually impaired	6,462	8,041
Grade 8: Sub-standard	741	3,372
Grade 7: Watch list	7,305	14,573
Grade 1-3 Low risk	25,356	6,066
Grade 4-6 Fair risk	109,287	94,577
Impairment provision	(6,305)	(5,955)
Total carrying amount	142,846	120,674

The Group applies three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost and debt instruments classified as FVTOCI as explained under note 2.1.1 and 3.25.The table below shows expected credit losses per risk grade and related ECL stage:

	Gross Amount	**Loss allowance**	**ECL stage**
2018			
Grade 9: individually impaired	6,462	2,327	3
Grade 8: sub-standard	741	159	3
Grade 7: Watch list	7,305	755	2
Grade 1-3 Low risk	25,356	2,617	1
Grade 4-6 Fair risk	109,287	447	1
Total gross carrying amount	149,151	6,305	

Individually impaired and substandard - Grade 8 and 9

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

Watch list – Grade 7

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

Low and fair risk – Grade 1 to 6

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

In millions of Malawi Kwacha In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.4 Credit risk (Continued

6.4.5 Loans and advances (Continued)

Credit quality analysis of loans and advances (Continued)

Write-off policy

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

During the period under review, the Group wrote off K2,350 million (2017: K1,398 million). The amounts written off are subject to enforcement activity by the Group to recover.

Collateral held as security against loans and advances

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

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

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

Group	**2018**	**2017**
Against individually impaired		
Motor vehicles	462	133
Commercial property	2,501	1,594
Residential property	1,010	474
Equities	1	-
Cash	25	-
Total	3,999	2,201
Against the rest of the loan book		
Motor vehicles	21,695	14,451
Commercial property	11,241	11,217
Residential property	71,803	35,864
Cash	7,300	3,314
Equities	22,419	11,218
Treasury bill	18	25
Mortgages over farmland	9,440	5,504
Debentures	24,825	22,181
Bank guarantees	168	1,036
Total	168,909	104,810
Grand total	172,908	107,011

Collateral repossessed

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

6.5 Liquidity risk

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

6.5.1 Management of liquidity risk

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

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

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

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

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.5 Liquidity risk (Continued)

6.5.1 Management of liquidity risk (Continued)

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

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

6.5.2 Measurement of liquidity risk – Group's banking business

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

	2018	2017
At 31 December	57%	65%
Average for the period	58%	60%
Maximum for the period	64%	67%
Minimum for the period	52%	55%

6.5.3 Liquidity risk table

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

Group

	Less than month	1-3 months	3-12 months	2-5 years	Over 5 years	Total	Carrying amount
At 31 December 2018							
Bank overdraft	6,316	-	-	-	-	6,316	6,212
Loans and borrowings	359	1,693	3,244	64,937	8,991	79,224	51,618
Customer deposits	253,872	41,020	1,704	-	-	296,596	293,056
Trade and other payables	38,902	289	475	141	-	39,807	39,807
Total financial liabilities	299,449	43,002	5,423	65,078	8,991	421,943	390,693
At 31 December 2017							
Bank overdraft	2,843	-	-	-	-	2,843	2,790
Loans and borrowings	12,456	608	4,582	64,637	-	82,283	55,164
Customer deposits	237,334	36,316	1,590	-	-	275,240	275,073
Trade and other payables	15,785	7,702	19,009	-	-	42,496	42,496
Total financial liabilities	268,418	44,626	25,181	64,637	-	402,862	375,523

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.5 Liquidity risk (Continued)

6.6.3 Liquidity risk table (Continued)

	Less than month	1-3 months	3-12 months	2-5 years	Over 5 years	Total	Carrying amount
Company							
At 31 December 2018							
Bank overdraft	3,971	-	-	-	-	3,971	3,782
Loans and borrowings	225	-	-	6,902	5,917	13,044	8,438
Trade and other payables to Group companies	47	-		-	-	47	47
Trade and other payables	895	-	-	-	-	895	895
Total financial liabilities	5,138	-	-	6,902	5,917	17,957	13,162
At 31 December 2017							
Bank overdraft	213	-	-	-	-	213	213
Loans and borrowings	305	-	742	225	-	1,272	1,104
Trade and other payables to Group companies	42		-		-	42	42
Trade and other payables	423	-	-	-	-	423	423
Total financial liabilities	983	-	742	225	-	1,950	1,782

6.6 Market risk

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

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

6.6.1 Currency risk

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

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

Management of currency risk

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

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

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

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

Currency risk exposure

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

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.6 Market risk (Continued)

6.6.1 Currency risk (Continued)

	Liabilities 2018	2017	Assets 2018	2017
Group				
United States Dollars (USD)	59,440	72,344	78,910	77,931
British Pound (GBP)	1,614	1,800	2,706	2,707
EURO	8,992	8,927	10,495	9,954
South African Rand (ZAR)	1,853	2,364	1,514	2,309
Other currencies	318	263	25	25
Company				
United States Dollars (USD)	-	-	38	44
South African Rand (ZAR)	-	-	1	1

Foreign currency sensitivity analysis

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

	Liabilities 2018	2017	Assets 2018	2017
United States Dollars (USD)	1,947	559	1	4
British Pound (GBP)	109	91	-	-
EURO	150	103	-	-
South African Rand (ZAR)	34	(6)	-	-

6.6.2 Interest rate risk

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

Management of interest rate risk

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

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

Exposure to interest rate risk on financial assets and financial liabilities

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

Group

	Less than 1 month	1-3 months	3-12 months	Over 1 year	Non interest sensitive	Total
At 31 December 2018						
Financial assets						
Investments in joint ventures and associates	-	-	-	-	49,112	49,112
Other investment	25,023	33,590	52,192	19,315	20,773	150,893
Cash and cash equivalents	22,899	11,760	-	-	29,922	64,581
Loans and advances to customers	16,958	14,563	53,787	57,538	-	142,846
Finance lease receivables	-	198	1,437	16,179	-	17,814
Trade and other receivables	-	-	-	1,403	29,203	30,606
Total financial assets	64,880	60,111	107,416	94,435	129,010	455,852

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.6 Market risk (Continued)

6.6.2 Interest rate risk (Continued)

Exposure to interest rate risk on financial assets and financial liabilities (Continued)

	Less than 1 month	1-3 months	3-12 months	Over 1 year	Non interest sensitive	Total
Financial liabilities						
Bank overdraft	6,212	-	-	-	-	6,212
Loans and borrowings	-	1,058	3,174	47,149	237	51,618
Customer deposits	257,682	35,287	87	-	-	293,056
Trade and other payables	-	-	-	-	39,807	39,807
Total financial liabilities	263,894	36,345	3,261	47,149	40,044	390,693
Interest sensitivity gap	(199,014)	23,766	104,155	47,286	88,966	65,159
At 31 December 2017						
Financial assets						
Investments in joint ventures and associates	-	-	-	-	40,687	40,687
Other investment	104,243	6,638	-	-	29,478	140,359
Cash and cash equivalents	43,350	-	4,700	-	27,098	75,148
Loans and advances to customers	10,338	10,025	57,833	42,478	-	120,674
Finance lease receivables	-	78	1,032	9,207	-	10,317
Trade and other receivables	-	-	-	-	26,022	26,022
Total financial assets	157,931	16,741	63,565	51,685	123,285	413,207
Financial liabilities						
Bank overdraft	2,790	-	-	-	-	2,790
Loans and borrowings	2,016	8,341	360	44,211	236	55,164
Customer deposits	222,844	36,278	1,585	-	14,366	275,073
Trade and other payables	-	-	-	-	42,496	42,496
Total financial liabilities	227,650	44,619	1,945	44,211	57,098	375,523
Interest sensitivity gap	(69,719)	(27,878)	61,620	7,474	66,187	37,684
ACompany						
At 31 December 2018						
Financial assets						
Investments in subsidiaries joint ventures and associates	-	-	-	-	304,622	304,622
Other investment	-	-	-	-	6,069	6,069
Cash and cash equivalents	-	2,556	2,500	-	-	5,056
Trade and other receivables – Group companies	-	-	-	-	1,970	1,970
Trade and other receivables	-	-	-	1,403	243	1,646
Total financial assets	-	2,556	2,500	1,403	312,904	319,363
Financial liabilities						
Bank overdraft	3,782	-	-	-	-	3,782
Loans and borrowings	221	-	4,930	3,287	-	8,438
Trade and other payables to Group companies	-	-	-	-	47	47
Trade and other payables	-	-	-	-	895	895
Total financial liabilities	4,003	-	4,930	3,287	942	13,162
Interest sensitivity gap	(4,003)	2,556	(2,430)	(1,884)	311,962	306,201
At 31 December 2017						
Financial assets						
Investments in subsidiaries joint ventures and associates	-	-	-	-	246,655	246,655
Cash and cash equivalents	-	48	6,703	-	-	6,751
Trade and other receivables – Group companies	-	-	2,091	-	2,409	4,500
Other investments	-	-	1,246	-	-	1,246
Trade and other receivables	-	-	-	-	559	559
Total financial assets	-	48	10,040	-	249,623	259,711
Financial liabilities						
Bank overdraft	213	-	-	-	-	213
Loans and borrowings	249	-	641	214	-	1,104
Trade and other payables to Group companies	-	-	-	-	42	42
Trade and other payables	-	-	-	-	423	423
Total financial liabilities	462	-	641	214	465	1,782
Interest sensitivity gap	(462)	48	9,399	(214)	249,158	257,929

In millions of Malawi Kwacha

6 **Financial instruments** (Continued)

6.6 **Market risk** (Continued)

6.6.2 Interest rate risk (Continued)

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates on the financial assets and liabilities at the reporting date. The interest rate sensitivity is also calculated based on a 5% movement on the carrying amounts. If the interest rates had gone up or down by 5% the Group's profit for the year ended 31 December 2018 would decrease/increase by K1.6 billion (2017: K1.8 billion).

6.6.3 Other market price risk

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

Exposure to equity price risk

As at 31 December 2018, the Company had the following financial assets that exposed it to equity price risk.

	2018	2017
Financial assets		
Investment in National Bank of Malawi	79,831	64,924
Investment in Telekom Networks Malawi Limited	116,135	60,141
	195,966	125,065

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

At 31 December 2018, if the equity price had weakened/strengthened by 5% with all other variables held constant, the Company's other comprehensive income for the year would have been higher/lower as follows:

	2018	2017
Financial assets		
Investment in National Bank of Malawi	3,992	3,246
Investment in Telekom Networks Malawi Limited	5,807	3,007
	9,799	6,253

The analysis is performed on the same basis for 2018 and 2017 and assumes that all other variables remain the same.

6.7 **Fair values measurements**

This note provides information about how the Group determines fair values of various financial assets and financial liabilities

6.7.1 Fair value hierarchy

The table below shows an analysisof financial instruments carried that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.7 Fair values measurements (Continued)

6.7.1 Fair value hierarchy (Continued)

	Notes	Level 1	Level 2	Level 3	Total
At 31 December 2018					
Government promissory notes	19	-	1,441	-	1,441
At 31 December 2017					
Government promissory notes	19	-	48	-	48
Company					
At 31 December 2017					
Investments in associates	15	-	-	56,566	56,566
Investments in joint ventures	14	-	-	21,160	21,160
Investments in subsidiaries	13	195,966	-	30,930	226,896
		195,966	-	108,656	304,622
At 31 December 2017					
Investments in associates	15	-	-	54,608	54,608
Investments in joint ventures	14	-	-	20,618	20,618
Investments in subsidiaries	13	125,065	-	46,364	171,429
		125,065	-	121,590	246,655

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

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Group Financial assets	Fair value as at 2018	Fair value as at 2017	Fair value hierarchy	Valuation technique(s) and key input(s)
Government promissory notes	1,441	48	Level 2	Discounted cash flows using applicable interest rates and agreed repayment plan

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.7 Fair values measurements (Continued)

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

A reconciliation showing opening balance, gains/losses recognized during the year, transfers as well as closing balance is disclosed under related notes 13,14 and 15.

Company

Asset	Fair value as at 2018	Fair value as at 2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Investment in National Bank of Malawi and Telekom Networks Malawi Limited	195,966	125,065	Level 1	Stock market share prices.	N/A	N/A
Investment in Limbe Leaf Tobacco Company, Macsteel (Malawi) Limited, Castel Malawi Limited, Puma, Presscane, Ethanol Company Limited, Open Connect Limited, Press Properties Limited and Peoples Trading Centre Limited	98,738	100,654	Level 3	Price multiples method: The method uses weighted average value of various relevant valuation methods. Methods used include Net Asset valuation method, Price to Sales Relative valuation method, Price to Book Value Relative valuation method, Price to Earnings (P/E) Relative valuation method, EV/EBITDA Relative valuation method, Economic Profit valuation method and Discounted Free Cash Flow valuation method	• Long term revenue growth rates, taking into account management's experience and knowledge of the market conditions of the specific industries, ranging from 10% to 26%. • Accounting policies, judgements and assumptions for recognition and measurement of asset and liabilities. • Weighted average cost of capital ranging from 19% to 26% determined using a capital asset pricing model. • Price earnings ratio ranging from 8 to 16. • Market price to sales ratio ranging from 0.61 to 1.65.	The higher the revenue growth rate and pre-tax operating margin the higher the fair value. The more favourable the accounting policies used in a particular economic environment, the higher the fair value. The higher the weighted average cost of capital and the discount rate the lower the fair value. The higher the discount applied on the multiple the lower the fair value.
Open Connect Limited	4,799	15,905	Level 2	Recent transaction price – The company shares were traded by a willing buyer and seller on 27th June 2018.	N/A	N/A
Investment in The Foods Company Limited	1,138	1,083	Level 3	Price to sales method: The approach compares a company's stock price to its projected sales. The ratio is calculated by dividing the company's stock price per share by sales per share for a 12 month period. Industry comparable multiple was used. The multiple was discounted to reflect the differences between the comparable and the company being valued.	• A discount of 50% was applied to the multiple average of the comparable industry companies. • Projected sales were used which are determined using accounting policies, judgements and assumptions.	The higher the sales the higher the fair value. The higher the discount applied on the multiplethe lower the fair value
Investment in Malawi Telecommunications Limited and Malawi Pharmacies Limited.	3,981	3,948	Level 3	Net asset values: The method measure the equity holders' claim on the residual assets after paying off the company's liabilities.	Accounting policies, judgements and assumptions for recognition and measurement of asset and liabilities	The more favourable the judgements and esrimates used in a particular economic environment, the higher the fair value.

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.7 Fair values measurements (Continued)

6.7.2 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) (Continued)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statementsto approximate their fair values. The fair values were derived using the income approach method and are level 3.

Group	Notes	2018 Carrying amount	2018 Fair Value	2017 Carrying amount	2017 Fair Value
Financial assets					
Other investments	19	150,893	150,893	140,359	140,567
Finance lease receivables	17	17,814	21,377	10,317	11,414
Loans and advances to customers	16	144,249	161,311	120,674	132,331
		312,956	333,581	271,350	284,312
Financial liabilities					
Loans and borrowings	29	51,618	61,038	55,164	63,079
		51 618	61,038	55,164	63,079
Company					
Financial liabilities					
Loans and borrowings	29	8,438	13,044	1,104	1,115
		8,438	13,044	1,104	1,115

7. Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer ("CEO") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, investment property and intangible assets other than goodwill.

7.1 Basis for segmentation

The Group has five reportable segments which are based on the type of business among its subsidiary, associated companies and joint ventures. These segments are: Financial Services, Telecommunication, Energy, Consumer Goods, and All Other Reportable Segments. The segments offer different products and services, and are managed separately because they require different technology and marketing strategies.

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

Reportable segments	Operations
Financial Services segment	Provides retail, corporate and investment banking as well as stockbroking, insurance and pension administration services.
Telecommunications segment	Provides a wide range of Information and Communications Technology (ICT) based products and services
Energy segment	Ethanol manufacturers
Consumer Goods segment	Supermarket chain
All other segments	Property investment and development, Holding company, Manufacturer and distributor of food products.

7.2 Geographical segment presentation

All operations of the Group are in Malawi and therefore geographical segment presentation has not been made.

7.3 Information about major customers

The Group revenues are earned from a range of customers, none of which constitute ten percent or more of the total Group's revenues.

In millions of Malawi Kwacha

7. Operating segments (Continued)

7.4 Information about reportable segments

Information regarding the results of each reportable segment is set out below. Performance is measured based on segment profit after income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit after income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income earning assets and revenue, interest bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

	Reportable segments					
	Financial Services	**Tele-Communi--cation**	**Energy**	**Consu--mer goods**	**All other segments**	**Total**
2018						
Revenue						
External revenues	63,326	102,220	17,036	28,909	2,929	214,420
Inter-segment revenue	1,415	4,817	1	14	759	7,006
Segment revenue	64,741	107,037	17,037	28,923	3,688	221,426
Segment operating profit/(loss)	22,339	28,313	1,236	(1,791)	5,468	55,565
Segment interest income	-	31	1,089	5	958	2,083
Segment interest expense	-	(3,828)	(8)	(1,022)	(2,123)	(6,981)
Segment income tax expense	(7,051)	(7,652)	(920)	49	(92)	(15,666)
Segment profit for the year	15,288	16,864	1,397	(2,759)	4,211	35,001
Depreciation and amortization	4,799	10,795	493	317	383	16,787
Segment assets	417,102	101,135	22,308	6,971	339,024	886,540
Segment liabilities	328,688	53,001	3,815	12,069	74,228	471,801
Capital additions	5,598	19,523	956	942	422	27,441
2017						
Revenue						
External revenues	65,714	87,844	11,682	33,003	2,237	200,480
Inter-segment revenue	877	7,639	-	47	571	9,134
Segment revenue	66,591	95,483	11,682	33,050	2,808	209,614
Segment operating profit/(loss)	27,551	20,632	200	(2,207)	21,722	67,898
Segment interest income	-	48	1,386	7	959	2,400
Segment interest expense	-	(7,215)	(2)	(1,163)	(2,444)	(10,824)
Segment income tax expense	(8,403)	(5,095)	63	-	(1,004)	(14,439)
Segment profit for the year	19,148	8,370	1,647	(3,363)	19,233	45,035
Depreciation and amortization	2,896	10,507	454	463	401	14,721
Segment assets	392,267	117,300	21,045	6,308	275,166	812,086
Segment liabilities	310,054	84,171	3,588	14,208	56,541	468,562
Capital additions	4,984	19,574	1,271	483	595	26,907

7.5 Reconciliation of information on reportable segments to IFRS measures

	2018	**2017**
Revenues		
Total revenues for reportable segments	221,426	209,614
Elimination of inter-segment revenue	(7,006)	(9,134)
Consolidated revenue	214,420	200,480
Depreciation and amortisation		
Total depreciation and amortisation for reportable segments	16,787	14,721
Adjustment due to different accounting policies relating to telecommunication plant	(365)	(777)
Consolidated depreciation and amortisation	16,422	13,944

In millions of Malawi Kwacha

7. Operating segments (Continued)

7.5 Reconciliation of information on reportable segments to IFRS measures (Continued)

	2018	2017
Profit		
Total profit for reportable segments	35,001	45,035
Profit on de-recognition of a subsidiary	6,160	-
Elimination of dividend income from Group companies	(10,129)	(8,231)
Adjustment due to different accounting policies	677	(1,977)
Share of profit of equity accounted investees	4,995	4,842
Profit for discontinued operation	9	4
Consolidated profit	36,713	39,673
Assets		
Total assets for reportable segments	886,540	812,086
Assets for discontinued operations	279	163
Inter-segment eliminations	(9,796)	(22,562)
Elimination of fair value relating to equity accounted investees	(27,754)	(34,542)
Elimination of investment in subsidiaries	(226,896)	(171,429)
Adjustment due to different accounting policies relating to telecomunication plant	-	(13,206)
Consolidated total assets	622,373	570,510
Liabilities		
Total liabilities for reportable segments	471,713	468,562
Liabilities for discontinued operations	129	112
Inter-segment eliminations	(9,796)	(29,839)
Elimination of deferred tax liabilities due to different accounting policies	(6,601)	(5,103)
Elimination of deferred tax liabilities arising from fair value measurement of investments in separate financial statements	(53,711)	(45,066)
Consolidated total liabilities	401,734	388,666

8 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 2018	44,773	102,015	8,512	7,375	162,675
Additions	1,279	16,377	1,677	4,762	24,095
Disposals	(572)	(754)	(2,239)	-	(3,565)
Transfers between classes	882	2,661		(3,543)	-
Transfer from intangibles (note 11)	-	77	-	-	77
Transfer to intangibles (note 11)	-	-	-	(1,615)	(1,615)
Transfer to investment property (note 12)	-	(1)	-	(126)	(127)
De-recognised on loss of control (note 13.5)	-	(5,167)	-	(51)	(5,218)
Write-off*	142	(2,650)	-	(1,574)	(4,082)
Revaluation increase	5,121	-	-	-	5,121
Balance at 31 December 2018	51,625	112,558	7,950	5,228	177,361
Balance at 1 January 2017	41,767	85,632	7,785	6,286	141,470
Additions	485	14,695	1,792	5,645	22,617
Disposals	(531)	(2,320)	(1,093)	-	(3,944)
Transfers between classes	375	4,094	-	(4,469)	-
Transfer to intangibles (note 11)	-	(87)	-	(87)	(174)
Transfer to investment property (note 12)	(231)	-	-	-	(231)
Reclassified from held for sale (note 24)	-	-	28	-	28
Reclassified as held for sale (note 24)	(118)	-	-	-	(118)
Revaluation increase	3,026	1	-	-	3,027
Balance at 31 December 2017	44,773	102,015	8,512	7,375	162,675
Accumulated depreciation and impairment					
Balance at 1 January 2018	2,271	49,459	4,360	677	56,767
Depreciation expense	1,415	10,626	1,570	-	13,611
Transfer to investment property (note 12)	-	(1)	-	-	(1)
De-recognised on loss of control (note 13.5)	-	(1,107)	-	-	(1,107)
Eliminated on revaluation	(617)	-	-	-	(617)
Write-off*	229	(2,685)	-	(674)	(3,130)
Transfer from intangibles (note 11)		54	(62)		(8)
Eliminated on disposal of assets	(6)	(527)	(1,195)	-	(1,728)
Balance at 31 December 2018	3,292	55,819	4,673	3	63,787

In millions of Malawi Kwacha

8 Property, plant and equipment (Continued)

Group	Land and buildings	Plant, furniture & equipment	Motor vehicles	Capital work in progress	Total
Balance at 1 January 2017	1,864	41,672	3,804	677	48,017
Depreciation expense	1,006	9,931	1,476	-	12,413
Eliminated on revaluation	(596)	-	-	-	(596)
Eliminated on disposal of assets	(3)	(2,144)	(920)	-	(3,067)
Balance at 31 December 2017	2,271	49,459	4,360	677	56,767
Carrying amounts					
At 31 December 2018	48,333	56,739	3,277	5,225	113,574
At 31 December 2017	42,502	52,556	4,152	6,698	105,908

*During the year, raw material production (RAMA) project which was being undertaken by two subsidiaries, was put on hold. Accordingly, all costs incurred have been written off to the income statement.

*Also included in write-off are telecommunication equipments that were previously impaired.

Company

	Land & buildings	Plant, furniture & equipment	Motor vehicles	Total
Cost or valuation				
Balance at 1 January 2018	461	525	26	1,012
Additions	-	39	-	39
Disposals	-	(20)	(21)	(41)
Balance at 31 December 2018	461	544	5	1,010
Balance at 1 January 2017	691	526	75	1,292
Additions	1	81	-	82
Transfer to investment property (note 12)	(231)	-	-	(231)
Disposals	-	(82)	(49)	(131)
Balance at 31 December 2017	461	525	26	1,012
Accumulated depreciation				
Balance at 1 January 2018	-	395	20	415
Depreciation expense	-	56	2	58
Eliminated on disposal of assets	-	(17)	(18)	(35)
Balance at 31 December 2018	-	434	4	438
Balance at 1 January 2017	-	402	60	462
Depreciation expense	-	58	5	63
Eliminated on disposal of assets	-	(65)	(45)	(110)
Balance at 31 December 2017	-	395	20	415
Carrying amounts				
At 31 December 2018	461	110	1	572
At 31 December 2017	461	130	6	597

Registers of land and buildings giving details required under the Companies Act 2013 are maintained at the respective registered offices of each company within the Group and are open for inspection by members or their duly authorised agents.

8.1 Useful lives

The following estimated useful lives for the current and comparative periods are used in the calculation of depreciation:

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

8.2 Fair value measurement of the Group's land and buildings

The Group's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent impairment losses. The fair value measurements

In millions of Malawi Kwacha

8 Property, plant and equipment (Continued)

8.2 Fair value measurement of the Group's land and buildings (Continued)

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

Land and buildings relating to Malawi Telecommunications Limited were revalued as at 31 December 2018 by Simeon D. Banda BSc (Hons) MSIM MRICS Chartered Quantity Surveyor of SFS Property Consultants in association with Sam M. Nhlane (Hons) Lond, MSIM Registered Valuation Surveyor of SMN Property Professionals. Valuations were carried out on the basis of open market value.

Land and buildings relating to the banking business were fair valued as at 31 December 2018 by Don Whayo, BSc (Est. Man), Dip (Urb Man), BA, MRICS, MSIM a chartered valuation surveyor with Knight Frank (Malawi). Valuations were carried out based on a current market value basis. Out of the K2 560m (2017: K3,195m) the Group's gross revaluation surplus, K51m (2017: K501m) 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 K2,509m (2017: K2,694m) was credited to the revaluation reserve through the statement of other comprehensive income.

Revaluation of freehold land and buildings relating to the Foods Company Limited as at 31 December 2018 were performed by Mabvuto Phula, MSIM, MRAC Valuation Surveyor of CMC Property Consultants and Valuers. Valuations were carried out based on the market comparable approach that reflects recent transaction prices for similar properties in similar geographical locations.

Leasehold properties, civil works, relating to Ethanol Company Limited were re-valued on 31 December 2017 by Nickson S. C. Mwanyali BSc (Est. Man), Dip (Bus Mngt), MSIM and Don Whayo, BSc(Est. Man), Dip (Urb Man), BA, MRICS, MSIM, chartered valuation surveyors with Knight Frank (Malawi) on an Open Market Value. Directors consider that the carrying amounts are not materially different from the fair values as determined in the last valuation.

Land and buildings relating to Press Corporation plc were fair valued as at 31 December 2016 by Nickson S. C. Mwanyali BSc (Est. Man), Dip (Bus Mngt), MSIM of Knight Frank , qualified independent valuers on a current market value basis.Directors consider that the carrying amounts are not materially different from the fair values as determined in the last valuation.

Details of the Group's information about the properties fair value hierarchy as at 31 December 2018 are as follows:

	Fair value as at		Fair value hierarchy
	31/12/2018	**31/12/2017**	
Land and buildings	48,333	42,502	Level 2

There were no transfers between Level 1 and Level 2 and Level 3. The fair value of the lands and buildings was determined using transaction prices of similar properties.

Had the Group's and Company's land and buildings been measured on a historical cost basis, their carrying amount would have been as follows;

	2018	**2017**
Group's land and buildings	12,686	13,739
Company's land and buildings	287	287

8.3 Assets pledged as security

The Group's assets with a carrying amount of approximately K53 billion (2017: K60 billion) have been pledged to secure borrowings. The Group is not allowed to sell these assets to another entity without prior approval of the lenders. The carrying amount of the related borrowings amount to K21 billion (2017: K 24.8 billion) – see note 26 and 29 below.

In millions of Malawi Kwacha

9 Biological assets

9.1 Reconciliation of carrying amount of biological assets

Group	Fish stock	Growing Cane	Total
2018			
Balance at 1 January	998	-	998
Depreciation	(8)	-	(8)
Increase due to birth	1,378	-	1,378
Decrease due to sales	(999)	-	(999)
Decrease due to death	(269)	-	(269)
Increase/(decrease) in fair value less estimated point of sale costs	(312)	226	(86)
Estimated point of sale costs	(254)	-	(254)
Balance at 31 December	534	226	760
Non-current biological assets	29	47	76
Current biological assets	505	179	684
Balance at 31 December	534	226	760
2017			
Balance at 1 January	156	-	156
Increase due to birth	1,002	-	1,002
Decrease due to sales	(221)	-	(221)
Decrease due to death	(193)	-	(193)
Increase/(decrease) in fair value less estimated point of sale costs	554	-	554
Estimated point of sale costs	(300)	-	881
Balance at 31 December	998	-	998
Non-current biological assets	21	-	21
Current biological assets	977	-	977
Balance at 31 December	998	-	998

During the year, the Group's subsidiary invested in Chisanja Limited which is involved in the growing of sugar cane in order to address its current feed stock challenges by growing its own sugarcane from which juice would be extracted to produce Ethanol. As at 31 December 2018, the cane growth was estimated at 30% with a harvest area of 88 hectares and estimated harvest tonnage of 95.

As at 31 December 2018, fish stock comprised of 163 tons of fish (2017: 550.5 tons) and 8.9 tons of fingerlings (2017: 9 tons). During 2018, the Group sold 712 tons of fish (2017: 163 tons) and 0.75 tons of fingerlings (2017: 0.6 tons).

9.2 Measurement of fair values

The valuation of fish in the ponds and cages, fingerlings and brood stock is based on the selling value of the projected weight of fish to be harvested on maturity less any estimated costs to be incurred in growing the fish to table size and in selling aAnd distributing the fish after harvest. The valuation takes into account mortality of the fish which is based on past experience and actual mortality experienced during the period to harvest.

In determining the fair value of the fish, the following procedures are used:
- The Group estimates the weight of the fish that is in cages or ponds through sampling. This estimate is used to determine the projected harvest, which takes into account a factor of mortality.
- The projected harvest is valued using 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 the projected harvest and the costs to be incurred to harvest.
- Fingerlings are valued at the current selling price of each fingerling achieved during the year.

Assumptions
- Average weight per fish – Average harvest weight achieved during the year is used as basis for calculating biomass.
- Mortality is assumed at 25% (2017: 23%) for cages, 0% (2017: 70%) for ponds and 20% (2017: 20%) for fingerlings based on experience and history. The Group no longer stocks fish in ponds; and
- Average selling price – Current selling price based on fish categories as per harvest records.

The fair value measurements of both fish and fingerlings have been categorized as Level 2 fair values based on observable market sales data;

In millions of Malawi Kwacha

9 Biological assets (Continued)

9.2 Measurement of fair values (Continued)

	Fair value as at		Fair value hierarchy
	31/12/2018	31/12/2017	
Fish stocks	534	998	Level 2

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

The fair value of the growing cane is determined using inputs that are unobservable. Using the best information available in the circumstances growing cane falls into the level 3 fair value category. The key assumptions in the valuation of growing cane includes expected area to harvest the following season of 88 hectares, estimated yield of 95 tons and cane growth percentage of 30% at 31 December 2018.

	Fair value as at		Fair value hierarchy
	31/12/2018	31/12/2017	
Growing cane	226	-	Level 3

9.3 Financial risk management strategies related to agricultural activities

The Group is exposed to the following risks relating to its biological assets:-

Regulatory and environmental risks

The Group is subject to laws and regulations relating to fish breeding and protection of the environment. The Group has established environmental policies and procedures aimed at compliance with environmental laws relating to effluent disposal, certification of hatchery activities and environmental impact assessments of new fish breeding projects.

In respect of growing cane, the Group complies with South African Sugar Research Institute which we are registered as a member.

Supply, demand and commodity risks

The Group is exposed to risks arising from fluctuations in the prices of fish and fish products which are based on general supply of fish in the country. The bigger the general supply of fish in the country the lower the fish prices. The Group manages this risk by aligning its harvest volumes with the market supply and demand. Management performs regular industry trend analyses for projected harvest volumes and pricing.

Similarly, the Group is exposed to risks arising from fluctuations in the prices of sugar. Sugar is valued at the estimated sucrose content, valued at the estimated sucrose price for the following season as obtained from the foreign and domestic markets.

Climate, weather, diseases and other risks

The Group's fish stocks are exposed to the risk of damage from climatic changes (including annual upwelling of water, temperature variations including stratification of water and low dissolved oxygen levels), diseases, theft of brood stock and breeding fish and predation from birds, otters and others. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including monitoring and prevention of diseases, theft and bird predation prevention, monitoring of water temperatures and dissolved oxygen.

The Group uses water from Shire River for Irrigation. In the event of heavy siltation, such that the Group is unable to pump adequate water for irrigation, the yields of growing cane is likely to be affected which in turn would affect the valuation of the biological asset.

In millions of Malawi Kwacha

10 Goodwill

	2018	2017
At the beginning and end of the year	4,974	4,974

10.1 Impairment testing for cash generating units containing goodwill

Goodwill has been allocated for impairment testing purposes to the following cash-generating units;

Consumer goods segment	427	427
TNM Enterprise Business Services Unit	588	588
Wholesale banking division	3,959	3,959
	4,974	4,974

<u>Consumer goods segment</u>

The goodwill associated with consumer goods segment arose when the company (Press Corporation plc) acquired 50% shareholding in Peoples Trading Centre Limited in 2012 from Metcash Investment Holdings Limited to become a wholly owned subsidiary.

The recoverable amount of this cash generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 22% (2017: 25%) per annum. Cash flows beyond that five-year period have been extrapolated using a steady 10% (2017: 10%) per annum growth rate. This growth rate does not exceed the long-term average growth rate for the retail industry.

Inflation was expected to be around 10% (2017: 10%) in the long-term with long term real GDP of 5% (2017: 6%). The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. The recoverable amount of the Cash Generating Unit is calculated to be K5.3 billion (2017: K4.0 billion) and its carrying amount is K2.7 billion (2017: K2.1 billion) as such the related goodwill is not impaired.

<u>TNM Business services unit</u>

The goodwill associated with TNM enterprise business services unit arose when the Group's subsidiary, Telekom Networks Malawi plc acquired Burco Electronics Systems Limited on 31 December 2014.

The recoverable amount of this cash generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 16% (2017: 21%) per annum.

Cash flow projections during the budget period are based on the assumption that the unit will grow at 10% (2017: 10%) year on year. The growth was estimated by directors of the unit based on past performance of the cash generating unit and their expectations of market developments. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

The recoverable amount of the Cash Generating Unit is calculated to be K15.2 billion (2017: K4.1 billion) and its carrying amount is K0.9 billion (2017: K0.9 billion) as such the related goodwill is not impaired.

<u>Whole Banking Division</u>

The banking business of the Group, National Bank of Malawi plc acquired a 97.05% interest in Indebank Limited on 31 October 2015. In 2016, the Bank acquired an additional 2.95% in Indebank previously held by the Indebank employee share ownership program(ESOP)thus increasing its shareholding to 100%. This broughtthe purchase consideration to K6,616million and the goodwill arising on acquisition to K3,959 million.

The carrying amount of this goodwill was allocated to the Wholesale Banking Division (WBD) as a cash generating unit.

The recoverable amount of this cash generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a five-year period, and discounted at a weighted average cost of capital of 15.72% (2017:19.32%). Cash flows beyond that five-year period have been extrapolated using an average of 10% per annum growth rate which is the projected long term average growth rate for Wholesale Banking Business. The Directors believe that any reasonably possible change in the key assumption on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

The recoverable amount of the Cash Generating Unit (WBD) is calculated to be K279.1 billion(2017: K363.6 billion) and its carrying amount is K167 billion (2017: K148.2 billion) as suchthe related goodwill is not impaired.

In millions of Malawi Kwacha

11 Intangible assets

Group	Computer software	Capitalised Development costs	Work in Progress	Patents & trademarks	Total
Cost					
2018					
Balance at 1 January 2018	18,657	640	4,410	1,648	25,355
Transfer between classes	4,342	-	(4,342)	-	-
Transfer from PPE (note 8)	1,615	-	-	-	1,615
Transfer to PPE (note 8)	(77)	-	-	-	(77)
Disposal	(346)	-	-	-	(346)
Write-off*	(958)	(375)	(167)	-	(1,500)
De-recognised on loss of control (note 13.5)	(25)	-	-	-	(25)
Impairment**	(664)	-	-	-	(664)
Additions	2,165	-	1,541	-	3,706
Balance at 31 December 2018	24,709	265	1,442	1,648	28,064
2017					
Balance at 1 January 2017	15,506	604	3,373	1,648	21,131
Transfer between classes	1,476	-	(1,476)	-	-
Transfer from PPE (note 8)	174	-	-	-	174
Additions from internal developments	-	36	-	-	36
Additions	1,501	-	2,513	-	4,014
Balance at 31 December 2017	18,657	640	4,410	1,648	25,355
Accumulated amortisation					
2018					
Balance at 1 January 2018	7,780	326	167	563	8,836
Disposal	(467)	-	-	-	(467)
Write-off	(948)	(61)	(167)	-	(1,176)
Transfer to PPE (note 8)	8	-	-	-	8
Amortisation expense	2,982	-	-	165	3,147
Balance at 31 December 2018	9,355	265	-	728	10,348
2017					
Balance at 1 January 2017	6,416	324	167	398	7,305
Amortisation expense	1,364	2	-	165	1,531
Balance at 31 December 2017	7,780	326	167	563	8,836
Carrying amounts					
At 31 December 2018	15,354	-	1,442	920	17,716
At 31 December 2017	10,877	314	4,243	1,085	16,519

* During the year, raw material production (RAMA) project which was being undertaken by two subsidiaries, was put on hold. Accordingly, all costs incurred have been written off to income statement. Additionally, some computer softwares were written off since the Group is no longer deriving any value from them.

** Impairment loss relates to computer software and systems which are not being fully utilised by the banking business of the Group due to operability limitations.

Company	2018 Computer software	2018 Work in Progress	2018 Total	2017 Computer software	2017 Work in Progress	2017 Total
Cost						
Balance at 1 January	245	72	317	245	72	317
Transfer between classes	72	(72)	-	-	-	-
Balance at 31 December	317	-	317	245	72	317
Accumulated amortisation						
Balance at 1 January	87	-	87	72	-	72
Amortisation charge for the year	12	-	12	15	-	15
Balance at 31 December	99	-	99	87	-	87
Carrying amounts	218	-	218	158	72	230

In millions of Malawi Kwacha

11 Intangible assets (Continued)

Intangibles relating to the company are all externally generated and they comprise of costs relating to the SAP ERP and SAP Business Planning and Consolidation software.

11.1 Useful lives

The following estimated useful lives for the current and comparative periods are used in the calculation of depreciation:

Computer software	5 – 15 years
Patents and trademarks	10 years

12 Investment properties

	Freehold land and buildings	Leasehold land and buildings	Undeveloped freehold land	Undeveloped leasehold land	Total
Group					
Balance at 1 January 2018	4,054	2,287	222	1	6,564
Additions during the year	29	-	-	-	29
Transferred from Property, Plant and Equipment (note 8)	126	-	-	-	126
Gain on property revaluation	761	228	102	-	1,091
Balance at 31 December 2018	4,970	2,515	324	1	7,810
Balance at 1 January 2017	3,530	1,580	249	1	5,360
Additions during the year	7	234	-	-	241
Transferred from Property, Plant and Equipment (note 8)	-	231	-	-	231
Disposals	-	-	(37)	-	(37)
Gain on property revaluation	517	242	10	-	769
Balance at 31 December 2017	4,054	2,287	222	1	6,564

Company	**2018 Freehold land and buildings**	**2017 Freehold land and buildings**
Valuation		
Balance at 1 January	231	-
Transferred from Property, Plant and Equipment (note 8)	-	231
Balance at 31 December	231	231

A register of investment properties giving details required under the Companies Act, 2013 is maintained at the registered offices of the company and is available for inspection by members or their duly authorised agents.

12.1 Valuation techniques and Fair value hierarchy

Investment properties relating to Press Properties Limited were professionally and independently revalued by Mabvuto Phula, BSc (Edu), Cert (P/Mgmt), MSC (Real Estates), and a chartered valuation surveyor with CMC Property Consultants & Valuers at 31 December 2018 (also for 2017) on an open market value basis and the resultant gains/losses are recognised in the profit and loss.

Press Corporation plc Investment property was fair valued as at 31 December 2016 by Nickson S. C. Mwanyali BSc (Est. Man), Dip (Bus Mngt), MSIM of Knight Frank, qualified independent valuers on a current market value basis. Directors consider that the carrying amounts are not materially different from the fair values as determined in the last valuation.

There has been no change to the valuation technique during the year

The fair value measurement for investment properties has been categorised as a level 2 fair value based on the inputs to the valuation techniques used.

Details of the Group's information about the investment properties fair value hierarchy as at 31 December 2018 are as follows:

	Fair value as at		Fair value hierarchy
	31/12/2018	31/12/2017	
Investment properties	7,810	6,564	Level 2

There were no transfers between Level 1 and Level 2 and Level 3.

In millions of Malawi Kwacha

13 Investments in subsidiaries

13.1 Details of the Group's subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal Activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 2018	2017
Financial Services segment				
National Bank of Malawi plc (NBM)	Financial Services	NBM Building, Blantyre	51.49	51.49
Telecommunications segment				
Malawi Telecommunications Limited (MTL)	Information and Communication	Lunjika House, Blantyre	52.70	52.70
Open Connect Limited (OCL)	Wholesale data connectivity services	Chayamba Building, Blantyre	-	52.70
Telekom Networks Malawi plc (TNM)	Information and Communication	Livingstone towers, Blantyre	41.31	41.31
Energy segment				
Ethanol Company Limited	Ethanol manufacturer	Matiki industrial complex, Dwangwa	66.0	66.0
Presscane Limited		Ethanol manufacturer Mwitha Village, Chikwawa	50.1	50.1
Consumer Goods segment				
Peoples Trading Centre Limited	Supermarket chain	PTC House, Blantyre	100.0	100.0
The All other segments				
Press Properties Limited	Property investment and development	Top Mandala, Blantyre	100.0	100.0
The Foods Company Limited	Manufacturer and distributor of food products	Mithechi Village, Mangochi	100.0	100.0
Manzinzi Bay Limited	Investment property	Monkeybay, Mangochi	100.0	100.0
Discontinued Operations				
Malawi Pharmacies Limited	Dormant	Blantyre	100.0	100.0

Telekom Networks Malawi plc is listed on the Malawi Stock Exchange. Although the Group has only 41.31% ownership in the company, the Directors concluded that the Group has a sufficientlydominant voting interest to direct the relevant activities of Telekom Networks Malawi plc on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by the other shareholders. Another shareholder owns 23.65% with the balance of 35.04 % ownership interests being owned by thousands of shareholders that are unrelated to the Group, none individually holding more than 5.66%.

13.2 Shareholders dispute at Presscane Limited

The shareholders are involved in a dispute over the capital contributions made towards the company. The dispute remains unresolved.Efforts to settle the matter out of court have been unsuccessful and the parties await the completion of the litigation process. An independent consultant's verification of the respective contributions undertaken in 2005 has not been adopted by the shareholders. The Directors are convinced that the outcome of the case will not result in loss of control. Accordingly, Presscane Limited is recognised as a subsidiary in the Group's financial statements in accordance with the Group's 50.1% shareholding.

13.3 Reconciliation of carrying amount

	Company 2018	2017
Balance at 1 January	171,429	138,618
Additions	13,924	92
Disposal	(4,081)	-
Reclassified to associate due to loss of control (note 15.2)	(8,176)	-
Increase in fair value	53,800	32,719
Balance at 31 December	**226,896**	**171,429**

In millions of Malawi Kwacha

13 Investments in subsidiaries (Continued)

13.3 *Reconciliation of carrying amount* (Continued)

During the year, Press Corporation plc made equity injection to its subsidiaries Press Properties Limited, The Foods Company Limited and Peoples Trading Centre Limited amounting to K1.9 billion, K1.8 billion and K5.6 billion respectively in order to boast its working capital. K4.6 billion was injected in Open Connect Limited in form of debt swap.

13.4 *Analysis of carrying amount*

The carrying amount of subsidiaries shown above is analysed as follows:

	2018 Fairvalue/cost (PCL Share)	Dividend Received	2017 Fairvalue /cost (PCL Share)	Dividend Received
National Bank of Malawi plc	79,831	4,458	64,924	4,458
Press Properties Limited	4,874	-	4,436	-
Manzinzi Bay Limited	2	-	2	-
The Foods Company Limited	1,138	-	1,083	-
Ethanol Company Limited	8,251	258	8,783	258
Presscane Limited	8,237	-	8,131	-
Malawi Telecommunications Limited	3,979	-	3,946	-
Open Connect Limited (note 13.5)	-	-	15,905	-
Telecom Networks Malawi plc	116,135	1,991	60,141	1,991
Peoples Trading Centre Limited	4,449	-	4,078	-
	226,896	6,707	171,429	6,707

Telekom Networks Malawi plc and National Bank of Malawi plc are listed on the Malawi Stock Exchange and are quoted at market values and were valued at stock market prices.

Unquoted investments in subsidiaries were valued by Nico Asset Managerson behalf of the Directors as at 31st December 2018 (also 2017). Price multiples methodwas used for unlisted investments except for The Foods Company Limited and Malawi Telecommunications Limited which were valued using price to sales multiple and Net asset value valuation methods respectively.

13.5 *Loss of control in Open Connect Limited*

On 27June 2018, Open Connect Limited (OCL) issued additional shares to a strategic investor who effectively acquired 60% interest of the company. The transaction resulted in Press Corporation plc shareholding dilution to 35.15% from 52.7% hence losing control of the company. On 1 August 2018, the Group's interest in the company was further diluted to 22.01% (fair value of K5.9 billion) following implementation of a debt swap arrangementbetween the Group and one of the shareholders of OCL.

Accordingly, all assets and liabilities of OCL, and related non-controlling interest and other components of equity were derecognised. Other comprehensive income attributable to OCL were reclassified directly to retained earnings and the resulting gain was recognised in profit or loss. The retained interest, measured at fair value was reclassified to associates.

At the date of disposal, the consolidated carrying amounts of OCL net assets were as follows:

	2018
Assets	
Property, plant and equipment	4,111
Intangible assets	23
Inventories	86
Trade and other current receivables	252
Cash and cash equivalents	177
Withholding Tax receivable	1,110
Total assets	5,759
Equity and liabilities	
Equity	(2,399)
Non-controlling interest	(648)
Non-current liabilities	8,271
Current liabilities	9,678
Total Equity and liabilities	14,902
Resulting difference	9,143
Due to:	
Other comprehensive income (posted direct to retained earnings)	8,967
Intergroup transactions	176
	9,143
Profit or loss recognised	
Fair value of interest retained	5,984
Net difference – as above	176
	6,160

In millions of Malawi Kwacha

13 Investments in subsidiaries (Continued)

13.6 Summarised financial information in respect of Group's subsidiaries that have material non-controlling interest

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

	NBM		TNM		MTL		OCL		Ethanol		Presscane	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Non-current assets	140,317	110,143	61,447	51,224	17,342	16,256	-	18,842	2,767	3,348	4,270	4,360
Current assets	276,785	282,124	18,338	17,751	4,008	11,896	-	1,332	4,412	4,608	10,858	8,728
Non-current liabilities	16,136	14,950	21,871	13,746	3,444	1,812	-	13,227	257	250	809	585
Current liabilities	312,552	295,104	19,611	26,094	8,075	19,564	-	9,727	858	1,066	1,890	1,687
Equity attributable to owners of the Company	45,524	42,331	15,819	12,033	5,181	3,571	-	(1,465)	4,002	4,382	6,227	5,419
Non-controlling interests	42,890	39,882	22,484	17,102	4,650	3,205	-	(1,315)	2,062	2,258	6,202	5,397
Revenue	64,740	66,590	88,679	77,238	10,864	11,993	-	3,804	6,302	4,678	10,735	7,004
Profit (loss) for the year	15,965	19,147	16,699	13,108	296	(2,877)	-	(1,858)	(172)	1,091	1,568	556
Other comprehensive income	1,816	2,825	-	-	1,758	-	-	-	22	458	-	-
Total comprehensive income	17,781	21,972	16,699	13,108	2,054	(2,877)	-	(1,858)	(150)	1,549	1,568	556
Non-controlling interest share	48.51%	48.51%	58.70%	58.70%	47.30%	47.30%	-	47.30%	34.00%	34.00%	49.90%	49.90%
Profit (loss) attributable to owners of the Company	8,220	9,859	6,897	5,414	156	(1,516)	-	(979)	(114)	720	786	279
Profit (loss) attributable to non-controlling interests	7,745	9,288	9,802	7,694	140	(1,361)	-	(879)	(58)	371	782	277
Other comprehensive income attributable to owners of the Company	935	1,455	-	-	926	-	-	-	15	302	-	-
Other comprehensive income attributable to non-controlling interests	881	1,370	-	-	832	-	-	-	7	156	-	-
Total comprehensive income attributable to owners of the Company	9,155	11,313	6,897	5,414	1,082	(1,516)	-	(979)	(99)	1,022	786	279
Total comprehensive income attributable to non-controlling interests	8,626	10,659	9,802	7,694	972	(1,361)	-	(879)	(51)	527	782	277
Dividends paid to non-controlling interests	3,975	4,224	4,420	2,829	-	-	-	-	145	132	-	-
Net cash inflow (outflow) from operating activities	(2,897)	8,347	22,105	21,154	5,731	1,568	-	224	731	183	2,100	1,792
Net cash inflow (outflow) from investing activities	(68,911)	(16,286)	(19,261)	(18,955)	3,046	308	-	(216)	(27)	(373)	395	512
Net cash inflow (outflow) from financing activities	(3,001)	5,268	(2,793)	1,661	(8,246)	(1,780)	-	-	(427)	(388)	-	-
Net cash inflow (outflow)	(74,809)	(2,671)	51	3,860	531	96	-	8	277	(578)	2,495	2,304

In millions of Malawi Kwacha

14 Investments in joint ventures

14.1 Details of the Group's joint ventures

Details of the Group's joint ventures at the end of the reporting period is as follows:

Name of joint venture	Principal Activity	Principal place of operation	Proportion of ownership interest & voting power held by the Group 2018	2017
Puma Energy Malawi Limited	Distribution of petroleum products	Standard bank building, Blantyre	50.0	50.0
Macsteel (Malawi) Limited	Manufacture and sale of steel products	Raynor Avenue, Limbe, Blantyre	50.0	50.0

Two companies, Puma Energy Malawi Limited and Macsteel (Malawi) Limited are 50% owned by Press Corporation plc and 50% owned by technical partners and they are not publicly listed. These have been equity accounted for in the Group accounts and carried at fair value in the separate financial statements of the Company. This is in compliance with IFRS 11 Joint arrangements.

14.2 Reconciliation of carrying amount

	Group 2018	Group 2017	Company 2018	Company 2017
At the beginning of the year	6,198	4,897	20,618	18,701
Increase in fair value recognised in other comprehensive income	-	-	542	1,917
Group's share of profits	2,245	1,912	-	-
Group's share of other comprehensive income	206	-		-
Dividend received	(1,600)	(611)	-	-
At end of the year	7,049	6,198	21,160	20,618

14.3 Analysis of carrying amount

The carrying amount of joint ventures shown above is analysed as follows:

	Group 2018	Group 2017	Company 2018	Company 2017
Puma Energy Malawi Limited	5,443	5,144	19,450	19,328
Macsteel (Malawi) Limited	1,606	1,054	1,710	1,290
Total	7,049	6,198	21,160	20,618

Investments in joint ventures were equity accounted in the consolidated financial statements and were fair valued using price multiples method in the separate financial statements.

Investments in joint ventures were valued by Nico Asset Managers (also 2017) on behalf of the Directors at 31 December 2018.

14.4 Summarised financial information of joint ventures

Summarised financial information in respect of the Group's joint ventures in its own financial statements and reconciliation of the summarised financial information to the carrying amount of the Group' interest in joint ventures recognised in the consolidated financial statements:

	Puma 2018	Puma 2017	Macsteel 2018	Macsteel 2017
Non –current assets	12,605	12,298	1,984	1,472
Current assets	16,064	11,604	3,856	2,323
Non-current liabilities	(1,131)	(1,096)	(491)	(348)
Current liabilities	(16,650)	(12,517)	(2,137)	(1,339)

In millions of Malawi Kwacha

14 Investments in joint ventures (Continued)

14.4 Summarised financial information of joint ventures (Continued)

The above amounts of assets and liabilities include the following:

	Puma		Macsteel	
	2018	**2017**	**2018**	**2017**
Cash and cash equivalents	8,526	5,424	(79)	269
Revenue	116,028	104,746	7,400	5,708
Profit for the year	3,799	3,492	691	332
Other comprehensive income for the year	-	-	412	-
Total comprehensive income for the year	3,799	3,492	1,103	332
Dividends received from the joint ventures during the year	1,600	500	-	111
The above profit for the year include the following:				
Depreciation and amortisation	1,130	1,110	68	69
Interest income	442	240	3	-
Interest expenses	-	-	78	28
Foreign exchange loss/(gain)	12	129	(241)	(52)
Income tax expenses	1,739	1,665	336	109

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

Net assets of the joint venture	10,888	10,289	3,212	2,108
Proportion of the Group's ownership interest in the joint venture	50%	50%	50%	50%
Carrying amount of the Group's interest in the joint venture	5,443	5,144	1,606	1,054

In millions of Malawi Kwacha

15 Investment in associates

15.1 Details of the Group's associates

Details of the Group's joint ventures at the end of the reporting period is as follows:

Name of associate venture	Principal Activity of operation	Principal place interest	Proportion of ownership and voting power held by the Group 2018	2017
Castel Malawi Limited (formerly Carlsberg Malawi Limited)	Beverage manufacturer and distributor	Makata, Blantyre	20.00	20.00
Limbe Leaf Tobacco Company Limited (LLTC)	Tobacco processors and merchants	Alimaunde industrial area, Lilongwe	41.99	41.99
Open Connect Limited	Wholesale data connectivity services	Chayamba building, Blantyre	22.01	-

Castel Malawi Limited is an associate company in which the Group has a 20% ownership interest. The main business of Castel Malawi Limited is the brewing and distribution of beer, the production and distribution of soft drinks, and the importation, manufacture and distribution of spirits and wines. The company is not publicly listed.

In August 2017, the Group disposed of a 20% interest in Castel Malawi Limited to Castel Group, B.I.H. Brasseries Internationales Holding Limited. The sales proceeds amounted to K17.2 billion and the profit of K14.2 billion was recognised in the Group's income statement.

LLTC is also an associate company in which the Group has a 41.99% ownership interest. The company is principally engaged in tobacco processing and merchandising. LLTC is not publicly listed.

Open Connect Limited (OCL) was previously a subsidiary of the Group and with effect from 1 July 2018, it became an associate following loss of control – refer note 13.5. The Group retained 35% ownership interest in the company as at that date with a fair value of K8.1 billion. On 1 August 2018, the Group's interest in the company was further diluted to 22.01% (fair value of K5.9 billion) following implementation of a debt swap arrangement between the Group and one of the shareholders of OCL.

In the consolidated financial statements, the associates were equity accounted whereas in separate financial statements, they are measured at fair value.

15.2 Reconciliation of carrying amount

	Group		Company	
	2018	**2017**	**2018**	**2017**
At the beginning of the year	34,489	34,730	54,608	74,851
Group's share of profit	2,750	2,930	-	-
Group's share of other comprehensive income	(245)	498	-	-
Retained interest following loss of control	8,176	-	8,176	-
Dividend received	(914)	(914)		-
Disposal	(2,193)	(2,755)	(2,193)	(22,454)
Increase in fair value recognised in other comprehensive income	-	-	(4,025)	2,211
At end of the year	**42,063**	**34,489**	**56,566**	**54,608**

15.3 Analysis of carrying amount

The carrying amount of associates shown above is analysed as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
Open Connect Limited	6,036	-	4,799	-
Limbe Leaf Tobacco Company Limited	32,835	31,069	36,872	35,942
Castel Malawi Limited	3,192	3,420	14,895	18,666
Total	**42,063**	**34,489**	**56,566**	**54,608**

In millions of Malawi Kwacha

15 Investment in associates (Continued)

15.3 *Analysis of carrying amount* (Continued)

Investments in associates were equity accounted in the consolidated financial statements and were fair valued using price multiples method in the separate financial statements.

Investments in associates were valued by Nico Asset Managers (2017 also) on behalf of the Directors at 31 December 2018.

15.4 *Summarised financial information of associates*

Summarised below is the financial information of the associates in their own financial statements and reconciliation of the summarised financial information to the carrying amount of the Group' interest in associates recognised in the consolidated financial statements:

	LLTC		Castel		OCL*	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Non-current assets	41,515	42,483	45,454	35,955	17,447	-
Current assets	88,560	106,510	22,476	29,524	5,009	-
Non-current liabilities	(721)	(4,711)	(24,772)	(4,462)	(10,598)	-
Current liabilities	(51,158)	(70,291)	(27,200)	(43,919)	(994)	-
Revenue for the year/period	117,116	110,127	57,164	55,709	5,176	-
Profit for the year/period	6,967	6,220	(1,165)	2,324	107	-
Other comprehensive income for the year/period	(582)	1,185	-	-	-	-
Total comprehensive income for the year/period	6,385	7,405	(1,165)	2,324	107	-
Dividends received from the associate during the year	914	914	-	-	-	-

*Associate from 1 July 2018

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associates recognised in the consolidated financial statements:

	LLTC		Castel		OCL*	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Net assets of the associate	78,196	73,991	15,958	17,098	10,864	-
Proportion of the Group's ownership interest in the associate	41.99%	41.99%	20.00%	20.00%	22.01%	-
Group's interest	32,835	31,069	3,192	3,420	2,391	-
Goodwill	-	-	-	-	3,645	-
Carrying amount of the Group's interest in Associate	32,835	31,069	3,192	3,420	6,036	-

16 Loans and advances to customers

	Group	
	2018	**2017**
Gross loans and advances to customers at amortised cost	149,151	126,629
Allowance for impairment losses	(6,305)	(5,955)
Loans and advances, net	142,846	120,674
Gross loans and advances are due to mature as follows:		
- Within three months	31,521	22,759
- Between three months and one year	60,001	61,392
- After one year	57,629	42,478
	149,151	126,629
Loans, net are split into:		
Long term loans	57,538	42,478
Short term loans	85,308	78,196
	142,846	120,674
Analysis of recoveries		
Specific provisions	3	152
Interest in suspense	14	60
Debts previously written off	609	834
Transferred to profit or loss	626	1,046
Analysis of gross loans by currency		
Malawi Kwacha denominated	89,075	69,716
United States dollar denominated	60,076	56,913
	149,151	126,629

In millions of Malawi Kwacha

16 Loans and advances to customers (Continued)

Movement of allowance for impairment losses

	Stage 1	Stage 2	Stage 3	Off balance sheet items loss allowance	Total
At 1 January 2018 in accordance with IFRS 9	3,914	398	1,788	-	6,100
Restatement of the prior year (from off balance sheet assets)	-	-	-	874	874
Transfer to stage 1	531	(31)	(500)	-	-
Transfer to stage 2	(123)	130	(7)	-	-
Transfer to stage 3	(167)	(10)	177	-	-
Write-offs	-	-	(2,350)	-	(2,350)
Recoveries	-	-	(3)	-	(3)
Charge to income statement	378	452	1,499	-	2,329
Changes in loss allowance for off balance sheet assets	-	-	-	(645)	(645)
Closing Balance	4,533	939	604	229	6,305

The Malawi Kwacha base lending rate for the bank as at 31 December 2018 was 23% (2017: 25.0%) and US Dollar denominated loans carried an average interest rate of 8.44% (2017: 8.74%).

Interest income is no longer charged to profit and loss once the loan is classified as sub-standard (grade 8 and 9 as disclosed under note 6.4.5 above).

Restructured loans

Loans with a total carrying amounting of K5,466million were restructured (modified) during the period. Their total fair value after restructure was K5,989million resulting into a net fair value gain of K522million which has been recognised in the income statement.

17 Finance lease receivables

	Group	
	2018	2017
Current finance lease receivable	1,635	1,110
Non-current finance lease receivable	16,179	9,207
	17,814	10,317

17.1 Amounts receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	2018	2017
Not later than one year	1,783	1,510	1,635	1,110
Later than one year and not later than five years	24,792	11,931	16,179	9,207
	26,575	13,441	17,814	10,317
Less; unearned finance income	(8,513)	(3,118)	n/a	n/a
Present value of minimum lease payments receivable	18,062	10,323	17,814	10,317
Allowance for uncollectible lease payments	(248)	(6)	-	-
	17,814	10,317	17,814	10,317

The finance leases mainly relate to motor vehicle leases. The residual value of the leases in all cases is guaranteed by the lessee and is fully secured. The lease income included in the statement of income did not include any contingent rents. The average term of the leases is 3.5years (The maximum is 5 years and the minimum 2 years). The average effective interest rate for the reporting period ended 31 December 2018 was 25% (2017: 25%).

18 Long term loans receivables

18.1 Long term loans receivables from Group companies

	Company	
	2018	2017
Peoples Trading Centre Limited	-	1,733
	-	1,733
Summary of inter-company loans		
Opening balance	1,733	-
Loan converted into equity	(1,733)	-
Loan granted during the year	-	1,615
Interest capitalised	-	118
At end of the year	-	1,733

In millions of Malawi Kwacha

18 Long term loans receivables (Continued)

18.1 Long term loans receivables from Group companies (Continued)

During the year, the loan granted to its wholly owned subsidiary Peoples Trading Centre Limited to boost their working capital was converted into equity. The loan was unsecured, had no fixed repayment period and attracted interest at the rate of the 90 day Treasury bill rate plus 2%.

18.2 Long term loans receivables—other

	Group and Company	
	2018	**2017**
Open Connect Limited (OCL)	1,403	-

During the year, the company entered into a debt swap arrangement with its then subsidiary Open Connect Limited. The debt swap involved taking over OCL debts with external parties and converting part of the amount into a long term shareholders receivable. The receivable is denominated in US dollars, is unsecured and attracts interest of 9% pa. The repayment date of the loan is the tenth anniversary of the date of issue of the Shareholders Loan.

19 Other investments

19.1 Maturity of other investments

Total other investments are due to mature as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
Non-current investments				
Non – maturing investments	6,382	803	6,069	-
Between one year and five years	12,933	3,575	-	-
	19,315	4,378	6,069	-
Current investments				
Between three months and one year	96,547	16,994	-	1,246
Within three months	35,031	118,987	-	-
	131,578	135,981	-	1,246
Total other investments	150,893	140,359	6,069	1,246
Comprises of the following:				
Government of Malawi Treasury Bills and Notes	96,402	29,478	-	-
Money market deposits	41,372	104,195	-	-
Government of Malawi promissory note	1,441	48	-	-
Equity investments	11,678	6,638	6,069	1,246
Total investments	150,893	140,359	6,069	1,246

During the year, the company acquired 15% stake in Sunbird Tourism Limited and is held for long term capital appreciation. The investment with a fair value of K6 billion as at year end, is accounted at fair value through other comprehensive income.

Included in Group's equity investments are other equity investments amounting to MK5.3 billion that are accounted at fair value through profit and loss as these are held for trading.

19.2 Government of Malawi bills and Reserve Bank of Malawi bonds

	Average interest rate		Group	
	2018	**2017**	**2018**	**2017**
Government of Malawi Treasury Bills	13.11%	20.10%	83,175	24,670
Government of Malawi Treasury Notes	13.00%	18.15%	13,235	4,808
Expected credit loss			(8)	-
			96,402	29,478
The bills and notes are due to mature as follows:				
- Within three months			33,590	11,021
- Between three months and one year			52,323	15,698
- Over one year			10,489	2,759
			96,402	29,478

Government of Malawi treasury bills and treasury notes are denominated in Malawi Kwacha and are held to maturity.

In millions of Malawi Kwacha

19 Other investments (Continued)

19.3 Money market deposits

	Average interest rate		Group	
	2018	2017	2018	2017
Money market investments with Reserve Bank of Malawi and other banks	20%	28%	41,372	104,195

Money market deposits are denominated in Malawi Kwacha and are held to maturity and mature within one month after the reporting date.

19.4 Government promissory notes

	Maturity date	Carrying amount
2018		
Acquired in 2018	As explained below	1,441
2017		
Acquired in 2017	As explained below	48

In 2017, the Bank acquired three promissory notes from the market at a total cost of K43m. The cost of each note was K21m, K8m and K14m. The notes have a total nominal value of K53m and their maturity dates were 13 February 2018, 22 February 2018 and 27 September 2018, respectively. The carrying amount as at 31 December 2017 included accrued interest receivable amounting to K5m. Interest income amounting to K5m relating to the three promissory notes has been recognized in the statement of comprehensive income as at 31 December 2018.

During the year, the Bank acquired three additional promissory notes from the market at a total cost of K1,382m. The cost of each note was K93m, K93m and K1,196m. The notes have a total nominal value of K1,525m and their maturity dates are 23 March 2019, 23 March 2019 and 4 April 2019, respectively. The carrying amount as at 31 December 2018 includes accrued interest receivable amounting to K59m.

The Group assessed the expected credit losses on promissory notes and noted that they were insignificant. As such they have not been reported in the financial statements.

The fair value level has been disclosed under note 6.7.

20. Deferred tax assets/(liabilities)

	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Group						
Property, plant and equipment	5,635	5,063	(4,152)	(3,346)	1,483	1,717
Investment properties	112	-	(280)	(1,082)	(168)	(1,082)
Other investments	352	352	-	-	352	352
Provisions	1,018	1,192	79	3	1,097	1,195
Un-realised exchange differences	1,339	1,339	(215)	(150)	1,124	1,189
Tax value of loss carried forward	956	-	8	1,835	964	1,835
Tax assets/(liabilities)	9,412	7,946	(4,560)	(2,740)	4,852	5,206
Company						
Property and investments in subsidiaries and associates	-	-	(53,711)	(45 066)	(53,711)	(45 066)

Deferred tax balances at subsidiary level are presented on net basis. However Malawi does not have a group tax registration as such there is no legal right to offset liability from one subsidiary and asset from another.

In millions of Malawi Kwacha

20. Deferred tax assets/(liabilities) (Continued)

20.1 *Movement in net deferred tax asset/(liabilities)*

	Opening balance	Recognised in profit or loss	Recognised in other comprehens--ive income	Tax effect IFRS 9 adoption	De-recognised on loss of control	Closing balance
Group						
2018						
Property, plant and equipment	1,717	(1,139)	648	-	257	1,483
Investment properties	(1,082)	914	-	-	-	(168)
Other investments	352	-	-	-	-	352
Provisions	1,195	(98)	-	-	-	1,097
Un-realised exchange differences	1,189	-	-	-	(65)	1,124
Tax value or loss carried forward	1,835	(927)	-	1,466	(1,410)	964
Total net asset/(liabilities)	5,206	(1,250)	648	1,466	(1,218)	4,852
2017						
Property, plant and equipment	3,503	(1,761)	(25)	-	-	1,717
Investment properties	(911)	(171)	-	-	-	(1,082)
Other investments	(871)	1,223	-	-	-	352
Provisions	2,102	(907)	-	-	-	1,195
Un-realised exchange differences	659	530	-	-	-	1,189
Tax value or loss carried forward	506	1,329	-	-	-	1,835
Total net asset/(liabilities)	4,988	243	(25)	-	-	5,206

Company

	Opening balance	Reclassification	Recognised in other comprehensive income	Recognised in profit or loss	Closing balance
2018					
Investment in subsidiaries and associates	(45,010)	-	(8,678)	-	(53,688)
Property	(56)	-	-	33	(23)
	(45,066)	-	(8,678)	33	(53,711)
2017					
Investment in subsidiaries and associates	(45,735)	(55)	780	-	(45,010)
Property	(111)	55	-	-	(56)
	(45,846)	-	780	-	(45,066)

20.2 *Unrecognised deferred tax liabilities*

As at 31 December 2018, there was a deferred tax liability of K54 billion (2017: K45 billion) in the separate financial statements. The liability originates from temporary differences of K183 billion (2017: K150 billion) relating to revaluation gains of investments in subsidiaries, associates and joint ventures. Due to the elimination of these revaluation gains on consolidation, the associated deferred tax was derecognised at Group level.

20.3 *Unrecognised deferred tax assets*

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the concerned company can utilise the benefits there from.

	Group 2018	Group 2017	Company 2018	Company 2017
Tax losses	41,671	47,689	13,201	8,316
Deductible temporary differences;				
Provisions	586	196	(1,085)	(17)
Property, plant and equipment	(8,838)	(7,791)	-	-
Unrealised Exchange losses	(6)	561	-	-
	33,413	40,655	12,116	8,299
Un-recognised deferred tax asset @30%	10,024	12,197	3,635	2,490

Tax losses shown above expire after 6 years according to the tax laws in Malawi.

In millions of Malawi Kwacha

20. Deferred tax assets/(liabilities) (Continued)

20.3 *Unrecognised deferred tax assets* (Continued)

These deferred tax assets relates to Press Corporation plc Company, Press Properties Limited, Malawi Telecommunications Limited, Peoples Trading Centre and the Foods Company Limited.

21. Inventories

	Group		Company	
	2018	**2017**	**2018**	**2017**
Finished goods	6,969	8,598	-	-
Raw materials and consumables	3,207	2,835	19	9
Work in progress	113	50	-	-
Goods in transit	48	27	-	-
	10,337	11,510	19	9

In 2018, inventories of K38 billion (2017: K32.8 billion) were recognised as an expense during the year and included in 'Direct trading expenses'.

During the year, inventories of K1 billion (2017: K0.6 billion) were written off in profit and loss due to stock shrinkages, damages and expiry.

In addition, inventories have been reduced by K16 million (2017: K3 million) as a result of the write-down to net realisable value. Such write-downs were recognised as an expense during 2018 and included in 'Administrative expenses'. There were no reversals of such write-downs and all inventories are expected to be recovered within twelve months. The carrying amount of inventory carried at net realisable value as at 31 December 2018 was Nil (2017: Nil).

22. Trade and other receivables from Group companies

	Group		Company	
	2018	**2017**	**2018**	**2017**
Amounts due from related party companies				
Press Properties Limited	-	-	293	204
Malawi Telecommunications Limited	-	-	356	112
Open Connect Limited	-	-	-	380
Telecom Networks Malawi plc	-	-	1,037	830
Peoples Trading Centre Limited	-	-	59	377
Ethanol Company Limited	-	-	1	1
Presscane Limited	-	-	27	5
National Bank of Malawi plc	-	-	1	-
The Foods Company Limited	-	-	125	739
Other	-	-	71	119
	-	-	1,970	2,767

The amounts due from related party companies are denominated in Malawi Kwacha, are payable within 30 days and are interest free. In 2017, an amount of K358 million relating to the Foods Company Limited attracted interest at the rate of the Treasury bill plus 2% margin.

23. Trade and other receivables

	Group		Company	
	2018	**2017**	**2018**	**2017**
Trade receivables	14,759	14,679	21	-
Contract asset	528	534		
Prepayments	4,231	3,017	-	-
Letters of credit	649	828	-	-
Employee benefit subsidy	1,992	1,954	-	-
MRA Customs & Excise Suspense	1,957	-	-	-
MasterCard accounts	967	1,303	-	-
Other receivables	5,178	5,732	222	559
	30,261	28,047	243	559
Loss allowance	(1,361)	(2,025)	-	-
Trade and other receivables	28,900	26,022	243	559
Contract asset – non current (note 35.2)	303	-	-	-

The average credit period on sales of goods and services is 30 days except for international incoming receivables

In millions of Malawi Kwacha

23. Trade and other receivables (Continued)

in relation to telephony companies whose credit period is 60 days. No interest is charged on the trade and other receivables settled beyond these periods.

Effective 1 January 2018, the Group has adopted to measure the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The adoption of IFRS 9 simplified approach in the determination of loss allowance for trade receivables has not given rise to significant impact on the amount of loss allowance recognised by the Group.

Employee benefit subsidy
In accordance with IAS 19 Employee Benefits, the fair value adjustment to staff loans is recognised as an asset representing a future employee benefit which is expensed as and when the employees render their services to the Group.

Credit and market risks, and credit losses
Information about the Group's exposure to credit and market risks, and credit losses for trade and other receivables is included in notes 6.4 and 6.6.

24. Assets classified as held for sale

	Group	
	2018	2017
Land and buildings	413	610
Investment property	1	133
	414	743

The Group intends to dispose some of its excess properties as shown above within the next 12 months. A search is underway for potential buyers.

Included in land and buildings held for sale is an amount of K0.9 million (2017: K0.9 million) relating to plots of land that the Group has sold but are held by the Group because Government consent to sale has not been awarded yet.

24.1 *Reconciliation of carrying amount*

	Group	
	2018	2017
At the beginning of the period	743	1,122
Disposed during the period	(329)	(516)
Impairment reversal/(loss)	-	47
Reclassified to PPE (note 8)	-	(28)
Reclassified from PPE (note 8)	-	118
	414	743

25. Income tax recoverable

	Group		Company	
	2018	2017	2018	2017
Opening balance	2,141	494	128	19
Tax paid	1,794	1,664	229	109
Prior year over provision	-	(17)	-	-
De-recognised on loss of control (note 13.5)	(1,110)	-	-	-
Tax transfer to other taxes	(762)	-	-	-
Tax transfer to income tax payable	(539)	-	-	-
Total income tax recoverable	1,524	2,141	357	128

26. Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
Reserve Bank of Malawi	10,833	16,139	-	-
Bank balances	1,994	4,257	76	55
Money market placements	11,761	9,680	4,980	4,700
Placement with other banks	22,899	32,052	-	-
Call deposits	2,084	1,719	-	1,996
Cash on hand	15,010	11,301	-	-
Cash and cash equivalents	64,581	75,148	5,056	6,751

In millions of Malawi Kwacha

26. Cash and cash equivalents (Continued)

Bank overdrafts	(6,212)	(2,790)	(3,782)	(213)
Cash and cash equivalents as shown in the statement of cash flows	58,369	72,358	1,274	6,538

Balances held at Reserve Bank of Malawi which are denominated in Malawi Kwacha and United States Dollars are non-interest bearing and are regulated as disclosed in Note 5.

Money market placements with other banks are held to maturity and mature within one month (2017: one month) of the year end and are denominated in the following currencies:

	Average interest rates		Group	
	2018	**2017**	**2018**	**2017**
US Dollars	0.50%	0.50%	13,827	18,610
GBP	1.75%	1.75%	3,351	2,620
Euro	0.50%	0.50%	4,775	9,625
ZAR	4.00%	4.00%	918	1,172
Other currencies	-	-	28	25
Totals			22,899	32,052

Overdraft facilities

Bank overdrafts forms an integral part of the Group's cash management. These are repayable on demand. As at 31 December 2018, the available overdraft facilities were as follows;

	Group		Company	
	2018	**2017**	**2018**	**2017**
First Capital Bank plc	5,000	3,400	2,000	400
Eco bank Malawi Limited	2,000	-	2,000	-
CDH Investment Bank Limited	650	650	-	-
Standard Bank plc	3,500	2,000	-	-
	11,150	6,050	4,000	400

The overdraft facilities of the Group are secured as follows;

(i) K1.8 billion (2017: K1.8 Billion) is secured by Press Corporation plc guarantee;

(ii) K1.8 billion by a debenture (2017: K1.8 billion) and;

(iii) K7.6 billion (2017: K2.4 billion) is unsecured.

The Company's overdraft facilities are due for renewal on 30 November 2019 and are unsecured.

27. Share capital

	Group and Company	
Authorised ordinary share capital	**2018**	**2017**
- Number (millions)	2,500	2,500
- Nominal value per share (K)	0.01	0.01
- Nominal value (K million)	25	25
Issued and fully paid		
- Number (millions)	1	1
- Nominal value (K million)	1	1

The Group has one class of ordinary shares which carry no right to fixed income.

28. Other reserves – excluding non-controlling interests

Group	**Revaluation reserve**	**Translation reserve**	**Loan loss reserve**	**Other**	**Total**
2018					
Balance at beginning of the year	27,543	19,976	551	3,942	52,012
Revaluation of property	3,259	-	-	-	3,259
Revaluation of financial asset – equity instrument	1,268	-	-	-	1,268
Transfer to loan loss reserve from retained earnings	-	-	(609)	-	(609)
Depreciation Transfer land and buildings	(226)	-	-	-	(226)
Released on disposal of revalued PPE	(2,335)	-	-	-	(2,335)
De-recognised on loss of control	(2,857)	-	-	-	(2,857)
Transfer between classes	370	1	58	(197)	232
Share of other comprehensive income of equity accounted investment	206	(245)	-	-	(39)
Income tax on other comprehensive income	331	-	-	-	331
Balance at 31 December 2018	27,559	19,732	-	3,745	51,036

In millions of Malawi Kwacha

28. Other reserves – excluding non-controlling interests (Continued)

Group	Revaluation reserve	Translation reserve	Loan loss reserve	Other	Total
2017					
Balance at beginning of the year	25,847	19,478	156	3,942	49,423
Revaluation of property	1,792	-	-	-	1,792
Transfer to loan loss reserve from retained earnings	-	-	395	-	395
Depreciation Transfer land and buildings	(239)	-	-	-	(239)
Released on disposal of revalued PPE	178				178
Share of other comprehensive income of equity accounted investment	-	498			498
Income tax on other comprehensive income	(35)	-	-	-	(35)
Balance at 31 December 2017	**27,543**	**19,976**	**551**	**3,942**	**52,012**

Company

	Revaluation reserve	Translation Reserve	Total
2018			
Balance at beginning of the year	187,198	110	187,308
Fair value gain on investments	51,475	-	51,475
Release of revaluation surplus on disposal of available for sale financial asset	(4,081)	-	(4,081)
Transfer between classes	(1)	1	-
Deferred tax on revaluation	(8,678)	-	(8,678)
Balance at 31 December 2018	225,913	111	226,024
2017			
Balance at beginning of the year	171,847	110	171,957
Fair value gain on investments	36,848	-	36,848
Release of revaluation surplus on disposal of available for sale financial asset	(22,277)	-	(22,277)
Deferred tax on revaluation	780	-	780
Balance at 31 December 2017	187,198	110	187,308

Revaluation reserve

For Group, the revaluation reserve arises on revaluation of property whereas for Company only, the revaluation reserve relates to revaluation of property and investments in subsidiaries, associates and joint ventures and comprises the cumulative increase in the fair value at the date of valuation. These reserves are not distributable to shareholders until the relevant revalued assets have been disposed of or, in the instance of revalued property, when consumed through use.

Translation reserves

Exchange differences relating to translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit and loss on disposal of the foreign operation.

Loan loss reserve

This relates to the excess of provisions for impairment losses as required by the Reserve Bank of Malawi which were above the impairment loss allowed by IAS 39. In 2018, Reserve Bank of Malawi harmonised its provisioning guidance to agree with IFRS provisioning.

Other reserves

The other reserves for the Group comprise capital redemption reserve.

29 Loans and borrowings

29.1 *Loans and borrowings summary*

Group	Secured	Unsecured	Total
2018			
More than 5 years	3,287	1,708	4,995
Due between 1 and 5 years	24,528	17,863	42,391
	27,815	19,571	47,386
Due within 1 year or less	931	3,301	4,232
	28,746	22,872	51,618

In millions of Malawi Kwacha

29 Loans and borrowings (Continued)

Group	Secured	Unsecured	Total
2017			
Due between 1 and 5 years	19,861	18,387	38,248
Due within 1 year or less	7,788	9,128	16,916
	27,649	27,515	55,164

Company	Secured	Unsecured	Total
2018			
More than 5 years	3,287		3,287
Due between 1 and 5 years	4,930	-	4,930
	8,217	-	8,217
Due within 1 year or less	221	-	221
	8,438	-	8,438
2017			
Due between 1 and 5 years	214	-	214
Due within 1 year or less	890	-	890
	1,104	-	1,104

29.2 *Movement in borrowings*

Group

	At 01/01/18	Draw-downs	Repayments	Exchange fluctuations	Interest accrual	At 31/12/18
Local borrowings						
Belgium Government	112	-	-	-	-	112
Commercial Debt-Old Mutual	5,250	-	(250)	-	-	5,000
Commercial Debt-Nico Asset Managers	5,236	-	(236)	-	-	5,000
Continental discount house	-	-	-	-	-	-
Corporate bond	9,500	-	(9,500)	-	-	-
CDH Investment Bank	1,079	-	(1,079)	-	-	-
DANIDA loan	745	-	-	-	(7)	738
FCB Loan	937	-	(894)	-	-	43
Kuwait Development Fund	1,280	-	-	-	(27)	1,253
Malawi Government	210	-	-	-	-	210
MACRA long term payable	1,005	-	(1,005)	-	-	-
NBM commercial paper	-	-	-	-	-	-
Press Corp MTN coupon loan	1,104	-	(883)	-	-	221
Press Corp Corporate Bond	-	8,324	(107)	-	-	8,217
Standard Bank Dual Currency Loan	-	9,357	-	-	-	9,357
Syndicated loan - NBM capital Market	231	-	(84)	-	-	147
NORDIC Development Fund	1,155	-	-	-	(51)	1,104
Total local borrowings	27,844	17,681	(14,038)	-	(85)	31,402
Foreign borrowings						
Huawei deferred payment	5,871	-	(872)	-	-	-
Huawei long term payable	872	10	(5,121)	-	-	760
Libyan Government	236	-	-	-	1	237
European Investment Bank	13,976	7,375	(2,132)	-	-	19,219
PTA Bank	4,798	-	(4,798)	-	-	-
ZTE Vendor financing	1,567	-	(1,567)	-	-	-
Total foreign borrowings	27,320	7,385	(14,490)	-	1	20,216
Total borrowings	55,164	25,066	(28,528)	-	(84)	51,618
Company						
MTN coupon	1,104	-	(883)	-	-	221
Corporate Bond	-	8,324	(107)	-	-	8,217
Total local borrowings	1,104	8,324	(990)	-	-	8,438

In millions of Malawi Kwacha

29. Loans and borrowings (Continued)

29.2 *Movement in borrowings* (Continued)

2017
Group

	At 01/01/17	Draw-downs	Repayments	Exchange fluctuations	Interest accrual	At 31/12/17
Local borrowings						
Belgium Government	107	-	-	-	5	112
CDH Investment Bank Limited	916	173	(307)	-	297	1,079
Commercial debt	5,384	-	(384)	-	250	5,250
Commercial debt – Nico Asset Managers Limited	-	5,000	-	-	236	5,236
Continental Discount House Limited	1,153	-	(1,153)	-	-	-
Corporate bond	9,500	-	-	-	-	9,500
DANIDA loan	725	-	-	-	20	745
FCB Loan	-	1,000	(199)	-	136	937
Kuwait Development Fund	1,202	-	-	-	78	1,280
MACRA long term payable	1,686	-	(681)	-	-	1,005
Malawi Government	210	-	-	-	-	210
NBM commercial paper	400	-	(400)	-	-	-
NORDIC Development Fund	1,092	-	-	-	63	1,155
Press Corp MTN coupon loan	2,025	-	(958)	-	37	1,104
Syndicated loan - NBM capital Market	315	-	(84)	-	-	231
Total local borrowings	24,715	6,173	(4,166)	-	1,122	27,844
Foreign borrowings						
Huawei deferred payment	5,309	5,613	(5,238)	187	-	5,871
Huawei long term payable	872	-	-	-	-	872
Libyan Government	236	-	-	-	-	236
European Investment Bank	-	13,915	-	-	61	13,976
PTA Bank	4,197	-	-	3	598	4,798
ZTE Vendor financing	1,567	-	-	-	-	1,567
Total foreign borrowings	12,181	19,528	(5,238)	190	659	27,320
Total borrowings	36,896	25,701	(9,404)	190	1,781	55,164
Company						
MTN coupon	2,025	-	(958)	-	37	1,104
Total local borrowings	2,025	-	(958)	-	37	1,104

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In millions of Malawi Kwacha

29. Loans and borrowings (Continued)

29.3 *Terms and debt repayment schedules*

Lender's name	Currency	Interest rate	Repayment terms	Security	Agreed date redemption commences	Agreed date redemption finishes	Due in 1 year	Due within 2 -5 year	Over 5 years
Group - 2018									
Belgium Government	Malawi Kwacha	8%	1/2 yearly	Government	2020	2028	-	56	56
Commercial Debt-Old Mutual	Malawi Kwacha	360 TB rate + 2%	5 Years - Option for bullet payments of MK1million tranches after 3rd year	Debenture on TNM Assets	2018	2021	-	5,000	-
Commercial Debt-Nico Asset Managers	Malawi Kwacha	180 TB rate + 1.8%	5 Years - Option for bullet payments of MK1million tranches after 3rd year	Debenture on TNM Assets	2020	2022	-	5,000	-
DANIDA loan	Malawi Kwacha	4%	1/2 yearly	Government	2020	2028	-	369	369
FCB Loan	Malawi Kwacha	23%	6 years	PCL Gurantee	2016	2022	43	-	-
Kuwait Development Fund	Malawi Kwacha	15%	1/2 yearly	Government	2020	2028	-	626	627
Malawi Government	Malawi Kwacha	3%	0%	Unsecured	2034	2043	-	210	-
Standard Bank Dual Currency Loan	Malawi Kwacha	Libor +6%	48 months	Debenture on TNM Assets	2018	2021	-	9,357	-
Press Corp MTN coupon loan	Malawi Kwacha	364TB+4%	Quartely	TNM Shares	2015	2019	221	-	-
Press Corp corporate bond	Malawi Kwacha	364TB+4%	Quartely	TNM Shares	2018	2025	-	4,930	3,287
Syndicated loan - NBM capital Market	Malawi Kwacha	22%	5 years	PCL guarantee	2015	2020	84	63	-
NORDIC Development Fund	Malawi Kwacha	15%	1/2 yearly	Government	2020	2028	-	566	538
European Investment Bank	Malawi Kwacha	3%	Semi-annually	Unsecured	2016	2023	3,302	15,917	-
Libyan Government	US Dollars	0%	Dividend offset	None	n/a	n/a	-	119	118
Huawei deferred payment	US Dollars	1/2 yr Libor + 6.5%	Within 2 Years	Unsecured	270 Days after Invoice	Rolling- Within 2 Years	582	178	-
Total							4,232	42,391	4,995
Company - 2018									
Press Corp MTN coupon loan	Malawi Kwacha	364TB+4%	Quartely	TNM Shares	2015	2019	221	-	-
Press Corp corporate bond	Malawi Kwacha	364TB+3%	Quartely after 2 years	TNM Shares	2018	2025	-	4,930	3,287
Total							221	4,930	3,287

In millions of Malawi Kwacha

29. Loans and borrowings (Continued)

29.3 *Terms and debt repayment schedules* (Continued)

Lender's name	Currency	Interest rate	Repayment terms	Security	Agreed date redemption commences	Agreed date redemption finishes	Due in 1 year	Due within 2 -5 year
Group - 2017								
Belgium Government	Malawi Kwacha	8%	1/2 yearly	Government	2005	2020	43	69
CDH Investment Bank	Malawi Kwacha	182TB rate+5.5%	Quarterly	PCL Guarantee	2017	2022	1,079	-
Commercial debt Old Mutual	Malawi Kwacha	364 TB rate + 2%	5 Years - Option for bullet payments of MK1b tranches after 3rd year	Debenture on TNM Assets	2018	2021	250	5,000
Commercial debt Nico Asset Managers	Malawi Kwacha	80 TB rate + 1 1.8%	5 Years - Option for bullet payments of MK1b tranches after 3rd year	Debenture on TNM Assets	2020	2022	236	5,000
Corporate bond	Malawi Kwacha	365TB rate +6%	On maturity	FOC and PCL guarantee	2021	2021	-	9,500
DANIDA loan	Malawi Kwacha	4%	1/2 yearly	Government	2004	2020	170	575
European Investment bank	US Dollars	3%	1/2 yearly	Unsecured	2016	2018	61	13,915
FCB Loan	Malawi Kwacha	23%	Quarterly	PCL Guarantee	2016	2022	937	-
Huawei deferred payment	US Dollars	6 Months Libor + 6.5%	Within 2 Years	Unsecured	270 Days after Invoice	Rolling-Within 2 Years	3,421	2,450
Huawei long term payable	US Dollars	0%	Monthly	Unsecured	2017	2017	872	-
Kuwait Development Fund	Malawi Kwacha	15%	1/2 yearly	Government	2003	2017	766	514
Libyan Government	US Dollars	0%	Dividend offset	Unsecured	n/a	n/a	-	236
MACRA long term payable	Malawi Kwacha	0%	Monthly	Unsecured	2017	2018	1,005	-
Malawi Government	Malawi Kwacha	3%	Half yearly	Unsecured	2034	2043	-	210
NORDIC Development Fund	Malawi Kwacha	15%	1/2 yearly	Government	2003	2018	737	418
Press Corp MTN coupon loan	Malawi Kwacha	364TB rate+4%	Quarterly	TNM Shares	2015	2019	890	214
PTA Bank	US Dollars	8%	Graduated	Charge of assets	2009	2018	4,798	-
Syndicated loan - NBM capital	Malawi Kwacha	364TB rate+4%	Quarterly	PCL guarantee	2015	2020	84	147
ZTE Vendor financing	US Dollars	0%	Monthly	Unsecured	2017	2018	1,567	-
Total							16,916	38,248
Company - 2017								
Press Corp MTN coupon loan	Malawi Kwacha	364TB+4%	Quarterly	TNM shares		2019	890	214

In millions of Malawi Kwacha

30 Provisions

	Legal claim	Group bonus	Other	Total
Group				
2018				
Balance at the beginning of the year	252	4,606	1,007	5,865
Provision made during the year	-	3,873	108	3,981
Provision used during the year	(33)	(4,896)	(349)	(5,278)
Balance at the end of the year	219	3,583	766	4,568
2017				
Balance at the beginning of the year	239	3,999	801	5,039
Provision made during the year	13	5,096	361	5,470
Provision used during the year	-	(4,489)	(155)	(4,644)
Balance at the end of the year	252	4,606	1,007	5,865
Non-current liabilities	-	-	70	70
Due within 1 year or less	252	4,606	937	5,795
Balance as at the end of the year	252	4,606	1,007	5,865
Company				
2018				
Balance at the beginning of the year	-	790	-	790
Provision made during the year	-	970	-	970
Provision used during the year	-	(790)	-	(790)
Balance at the end of the year	-	970	-	970
2017				
Balance at the beginning of the year	-	524	-	524
Provision made during the year	-	790	-	790
Provision used during the year	-	(524)	-	(524)
Balance at the end of the year	-	790	-	790

All provisions for the current period are due within 1 year or less.

Legal Claims
The provision for legal claims represents estimated amounts which may be required to settle legal and other related claims made against the Group in the ordinary course of business. The provision is based on legal advice from the Group's attorneys on the outcome of claims which the Group is facing.

Group bonus
The provision for Group bonus represents incentive pay to eligible employees. The estimate has been made on the basis of rules governing Group's performance incentive policies and may vary as a result of final operating results of the Group.

Other Provisions
Other provisions includes employees' related accrued benefits and Levy provision. Employees' benefits provided amount was derived from expected liability based on existing legal and company conditions of service. Levy provision was based on existing legal framework governing respective levies.

31 Income tax payable

	Group		Company	
	2018	**2017**	**2018**	**2017**
Opening balance	4,538	5,780	94	42
Current charge	14,334	14,665	1,016	823
Cash paid	(14,856)	(15,906)	(1,006)	(771)
Prior period charge	-	(1)	-	-
Tax transfer from income tax recoverable (note 24)	(539)	-	-	-
Total income tax payables	3,477	4,538	104	94

In millions of Malawi Kwacha

32 Trade and other payables

	Group		Company	
	2018	**2017**	**2018**	**2017**
Trade payables	17,454	22,056	24	42
Liabilities to other banks	1,414	1,714	-	-
Taxes and levies	4,308	5,681	75	70
contract laibilities (note 35.2)	6,020	4,887	-	-
Accruals	5,572	5,116	715	270
Other payables	2,741	1,230	81	41
Staff payables	684	633	-	-
Dividend payable	1,473	1,179	-	-
Total trade and other payables	39,666	42,496	895	423
Contract liabilities – non current (note 35.2)	141	-	-	-

The average credit period on purchases of certain goods is 30 days. No interest is charged on the trade payables that are overdue. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Accruals are in respect of various expenses incurred but whose invoices had not yet been received.

33 Trade and other payables to Group companies

	Company	
	2018	**2017**
Manzinzi Bay Limited	19	19
Press Properties Limited	21	6
Malawi Telecommunications Limited	7	6
Telekom Networks Malawi plc	-	2
Peoples Trading Centre Limited	-	9
	47	42

Trade and other payables to Group companies are interest free and are payable on demand.

34 Customer deposits

	Average interest rates		Group	
	2018	**2017**	**2018**	**2017**
Analysed by account type:				
Current accounts	0.10%	0.10%	100,652	108,338
Deposit accounts	7.16%	7.67%	33,650	41,399
Savings accounts	6.10%	6.57%	65,373	54,008
Foreign currency accounts*	0.50%	0.50%	66,541	50,101
Client funds	20.00%	20.00%	26,840	21,227
			293,056	275,073
Analysed by interest risk type:				
Interest bearing deposits			274,465	260,707
Non-interest bearing deposits			18,591	14,366
			293,056	275,073
Total liabilities to customers are payable as follows:				
Within three months			291,500	273,488
Between three months and one year			1,556	1,585
			293,056	275,073
Analysis of deposits by sector				
Personal accounts			69,265	65,687
Manufacturing			18,331	7,043
Agriculture			10,620	-
Wholesale and retail			30,688	24,497
Finance and insurance			11,224	25,186
Construction			9,479	2,661
Electricity, gas, water and energy			4,839	14,948
Transport, storage and communications			7,621	10,739
Restuarants and hotel			2,829	3,021
Client funds			26,840	24,646
Others			101,320	96,645
			293,056	275,073

In millions of Malawi Kwacha

34. Customer Deposits (Continued)

* The foreign currency denominated account balances as at 31 December were as follows:-

US Dollar denominated	58,400	38,913
GBP denominated	3,245	1,614
Euro denominated	4,706	8,768
ZAR denominated	190	804
Other currencies	-	2
	66,541	50,101

All interest bearingaccounts,excluding deposit accounts are at floating rates that are adjusted at the Group's banking business discretion.

35 Revenue

35.1 *Disaggregated revenue information*

Revenue from contracts with customers is disaggregated by major products and service lines. Set out below is the disaggregation of the Group's revenue from contracts with customers and a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 7).

Segments	Financial services	Telecomm-unications	Energy	Consumer goods	All other segment	Total
			2018			
Group						
Sale of goods	-	1,358	17,036	28,909	2,492	49,795
Telecommunication Services	-	100,862	-	-	-	100,862
Interest income	42,567	-	-	-	-	42,567
Fees and commission	16,114	-	-	-	-	16,114
Rental income	-	-	-	-	437	437
Gain foreign exchange deals	4,645	-	-	-	-	4,645
	63,326	102,220	17,036	28,909	2,929	214,420
			2017			
Sale of goods	-	1,378	11,682	33,003	1,866	47,929
Telecommunication Services	-	86,466	-	-	-	86,466
Interest income	47,928	-	-	-	-	47,928
Fees and commission	13,883	-	-	-	-	13,883
Rental income	-	-	-	-	371	371
Gain foreign exchange deals	3,903	-	-	-	-	3,903
	65,714	87,844	11,682	33,003	2,237	200,480
			2018			
Company						
Sale of goods	-	-	-	-	388	388
Dividend income	-	-	-	-	10,129	10,129
-	-	-	-		10,517	10,517
			2017			
Sale of goods	-	-	-	-	395	395
Dividend income	-	-	-	-	8,231	8,231
-	-	-	-		8,626	8,626

35.2 Contract balances

	Group		Company	
	2018	2017	2018	2017
Trade receivables (note 23 net of ACL)	14,229	13,188	21	-
Contract assets – non current (note 23)	303	-	-	-
Contract assets – current (note 23)	528	534	-	-
Contract liabilities – non current (note 32)	141	-	-	-
Contract liabilities – current (note 32)	6,020	4,887	-	-

Trade receivables arise as a result of goods and services delivered to contract customers whose consideration is not yet received by the Group.Trade receivables are non-interest bearing and are generally on terms of 30 90 days.

In millions of Malawi Kwacha

35. Revenue (Continued)

29.3 Contract balances (Continued)

Contract assets primarily relates to up-front unbilled revenue recorded for the sale of telecommunication devices. Contract assets are assessed for impairment in terms of IAS 36 Impairment of Assets (IAS 36) when there is an indication of impairment.

Contract liabilities relates to the value of unused prepaid airtime sold to customers as at year end, sales of properties where government consent has not yet been obtained, fees and commission that relate tobanking facilities that have a tenure of more than one year. Management expects that the contract liabilities will be recognised as revenue during the folowing reporting period;

	Group
2019	6,020
2020	16
2021	99
2022	6
2023	16
2024	4

36 Direct trading expenses

	Group		Company	
	2018	2017	2018	2017
Cost of sales	38,088	32,783	-	14
Interest expense	6,315	6,558	-	-
Direct service costs	43,976	42,655	-	-
	88,379	81,996	-	14

37 Other operating income

	Group		Company	
	2018	2017	2018	2017
Net gains from trading in foreign currencies	5	34	-	-
Recoveries from impaired loans and advances	626	1,027	-	-
Fair value adjustment of investment property	986	769	-	-
Gains and losses from fair value adjustment of biological assets	(312)	554	-	-
Net gain/(loss) on financial instruments classified as held for trading	916	2,029	-	-
Profit on disposal of property, plant and equipment	2,480	234	21	10
Profit on disposal of available for sale financial assets	6,160	14,284	-	17,039
Site co-siting	-	2,564	-	-
Sundry income	3,610	2,899	227	653
	14,471	24,394	248	17,702

Sundry income is comprised of income earned from non-core business activities of the Group and theyincludeboard members fees and rental income generated by Group companies that are not in property business, among others.

38 Distribution expenses

	Group		Company	
	2018	2017	2018	2017
Marketing and publication	2,042	1,827	-	-
Selling expenses	149	61	-	-
Carriage outwards	833	781	-	-
Other	259	178	-	-
	3,283	2,847	-	-

In millions of Malawi Kwacha

39 Administrative expenses

		Group 2018	Group 2017	Company 2018	Company 2017
Auditors' remuneration	- current year fees	735	524	103	77
	- prior year fees	-	54	-	-
	- other professional services	10	7	-	-
Directors' emoluments	- fees & expenses	385	294	118	67
	- executive directors' remuneration	1,681	1,692	1,185	875
Personnel costs		34,696	35,251	2,161	2,412
Pension contribution costs		2,580	2,343	265	145
Legal and professional fees		1,662	1,091	138	47
Stationery and office expenses		2,319	2,285	116	326
Security services		2,318	2,195	47	54
Motor vehicle expenses		2,083	1,736	44	393
Bad debts		3,407	6,567	-	-
Repairs and maintenance		6,578	6,234	342	319
Depreciation, impairment and amortisation		15,163	13,581	68	79
Travel expenses		1,036	1,011	94	-
Communication		777	674	87	-
Stock write off, impairment		1,003	798	-	-
Service charges / Royalties		861	806	-	-
Other		9,492	6,362	502	366
		86,786	83,505	5,270	5,160

Liability for defined contribution obligations

The principal Group pension scheme is the Press Corporation plc Group Pension and Life Assurance Scheme covering all categories of employees with3,397 (2017: 3,346) members as at 31 December 2018. The Fund is a defined contribution fund and is independently self-administered by its Trustees. Under this arrangement employer's liability is limited to the pension contributions.

40 Finance income and costs

	Group 2018	Group 2017	Company 2018	Company 2017
Interest income				
Interest income on bank deposits	1,983	902	844	252
Net foreign exchange gain	-	364	-	364
Other	343	448	89	339
	2,326	1,714	933	955
Interest expense				
Bank overdrafts	(947)	(1,547)	(392)	(629)
Loans	(4,374)	(7,397)	(972)	(1,053)
Foreign exchange loss	(155)	(31)	(31)	-
	(5,476)	(8,975)	(1,395)	(1,682)
Net finance costs	(3,150)	(7,261)	(462)	(727)

During the year, borrowing costs amounting to K215 million were capitalised (2017: K18 million).

41 Share of results from equity accounted investees

	Group 2018	Group 2017	Company 2018	Company 2017
Share of profit, net of tax				
Limbe Leaf Tobacco Company Limited	2,925	2,612	-	-
Castel Malawi Limited	(227)	318	-	-
Puma Energy (Malawi) Limited	1,899	1,746	-	-
Macsteel (Malawi) Limited	346	166	-	-
Open Connect Limited	52	-	-	-
	4,995	4,842	-	-
Share of other comprehensive income, net of tax				
Limbe Leaf Tobacco Company Limited	(245)	498	-	-
Castel Malawi Limited	-	-	-	-
Puma Energy (Malawi) Limited	-	-	-	-
Macsteel (Malawi) Limited	206	-	-	-
Open Connect Limited	-	-	-	-
	(39)	498	-	-

In millions of Malawi Kwacha

42 Income taxes

	Group 2018	Group 2017	Company 2018	Company 2017
Current tax expense				
Current year at 30% (2017:30%) based on taxable profits	13,318	13,842	-	-
Changes in estimates related to prior years	-	16	-	-
Final tax on dividend received from associates, subsidiaries and joint ventures	1,016	823	1,016	823
	14,334	14,681	1,016	823
Deferred tax (credit)/expense				
In respect of the current year	1,250	(243)	(33)	-
Total Income tax expense recognised in the current year	15,584	14,438	983	823

The Group's tax expense on continuing operations excludes the Group's share of the tax expense of equity accounted investees of K2,469 million (2017: K2,333 million), which has been included in 'share of profit of equity-accounted investees, net of tax'.

42.1 *Tax losses carried forward*

The Group has estimated tax losses of K41.6 billion (2017:K47.6 billion). These include capital losses, which can be set off against future capital gains. Where relevant, these tax losses have been set off against deferred tax liabilities, which would arise on the disposal of revalued assets at carrying value. Tax losses are subject to agreement by the Malawi Revenue Authority and are available for utilisation against future taxable income, including capital gains, only in the same company. Under the Malawi Taxation Act it is not possible to transfer tax losses from one subsidiary to another or obtain Group relief.

Tax losses can only be carried forward for six years.

42.2 *Reconciliation of effective tax rate*

The tax on the Group's and Company's profit before tax differs from theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group and Company.

The income tax expense for the year can be reconciled to the accounting profit as follows;

	2018		2017	
Group				
Profit before tax from continuing operations		52,288		54,107
Tax using the Group's domestic tax rate – 30%	30%	15,686	30%	16,232
Tax effect of:				
Share of profit of equity-accounted investees reported net of tax	(3%)	(1,499)	(3%)	(1,453)
Expenses not deductible for tax purposes	-	353	-	152
Tax incentives	-	-	-	28
Effects of final tax on dividends from associates and subsidiaries	2%	983	2%	823
Under provisions in previous periods	-	-	-	16
Unrecognised taxable losses	6%	3,039	7%	3,537
Income not subject to tax	(3%)	(1,804)	-	-
Effects of previously unrecognised deferred tax asset	-	-	(8%)	(4,286)
Other permanent differences	(2%)	(1,174)	(1%)	(611)
Effective tax rate and income tax charge	30%	15,584	27%	14,438
Company				
Profit before tax from continuing operations		5,033		20,427
Tax using the Group's domestic tax rate – 30%	30%	1,510	30%	6,128
Effects of final tax on dividends from associates and subsidiaries	20%	983	4%	823
Unrecognised taxable losses	(30%)	(1,510)	(5%)	(1,016)
Effects of previously unrecognised deferred tax asset	-	-	(25%)	(5,112)
Other permanent differences	-	-	-	-
Effective tax rate and income tax charge	20%	983	4%	823

In millions of Malawi Kwacha

43 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 K18,373 million (2017: K23,917million) and a weighted average number of ordinary shares outstanding during the year of 120.2 million (2017:120.2 million).

	Group	
	2018	**2017**
Profit attributable to owners of the Company	18,373	23,917
Weighted average number of ordinary shares	120.2	120.2
Basic earnings per share (K)	152.85	198.98
Number of shares in issue	120.2	120.2
Diluted earnings per share (K)	152.78	198.94
Profit from continuing operations	36,704	39,669
Non-controlling interest	(18,340)	(15,756)
Profit from continuing operations attributable to the ordinary equity holders of the parent Company	18,364	23,913
Basic earnings per share (from continuing operations) (K)	152.78	198.94
Diluted earnings per share (from continued operations) (K)	152.78	198.94

44 Contingent liabilities

	Group		Company	
	2018	**2017**	**2018**	**2017**
Foreign guarantees	1,237	1,318	-	-
Local guarantees and performance bonds	6,692	24,177	6,970	16,470
Letters of credit	28,720	28,808	-	-
	36,649	54,303	6,970	16,470
Legal and other claims	2,286	1,875	-	-
Customer funds under management	54,605	-	-	-
Tax payable	3,048	4,946	-	-
Total contingent liabilities	96,588	61,124	6,970	16,470

(a) Guarantees and performance bonds represent acceptances, guarantees, indemnities and credits issued by National Bank of Malawi plc to non-Group entities which would crystallize into a liability only in the event of default on the part of the relevant counterparty. For the Company, the guarantees represents guarantees madeby the parent Company for bank loans taken by The Foods Company Limited, Malawi Telecommunication Limited, Press Properties Limited and Peoples Trading Centre Limited.

(b) Letters of credit (LCs) relate to standby LCs issued by National Bank of Malawi plc on behalf of selected customers. By issuing these LCs, the Bank is guaranteeing payment to the third party in the event that the customer defaults on their contractual obligations on the transaction. These are non-cash upfront LCs and are therefore memoranda items only.

(c) Legal and other claims represent legal and other claims made against the Group in the ordinary course of business, the outcome of which is uncertain. The amount disclosed represents an estimate of the cost to the Group in the event that legal proceedings find the Group to be in the wrong. In the opinion of the directors the claims are not expected to give rise to a significant cost to the Group.

(d) Tax payable relates to disputes that the Group's subsidiaries and the Group's associate have with the Malawi Revenue Authority.

45 Capital commitments

	Group		Company	
	2018	**2017**	**2018**	**2017**
Authorised and contracted for	4,420	5,432	-	-
Authorised but not yet contracted for	19,919	21,655	63	116
	24,339	27,087	63	116

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

In millions of Malawi Kwacha

46 Related parties

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

46.1 *Trading transactions*

During the year, the Group entered into the following trading transactions with related parties that are not members of the Group;

	Sales		Purchases	
	2018	**2017**	**2018**	**2017**
Joint ventures of the Group	4,358	4,731	665	1,635
Shareholder - Old Mutual Group	-	8	-	-
Associates of the Group	472	36	5,871	7,494
Shareholder - Press Trust	-	1	-	-
	4,830	4,776	6,536	9,129

	Interest Income		Interest Expense	
	2018	**2017**	**2018**	**2017**
Joint ventures of the Group	-	1	-	-
Shareholder - Old Mutual Group	-	5	-	-
Associates of the Group	-	54	-	(1)
Directors	7	6	-	-
Employees	1,265	1,369	(923)	(1,035)
	1,272	1,435	(923)	(1,036)

Sale of goods and services to related parties were made at the Group's usual list prices. Purchases were made at market price.

Average interest rate on related party interest income was 23% (2017: 25%)

46.2 *Receivables and payables*

	Amounts owed by related parties		Amounts owed to related parties	
	2018	**2017**	**2018**	**2017**
Joint ventures of the Group	447	913	-	61
Shareholder - Old Mutual Group	-	3	-	-
Associates of the Group	55	144	2,115	453
Directors	-	4	-	-
Employees	-	-	-	69
	502	1,064	2,115	583

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior years for doubtful debts in respect of the amounts owed by related parties.

46.3 *Loans and deposits*

	Loans		Deposits	
	2018	**2017**	**2018**	**2017**
Joint ventures of the Group	-	-	3,699	840
Shareholder - Old Mutual Group	-	-	2,360	1,912
Associates of the Group	-	7	152	529
Shareholder - Press Trust	-	-	362	192
Directors	487	495	52	106
Employees	5,728	5,328	506	545
Related Pension Funds	-	-	230	252
	6,215	5,830	7,361	4,376

Loans are granted and deposits accepted on normal banking terms. Loans are secured.

During the year no amount due from a related party was written off against interest in suspense and provision for loan losses. There were no provisions in respect of loans granted to related parties as at the end of the year (2017: nil).

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

In millions of Malawi Kwacha

46. Related parties (Continued)

46.4 *Compensation of key management personnel*

Directors of the Company and their immediate relatives control 0.01% (2017: 0.01%) of the voting shares of the Company.

Directors' emoluments are included in administrative expenses more fully disclosed in note 39.

The remuneration of directors and other members of key management personnel during the year was as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
Salaries and benefits for key management	6,646	6,919	772	460
Directors remuneration	2,066	1,986	1,303	942
	8,712	8,905	2,075	1,402

47 Cash flows from operating activities

	Group		Company	
	2018	**2017**	**2018**	**2017**
Profit before income tax	52,297	54,111	5,033	20,427
Adjustments for:				
Depreciation and amortization	16,758	13,944	70	63
Finance costs	5,476	8,975	1,395	1,682
Finance income	(2,326)	(1,714)	(933)	(955)
Share of results from equity accounted investments	(4,995)	(4,842)	-	-
(Profit)/ loss on sale of investment property and property, plant and equipment	(2,480)	(234)	(21)	(10)
Fair value adjustments and unrealised foreign exchange losses	2,248	(1,735)	1,158	1
Profit on disposal of shares	-	(14,284)	-	(17,039)
Investment income (dividends)	-	-	(10,129)	(8,231)
Loss of control of a subsidiary	8,414	-	1,420	-
(Decrease)/Increase in provisions	(1,297)	826	180	266
Working capital changes:				
Decrease/(Increase) in inventories	1,173	(1,796)	(10)	11
Increase in Loans and advances to customers	(22,172)	1,369	-	-
Financial instruments adjustment following IFRS 9 adoption	(4,886)	-	-	-
Increase in Finance lease receivables	(7,497)	(941)	-	-
(Increase)/Decrease in trade and other receivables	(4,584)	(1,835)	(1,087)	(428)
Increase in trade and other receivables -Group	-	-	2,530	(2,655)
Increase in other investments	(10,534)	(51,163)	(4,823)	(1,246)
(Decrease)/Increase in trade and other payables	(2,689)	(1,678)	472	1
Increase in trade and other payables- Group	-	-	5	(4,062)
Increase in customer deposits	17,983	45,640	-	-
Cash generated by/(used in) operations	40,889	44,643	(4,740)	(12,175)

48 Dividend per share

	Group and Company	
	2018	**2017**
Final dividend	2,405	2,405
Interim dividend	722	601
	3,127	3,006
Number of ordinary shares in issue (million)	120.2	120.2
Dividend per share (K)	26.00	25.00

During the year, the Group declared and paid a total of K3,127 million representing final dividend for 2017 of K2,405 million and interim dividend for 2018 of K722 million. The proposed final dividend for the year 2018 is K2,405 million (2017: K2,405 million) representing K20 per share (2017: K20).

In millions of Malawi Kwacha

49 Subsequent events

The directors have proposed a dividend of K20 per share as disclosed in note 48. This dividend is subject to approval by shareholders at the Annual General Meeting.

50 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.	**2018**	**2017**
Kwacha/United States Dollar	729.8	725.6
Kwacha/Euro	832.8	865.1
Kwacha/British Pound	924.9	974.3
Kwacha/South African Rand	50.8	58.7
Inflation rates as at 31 December (%)	9.9	7.1

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

Kwacha/GBP	960.15
Kwacha/Rand	52.92
Kwacha/US Dollar	734.64
Kwacha/Euro	831.16
Inflation rates as at March 2019	9.3%

In millions of Malawi Kwacha

Shareholdings	% of total shares in issue	Number of shares	Shareholding range	Number of shareholders	%
Press Trust	45.45%	54,661,989	1,000,000 +	11	0.73%
Deutsche Bank Trust Company America	18.88%	22,710,120	10,001 - 1,000,000	85	5.67%
Old Mutual Life assurance (Malawi) Limited	15.84%	19,054,035	5,001 - 10,000	32	2.13%
Others	19.82%	23,829,569	1 - 5,000	1,373	91.47%
Total		**120,255,713**		**1,501**	**100.00%**

Share Market	**2018**	**2017**	**2016**	**2015**	**2014**
Total number of shares in issue	120,255,713	120,255,713	120,255,713	120,255,713	120,255,713
Malawi Stock Exchange (MSE) Market statistics					
Market capitalization at 31 December (MKm)	137,092	72,153	64,938	64,337	34,273
Market capitalization at 31 December (US$'m)	187.85	99.44	89.52	96.83	72.03
Subscription price at listing MK14.89					
Last traded price					
31 December (MK per share)	1,140.00	600.00	540.00	535.00	285.00
Highest (MK per share)	1,150.00	600.00	540.00	453.10	285.00
Lowest (MK per share)	600.00	540.00	535.00	285.00	188.00
Net asset value (NAV) per share	1,822.59	1,512.85	1,227.33	1,084.93	669.58
Value of shares traded (MKm)	4,725.00	569.00	272.00	1,085.00	1,688.00
Earnings per share %	152.85	198.98	40.84	34.92	77.97
Dividend yield %	2.28	2.92	1.57	2.43	2.59

COMPANY SECRETARY
B.M.W. Ndau
P.O. Box 1227
Blantyre
Tel: +265 1 833 569
Fax: +265 1 824 656
Email: bndau@presscorp.com
companysec@presscorp.com

INDEPENDENT AUDITORS
Deloitte
Chartered Accountants
P.O. Box 187
Blantyre
Tel: +265 1 822 277
Fax: +265 1 821 229
Email: deloitte@deloitte.co.mw

LEGAL ADVISORS
Savjani & Co
P.O. Box 2790
Blantyre
Tel: +265 1 824 555
Fax +265 1 821 064
Email: savjani&co@malawi.net

BANKERS
National Bank of Malawi Plc
Victoria Service Centre
P.O. Box 947
Blantyre

PRESS CORPORATION PLC
Reg. No. 2395
Registered Office:
3rd Floor, PCL House, Kaohsiung Road
P.O. Box 1227
Blantyre

TRANSFER SECRETARIES
Financial Management Services
Legal Department
National Bank of Malawi Plc
P.O Box 1438
Blantyre
Tel: 265 1 820 900
Fax: +265 1 820 464
Email: nbminvestment@natbankmw.com

LONDON DEPOSITORY
Deutsche Bank Trust Company Americas
Winchester House
1 Great Winchester Street
London EC2N 2DB
Tel: +44 20 7545 3312
Fax: +44 20 7547 6073
Email: begonia.roberts@db.com

LOCATION OF LISTING
Malawi Stock Exchange and
London Stock Exchange as a
Global Depository Receipt