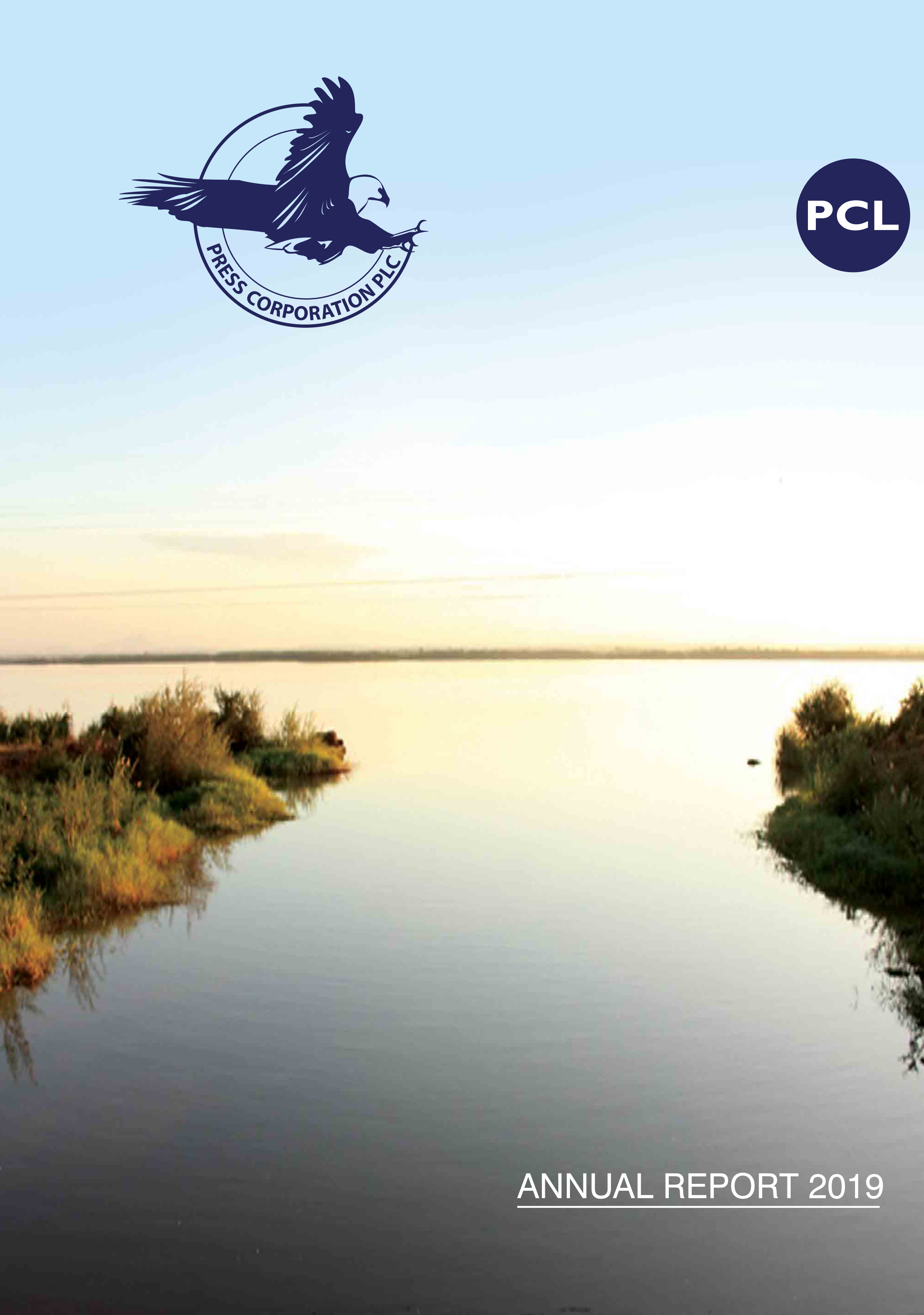


PRESS CORPORATION PLC

PCL

ANNUAL REPORT 2019

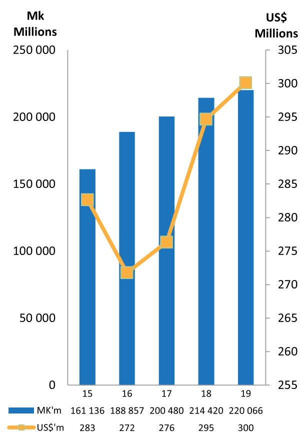
The Group is determined to spread its wings across the borders in its expansion drive

CONTENTS

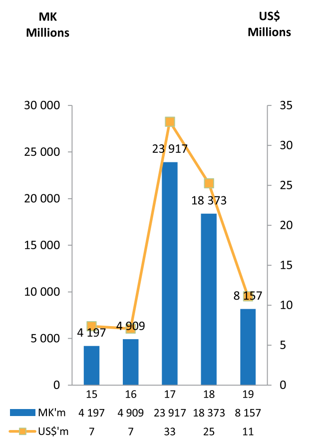
FINANCIAL HIGHLIGHTS

	Malawi Kwacha			US Dollars		
	2019	**2018**	**Change %**	**2019**	**2018**	**Change %**
Group Summary (in millions)						
Turnover	220,066	214,420	2.63	300	295	1.69
Attributable earnings	8,157	18,373	(55.60)	11	25	(55.94)
Shareholders' equity	157,027	150,912	4.05	213	207	2.89
Share performance						
Basic earnings per share	67.86	152.85	(55.60)	0.09	0.21	(55.94)
Cash retained from operations per share	209.82	161.74	29.73	0.28	0.22	28.51
Net asset value per share (shareholders' equity per share)	1,959	1,823	7.46	2.66	2.50	6.47
Dividend per share	26.01	26.01	0.00	0.04	0.04	(0.94)
Market price per share	1,400.00	1,140.00	22.81	1.90	1.56	21.66
Price earnings ratio	20.63	7.5	175.07	20.53	7.44	176.11
Number of shares in issue (in millions)	120.20	120.2	0.00			
Volume of shares traded (in thousands)	13,125.00	4,409.00	197.69			
Value of shares trades (in MK miilions)	15,341.00	4,725.00	224.68	20.92	6.49	222.22
Financial statistics						
After tax return on equity	15.77	24.33	(35.19)	0.02	0.03	(35.80)
Gearing	16%	18%	11.11			
Average monthly exchange rates				733.25	727.70	
Year end exchange rates				736.70	729.80	

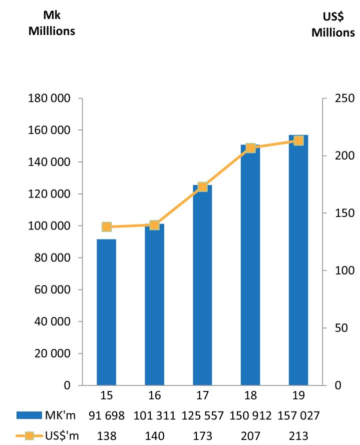
TURNOVER



PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS



ORDINARY SHAREHOLDERS' FUNDS



Exchange rate (MK/US$)	2015	2016	2017	2018	2019
Average monthly exchange rates	570.10	694.90	725.50	727.70	733.25
Year end exchange rates	664.40	725.40	725.60	729.80	736.70

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	2019 MK'm	2018 MK'm	2017 MK'm Restated	2016 MK'm	2015 MK'm
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME					
Turnover	220,066	214,420	200,480	188,857	161,136
Profit before income tax and share of profit of equity-accounted investees	38,853	47,302	49,269	24,194	19,488
Share of profit of equity-accounted investees net of income tax	3,415	4,995	4,842	5,543	4,284
Profit before income tax	42,268	52,297	54,111	29,737	23,772
Income tax expense	(17,510)	(15,584)	(14,438)	(14,418)	(11,528)
Profit after income tax	24,758	36,713	39,673	15,319	12,244
Attributable to non-controlling interests	(16,601)	(18,340)	(15,756)	(10,410)	(8,047)
Attributable to owners of the company	8,157	18,373	23,917	4,909	4,197
Dividend paid to ordinary shareholders	(3,127)	(3,127)	(2,104)	(1,022)	(1,563)
Retained profit	5,030	15,246	21,813	3,887	2,634
Basic earnings per share (MK)	67.86	152.85	198.98	40.84	34.92
Dividend per share (MK)	26.01	26.01	17.50	8.50	13.00
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION					
Right of use assets, Property, plant and equipment	132,402	113,574	105,908	93,453	89,820
Investment properties	9,592	7,810	6,564	5,360	4,783
Investment in equity accounted investees	48,694	49,112	40,687	39,627	32,835
Other non-current assets	188,242	126,916	85,523	68,568	64,579
Net current liabilities	(93,705)	(26,250)	(15,780)	(36,246)	(49,726)
Total employment of capital	285,225	271,162	222,902	170,762	142,291
Ordinary shareholders' funds	157,027	150,912	125,557	101,311	91,698
Non-controlling interest	78,436	68,163	56,287	46,214	38,710
Lease liabilities, Loans and borrowings	44,122	47,386	38,248	20,246	10,150
Provisions	-	-	70	-	-
Deferred revenue	119	141	-	-	-
Deferred tax liabilities	5,521	4,560	2,740	2,991	1,733
Total capital employed	285,225	271,162	222,902	170,762	142,291
CONSOLIDATED STATEMENTS OF CASH FLOWS					
OPERATING ACTIVITIES					
Cash generated from operations	47,398	40,889	44,643	42,486	32,308
Interest and tax paid	(22,178)	(21,448)	(24,764)	(20,698)	(23,333)
Cashflows from operating activities	25,220	19,441	19,879	21,788	8,975
INVESTING ACTIVITIES					
Interest/Dividend received	5,078	4,840	3,239	4,072	4,103
Capital expenditure	(27,979)	(27,830)	(26,908)	(19,420)	(17,248)
(Acquisition) /Disposal of subsidiaries net of cash	-	-	17,216	(26)	(575)
Proceeds from sale of property, plant and equipment and investment properties	2,117	4,686	1,617	1,585	1172
Cashflows (used in) investing activities	(20,784)	(18,304)	(4,836)	(13,789)	(12,548)
FINANCING ACTIVITIES					
Proceeds from issue of shares	-	-	-	-	-
Dividends paid to non-controlling shareholders	(8,111)	(8,537)	(7,209)	(5,079)	(5,040)
Dividends paid to shareholders of the company	(3,127)	(3,127)	(2,104)	(1,022)	(1,563)
Increase/(decrease) in borrowings and lease liability	(619)	(3,462)	16,297	(2,529)	(455)
Cashflows from/(used in) financing activities	(11,857)	(15,126)	6,984	(8,630)	(7,058)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	(7,421)	(13,989)	22,027	(631)	(10,631)

VISION

To be Malawi's premier holding company

MISSION STATEMENT

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

CORE VALUES

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

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

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

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

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

Excellence
We pursue excellence through efficiency, effectiveness and outstanding quality.

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CHAIRMAN'S **REPORT**

Our priority is to create, grow and diversify revenue streams and control costs to run a financially sustainable investment management operation.

Profit after tax
K24.76
billion

The Group's balance sheet grew by **10%**

THE GENERAL OPERATING ENVIRONMENT

The operating environment was a challenging one in spite of stable and sometimes seemingly improving macro-economic indicators. Political instability as a result of post electoral disputes made the operating environment even more challenging. Gross domestic capital formation was negative and there were no meaningful direct foreign investments.

Fiscal deficit stood at 5.8%, 2 percentage points above the 2019 budget target while the Policy Rate was gradually reduced from 16% in January 2019 to 13.5% in December 2019. This coupled with a substantial reduction in Liquidity Reserve Requirement increased money supply significantly, risking pressures of increased inflation, Kwacha depreciation and erosion of foreign exchange reserves.

PCL is the first Company to work with Global Reporting Initiative (GRI) in Malawi and EthCo is one of just two manufacturing companies in Africa to fully report in accordance with GRI.

The nominal stability of the Kwacha and relatively low real interest rates translated into the Kwacha Real Effective Exchange Rate (REER) appreciating, contributing to the worsening of the already fragile terms of trade. REER appreciation also caused currency availability challenges as imports became relatively cheaper with time, increasing the propensity of the country to gravitate more towards being a predominantly importing and trading economy than a producing and exporting one.

Foreign currency reserves at US$1,170.62 million as at 31 December 2019, were seemingly at comfortable levels, representing 5.6 months' worth of import cover, a level which has held steadily throughout the year. This notwithstanding, the foreign exchange market failed to clear as arrears started building up in the banking system, a signaling effect that perhaps the reserves are encumbered and that the stability of the exchange rate at current levels may not be sustainable.

The stock market registered a positive return on index of only 3.41% (US$ terms) compared to 33.42% in 2018. The market also recorded an increase in volume of shares traded despite registering a decrease in total value traded compared to the corresponding period 2018. Price gains were registered in 8 counters including our Group companies of NBM (58%) and PCL (23%). TNM share price was volatile and declined by 8%.

Political instability and related policy uncertainties coupled with the nation's significant energy deficit continued to negatively affect business and investment decisions, including turnaround and repositioning strategies for some of our entities. In particular the post-election stalemate that ensued, significantly affected demand for goods and services and hence affected general business growth prospects. Consequently, focus was concentrated on resilient and stabilizing initiatives and market defensive strategies.

GROUP PERFORMANCE

Despite the operating environment, the Group has remained resilient and enhanced shareholder value. The share price for your company increased by 27% from K1,100 to K1,400 per share. Once again, our management team demonstrated remarkable flexibility and professionalism in how they adjusted the operating strategies to suit the post-election environment which was unprecedented in the country's history.

Group performance reported a profit after tax of K24.76 billion which is below prior year profit of K36.71 billion representing a 33% decline. Excluding exceptional K8.86 billion profit on restructuring the telecoms segment in prior year and one-off expenses relating to restructuring costs in NBM (K892m), TNM (K1.02b) and EthCo (K450m), the decline in underlying profit is 3%. However, the Group balance sheet at K687.4 billion grew by 10% from K622.4 billion prior year.

As Malawi's premier holding company that prides itself at offering excellent service, delivering shareholder value and operating transparently, 2019 was yet a landmark year in which we demonstrated our transparency credentials. The Group worked with

Global Reporting Initiative (GRI) of Netherlands and allowed our operations at EthCo to be reviewed and reported in accordance with GRI standards that places emphasis on People and Community besides financial performance. The exercise was successfully completed in November 2019 and the outcome means that PCL is the first Company to work with GRI in Malawi and EthCo is one of just two manufacturing companies in Africa to fully report in accordance with GRI. This outcome cements our credentials that the communities we serve are a key stakeholder just like our shareholders. Similarly, and for the first time, our operations at PressCane were also ISO certified, a mark of quality excellence.

PROSPECTS FOR 2020

The macro economic environment will inevitably be unpredictable due to the continuing political uncertainty. Thus it is anticipated that there will be inflationary and foreign currency pressures arising from a significant increase in domestic debt, especially if there continues to be an increase in direct borrowing from the central bank as the fresh presidential elections approaches. Food inflationary pressures are expected to once again reflect the normal seasonal pattern. The emerging risk of COVID-19 as demonstrated around the globe poses a significant threat to growth prospects as supply chains around the world are being severely disrupted and likely to cause a severe global recession.

Drawing the lessons of 2019 post-election period challenges, the Group has developed the capacity to absorb key anticipated risks within its risk appetite framework to ensure sustainable business growth. In this regard the Group has developed a new strategic plan which has set out a clear path for business portfolio growth and diversity. As part of its resilient strategy initiatives, the Group will continue to emphasize on efficiency improvements, capital adequacy and restructuring measures in some segments that have been diagnosed to be under-capitalized. Thus, a major recapitalization exercise of some entities is expected to be undertaken in 2020 to enhance the Group's ability to absorb growth inhibiting risks.

STRATEGIC DIRECTION

The company will now operate under a new 2020-2024 five-year Strategic Plan guided by five main pillars; Create and Sustain Value; Sustain Efficiencies,;Sustainable Stakeholder Relationships; Good Governance; and Effective People Management. Our top objective is to create, grow and diversify revenue streams and control costs to run a financially sustainable investment management operation. The Board believes the renewed focus on revenue diversity and operational efficiencies will enable the Group to capitalize on the opportunities in our various segments of interest to drive long-term value for our shareholders.

THE BOARD OF DIRECTORS

Mr. Andrew Barron retired during the year and was replaced by Mr Stewart Malata. I would like to welcome Mr Stewart Malata and look forward to his contribution on the Board. In the same vein, I would like to take this opportunity to thank Mr. Andrew Barron for his valuable contributions while serving on the Board for 19 years and wish him well in his retirement.

APPRECIATION

I wish to thank my fellow Directors for their wise counsel, Management and staff for their continued support, cooperation and dedication during the year. With their efforts, the Group achieved resilient and satisfactory results as outlined in this report. I am hopeful that we will have a successful 2020.

PATRICK W KHEMBO
CHAIRMAN

GROUP CHIEF EXECUTIVE OFFICER'S **REPORT**

The Group has developed a new Strategic Plan (2020-2024) whose primary focus will be to create a balanced portfolio that delivers growth, healthy cash flows and sustainability.

GROUP OPERATIONS

The Group registered satisfactory performance, a testament to the resilience and effectiveness of the strategies being adopted and implemented within the Group, notwithstanding a general deterioration in the operating environment. The unsatisfactory business environment was occasioned by pre and post electoral risks and disputes, resulting in both a slump in demand and productivity. In addition, production capacities and efficiency were also compromised due to the country's significant energy deficit which persisted through-out the year.

Implementation of turnaround strategies continued at TFCL, PPL, PTC and EthCo, and discussions with an equity investor in MTL advanced significantly. PPL sustained and increased profitability second year running signifying a complete turn-around. EthCo registered a profit from a loss incurred prior year while TFCL recorded a reduced loss than that incurred previous year. This instils confidence in the effectiveness of the interventions taken at these companies thus far.

The Group portfolio remains challenged by significant risks emanating from MTL and PTC, whose turnover and profitability positions declined. This was further exacerbated by exogenous factors in suppressed consumer demand in the pre and post May 2019 elections. To ensure viable and sustainable businesses with requisite capital structures and attainment of critical mass, a comprehensive review of four of our businesses i.e. TFCL, PTC, PPL and MTL was undertaken in mid-2019 with a view of assessing the strength of their balance sheets in absorbing both current and emerging risks in unpredictable business environment. The results of the exercise revealed that intervention initiatives to date helped stabilize the businesses and reverse their decline but that more capital resources were needed to unleash growth. Thus, the entities are deemed extremely highly geared and have depleted balance sheets to the extent of limiting their ability to withstand competition and technology disruptions in their respective industries. Decisive actions have been taken which include loan consolidation at PTC and increased efforts to conclude the identification of an equity partner at MTL. The Group therefore intends to recapitalize PTC, PPL and TFCL with equity finance to enable them achieve industry desirable standards of debt to equity ratios as well as not to breach regulatory thin capitalization rules. This should enable them to be competitive and profitable once more.

Going forward, the Group has developed a new Strategic Plan (2020-2024) whose primary focus will be to create a balanced portfolio that delivers growth, healthy cash flows and sustainability. In doing so the Group will ensure that all its business segments have optimal capital structures that enable them to underwrite both current and growth related risks. In light of the new strategic plan, a recapitalization drive will be undertaken for those of our entities with suboptimal and severely compromised capital structures. In addition, opportunities for new investments in various sectors will be keenly pursued.

Below is a synopsis of the Group segmented performance:

The Financial Services Segment (National Bank of Malawi Plc)

Turnover improved by 11.4% to K73.1 billion (2018: K65.6 billion), a good result in a very challenging environment, characterized by low consumer and private sector credit uptake. Gross loans and advances grew by 8.7% to K193 billion while deposits due to customers rose by 10.4% to K288 billion. Despite continued lower interest margins, a better performance in Other Income due to increased volumes of transactions and a flattening of the operating costs resulted in a 13% increase in Profit after tax to K25.3 billion (2018: K22.3 billion). Efforts to continuously improve the operating efficiencies of the Bank will continue. In addition, it is expected that the Bank's efforts to invest across the borders are likely to successfully conclude in 2020, thereby expanding the Bank's reach, in the process also managing geographic concentration risks.

The Telecommunications Segment (Mobile phone company: TNM, Fixed telephony: MTL and the telecommunications infrastructure company: OCL)

The general performance of the Telecoms segment flattened in the year posting a turnover of K102.2 billion (2018: K104.3 billion) largely due to the drop

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GROUP CHIEF EXECUTIVE OFFICER'S REPORT

in subscriber base occasioned by the regulatory KYC exercise. Profitability was affected by a significant increase in transmission and depreciation costs due to massive investments of prior year (TNM) and increased levels of vandalism which negatively affected service delivery (MTL). There was a deliberate slowdown in MTL balance sheet restructuring efforts because of on-going discussions with a potential equity investor which affected the turnover results. Cost containment and other efficiency drive initiatives ensured a satisfactory profit performance which contributed almost 48% of overall Group Profit. Going forward, discussions with a potential equity investor in MTL are expected to be completed in the first half of 2020 and that will enhance the segment's ability to competitively provide services.

The Energy Segment: (Ethanol manufacturing: PressCane and Ethanol Company of Malawi (EthCo))

In the energy segments, the ethanol companies (EthCo and PressCane) registered a 54% increase in profits on prior year base. EthCo turned around after the loss incurred in prior year. Despite price controls on AA and other taxes applicable on the same that continue to erode margins, an aggressive sales strategy and altering of the sales mix `towards unregulated products of Rectified Spirit and Extra Neutral Alcohol drove the volumes high and ensured a sound profit performance. Initiatives are underway to explore the possibility of a diversified range of product offerings in favor of those with less price controls.

Consumer Segment: (Retail chain: Peoples)

Turnover was down at K22.8 billion (2018:K28.9 billion) in a challenging environment which had suppressed

discretionary spending of consumers and effects of the pre and post May 2019 election disturbances. In addition, PTC closed unprofitable stores in some locations as part of business repositioning. PTC being 100% debt financed, has limited ability to absorb risks emanating from unprecedented events. A significant restructuring of the balance sheet is required to pay off debt and attain a debt equity structure suited to a supermarket business. This should result in improved supplier confidence which ideally is the source of working capital in the industry other than bank debt. The business will be remodelled along the lines described to enable it to compete effectively and be profitable.

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

Press Properties sustained its turn around by being profitable second year running. Profit at K1.6billion was 41% above prior year. The trajectory should be sustained with continued good management and accompanying envisaged investments to create a critical mass of lettable property and act as an effective inoculant of the whole Group portfolio.

The Foods Company exhibited signs of turn around by making 23% less losses than prior year, due to the various operational improvements and investments made in the company. The gestation period of investment made is around two and half years. The future prognosis looks much better than before, and it is expected to improve when a new equity partner comes on board and the capital raise exercise succeeds.

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 segment's performance was satisfactorily anchored by Limbe Leaf's performance which defended its market share and had better gross profit margins than prior year despite reduced appetite for local tobacco by international buyers. Both PUMA and Macsteel registered slow growth due to tough operating environment which affected consumer spending and construction projects. Castel's performance was unsatisfactory due to significant increase in excise taxes which were increased twice in 2018 and 2019 thereby negatively affecting the profitability of the company's products in a significant way. The long outstanding ban on use of tartrazine in Sobo squash production, which accounts for 15% of the product portfolio, was finally lifted and production resumed in Q4 after over a year of non-production. Until such time that the issue of excise tax is resolved, the prognosis on Castel is in doubt, which otherwise would be a very profitable company.

Looking ahead, continued investments in new sites at PUMA, reintroduction of Sobo at Castel and the stabilization of the production facilities are expected to positively impact on the overall performance of this segment.

OUTLOOK

The Group envisions a continued difficult operating environment for most of its business segments, while heightened uncertainty will continue to dampen business confidence and investment. Downside risks are persistent and significant and include the risk of political and policy uncertainty due to the prevailing political climate, power deficit in general and load shedding in particular, and looming global recession due to Covid-19 pandemic. The Group aided by the newly developed five year 2020-2024 Strategy remains committed to the growth of our well established and diversified business segments and is geared to seeking additional business opportunities to augment our portfolio across the Group.

CONCLUSION

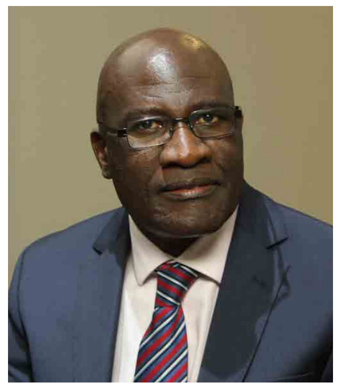
I am grateful to my Directors for their continued support and guidance; I am thankful to all our employees for their consistent commitment to our set goals despite the challenging economic and unstable political environment. Above all, I am indebted to all Group customers and stakeholders for their continued support and confidence in the PCL Group brand. I look forward to a fruitful year ahead of us.

GEORGE B. PARTRIDGE
GROUP CHIEF EXECUTIVE

PRESS CORPORATION PLC IS COMPRISED OF JOINT VENTURES AND SUBSIDIARIES

1. National Bank of Malawi Plc
2. Telekom Networks Malawi Plc
3. Malawi Telecommunications Ltd
4. Open Connect Ltd
5. Ethanol Company of Malawi
6. PressCane Ltd
7. Puma Energy (Malawi) Ltd
8. Peoples Trading Centre Ltd
9. Macsteel (Malawi) Ltd
10. Castel Malawi Ltd
11. Press Properties Ltd
12. Limbe Leaf Tobacco Company Ltd
13. The Foods Company Ltd

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



Macfussy Kawawa
Chief Executive Officer

Profit after tax
K17.11bn
(2018: k15.97bn)

NBM GROUP PERFORMANCE

The Bank Group registered a profit after tax of K17.16bn from K15.97bn representing an increase of 7%. Non-interest income grew by 15% while Net interest and investment income grew by 10%. Overall Net revenue grew by 11% while Operating expenses increased by 6%, notwithstanding K812m staff rationalization costs incurred during the first half of the year. The loan book grew by 13% and customer deposits increased by 8%.

The economy experienced some negative shocks due to cyclone Idai which affected parts of the southern region, coupled with poor tobacco export receipts compared to the previous year. Inflation averaged 9.4% in 2019 (2018: 9.2%) but closed the year 2019 at 11.5% as a result of increases in food inflation attributed to seasonal factors.

In the second half of the year, the banking industry adopted the use of a reference rate, a weighted average of several factors, the largest of which is the policy rate, as the new basis for arriving at lending rates. Since its introduction, the reference rate has ranged from 12 % to 13.4%. Since 2017 the Reserve Bank of Malawi has been gradually dropping the Policy rate to the current 13.5%. Correspondingly commercial banks have gradually reduced their effective lending rates.

The Malawi Kwacha largely appreciated in the last quarter of 2019 from about MK761/1USD at the beginning of July 2019 to MK732/1USD at the end of 2019.

Despite the above positive developments, economic activity for a greater part of the year remained subdued largely on account of both the pre and post-election activities which included a series of demonstrations which disrupted business activity.

In September 2019, the Bank successfully launched NBM Development Bank, the long-term lending arm of the Bank Group. The activities of the subsidiary are expected to increase significantly in 2020.

As part of the Bank's ongoing initiatives to improve over-the-counter customer experience, Dwangwa Service Centre was officially opened on 30th September 2019. and the refurbishment of Zomba Service Centre was completed in November 2019. The service centre now has a Platinum Suite which offers tailor-made personalized service to top tier customers and a private business suite for corporate and SME customers.

To promote financial inclusion, the Bank developed a special product offering for women entrepreneurs called Amayi Angathe. Under this package MK1 billion was disbursed to this special group in form of business loans and credit cards within six months. The Bank also provided in-class training in business management skills to young entrepreneurs in all three regions of Malawi.

OUTLOOK FOR 2020

The economy, according to official estimates, is expected to grow at 6% in 2020 building on the implementation of smart climate resilient agriculture and energy production. Inflation is also expected to start declining towards the medium-term target of 5% by end of 2021.

Downside risks to achieving this growth include an unstable political and macroeconomic environment following the nullification of the Presidential election results and the order for fresh elections made by the Constitutional Court.

The Bank is implementing a strategy that seeks to embed customer centricity deeply into its culture with digitalization being one of the key pillars. The year 2020 will therefore witness the launch of various value adding digital initiatives.

In its efforts to expand its operations beyond the borders of the country the Bank commenced prospecting to acquire a controlling stake in a financial institution outside Malawi in the middle of the year. As at close of the year the process of securing regulatory approvals both locally and internationally was underway to conclude the transaction. The Board and Management continue to work tirelessly to ensure a successful completion of the transaction within the first half of 2020.

Looking ahead the Bank envisages a continuing unstable operating environment due to political uncertainty as a result of the nullification of the Presidential elections. Overall, the Bank anticipates a relatively peaceful environment to prevail post re-run of the elections signalling an improvement in general business environment in the second half of 2020.

TNM is the leading provider of voice, data and mobile money services. TNM aims to be the driver of Malawi 'going digital', itself transforming the company, while remaining to be solid and profitable.

Michiel Buitelaar
Chief Executive Officer

Net profit
K15.1bn

PERFORMANCE OVER 2019

Traditionally TNM mostly provided voice services, but in 2019 the 'inflection point' announced itself: voice revenues declined, while data revenues accelerated. Mobile money and the enterprise business showed significant growth. Voice will no longer be the driver of the business – following a phenomenon that has happened in many other markets. TNM started its transformation, to become a digital-first company – which impacts technology, people, systems, processes, and more.

Over 2019, TNM delivered 117% growth in 4G users, 75% in 4G revenues, 83% in 30-day active mobile money users, 94% in mobile money revenues, 224% in home broadband connections and 28% in enterprise revenues. Voice revenues declined by 7% as behavior of people is changing with digitization: youngsters prefer chatting using various apps to talking.

The company delivered an EBITDA margin of 40% and a net profit of MK 15.1 billion. This profit was after one off expenses such as staff restructuring, stock write-offs and two major power outages caused by third parties. During the period, TNM invested MK 24.6 billion Kwacha in Capex, largely in its 4G network.

OUTLOOK FOR 2020

TNM has started a journey that will continue for many years to come, with significant impact expected in 2020. The areas of revenue growth will continue over 2020 and beyond. TNM will be the leading investor in Malawi, delivering high quality services efficiently. The role of 3G will get smaller as TNM is pushing hard for 4G broadband penetration. The strategy will be less about customer numbers, but instead, value: this requires an analytical approach, which TNM is implementing. Key costs drivers will be reduced over 2020 and beyond. TNM will fuel and benefit from the digitization of Malawi in voice and especially in data/Internet services: always with you.

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Dr Harry Gombachika
Chief Executive Officer

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

TELECOMMUNICATION INDUSTRY OUTLOOK

Growth in the telecommunications industry continues to be driven by the migration of consumers from telephony to broadband data-centric communications solutions. The growth is mainly in the mobile voice offered over IP, mobile broadband, fixed broadband, and Internet market segments which is consistent with global trends. Additionally, applications that depend on telecommunications network have also transformed from decentralized batch processing into centralized cloud-based services, online and real-time interactive processes, thereby placing stringent standards requirements on the networks for which MTL is responding accordingly.

BUSINESS MODEL AND STRATEGY

During the period under review, MTL continued its turnaround trajectory that hinges on a focused approach in determining products and services offerings on the market. In order to achieve this transformation objective, MTL identified a potential investment partner who, under an exclusivity agreement, was still carrying out a due diligence exercise on the company.

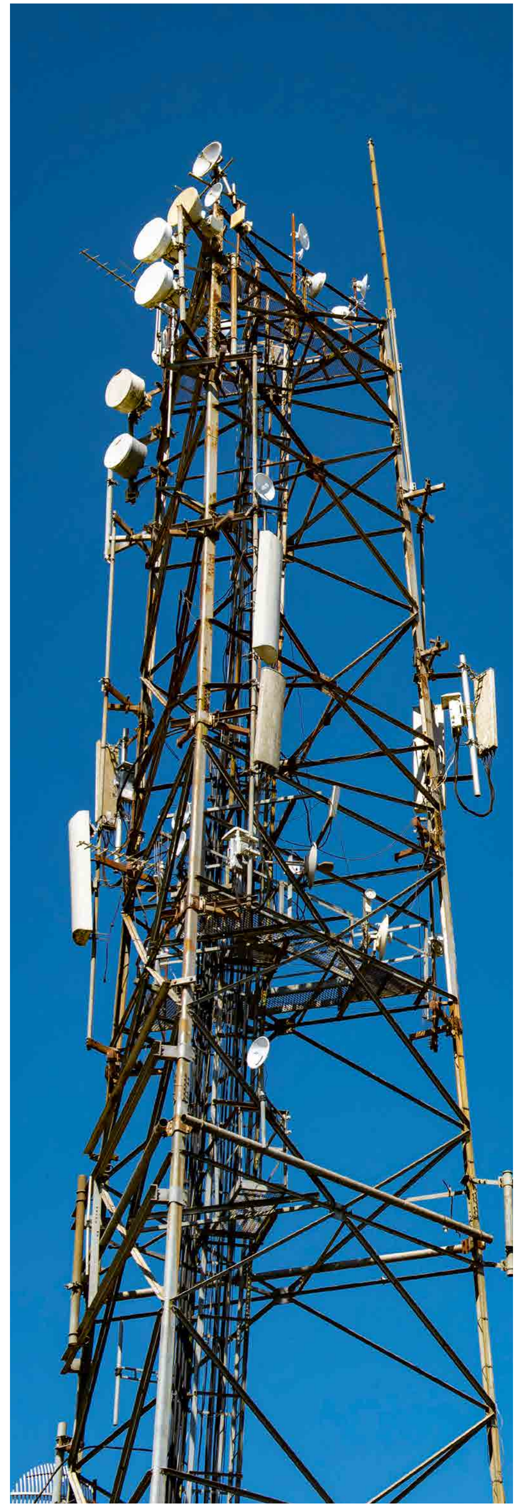
Meanwhile MTL continued fine-tuning its business model and strategy based on the new philosophy that aims to transform the Company from being a provider of communication technologies to a provider of connectivity solutions for better customer experience. Accordingly, the new network architecture focuses on a dynamic composition of customers experiences derived from combinations of connectivity resources, content and processing resources, subscriber knowledge, behaviour and location (demand-driven). Specifically, MTL re-examined its value proposition in the telecoms ecosystem in Malawi, which demands significant changes in its infrastructure, business support systems and human expertise. To that end, MTL is currently engaging with a potential equity partner to collaborate in the modernisation process which include extending the capability and coverage of its network.

The Company continued to address issues that were seriously affecting the network quality of service which included power supply, cable vandalism and upstream Internet links and working on improving services such as refreshing power systems on some key sites and upstream re-routing for Internet services and connectivity. Some major restructuring initiatives were pended due to the on- going due diligence on the business by the potential partner.

2019 PERFORMANCE HIGHLIGHTS

MTL continued process improvement strategies, as a result operational costs were reduced by 14% to K9.7billion (2018: K11.3billion), gross trade receivables reduced by 31% to K2.2billion (2018: K3.2billion) and all statutory covenants were fully honoured.

Looking ahead, the business remains steadfast in delivering on its strategy by finding a strategic partner and/or internal restructuring so as to remain committed to being purposeful, customer-focused, insights-driven business.



BUSINESS REVIEW ↓ MALAWI TELECOMMUNICATIONS LIMITED

Open Connect Limited (OCL) was incorporated in March 2016 following the unbundling of the fibre optic backbone business from Malawi Telecommunications Limited (MTL). OCL was registered as a special purpose vehicle to operate and manage the national fibre Network.

The Company has the largest fibre optic coverage in Malawi. It provides carrier of carrier, 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 Malawian domestic 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 consists of approximately 3100 kilometres of fibre.

Stella Senti
Chief Executive Officer

BUSINESS COMPOSITION AND MARKET SHARE

OCL's market share in terms of revenue in 2019 was around 55%. The Company owns approximately 40% of the fibre network in Malawi and covers all the country's four regions, and also crosses the border into Tanzania and Mozambique. The lit capacity of the network is 10G in redundant mode in the main backbone routes and 2.5G in redundant mode for the metros and international connectivity. OCL also owns a considerable amount of Access Network and metro network. In 2019, the Company had 14 projects running in parallel and six of them were closed in the year and the remaining nine are still work in progress. The Company is upgrading the whole network to 100Gbps from 10Gbps and the works are expected to be completed in the first quarter of 2020.

BUSINESS AND PERFORMANCE HIGHLIGHTS

During the year the Company audited the whole network and has consequently embarked on rehabilitation works which will be completed in 2020.

Total revenues for the year 2019 were MK6,086. billion, representing 18% growth compared to 2018. EBITDA was at a healthy 56% and 10% higher than 2018. The business made a profit of MK1,338 billion, representing a growth of about 301% compared to 2018.

STRATEGIC DIRECTION

The Company aims to complete the projects that started in 2019 to diversify its product portfolio by introducing more products on the market, thereby increasing revenue streams. With the growth in internet demand now close to 30% access the Company plans to start selling IP transit as well as retail internet to customers via Telecom Operators and ISPs. Both initiatives should start in the year 2020.

Lusubilo Chakaniza
Chief Executive Officer

Commissioned in 1982, EthCo is the pioneer producer of bioethanol for use as a blend component in Malawi's petrol. The Company is currently Malawi's sole producer of food grade Extra Neutral Alcohol for use in the beverage alcohol industry, apart from fuel ethanol and rectified (industrial) spirit. Since 2015, EthCo has been the only Company operating in the country with an Integrated Risk Management System which is certified for Quality (ISO 9001), Environment (ISO 14001) and Occupational Health and Safety (OHSAS 18001) standards, giving it a competitive edge to supply the global market. Downstream, EthCo has an associate company that purifies its raw carbon dioxide for the production of food grade carbon dioxide that meets Coca-Cola specification.

2019 PERFORMANCE HIGHLIGHTS

With a 29% growth in turnover (MK8.134 billion in 2019 vs MK6.288 billion in 2018) and a 687% growth in Operating Profit to MK978 million in FY2019 from a loss position of MK166 million in 2018, the Company bounced back after two years of bearish performance due to statutory closure of its key liquor manufacturing customers.

Despite a significant expenditure related to severance pay after a functional review, a spike in major raw material prices and sales challenges due to post-election uncertainties, the Company turned around due to results from the ongoing Business Process Reengineering interventions which included

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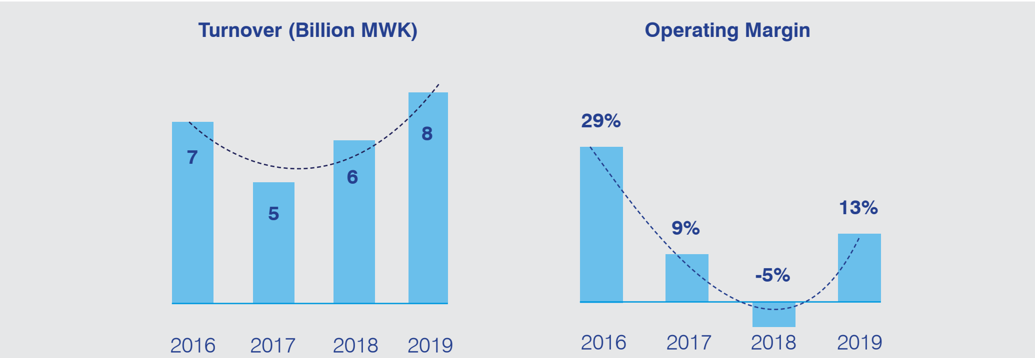
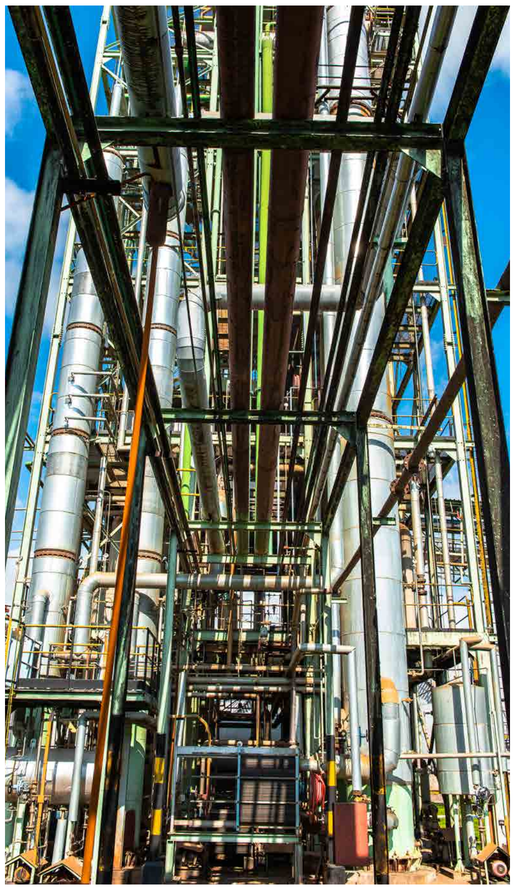


a functional review. The continuous improvement philosophy saw the strengthening of a newly established Value Improvement and Innovation Programme (VIIP) which generated an average of two implemented front-line ideas per person in 2019. Consequently, the business made significant gains in the areas of cost management, capacity utilisation, productivity enhancement and employee empowerment. In addition, the optimization of production and sales mix in response to market forces, enabled the Company to maintain operating margins within acceptable levels.

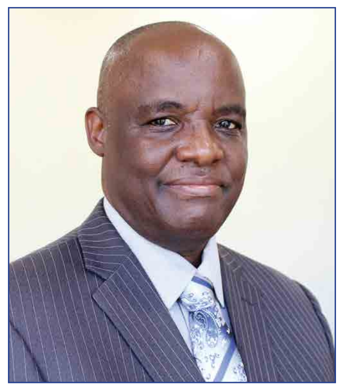


STRATEGIC DIRECTION

With a growth strategy that hinges on, among other things, innovation, the Company will continue to empower employees and create an atmosphere where front line ideas are encouraged and harnessed for the development of the business whilst benchmarking against world class companies in the industry. In line with the strategic plan, the Company's focus on Upstream, Midstream and Downstream manufacturing projects in 2020 will be the foundation for catapulting the revenue base from 2021 and beyond.

OUTLOOK FOR 2020

EthCo is geared up to build on the 2019 successes in 2020 particularly the idea based approach and product diversification to grow revenue and improve efficiencies. A rebranding exercise will be done in the second quarter to increase the level of stakeholder familiarity with the EthCo brand in an effort to drive business growth. Using a holistic Creating Shared Value approach as opposed to just CSR in addressing societal needs, EthCo will maintain its competitive advantage by concentrating its efforts on specific key focus areas that are aligned to the Company's strategy while contributing to the UN Agenda on Sustainable Development. The Company will publicise its sustainability efforts through an annual report that will be available on its website.



Dr Christopher Guta
Chief Executive Officer

PressCane Limited enhanced its position as Malawi's leading producer of fuel ethanol by increasing its market share during the year. There has also been steady growth in the volume of industrial alcohol sold in the market.

PERFORMANCE

Revenue grew by a marginal rate of 3.9% in 2019 mainly due to the 10% below budget price for fuel ethanol which is controlled by Government. Nonetheless, the Company registered an operating profit of MK1,555 billion (2019 - K1.595 billion) representing a 2% decrease. The Company set a record production volume of 17.8 million litres compared to the previous record of 16.7 million litres set in 2019. The record volume went a long way to compensate for the low average price and gross margins for its products. This performance was anchored by the 10% higher than prior year volume of molasses supplied by Illovo Sugar (Nchalo) and the increase in daily production throughput facilitated by the Plant Upgrade Project of 2017 which resulted in increasing plant capacity from 60 to 90 thousand litres per day. Operational efficiencies continued to hold ground as unit cost of production grew in line with national inflation.

2019 HIGHLIGHTS

- A new record was set when production volume moved to 17.8 million litres from the previous record of 16.7 million set in 2018.
- Sales volumes also were at an all-time high of 17.6 million litres, up from 17.1 million in 2018.
- Received a record setting volume of molasses of 75,695 tons up from 65,961 tons in 2018.
- Attained accreditation as an ISO-certified Company from the South African Certification and Auditing Services (SACAS) for Quality Management Systems (ISO 9001:2015), Environmental Management Systems (ISO 14001:2015); and Occupational Health and Safety Management Systems (ISO 45001:2018).
- Successfully completed establishment of Chisanja Farm Limited, a joint venture (JV) set up with local farmers association to grow sugarcane. During the period, the JV sold 5,293 of the 8,584 tons of sugarcane produced on the farm to Illovo earning, in the process, an appropriate dividend from the subsidiary and contributing about 210 tons to Illovo's molasses output.
- Completed the process of developing a new product: Inksolve that uses industrial spirit as raw material.
- Realized 3.9% growth in nominal labour productivity over 2018 with each employee accounting for MK138,864 million of the gross revenue.
- Remained on track regarding strategic turnaround of the Company in terms of growth of revenue above inflation relative to the loss position reported in 2017 and containment of unit cost of production.

OUTLOOK FOR 2020

The Company is poised for better performance in 2020 anchored by plans to start production earlier than normal due to availability of carry-over molasses. The energy regulator, MERA, has expressed intentions to implement an independent pricing model for fuel ethanol. It is expected that this would safeguard profitability of the Company going forward since the modality of implementation will automatically enforce blending mandates. Management, therefore, envisages further growth in both production and sales volumes which are likely to translate into higher gross revenues and profitability. In addition, better returns in the Company's investment in Chisanja Farm Limited are expected.

STRATEGIC DIRECTION

In tandem with ISO's continuous improvement requirements, the Company is investing in a Zero Liquid Discharge (ZLD) Plant that will come complete with power generation capabilities. This is consistent with its commitment to sustainability principles since the Plant will process effluent, currently disposed into evaporation ponds, to recover water, generate biogas and produce dry solids with fertilizer value. The biogas will be used to generate power thereby enable attainment of higher process efficiencies that are negatively affected by Distillery downtimes emanating from persistent power outages. Growth in the medium term is envisaged to come from increased production volumes to meet increasing demand for fuel ethanol. Consequently, the Company will continue with its efforts of exploring options for increasing availability of feedstock including production of own feedstock, building on the successful establishment of the 100 hectare Chisanja Farm where sugarcane is the main product.

Dr Davis Lanjesi
Managing Director

Puma Energy is a leading distributor of petroleum products in Malawi. The Company is a joint venture with Puma Energy Holdings. Its business is in four segments in the oil Industry namely:

- Retail, where it operates 60 service stations strategically positioned throughout the country
- Commercial segment where it supplies various resellers and industrial customers
- Aviation segment where it operates at Kamuzu and Chileka International airports
- Lubricants segment where it supplies lubricating oils to distributors

MARKET POSITION

Total demand for ground fuels, petrol, diesel and paraffin in 2019 was at 382 million litres, and this was 4% lower than demand for 2018 which was at 399 million litres.

Puma supplies were uninterrupted throughout the year 2019.

BUSINESS AND PERFORMANCE OVERVIEW

The petroleum industry experienced both structural and policy changes that affected profitability. The political demonstrations negatively affected volume performance in the industry despite the temporal spike in demand

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prior to tripartite elections in May 2019. For Puma Malawi, business environment improved only from August 2019.

The following are some of the key developments in the year:

- There was no industry margin increase in the whole year of 2019.
- The industry regulator implemented a new transport refund model where Oil Marketing companies claim for recovery of transport costs for Retail Customers. The claim is only applicable to distances of 20kms from the storage facilities. No refunds were made for deliveries to commercial customers regardless of distance. This effectively reduced the wholesale margin for the industry.
- Increased number of new retail sites in the industry.
- Total full year 2019 Gross Revenue at MK106 billion was 21% below budget of MK135 billion, and 8% below Prior year, which was at MK116 billion.
- Total sales volumes at 132 million litres were 18% below budget of 160million litres, and 9% below prior year, which was at 144 million litres
- Total operating costs at MK4.5 billion were 2% higher than budget of MK4.4 billion, and 11% higher than prior year (MK4.1 billion).
- Net profit after tax at MK3.1 billion was 25% below budget of MK4.1 billion, and 18% below prior year (MK3.8 billion).
- Celebration of the first ever customer service week at all sites aimed at improving customer service.
- Significant increase in sales volume at upgraded service stations.

The volume performance was affected by:

- General reduction in economic activity post the May 2019 elections
- Delays in commencement of new retail projects
- Loss of some service stations to competition following expiry of lease agreements and exorbitant requests by property owners for lease renewals.
- Reduced generator usage by customers on account of more stable electricity supply
- Closure of the main runway at Chileka International Airport for big aircraft

PRIORITIES FOR 2020

The Company will focus on delivery of the 2020 plan and achievement of growth through the following key priority areas;

- Growing the Retail Network to maximize revenue.
- Offering unprecedented customer service and quality standards of operation.
- Embedding the new company values of Customer focus, Agility, Collaboration and leading by examples.
- Safe operations that will ensure no harm to people and the environment.
- Full compliance of all the new regulations introduced by the industry regulator

OUTLOOK FOR 2020

Puma Energy is optimistic of improved performance in 2020. Planned sales volumes at 157million litres represents a growth of 19% on 2019.

Puma will continue to focus on safety, training and accreditation of retail attendants on customer service to attract and retain its customer base.

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Peoples Trading Centre Limited (PTC) is a wholly owned subsidiary of Press Corporation Plc and is the pioneer of retail chain stores in Malawi. PTC was registered in 1973 and is the first local retail chain store to operate in Malawi.

PTC has 40 stores across Malawi with footprint in almost all the districts. The stores trade under the brand names of SPAR, Peoples Metro and Peoples Express. In addition PTC has one Food Lovers Market Store in Lilongwe at the Gateway Mall and its offering focuses on fruits and vegetables.

PERFORMANCE HIGHLIGHTS

PTC continued with its turnaround strategies in 2019 focusing on revenue growth, control improvements and cost control drives. Marked improvements have been made in internal controls and costs reductions. However, challenges continue on the stocking front as a direct result of severe undercapitalization of the Company. Efforts are underway to address this challenge.

James Madondo
Chief Executive Officer

There was a decline and disruptions in demand for supermarket products due to various factors including the general elections and post elections demonstrations.

PTC raised a Corporate Bond in September 2019 amounting to K7.5 billion with the aim of restructuring and consolidating various bank debts to reduce finance costs and improve working capital position as a stop gap measure to recapitalize the Company, boost up revenue and achieve profitability in a sustainable manner.

STRATEGIC DIRECTION

Going forward, the Company is focusing on a segmented market approach by offering tailored services to targeted markets. SPAR Brand and Food Lovers Market Store for medium to up-market customers, Metros targeting and offering products and services for the mass markets across the country and Express Shops focusing on offering convenience services to its customers.

Discussions are underway with the shareholder to inject equity into the company in line with a retail/super market business model, to further reduce finance costs that have hitherto constrained its operations over the years. The focus of the Company remains appropriate stocking for the market, offering conducive trading environments through hygiene shops, refurbishing urban shops to be at par with international brands and effective management of working capital to achieve business growth.

OUTLOOK

The prospects of 2020 look promising. The rainfall pattern has been good and the country expects good harvest in the year 2020 which should increase disposable incomes. Inflation rates and interest rates are also expected to remain stable. These factors are expected to boost up the retail trade post harvesting period and we expect that the market will grow in line with the GDP growth rate.

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

Ricky White
Managing Director

PERFORMANCE HIGHLIGHTS

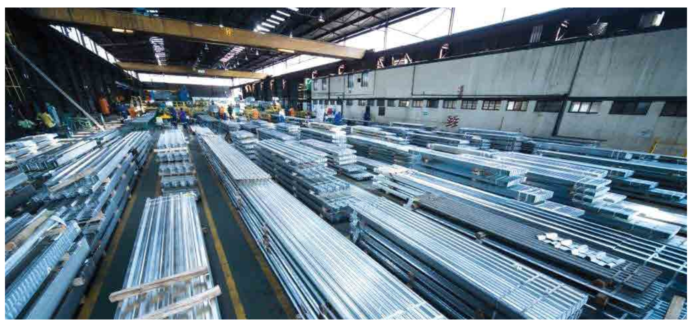
Sales volumes were down 15% on budget as construction and infrastructure development stalled. Business activities slowed down due to uncertainty created by pre and post 21st May, 2019 General Elections developments. These developments watered down the economic gains in macroeconomic management. Consequently the company registered a 20% lower than budgeted profit of K 555 million.

STRATEGIC DIRECTION

In a drive to increase volumes in 2020, the company will introduce three new roofing products and add additional sales outlets to its current branch network.

OUTLOOK

The year 2020 may also be a difficult year as uncertainties from the election case continue, especially in the first half of the year.



Hervé Milhade
Managing Director

Castel Malawi Ltd is the leading producer and distributor of alcoholic and non-alcoholic beverages in Malawi. For 50 years, Castel Malawi (formerly Carlsberg Malawi Ltd) has supplied the Malawi market with global brands such as Carlsberg beer and Coca-Cola. It is also well known for Castel Beer, Malawi Gin and Sobo Squash.

Castel Malawi is 80% owned by the Castel Group, a French beverages company founded in 1949, by Pierre Castel, while 20% is owned by Press Corporation plc. The Castel Group is the number 3 wine producer in the world, the number 2 producer of beer and soft drinks in Africa (excluding South Africa), with a presence in 23 countries on the continent, 85 breweries and 120 soft drinks plants.

Castel Malawi operates from 2 production sites in Blantyre and Lilongwe with five main production lines producing beer, soft drinks and spirits in Glass and PET. The distribution model comprises 10 primary depots and 55 distributors across the country.

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MARKET POSITION

Castel Malawi continues to be the leading beverage producer in Malawi with its beer brands which include Castel beer, Carlsberg Green, Special Brew, Chill and local power brand Kuche-Kuche. The soft drinks range includes Coca-Cola, Fanta, Sprite, Sobo CSD and Squash, and Quench still water. The spirits range includes the iconic Malawi Gin, Malawi Vodka, Powers Brandy, Powers No. 1 and Premier Brandy. Castel Malawi holds 94% of the market share of the clear beer market, 48% of the soft drinks market and 16% of the water market. Amongst the spirits, Malawi Gin is the best seller and is an export product.

2019 PERFORMANCE HIGHLIGHTS

Overall, the business suffered a lot in terms of margins due to volatile political environment, high production costs and increased excise taxes ratio.

The Company recorded a drop in volume of 9.2% in 2019 compared to 2018 after several years of continuous decline. The Company however achieved an increase in beer volumes of 8.5% mainly due to the price reduction promotion on Carlsberg beers dubbed "Watsika". Soft drinks and Water volumes went down by 13% and 22% respectively. These decreases are mainly attributed to:

- Uncertainty in the political environment
- Low disposable incomes
- The growing presence of informal imported drinks through smuggling. This resulted in the company losing some market share.
- The withdrawal of the best-selling orange squash from the market for a period of 11 months due to the presence of what was deemed to be a non-authorized additive in the product; and
- An increase in the selling prices for spirits due to increase in excise duties.

In 2019, Castel Malawi discontinued the production of some products or formats due to low levels of sales. These products included Stout beer, SOBO minerals in PET 500ml, Juices and Wines

STRATEGIC DIRECTION

- Product Quality - the Company will increase its focus on the quality of Castel Malawi's products on the market to meet customer and consumer expectations
- New Distribution Model - the Company will change its distribution model across the country, aiming at excellence in execution, availability and visibility in 100% outlets.
- Organization Adjustment – this aims at streamlining efficiencies in the Company's operations across the value chain. It includes restructuring and a complete job evaluation and regrading.
- Product innovation – in pursuit of continued growth and customer satisfaction, the Company will focus on product innovation.

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

Martin Chimangeni
General Manager

2019 PERFORMANCE HIGHLIGHTS

The Company managed to secure quality property management contracts with reputable institutions. The rental space for third party clients has doubled compared to 2018.

The Company reported an increase of 60% in profit before tax to MK1, 861 million (2018: MK1,166 million).

The Company experienced challenges in vacancy rates mainly in the residential portfolio owing to the state of the economy. The vacancy rates started dropping towards Q4 as rental rebate incentives were introduced.

STRATEGIC DIRECTION

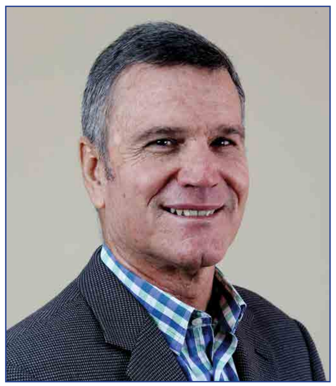
Press Properties Limited has developed a new strategic plan for the next five years which will see the company grow by investing in new developments and getting involved in collaborative real estate developments with reputable clients.

OUTLOOK FOR 2020

2020 is the first year implementing the new strategic plan which emphasises on measures to improve quality of service to ensure client retention and growth. We will also spend some significant time undertaking feasibility studies and planning of projects we are prospecting to ensure that we attain the sustainable growth path envisaged in the strategic blue print. The plan also envisages a recapitalisation of the company during the planning period.

Limbe Leaf Tobacco Company Limited procures and packs tobacco leaf 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.



Donal MacAlpine
General Manager

2019 PERFORMANCE PERFORMANCE

The Company purchased 27% of the crop during the year. Factory processing volumes were 23% lower than the previous year following a reduced national crop. In the middle of the shipping season, Malawi tobacco was subject to Withhold and Release Order (WRO) by US Customs and Boarder Protection Agency, pending verification that the tobacco was produced in compliance with International Labour Organisation (ILO) standards hence about 2,380 tons was yet to be cleared and invoiced. Pre-tax profits therefore decreased by 11% to K11.8 billion as compared to K13.2bn in the previous year.

The Company's sustainability initiatives included a comprehensive forestry program implemented during the year which saw the planting of 250 hectares and 150 hectares of trees under the company's smallholder and commercial forestry programmes respectively, and the building of 700 houses by the parent company Universal Leaf for some farmers in selected tobacco growing areas. The forestry programmes and other related initiatives aim at progressively matching and exceeding wood use in the production of its leaf tobacco purchases.

2020 OUTLOOK

It is expected that the tobacco crop in 2020 will drop by 16% compared to the 2019 crop. Factory consolidation in line with envisaged continuing declining crop output will be implemented in the first half of 2020 through the relocation of the Limbe factory to Lilongwe.

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Andrew Santhe
General Manager

The Foods Company Limited (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 entity and large scale producer of tilapia in Malawi. Maldeco Fisheries, the trawling arm of the Company, and Maldeco Aquaculture which produces farmed tilapia in circular floating cages, are the two active divisions of the Company.

2019 PERFORMANCE HIGHLIGHTS

Performance continues to improve, albeit slower than planned. Loss after tax reduced to K1.6b from K2.1b, on account of aggressive restructuring of the Company which aimed at keeping costs in check while pursuing various investments to enhance revenues. Improvements of equipment in the Capture Fisheries division were completed in 2019, mainly in the area of vessel reconditioning and procurement of new trawling equipment. The Company however expects to enjoy significant benefits of the investment programmes from 2020 onwards due to long lead times.

RECAPITALISATION

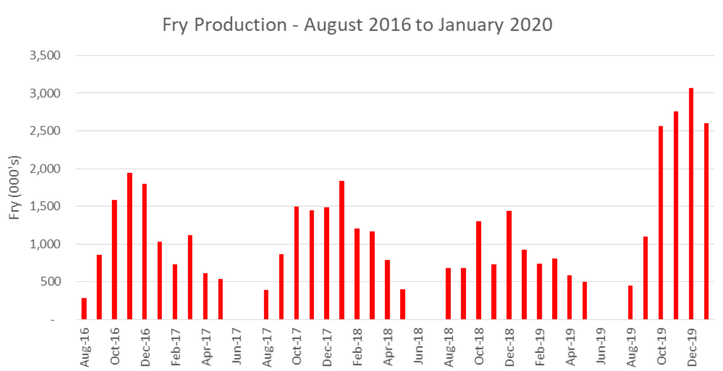
In 2019, the Shareholder approved a recapitalisation of the Company to the tune of K3 billion. This was meant to assist the Company in the following areas; legacy loan repayments, reconditioning of fishing vessels, procurement of trawling equipment, plant and machinery for expansion in Aquaculture operations, security facilities, feasibility studies for setting up of a new processing plant and feed mill. For the processing plant, shareholder's investment will be augmented with a matching grant secured from UNCDF totalling $800,000. Commissioning of the processing plant is planned for end 2021.

For the Aquaculture production capacity expansion, a total of 100 new fry tanks were constructed in 2019 and these are operational.

In addition, a total of 40 new breeding ponds were also constructed in 2019 and were put into operation the same year.

The expanded production capacity at the Hatchery has already started to positively impact the results in Aquaculture as evidenced by the increase in fry production.

In addition, 20 new cages will be put into operation in 2020.



OUTLOOK FOR 2020

The Company has now a good foundation as a result of increased capacity in fry and fingerling production. It is anticipated that by end April 2020, the Company will achieve 100% stocking of all its 64 cages bringing into sight achievement of its harvest plan of 1,155 tons for 2020.

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 hence the need to grow the Company's presence in this market. Speedy growth of volumes and market share is also imperative in the face of potential threat from competition. This growth should in future come from Aquaculture, the company's focus area, as capture fisheries from Lake Malawi continue to shrink every year.

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

CORPORATE SOCIAL RESPONSIBILITY ↓

Over
MK700
million
invested

Recognizing that Press Corporation Plc does not operate in a vacuum, the Group continues to be actively involved in supporting the wishes and aspirations of the Malawian people. Through social investment programs, the Group has invested over MK700 million in diverse areas such as sports; education, health, water and sanitation and the environment. At Corporate Office, PCL supported national efforts of providing temporary shelter and food to victims of flush floods in the southern district of Chikwawa. This was in response to the Government's declaration of a State of Disaster following unprecedented floods that devastated parts of the country that Cyclone Idai caused.

INTEGRITY

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

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

EMPLOYMENT EQUITY

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

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

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

HIV/AIDS POLICY AND STAFF WELLNESS

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

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

In its pursuit of providing fully the individual needs of its employees, PCL organizes annual wellness day activities during which employees are trained and counseled on various matters relating to their health, including nutrition, physical exercise and non-communicable and communicable diseases. This year's special focus was on mental health. An awareness seminar was held where staff were sensitized on how to handle mental health challenges and situations in the workplace and at home, with the ultimate goal of addressing social stigma associated with mental health.

ENVIRONMENTAL MANAGEMENT

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

Members of staff are encouraged to "reduce, re-use and re-cycle" paper.

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

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

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 on-going exercise carried out by most of the Group companies as one way of addressing environmental degradation. Recently, collaborations are being encouraged whereby Group companies team up with other organizations to ensure multisector efforts in tree planting exercises, thereby increasing the number of trees planted and their improved survival rates. During the year, National Bank of Malawi in collaboration with the Malawi Defence Forces, Changalume Barracks, planted over 30,000 trees on the slopes of Zomba plateau. Similarly, PUMA continued with its popular annual tree planting program that it carries out together with the Kabula Press Club. On its part, Limbe Leaf Tobacco Company has for the past couple of years been involved in a reforestation program dubbed "Dzalani Balani" (Live Barn) with the ultimate goal of replacing trees that are cut down as a result of the growing of tobacco. During the year, Limbe Leaf planted trees covering over 194 hectares under the said reforestation program. PCL will continue to take a leading role in the preservation of the environment.

COMMUNITY AND SOCIAL ENGAGEMENT

As a responsible corporate citizen, the Group and its subsidiaries aim to give back to the community by engaging in various corporate social responsibility activities. During the year, Corporate Office extended its hand of support to various causes aimed at helping the disadvantaged members of our society. In particular, PCL provided support to the rehabilitation of a center that houses HIV-AIDS affected children in Bangwe, Blantyre.

GOVERNANCE AND LAW REFORM

During the year, PCL partnered with the Employers Consultative Association of Malawi (ECAM) in contributing to the sponsorship of 43rd Eastern, Central and Southern African Employers' Organizations (ECSAEO) Conference that was organized by ECAM at Bingu International Conference Center which brought together employers organizations in the regions to discuss labour related issues that facilitate sustainable enterprises. As one of the major progressive employers in the country, PCL supports reforms that are aimed at aligning the employment industry in Malawi with international best practices.

ANTI-CORRUPTION

PCL conforms to Principle Ten of the UN Global Compact and the Business Action Against Corruption (BAAC) which state that businesses should fight corruption in all its forms, including extortion and bribery. The principle gives guidelines for companies to proactively develop policies and concrete programs to address corruption internally and within their supply chains.

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

CORPORATE **GOVERNANCE**

BOARD OF DIRECTORS

The Board of Directors has the ultimate responsibility of setting the direction of the Group through the provision of oversight over the execution of strategic objectives and key policies by management in compliance with applicable legislation, regulations and governance codes for Malawi. The Board meets a minimum of four times in a year. During the year under review, the Board held four regular meetings in March, June, August and November 2019. It held one special meeting in February 2019.

At 31 December 2019 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. One director is appointed by the Shareholders on nomination of the Board. These appointments are in accordance with the Company's Articles of Association. At 31 December 2019 Press Trust and Old Mutual Group owned 46.23% and 14.2% respectively of the shares in the Company. Executive Directors are appointed by the Board from members of Executive Management. During the period under review, Mr Barron retired from the Board in July, having served on the Board for over 18 years. He was replaced by Mr Malata.

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
vi. Companies (Corporate governance) Regulations 2016

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

The names of the executive and non-executive directors in office as at 31 December 2019 and at the date of this report are set out on Page 53.

Board Meetings – Meeting Attendance

Member	1 Feb	29 March	10 Jun	23 Aug	27 Nov	
Mr P W Khembo	✓	✓	✓	✓	✓	100%
Mrs E W Nuka	✓	✓	✓	✓	✓	100%
Mr A B Chidyaonga	✓	✓	✓	✓	✓	100%
Mr G Ngalamila	✓	✓	✓	✓	✓	100%
Mr J Nsomba	✓	✓	✓	✓	N/A	80%
Mr S Malata	N/A	N/A	N/A	✓	✓	40%
Dr G B Partridge	✓	✓	✓	✓	✓	100%
Mr J Biziwick	✓	✓	✓	✓	✓	100%
Former Director						
Mr A G Barron	✓	✓	✓	N/A	N/A	60%

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

BOARD COMMITTEES

APPOINTMENTS AND REMUNERATION COMMITTEE

The Committee comprises three non-executive directors. Mr Barron was the chairperson of the Committee until his retirement in July 2019. The Committee is currently chaired by Mr S Malata. Members of Executive Management also attend the Committee's meetings on invitation.

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

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

Appointments And Remuneration Committee Meetings – Meeting Attendance

Member	25 March	10 June	19 Aug	24 Nov	
Mr. A B Chidyaonga	✓	✓	✓	✓	100%
Mrs E Nuka	✓	✓	✓	✓	100%
Mr S Malata	N/A	N/A	N/A	✓	25%
Dr G Partridge	✓	✓	✓	✓	100%
Mr J Biziwick	✓	✓	✓	✓	100%
Former Director					
Mr. A G Barron	✓	✓	N/A	N/A	50%

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

FINANCE, AUDIT AND INVESTMENT 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 four times: in March, June, August and November.

Audit Committee Meetings – Meeting Attendance

Member	25 March	10 Jun	19 Aug	25 Nov	
Mrs Nuka	✓	✓	✓	✓	100%
Mr G Ngalamila	✓	✓	✓	✓	100%
MR J Nsomba	✓	✓	✓	✓	100%
Dr G Partridge	✓	✓	✓	✓	100%
Mr J Biziwick	✓	✓	✓	✓	100%

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

INTERNAL AUDIT

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

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

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

INTEGRITY

Directors' interests in contracts

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

CORPORATE GOVERNANCE

Remuneration of Non-Executive Directors

The Board has adopted a Policy on Directors' Remuneration that provides a framework within which remuneration for non-executive directors is paid. The Policy guides the Company in the review and payment of Directors' fees, sitting allowances and refunds of travel and accommodation expenses where appropriate.

Trading in company securities

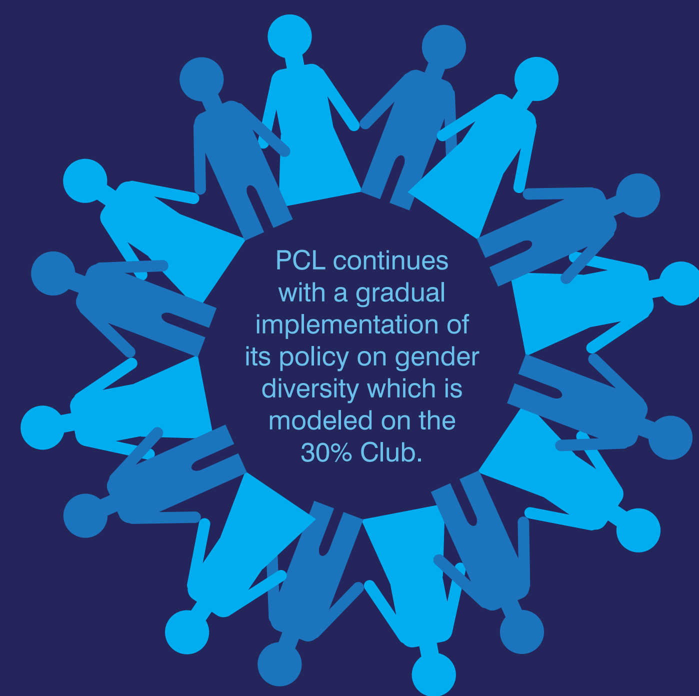
Trading in the Company's securities on the Malawi Stock Exchange continues to be governed by a Share Trading Policy, a mechanism to guard against insider trading by all employees and directors.

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.



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PROFILE OF DIRECTORS

Patrick W. Khembo
Director (65)
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 Chemicals and Marketing Company Ltd following a management buyout that was carried out as a result of voluntary liquidation of ICI Malawi Ltd. 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 (60)
HND Bus
DIRECTOR

Appointed to the Board on 29/08/2000. Retired on 18/07/2019

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.

Arthur Ben Chidyaonga (63)
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. Mr. Chidyaonga has also sat on various Professional boards including chairing the board of National Construction Industry Council of Malawi (NCIC),a board responsible for regulating, and development of the construction industry in Malawi.

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Estelle Wongani Nuka (54)
MBA, FCCA, CPA(M), B.Com
DIRECTOR
Appointed to the Board on 27/05/2016

Mrs Nuka is a chartered accountant with extensive experience in financial management and accounting. She is a Financial Management Consultant, Certified Trainer, Life & Executive Coach and 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).

Gibson S. Ngalamila (39)
ACIS, ICSA, FCCA, B.Acc, CA
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, including Press Agriculture Limited and Continental Holdings Limited (CHL).

Stewart Malata (57)
MSc, Bcom (Acc.)
DIRECTOR
Appointed to the Board on 18/07/2019

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

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

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

Jim Nsomba (58)
B.Com, FCCA, CA (M)
DIRECTOR
Appointed to the Board on 24/08/2018

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

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

Dr George Partridge (56)
B.Soc.Sc, (Econ), MSc (Finance),
FCCA, CA(M), Ph.D
EXECUTIVE DIRECTOR
Appointed to the Board on 24/11/2016

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 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. 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 (61)
B.Soc Sc (Economics), Msc (Economics)
EXECUTIVE DIRECTOR
Appointed to the Board on 27/11/2015

Mr Biziwick was born on 13th June 1958. He 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.

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PROFILE OF MANAGEMENT

Dr George Partridge (56)
B.Soc.Sc, (Econ), MSc (Finance), FCCA, CA(M), Ph.D
Executive Director
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. 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 (61)
B.Soc Sc (Economics), Msc (Economics)
Executive Director
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) (51)
MBL, FCCA, CPA(M), BCom.
GROUP FINANCIAL CONTROLLER

Mrs 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 (47)
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.

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CONSOLIDATED AND SEPARATE **FINANCIAL STATEMENTS**

For the year ended 31 December 2019

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The Directors have pleasure in presenting their report together with the audited consolidated and separate financial statements of Press Corporation plc for the year ended 31 December 2019.

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 (2018: K25 million) divided into 2,500,000,000 Ordinary Shares of K0.01 each. The issued and fully paid capital is K1.2 million (2018: K1.2 million) divided into 120,255,713 (2018: 120,255,713) fully paid Ordinary Shares of K0.01 each.

The shareholding structure at year end was as follows:-

	2019 %	2018 %
Press Trust	46.23	45.45
Old Mutual Life Assurance Company Limited	16.71	15.84
Standard bank of South Africa nominees ITF northen trust global services	6.60	-
Deutsche Bank Trust Company America	1.06	18.88
Others	29.40	19.83
	100.00	100.00

5. DIVIDENDS

The net profit attributable to owners of the Company for the year of K8.2 billion (2018: K18.4 billion) has been added to retained earnings. The directors have proposed a final dividend for the year 2019 of K2.4 billion (2018: K2.4 billion) representing K20.00 per share (2018: K20.00) to be tabled at the forthcoming Annual General Meeting.

6. DIRECTORATE AND COMPANY SECRETARY

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

Mr. 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
Mr. J Nsomba	Director	Throughout the year	Non-executive
Mr. G Ngalamila	Director	Throughout the year	Non-executive
Mr. A Barron	Director	Up to August 2019	Independent non-executive
Mr. S Malata	Director	From August 2019	Independent non-executive
Mr. B Ndau	Company Secretary	Throughout the year	

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 2019			
Press Corporation plc	130	962	1,092
Telekom Networks Malawi plc	118	203	321
National Bank of Malawi plc	286	720	1,006
The Foods Company Limited	28	-	28
Malawi Telecommunications Limited	27	109	136
Presscane Limited	43	-	43
Press Properties Limited	23	-	23
Ethanol Company Limited	30	-	30
Peoples Trading Centre Limited	34	109	143
	719	2,103	2,822
For the year ended 31 December 2018			
Press Corporation plc	118	1,185	1,303
Telekom Networks Malawi plc	105	-	105
National Bank of Malawi plc	211	656	867
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
	566	2,020	2,586

8. DIRECTORS' TENURE POLICY

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

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

Executive Directors serve on the Board by virtue of their offices and their tenure is as per the terms of their contract of employment. 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.

9. DIRECTORS' INTERESTS

The interests of the Directors in office in the shares of the Group and its subsidiaries as at 31 December 2019 is as follows;

Director	Company	Number of shares held (ordinary shares)	
Dr. G Partridge	Telekom Networks Malawi Plc	1,000,000	1,000,000
Dr. G Partridge	National Bank of Malawi	846,507	846,507
Dr. G Partridge	Press Corporation plc	45,000	45,000
Mr. J Biziwick	National Bank of Malawi	2,546	2,546
Mrs. E Nuka	Telekom Networks Malawi Plc	3,000,365	3,500,365

None of the Directors had, during the year ended 31 December 2019 (2018: 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 K204 million (2018: K183 million) as shown below;

	2019 K' million	2018 K' million
Malawi Telecommunications Limited	-	3
Telekom Networks Malawi plc	105	96
National Bank of Malawi plc	80	59
Peoples Trading Centre Limited	-	11
Ethanol Company Limited	7	11
Presscane Company Limited	10	-
Press Corporation plc	2	3
	204	183

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 2020 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:

12. AUDITORS REMUNERATION (CONTINUED)

Entity	Financial Audit K' million	Half year results review K' million	Tip-offs anonymous K' million	Agreed upon procedures K' million	Tax services K' million	Total K' million
For the year ended 31 December 2019						
Press Corporation plc	92	33	2	-	64	191
Telekom Networks Malawi plc	164	17	5	-	-	186
National Bank of Malawi plc	210	15	4	-	-	229
The Foods Company Limited	22	4	3	-	-	29
Malawi Telecommunications Limited	59	8	3	-	-	70
Presscane Limited	29	6	3	-	-	38
Press Properties Limited	17	-	2	-	-	19
Ethanol Company Limited	18	6	2	-	-	26
Peoples Trading Centre Limited	35	5	5	-	-	45
	646	94	29	-	64	833
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
	542	84	21	4	11	702

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 14 of the consolidated and separate financial statements.

14.1 Subsidiaries corporate governance

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

14.2 Subsidiaries board of directors

During the year ended 31 December 2019, none of the subsidiary company directors had an interest in any material contract relating to the businesses of the subsidiaries.

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

Subsidiary	Directors	Tenure	Directors Interest in shares of the subsidiary
National Bank of Malawi plc	Dr. G Partridge Mr. E Kambalame Mr. M Kawawa Mrs. E Mafeni Mrs. M Kachingwe Mr. J Mhura Mrs. B Nyirenda Mr. J Biziwick Mr. H Jiya Mr. R Banda Mr. J Nsomba Mrs. D Ngwira Mr. C Mzengereza Mrs. Z Mitole	Chairman Up to 15 May 2019 All year All year All year All year From 15 May 2019 All year All year All year All year All year From 15 May 2019 All year – Company secretary	846,507 (2018: 846,507) None 113,255 (2018: 113,255) None 1,935 (2018: 1,935) None None 2,546 (2018: 2,546) 2,306 (2018: 2,306) None 758 (2018: 758) None None None
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 of Malawi 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 Mr. M Buitelaar Mrs. C Mwansa	All year – chairman All year – vice chairman All year All year All year All year All year All year From April 2019 All year – Company secretary	None of 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. Total shares held indirectly amounts to 582,850,000 and 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 Mr. T Chavura	All year – Chairman All year All year All year All year All year All year Company secretary – up to March 2019 Company secretary – from April 2019	None of the Directors had interest in shares of Ethanol Company Limited
Presscane Limited	Mr. P Mulipa Mr. R R Patel Mr. J Korea-Mpatsa Mrs. R. Chitera Mr. B Ndau Mr. K Tembo Mr R.L. Patel Mrs. C Chihana	All year – chairman All year All year All year All year All year All year All year – Company secretary	None of the Directors had interest in shares of Presscane Limited except for Mr. R R Patel who had 49.9% indirect interest in shares of the company through his other business interest – Cane Products Limited.

Subsidiary	Directors	Tenure	Directors Interest in shares of the subsidiary
Peoples Trading Centre Limited	Dr. G Partridge Mr. J Biziwick Mrs. E Mafeni Mr. J Evans Mr. J Madondo Prof. J Khomba Mr. P Mulipa Mr. J Kamsesa Dr. Mrs. R Bakuwa Mr. R Kunjawa	Chairman–all year All year 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 of Peoples Trading Centre Limited
Press Properties Limited	Mr. J Biziwick Mr. G Chipungu Dr. C. Silungwe Mr. F Tukula Mrs. B. Mahuka Ms. M Mbeye Mr. A Mando	All year – Chairman All year All year All year All year All year Company secretary - All year	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 Ms. M Mbeye Mr. A Sesani Mr. B Ndau Mr. A Mando	All year – chairman All year All year All year All year Up to July 2019 From July 2019 All year All year Company secretary – All year	None of the Directors had interest in shares of The Foods Company Limited

………………………………
Chairman

………………………………
Group Chief Executive

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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 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2013.

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

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

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

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

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

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

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

Approval of the financial statements

The financial statements of the Group and Company, as indicated above, were approved by the board of Directors on 27th March 2020 and are signed on its behalf by

……………………………….. ……………………………………

Chairman Group Chief Executive

Deloitte.

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Blantyre
Malawi

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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 66 to 170, which comprise the consolidated and separate statements of financial position as at 31 December 2019, 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 2019, 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 Financial Statements section of our report. We are independent of the Group in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants Code of Ethicsfor Professional Accountants(Revised July 2016), parts 1 and 3 of the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (Revised July 2018) andother independencerequirements applicable toperforming audits offinancial statements in Malawi. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matter (Separate financial statements)	How the matter was addressed in the audit
Valuation of unlisted equity investments	
Unlisted equity investments are carried at fair value in the separate financial statements. Revaluation of these investments is done at the end of every financial year. The valuation methods adopted as well as the valuations are disclosed in note 14, 15 and 16. The total value of these unlisted investments is K112 billion (2018: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 D. Moyo, a registered valuer of NICO Asset Managers 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 valuation 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
Determination of Expected Credit Losses(ECL) for loans and advances	
The Group exercises significant judgement using subjective assumptions over both when and how much to record expected credit losses, and estimation of the amount of the impairment provision for loans and advances. Because loans and advances form a major portion of the Group's assets, and due to the significance of the judgements used in classifying loans and advances into various stages stipulated in IFRS 9 Financial Instruments and use of complex specialised models in determining related provision requirements, this was a matter of significance to the audit. As at 31 December 2019, the gross loans and advances to customers were K175.8 billion (2018: K149.1 billion) against which expected credit losses of K11.1 billion (2018: K6.3 billion) were recorded. This is disclosed in note 17. (Loans and advances) to the financial statements. The impairment provision policy is presented in accounting policies in note 3 to the financial statements. Loans and advances are stated at amortised cost net of identified impairment losses	We obtained an understanding of the Group's key credit processes comprising granting, booking, monitoring and provisioning and tested the relevant internal controls over impairment of loans and advances. We examined a sample of exposures and performed the following procedures: • Evaluate timely identification of exposures with a significant deterioration in credit quality; and • For exposures determined to be individually impaired, we examined management's estimate of future cash flows, assessed their reasonableness and checked the resultant provision calculation. For provision against exposures classified as Stage 1, Stage 2 and Stage 3, we obtained an understanding of the Group's provisioning methodology and assessed the reasonableness of the underlying assumptions and the sufficiency of the data used by management. Our procedures in this regard are discussed in further detail below.

Key Audit Matter (consolidated financial statements)	How the matter was addressed in the audit
Determination of Expected Credit Losses(ECL) for loans and advances (Continued)	
	With respect to impairment methodology, our audit procedures comprised the following; • We read the Group's IFRS 9 based impairment provisioning policy for loans and advances and compared it with the requirements of IFRS 9; • With the involvement of our credit specialist, we reviewed changes in methodology and assumptions underlying the IFRS 9 impairment model. We further performed procedures to ensure the competence, objectivity and independence of the Group's Consultant; • We reviewed the appropriateness and compliance with IRFS 9 regarding the methods used to determine ECL. We validated the data that was used to compute ECL; • 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 models by the Group to determine impairment provisions; • For forward looking assumptions used by the Group in its ECL calculations, we held discussions with management and corroborated the assumptions used to publicly available information; • We checked the appropriateness of determining Exposure at Default (EAD), Loss Given Default (LGD) and Probability of Default (PD); • We checked the completeness of the loans and advances as of 31 December 2019; • We understood the theoretical soundness and tested the mathematical integrity of the Model; • We checked consistency of various inputs and assumptions used by management to determine impairment provisions; and • We performed a quantitative impact assessment, based on the Group's data using our standard approaches to determine the underlying assumptions (PD, LGD and EAD) and ECL and compared to the balance in the general ledger. We found that the judgements applied in determining expected credit losses against loans and advances were appropriate and that the amount raised was adequate.

Key Audit Matter (Consolidated financial statements)	**How the matter was addressed in the audit**
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 2019. 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 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.	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; • We obtained downloads of information recorded in the group's billing system and by using advanced data analytics mirror the dynamic, intelligent tariff regimes to independently compute the income for the selected months of the year and thus assess the completeness and accuracy of the figures in the revenue reports. • Performed analytical reviews for the remaining months not selected in the procedure above by developing an expectation using total revenue for the recalculated period; • Assessed whether revenue was recorded in the correct period; • Obtained a contract liabilities reconciliation for the expected contract liabilities as at period end and tested the accuracy and completeness of the reconciling items; • Re-computed contract liabilities from Intelligent Network data using Computer Assisted Audit Techniques (CAATS); and • Checked that contract liabilities in the billing system are being reconciled to the records. Based on the work performed, we concluded that revenue was properly recorded.

Key Audit Matter (Consolidated financial statements)	**How the matter was addressed in the audit**
Revenue recognition in the telecommunication segment (Continued)	
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 contract liabilities balance which is disclosed in note 33 has been assessed to be in accordance with the revenue recognition policies.	
Goodwill impairment assessment	
As disclosed in note 11, the carrying value of goodwill was K5 billion as at 31 December 2019. 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 • Involved a specialist to assist with the testing of 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 2019. 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 appropriate.

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Other Information

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

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

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

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

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

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

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

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

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

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

Chartered Accountants

Nkondola Uka
Partner

16th April 2020

In millions of Malawi Kwacha

Assets	Notes	Group 2019	Group 2018	Company 2019	Company 2018
Non-current assets					
Property, plant and equipment	8	123,460	113,574	758	572
Right-of-use assets	9	8,942	-	55	-
Biological assets	10	69	76	-	-
Goodwill	11	4,974	4,974	-	-
Intangible assets	12	18,573	17,716	210	218
Investment properties	13	9,592	7,810	390	231
Investments in subsidiaries	14	-	-	265,662	226,896
Investments in joint ventures	15	7,639	7,049	22,922	21,160
Investments in associates	16	41,055	42,063	57,956	56,566
Loans and advances to customers	17	84,554	57,538	-	-
Finance lease receivables	18	15,494	16,179	-	-
Contract asset	24	559	303		-
Long term receivable - other	19	1,573	1,403	1,473	1,403
Other investments	20	52,362	19,315	3,963	6,069
Deferred tax assets	21	10,084	9,412	-	-
Total non-current assets		378,930	297,412	353,389	313,115
Current assets					
Inventories	22	8,532	10,337	12	19
Biological assets	10	591	684	-	-
Loans and advances to customers	17	80,154	85,308	-	-
Finance lease receivables	18	1,636	1,635	-	-
Other investments	20	127,574	131,578	-	-
Trade and other receivables – Group companies	23	-	-	2,007	1,970
Trade and other receivables – other	24	27,895	28,900	1,000	243
Assets classified as held for sale	25	1,574	414	-	-
Income tax recoverable	26	1,585	1,524	299	357
Cash and cash equivalents	27	58,934	64,581	2,432	5,056
Total current assets		308,475	324,961	5,750	7,645
Total assets		687,405	622,373	359,139	320,760
Equity and liabilities					
Equity					
Share capital	28	1	1	1	1
Share premium		2,097	2,097	2,097	2,097
Other reserves	29	52,163	51,036	249,257	226,024
Retained earnings		103,139	97,778	25,920	24,691
Total equity attributable to equity holders of the company		157,400	150,912	277,275	252,813
Non-controlling interest		78,063	68,163	-	-
Total equity		235,463	219,075	277,275	252,813
Non-current liabilities					
Loans and borrowings	30	37,946	47,386	8,150	8,217
Lease liabilities	9	6,176	-	23	-
Contract liabilities	33	119	141	-	-
Deferred tax liabilities	21	5,521	4,560	67,916	53,711
Total non-current liabilities		49 762	52,087	76,089	61,928
Current liabilities					
Bank overdraft	27	7,986	6,212	4,251	3,782
Loans and borrowings	30	16,152	4,232	-	221
Lease liabilities	9	3,316	-	58	-
Provisions	31	4,049	4,568	262	970
Income tax payable	32	6,448	3,477	130	104
Trade and other payables	33	48,750	39,666	1,007	895
Trade and other payables – Group companies	34	-	-	67	47
Customer deposits	35	315,479	293,056	-	-
Total current liabilities		402 180	351,211	5,775	6,019
Total liabilities		451,942	403,298	81,864	67,947
Total equity and liabilities		687,405	622,373	359,139	320,760

The financial statements of the Group and Company were approved for issue by the Board of Directors on 27th March 2020 and were signed on its behalf by:

………………………………………
Mr. P. Khembo

………………………………………
Dr. G.B Patridge

The notes on pages 72 to 170 are an integral part of these consolidated and separate financial statements.

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CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

In millions of Malawi Kwacha

		Group		Company	
	Notes	**2019**	**2018**	**2019**	**2018**
Continuing operations					
Revenue	36	220,066	214,420	10,885	10,517
Direct trading expenses	37	(82,440)	(88,379)	-	-
Gross profit		137,626	126,041	10,885	10,517
Other operating income	38	5,830	14,471	414	248
Distribution expenses	39	(2,295)	(3,283)	-	-
Administrative expenses	40	(95,116)	(86,786)	(4,523)	(5,270)
Results from operating activities		46,045	50,443	6,776	5,495
Finance income	41	1,614	2,326	373	933
Finance costs	41	(8,877)	(5,476)	(1,799)	(1,395)
Net finance costs		(7,263)	(3,150)	(1,426)	(462)
Share of results of equity-accounted investees	42	3,415	4,995	-	-
Profit before income tax		42,197	52,288	5,350	5,033
Income tax expense	43	(17,510)	(15,584)	(994)	(983)
Profit from continuing operations		24,687	36,704	4,356	4,050
Discontinued operations					-
Profit from discontinued operations (net of income tax)		71	9	-	-
Profit for the year		24,758	36,713	4,356	4,050
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss:					
Gain on property revaluation		3,597	5,792	174	-
Share of other comprehensive income of equity accounted investments		(369)	(39)	-	-
Fair value gain/(loss) on investments in equity instruments designated as at fair value through other comprehensive income (FVTOCI)		-	1,268	37,319	47,394
Income tax relating to items that may not be reclassified subsequently to profit or loss	21	(166)	648	(14,260)	(8,678)
Other comprehensive income for the year (net of) tax		3,062	7,669	23,233	38,716
Total comprehensive income for the year		27,820	44,382	27,589	42,766
Profit attributable to:					
Owners of the Company		8,157	18,373	4,356	4,050
Non-controlling interest		16,601	18,340	-	-
Profit for the year		24,758	36,713	4,356	4,050
Total comprehensive income attributable to:					
Owners of the Company		9,717	23,192	27,589	42,766
Non- controlling interest		18,103	21,190	-	-
Total comprehensive income for the year		27,820	44,382	27,589	42,766
Earnings per share					
Basic and diluted earnings per share (K)	44	67.86	152.85		
Continuing operations					
Basic and diluted earnings per share (K)	44	67.27	152.78		

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2019

In millions of Malawi Kwacha

Group 2019	**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 2019	1	2,097	51,036	97,778	150,912	68,163	219,075
Adjustment in respect of adoption of IFRS 16 (note 2)	-	-	-	(102)	(102)	(92)	(194)
Adjusted balance as at 1st January 2019	1	2,097	51,036	97,676	150,810	68,071	218,881
Profit for the year	-	-	-	8,157	8,157	16,601	24,758
Other comprehensive income	-	-	1,560	-	1,560	1,502	3,062
Total comprehensive income for the year	-	-	1,560	8,157	9,717	18,103	27,820
Depreciation transfer land and buildings	-	-	(433)	433	-	-	-
Dividends to equity holders	-	-	-	(3,127)	(3,127)	(8,111)	(11,238)
Balance at 31 December 2019	1	2,097	52,163	103,139	157,400	78,063	235,463
2018							
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	-	-	-	(2,516)	(2,516)	(2,370)	(4,886)
Deferred tax in respect of adoption of IFRS 9	-	-	-	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 14.5)	-	-	(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

In millions of Malawi Kwacha

	Issued capital	Share premium	Other reserves	Retained earnings	Total Equity
Company					
2019					
Balance at 1 January 2019	1	2,097	226,024	24,691	252,813
Profit for the year	-	-	-	4,356	4,356
Other comprehensive income	-	-	23,233	-	23,233
Total comprehensive income for the year	-	-	23,233	4,356	27,589
Dividends to equity holders	-	-	-	(3,127)	(3,127)
Balance at 31 December 2019	1	2,097	249,257	25,920	277,275
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

		Group		Company	
	Notes	2019	2018	2019	2018
Cash generated by/(used in) operations	48	47,398	40 889	(5,150)	(4,740)
Interest paid		(7,963)	(5,560)	(1,799)	(1,395)
Income tax refunds	26, 32	425	762	139	-
Income taxes paid	26, 32	(14,640)	(16,650)	(1,104)	(1,235)
Net cash from/ (used in) operating activities		25,220	19,441	(7,914)	(7,370)
Cash flows from investing activities					
Purchase of property, plant and equipment		(22,621)	(24,095)	(50)	(39)
Purchase of intangible assets		(5,355)	(3,706)	(4)	-
Purchase of investment property		(3)	(29)	-	-
Proceeds from sale of investment property and property, plant and equipment		2,117	4,686	-	27
Investment in subsidiaries	14	-	-	(2,493)	(9,327)
Dividend received		3,464	2,514	10,454	10,129
Interest received		1,614	2,326	373	933
Net cash (used in)/from investing activities		(20,784)	(18,304)	8,280	1,723
Cash flows used in financing activities					
Proceeds from long term borrowings		11,615	25,066	-	4,500
Repayments of long term borrowings		(10,049)	(28,528)	(288)	(990)
Repayment of principal element of leasing liability		(2,185)	-	(44)	-
Dividend paid to non-controlling interest		(8,111)	(8,537)	-	-
Dividend paid		(3,127)	(3,127)	(3,127)	(3,127)
Net cash (used)/ from in financing activities		(11,857)	(15,126)	(3,459)	383
Net decrease in cash and cash equivalents		(7,421)	(13,989)	(3,093)	(5,264)
Cash and cash equivalents at beginning of the year		58,369	72,358	1,274	6,538
Cash and cash equivalents at end of the year	27	50,948	58,369	(1,819)	1,274

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 2019 comprise the company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in associates and joint ventures.

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

1.2 Going concern

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

1.3 Functional and presentation currency

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

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

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

2.1.1 Initial application of IFRS 16 Leases

In the current year, the Group has applied IFRS 16 Leases (as issued by the IASB in January 2016). IFRS 16 replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an rrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of transactions Involving the Legal Form of a Lease').

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

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 Initial application of IFRS 16 Leases (Continued)

Transition

Changes in accounting policies resulting from the adoption of IFRS 16 have been applied as described below;

a. The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application, without restatement of comparative figures.
b. The Group has made use of a number of practical expedients available when applying IFRS 16 to leases previously classified as operating leases under IAS 17, in particular, the Group;
   - Elected not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019. The Group applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019.
   - Has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16.
   - Has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.
   - Did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
   - Did not recognise right-of-use assets and liabilities for leases of low value assets. The Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'administrative expenses' in profit or loss;
   - Relied on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application. There were no onerous contracts as at 1 January 2019; and
   - Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
c. For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.
d. On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 20%.

Impact on Lessor accounting

The Group leases out its investment property. The Group has classified these leases as operating leases.On transition to IFRS 16, the Group assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under IFRS 16.The Group therefore did not make any adjustments to the accounting for assets held as lessor underoperating leases as a result of the adoption of IFRS 16.

Impact on lessee accounting – former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:
- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Impact on lessee accounting – former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's consolidated financial statements.

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 Initial application of IFRS 16 Leases (Continued)

Financial impact of the initial application of IFRS 16 – Group as lesses

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 to leases previously classified as operating leases under IAS 17, for the current and prior years

	Group		Company	
	31/12/2019	1/01/2019	31/12/2019	1/01/2019
Impact on profit/(loss) for the year				
Increase in finance cost	(1,010)	-	(26)	-
Increase in depreciation of right-of-use asset	(2,929)	-	(70)	-
Decrease in administrative expenses	1,736	-	71	-
Decrease in direct trading costs	2,130	-	-	-
Increase/(decrease) in profit/(loss)	(73)	-	(25)	-
Impact on statement of financial position				
Right of use assets	11,871	11,265	125	125
Right of use assets accumulated depreciation	(2,929)	-	(70)	-
Lease liabilities	(9,492)	(11,071)	(81)	(125)
Retained earnings	(194)	(194)	-	-

The adoption of IFRS 16 did not have an impact on net cash flows.

Reconciliation of total operating lease commitments to lease liabilities

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

Total operating lease commitments at 31 December 2018	16,525
Less recognition exemptions:	
• Leases of low value assets	(66)
• Leases with remaining lease term of less than 12 months	(284)
• Variable lease payments not recognised	(132)
Operating lease liabilities before discounting	16,043
Discounted using weighted average incremental borrowing rate	(4,972)
Total lease liability recognised under IFRS 16 at 1 January 2019	11,071

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 2019 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.

Amendments to IFRS 9 *Prepayment Features with Negative Compensation*	The Group has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.
Amendments to *IAS 28Long-term Interests in Associates and Joint Ventures*	The Group has adopted the amendments to IAS 28 for the first time in the current year. The amendment clarifies that IFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The Group applies IFRS 9 to such long-term interests before it applies IAS 28. In applying IFRS 9, the Group does not take account of any adjustments to the carrying amount of long-term interests required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (Continued)
2.2 New and amended IFRSs that are effective for the current year but with no material impact (Continued)

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to *IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*	*IAS 12 Income Taxes* The amendments clarify that the Group should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Group originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. *IAS 23 Borrowing Costs* The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. *IFRS 3 Business Combinations* The amendments clarify that when the Group obtains control of a business that is a joint operation, the Group applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation. *IFRS 11 Joint Arrangements* The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Group does not remeasure its PHI in the joint operation.
IFRIC 23 Uncertainty over Income Tax Treatments	The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to: • Determine whether uncertain tax positions are assessed separately or as a group; • Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: If yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. • If no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

2.3 New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory. The directors anticipate that these Standards and Interpretations in future periods willhave no significant impact on the financial statements of the Group.

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2021	*IFRS 17 Insurance Contracts*
Not yet set	IFRS 10 and IAS 28 (amendments) - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Annual reporting periods beginning on or after 1 January 2020	Amendments to IFRS 3 - *Definition of a business*
Annual reporting periods beginning on or after 1 January 2020	Amendments to IAS 1 and IAS 8 - *Definition of material*
Annual reporting periods beginning on or after 1 January 2020	*Conceptual Framework - Amendments to References to the* Conceptual Framework *in IFRS Standards*
Annual reporting periods beginning on or after 1 January 2020	Amendments to IFRS 9, IAS 39 and IFRS 7 - *Interest Rate Benchmark Reform*

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.

3.3 Basis of consolidation

The consolidated financial statements incorporatethe 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.

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. Significant accounting policies (Continued)
3.3 Basis of consolidation (Continued)

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 IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.4 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the 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 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 IFRS9 Financial Instruments, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate with the corresponding gain or loss being recognized in profit or loss.

3. Significant accounting policies (Continued)

3.4 Business combinations (Continued)

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 acquireeprior 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 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 investmentis 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

3. Significant accounting policies (Continued)

3.6 Investments in associates and Joint Ventures (Continued)

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.

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. Significant accounting policies (Continued)

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 IFRS9 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.

3.9.1 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.

Bundled packages

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

Mobile telecommunications services

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

3. Significant accounting policies (Continued)

3.9 Revenue recognition (Continued)

Mobile telecommunications services (Continued)

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.

Enterprise business services and mobile money

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

Devices

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

The Group assesses postpaid contracts including handsets to determine if they contain a significant financing component. The 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.

Interconnect and roaming

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

Some interconnect and roaming debtors have a historical pattern of late payments due to sanctions imposed. The Group has continued to provide services to these debtors (due to regulatory requirements) where the recovery of principal is significantly delayed beyond the contractual terms. 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.

3.9.2 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

3. Significant accounting policies (Continued)
3.9 Revenue recognition (Continued)

3.9.3 Interest income (Continued)
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.

3.9.6 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

3.10.1 The Group as lessee
The Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

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

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

3. Significant accounting policies (Continued)
3.10 Leases (Continued)

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

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

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

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did made such adjustments during the current period following changes in the projects future lease payments. Accordingly an amount of K606 million was adjusted against the right of use asstes

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

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

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

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

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

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

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net

3. Significant accounting policies (Continued)
3.9 Revenue recognition (Continued)

3.10.2 The Group as lessor (Continued)
investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

Accounting policies applied to leases prior to 1 January 2019

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.

3.10.3 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.

3.10.4 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.

3.11 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.

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

3. Significant accounting policies (Continued)

3.12 Borrowing costs (Continued)
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.

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

3. Significant accounting policies (Continued)
3.14 Taxation (Continued)

3.14.2 Deferred tax (Continued)
which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in 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 a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

3. Significant accounting policies (Continued)
3.15 Property, plant and equipment (Continued)

3.15.1 Recognition and measurement (Continued)
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 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:

3. Significant accounting policies (Continued)
3.17 Intangible assets (Continued)

3.17.2 Internally-generated intangible assets – research and development expenditure (Continued)

- 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 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

3. Significant accounting policies (Continued)
3.18 Impairment of tangible and intangible assets other than goodwill and financial assets (Continued)

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.

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

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3. Significant accounting policies (Continued)
3.22 Discontinued operations (Continued)

- 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.

3.24 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

3. Significant accounting policies (Continued)
3.25 Financial assets (Continued)

3.25.1 Classification and initial measurement of financial assets (Continued)
an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

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

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

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

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

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

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

3.25.2 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

Amortised cost and effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts
Amortised cost and effective interest method (Continued)

3. Significant accounting policies (Continued)
3.25 Financial assets (Continued)

(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.

ii. Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:
- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

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

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

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

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

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

3. Significant accounting policies (Continued)
3.25 Financial assets (Continued)

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

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

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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:

3. Significant accounting policies (Continued)
3.25 Financial assets (Continued)

i. Significant increase in credit risk (Continued)

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

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

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

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

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

For 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 tha 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)

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

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3. Significant accounting policies (Continued)
3.25 Financial assets (Continued)

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

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.

3. Significant accounting policies (Continued)
3.25 Financial assets (Continued)

vi. Forward-looking information (Continued)

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.

3.25.6 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.

3.25.7 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.

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.

3. Significant accounting policies (Continued)
3.25 Financial assets (Continued)

3.25.7 Modification of financial assets (Continued)
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.

3.25.8 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 originatedcredit 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.

3.26 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
i. Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

3. Significant accounting policies (Continued)

3.26.3 Financial liabilities (Continued)
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.

ii. Subsequent measurement

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

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

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:
- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed 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. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item (note 38) in profit or loss.

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

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.

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

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

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

Financial guarantee contract liabilities 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:

3. Significant accounting policies (Continued)
3.26 Financial liabilities and equity (Continued)

Financial guarantee contract liabilities (Continued)

- 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.

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

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

3.27 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.

3.28 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.

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

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

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

4.1.3 Significant increase in credit risk
As explained in note 3, Expected Credit Losses (ECL) are measured as an allowance equal to 12 month ECL for stage 1 assets, or life time ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognit ion. 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 anongoing basis to assess whether they continue to be similar. This is required in order to ensure that shouldcredit risk characteristics change there is appropriate re-segmentation of the assets. This may result innew portfolios being created or assets moving to an existing portfolio that better reflects the similar creditrisk characteristics of that group of assets. Re-segmentation of portfolios and movement betweenportfolios is more common when there is a significant increase in credit risk (or when that significantincrease reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can alsooccur 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 inestimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, aswell as for determining the assumptions used in these models, including assumptions that relate to keydrivers of credit risk.

4.1.6 Control over Telekom Networks Malawi plc (TNM)
The directors of the Company assessed whether or not the Group has control over TNM based on whether the Group has the practical ability to direct the relevant activities of TNM unilaterally. In making their judgement, the directors considered the Group's 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 plc and therefore the Group has control over TNM.

4.1.7 Deferred taxation on investment properties
For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured

4 Critical accounting judgements and key sources of estimation uncertainty (Continued)
4.1 Critical judgements in applying accounting policies (Continued)

4.1.7 Deferred taxation on investment properties (Continued)
using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has recognised any deferred taxes on changes in fair value of investment properties as the Group is subject to income taxes on the fair value changes of the investment properties on disposal.

4.1.8 Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periodscovered by an option to extend the lease if it is reasonably certain to be exercised, or any periods coveredby an option to terminate the lease, if it is reasonably certain not to be exercised.

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

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

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

4.2.2 Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data (level 1 inputs) to the 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 and related fair values are disclosed in note 6.8.2 and 10.

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

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

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

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

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

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.

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

4.2.5 Loss allowance for loans and advances (Continued)

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

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

5. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the returns to stakeholders through optimisation of the debt and equity balance. The overall Group strategy remains unchanged from 2018.

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

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

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

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

- 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.

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:

In millions of Malawi Kwacha

5. Capital management (Continued)

5.1 Regulatory capital (Continued)

	2019	2018
Tier 1 capital		
Ordinary share capital	467	467
Share premium	613	613
Retained earnings	66,954	61,369
Unconsolidated investments	(3,763)	(3,763)
	64,271	58,686
Tier 2 capital		
Supplementary capital		
Deferred tax	(7,816)	(7,827)
Revaluation reserve	23,706	21,156
Unconsolidated investments	(3,763)	(3,763)
Total tier 2 capital (total regulatory capital)	76,398	68,252
Risk-weighted assets		
Retail bank, corporate bank and treasury	367,013	339,067
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	21%	20%
Total tier 1 capital expressed as a percentage of risk-weighted assets	18%	17%

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 2019					
Financial assets					
Cash and cash equivalents	27	58,934	-	-	58,934
Trade and other receivables	24	24,261	-	-	24,261
Other investments	20	175,973	-	3,963	179,936
Finance lease receivables	18	17,130	-	-	17,130
Loans and advances to customers	17	166,281	-	-	166,281
		442,579	-	3,963	446,542
Financial liabilities					
Bank overdraft	27	7,986	-	-	7,986
Loans and borrowings	30	54,098	-	-	54,098
Trade and other payables	33	48,869	-	-	48,869
Customer deposits	35	315,479	-	-	315,479
		426,432	-	-	426,432
At 31 December 2018					
Financial assets					
Cash and cash equivalents	27	64,581	-	-	64,581
Trade and other receivables	24	24,972	-	-	24,972
Other investments	20	143,383	1,441	6,069	150,893
Finance lease receivables	18	17,814	-	-	17,814
Loans and advances to customers	17	144,249	-	-	144,249
		394,999	1,441	6,069	402,509
Financial liabilities					
Bank overdraft	27	6,212	-	-	6,212
Loans and borrowings	30	51,618	-	-	51,618
Trade and other payables	33	39,807	-	-	39,807
Customer deposits	35	293,056	-	-	293,056
		390,693	-	-	390,693

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.1 Categories of financial instruments (Continued)

		Amortised cost	Fair value through P&L	Fair value through OCI	Total carrying amount
Company					
At 31 December 2019					
Financial assets					
Cash and cash equivalents	27	2,432	-	-	2,432
Trade and other receivables – Group	23	2,007	-	-	2,007
Trade and other receivables	24	2,473	-	-	2,473
Other Investments	20	-	-	3,963	3,963
Investments in associates	16	-	-	57,956	57,956
Investments in joint ventures	15	-	-	22,922	22,922
Investments in subsidiaries	14	-	-	265,662	265,662
		6,912	-	350,503	357,415
Financial liabilities					
Bank overdraft	27	4,251	-	-	4,251
Loans and borrowings	30	8,150	-	-	8,150
Trade and other payables	33	1,007	-	-	1,007
Trade and other payables to Group companies	34	67	-	-	67
		13,475	-	-	13,475
At 31 December 2018					
Financial assets					
Cash and cash equivalents	27	5,056	-	-	5,056
Trade and other receivables – Group	23	1,970	-	-	1,970
Trade and other receivables	24	243	-	-	243
Other Investments	20	-	-	6,069	6,069
Investments in associates	16	-	-	56,566	56,566
Investments in joint ventures	15	-	-	21,160	21,160
Investments in subsidiaries	14	-	-	226,896	226,896
		7,269	-	310,691	317,960
Financial liabilities					
Bank overdraft	27	3,782	-	-	3,782
Loans and borrowings	30	8,438	-	-	8,438
Trade and other payables	33	895	-	-	895
Trade and other payables to Group companies	34	47	-	-	47
		13,162	-	-	13,162

6 Financial instruments (Continued)

6.2 Financial risk management

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

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

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

6.3 Risk management framework

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board approves the risk appetite and risk tolerance limits appropriate to the Group's strategy and requires that management maintains an appropriate system of internal controls to ensure that these risks are managed within the agreed parameters. The Board delegates risk related responsibilities to the Finance, 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 department 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 Financial instruments (Continued)
6.4 Credit risk (Continued)

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 IFRS9 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	
	2019	**2018**	**2019**	**2018**
Gross maximum exposure				
Trade and other receivables	24,261	24,972	2,473	1,646
Trade and other receivables – Group companies	-	-	2,007	1,970
Other investments	179,936	150,893	-	-
Loans and advances to customers	166,281	144,249	-	-
Finance lease receivables	17,130	17,814	-	-
Cash and cash equivalents	58,934	64,581	2,432	5,056
Total recognised financial instruments	446,542	402,509	6,912	8,672
Guarantees and performance bonds	19,566	7,929	17,500	6,970
Customers fund management	95,343	54,605		
Letters of credit	16,784	28,720	-	-
Total unrecognised financial instruments	131,693	91,254	17,500	6,970
Total credit exposure	578,235	493,763	24,412	15,642

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 K4,863 million (2018: K7,325 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
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6 Financial instruments (Continued)
6.4 Credit risk (Continued)

6.4.2 Trade and other receivables (Continued)

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

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

	2019 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% to 25.64%	0.1% to 26.97%	0.1% to 28.43%	0.4% to 30.27%	0.5% to 31%	2% to 31%	
Estimated total gross carrying amount at default	4,394	1,062	1,037	462	1,084	2,558	10,597
Lifetime ECL	174	68	42	28	334	139	785

	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 carrying 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 wide due to different segments in which the Group operates, since receivables per segment have different risks.

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

	Lifetime ECL – not credit impaired		Lifetime ECL – credit impaired	Total
	Collectively assessed	**Individually assessed**		
2019				
As of 1 January 2019	708	204	449	1,361
Written off	(473)	(40)	-	(513)
Recoveries	-	-	(91)	(91)
Net Remeasurement of loss allowance	497	4	-	501
Balance at end of the year	732	168	358	1,258
2018				
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 14.5)	-	(321)	-	(321)
Reclassified to other receivables allowance	-	(302)	-	(302)
Balance at end of the year	708	204	449	1,361

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6 Financial instruments (Continued)
6.4 Credit risk (Continued)

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 K580,948 million as at 31 December 2019 (2018: K58,369 million). The cash and cash equivalents are held with banks and financial institutions counterparties which have high credit ratings.

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

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

6.4.5 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.

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:

	2019	%	2018	%
Wholesale and retail	62,436	35	47,198	31
Other	17,106	10	12,752	10
Personal	31,762	18	27,813	18
Agriculture	36,202	21	27,957	19
Manufacturing	20,573	11	28,581	19
Finance and insurance	7,718	5	4,850	3
	175,797	100	149,151	100

The Group's exposure as at 31 December 2019 was at K175,797million (2018: K149,151 million) with Non Performing Loans (NPL) standing at 9.9%(2018 : 4.83%). With default rate increasing from the previous reporting period, the Group will enhance its recoveries efforts and credit risk managementto ensure the ratio goes down.

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

Extent of utilization of granted limit
The bank closed 2019 with utilized overdrafts of K47,896 million (2018: K48,426 million) against limits of K66,146 million (2018: K59,401 million) representing 72.41% (2018: 81.52%) of the total limits. The decrease in limits utilizationis as a result of liquidity improvement in the market after the Reserve Bank of Malawi changed, during the year, the liquidity reserve requirement for Banks and also the policy rate .

Forbearances (both requested and granted)
There are no significant forbearances in the reporting period.

6 Financial instruments (Continued)
6.4 Credit risk (Continued)

6.4.5 Loans and advances (Continued)

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 remain stable in 2020 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 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	
	2019	2018
Grade 9: individually impaired	7,940	6,462
Grade 8: sub-standard	11,908	741
Grade 7: Watch list	12,046	7,305
Grade 1-3 Low risk	13,881	25,356
Grade 4-6 Fair risk	130,022	109,287
Impairment provision	(11,089)	(6,305)
Total carrying amount	164,708	142,846

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6 Financial instruments (Continued)
6.4 Credit risk (Continued)
6.4.5 Loans and advances (Continued)

Credit quality analysis of loans and advances (Continued)
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
2019			
Grade 9: individually impaired	7,940	3,976	3
Grade 8: sub-standard	11,908	2,304	3
Grade 7: Watch list	12,046	1,523	2
Grade 1-3 Low risk	13,881	213	1
Grade 4-6 Fair risk	130,022	3,073	1
Total gross carrying amount	175,797	11,089	
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.

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 K433million (2018: K2,350million). 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.

6 Financial instruments (Continued)
6.4 Credit risk (Continued)

6.4.5 Loans and advances (Continued)

Collateral held as security against loans and advances (Continued)

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

Group	2019	2018
Against individually impaired		
Motor vehicles	737	462
Commercial property	2,328	2,501
Residential property	355	1,010
Equities	-	1
Government guarantees	9,597	-
Cash	-	25
Total	13,017	3,999
Against the rest of the loan book		
Motor vehicles	27,456	21,695
Commercial property	96,225	11,241
Residential property	32,224	71,803
Cash	4,863	7,300
Equities	2,101	22,419
Treasury bill	-	18
Mortgages	5,297	9,440
Debentures	1,191	24,825
Government guarantees	2,926	-
Bank guarantees	-	168
Total	172,283	168,909
Grand total	185,300	172,908

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.

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

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6 Financial instruments (Continued)

6.5 Liquidity risk (Continued)

6.5.1 Management of liquidity risk (Continued)

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:

	2019	2018
At 31 December	38%	57%
Average for the period	44%	58%
Maximum for the period	51%	64%
Minimum for the period	36%	52%

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 1 month	1-3 months	3-12 months	2-5 years	Over 5 years	Total	Carrying amount
At 31 December 2019							
Bank overdraft	8,085	-	-	-	-	8,085	7,986
Loans and borrowings	-	992	16,310	49,842	5,179	72,323	54,098
Customer deposits	276,774	37,001	3,599	-	-	317,374	315,479
Trade and other payables	48,335	146	269	119	-	48,869	48,869
Total financial liabilities	333,194	38,139	20,178	49,961	5,179	446,651	426,432

6 Financial instruments (Continued)

6.5 Liquidity risk (Continued)

6.5.3 Liquidity risk table (Continued)

Group	Less than 1 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	55,164
Customer deposits	253,872	41,020	1,704	-	-	296,596	275,073
Trade and other payables	38,902	289	475	141	-	39,807	42,496
Total financial liabilities	299,449	43,002	5,423	65,078	8,991	421,943	378,945
Company							
At 31 December 2019							
Bank overdraft	4,300	-	-	-	-	4,300	4,251
Loans and borrowings	-	-	-	8,623	2,460	11,083	8,150
Trade and other payables to Group companies	67		-	-	-	67	67
Trade and other payables	1,007	-	-	-	-	1,007	1,007
Total financial liabilities	5,374	-	-	8,623	2460	16,457	13,475
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

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.

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6 Financial instruments (Continued)
6.6 Market risk (Continued)

6.6.1 Currency risk

Management of currency risk (Continued)
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;

	Liabilities		Assets	
	2019	2018	2019	2018
Group				
United States Dollars (USD)	85,611	59,440	78,153	78,910
British Pound (GBP)	3,245	1,614	3,363	2,706
EURO	4,788	8,992	4,994	10,495
South African Rand (ZAR)	889	1,853	1,021	1,514
Other currencies	267	318	28	25
Company				
United States Dollars (USD)	-	-	1,518	38
South African Rand (ZAR)	-	-	-	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.

	Group		Company	
	2019	2018	2019	2018
United States Dollars (USD)	746	1,947	152	1
British Pound (GBP)	12	109	-	-
EURO	21	150	-	-
South African Rand (ZAR)	13	34	-	-

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 betweenfixed and floating interest rates on borrowings.

6 Financial instruments (Continued)
6.6 Market risk (Continued)

6.6.2 Interest rate risk (Continued)

Management of interest rate risk (Continued)
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 2019						
Financial assets						
Investments in joint ventures and associates	-	-	-	-	48,694	48,694
Other investment	24,036	36,098	53,839	52,362	13,601	179,936
Cash and cash equivalents	17,826	22,369	-	-	18,739	58,934
Loans and advances to customers	10,062	15,006	55,086	84,554	-	164,708
Finance lease receivables	-	-	1,636	15,494	-	17,130
Trade and other receivables	-	-	-	1,573	28,454	30,027
Total financial assets	51,924	73,473	110,561	153,983	109,488	499,429
Financial liabilities						
Bank overdraft	7,986	-	-	-	-	7,986
Loans and borrowings	-	980	15,172	37,707	239	54,098
Customer deposits	133,996	36,394	3,428	-	141,661	315,479
Trade and other payables	-	-	-	-	48,869	48,869
Total financial liabilities	141,982	37,374	18,600	49,938	190,769	438,663
Interest sensitivity gap	(90,058)	36,099	91,961	104,045	(81,281)	60,766
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
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

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6 Financial instruments (Continued)
6.6 Market risk (Continued)

6.6.2 Interest rate risk (Continued)

	Less than 1 month	1-3 months	3-12 months	Over 1 year	Non-interest sensitive	Total
Company						
At 31 December 2019						
Financial assets						
Investments in subsidiaries joint ventures and associates	-	-	-	-	346,540	346,540
Other investment	-	-	-	-	3,963	3,963
Cash and cash equivalents	-	2,366	-	-	66	2,432
Trade and other receivables – Group companies	-	-	-	-	2,007	2,007
Trade and other receivables	-	-	-	1,473	1,000	2,473
Total financial assets	-	2,366	-	1,473	353,576	357,415
Financial liabilities						
Bank overdraft	4,251	-	-	-	-	4,251
Loans and borrowings	-	-	-	8,150	-	8,150
Trade and other payables to Group companies	-	-	-	-	67	67
Trade and other payables	-	-	-	-	1,007	1,007
Total financial liabilities	4,251	-	-	8,150	1,074	13,475
Interest sensitivity gap	(4,251)	2,366	-	(6,677)	352,502	343,940
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

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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 2019 would decrease/increase by K7.7 billion (2018: K1.6 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 2019, the Company had the following financial assets that exposed it to equity price risk.

	2019	2018
Financial asset		
Investment in National Bank of Malawi plc	126,231	79,831
Sunbird Tourism plc	3,963	6,069
Investment in Telekom Networks Malawi plc	107,840	116,135
	238,034	202,035

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 2019, 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:

	2019	2018
Financial asset		
Investment in National Bank of Malawi	6,312	3,992
Sunbird Tourism plc	198	303
Investment in Telekom Networks Malawi Limited	5,392	5,807
	11,902	10,102

The analysis is performed on the same basis for 2019 and 2018 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).

6 Financial instruments (Continued)
6.7 Fair values measurements (Continued)

6.7.1 Fair value hierarchy (Continued)

Group	Notes	Level 1	Level 2	Level 3	Total
At 31 December 2019					
Government promissory notes	20	-	-	-	-
At 31 December 2018					
Government promissory notes	20	-	1,441	-	1,441
Company					
At 31 December 2019					
Investments in associates	16	-	-	57,956	57,956
Investments in joint ventures	15	-	-	22,922	22,922
Investments in subsidiaries	14	234,071	-	31,591	265,662
		234,071	-	112,469	346,540
At 31 December 2018					
Investments in associates	16	-	-	56,566	56,566
Investments in joint ventures	15	-	-	21,160	21,160
Investments in subsidiaries	14	195,966	-	30,930	171,429
		195,966	-	108,656	304,622

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 asset	**Fair value as at**		**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
	2019	**2018**		
Government promissory notes	-	1,441	Level 2	Discounted cash flows using applicable interest rates and agreed repayment plan

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.

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6 Financial instruments (Continued)
6.7 Fair values measurements (Continued)

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

Company

Asset	**Fair value as at 2019**	**Fair value as at 2018**	**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 plc and Telekom Networks Malawi plc.	234,071	195,966	Level 1	Stock market share prices.	N/A	N/A
Investment in Limbe Leaf Tobacco Company Limited, Macsteel (Malawi) Limited, Castel Malawi Limited, Puma Malawi Limited, Presscane Limited, Ethanol Company Limited, Open Connect Limited, Press Properties Limited and Peoples Trading Centre Limited	107,447	98,738	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 25% (2018: 10% to 26%). • Accounting policies, judgements and assumptions for recognition and measurement of asset and liabilities. • Weighted average cost of capital ranging from 17% to 22% (2018: 19% to 26%) determined using a capital asset pricing model. • Price earnings ratio ranging from 5 to 22 (2018: 8 to 16). • Market price to sales ratio ranging from 0.16 to 2.84 (2018: 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.

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6 Financial instruments (Continued)
6.7 Fair values measurements (Continued)

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

Company

Asset	Fair value as at 2019	Fair value as at 2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Investment in The Foods Company Limited	976	1,138	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 20% (2018: 24%) was applied to the multiple average of the comparable industry companies. • Projected sales were used which are determined using accounting policies, judgements and assumptions. • Market price to sales ratio of 0.6 (2018: 0.44).	The higher the sales the higher the fair value. The higher the discount applied on the multiple the lower the fair value
Investment in Malawi Telecommunications Limited and Malawi Pharmacies Limited.	4,046	3,981	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 estimates used in a particular economic environment, the higher the fair value.

6 Financial instruments (Continued)
6.7 Fair values measurements (Continued)

6.7.3 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)

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	2019 Carrying amount	2019 Fair Value	2018 Carrying amount	2018 Fair Value
Financial assets					
Other investments	20	179,936	179,936	150,893	150,893
Finance lease receivables	18	17,130	21,598	17,814	21,377
Loans and advances to customers	17	166,281	191,223	144,249	161,311
		363,347	392,757	312,956	333,581
Financial liabilities					
Loans and borrowings	30	54,098	62,213	51,618	61,038
		54,098	62,213	51 618	61,038
Company					
Financial liabilities					
Loans and borrowings	30	8,150	11,818	8,438	13,044
		8,150	11,818	8,438	13,044

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.

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7 Operating segments (Continued)

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.

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-cations	Energy	Consumer goods	All other segments	Total
2019						
Revenue						
External revenues	71,726	103,243	19,459	22,853	2,785	220,066
Inter-segment revenue	1,309	3,078	-	6	720	5,113
Segment revenue	73,035	106,321	19,459	22,859	3,505	225,179
Segment operating profit/(loss)	25,975	23,592	2,727	(2,425)	7,898	57,767
Segment interest income	-	82	964	1	383	1,430
Segment interest expense	(716)	(5,122)	(1)	(1,543)	(2,578)	(9,960)
Segment income tax expense	(8,163)	(6,750)	(1,546)	-	(1,052)	(17,511)
Segment profit for the year	17,096	11,802	2,144	(3,967)	4,651	31,726
Depreciation and amortization	4,351	14,678	623	1,013	491	21,156
Segment assets	460,217	125,714	26,551	7,776	387,711	1,007,969
Segment liabilities	359,295	73,347	5,000	16,396	85,653	539,691
Capital additions	6,013	19,600	1,058	277	1,031	27,979

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7 Operating segments (Continued)

7.4 Information about reportable segments (Continued)

	Reportable segments					
	Financial services	Tele-communi-cations	Energy	Consumer 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

7.5 Reconciliations of information on reportable segments to IFRS measures

	2019	2018
Revenues		
Total revenues for reportable segments	225,179	221,426
Elimination of inter-segment revenue	(5,113)	(7,006)
Consolidated revenue	220,066	214,420
Depreciation and amortisation		
Total depreciation and amortisation for reportable segments	21,156	16,787
Elimination of inter-segment depreciation	(1,259)	-
Adjustment due to different accounting policies relating to telecommunication plant	-	(365)
Consolidated depreciation and amortisation	19,897	16,422
Profit		
Total profit for reportable segments	31,726	35,001
Profit on de-recognition of a subsidiary	-	6,160
Elimination of dividend income from Group companies	(10,454)	(10,129)
Adjustment due to different accounting policies	-	677
Share of profit of equity accounted investees	3,415	4,995
Profit for discontinued operation	71	9
Consolidated profit	24,758	36,713

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7 **Operating segments** (Continued)
7.5 **Reconciliations of information on reportable segments to IFRS measures** (Continued)

	2019	2018
Assets		
Total assets for reportable segments	1,007,969	886,540
Assets for discontinued operations	325	279
Inter-segment eliminations	(15,898)	(9,796)
Elimination of fair value relating to equity accounted investees	(37,571)	(27,754)
Elimination of investment in subsidiaries	(267,420)	(226,896)
Consolidated total assets	687,405	622,373
Liabilities		
Total liabilities for reportable segments	539,691	471,801
Liabilities for discontinued operations	122	129
Inter-segment eliminations	(15,221)	(14,921)
Elimination of deferred tax liabilities arising from fair value measurement of investments in separate financial statements	(72,650)	(53,711)
Consolidated total liabilities	451,942	403,298

8 **Property, plant and equipment**

Group	Land and buildings	Plant, furniture and equipment	Motor vehicles	Capital work in progress	Total
Cost or valuation					
Balance at 1 January 2019	51,625	112,558	7,950	5,228	177,361
Additions	682	13,882	1,142	6,915	22,621
Disposals	(696)	(1,049)	(1,948)	-	(3,693)
Transfers between classes	575	4,671	-	(5,246)	-
Reclassified as held for sale (note 25)	(1,160)	-	-	-	(1,160)
Transfer to intangibles (note 12)	-	(416)	-	-	(416)
Transfer to investment property (note 13)	(106)	-	-	-	(106)
Write-off*	(310)	(196)	-	-	(506)
Revaluation increase	2,881	-	-	-	2,881
Balance at 31 December 2019	53,491	129,450	7,144	6,897	196,982
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 12)	-	77	-	-	77
Transfer to intangibles (note 12)	-	-	-	(1,615)	(1,615)
Transfer to investment property (note 13)	-	(1)	-	(126)	(127)
De-recognised on loss of control (note 14.5)	-	(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

8 **Property, plant and equipment** (Continued)

Group	Land and buildings	Plant, furniture and equipment	Motor vehicles	Capital work in progress	Total
Accumulated depreciation and impairment					
Balance at 1 January 2019	3,292	55,819	4,673	3	63,787
Depreciation expense	1,383	9,699	1,513	-	12,595
Transfer to investment property (note 13)					
Impairment	-	(112)	-	-	(112)
Eliminated on revaluation	(492)	-	-	-	(492)
Write-off*	-	(69)	-	-	(69)
Eliminated on disposal of assets	(5)	(692)	(1,490)	-	(2,187)
Balance at 31 December 2019	4,178	64,645	4,696	3	73,522
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 13)	-	(1)	-	-	(1)
De-recognised on loss of control (note 14.5)	-	(1,107)	-	-	(1,107)
Eliminated on revaluation	(617)	-	-	-	(617)
Write-off**	229	(2,685)	-	(674)	(3,130)
Transfer from/(to) intangibles (note 12)	-	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
Carrying amounts					
At 31 December 2019	49,313	64,805	2,448	6,894	123,460
At 31 December 2018	48,333	56,739	3,277	5,225	113,574

*Included in 2019 write-off is a building and telecommunication equipments that were destroyed by fire.

**In 2018, raw material production (RAMA) project which was being undertaken by two subsidiaries, was put on hold. Accordingly, all costs incurred were written off to the income statement.Also in 2018 telecommunication equipments that were previously impaired were written off.

Company	Land and building	Plant, furniture and equipment	Motor vehicle	Total
Cost or valuation				
Balance at 1 January 2019	461	544	5	1,010
Additions	-	50	-	50
Revaluation increase	175	-	-	175
Disposals	-	-	(2)	(2)
Balance at 31 December 2019	636	594	3	1,233
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

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8 Property, plant and equipment (Continued)

Company	**Land and building**	**Plant, furniture and equipment**	**Motor vehicle**	**Total**
Accumulated depreciation				
Balance at 1 January 2019	-	434	4	438
Depreciation expense	-	38	1	39
Eliminated on disposal of assets	-	-	(2)	(2)
Balance at 31 December 2019	-	472	3	475
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
Carrying amounts				
At 31 December 2019	636	122	-	758
At 31 December 2018	461	110	1	572

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

Land and buildings relating to Malawi Telecommunications Limited were revalued as at 31 December 2018 by Simeon D. Banda BSc (Hons) MSIM MRICS Chartered Quantity Surveyor of SFS Property Consultants in association with Sam M. Nhlane (Hons) Lond, MSIM Registered Valuation Surveyor of SMN Property Professionals. Valuations were carried out on the basis of open market value. Directors consider that the carrying amounts are not materially different from the fair values as determined in the last valuation.

Land and buildings relating to the banking business were fair valued as at 31 December 2019 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 K3,166m (2018: K2,560m) the Group's gross revaluation surplus, K60m (2018: K51m) 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 K3,106m (2018: K2,509m) 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.Directors consider that the carrying amounts are not materially different from the fair values as determined in the last valuation.

8 Property, plant and equipment (Continued)
8.2 Fair value measurement of the Group's land and buildings (Continued)

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 2019by 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.

Details of the Group's information about the properties fair value hierarchy as at 31 December 2019 are as follows:

	Fair value as at		**Fair value hierarchy**
	31/12/2019	**31/12/2018**	
Land and buildings	49,313	48,333	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;

	2019	**2018**
Group's land and buildings	13,346	12,686
Company's land and buildings	287	287

8.3 Assets pledged as security

The Group's assets with a carrying amount of approximately K59 billion (2018: K53 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 K18 billion (2018: K 21 billion) – see note 27 and 30 below.

9 Leases (Group as a lessee)

The Group and the company has lease contracts for various items of plant, machinery, vehicles, land and buildings used in itsoperations. Leases of plant and machinery generally have lease terms between 3 and 5 years, land and buildings between 2 and 13 years (largely with options for renewal) while motor vehicles have lease terms between 3 and 5 years. The Group's obligations underits leases are secured by the lessor's title to the leased assets. The Group has options to purchase certain leased assets at the end of the lease term.

9.1 Right of use assets

Group	**Land and buildings**	**Plant and machinery**	**Total**
Cost			
Recognition of right-of-use asset on initial application of IFRS 16 – at 1 January 2019	7,120	4,145	11,265
Effect of modification to lease terms	606	-	606
Balance at 31 December 2019	7,726	4,145	11,871
Depreciation			
Charge for the year	1,643	1,286	2,929
Carrying amounts			
At 31 December 2019	6,083	2,859	8,942

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9 Leases (Group as a lessee) (Continued)
9.1 Right of use assets (Continued)

Company	Motor vehicle
Recognition of right-of-use asset on initial application of IFRS 16 – at 1 January 2019	125
Depreciation charge for the year	(70)
At 31 December 2019	55

The Group re-assessed the lease liability following modification of some of its lease terms . The difference between the initial carrying amount and the re-assessed amount of K606million was adjusted against the Right of Use assets.

9.2 Lease liabilities

	2019	
	Group	Company
Non-Current	6,176	23
Current	3,316	58
At 31 December 2019	9,492	81

Movement in lease liabilities during the year was as follows;

	Group	Company
As at 1 January 2019	11,071	125
Lease liability adjustment	606	-
Repayment	(2,185)	(44)
At 31 December 2019	9,492	81

Maturity profile of the Group's financial liabilities based on contractualundiscounted payments:

	Group	Company
Year 1	4,094	64
Year 2	4,250	36
Year 3	3,663	-
Year 4	2,686	-
Year 5	415	-
Onwards	935	-
	16,043	100

9.3 Amounts recognised in the statement of profit or loss

	Group	Company
Depreciation expense on right-of-use assets	2,929	70
Interest expense on lease liabilities	1,010	26
Expense relating to short-term leases	284	73
Expense relating to leases of low value assets	66	-
Expense relating to variable lease payments not included in the measurement of the lease liability	48	-
Income from sub-leasing right-of-use assets	15	-

Some of the property leases in which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased store. Lease payments for such stores are therefore 100% variable since they are linked to store cash flows.

The Group and the company had total cash outflows for leases of K3.2 billionand K70 million respectively.

10 Biological assets

10.1 Reconciliation of carrying amount of biological assets

	Fish stock	Growing Cane	Total
Group			
2019			
Balance at 1 January	534	226	760
Depreciation	(15)	(7)	(22)
Increase due to acquisition	106	2	108
Increase due to birth	836	-	836
Decrease due to sales	(806)	-	(806)
Decrease due to death	(193)	-	(193)
Increase/(decrease) in fair value	16	(39)	(23)
Balance at 31 December	478	182	660
Non-current biological assets	27	42	69
Current biological assets	451	140	591
Balance at 31 December	478	182	660
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

One of 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 2019, the cane growth was estimated at 40% (2018:30%) with a harvest area of 89 hectares (2018: 88 hectares) and estimated harvest tonnage of 105 (2018: 95 tonnage).

As at 31 December 2019, fish stock comprised of 103 tons of fish (2018: 163 tons) and 8.9 tons of fingerlings (2018: 8.9 tons). During 2019, the Group sold 571 tons of fish (2018: 712 tons) and nil tons of fingerlings (2018: 0.75 tons).

10.2 Measurement of fair values

The valuation of fish, fingerlings and brood stock is based on the selling value of the projected weight of fish to be harvested on maturity less any estimated costs to be incurred in growing the fish to table size and in selling and distributing the fish after harvest. The valuation takes into account mortality of the fish which is based on past experience and actual mortality experienced during the period to harvest.

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

- The Group estimates the weight of the fish that is in cages or ponds through sampling. This estimate is used to determine the projected harvest, which takes into account a factor of mortality.
- The projected harvest is valued using 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.

In millions of Malawi Kwacha

10 Biological assets (Continued)
10.2 Measurement of fair values (Continued)

- 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% (2018: 25%) for cages, 0% (2018: 0%) for ponds and 20% (2018: 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;

	Fair value as at		Fair value hierarchy
	31/12/2019	31/12/2018	
Fish stocks	478	534	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 89 hectares (2018: 88 hectares), estimated yield of 105 tons (2018: 95 tons), estimated sucrose content of 12.3% (2018: 12%) and cane growth percentage of 40% (2018: 30%) at 31 December 2019.

	Fair value as at		Fair value hierarchy
	31/12/2019	31/12/2018	
Growing cane	182	226	Level 3

10.3 Financial risk management strategies related to agricultural activities

The Group is exposed to the following risks relating to its biological assets:-

Regulatory and environmental risks
The Group is subject to laws and regulations relating to fish breeding and protection of the environment. The Group has established environmental policies and procedures aimed at compliance with environmental laws relating to effluent disposal, certification of hatchery activities and environmental impact assessments of new fish breeding projects.

In respect of growing cane, the Group complies with the rules and regulations of the South African Sugar Research Institute which we are registered as a member.

Supply, demand and commodity risks
The Group is exposed to risks arising from fluctuations in the prices of fish and fish products which are based on general supply of fish in the country. The bigger the general supply of fish in the country the lower the fish prices. The Group manages this risk by aligning its harvest volumes with the market supply and demand. Management performs regular industry trend analyses for projected harvest volumes and pricing.

Similarly, the Group is exposed to risks arising from fluctuations in the prices of sugar. Sugar is valued at the estimated sucrose content, valued at the estimated sucrose price for the following season as obtained from the foreign and domestic markets.

Climate, weather, diseases and other risks
The Group's fish stocks are exposed to the risk of damage from climatic changes (including annual upwelling of water, temperature variations including stratification of water and low dissolved oxygen levels), diseases, theft of brood stock and breeding fish and predation from birds, otters and others. The Group has extensive processes in place aimed at monitoring and mitigating the risks, including monitoring and prevention of diseases, theft and bird predation prevention, monitoring of water temperatures and dissolved oxygen.

10 Biological assets (Continued)
10.3 Financial risk management strategies related to agricultural activities (Continued)

Climate, weather, diseases and other risks (Continued)
The Group uses water from Shire River for Irrigation. In the event of heavy siltation, such that the Group is unable to pump adequate water for irrigation, the yield of growing cane is likely to be affected which in turn would affect the valuation of the biological asset.

11 Goodwill

	2019	2018
At the beginning and end of the year	4,974	4,974

11.1 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

Consumer goods segment
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 21% (2018: 22%) per annum. Cash flows beyond that five-year period have been extrapolated using a steady 10% (2018: 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% (2018: 10%) in the long-term with long term real GDP of 5% (2018: 5%). 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 K3.9 billion (2018: K5.3 billion) and its carrying amount is K3.1 billion (2018: K2.7 billion) as such the related goodwill is not impaired.

TNM Enterprise Business services unit
The goodwill associated with TNM enterprise business services unit arose when the Group's subsidiary, Telekom Networks Malawi plc acquired Burco Electronics Systems Limited on 31 December 2014.

The recoverable amount of this cash generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 15% (2018: 16%) per annum.

Cash flow projections during the budget period are based on the assumption that the unit will grow at an average of 8% (2018: 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 K16.9 billion (2018: K15.2 billion) and its carrying amount is K1 billion (2018: K0.9 billion) as such the related goodwill is not impaired.

Whole Banking Division
The banking business of the Group, National Bank of Malawi plc acquired a 97.05% interest in Indebank Limited on 31 October 2015. In 2016, the Bank acquired an additional 2.95% in Indebank previously held by the Indebank employee share ownership program(ESOP)thus increasing its shareholding to 100%. This broughtthe purchase consideration to K6,616million and the goodwill arising on acquisition to K3,959 million.

In millions of Malawi Kwacha

11 **Goodwill** (Continued)

11.1 **Impairment testing for cash generating units containing goodwill** (Continued)

Whole Banking Division (Continued)
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 12.95% (2018:15.72%). Cash flows beyond that five-year period have been extrapolated using an average of 12% (2018: 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 K63.6 billion(2018: K279.1 billion) and its carrying amount is K4 billion (2018: K167 billion) as suchthe related goodwill is not impaired.

12 Intangible assets

Group	Computer software	Capitalised Develop-ment costs	Work in Progress	Patents and trade-marks	Total
Cost					
2019					
Balance at 1 January 2019	24,709	265	1,442	1,648	28,064
Transfer between classes	668	-	(668)	-	-
Transfer from PPE (note 8)	416	-	-	-	416
Disposal	(868)	-	-	-	(868)
Write-off*	(294)	-	-	-	(294)
Additions	4,070	-	1,285	-	5,355
Balance at 31 December 2019	28,701	265	2,059	1,648	32,673
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
Accumulated amortisation					
2019					
Balance at 1 January 2019	9,355	265	-	728	10,348
Disposal	(403)	-	-	-	(403)
Write-off	(198)	-	-	-	(198)
Amortisation expense	4,188	-	-	165	4,353
Balance at 31 December 2019	12,942	265	-	893	14,100
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
Carrying amounts					
At 31 December 2019	15,759	-	2,059	755	18,573
At 31 December 2018	15,354	-	1,442	920	17,716

12 **Intangible assets**(Continued)

** 2019 write off relates to computer software and systems which are not being fully utilised by the banking business of the Group due to operability limitations.

* in 2018, raw material production (RAMA) project which was being undertaken by two subsidiaries, was put on hold. Accordingly, all costs incurred were written off to income statement. Additionally, some computer softwares and systems were written off since the Group is no longer deriving any value from themdue to operability limitations.

Company	2019	2018		
	Computer software	Computer software	Work in Progress	Total
Cost				
Balance at 1 January	317	245	72	317
Addittions during the year	4	-	-	-
Transfer between classes	-	72	(72)	-
Balance at 31 December	321	317	-	317
Accumulated amortisation				
Balance at 1 January	99	87	-	87
Amortisation charge for the year	12	12	-	12
Balance at 31 December	111	99	-	99
Carrying amounts	210	218	-	218

Intangibles relating to the company are all externally generated and they comprise of costs relating to the SAP ERP and SAP Business Planning and Consolidation software.

12.1 Useful lives

The following estimated useful lives for the current and comparative periods are used in the calculation of depreciation:

Computer software	5 – 15 years
Patents and trademarks	10 years

13 Investment properties

	Freehold land and buildings	Leasehold land and buildings	Undeveloped freehold land	Undeveloped leasehold land	Total
Group					
Balance at 1 January 2019	4,970	2,515	324	1	7,810
Additions during the year	3	-	-	-	3
Transferred from Property, Plant and Equipment (note 8)	106	-	-	-	106
Gain on property revaluation	1,180	458	35	-	1,673
Balance at 31 December 2019	6,259	2,973	359	1	9,592
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

13 Investment properties (Continued)

Company	2019	2018
	Freehold land and buildings	Freehold land and buildings
Valuation		
Balance at 1 January	231	231
Gain on property revaluation	159	-
Balance at 31 December	390	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.

13.1 Valuation techniques and Fair value hierarchy

Investment properties were professionally and independently revalued by Mabvuto Phula, BSc (Edu), Cert (P/Mgmt), MSC (Real Estates), and a chartered valuation surveyor with CMC Property Consultants & Valuers at 31 December 2019 (also for 2018) on an open market value basis and the resultant gains/losses are recognised in the profit and loss.There has been no change to the valuation technique during the year.

The fair value measurement for investment properties has been categorised as a level 2 fair value based on the inputs to the valuation techniques used.

Details of the Group's information about the investment properties fair value hierarchy as at 31 December 2019 are as follows:

	Fair value as at		Fair value hierarchy
	31/12/2019	31/12/2018	
Investment properties	9,592	7,810	Level 2

There were no transfers between Level 1 and Level 2 and Level 3.

13.2 Operating lease arrangments

Operating leases, in which the Group is the lessor, relate to investment property owned by the Group with lease term of one year but with yearly extension option. All operating lease contracts include a clause to enable upward revision of the rental charge in accordance with the prevailing market conditions in the event that the lessee excercises its option to renew. There are no other variable lease payments that depend on an index or rate. The lessee does not have an option to purchase the property at the expiry of the lease period.

Although the risks associated with rights that the Group retains in underlying assets are notconsidered to be significant, the Group employs strategies to further minimise these risks. For example, by ensuring all contracts include clauses requiring the lessee to maintain the related property to the standard it was before handing over the property to the Group at the expiry of the lease term. The Group also collects a security deposit equivalent to one month rental which is used in circumstances where the lessee fails to maintain the property to the desired level.

Rental income recognised by the Group during the year is K665 million (2018: K494 million). Direct operating expenses which generated rental during period were K303 million (2018: K364 million)

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2019	2018
year 1	765	665
year 2	545	474
year 3	627	545
year 4	721	627
year 5	829	721

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14 Investments in subsidiaries

14.1 Details of the Group's subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal Activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2019	2018
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
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 21.01% with the balance of 37.68 % ownership interests being owned by thousands of shareholders that are unrelated to the Group, none individually holding more than 4.88%.

14.2 Shareholders dispute at Presscane Limited

The shareholders are involved in a dispute over the capital contributions made towards the company. The dispute remains unresolved.Efforts to settle the matter out of court have been unsuccessful and the parties await the completion of the litigation process. An independent consultant's verification of the respective contributions undertaken in 2005 has not been adopted by the shareholders. The Directors are convinced that the outcome of the case will not result in loss of control. Accordingly, Presscane Limited is recognised as a subsidiary in the Group's financial statements in accordance with the Group's 50.1% shareholding.

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14 Investments in subsidiaries

14.3 Reconciliation of carrying amount

	Company	
	2019	2018
Balance at 1 January	226,896	171,429
Additions	2,493	13,924
Disposal	-	(4,081)
Reclassified to associate due to loss of control	-	(8,176)
Increase in fair value	36,273	53,800
Balance at 31 December	265,662	226,896

During the year, Press Corporation plc madeequity injection to its subsidiaries Press Properties Limited, The Foods Company Limited and Peoples Trading Centre Limited amounting to K0.3 billion (2018: K1.9 billion), K1.8 billion (2018: K1.8 billion) and K0.4 billion (2018: K5.6 billion) respectively in order to boast working capital. In 2018, K4.6 billion was injected in Open Connect Limited in form of debt swap.

14.4 Analysis of carrying amount

The carrying amount of subsidiaries shown above is analysed as follows:

	2019		2018	
	Fairvalue/ cost (PCL Share)	Dividend received	Fairvalue /cost (PCL Share)	Dividend received
National Bank of Malawi plc	126,231	3,861	79,831	4,220
Press Properties Limited	6,334	-	4,874	-
Manzinzi Bay Limited	2	-	2	-
The Foods Company Limited	976	-	1,138	-
Ethanol Company Limited	8,029	-	8,251	284
Presscane Limited	9,025	-	8,237	-
Malawi Telecommunications Limited	4,044	-	3,979	-
Telecom Networks Malawi plc	107,840	3,111	116,135	3,111
Peoples Trading Centre Limited	3,181	-	4,449	-
	265,662	6,972	226,896	7,615

During the year, the company also received dividend amounting to K18 million from its discountinued operation, Malawi Pharmacies Limited.

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 D. Moyo, registered valuer of Nico Asset Managerson behalf of the Directors as at 31st December 2019 (2018: E. Chokani of Nico Asset Managers). 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.

14.5 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 arrangement between 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.

14 Investments in subsidiaries (Continued)
14.5 Loss of control in Open Connect Limited (Continued)

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
	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

14 Investments in subsidiaries (Continued)

14.6 Summarised financial information in respect of Group's subsidiaries that have material non-controlling interest

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

	NBM 2019	NBM 2018	TNM 2019	TNM 2018	MTL 2019	MTL 2018	Ethanol 2019	Ethanol 2018	Presscane 2019	Presscane 2018
Non-current assets	205,698	140,317	74,026	61,447	16,503	17,342	2,831	2,767	7,514	4,270
Current assets	254,519	276,785	31,134	18,338	4,051	4,008	5,696	4,412	10,510	10,858
Non-current liabilities	15,522	16,136	20,782	21,871	5,261	3,444	510	257	916	809
Current liabilities	343,773	312,552	38,548	19,611	8,756	8,075	1,552	858	2,022	1,890
Equity attributable to owners of the Company	51,965	45,524	18,928	15,819	3,445	5,181	4,267	4,002	7,558	6,227
Non-controlling interests	48,957	42,890	26,902	22,484	3,092	4,650	2,198	2,062	7,528	6,202
Revenue	73,035	64,740	96,531	88,679	9,790	10,864	8,181	6,302	11,278	10,735
Profit (loss) for the year	17,096	15,965	15,055	16,699	(3,253)	296	422	(172)	1,722	1,568
Other comprehensive income	3,106	1,816	-	-	154	1,758	-	22	-	-
Total comprehensive income	20,202	17,781	15,055	16,699	(3,099)	2,054	422	(150)	1,722	1,568
Non-controlling interest share	48.51%	48.51%	58.70%	58.70%	47.30%	47.30%	34.00%	34.00%	49.90%	49.90%
Profit (loss) attributable to owners of the Company	8,803	8,220	6,218	6,897	(1,714)	156	279	(114)	863	786
Profit (loss) attributable to non-controlling interests	8,293	7,745	8,837	9,802	(1,539)	140	143	(58)	859	782
Other comprehensive income attributable to owners of the Company	1,599	935	-	-	81	926	-	15	-	-
Other comprehensive income attributable to non-controlling interests	1,507	881	-	-	73	832	-	7	-	-
Total comprehensive income attributable to owners of the Company	10,402	9,155	6,218	6,897	(1,633)	1,082	279	(99)	863	786
Total comprehensive income attributable to non-controlling interests	9,800	8,626	8,837	9,802	(1,466)	972	143	(51)	859	782
Dividends paid to non-controlling interests	3,638	3,975	4,420	4,420	-	-	-	145	-	-
Net cash inflow (outflow) from operating activities	(33,880)	(2,897)	37,399	22,105	(392)	5,731	989	731	1,007	2,100
Net cash inflow (outflow) from investing activities	(41,006)	(68,911)	(19,265)	(19,261)	(119)	3,046	(113)	(27)	(1,888)	395
Net cash inflow (outflow) from financing activities	(10,641)	(3,001)	(11,569)	(2,793)	(434)	(8,246)	-	(427)	-	-
Net cash inflow (outflow)	(85,527)	(74,809)	6,565	51	(945)	531	876	277	(881)	2,495

15 Investments in joint ventures

15.1 Details of the Group's joint ventures

Details of the Group's joint ventures at the end of the reporting period is as follows:

Name of joint venture	Principal Activity	Principal place of operation	Proportion of ownership interest and voting power held by the Group 2019	2018
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.

15.2 Reconciliation of carrying amount

	Group		Company	
	2019	2018	2019	2018
At the beginning of the year	7,049	6,198	21,160	20,618
Increase in fair value recognised in other comprehensive income	-	-	1,762	542
Group's share of profits	1,615	2,245	-	-
Group's share of other comprehensive income	(16)	206	-	-
Dividend received	(1,009)	(1,600)	-	-
At end of the year	7,639	7,049	22,922	21,160

15.3 Analysis of carrying amount

The carrying amount of joint ventures shown above is analysed as follows:

	Group		Company	
	2019	2018	2019	2018
Puma Energy Malawi Limited	6,104	5,443	21,273	19,450
Macsteel (Malawi) Limited	1,535	1,606	1,649	1,710
Total	7,639	7,049	22,922	21,160

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 D. Moyo, registered valuer of Nico Asset Managers on behalf of the Directors as at 31st December 2019 (2018: E. Chokani of Nico Asset Managers).

15 Investments in joint ventures (Continued)

15.4 Summarised financial information of joint ventures

Summarised financial information in respect of the Group's joint ventures in its own financial statements and reconciliation of the summarised financial information to the carrying amount of the Group' interest in joint ventures recognised in the consolidated financial statements:

	Puma		Macsteel	
	2019	2018	2019	2018
Non –current assets	12,986	12,603	1,914	1,984
Current assets	14,755	16,064	3,272	3,856
Non-current liabilities	(1,738)	(1,131)	(492)	(491)
Current liabilities	(13,795)	(16,650)	(1,625)	(2,137)
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	5,340	8,526	(218)	(79)
Revenue	106,440	116,028	6,618	7,400
Profit for the year	2,853	3,799	380	691
Other comprehensive income for the year	(32)	-	-	412
Total comprehensive income for the year	2,821	3,799	380	1,103
Dividends received from the joint ventures during the year	750	1,600	259	-
The above profit for the year include the following:				
Depreciation and amortisation	1,569	1,130	75	68
Interest income	332	442	-	3
Interest expenses	-	-	112	78
Foreign exchange loss/(gain)	255	12	29	(241)
Income tax expenses	1,427	1,739	175	336

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	Puma		Macsteel	
	2019	2018	2019	2018
Net assets of the joint venture	12,208	10,886	3,069	3,212
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	6,104	5,443	1,535	1,606

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For the year ended 31 December 2019
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16 Investment in associates

16.1 Details of the Group's associates

Details of the Group's associates at the end of the reporting period are as follows:

Name of associate	Principal Activity	Principal place of operation	Proportion of ownership interest and voting power held by the Group	
			2019	2018
Castel 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	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.

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 14.5. 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.

16.2 Reconciliation of carrying amount

	Group		Company	
	2019	2018	2019	2018
At the beginning of the year	42,063	34,489	56,566	54,608
Group's share of profit	1,800	2,750	-	-
Group's share of other comprehensive income	(353)	(245)	-	-
Retained interest following loss of control	-	8,176	-	8,176
Dividend received	(2,455)	(914)	-	-
Disposal	-	(2,193)	-	(2,193)
Increase in fair value recognised in other comprehensive income	-	-	1,390	(4,025)
At end of the year	41,055	42,063	57,956	56,566

In millions of Malawi Kwacha

16 Investment in associates (Continued)

16.3 Analysis of carrying amount

The carrying amount of associates shown above is analysed as follows:

	Group		Company	
	2019	2018	2019	2018
Open Connect Limited	6,302	6,036	5,223	4,799
Limbe Leaf Tobacco Company Limited	32,810	32,835	41,422	36,872
Castel Malawi Limited	1,943	3,192	11,311	14,895
Total	41,055	42,063	57,956	56,566

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 D. Moyo, registered valuer of Nico Asset Managers on behalf of the Directors as at 31st December 2019 (2018: E. Chokani of Nico Asset Managers).

16.4 Summarised financial information of associates

Summarised below is the financial information of the associates in their own financial statements and reconciliation of the summarised financial information to the carrying amount of the Group' interest in associates recognised in the consolidated financial statements:

	LLTC		Castel		OCL*	
	2019	2018	2019	2018	2019	2018
Non-current assets	40,500	41,515	50,817	45,454	20,255	17,447
Current assets	77,112	88,560	29,031	22,476	9,247	5,009
Non-current liabilities	(960)	(721)	(3,367)	(24,772)	(12,599)	(10,598)
Current liabilities	(38,514)	(51,158)	(66,766)	(27,200)	(1,043)	(994)
Revenue for the year/period	100,482	117,116	51,119	57,164	6,086	5,176
Profit for the year/period	6,629	6,967	(6,245)	(1,165)	1,163	107
Other comprehensive income for the year/period	(353)	(582)	-	-	-	-
Total comprehensive income for the year/period	6,276	6,385	(6,245)	(1,165)	1,163	107
Dividends received from the associate during the year	2,455	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	
	2019	2018	2019	2018	2019	2018
Net assets of the associate	78,138	78,196	9,715	15,958	15,860	10,864
Proportion of the Group's ownership interest in the associate	41.99%	41.99%	20.00%	20.00%	22.01%	22.01%
Group's interest	32,810	32,835	1,943	3,192	3,491	2,391
Goodwill	-	-	-	-	2,811	3,645
Carrying amount of the Group's interest in Associate	32,810	32,835	1,943	3,192	6,302	6,036

17 Loans and advances to customers

	Group	
	2019	2018
Gross loans and advances to customers at amortised cost	175,797	149,151
Allowance for impairment losses	(11,089)	(6,305)
Loans and advances, net	164,708	142,846
Gross loans and advances are due to mature as follows:		
- Within three months	31,443	31,521
- Between three months and one year	59,800	60,001
- After one year	84,554	57,629
	175,797	149,151
Loans, net are split into:		
Long term loans	84,554	57,538
Short term loans	80,154	85,308
	164,708	142,846
Analysis of recoveries		
Specific provisions	-	3
Interest in suspense	379	14
Debts previously written off	1,034	609
Transferred to profit or loss	1,413	626
Analysis of gross loans by currency		
Malawi Kwacha denominated	110,377	89,075
United States dollar denominated	65,420	60,076
	175,797	149,151

Movement of allowance for impairment losses

	Stage 1	Stage 2	Stage 3	Total
2019				
At 1 January 2019	3,464	939	1,902	6,305
Transfer from stage 1	(527)	75	452	-
Transfer from stage 2	189	(255)	66	-
Transfer from stage 3	25	1,715	(1,740)	-
Charge to income statement	511	828	3,548	4,887
Changes in loss allowance for off balance sheet assets	(90)	(13)	-	(103)
Closing Balance	3,572	3,289	4,228	11,089
2018				
At 1 January 2018 in accordance with IFRS 9	4,665	398	1,021	6,084
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	(186)	(10)	196	-
Charge to income statement	(1,652)	452	1,192	(8)
Changes in loss allowance for off balance sheet assets	(645)	-	-	(645)
Closing Balance	3,464	939	1,902	6,305

In millions of Malawi Kwacha

17 Loans and advances to customers (Continued)

The Malawi Kwacha base lending rate for the bank as at 31 December 2019 was 21% (2018: 23%) and US Dollar denominated loans carried an average interest rate of 8.30% (2018: 8.44%).

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

In 2018, loans with a total carrying amounting of K5,466million were restructured (modified). Their total fair value after restructuring was K5,989million resulting into a net fair value gain of K522million which was recognised in the income statement. As at the reporting date, the loans were fair valued at K5,790 million resulting in a fair value loss of K198 million which has been recognized in the income statement.

18 Finance lease receivables

Group

	2019	2018
Current finance lease receivable	1,636	1,635
Non-current finance lease receivable	15,494	16,179
	17,130	17,814

18.1 Amounts receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	2019	2018
Not later than one year	1,776	1,783	1,636	1,635
Later than one year and not later than five years	20,785	24,792	15,494	16,179
	22,561	26,575	17,130	17,814
Less; unearned finance income	(4,776)	(8,513)	-	-
Present value of minimum lease payments receivable	17,785	18,062	17,130	17,814
Allowance for uncollectible lease payments	(655)	(248)	-	-
	17,130	17,814	17,130	17,814

The finance leases mainly relate to motor vehicle leases. The residual value of the leases in all cases is guaranteed by the lessee and is fully secured. The lease income included in the statement of comprehensive income did not include any contingent rents. The average term of the leases is 3 years (The maximum is 5 years and the minimum 1 year). The average effective interest rate for the reporting period ended 31 December 2019 was 21% (2018: 25%).All leases are denominated in Malawi kwacha.

19 Long term receivables

	Group		Company	
	2019	2018	2019	2018
Open Connect Limited (OCL)	1,473	1,403	1,473	1,403
Mibawa Limited	100	-	-	-
	1,573	1,403	1,473	1,403
Movement during the year was as follows:				
Balance at 1 January	1,403	1,733	1,403	1,733
Advance made during the year	129	1,403	-	1,403
Interest capitalised	70	-	70	-
Loans repaid	(29)	(1,733)	-	(1,733)
Balance at 31 December	1,573	1,403	1,473	1,403

19 Long term receivables (Continued)

In 2018, the company entered into a debt swap arrangement with its then subsidiary Open Connect Limited (OCL). The debt swap involved taking over OCL debts with external parties and converting part of the amount into a long term shareholders receivable. The receivable is denominated in US dollars, is unsecured and attracts interest of 9% pa. The repayment date of the loan is the tenth anniversary of the date of issue of the Shareholders Loan.

In 2019 the Group's subsidiary Press Properties Limited (PPL), entered into a long termlease agreement with Mibawa Limited and Peoples Trading Centre (PTC) in respect of property situated at Plot Number LC 360 Limbe. The agreement was that PPL will pay 6 years rentals in advance to Mibawa Limited amounting to K129 million. PPL in turn, sub-leased the property to PTC over the same period of six years.

20 Other investments

20.1 Maturity of other investments

Total other investments are due to mature as follows:

	Group		Company	
	2019	2018	2019	2018
Non-current investments				
Non – maturing investments	5,649	6,382	3,963	6,069
Between one year and five years	46,713	12,933	-	-
	52,362	19,315	3,963	6,069
Current investments				
Between three months and one year	91,476	96,547	-	-
Within three months	36,098	35,031	-	-
	127,574	131,578	-	-
Total other investments	179,936	150,893	3,963	6,069
Comprises of the following:				
Government of Malawi Treasury Bills and Notes	133,279	96,402	-	-
Money market deposits	36,838	41,372	-	-
Government of Malawi promissory note	-	1,441	-	-
Other investments	68	68	-	-
Equity investments	9,751	11,610	3,963	6,069
Total investments	179,936	150,893	3,963	6,069

20.2 Government of Malawi bills and Reserve Bank of Malawi bonds

	Average interest rate		Group	
	2019	2018	2019	2018
Government of Malawi Treasury Bills	10.54%	13.11%	83,063	83,175
Government of Malawi Treasury Notes	10.30%	13.00%	50,228	13,235
Expected credit loss			(12)	(8)
			133,279	96,402
The bills and notes are due to mature as follows:				
- Within three months			36,098	33,590
- Between three months and one year			53,839	52,323
- Over one year			43,342	10,489
			133,279	96,402

Government of Malawi treasury bills and treasury notes are denominated in Malawi Kwacha and are held to maturity.

20 Other investments (Continued)

20.3 Money market deposits

	Average interest rate		Group	
	2019	2018	2019	2018
Money market investments with Reserve Bank of Malawi and other banks	10%	15%	36,838	41,372

Money market deposits are denominated in Malawi Kwacha and are held to maturity and mature within one month after the reporting date.

20.4 Government promissory notes

	Maturity date	Carrying amount
2019		
Acquired in 2019	None	-
2018		
Acquired in 2018	As explained below	1,441

In 2018, the Group's subsidiary National Bank of Malawi plc acquired three promissory notes from the market at a total cost of K1,382million. The cost of each note was K93million, K93million and K1,196million. The notes had a total nominal value of K1,525million and their maturity dates were 23 March 2019, 23 March 2019 and 4 April 2019, respectively. The carrying amount as at 31 December 2018 included accrued interest receivable amounting to K59million. Accrued interest amounting to K84m has been recognized in the statement of comprehensive income as at 31 December 2019.

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.

20.5 Equity investments

	Group		Company	
	2019	2018	2019	2018
Held for capital appreciation				
Sunbird Tourism plc	3,963	6,069	3,963	6,069
United General Insurance Limited	1,371	1,337	-	-
Rascom Project	234	232	-	-
National switch Limited	81	81	-	-
	5,649	7,719	3,963	6,069
Held for trading				
Illovo Sugar (Malawi) Plc	238	260	-	-
NICO Holdings Plc	861	742	-	-
Malawi Property Investment Company Plc	666	389	-	-
National Investment Trust Plc	533	486	-	-
NBS Bank Plc	316	381	-	-
Standard Bank of Malawi Plc	73	67	-	-
Sunbird Tourism plc	547	673	-	-
Telekom Networks Plc	868	893	-	-
	4,102	3,891	-	-
Total Equity Investments	9,751	11,610	3,963	6,069

Equity investments held for long term capital appreciation are accounted at fair value through other comprehensive income whereas those held for trading are accounted at fair value through profit and loss.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2019
In millions of Malawi Kwacha

21 Deferred tax assets/(liabilities)

	Assets		Liabilities		Net	
	2019	2018	2019	2018	2019	2018
Group						
Property, plant and equipment	5,725	5,635	(3,920)	(4,152)	1,805	1,483
Investment properties	328	112	(1,367)	(280)	(1,039)	(168)
Other investments	-	352	-	-	-	352
Provisions	3,090	1,018	(14)	79	3,076	1,097
Un-realised exchange differences	-	1,339	(325)	(215)	(325)	1,124
Tax value of loss carried forward	941	956	105	8	1,046	964
Tax assets/(liabilities)	10,084	9,412	(5,521)	(4,560)	4,563	4,852
Company						
Property and investments in subsidiaries and associates	-	-	(67,916)	(53,711)	(67,916)	(53,711)

Deferred tax balances within each subsidiary are presented on net basis. HoweverMalawi does not have a group tax registration as such there is no legal right to offset liability from one subsidiary and asset from another.

21.1 Movement in net deferred tax asset/(liabilities)

	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Tax effect IFRS 9 adoption	De-recognised on loss of control	Reclassified	Closing balance
Group							
2019							
Property, plant and equipment	1,498	(650)	(166)	-	-	1,123	1,805
Investment properties	(183)	31	-	-	-	(887)	(1,039)
Other investments	352	-	-	-	-	(352)	-
Provisions	1,097	174	-	-	-	1,805	3,076
Un-realised exchange differences	1,124	(188)	-	-	-	(1,261)	(325)
Tax value or loss carried forward	964	236	-	-	-	(154)	1,046
Total net asset/(liabilities)	4,852	(397)	(166)	-	-	274	4,563
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

In millions of Malawi Kwacha

21 Deferred tax assets/(liabilities)

21.1 Movement in net deferred tax asset/(liabilities) (Continued)

Company	Opening balance	Recognised in other comprehensive income	Recognised in profit or loss	Closing balance
2019				
Investment in subsidiaries and associates	(53,688)	(14,260)	0	(67,948)
Property	(23)	-	55	32
	(53,711)	(14,260)	55	(67,916)
2018				
Investment in subsidiaries and associates	(45,010)	(8,678)	-	(53,688)
Property	(56)	-	33	(23)
	(45,066)	(8,678)	33	(53,711)

21.2 Unrecognised deferred tax liabilities

As at 31 December 2019, there was a deferred tax liability of K68 billion (2018: K54billion) in the separate financial statements. The liability originates from temporary differences of K226billion (2018: K183 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.

21.3 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		Company	
	2019	2018	2019	2018
Tax losses	39,854	41,671	23,446	13,201
Deductible temporary differences;				
Provisions	1,852	586	280	(1,085)
Property, plant and equipment	(8,199)	(8,838)	-	-
Unrealised Exchange losses	-	(6)	-	-
	33,507	33,413	23,726	12,116
Un-recognised deferred tax asset @30%	10,052	10,024	7,118	3,635

Tax losses shown above expire after 6 years according to the tax laws in Malawi.

These deferred tax assets relates to Press Corporation Plc the Company, Press Properties Limited, Malawi Telecommunications Limited, Peoples Trading Centre and The Foods Company Limited.

22. Inventories

	Group		Company	
	2019	2018	2019	2018
Finished goods	5,175	6,969	-	-
Raw materials and consumables	3,269	3,207	12	19
Work in progress	29	113	-	-
Goods in transit	59	48	-	-
	8,532	10,337	12	19

In 2019, inventories of K33 billion (2018: K38 billion) were recognised as an expense during the year and included in ‘Direct trading expenses’.

22. Inventories (Continued)

During the year, inventories of K1.3 billion (2018: K1 billion) were written off in profit and loss due to stock shrinkages, damages and expiry.

In addition, during the year, inventories have been reduced by K28 million (2018: K16 million) as a result of the write-down to net realisable value. Such write-downs were recognised as an expense and included in ‘Administrative expenses’. There were no reversals of such write-downs and all inventories are expected to be recovered within twelve months. The carrying amount of inventory carried at net realisable value as at 31 December 2019 was Nil (2018: Nil).

23. Trade and other receivables from Group companies

	Group		Company	
	2019	2018	2019	2018
Amounts due from related party companies				
Press Properties Limited	-	-	62	293
Malawi Telecommunications Limited	-	-	388	356
Telecom Networks Malawi plc	-	-	1,049	1,037
Peoples Trading Centre Limited	-	-	199	59
Ethanol Company Limited	-	-	2	1
Presscane Limited	-	-	7	27
National Bank of Malawi plc	-	-	-	1
The Foods Company Limited	-	-	255	125
Other	-	-	45	71
	-	-	2,007	1,970

The amounts due from related party companies are denominated in Malawi Kwacha, are payable within 30 days and are interest free.

24. Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
Trade receivables	16,576	14,759	18	21
Contract asset	568	528		
Prepayments	4,193	4,231	-	-
Letters of credit	719	649	-	-
Employee benefit subsidy	755	1,992	-	-
MRA Customs & Excise Suspense	-	1,957	-	-
MasterCard accounts	1,378	967	-	-
Other receivables	4,964	5,178	982	222
	29,153	30,261	1,000	243
Loss allowance	(1,258)	(1,361)	-	-
Trade and other receivables	27,895	28,900	1,000	243
Contract asset – non current (note 36.2)	559	303	-	-

The average credit period on sales of goods and services is 30 days except for international incoming receivables in relation to telephony companies whose credit period is 60 days. No interest is charged on the trade and other receivables settled beyond these periods.

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

In millions of Malawi Kwacha

24. Trade and other receivables (Continued)

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.

25. Assets classified as held for sale

	Group	
	2019	**2018**
Land and buildings	1,573	413
Investment property	1	1
	1,574	414

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 (2018: K0.9 million) relating to plots of land that the Group has sold but are held by the Group because Government consent to sale has not been awarded yet.

25.1 Reconciliation of carrying amount

	Group	
	2019	**2018**
At the beginning of the period	414	743
Disposed during the period	-	(329)
Reclassified from PPE (note 8)	1,160	-
	1,574	414

26. Income tax recoverable

	Group		Company	
	2019	**2018**	**2019**	**2018**
Opening balance	1,524	2,141	357	128
Tax paid	258	1,794	81	229
De-recognised on loss of control (note 14.5)	-	(1,110)	-	-
Tax transfer to other taxes	(197)	(762)	(139)	-
Tax transfer to income tax payable	-	(539)	-	-
Total income tax recoverable	1,585	1,524	299	357

27. Cash and cash equivalents

	Group		Company	
	2019	**2018**	**2019**	**2018**
Reserve Bank of Malawi	1,512	10,833	-	-
Bank balances	10,445	1,994	66	76
Money market placements	9,020	11,761	2,366	4,980
Placement with other banks	17,826	22,899	-	-
Call deposits	2,904	2,084	-	-
Cash on hand	17,227	15,010	-	-
Cash and cash equivalents	58,934	64,581	2,432	5,056
Bank overdrafts	(7,986)	(6,212)	(4,251)	(3,782)
Cash and cash equivalents as shown in the statement of cash flows	50,948	58,369	(1,819)	1,274

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.

27. Cash and cash equivalents (Continued)

Money market placements with other banks are held to maturity and mature within one month (2018: one month) of the year end and are denominated in the following currencies:

	Average interest rates		Group	
	2019	**2018**	**2019**	**2018**
US Dollars	0.50%	0.50%	11,067	13,827
GBP	1.75%	1.75%	1,954	3,351
Euro	0.50%	0.50%	4,426	4,775
ZAR	4.00%	4.00%	370	918
Other currencies	-	-	9	28
Totals			17,826	22,899

Overdraft facilities
Bank overdrafts forms an integral part of the Group's cash management. These are repayable on demand. As at 31 December 2019, the available overdraft facilities were as follows;

	Group		Company	
	2019	**2018**	**2019**	**2018**
First Capital Bank plc	5,200	5,000	2,400	2,000
Eco Bank Malawi Limited	3,000	2,000	3,000	2,000
CDH Investment Bank Limited	650	650	-	-
Standard Bank plc	3,500	3,500	-	-
	12,350	11,150	5,400	4,000

The overdraft facilities of the Group are secured as follows;
(i) K1.7 billion (2018: K1.8 Billion) is secured by Press Corporation plc guarantee;
(ii) K1.8 billion by a debenture (2018: K1.8 billion) and;
(iii) K8.8 billion (2018: K7.6 billion) is unsecured.

The Company's Eco Bank Malawi Limited and First Capital Bank overdraft facilities are due for renewal on 4 July 2020 and 30 November 2020 respectively and are unsecured.

28. Share capital

	Group and Company	
Authorised ordinary share capital	**2019**	**2018**
- 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.

In millions of Malawi Kwacha

29. Other reserves – excluding non-controlling interests

Group	Revaluation reserve	Translation reserve	Loan loss reserve	Other	Total
2019					
Balance at beginning of the year	27,559	19,732	-	3,745	51,036
Revaluation of property	2,017	-	-	-	2,017
Depreciation Transfer land and buildings	(433)	-	-	-	(433)
Share of other comprehensive income of equity accounted investment	(16)	(353)	-	-	(369)
Income tax on other comprehensive income	(88)	-	-	-	(88)
Balance at 31 December 2019	29,039	19,379	-	3,745	52,163
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

Company

	Revaluation reserve	Translation reserve	Total
2019			
Balance at beginning of the year	225,913	111	226,024
Fair value gain on investments	37,319	-	37,319
Revaluation of property	174	-	174
Deferred tax on revaluation	(14,260)	-	(14,260)
Balance at 31 December 2019	249,146	111	249,257
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

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.

29. Other reserves – excluding non-controlling interests (Continued)

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.

Other reserves
The other reserves for the Group comprise capital redemption reserve.

30 Loans and borrowings

30.1 Loans and borrowings summary

Group	Secured	Unsecured	Total
2019			
More than 5 years	1,630	1,942	3,572
Due between 1 and 5 years	20,560	13,814	34,374
	22,190	15,756	37,946
Due within 1 year or less	12,377	3,775	16,152
	34,567	19,531	54,098
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
Company			
2019			
More than 5 years	1,630	-	1,630
Due between 1 and 5 years	6,520	-	6,520
	8,150	-	8,150
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

30.2 Movement in borrowings

Group	At 01/01/19	Draw-downs	Repayments	Exchange fluctuations	Interest accrual	At 31/12/19
Local borrowings						
Belgium Government	112	-	(6)	-	-	106
Commercial Debt-Old Mutual	5,000	-	-	-	-	5,000
Commercial Debt-Nico Asset Managers	5,000	-	-	-	-	5,000
PTC Corporate bond	-	7,500	-	-	-	7,500
DANIDA loan	738	-	(45)	-	-	693
FCB Loan	43	636	-	-	-	679
Kuwait Development Fund	1,253	-	(75)	-	-	1,178
Malawi Government	210	-	-	-	-	210
Press Corp MTN coupon loan	221	-	(221)	-	-	-
Press Corp Corporate Bond	8,217	-	(67)	-	-	8,150
Standard Bank Dual Currency Loan	9,357	3,066	(4,435)	-	-	7,988
Syndicated loan - NBM Capital Markets Ltd	147	-	(84)	-	-	63
NORDIC Development Fund	1,104	-	(67)	-	29	1,066
Total local borrowings	31,402	11,202	(5,000)	-	29	37,633

In millions of Malawi Kwacha

30 Loans and borrowings (Continued)
30.2 Movement in borrowings (Continued)

Group	At 01/01/19	Draw-downs	Repayments	Exchange fluctuations	Interest accrual	At 31/12/19
Foreign borrowings						
Huawei long term payable	760	92	(752)	-	-	100
Libyan Government	237	-	-	2	-	239
European Investment Bank	19,219	321	(4,297)	883	-	16,126
Total foreign borrowings	20,216	413	(5,049	885	-	16,465
Total borrowings	51,618	11,615	(10,049)	885	29	54,098
Company						
MTN coupon	221	-	(221)	-	-	-
Corporate Bond	8,217	-	(67)	-	-	8,150
Total local borrowings	8,438	-	(288)	-	-	8,150

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
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)	-	-	-
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 Markets Ltd	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

30 Loans and borrowings (Continued)

30.3 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 – 2019									
Belgium Government	Malawi Kwacha	0%	1/2 yearly	Government	2018	2028	9	30	67
Commercial Debt-Old Mutual	Malawi Kwacha	364 TB rate + 2%	5 Years - Option for bullet payments of MK1million tranches after 3rd year	Debenture on TNM Assets	2017	2020	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	-
PTC commercial paper	Malawi Kwacha	91TB+5%	5 years	PCL Gurantee	2020	2025	375	7,125	-
DANIDA loan	Malawi Kwacha	0%	1/2 yearly	Government	2018	2028	53	197	443
FMB Loan	Malawi Kwacha	23%	6 years	PCL Gurantee	2016	2022	134	545	-
Kuwait Development Fund	Malawi Kwacha	0%	1/2 yearly	Government	2018	2028	92	334	752
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	6,618	1,370	-
Press Corp corporate bond	Malawi Kwacha	364TB+4%	Quartely	TNM Shares	2021	2025	-	6,520	1,630
Syndicated loan - NBM capital Market	Malawi Kwacha	22%	5 years	PCL guarantee	2015	2020	63	-	-
NORDIC Development Fund	Malawi Kwacha	0%	1/2 yearly	Government	2018	2028	84	302	680
European Investment Bank	Malawi Kwacha	3%	Semi-annually	Unsecured	2016	2022	3,624	12,502	-
Libyan Government	US Dollars	0%	Dividend offset	None	n/a	n/a	-	239	-
Huawei deferred payment	US Dollars	1/2 yr Libor + 6.5%	Within 2 Years	Unsecured	270 Days after Invoice	Rolling- Within 2 Years	100	-	-
Total							16,152	34,374	3,572
Company - 2019									
Press Corp corporate bond	Malawi Kwacha	364TB+3%	Quarterly after 2 years	TNM Shares	2018	2025	-	6,520	1,630

30 Loans and borrowings (Continued)
30.3 Terms and debt repayment schedules (Continued)

Lender's name	Currency	Interest rate	Repayment terms	Security	Agreed date redemption commences	Agreed date redemption finishes	Due in 1 year	Due within 2 -5 year	Over 5 years
Group – 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 Guarantee	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%	Quarterly	TNM Shares	2015	2019	221	-	-
Press Corp corporate bond	Malawi Kwacha	364TB+4%	Quarterly	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%	Quarterly	TNM Shares	2015	2019	221	-	-
Press Corp corporate bond	Malawi Kwacha	364TB+3%	Quarterly after 2 years	TNM Shares	2018	2025	-	4,930	3,287
Total							221	4,930	3,287

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In millions of Malawi Kwacha

31 Provisions

Group	Legal claim	Group bonus	Other	Total
2019				
Balance at the beginning of the year	219	3,583	766	4,568
Provision made during the year	-	3,746	20	3,766
Provision used during the year	-	(3,582)	(703)	(4,285)
Balance at the end of the year	219	3,747	83	4,049
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
Company				
2019				
Balance at the beginning of the year	-	970	-	970
Provision made during the year	-	262	-	262
Provision used during the year	-	(970)	-	(970)
Balance at the end of the year	-	262	-	262
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

All provisions are due within 1 year or less.

Legal Claims
The provision for legal claims represents estimated amounts which may be required to settle legal and other related claims made against the Group in the ordinary course of business. The provision is based on legal advice from the Group's attorneys on the outcome of claims which the Group is facing.

Group bonus
The provision for Group bonus represents incentive pay to eligible employees. The estimate has been made on the basis of rules governing Group's performance incentive policies and may vary as a result of final operating results of the Group.

Other Provisions
Other provisions includes employees' related accrued benefits and Levy provision. Employees' benefits provided amount was derived from expected liability based on existing legal and company conditions of service. Levy provision was based on existing legal framework governing respective levies.

32 Income tax payable

	Group		Company	
	2019	2018	2019	2018
Opening balance	3,477	4,538	104	94
Current charge	17,125	14,334	1,049	1,016
Cash paid	(14,382)	(14,856)	(1,023)	(1,006)
Other tax transfer	228	-	-	-
Tax transfer from income tax recoverable (note 26)	-	(539)	-	-
Total income tax payables	6,448	3,477	130	104

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33 Trade and other payables

	Group 2019	2018	Company 2019	2018
Trade payables	24,896	17,454	26	24
Liabilities to other banks	652	1,414	-	-
Taxes and levies	4,514	4,308	121	75
Contract liabilities (note 36.2)	6,505	6,020	-	-
Accruals	7,073	5,572	794	715
Other payables	3,154	2,741	66	81
Staff payables	483	684	-	-
Dividend payable	1,473	1,473	-	-
Total trade and other payables	48,750	39,666	1,007	895
Contract liabilities – non current (note 36.2)	119	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.

34 Trade and other payables to Group companies

	Company 2019	2018
Manzinzi Bay Limited	19	19
Press Properties Limited	41	21
Malawi Telecommunications Limited	6	7
Ethanol company Limited	1	-
	67	47

Trade and other payables to Group companies are interest free and are payable on demand.

35 Customer deposits

	Average interest rates 2019	2018	Group 2019	2018
Analysed by account type:				
Current accounts	0.10%	0.10%	114,147	100,652
Deposit accounts	7.16%	7.16%	35,233	33,650
Savings accounts	6.10%	6.10%	78,340	65,373
Foreign currency accounts*	0.50%	0.50%	63,741	66,541
Client funds	10.00%	15.00%	24,018	26,840
			315,479	293,056
Analysed by interest risk type:				
Interest bearing deposits			173,818	274,465
Non-interest bearing deposits			141,661	18,591
			315,479	293,056

35 Customer deposits (Continued)

	Average interest rates 2019	2018	Group 2019	2018
Total liabilities to customers are payable as follows:				
Within three months			312,051	291,500
Between three months and one year			3,428	1,556
			315,479	293,056
Analysis of deposits by sector				
Personal accounts			166,176	69,265
Manufacturing			22,921	18,331
Agriculture			9,750	10,620
Wholesale and retail			34,009	30,688
Finance and insurance			18,884	11,224
Construction			10,802	9,479
Electricity, gas, water and energy			12,628	4,839
Transport, storage and communications			8,073	7,621
Restaurants and hotel			3,177	2,829
Client funds			24,018	26,840
Others			5,041	101,320
			315,479	293,056
* The foreign currency denominated account balances as at 31 December were as follows:-				
US Dollar denominated			57,363	58,400
GBP denominated			1,756	3,245
Euro denominated			4,406	4,706
ZAR denominated			216	190
			63,741	66,541

All interest bearingaccounts,excluding deposit accounts are at floating rates that are adjusted at the Group's banking business discretion.

36 Revenue

36.1 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	2019 Financial services	Telecommu-nications	Energy	Consumer goods	All other segments	Total
Group						
Sale of goods	-	1,353	19,459	22,853	2,216	45,881
Telecommunication Services	-	94,565	-	-	-	94,565
Interest income	45,725	-	-	-	-	45,725
Fees and commission	20,752	7,325	-	-	-	28,077
Rental income	-	-	-	-	569	569
Gain foreign exchange deals	5,249	-	-	-	-	5,249
	71,726	103,243	19,459	22,853	2,785	220,066

36 Revenue (Continued)

36.1 Disaggregated revenue information (Continued)

Segments	Financial services	Telecommu-nications	Energy	Consumer goods	All other segments	Total
	2018					
Sale of goods	-	1,358	17,036	28,909	2,492	49,725
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
	2019					
Company						
Management fees	-	-	-	-	431	431
Dividend income	-	-	-	-	10,454	10,454
	-	-	-	-	10,885	10,885
	2018					
Management fees	-	-	-	-	388	388
Dividend income	-	-	-	-	10,129	10,129
	-	-	-	-	10,517	10,517

36.2 Contract balances

	Group 2019	Group 2018	Company 2019	Company 2018
Trade receivables (note 24 net of ECL)	16,445	14,229	18	21
Contract assets – non current (note 24)	559	303	-	-
Contract assets – current (note 24)	568	528	-	-
Contract liabilities – non current (note 33)	119	141	-	-
Contract liabilities – current (note 33)	6,505	6,020	-	-

Trade receivables arise as a result of goods and services delivered to contract customers whose consideration is not yet received by the Group.Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Contract assets primarily relate to up-front unbilled revenue recorded for the sale of telecommunication devices. Contract assets are assessed for impairment in terms of 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 following reporting period;

	Group 2019	Group 2018
2019	-	6,020
2020	6,505	16
2021	2	99
2022	10	6
2023	14	16
2024	89	4
2026	4	-

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37 Direct trading expenses

	Group 2019	Group 2018	Company 2019	Company 2018
Cost of sales	33,183	38,088	-	-
Interest expense	5,207	6,315	-	-
Direct service costs	44,050	43,976	-	-
	82,440	88,379	-	-

38 Other operating income

	Group 2019	Group 2018	Company 2019	Company 2018
Net (loss)/gains from trading in foreign currencies	(19)	5	-	-
Recoveries from impaired loans and advances	1,506	626	-	-
Fair value adjustment of investment property	1,673	986	159	-
Gains and losses from fair value adjustment of biological assets	(23)	(312)	-	-
Net gain on financial instruments classified as held for trading	149	916	-	-
Profit on disposal of property, plant and equipment	146	2,480	-	21
Profit on disposal of available for sale financial assets	-	6,160	-	-
Sundry income	2,398	3,610	255	227
	5,830	14,471	414	248

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.

39 Distribution expenses

	Group 2019	Group 2018	Company 2019	Company 2018
Marketing and publication	1,251	2,042	-	-
Selling expenses	136	149	-	-
Carriage outwards	720	833	-	-
Other	188	259	-	-
	2,295	3,283	-	-

40 Administrative expenses

		Group 2019	Group 2018	Company 2019	Company 2018
Auditors' remuneration	- current year fees	740	626	125	112
	- other professional services	93	36	66	10
Directors' emoluments	- fees & expenses	719	566	130	118
	- executive directors' remuneration	2,103	2,020	962	1,185
Personnel costs		37,330	34,175	1,832	2,161
Pension contribution costs		2,612	2,580	242	265
Legal and professional fees		1,939	1,662	166	138
Stationery and office expenses		2,088	2,319	107	116
Security services		2,374	2,318	52	47
Motor vehicle expenses		1,779	2,083	45	44
Bad debts		6,555	3,407	-	-
Repairs and maintenance		6,421	6,578	304	342
Depreciation, impairment and amortisation		19,799	15,163	121	68
Travel expenses		840	1,036	58	94
Communication		891	777	80	87
Stock write off, impairment		1,260	1,003	-	-
Service charges / Royalties		105	861	-	-
Other		7,468	9,576	233	483
		95,116	86,786	4,523	5,270

40 Administrative expenses (Continued)

Liability for defined contribution obligations
The principal Group pension scheme is the Press Corporation plc Group Pension and Life Assurance Scheme covering all categories of employees with3,679 (2018: 3,397) members as at 31 December 2019. 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.

41 Finance income and costs

	Group		Company	
	2019	**2018**	**2019**	**2018**
Finance income				
Interest income on bank deposits	1,398	1,983	365	844
Net foreign exchange gain	1	-	1	-
Other	215	343	7	89
	1,614	2,326	373	933
Finance costs				
Bank overdrafts	(1,100)	(947)	(607)	(392)
Loans	(6,664)	(4,374)	(1,166)	(972)
Lease liability	(1,010)	-	(26)	-
Foreign exchange loss	(103)	(155)	-	(31)
	(8,877)	(5,476)	(1,799)	(1,395)
Net finance costs	(7,263)	(3,150)	(1,426)	(462)

During the year, nil borrowing costs were capitalised (2018: K215 million).

42 Share of results from equity accounted investees

	Group		Company	
Share of profit, net of tax	**2019**	**2018**	**2019**	**2018**
Limbe Leaf Tobacco Company Limited	2,783	2,925	-	-
Castel Malawi Limited	(1,249)	(227)	-	-
Puma Energy (Malawi) Limited	1,427	1,899	-	-
Macsteel (Malawi) Limited	188	346	-	-
Open Connect Limited	266	52	-	-
	3,415	4,995	-	-
Share of other comprehensive income, net of tax				
Limbe Leaf Tobacco Company Limited	(353)	(245)	-	-
Puma Energy (Malawi) Limited	(16)	-	-	-
Macsteel (Malawi) Limited	-	206	-	-
	(369)	(39)	-	-

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43 Income taxes

	Group		Company	
	2019	**2018**	**2019**	**2018**
Current tax expense				
Current year at 30% (2018:30%) based on taxable profits	16,076	13,318	-	-
Final tax on dividend received from associates, subsidiaries and joint ventures	1,049	1,016	1,049	1,016
	17,125	14,334	1,049	1,016
Deferred tax expense/ (credit)				
In respect of the current year	385	1,250	(55)	(33)
Total Income tax expense recognised in the current year	17,510	15,584	994	983

The Group's tax expense on continuing operations excludes the Group's share of the tax expense of equity accounted investees of K2,180million (2018: K2,469 million), which has been included in 'share of profit of equity-accounted investees, net of tax'.

43.1 Tax losses carried forward

The Group has estimated tax losses of K39.9 billion (2018:K41.7 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.

43.2 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;

	2019		2018	
Group				
Profit before tax from continuing operations		42,197		52,288
Tax using the Group's domestic tax rate – 30%	30%	12,659	30%	15,686
Tax effect of:				
Share of profit of equity-accounted investees reported net of tax	(2%)	(1,024)	(3%)	(1,499)
Expenses not deductible for tax purposes	0%	288	-	353
Effects of final tax on dividends from associates and subsidiaries	2%	994	2%	983
Unrecognised taxable losses	11%	4,488	6%	3,039
Income not subject to tax	(1%)	(457)	(3%)	(1,804)
Other permanent differences	1%	562	(2%)	(1,174)
Effective tax rate and income tax charge	41%	17,510	30%	15,584
Company				
Profit before tax from continuing operations		5,350		5,033
Tax using the Group's domestic tax rate – 30%	30%	1,605	30%	1,510
Effects of final tax on dividends from associates and subsidiaries	19%	994	20%	983
Unrecognised taxable losses	(30%)	(1,605)	(30%)	(1,510)
Effective tax rate and income tax charge	19%	994	20%	983

In millions of Malawi Kwacha

44 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 K8,157 million (2018: K18,373million) and a weighted average number of ordinary shares outstanding during the year of 120.2 million (2018:120.2 million).

	Group	
	2019	2018
Profit attributable to owners of the Company	8,157	18,373
Weighted average number of ordinary shares	120.2	120.2
Basic earnings per share (K)	67.86	152.85
Number of shares in issue	120.2	120.2
Diluted earnings per share (K)	67.27	152.78
Profit from continuing operations	24,687	36,704
Non-controlling interest	(16,601)	(18,340)
Profit from continuing operations attributable to the ordinary equity holders of the parent Company	8,086	18,364
Basic earnings per share (from continuing operations) (K)	67.27	152.78
Diluted earnings per share (from continued operations) (K)	67.27	152.78

45 Contingent liabilities

	Group		Company	
	2019	2018	2019	2018
Foreign guarantees	1,609	1,237	-	-
Local guarantees and performance bonds	17,957	6,692	17,500	6,970
Letters of credit	16,784	28,720	-	-
	36,350	36,649	17,500	6,970
Legal and other claims	2,949	2,286	-	-
Tax payable	2,888	3,048	-	-
Total contingent liabilities	42,187	41,983	17,500	6,970

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.

46 Capital commitments

	Group		Company	
	2019	2018	2019	2018
Authorised and contracted for	6,654	4,420	-	-
Authorised but not yet contracted for	30,346	19,919	151	63
	37,000	24,339	151	63

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

47 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.

47.1 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	
	2019	2018	2019	2018
Joint ventures of the Group	4,333	4,358	2,436	665
Shareholder - Old Mutual Group	74	-	24	-
Associates of the Group	1,192	472	5,401	5,871
	5,599	4,830	7,861	6,536

	Interest Income		Interest Expense	
	2019	2018	2019	2018
Joint ventures of the Group	3	-	(93)	-
Shareholder - Old Mutual Group	128	-	(561)	-
Associates of the Group	35	-	(4)	-
Directors	3	7	-	-
Employees	1,123	1,265	(785)	(923)
	1,292	1,272	(1,443)	(923)

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 19% (2018: 23%)

47.2 Receivables and payables

	Amounts owed by related parties		Amounts owed to related parties	
	2019	2018	2019	2018
Joint ventures of the Group	1,003	447	19	-
Shareholder - Old Mutual Group	-	-	23	-
Associates of the Group	222	55	1,339	2,115
Directors	-	-	32	-
Employees	27	-	-	-
	1,252	502	1,413	2,115

47 Related parties

47.2 Receivables and payables (Continued)

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.

47.3 Loans and deposits

	Loans		Deposits	
	2019	2018	2019	2018
Joint ventures of the Group	-	-	1,394	3,699
Shareholder - Old Mutual Group	4,698	-	7,642	2,360
Associates of the Group	1,473	-	2,284	152
Shareholder - Press Trust	-	-	204	362
Directors	576	487	72	52
Employees	6,141	5,728	678	506
Related Pension Funds	-	-	53	230
	12,888	6,215	12,327	7,361

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 (2018: 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.

47.4 Compensation of key management personnel

Directors of the Company and their immediate relatives control 0.19% (2018: 0.19%) 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	
	2019	2018	2019	2018
Salaries and benefits for key management	7,134	6,646	596	772
Directors remuneration	2,567	2,066	1,092	1,303
	9,701	8,712	1,688	2,075

48 Cash flows from operating activities

	Group		Company	
	2019	2018	2019	2018
Profit before income tax	42,280	52,297	5,350	5,033
Adjustments for:				
Depreciation, amortization and impairement	20,198	16,758	121	70
Finance costs	8,877	5,476	1,799	1,395
Finance income	(1,614)	(2,326)	(373)	(933)
Share of results from equity accounted investments	(3,415)	(4,995)	-	-
Profit on sale of investment property and property, plant and equipment	(146)	(2,480)	-	(21)
Fair value adjustments and unrealised foreign exchange losses	(1,523)	2,248	(160)	1,158
Investment income (dividends)	-	-	(10,454)	(10,129)
Loss of control of a subsidiary	-	8,414	-	1,420
(Decrease)/Increase in provisions	(519)	(1,297)	(708)	180

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48 Cash flows from operating activities (Continued)

	Group		Company	
	2019	2018	2019	2018
Working capital changes:				
Decrease/(Increase) in inventories	1,805	1,173	7	(10)
Increase in Loans and advances to customers	(21,862)	(22,172)	-	-
Financial instruments adjustment following IFRS 9 adoption	-	(4,886)	-	-
Retained earnings adjustment following IFRS 16 adoption	(194)	-	-	-
Decrease/(Increase) in Finance lease receivables	684	(7,497)	-	-
Decrease/(Increase) in trade and other receivables	385	(4,584)	(827)	(1,087)
(Increase)/Decrease in trade and other receivables -Group	-	-	(37)	2,530
Increase in other investments	(29,043)	(10,534)	-	(4,823)
(Decrease)/Increase in trade and other payables	9,062	(2,689)	112	472
Increase in trade and other payables- Group	-	-	20	5
Increase in customer deposits	22,423	17,983	-	-
Cash generated by/(used in) operations	47,398	40,889	(5,150)	(4,740)

49 Dividend per share

	Group and Company	
	2019	2018
Final dividend	2,405	2,405
Interim dividend	722	722
	3,127	3,127
Number of ordinary shares in issue (million)	120.2	120.2
Dividend per share (K)	26.00	26.00

During the year, the Group declared and paid a total of K3,127 million representing final dividend for 2018 of K2,405 million and interim dividend for 2019 of K722 million. The proposed final dividend for the year 2019 is K2,405 million (2018: K2,405 million) representing K20 per share (2018: K20).

50 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.

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. Subsequent to the balance sheet date, COVID-19 has been classified as a pandemic and has significantly spread resulting in disruption of business activities and adversely impacting on economic conditions world-wide. The Group is involved in diverse sectors which will see varied impact such as a slow-down in loan applications and potential increase in credit losses in the banking sector; increase in demand for data services and a potential network congestion in the telecommunication sector; increase in demand for rectified spirit in the energy sector and scarcity of imported goods in the consumer business sector. The Group has evoked its business continuity plan to minimise disruption of business. Work from home tools have been provided to key staff to ensure continuity of services to customers in an event of a total lockdown. The Group has enhanced its supply chain management and is building up stock of essential supplies in all its sectors. The Group continues to monitor the developments around COVID-19 and is constantly engaging key stakeholders such as regulatory bodies and the Government. The Group is confident in its short to midterm prospects because of actions taken to date and the diversity of its portfolio which includes some companies in essential services. It is not practicable to quantify the potential financial effect of COVID-19 on the Group at this stage.

Subsequent to the reporting period, the Group's banking business is finalizing the acquisition of Akiba Commercial Bank of Tanzania. As at the reporting date, the process of securing regulatory approvals both locally and internationally was underway. The Group is hopeful that the transaction will be completed within the first half of 2020.

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51 Inflation and exchange rates

The average of the year-end buying and selling rates of the major foreign currencies affecting the performance of the Company and Group are stated below, together with the increase in the National Consumers Price Index which represents an official measure of inflation.

Exchange rates as at 31 December	2019	2018
Kwacha/United States Dollar	736.7	729.8
Kwacha/Euro	826.9	832.8
Kwacha/British Pound	967.4	924.9
Kwacha/South African Rand	52.5	50.8
Inflation rates as at 31 December (%)	11.5	9.9

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

Kwacha/GBP	904.7
Kwacha/Rand	42.9
Kwacha/US Dollar	736.7
Kwacha/Euro	817.5
Inflation rates as at February 2020	11%

Shareholdings	% of total shares in issue	Number of shares	Shareholding range	Number of shareholders	%
Press Trust	46.23%	55,602,189	1,000,000 +	13	0.83%
Standard bank of South Africa Nominees ITF Northen Trust Global Services	6.60%	7,936,720	10,001 - 1,000,000	118	7.52%
Old Mutual Life assurance (Malawi) Limited	16.71%	20,094,861	5,001 - 10,000	36	2.30%
Others	30.46%	36,621,943	1 - 5,000	1,401	89.35%
Total		**120,255,713**		**1,568**	**100.00%**

Share Market	2019	2018	2017	2016	2015
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)	168,358	137,092	72,153	64,938	64,337
Market capitalization at 31 December (US$'m)	228.53	187.85	99.44	89.52	96.83
Subscription price at listing MK14.89					
Last traded price					
31 December (MK per share)	1,400.00	1,140.00	600.00	540.00	535.00
Highest (MK per share)	1,150.00	1,150.00	600.00	540.00	535.00
Lowest (MK per share)	600.00	600.00	540.00	535.00	453.10
Net asset value (NAV) per share	1,958.93	1,822.59	1,512.85	1,227.33	1,084.93
Value of shares traded (MKm)	15,341.00	4,725.00	569.00	272.00	1,085.00
Earnings per share %	67.86	152.85	198.98	40.84	34.92
Dividend yield %	1.86	2.28	2.92	1.57	2.43

On the Malawi Stock Exchange
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LOCATION OF LISTING
Malawi Stock Exchange and
London Stock Exchange as a
Global Depository Receipt