PRESS CORPORATION PLC

Consolidated and Separate Financial Statements
For the Year Ended 31 December 2023

CONTENTS

PRESS CORPORATION PLC
DIRECTORS' REPORT
31 December 2023

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 2023.

1. INCORPORATION AND REGISTERED OFFICE

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

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

2. PRINCIPAL ACTIVITIES OF THE GROUP

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

3. FINANCIAL PERFORMANCE

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

4. SHARE CAPITAL AND SHAREHOLDING

The authorised share capital of the Group is K25 million (2022: K25 million) divided into 2,500,000,000 Ordinary Shares of K0.01 each. The issued and fully paid capital is K1.2 million (2022: K1.2 million) divided into 120,255,713 (2022: 120,255,713) fully paid Ordinary Shares of K0.01 each.

The shareholding structure at year end was as follows:-

	2023	2022
	%	%
Press Trust	47.58	47.58
Old Mutual Life Assurance Company Limited	16.36	16.29
Others	36.06	36.13
	100.00	100.00

5. DIVIDENDS

The net profit attributable to owners of the Company for the year of K40.4 billion (2022: K13.6 billion) has been added to retained earnings. Interim dividend paid for 2023 was K1,082 million (2022: K842 million) representing K9.00 per share (2022: K7.00). The directors have proposed a final dividend for the year 2023 of K4,449 million (2022: K3,487 million) representing K37.00 per share (2022: K29.00) to be tabled at the forthcoming Annual General Meeting.

6. DIRECTORATE AND COMPANY SECRETARY

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

Mr. R Mwadiwa	Chairman	Throughout the year	Non-executive
Mr. J Nsomba	Director	Throughout the year	Non-executive
Mr. G Ngalamila	Director	Throughout the year	Non-executive
Mr. S Malata	Director	Throughout the year	Independent non-executive
Mr. D Mawindo	Director	Throughout the year	Non-executive
Mrs. B Mahuka	Director	Throughout the year	Non-executive
Dr. R. Mangani	Director/Chief Executive Officer	From May 2023	Executive
Ms. M Mbeye	Company Secretary	Throughout the year	Executive

7. DIRECTORS' REMUNERATION

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

Entity	**Non-executive Directors fees and expenses**	**Executive Directors remuneration**	**Total**
	K' million	**K' million**	**K' million**
For the year ended 31 December 2023			
Press Corporation plc	274	156	430
Telekom Networks Malawi plc	235	-	235
National Bank of Malawi plc	656	948	1,604
The Foods Company Limited	15	-	15
Malawi Telecommunications Limited	33	64	97
Presscane Limited	256	-	256
Press Properties Limited	44	-	44
Ethanol Company Limited	82	-	82
	1 595	1 168	2 763
For the year ended 31 December 2022			
Press Corporation plc	193	49	242
Telekom Networks Malawi plc	132	-	132
National Bank of Malawi plc	511	892	1 403
The Foods Company Limited	26	-	26
Malawi Telecommunications Limited	17	119	136
Presscane Limited	100	-	100
Press Properties Limited	31	-	31
Ethanol Company Limited	75	134	209
	1 085	1 194	2 279

8. DIRECTORS' TENURE POLICY

In accordance with the Articles of Association, non-executive Directors are appointed by the shareholders with at least 10% shareholding; 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.

At the annual general meeting of the company in every year, one-third of the non-executive directors shall retire from office. The directors to retire in every year shall be those who have been longest in office since their last election or have been appointed by the directors since the last annual general meeting. A retiring director is eligible for re-election. Notwithstanding this, non-executive Directors appointed by the major shareholders may be recalled by the particular appointing major shareholder.

Executive Directors are appointed by the Board and their tenure is as per the terms of their contract of employment.

On termination of the contract, a three months' notice in writing must be given in case of Executive Directors whereas Non-executive Director's 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 2023 is as follows;

Director	Company	Number of shares held (ordinary shares) 2023	2022
Mr. J Nsomba	National Bank of Malawi plc	758	758
Mr. S Malata	Telekom Networks Malawi plc	779 125	53 751
Mr. S Malata	National Bank of Malawi plc	10 533	-
Mr. R Mwadiwa	Telekom Networks Malawi plc	18 800	18 800
Mr. R Mwadiwa	Press Corporation plc	2 000	1 000
Mr. R Mwadiwa	National Bank of Malawi plc	1 225	-
Mr. G Ngalamila	National Bank of Malawi plc	2 000	-
Mr. G Ngalamila	Press Corporation plc	791	-
Mr. D Mawindo	Press Corporation plc	500	-

None of the Directors had, during the year ended 31 December 2023 (2022: 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 K689 million (2022: K415 million) as shown below;

	2023 K' million	2022 K' million
Malawi Telecommunications Limited	6	1
Telekom Networks Malawi plc	44	62
National Bank of Malawi plc	478	277
Ethanol Company Limited	41	27
Presscane Company Limited	78	13
Press Properties Limited	3	-
Press Corporation plc	39	35
	689	415

11. AUDITORS

These financial statements were audited by Deloitte, Chartered Accountants, P O Box 187, Blantyre. Resolutions concerning the appointment of auditors of the Group for the year ending 31 December 2024 and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

12. AUDITORS REMUNERATION

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

Entity	Financial audit K' million	Half year results review K' million	Tip-offs Anonymous K' million	IT system review K' million	Total K' million
For the year ended 31 December 2023					
Press Corporation plc	226	50	3	-	279
Telekom Networks Malawi plc	292	32	12	18	353
National Bank of Malawi plc	554	-	-	-	554
The Foods Company Limited	29	7	-	-	35
Malawi Telecommunications Limited	80	8	3	-	91
Presscane Limited	54	10	3	-	67
Press Properties Limited	22	6	-	-	28
Ethanol Company Limited	27	8	2	-	37
	1 284	121	23	18	1 446
For the year ended 31 December 2022					
Press Corporation plc	113	41	2	-	156
Telekom Networks Malawi plc	179	26	6	16	227
National Bank of Malawi plc	343	23	44	-	410
The Foods Company Limited	27	5	-	-	32
Malawi Telecommunications Limited	70	7	3	-	80
Presscane Limited	41		3	-	44
Press Properties Limited	23	5	-	-	28
Ethanol Company Limited	26	8	2	-	36
	822	115	60	16	1 013

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

13. ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Directors have made an assessment of the impact of climate change on the group's and company's assets, financial performance and the ability to continue as a going concern. The Directors are of the opinion that risks associated with climate change do not pose any significant negative impact on the group's assets, financial performance and its going concern. The group will continue monitoring and assessing the impact of climate change and make necessary adjustments to ensure it remains a going concern.

The Directors are cognisant of the requirement from Malawi Stock Exchange that listed companies thereon to adopt Environmental, Social and Governance (ESG) reporting framework as per General Requirements for Disclosure of Sustainability-related Financial Information and Climate-related Disclosures IFRS S1 and S2 respectively. This reporting requirement will become effective for reporting periods starting on 1 January 2024.

The directors are aware of the standards and the group is establishing policies and processes to ensure compliance with the MSE requirements when the standards become effective.

14. CORPORATE GOVERNANCE

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

15. 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, Press Properties Limited and The Foods Company Limited.

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

15.1 Subsidiaries' corporate governance

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

15.2 Subsidiaries' Board of Directors

During the year ended 31 December 2023, 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	Mr. J Lipunga	All year – Chairperson	None
	Mr. J Mhura	All year	None
	Mr. J Nsomba	All year	758 (2022:758)
	Dr L Chithambo	All year	None
	Ms. M Mbeye	All year	1000 (2022:1000)
	Dr B Malunga	All year	None
	Mr. C Mzengereza	All year	None
	Mr. R Banda	All year	None
	Mrs. D Ngwira	All year	None
	Mrs. B Nyirenda	All year	None
	Mr M Nkhoma	All year	None
	Mr M Kawawa	All year	128,255 (2022: 113,225)
	Mr. H Jiya	All year	48,813 (2022: 48,813)
	Mrs. Zunzo Mitole	All year – Company Secretary	None
Malawi Telecommunications Limited	Dr L Chithambo	All year	None of the Directors had interest in shares of Malawi Telecommunications Limited
	Mr. F Mvalo	Up to July 2023	
	Mr. C. Kapanga	Up to July 2023	
	Mr. M Katsala	All year	
	Ms. M Mbeye	All year	
	Mr. T Manda	From August 2023	
	Mr. D Milandu	From October 2023	
	Ms. C Khaki	From October 2023	
	Secretary to the Treasury	All year	
	Principal Secretary for Information	All year	
		All year	
	Dr. H Gombachika	All year – Company Secretary	
	Ms. C Trigu		

15. OVERVIEW OF SUBSIDIARIES – Continued

15.2 Subsidiaries' Board of Directors – Continued

Subsidiary	Directors	Tenure	Directors Interest in shares of the subsidiary
Telekom Networks Malawi Plc	Mr. T Sauti-Phiri	All year – Chairperson	None
	Mr. K Phiri	Up to March, 2023	240,000 (2022: 240,000)
	Dr I Nzyoka	Up to March, 2023	None
	Mr. L Katandula	All year	1,370,000 (2022: 1,370,000)
	Dr L. Chithambo	All year	10,000 (2022: 10,000)
	Mrs. M Nyambose	All year	None
	Mr. G Chungu	From July, 2023	None
	Mr. T Jack	From March, 2023	None
	Dr. R Mangani	From March 2023	None
	Mrs. C Mwansa	Up to October 2023 – Company Secretary	None
	Mrs. Nitta Chikaipa	From November 2023 – Company Secretary	None
Ethanol Company Limited	Dr D Lanjesi	From 1st June, 2023 – Chairperson	None of the Directors had interest in shares of Ethanol Company Limited
	Dr L Chithambo	All year	
	Mr. B Jere	All year	
	Mr. W Mabulekesi	All year	
	Mr. F Honde	All year	
	Mr. J Ngolombe	All year	
	Mr. G Kunje	All year	
	Ms. M Mbeye	Up to May, 2023	
	Mrs. L Chakaniza	From 1st June, 2023	
	Mr. T Chavura	All year – Company Secretary	
Presscane Limited	Mr. P Guta	All year – Chairperson	None of the Directors had interest in shares of Presscane Limited except for Mr. R R Patel and Mr. R Patel who had 49.9% indirect interest in shares of the company through their other business interest – Cane Products Limited.
	Dr L Chithambo	All year	
	Ms. C Khaki	From 11th June 2023	
	Mr. G Kambale	Up to 11th June 2023	
	Mr. K Tembo	All year	
	Mr. RR Patel	All year	
	Mr. R Patel	All year	
	Mr. J Koreia-Mpatsa	All year	
	Mrs. C Chihana	All year – Company Secretary	
Press Properties Limited	Mr. C. Mkandawire	All year – Chairperson	None of the Directors had interest in shares of Press Properties Limited
	Mr. M. Zeleza	All year	
	Mr. S. Bisani	All year	
	Mrs. M. Mulaga	All year	
	Mr. R. Matemba	All year	
	Mr. G. Kunje	From 1st April 2023	
	Ms. C. Khaki	All year – Company Secretary	
The Foods Company Limited.	Dr C. Guta	All year – Chairperson	None of the Directors had interest in shares of The Foods Company Limited
	Prof. J Kang'ombe	All year	
	Ms. M Mbeye	All year	
	Mrs. B Chilima	All year	
	Dr S Chimatiro	All year	
	Ms. R. Kamoto	All year	
	Ms. C. Khaki	All year – Company Secretary	

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Chairman
Mr. R Mwadiwa

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Chief Executive Officer
Dr. R Mangani

PRESS CORPORATION PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES
31 December 2023

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 consolidated and separate statements of financial position at 31 December 2023, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of material accounting policy information and other explanatory notes, in accordance with IFRS® Accounting standards, and in the manner required by the Companies Act.

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.

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 19 April 2024 and are signed on its behalf by

RMwadiwa

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Chairman
Mr. R Mwadiwa

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Chief Executive Officer
Dr. R Mangani

Deloitte.

PO Box 187
Blantyre
Malawi

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Registered Auditors
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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 13 to 133, which comprise the consolidated and separate statements of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board and in the manner required by the Companies Act, 2013.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters (Continued)

Key Audit Matter (Separate financial statements)	**How the matter was addressed in the audit**
Valuation of unlisted equity investments	
Unlisted equity investments are carried at fair value in the separate financial statements. Revaluation of these investments is done at the end of every financial year. The valuation methods adopted as well as the valuations are disclosed in note 13, 14 and 15. The total value of these unlisted investments is K148 billion. Determination of fair values for the investments involves significant judgement and assumptions and is complex in nature. The key judgements and assumptions include growth rates and cost of capital used in the determination of future discounted cash flows, market multiples, control premiums and marketability discounts used in the determination of values using the market approach valuations methods. We consider this as a key audit matter.	We assessed the design and implementation of key controls around valuation of unlisted equity investments; We obtained valuation reports, which were independently performed by a registered valuer of Bridgepath Capital Limited and assessed the professional competence of the valuer by examining the valuer's qualification and experience; We assessed that the information provided by the investee company to the valuer is accurate and complete for valuation purposes based on our understanding of the investee companies and by agreeing the information to relevant supporting documents; We involved a specialist to assist in the review of the valuations on a sample basis; We assessed the reasonability of assumptions used in the valuation reports in comparison to market data; We carried out retrospective reviews by comparing forecasted data against actuals for the current year; and We considered the relevance and appropriateness of the valuation methods used. We found that the assumptions used in determining the valuations were reasonable and that the valuations were appropriate. We further concluded that details of the valuations have been disclosed appropriately in the financial statements.

Key Audit Matter (Consolidated financial statements)	**How the matter was addressed in the audit**
Determination of Expected Credit Losses (ECL) for loans and advances at National Bank of Malawi Plc	
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. Key areas of judgment included: • The significance of the judgements used in classifying loans and advances into various stages stipulated in IFRS 9. Staging of loans and advances is a significant component in determining the Expected Credit Losses (ECL) as such inaccurate staging may have a significant impact on ECL output. The categories of loans and advances that were determined to be significant in the Group's staging were large exposures, stage 1 and stage 2 loans as the Group's loans are concentrated under these categories; and • Assumptions used in the expected credit loss model such as, expected future cash flows arising from collateral values.	With respect to staging of loans and advances, our audit procedures comprised the following: • We checked the design and implementation of key controls around ECLs; • We obtained an understanding of the Group's staging criteria; • We assessed management's criteria for appropriateness and completeness against the requirements of IFRS 9 and other relevant regulatory guidance; • We assessed accuracy and completeness of data used in staging; • We selected a sample of loans and advances and checked if they have been correctly staged based on the Group's accounting policy and IFRS 9 requirements; and • For the selected loans and advances that were restructured, we obtained the restructure facility letters to confirm the restructure and assessed if staging is in line with the requirements of IFRS 9.

Key Audit Matters (Continued)

Key Audit Matter (Consolidated financial statements)	How the matter was addressed in the audit
Determination of Expected Credit Losses (ECL) for loans and advances at National Bank of Malawi Plc	
As at 31 December 2023, the gross loans and advances to customers were K385 billion against which Expected Credit Losses of K11.7 billion were recorded. This is disclosed in note 16 (Loans and advances) to the financial statements. The Expected Credit Losses policy is presented in accounting policies in note 3.24.3 to the financial statements. Loans and advances are stated at amortised cost net of identified impairments. We consider this as a key audit matter.	For expected future cash flows arising from collateral, we performed the following procedures: • We obtained an understanding of how the Group incorporates collateral in its ECL model; • We assessed whether the Group had a valid charge over the collateral that was used and also whether the collaterals were recently inspected, where necessary; • We obtained management calculation of the haircuts that were applied on the collateral and checked the calculation for accuracy; and • We further checked if the information that was used in the haircut calculation was complete and accurate by reference to transactions data on recent enforcements. We found that the modelling approach and methods applied in determining expected credit losses against loans and advances were appropriate and that the amount impaired and recognised in the consolidated financial statements was reasonable and complied with IFRS 9 *Financial Instruments.* We further concluded that the financial statements disclosures in relation to impairment of loans and advances were appropriate.

Key Audit Matter (Consolidated financial statements)	How the matter was addressed in the audit
Revenue recognition at Telekom Networks Malawi Plc	
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. The revenue recognition policy of the Group has been disclosed in note 3.8 and the revenue streams analysis is in note 35 to the financial statements.	We involved our Information Technology (IT) risk specialists and carried out the following procedures: • Assessed the general computer controls around the significant revenue and billing systems. Tested design and implementation as well as operating effectiveness of key controls around revenue; • 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 eleven months of the year and thus assess the completeness and accuracy of the figures in the revenue reports; • We also performed analytical review procedures for one month of the year (January 2023) as readable data was not readily available for this month in order to recalculate the expected revenue. We developed an expectation of billing revenue for this month by using the results of our revenue recalculations for the last quarter of the prior year after considering the impact of tariff changes; • We assessed whether revenue was recorded in the correct period; • Obtained a reconciliation for the expected contract liabilities as at period end and tested the accuracy and completeness of the reconciling items; • Re-computed contract liabilities from Intelligent Network (IN) data using analytics (IN is a telephone network architecture devised to deliver increased service management control); 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. We have also found revenue recognition policy to be in line with IFRS Accounting standards. In addition, the contract liabilities disclosed in note 32 to the financial statements have been assessed to be in accordance with the revenue recognition policy.

Other Information

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

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

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board 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;

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Deloitte

Chartered Accountants

Vilengo Beza
Partner

8 May 2024

PRESS CORPORATION PLC
CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
As at 31 December 2023
In millions of Malawi Kwacha

		Group		Company	
Assets	Notes	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Non-current assets					
Property, plant and equipment	7	179 662	160 369	2 798	1 571
Right-of-use assets	8	17 386	20 462	-	-
Biological assets	9	182	156	-	-
Goodwill	10	4 547	4 547	-	-
Intangible assets	11	20 560	19 809	196	210
Investment properties	12	17 986	15 028	570	505
Investments in subsidiaries	13	-	-	652 627	483 103
Investments in joint ventures	14	20 449	15 487	21 165	16 016
Investments in associates	15	52 592	38 179	52 651	37 411
Loans and advances to customers	16	267 233	191 166	-	-
Finance lease receivables	17	23 604	17 102	-	-
Contract asset	35	711	805	-	-
Long term receivable – other	18	26	3 103	-	3 059
Investments in government securities and equity	19	190 671	165 649	7 497	3 612
Deferred tax assets	20	9 368	15 170	634	-
Total non-current assets		804 977	667 032	738 138	545 487
Current assets					
Inventories	21	4 298	5 497	10	7
Biological assets	9	389	355	-	-
Loans and advances to customers	16	105 850	95 179	-	-
Finance lease receivables	17	1 754	2 153	-	-
Investments in government securities and equity	19	246 786	195 456	-	-
Trade and other receivables – Group companies	22	-	-	3 409	1 201
Trade and other receivables	23	53 706	34 495	1 413	1 378
Contract assets	35	840	1 439	-	-
Income tax recoverable	25	3 506	3 134	930	794
Cash and cash equivalents	26	361 459	342 062	12 382	7 281
Assets classified as held for sale	24	21 522	18 479	8 941	9 548
Total current assets		800 110	698 249	27 085	20 209
Total assets		1 605 087	1 365 281	765 223	565 696
Equity and liabilities					
Equity					
Share capital	27	1	1	1	1
Share premium		2 097	2 097	2 097	2 097
Other reserves	28	79 885	63 672	688 303	503 918
Retained earnings		182 804	147 190	54 852	35 812
Total equity attributable to equity holders of the company		264 787	212 960	745 253	541 828
Non-controlling interest		127 367	119 018	-	-
Total equity		392 154	331 978	745 253	541 828
Non-current liabilities					
Loans and borrowings	29	41 705	44 931	5 245	10 111
Lease liabilities	8	4 587	5 512	-	-
Contract liabilities	35	902	742	-	-
Deferred tax liabilities	20	10 629	6 072	-	-
Total non-current liabilities		57 823	57 257	5 245	10 111
Current liabilities					
Bank overdraft	26	11 716	14 114	8 020	7 979
Loans and borrowings	29	21 695	27 167	5 094	4 633
Lease liabilities	8	821	3 277	-	-
Provisions	30	6 704	8 361	-	-
Income tax payable	31	22 164	8 962	297	95
Trade and other payables	32	113 963	96 293	1 261	1 016
Contract liabilities	35	6 192	6 494	-	-
Trade and other payables – Group companies	33	-	-	53	34
Customer deposits	34	949 090	795 560	-	-
Liabilities directly associated with assets classified as held for sale	24	22 765	15 818	-	-
Total current liabilities		1 155 110	976 046	14 725	13 757
Total liabilities		1 212 933	1 033 303	19 970	23 868
Total equity and liabilities		1 605 087	1 365 281	765 223	565 696

The financial statements of the Group and Company were approved for issue by the Board of Directors on 19 April 2024 and were signed on its behalf by:

....	....
Chairman	**Chief Executive Officer**
Mr. R Mwadiwa	Dr. R Mangani

The notes on pages 20 to 133 are an integral part of these consolidated and separate financial statements.

PRESS CORPORATION PLC
CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
As at 31 December 2023
In millions of Malawi Kwacha

	Notes	Group 2023	Group 2022	Company 2023	Company 2022
Continuing operations					
Revenue	35	237 597	177 630	28 693	18 492
Interest revenue	35	156 821	110 974	-	-
Direct trading expenses	36	(106 284)	(84 967)	-	-
Gross profit		288 134	203 637	28 693	18 492
Other operating income	37	17 978	5 247	228	(1 973)
Distribution expenses	38	(5 178)	(4 187)	-	-
Impairment losses on financial assets	39	(8 422)	(6 970)	(139)	46
Administrative expenses	40	(144 712)	(123 649)	(3 437)	(2 625)
Operating profit before finance income and finance costs*		147 800	74 078	25 345	13 940
Finance income	41	7 032	3 739	5 557	3 027
Finance costs	41	(31 970)	(16 861)	(5 056)	(3 796)
Net finance costs		(24 938)	(13 122)	501	(769)
Share of results of equity-accounted investees	42	4 056	1 747	-	-
Impairment and reversal on equity accounted investment	42	1 619	-	-	-
Profit before income tax		128 537	62 703	25 846	13 171
Income tax expense	43	(53 491)	(27 984)	(2 180)	(1 791)
Profit from continuing operations		75 046	34 719	23 666	11 380
Discontinued operations					
Profit from discontinued operations (net of income tax)		-	1 619	-	-
Profit for the year		75 046	36 338	23 666	11 380
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss:					
Gain on property revaluation		8 543	4 515	187	97
Share of other comprehensive income of equity accounted investments	42	12 941	6 122	-	-
Fair value gain on investments in equity instruments designated as at fair value through other comprehensive income (FVTOCI)	28	4 057	80	184 198	139 109
Income tax relating to items that may not be reclassified subsequently to profit or loss	20	(14 077)	2 032	-	-
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange differences on translation of foreign operations		1 725	2 028	-	-
Other comprehensive income for the year (net of tax)		13 189	14 777	184 385	139 206
Total comprehensive income for the year		88 235	51 115	208 051	150 586
Profit attributable to:					
Owners of the Company		40 421	13 624	23 666	11 380
Non-controlling interest		34 625	22 714	-	-
Profit for the year		75 046	36 338	23 666	11 380
Total comprehensive income attributable to:					
Owners of the Company		55 896	24 638	208 051	150 586
Non-controlling interest		32 339	26 477	-	-
Total comprehensive income for the year		88 235	51 115	208 051	150 586
Earnings per share					
Basic and diluted earnings per share (K)	44	336.28	113.34		
Continuing operations					
Basic and diluted earnings per share (K)	44	336.28	99.88		

*To improve presentation, the line item which read operating profit before finance costs in 2022 has been revised to read operating profit before finance income and finance costs.

PRESS CORPORATION PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2023

In millions of Malawi Kwacha

Group

	Issued capital	Share premium	Other reserves	Retained earnings	Total equity attributable to equity holders of company	Non-controlling interest	Total Equity
2023							
Balance at 1 January 2023	1	2 097	63 672	147 190	212 960	119 018	331 978
Profit for the year	-	-	-	40 421	40 421	34 625	75 046
Other comprehensive income	-	-	15 668	(193)	15 475	(2 286)	13 189
Total comprehensive income for the year	-	-	15 668	40 228	55 896	32 339	88 235
Depreciation transfer - land and buildings (note 28)	-	-	(173)	173	-	89	89
Excess depreciation eliminated on revaluation and loan loss reserve	-	-	718	(161)	557	(147)	410
Dividends to equity holders	-	-	-	(4 626)	(4 626)	(23 932)	(28 558)
Balance at 31 December 2023	1	2 097	79 885	182 804	264 787	127 367	392 154
2022							
Balance at 1 January 2022	1	2 097	65 960	120 582	188 640	107 186	295 826
Profit for the year	-	-	-	13 624	13 624	22 714	36 338
Other comprehensive income	-	-	11 014	-	11 014	3 763	14 777
Total comprehensive income for the year	-	-	11 014	13 624	24 638	26 477	51 115
Depreciation transfer - land and buildings (note 28)	-	-	(157)	157	-	(149)	(149)
Transfer to regulatory reserve (note 28)	-	-	(215)	215	-	(202)	(202)
Released on disposal of investment (note 44)	-	-	(12 946)	16 034	3 088	-	3 088
Transfer due to disposal of assets	-	-	16	-	16	-	16
Excess depreciation eliminated on revaluation and loan loss reserve	-	-	-	787	787	(787)	-
Dividends to equity holders	-	-	-	(4 209)	(4 209)	(13 507)	(17 716)
Balance at 31 December 2022	1	2 097	63 672	147 190	212 960	119 018	331 978

PRESS CORPORATION PLC
CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY (Continued)
For the year ended 31 December 2023

In millions of Malawi Kwacha

	Issued capital	Share premium	Other reserves	Retained earnings	Total Equity
Company					
2023					
Balance at 1 January 2023	1	2 097	503 918	35 812	541 828
Profit for the year	-	-	-	23 666	23 666
Other comprehensive income (note 29)	-	-	184 385	-	184 385
Total comprehensive income for the year	-	-	184 385	23 666	208 051
Dividends to equity holders	-	-	-	(4 626)	(4 626)
Balance at 31 December 2023	1	2 097	688 303	54 852	745 253
2022					
Balance at 1 January 2022	1	2 097	364 712	28 641	395 451
Profit for the year	-	-	-	11 380	11 380
Other comprehensive income (note 29)	-	-	139 206	-	139 206
Total comprehensive income for the year	-	-	139 206	11 380	150 586
Dividends to equity holders	-	-	-	(4 209)	(4 209)
Balance at 31 December 2022	1	2 097	503 918	35 812	541 828

PRESS CORPORATION PLC
CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
For the year ended 31 December 2023
In millions of Malawi Kwacha

	Notes	Group		Company	
		2023	2022 *Restated**	2023	2022
Profit before income tax		128 537	64 351	25 846	13 171
Adjustments for:					
Depreciation, amortisation, and impairment	40	31 297	32 034	176	78
Impairment reversal of equity investments	42	(1 619)	-	-	-
Interest revenue and similar income	35	(156 821)	(110 974)	-	-
Interest expense and similar charges	36	26 683	13 111	-	-
Finance costs		31 970	16 861	5 056	3 796
Finance income		(7 032)	(3 739)	(5 557)	(3 027)
Share of results from equity accounted investments		(4 056)	(1 747)	-	-
Profit on sale of investment property and property, plant and equipment		(172)	(783)	-	-
Loss on disposal of investments	36	-	312	-	2 165
Fair value adjustments (losses)/gains, unrealised foreign exchange (losses)/gains and write-offs		(8 963)	3 310	(64)	(46)
Investment dividends		(460)	-	(28 136)	(17 912)
Increase/(decrease) in provisions		(1 657)	969	-	-
Operating cash flows before working capital movements		37 707	13 705	(2 679)	(1 775)
Working capital changes:					
Working capital relating to assets and liabilities held for sale		1 062	1 397	-	-
Decrease/(increase) in inventories		1 305	(768)	(3)	4
Increase in loans and advances to customers		(86 738)	(63 422)	-	-
Increase in finance lease receivables		(6 103)	(4 343)	-	-
Increase in trade and other receivables		(18 518)	(6 629)	(35)	(2 133)
Decrease in trade and other receivables - Group		-	-	(2 208)	632
Decrease in trade and other payables relating to PTC		-	-	-	(1 509)
Increase in investments in government securities and equity		-	(2 801)	-	-
Increase/(decrease) in trade and other payables		17 528	(4 958)	245	(1 476)
Increase in trade and other payables - Group		-		19	21
Increase in customer deposits		153 530	248 477	-	-
Cash generated from/(used in) operations		99 773	180 658	(4 661)	(6 236)
Interest paid		(57 236)	(28 267)	(5 056)	(3 796)
Interest received		166 437	112 990	603	1 321
Income tax refunds	25, 31	-	611	-	-
Income taxes paid	25, 31	(44 380)	(24 457)	(2 748)	(1 872)
Net cash from/(used in) operating activities		164 594	241 535	(11 862)	(10 583)
Cash flows from investing activities					
Purchase of property, plant and equipment		(29 627)	(28 841)	(1 200)	(300)
Purchase of intangible assets		(6 074)	(4 578)	(2)	(1)
Purchase of investment property		(22)	(754)	-	-
Gross receipts from investments		169 354	242 384	467	-
Gross payments of investments		(218 171)	(275 107)	-	-
Purchase of equity investments		(17 505)	(2 051)	-	-
Proceeds from disposal of equity investments		-	529	-	-
Purchase/additions of other investments		(652)	-	-	-
Proceeds from sale of investment property and property, plant and equipment		674	995	-	7
Payments for right of use assets	8,8.2	(1 253)	(4 797)	-	-
Investment in subsidiaries	13	-	-	(6 135)	(2 945)
Acquisition of shares in a subsidiary		-	-	-	(3 229)
Dividend received		3 212	3 467	28 136	17 912
Net cash flow from the disposal of subsidiary		-	(89)	-	-
Net cash (used in)/from investing activities		(100 064)	(68 842)	21 266	11 444

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS (Continued)
For the year ended 31 December 2023
In millions of Malawi Kwacha

	Notes	Group 2023	Group 2022 *Restated**	Company 2023	Company 2022
Cash flows used in financing activities					
Proceeds from long term borrowings		28 612	25 120	-	3 200
Repayments of long-term borrowings		(37 958)	(25 558)	(4 405)	(4 233)
Repayment of principal element of leasing liability		(4 838)	(1 121)	-	-
Acquisition of shares in a subsidiary		-	(3 229)	-	-
Changes in bank overdraft with financing component*		(302)	1 583	-	-
Dividend paid to non-controlling interest		(23 873)	(13 507)	-	-
Dividend paid		(4 626)	(4 209)	(4 626)	(4 209)
Net cash used in financing activities		(43 044)	(20 921)	(9 031)	(5 242)
Net increase/(decrease) in cash and cash equivalents		21 486	151 772	373	(4 381)
Cash and cash equivalents at beginning of the year*		334 579	181 084	(698)	1 977
Effect on foreign exchange rate changes		7	1 723	4 687	1 706
Cash and cash equivalents at end of the year	26	356 072	334 579	4 362	(698)

*Refer to note 49 for details of restatement.

1. General Information

1.1 Reporting entity

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

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

The consolidated financial statements as at, and for the year ended, 31 December 2023 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 IFRS Accounting standards

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

In the current year, the Group has adopted those new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2023.

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2023	IFRS 17 Insurance Contracts IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.
Annual reporting periods beginning on or after 1 January 2023	Initial Application of IFRS 17 and IFRS 9 — Comparative Information (Amendment to IFRS 17) The amendment permits entities that first apply IFRS 17 and IFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before.

2. Adoption of new and revised IFRS Accounting standards (Continued)

2.1 Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements (Continued)

Effective date	**Standard, Amendment or Interpretation**
Annual reporting periods beginning on or after 1 January 2023	Definition of Accounting Estimates (Amendments to IAS 8) The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.
Annual reporting periods beginning on or after 1 January 2023	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The group had previously asserted and applied IFRS 4 to certain financial guarantee contracts issued to third parties. With the adoption of IFRS 17 the company elected to apply IFRS 9 to all financial guarantee contracts that they had previously accounted for under IFRS 4 and had presented as contingent liabilities. These are now included as financial instruments in note 5.4.1, based on the measurement the group has determined that the value is nil as at each period presented and have disclosed the total credit risk exposure for these financial guarantee contracts.

2.2 Standards and Interpretations in issue, not yet effective

A number of new standards, amendments to standards and interpretations are issued and effective for annual periods beginning on or after 1 January 2024 and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective date	**Standard, Amendment or Interpretation**
Annual reporting periods beginning on or after 1 January 2024	Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.
Annual reporting periods beginning on or after 1 January 2024	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.
Annual reporting periods beginning on or after 1 January 2024	Non-current Liabilities with Covenants (Amendments to IAS 1) The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

2. Adoption of new and revised IFRS Accounting standards (Continued)

2.2 Standards and Interpretations in issue, not yet effective (Continued)

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2023	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.
Annual reporting periods beginning on or after 1 January 2027	IFRS 18 Presentation and Disclosure in Financial Statements This Standard sets out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

The directors anticipate that the application of these Standards and Interpretations that may have an impact on the Group's consolidated financial statements in future periods should such transactions arise in future periods.

3.1 Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with IFRS Accounting standards as issued by the International Accounting Standards Board and provisions of the Companies Act, 2013.

3.2 Basis of accounting

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

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

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities that are controlled by the Company and its subsidiaries. Under IFRS 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 equity investments are measured at fair value through other comprehensive income. These are valued on a regular basis by external valuers.

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

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

3. Material accounting policies (Continued)

3.3 Basis of consolidation (Continued)

3.3.1 Changes in the Group's ownership interests in existing subsidiaries (Continued)

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 except for instances where equity instruments are issued.

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

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net 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.

3. **Material accounting policies** (Continued)

3.4 ***Business combinations*** (Continued)

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

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

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

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

3.4 ***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. Material accounting policies (Continued)

3.5 Investments in associates and Joint Ventures

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

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

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

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

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

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

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

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

3. Material accounting policies (Continued)

3.5 Investments in associates and Joint Ventures (Continued)

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

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

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

3.6 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 IFRS 9 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

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.

3.7 Revenue recognition

The Group's revenue arises mainly from provision of mobile telecommunication services, mobile money services, sale of goods – retail and other, interest income and fees and commission. The Company's main revenue is dividend income.

3.7.1 Provision of mobile telecommunication services

The Group generates revenue from providing mobile telecommunication services such as network services (comprising prepaid, data, international incoming, messaging, enterprise business services, postpaid and roaming), mobile money (mpamba) 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 post-paid 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.

3. Material accounting policies (Continued)

3.7 Revenue recognition (Continued)

3.7.1 Provision of telecommunication services (Continued)

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 comprise of prepaid, data, international incoming, messaging, enterprise business services, postpaid and roaming, mobile money services and from the sale of various devices.

Enterprise business services relate to speed based internet services and virtual private network (VPN) solutions which allows customers to access the network and are sold to companies and non-governmental organisations. The services are sold based on fixed bandwidth.

Mobile telecommunications services are considered to represent a single performance obligation as all are provided over the Telekom Networks Malawi plc network and transmitted as data representing a digital signal on the network.

The transmission of data 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 Telekom Networks Malawi plc network.

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

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.

The Group assesses the contract handsets which are bundled with postpaid and prepaid contracts that run over a period of 24 months to determine if they contain a significant financing component. The Group does not charge a premium for selling these handsets in bundled 24 months contracts hence the price at which they are sold on contract is the same as the cash selling price. The Group has elected to apply the practical expedient that allows the Group not to adjust the transaction price for the significant financing component for contracts where the time difference between customer payment and transfer of goods or services is expected to be one year or less. In the event that there are contracts containing significant financing component, the Group reduces the device revenue and recognises interest revenue over the period between satisfying the related performance obligation and payment. However, there were no individual contracts containing significant financing component in the year ended 31 December 2023.

Mobile money transaction fees
Mpamba is a mobile money transaction service allowing customers to deposit, transfer and withdraw money or pay for goods and services and using a mobile phone. Registration is free and available at any Mpamba agent.

Revenue from this service is earned largely from transfer and withdrawal transactions performed by customers. A graduated tariff depending on the funds being transacted is applied on all transactions which are cumulatively reported as Mpamba transaction fees. Revenue is recognised when a customer performs successful Mpamba transaction.

3. Material accounting policies (Continued)

3.7 *Revenue recognition* (Continued)

3.7.2 *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.

3.7.3 *Interest revenue*

Interest income for all interest-bearing financial instruments except for those classified as held for trading or designated at fair value through profit and loss are recognised as interest income in the statement of comprehensive income using the effective interest rate method. Non trading interest income earned on bank deposits for group companies other than the bank is disclosed within finance income in the statement of comprehensive income and is recognised by applying the effective interest rate.

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

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

3.7.4 *Fees and commissions*

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

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

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

3.7.5 *Dividend income*

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

3. Material accounting policies (Continued)

3.7 Revenue recognition (Continued)

3.7.6 Rental income

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

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

3.7.7 Premium on foreign exchange deals

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

3.8 *Other income*

Other income is generally recognised on the date all risks and rewards associated with the sale are transferred to the purchaser. Income on other services is recognised upon the performance of the contractual obligation. Profit from the sale of equity financial instruments is recognised when control is transferred to the purchaser. Details of composition of other income is included on note 39.

3.9 Leases

3.9.1 The Group as lessee

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

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

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

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

- Fixed lease payments (including in-substance fixed payments);
- 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.

3. Material accounting policies (Continued)

3.9 Leases (Continued)

3.9.1 The Group as lessee (Continued)

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

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

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

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

3.9.2 The Group as lessor

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

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

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

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

3. Material accounting policies (Continued)

3.10 Foreign currencies

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

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

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

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

3.11 Employee benefits

3.11.1 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.

3.11.2 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.

3.11.3 Short-term benefits

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

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

3. Material accounting policies (Continued)

3.12 Taxation

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

3.12.1 Current tax

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

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

3.12.2 Deferred tax

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

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

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

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

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

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

3.12.3 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. Material accounting policies (Continued)

3.13 Property, plant and equipment

3.13.1 Recognition and measurement

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

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

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

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

Freehold land is not depreciated.

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

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

3.13.2 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.

3.13.3 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.

3.13.4 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. Material accounting policies (Continued)

3.14 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.

3.15 Intangible assets

3.15.1 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.

3.15.2 Internally-generated intangible assets – research and development expenditure

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

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

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

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

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

3.15.3 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. Material accounting policies (Continued)

3.15 Intangible assets (Continued)

3.15.4 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.

3.15.5 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.

3.16 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 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.

3.17 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. Material accounting policies (Continued)

3.18 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.

3.18.4 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.

3.18.5 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.

3.18.6 Contingent liabilities acquired in a business combination

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

3.19 Discontinued operations

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

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

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

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

3. Material accounting policies (Continued)

3.20 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.

3.21 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.

3.22 Financial assets

3.22.4 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, are classified into the following categories:

- Amortised cost;
- Fair value through profit or loss (FVTPL); and
- Fair value through other comprehensive income (FVTOCI).

3. Material accounting policies (Continued)

3.24 Financial assets (Continued)

3.24.1 Classification and initial measurement of financial assets (Continued)

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

The Group applies the following business models:-

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

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

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

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

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

3.24.2 Subsequent measurement of financial assets

Subsequently, financial assets are classified in four categories:

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

3. **Material accounting policies** (Continued)

3.24 ***Financial assets*** (Continued)

(i) Financial assets at amortised cost (debt instruments)
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows.
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

3. **Material accounting policies** (Continued)

3.24 ***Financial assets*** (Continued)

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

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

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

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

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

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

A financial asset is held for trading if:

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

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

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

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

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

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

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

3. Material accounting policies (Continued)

3.24 Financial assets (Continued)

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

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. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial.

Foreign exchange gains and losses

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

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

3.24.3 Impairment of financial assets

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

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

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

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

(i) Significant increase in credit risk (SICR)

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

3. Material accounting policies (Continued)

3.24 Financial assets (Continued)

3.24.3 Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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

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

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

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

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

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

For 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.

3. Material accounting policies (Continued)

3.24 Financial assets (Continued)

3.24.3 Impairment of financial assets (Continued)

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

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

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

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

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

3. **Material accounting policies** (Continued)

3.24 ***Financial assets*** (Continued)

3.24.3 Impairment of financial assets (Continued)

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

- 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.

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.

3. Material accounting policies (Continued)

3.24 ***Financial assets*** (Continued)

3.24.3 Impairment of financial assets (Continued)

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

Loan commitments and letters of credit: When estimating Life time ECLs 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 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

Incorporation of 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 Non-Performing Loans (NPL) rate and determined the correlation of the NPL rate to the overall provisions. The macro-economic model is used to predict the NPL rate, after which a forward-looking scalar is derived and applied to existing NPL ratio to estimate the forward-looking NPL ratio. The predicated relationships between the key macro-economic indicators, the NPL rates and the overall provisions on the portfolio of financial assets was based on analysing historical data over the past five years.

Gross monetary claims on private sector and lending interest rates proved to be statistically significant in the macro-economic model. According to the estimated coefficients, the relationship between Economic PD and loans is negative while with interest rates is positive, as expected by economic theory. As such, the Group forecasted the future private sector and lending interest rates and calibrated NPL ratio accordingly which was incorporated in the calculation of the ECLs.

3. **Material accounting policies** (Continued)

3.24 ***Financial assets*** (Continued)

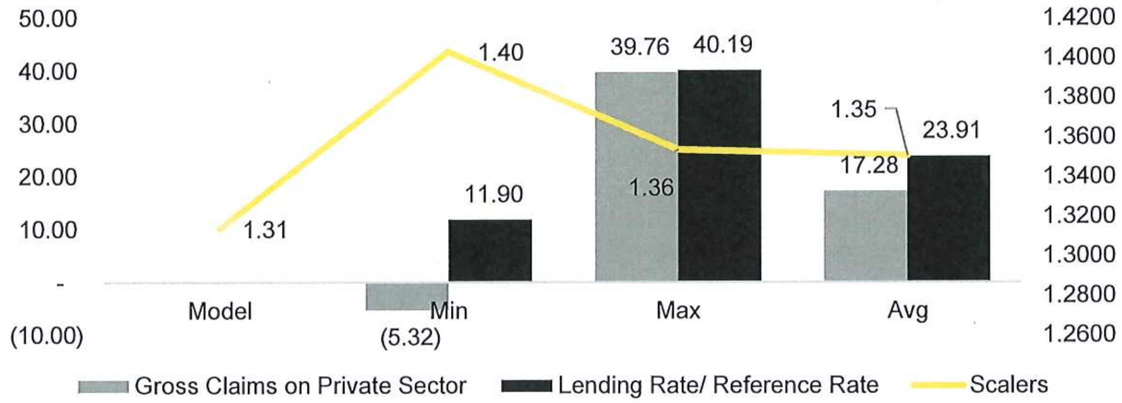
3.24.3 Impairment of financial assets (Continued)

(vi) Forward-looking information (Continued)

Sensitivity Analysis
The purpose of sensitivity analysis is to provide management with an outlook on possible macro-economic scenarios. The scenarios that were created in the analysis include both stressed and favourable scenarios. The extreme case sensitivity analysis was created by taking and the maximum and the minimum values as observed in history.

Sensitivity analysis as at 31 December 2023

Scaler sensitivity analysis
Scaler sensitivity is an analysis that was derived from a preceding sensitivity analysis, scaled up to incorporate changes that have been factored in the current sensitivity analysis. This type of sensitivity analysis determines how different values of an independent variable affect a particular dependent variable under a given set of assumptions. Several macroeconomic factors were assessed for their impact on the Expected Credit Losses. Each different macro-economic scenario was derived from the history going back to January 2014 that were sourced from the Reserve Bank of Malawi. Two Macro-Economic factor made it to the final model and the table, and the graph below show the scaler sensitivity analysis and the potential impact should those variables take extreme values as once observed in the 10-year history. This therefore resulted in the change in sensitivity analysis output.



	ECL Changes Based on Extreme cases			
	Model (K'm)	**Minimum (K'm)**	**Maximum (K'm)**	**Average (K'm)**
Exposure	334 631	334 631	334 631	334 631
Coverage ratio with scaler	3.23	3.32	3.27	3.27
ECL Value	10 797	11 120	10 955	10 945
ECL Extreme Case Changes		323	158	148

Sensitivity analysis as at 31 December 2022

The FLI model base scaler of 1.0469 that was applied to the December 2022 results, is derived using the Weighted Average of the Expected Economic PD scenarios. The weights of the headline results apply 60% probability for realisation of the Baseline Scenario, 20% probability of realisation of the Optimistic scenario and 20% probability for the Pessimistic scenario. The scenarios and their probability of realisation are informed by the positive outlook post the covid 19 pandemic, when compared to the previous year's realisations.

3. **Material accounting policies** (Continued)

3.24 ***Financial assets*** (Continued)

3.24.3 Impairment of financial assets (Continued)

(vi) Forward-looking information (Continued)

Sensitivity Analysis (Continued)

Sensitivity analysis as at 31 December 2022

The impact of the 2 economic factors underlying the Economic PD predictions is determined by the impact coefficients in the Economic PD model, i.e., -0.202 for Changes in Gross Monetary Claims and +0.734 for Changes in Net lending Rate. The impact of interest rate is stronger with variations determining 78% of changes in Economic PD. As expected by economic theory, interest rates move by small increments, but have large impact on the financial variables and real economy. On the opposite, changes in monetary claims (loans) have relatively smaller absolute impact of about 28% on Economic PDs.

- **0.020* Gross monetary claims on private sector (t-9) + 0.734* Lending Interest Rate (t-2)**

Variables	Estimate	Std. error	t-stat	p-value
Δ Gross monetary claims on private sector (t-9)	-0.202	0.044	-4.611	0.00
Δ Lending Interest Rate (t-2)	0.734	0.048	15.197	0.00
RMSE	3.46	*(Root Mean Square Error)*		
R^2	0.64	R^2 Adj	0.87	
F-stats	180.2	p-value	0.00	
Obs.	50	Df	48	

Economic forecasts are probabilistic and surrounded by uncertainty. Therefore, the ECL value can be affected by underestimation or overestimation of the probability of upside and downside forecast errors, i.e., probabilistic assessment of scenarios. To test the sensitivity of the change in the economic outlook, the Group evaluated 2 additional alternatives:

- More optimistic scenario sets – Optimistic 30% probability, Pessimistic 10% probability, and Baseline 60% probability.
- More pessimistic scenario set - Optimistic 10% probability, Pessimistic 30% probability, and Baseline 60% probability.

Impact on Provisions as at 31 December 2022					
	Probability Scenarios	**FLI Scaler**	**ECL%**	**Provision (K'm)**	**Absolute Change (K'm)**
Optimistic Probability Scenario	O=30% B=60% P=10%	0.9170	1.81%	4 921	(301)
Pessimistic Probability Scenario	O=10% B=60% P=30%	1.1768	2.03%	5 522	301
Baseline Probability Scenario	O=20% B=60% P=20%	1.0469	1.92%	5 221	-

3.24.4 Reclassifications of financial assets

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

3. Material accounting policies (Continued)

3.24 Financial assets (Continued)

3.24.5 Modification of financial assets

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

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

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

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

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

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

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

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

3. Material accounting policies (Continued)

3.24 Financial assets (Continued)

3.24.5 De-recognition of financial assets

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

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

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

3.25 Financial liabilities and equity

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

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

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

3.25.3 Financial liabilities

(i) Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables.

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

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

3. Material accounting policies (Continued)

3.25 Financial liabilities and equity (Continued)

3.25.3 Financial liabilities (continued)

(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.

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

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

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

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

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.

3. Material accounting policies (Continued)

3.25 Financial liabilities and equity (Continued)

3.25.3 Financial liabilities (continued)

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.

The group applies IFRS 9 to financial guarantee contracts are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

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

The group determined that the FV of the financial guarantees (liability) is equal to the carrying amount.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the profit or loss for financial liabilities.

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.

(iii) De-recognition of financial liabilities

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

3.26 Offsetting financial instruments

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

3.27 Fiduciary activities

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

3.28 Sale and repurchase agreements

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

4 Critical accounting judgements and key sources of estimation uncertainty

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

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

4.1 Critical judgements in applying accounting policies

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

4.1.1 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 lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group considers qualitative and quantitative reasonable and supportable forward-looking information – refer to note 3.24.3.

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

4.1.3 Models and assumptions used
The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk – refer to note 3.24.1 and fair value valuation models – refer to note 6.7.1.

4.1.4 Control over Telekom Networks Malawi plc (TNM)
The directors of the Company assessed whether the Group has control over TNM based on whether the Group has the practical ability to direct the relevant activities of TNM unilaterally. In making their judgement, the directors considered the Group's right to appoint a majority of directors on the board which gives them the power to direct the affairs of the company. After assessment, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of TNM plc and therefore the Group has control over TNM.

4.1.5 Valuations of unlisted companies, land and buildings and investment properties
The group determines the fair values of equity investments for unlisted companies categorised as subsidiaries, associates and joint ventures. The group also determines the fair value of investment property and land and buildings. Valuations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date. Critical judgements are made with regards to unobservable inputs in the market. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities and related fair values are disclosed in note 6.7.2 and 10.

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

4.1 Critical judgements in applying accounting policies (Continued)

4.1.6 Classification of assets as held for sale

The Group classified MTL as a disposal group held for sale. The determination used by the Group to determine the classification as held for sale is dependent on the assessment by the Group as to whether it meets the classification as the per the requirements of IFRS 5. The Group is committed to dispose MTL and buyer has been identified who has expressed interest to acquire MTL. There is no indication that the transaction will not be approved by the regulator (MACRA). Based on the Group's assessment, the sale is expected to be completed within the next twelve months. Refer to note 24 for assets classified as held for sale.

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 Fair value measurements and valuation processes

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

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

4.2.2 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.

4.2.3 Loss allowance for loans and advances

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

(i) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario. When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other – refer 3.24.3.

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

4.2 Key sources of estimation uncertainty – (Continued)

4.2.4 Loss allowance for loans and advances (Continued)

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

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

(iv) 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.

(v) 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 Financial instruments

5.1 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 2023					
Financial assets					
Cash and cash equivalents	26	361 459	-	-	361 459
Trade and other receivables	18,23	47 001	-	-	47 001
Contract assets	35	1 551	-	-	1 551
Investments in government securities and equity	19	418 882	9 803	8 772	437 457
Finance lease receivables	17	26 277	-	-	26 277
Loans and advances to customers	16	384 826	-	-	384 826
		1 239 996	9 803	8 772	1 258 571
Financial liabilities					
Bank overdraft	26	11 716	-	-	11 716
Loans and borrowings	29	63 400	-	-	63 400
Trade and other payables	32	113 963	-	-	113 963
Contract liabilities	35	7 094	-	-	7 094
Customer deposits	34	949 090	-	-	949 090
		1 145 263	-	-	1 145 263

In millions of Malawi Kwacha

5 Financial instruments (Continued)

5.1 Classes and categories of financial instruments (Continued)

Group	Notes	Amortised cost	Fair value through P&L	Fair value through OCI	Total carrying amount
At 31 December 2022					
Financial assets					
Cash and cash equivalents	26	342 062	-	-	342 062
Trade and other receivables	18,23	31 642	-	-	31 642
Contract assets	23	2 244	-	-	2 244
Investments in government securities and equity	19	350 601	6 892	3 612	361 105
Finance lease receivables	17	19 255	-	-	19 255
Loans and advances to customers	16	286 345	-	-	286 345
		1 032 149	6 892	3 612	1 042 653
Financial liabilities					
Bank overdraft	26	14 114	-	-	14 114
Loans and borrowings	29	72 098	-	-	72 098
Trade and other payables	32	96 293	-	-	96 293
Contract liabilities	35	7 236	-	-	7 236
Customer deposits	34	795 560	-	-	795 560
		985 301	-	-	985 301

Company	Notes	Amortised cost	Fair value through P&L	Fair value through OCI	Total carrying amount
At 31 December 2023					
Financial assets					
Cash and cash equivalents	26	12 382	-	-	12 382
Trade and other receivables – Group	22	3 409	-	-	3 409
Trade and other receivables	18,23	1 413	-	-	1 413
Investments in government securities and equity	19	-	-	7 497	7 497
Asset held for sale	24	-	-	8 941	8 941
Investments in associates	15	-	-	52 651	52 651
Investments in joint ventures	14	-	-	21 165	21 165
Investments in subsidiaries	13	-	-	652 627	652 627
		17 204	-	742 881	760 085
Financial liabilities					
Bank overdraft	26	8 020	-	-	8 020
Loans and borrowings	29	10 339	-	-	10 339
Trade and other payables	32	1 261	-	-	1 261
Trade and other payables to Group companies	33	53	-	-	53
		19 673	-	-	19 673
At 31 December 2022					
Financial assets					
Cash and cash equivalents	26	7 281	-	-	7 281
Trade and other receivables – Group	22	1 201	-	-	1 201
Trade and other receivables	18,23	4 437	-	-	4 437
Investments in government securities and equity	19	-	-	3 612	3 612
Asset held for sale	24	-	-	9 548	9 548
Investments in associates	15	-	-	37 411	37 411
Investments in joint ventures	14	-	-	16 016	16 016
Investments in subsidiaries	13	-	-	483 103	483 103
		12 919	-	549 690	562 609
Financial liabilities					
Bank overdraft	26	7 979	-	-	7 979
Loans and borrowings	29	14 744	-	-	14 744
Trade and other payables	32	1 016	-	-	1 016
Trade and other payables to Group companies	33	34	-	-	34
		23 773	-	-	23 773

5 Financial instruments (Continued)

5.2 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.

5.3 Risk management framework

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

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

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

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

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

5.3.1 Current and emerging risks

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

- Economic and Business Environment Risk – the economic and Business risk remained high for 2023. The economy was negatively impacted by the effects of weather-related shocks related to cyclone Freddy and Gombe as well as the delayed and early cessation of rains and delays of growing seasons due to droughts in most parts of the country. Other factors included the intermittent power supply, spill over effects of the ongoing Russia/Ukraine war, persistent global supply chain disruptions, and the resurgence of new waves of the COVID-19 pandemic. On the foreign exchange front, pressures emanating from demand/supply imbalances persisted despite the devaluation of the Malawi Kwacha by 25%, as the country pursued the securing of an approval for an ECF program with the IMF which is yet to be granted. The economy remained heavily reliant of imports which continues to suffer from huge forex shortage. This continues to put pressure on the Malawi Kwacha which is now unstable and continues to depreciate. The combined effect of the highlighted factors anchored a heightened up inflationary pressure in the economy.

5. Financial instruments (Continued)

5.3 Risk management framework (Continued)

5.3.1 Current and emerging risks (Continued)

- Technology and Cyber security risk: The Group's banking business as part of integration with third parties connects through Application Programming Interfaces (APIs) to enable its customers access its services. These third-party services offered through Mo626 are directly interfaced with the providers and customers access them through USSD and mobile app services with payments validated and done in real time. Among the institutions connected through APIs are MRA, ESCOM, Universities, Shoprite, Dstv, and Water Boards among others. This has increased the attack surface for cybercriminals.

- The Impact of Covid-19 which was very disruptive to many business models. However, its impact in 2023 was not significant. In the comparative year, 2022, the impact was also moderate. During the onset months of 2022, the country experienced the 'fourth wave' of the pandemic, however, the economy remained open for business. Still performance of most businesses in some sectors like hospitality subdued. There has been continuous risk and security assessment and improvements in response. On the banking business of the Group, the regulatory guidelines by the Reserve Bank of Malawi (RBM) which allowed for moratorium on interest and principal repayments for loans by borrowers on a case-by-case basis was extended. As at the reporting date, moratorium directive was still effective. The directives did not have significant impact on the business of the Group as the reduction in the fees for three months was compensated with increased volumes owing to the fact that more customers were recruited on the digital platforms. The deferment of repayments did not also affect the group as interest income was still being recognised as it remained payable by the customers.

- Climate change – Cyclone Freddy which occurred in the early months of 2023 which impacted industrial and business productivity in the economy. The cyclone destroyed roads, infrastructure as well as crops in the country. This resulted into an unexpected fiscal outlay by the government which affected its public expenditure plan. As most households fell into the food insecure band since most crops were affected and the respective yield of these fell off the initial projected levels. Clients of the Group's Banking business in the affected sectors saw their business operations affected heavily. The country also experienced intermittent drought which delayed the crop growing season.

- Investment in new territory – The Group's banking business holds an investment in Akiba Commercial Bank plc of Tanzania since January 2021. The Group is therefore exposed to the risks associated with the investment in Tanzania. The Group has put in place measures to identify, manage and mitigate itself against the impact of such risks on its investment in Akiba. For year ended 31 December 2023 Akiba has made a loss after tax of K 989m (2022: loss of K4,072m) which was mainly due significant increases in provisions for loans and tax. However, the performance is expected to turn around in 2024. Akiba is implementing strategies to grow revenue and increase its customer base. The company has already started registering decreases in losses from prior year.

5.4 Credit risk

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

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

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

In millions of Malawi Kwacha

5. Financial instruments (Continued)

5.4 Credit risk (Continued)

5.4.1 Exposure of credit risk

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

	Group		Company	
	2023	**2022**	**2023**	**2022**
Gross maximum exposure				
Trade and other receivables	47 001	31 642	1 413	4 437
Contract assets	1 551	2 244	-	-
Trade and other receivables – Group companies	-	-	3 409	1 201
Investments in government securities and equity	437 457	361 105	7 497	3 612
Loans and advances to customers	384 826	286 345	-	-
Finance lease receivables	26 277	19 255	-	-
Cash and cash equivalents	361 459	342 062	12 382	7 281
Total recognised financial instruments	1 258 571	1 042 653	24 701	16 531
Guarantees and performance bonds	8 864	6 717	8 864	6 717
Letters of credit	24 152	23 605	-	-
Total unrecognised financial instruments	33 016	30 322	8 864	6 717
Total credit exposure	1 291 587	1 072 975	33 565	23 248

Gross maximum exposure above is comprised of gross amounts before factoring in expected credit losses. Prepayments have been excluded in the trade and other receivables and contract assets balance. Trade and other receivables also include long term receivable of K26 million (2022: K3.1 billion).

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 K18,847 million (2022: K8,758 million) held as security for some loans and advances which in the event of default will be offset against such loans and advances.

5.5.2 Trade and other receivables and contract assets

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

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

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

In millions of Malawi Kwacha

5. **Financial instruments** (Continued)

5.4 Credit risk (Continued)

5.4.2 *Trade and other receivables and contract assets* (Continued)

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 does not require collateral in respect of credit sales.

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

Impairment of Trade receivables and contracts assets

The Group measures the loss allowance for trade receivables and contract assets 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.

	2023 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	0.2% to 1.0%	0.7% to 3.2%	0.1% to 4.3%	0.3% to 5.3%	0.7% to 6.6%	1.5% to 38.7%	
Estimated total gross carrying amount at default	4 631	2 273	395	235	119	787	**8 440**
Lifetime ECL	11	12	4	4	3	50	**2 694**

	2022 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 0.9%	0.2% to 1.6%	0.2% to 2.1%	0.5% to 2.6%	0.7% to 3.2%	1% to 5.3%	
Estimated total gross carrying amount at default	2 543	1 024	1 242	413	458	846	**6 526**
Lifetime ECL	4	5	5	6	7	33	60

In millions of Malawi Kwacha

5. Financial instruments (Continued)

5.4 Credit risk (Continued)

5.4.2 Trade and other receivables and contract assets (Continued)

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 and the ECL on other receivables (please refer to note 23 for a summary of other receivables) have been measured on the general model taking into account forward-looking information and expected future cash flows as a Lifetime ECL was as follows:

	Trade receivables and contract assets Lifetime ECL – not credit impaired		Other receivables Lifetime ECL	Total
	Collectively assessed	Individually assessed		
2023				
As of 1 January 2023	60	598	2 021	2 679
Written off	(568)	(598)	-	(1 166)
Increase during the year	592	-	589	1 181
Balance at end of the year	84	-	2 610	2 694
2022				
As of 1 January 2022	152	626	1 485	2 263
Written off	(2 573)	(860)	(143)	(3 576)
Increase during the year	2 481	832	679	3 992
Balance at end of the year	60	598	2 021	2 679

5.4.3 Cash and cash equivalents

The Group held cash and cash equivalents comprising of cash and bank balances net of bank overdrafts amounting to K356 072 million as at 31 December 2023 (2022: K334 579 million). Prior year comparative Cash and cash equivalents of K327 948 has been restated to exclude bank overdrafts with a financing component. Refer to note 49 for prior year restatement. 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.

5.4.4 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.

5.4.5 Loans and advances and lease receivables

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

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

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

In millions of Malawi Kwacha

5. Financial instruments (Continued)

5.4 Credit risk (Continued)

5.4.5 Loans and advances and lease receivables (Continued)

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:

	2023	%	2022	%
Agriculture	56 486	15%	34 330	12%
Finance and insurance	8 138	2%	8 858	3%
Manufacturing	39 403	10%	27 561	9%
Personal accounts	99 957	26%	71 626	24%
Real estate	6 352	2%	6 810	2%
Transport and communication	15 968	4%	14 522	5%
Wholesale and retail	84 096	22%	87 292	30%
Mining and quarrying	12 106	3%	2 192	1%
Restaurants and hotels	40 116	10%	29 075	10%
Community and social services	16 425	4%	8 894	3%
Construction	5 779	2%	2 939	1%
	384 826	100%	294 099	100%

The Group's exposure as at 31 December 2023 was at K384,826 million (2022: K294,099 million) with Non-Performing Loans (NPL) standing at 11.92% (2022: 13.75%).

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

Extent of utilization of granted limit

The Group closed 2023 with utilized overdrafts of K14,207m (2022: K29,337m) against limits of K90,335m (2022: K58,279m) representing 15.72% (2022: 50.34%) of the total limits.

Forbearances (both requested and granted)

There are significant forbearances in the reporting period. Refer to note 17 for the impact of the forbearances (restructured and modified facilities).

Changes in business, financial and economic conditions

The Economic and Business risk remained high in 2023 as a result of weather-related shocks resulting from cyclone Freddy, intermittent power supply and the 44% devaluation of the Malawi kwacha among several factors. The Group remained resilient to these shocks, and it continues to monitor closely the lending portfolios.

In millions of Malawi Kwacha

5. Financial instruments (Continued)

5.4 Credit risk (Continued)

5.4.5 Loans and advances and lease receivables (Continued)

<u>Credit quality analysis of loans and advances</u>

In order to minimise credit risk, the Group has tasked its credit management committee to develop and maintain the Group's 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	
	2023	**2022**
Grade 9: individually impaired	39 710	11 682
Grade 8: sub-standard	10 172	32 165
Grade 7: Watch list	9 758	20 346
Grade 4-6 Fair risk	81 659	53 090
Grade 1-3 Low risk	243 527	176 816
Impairment provision	(11 743)	(7 754)
Total carrying amount	373 083	286 345

The Group applies three-stage approach to measuring expected credit losses (ECL) on loans and advances carried at amortised cost and debt instruments classified as FVTOCI as explained under note 3.24. The table below shows expected credit losses per risk grade and related ECL stage.

In millions of Malawi Kwacha

5. Financial instruments (Continued)

5.4 Credit risk (Continued)

5.4.5 Loans and advances and lease receivables (Continued)

Credit quality analysis of loans and advances (Continued)

	Gross amount	Loss allowance	ECL stage
2023			
Grade 9: individually impaired	39 710	4 628	3
Grade 8: sub-standard	10 172	2 305	3
Grade 7: Watch list	9 758	320	2
Grade 4-6 Fair risk	81 659	3 025	1
Grade 1-3 Low risk	243 527	1 465	1
Total gross carrying amount	384 826	11 743	
2022			
Grade 9: individually impaired	11 682	2 564	3
Grade 8: sub-standard	32 165	2 338	3
Grade 7: Watch list	20 346	700	2
Grade 4-6 Fair risk	53 090	1 390	1
Grade 1-3 Low risk	176 816	762	1
Total gross carrying amount	294 099	7 754	

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 K6.0 billion (2022: K6.3 billion) out of which K5.7 billion (2022: K3.7 billion) has been charged to the statement of comprehensive income and K0.3 billion (2022: K2.6 billion) has been written off against provisions. The amounts written off are subject to enforcement activity by the Group to recover.

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

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

In millions of Malawi Kwacha

5. Financial instruments (Continued)

5.4 Credit risk (Continued)

5.4.5 Loans and advances and lease receivables (Continued)

Credit quality analysis of loans and advances (Continued)
An estimate of the fair value of collateral and other security enhancements held against loans and advances is shown below:

Group	2023	2022
Against individually impaired		
Motor vehicles	5 339	2 837
Commercial property	23 009	19 612
Residential property	17 099	14 709
Business chattels and stocks	147	-
Cash	1 093	17
Total	46 687	37 175
Against the rest of the loan book		
Motor vehicles	33 574	39 398
Commercial property	139 853	91 533
Residential property	141 832	107 362
Cash	18 847	8 741
Treasury bills	4 422	-
Business chattels and stocks	3 481	-
Government guarantees	12 600	12 600
Total	354 609	259 634
Grand total	401 296	296 809

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

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

5.5 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.

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

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

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

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

In millions of Malawi Kwacha

6. Financial instruments (Continued)

5.5 Liquidity risk (Continued)

5.5.1 *Management of liquidity risk* (Continued)

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

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

5.5.2 *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:

	2023	2022
At 31 December	51%	48%
Average for the period	49%	45%
Maximum for the period	52%	49%
Minimum for the period	46%	41%

In millions of Malawi Kwacha

5. **Financial instruments** (Continued)

5.5 ***Liquidity risk*** (Continued)

5.5.1 *Liquidity risk table*

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

Group	**Less than 1 month**	**1-3 months**	**3-12 months**	**2-5 years**	**Over 5 years**	**Total**	**Carryin amoun**
At 31 December 2023							
Bank overdraft	11 963	-	-	-	-	11 963	11 71
Loans and borrowings	-	4 514	19 562	52 263	-	76 339	63 40
Customer deposits	774 866	148 234	31 790	3 693	-	958 583	949 09
Trade and other payables	14 277	99 981	-	-	-	114 258	113 96
Contract liabilities	-	7 094	-	-	-	7 094	7 09
Total financial liabilities	801 106	259 823	51 352	55 956	-	1 168 237	1 145 263
At 31 December 2022							
Bank overdraft	14 339	-	-	-	-	14 339	14 11
Loans and borrowings	-	4 469	25 023	53 524	69	83 085	72 09
Customer deposits	688 961	90 684	23 848	-	-	803 493	795 56
Trade and other payables	36 209	60 653	-	-	-	96 862	96 29
Contract liabilities	-	7 236	-	-	-	7 236	7 23
Total financial liabilities	739 509	163 042	48 871	53 524	69	1 005 015	985 30
Company							
At 31 December 2023							
Bank overdraft	8 189	-	-	-	-	8 189	8 02
Loans and borrowings	-	-	5 739	6 573	-	12 312	10 33
Trade and other payables to Group companies	53	-	-	-	-	53	5
Trade and other payables	1 261	-	-	-	-	1 261	1 26
Total financial liabilities	9 503	-	5 739	6 573	-	21 815	19 67
At 31 December 2022							
Bank overdraft	8 106	-	-	-	-	8 106	7 97
Loans and borrowings	-	-	5 077	12 047	-	17 124	14 74
Trade and other payables to Group companies	34	-	-	-	-	34	3
Trade and other payables	1 016	-	-	-	-	1 016	1 01
Total financial liabilities	9 156	-	5 077	12 047	-	26 280	23 77

In millions of Malawi Kwacha

5. Financial instruments (Continued)

5.6 *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.

5.6.1 Currency risk

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

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

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

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

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

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**	
	2023	**2022**	**2023**	**2022**
Group				
United States Dollars (USD)	188 272	122 245	218 187	130 712
British Pound (GBP)	9 478	4 409	9 960	4 815
EURO	31 682	19 593	16 964	9 869
South African Rand (ZAR)	2 145	1 299	1 956	1 518
Tanzania shillings	111 322	71 033	123 822	72 399
Other currencies	-	-	1	15
Company				
United States Dollars (USD)	-	-	12 371	7 600

In millions of Malawi Kwacha

5. Financial instruments (Continued)

5.6 Market risk (Continued)

5.6.1 *Currency risk* (Continued)

Foreign currency sensitivity analysis
The following table details the Group's sensitivity to a 25% (2022: 25%) 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 25% (2022: 25%) change in foreign currency rates. A positive number below indicates an increase in profit before tax where the Malawi Kwacha strengthens 25% (2022: 25%) against the relevant currency. For a 25% (2022: 25%) 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**	
	2023	**2022**	**2023**	**2022**
United States Dollars (USD)	7 479	2 117	3 093	588
British Pound (GBP)	121	102	-	-
EURO	3 680	2 431	-	-
South African Rand (ZAR)	47	55	-	-
Tanzania shillings	3 125	342	-	-

5.6.2 Interest rate risk

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

Management of interest rate risk

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

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

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

In millions of Malawi Kwacha

5. Financial instruments (Continued)

5.6 Market risk (Continued)

5.6.2 *Interest rate risk* (Continued)

Group	Less than 1 month	1-3 months	3-12 months	Over 1 year	Non-interest sensitive	Total
At 31 December 2023						
Financial assets						
Investments in joint ventures and associates	-	-	-	-	73 041	73 041
Other investment	-	-	236 983	181 899	17 634	436 516
Investment in KAMA Cooperative	-	-	-	-	941	941
Cash and cash equivalents	136 197	225 262	-	-	-	361 459
Loans and advances to customers	21 769	23 677	72 147	267 233	-	384 826
Finance lease receivables	-	240	1 331	23 787	-	26 277
Trade and other receivables	-	-	-	26	46 975	47 001
Contract assets	-	-	-	-	1 551	1 551
Total financial assets	157 966	249 179	310 461	473 864	140 142	1 331 612
Financial liabilities						
Bank overdraft	11 716	-	-	-	-	11 716
Loans and borrowings	-	4 331	17 364	41 705	-	63 400
Customer deposits	769 183	146 075	30 440	3 392	-	949 090
Trade and other payables	13 982	-	-	-	99 981	113 963
Contract liabilities	-	-	-	-	7 094	7 094
Total financial liabilities	794 881	150 406	47 804	45 097	107 075	1 145 263
Interest sensitivity gap	(636 915)	98 773	272 460	428 267	23 764	186 349
At 31 December 2022						
Financial assets						
Investments in joint ventures and associates	-	-	-	-	53 666	53 666
Other investment	-	-	195 456	161 875	3 774	361 105
Cash and cash equivalents	252 792	89 270	-	-	-	342 062
Loans and advances to customers	12 265	16 796	66 118	191 166	-	286 345
Finance lease receivables	253	136	1 764	17 102	-	19 255
Trade and other receivables	-	-	-	3 103	28 539	31 642
Contract assets	-	-	-	-	2 244	2 244
Total financial assets	265 310	106 202	263 338	373 246	88 223	1 096 319
Financial liabilities						
Bank overdraft	14 114	-	-	-	-	14 114
Loans and borrowings	-	4 331	22 836	44 931	-	72 098
Customer deposits	683 531	89 266	22 763	-	-	795 560
Trade and other payables	35 640	-	-	-	60 653	96 293
Contract liabilities	-	-	-	-	7 236	7 236
Total financial liabilities	733 285	93 597	45 599	44 931	67 889	985 301
Interest sensitivity gap	(467 975)	12 605	217 739	328 315	20 334	111 018

In millions of Malawi Kwacha

5. Financial instruments (Continued)

5.6 Market risk (Continued)

5.6.2 *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 2023						
Financial assets						
Investments in subsidiaries joint ventures and associates	-	-	-	-	726 443	726 443
Asset held for sale	-	-	-	-	8 941	8 941
Other investment	-	-	-	-	7 497	7 497
Cash and cash equivalents	12 243	15	-	-	-	12 258
Trade and other receivables – Group companies	-	-	-	-	3 409	3 409
Trade and other receivables	-	-	-	-	1 413	1 413
Total financial assets	12 243	15	-	-	747 703	759 961
Financial liabilities						
Bank overdraft	8 020	-	-	-	-	8 020
Loans and borrowings	-	-	5 094	5 245	-	10 339
Trade and other payables to Group companies	-	-	-	-	53	53
Trade and other payables	-	-	-	-	1 261	1 261
Total financial liabilities	8 020	-	5 094	5 245	1 314	19 673
Interest sensitivity gap	4 223	15	(5 094)	(5 245)	746 389	740 288
At 31 December 2022						
Financial assets						
Investments in subsidiaries joint ventures and associates	-	-	-	-	536 530	536 530
Asset held for sale	-	-	-	-	9 548	9 548
Other investment	-	-	-	-	3 612	3 612
Cash and cash equivalents	7 198	9	-	-	-	7 207
Trade and other receivables – Group companies	-	-	-	-	1 201	1 201
Trade and other receivables	-	-	-	3 059	1 378	4 437
Total financial assets	7 198	9	-	3 059	552 269	562 535
Financial liabilities						
Bank overdraft	7 979	-	-	-	-	7 979
Loans and borrowings	-	-	4 633	10 111	-	14 744
Trade and other payables to Group companies	-	-	-	-	34	34
Trade and other payables	-	-	-	-	1 016	1 016
Total financial liabilities	7 979	-	4 633	10 111	1 050	23 773
Interest sensitivity gap	(781)	9	(4 633)	(7 052)	551 219	538 762

In millions of Malawi Kwacha

5. **Financial instruments** (Continued)

5.6 Market risk (Continued)

5.6.2 *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 10% (2022: 5%) movement on the interest rates. If the interest rates had gone up or down by 10% (2022: 5%) the Group's profit for the year ended 31 December 2023 would decrease/increase by K16 billion (2022: K4.5 billion) and for the Company by K305 million (2022: K623 million).

5.6.3 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 2023, the Group had the following financial assets that exposed it to equity price risk.

	Group		Company	
	2023	**2022**	**2023**	**2022**
Financial asset				
Investment in subsidiaries	-	-	652 627	432 228
Other investment - equity	17 634	10 504	7 497	3 612
	17 634	10 504	660 124	435 840

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 2023, if the equity price had weakened/strengthened by 10% (2022: 5%) with all other variables held constant, the Group's performance for the year would have been higher/lower as follows:

	Group		Company	
	2023	**2022**	**2023**	**2022**
Financial asset				
Investment in subsidiaries	-	-	65,262	21,611
Other investment - equity	1 764	525	750	181
	1 764	525	66 012	21 792

The analysis is performed on the same basis for 2023 and 2022 and assumes that all other variables remain the same.

In millions of Malawi Kwacha

5 Financial instruments (Continued)

5.7 Fair values measurements

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

5.7.2 Fair value hierarchy

The table below shows an analysis of financial instruments carried that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group	Notes	Level 1	Level 2	Level 3	Total
At 31 December 2023					
Other investment - equity	19	17 634	-	-	17 634
Investment in KAMA Cooperative	19	-	-	941	941
		17 634	-	941	18 575
At 31 December 2022					
Other investment - equity	19	10 504	-	-	10 504
Investment in KAMA Cooperative	19	-	-	793	793
		10 504	-	793	11 297
Company					
At 31 December 2023					
Other investment - equity	19	7 497	-	-	7 497
Asset held for sale	24	-	-	8 941	8 941
Investments in associates	15	-	-	52 651	52 651
Investments in joint ventures	14	-	-	21 165	21 165
Investments in subsidiaries	13	587 315	-	65 312	652 627
		594 812	-	148 069	742 881
At 31 December 2022					
Other investment - equity	19	3 612	-	-	3 612
Asset held for sale	24	-	-	9 548	9 548
Investments in associates	15	-	-	37 411	37 411
Investments in joint ventures	14	-	-	16 016	16 016
Investments in subsidiaries	13	432 228	-	50 875	483 103
		435 840	-	113 850	549 690

5.7.3 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** **2023**	 **2022**	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
Equity investments	17 634	10,504	Level 1	Stock market prices
Investment in KAMA Cooperative	941	793	Level 3	Unadjusted net asset values approach

In millions of Malawi Kwacha

5 Financial instruments (Continued)

5.7 *Fair values measurements* (Continued)

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

A reconciliation showing opening balance, gains/losses recognized during the year, transfers as well as closing balance is disclosed under related notes 13,14 and 15.

Company

Asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2023	2022				
Investment in Sunbird Malawi Limited, National Bank of Malawi plc and Telekom Networks Malawi plc	594 812	435 838	Level 1	Stock market share prices.	N/A	N/A
Investment Puma Malawi Limited	16 898	14 975	Level 3	*The Enterprise value to EBITDA ("EV/EBITDA") ratio:* The approach measures value of a company by looking at how company's Cashflow compares to the assets being used to generate the cash flow. An adjustment was made for cash, long term loans and tax to accommodate third parties with interest in the company This method involves; • Identifying companies in similar industries to the subject company, in the open market and determining the appropriate multiples. • Applying discounts/premiums to the quoted multiples to compensate for differences between the reasonably similar companies and the subject being valued.	• The observable multiple was adjusted for size, risk, geography and diversification discount by 15%. • Lack of marketability discounts of 8%-10%. • Minority discount of 4%.	• The higher the discount applied on the multiple the lower the fair value • The higher the marketability discount applied the lower the fair value. • The higher the minority discount applied the lower is the fair value.

In millions of Malawi Kwacha

5 Financial instruments (Continued)

5.7 *Fair values measurements* (Continued)

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

Company

Asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2023	2022				
PressCane Limited	19 640	12 396	Level 3	*The Market Approach (The Enterprise value to EBITDA("EV/EBITDA") ratio:* The approach measures value based on the current pricing statistics for companies (where publicly available information is present), which can be considered reasonably similar to those being analysed. This method involves; • identifying companies in similar industries to the subject company, in the open market and determining the appropriate multiples. • applying discounts/premiums to the quoted multiples to compensate for differences between the reasonably similar companies and the subject being valued.	• The observable multiple was adjusted for size, risk, geography and diversification discount by 5%. • Control premium and lack of marketability discounts of 13%-14% and 8%-10% were applied respectively.	• The higher the discount applied on the multiple the lower the fair value • The higher the control premium the higher is the fair value.
Press Properties Limited	18 861	17 387	Level 3	*Adjusted Net asset values Approach* The method measures the equity holder's claim on the residual assets after paying off the company's liabilities. Discounts were applied to the net asset value.	• The observable multiple was adjusted for size, risk, geography and diversification discount by 8%-10% considering the larger size of the peer companies. There was no size discount last year as basis was NAV. • A control premium of 15%-20% and marketability discounts of 5%-7% were applied this year. The control premium and marketability discounts are the same as last year's discounts.	• The higher the discount applied on the multiple the lower the fair value. • The higher the control premium the higher is the fair value.

In millions of Malawi Kwacha

5 Financial instruments (Continued)

5.7 *Fair values measurements* (Continued)

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

Company

Asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2023	2022				
Investment in Ethanol Company Limited	20 517	15 156	Level 3	*The Price Earnings Approach* The approach measures value of a company based on its current share price relative to its earnings per share (EPS). This method involves; • Identifying companies in similar industries to the subject company, in the open market and determining the appropriate multiples. • Applying discounts/premiums to the quoted multiples to compensate for differences between the reasonably similar companies and the subject being valued.	• The observable multiple was adjusted for size, risk, geography and diversification discount by 10%. • Control premium of 13%-14% was applied. Marketability discount of 8%-10% was applied.	• The higher the discount applied on the multiple the lower the fair value. • The higher the control premium the higher is the fair value.
Investment in Limbe Leaf Tobacco Company Limited	47 179	35 570	Level 3	*The Enterprise value to EBITDA ("EV/EBITDA") ratio* The approach measures value based on the current pricing statistics for companies (where publicly available information is present), which can be considered reasonably similar to those being analysed. This method involves; • identifying companies in similar industries to the subject company, in the open market and determining the appropriate multiples. • applying discounts/premiums to the quoted multiples to compensate for differences between the reasonably similar companies and the subject being valued.	• The observable multiple was adjusted for size, risk, geography and diversification discount by 10% -12% • Minority and lack of marketability discounts of 11.2% and 12%-13% were applied respectively.	• The higher the discount applied on the multiple the lower the fair value. • The higher the minority discount applied the lower the fair value. • The higher the marketability discount applied the lower the fair value.
Investment in LifeCo Holdings Limited.	2 896	827	Level 3	*Discounted Cashflow Approach:* The method is based on anticipated future cash flows of the business for a given period. This method is more reliable as it considers the growth potential of the business. Discounts were applied to the net asset value.	• Minority and lack of marketability discounts of 40% was applied to the implied equity value.	• The higher the marketability discount applied the lower the fair value.

In millions of Malawi Kwacha

5 Financial instruments (Continued)

5.7 *Fair values measurements* (Continued)

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

Asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2023	2022				
Open Connect Limited	2 575	1 014	Level 3	*Price to Book Approach:* The approach measures value of a company based on its market price relative to its net assets. This method involves; 1. Identifying companies in similar industries to the subject company, in the open market and determining the appropriate multiples. 2. Applying discounts/premiums to the quoted multiples to compensate for differences between the reasonably similar companies and the subject being valued.	• The observable multiple was adjusted for size, risk, geography, and diversification discount by 35%. • Minority discount of 15% and marketability discounts of 10%-15% were applied.	• The higher the minority discount applied the lower the fair value. • The higher the marketability discount applied the lower the fair value.
Macsteel (Malawi) Limited	4 267	1 041	Level 3	*The Price Earnings (PE) Approach* This methodology measures value of a company based on its current share price relative to its earnings per share (EPS). This method involves: • Identifying companies in similar industries to the subject company, in the open market and determining the appropriate multiples. • Applying discounts/premiums to the quoted multiples to compensate for differences between the reasonably similar companies and subject being valued.	• The observable multiple was adjusted for size, risk, geography and diversification discount by 15%. • Minority discount of 2%-5%. • Lack of marketability discounts of 8%-10%.	• The higher the discount applied on the multiple the lower the fair value. • The higher the minority discount applied the lower the fair value. • The higher the marketability discount applied the lower the fair value.
The Foods Company Limited	6 294	5 936	Level 3	*Market prices* The business was valued based on the purchase offers received from the market participants to purchase the business.	• Lack of marketability discounts of 50%.	• The higher the marketability discount applied the lower the fair value.

In millions of Malawi Kwacha

5. Financial instruments (Continued)

5.8 ***Fair values measurements*** (Continued)

Equity value sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity value risks at the end of the reporting period.

At 31 December 2023, if the fair value had weakened/strengthened by 10% (2022: 5%) with all other variables held constant, the Company's fair value for the year would have been higher/lower as follows:

	Company			
	Fair Value	Equity Risk	Fair Value	Equity Risk
	2023		2022	
Unlisted equity investments:				
Puma	16 898	1 690	14 975	749
Presscane Limited	19 640	1 964	12 396	620
Press Properties Limited	18 861	1 886	17 387	869
Ethanol Company Limited	20 517	2 052	15 156	758
Limbe Leaf Tobacco Company Limited	47 179	4 718	35 570	1 779
Investment in LifeCo Holdings Limited	2 897	290	827	41
Open Connect Limited	2 575	258	1 014	51
Macsteel (Malawi) Limited	4 267	427	1 041	52
The Foods Company Limited	6 294	629	5 936	297
Total	139 128	13 914	104 302	5 216

The analysis is performed on the same basis for 2023 and 2022 and assumes that all other variables remain the same.

6. 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.

6.1 ***Basis for segmentation***

The Group has four 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, and All Other Reportable Segments. The segments offer different products and services, and are managed separately because they require different technology and marketing strategies.

6 Operating segments (Continued)

6.1 Basis for segmentation (Continued)

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.
All other segments	Property investment and development, Holding company, Manufacturer and distributor of fish products.

6.2 Geographical segment presentation

The operations of the Group are in Malawi and Tanzania. However geographical segment presentation has not been made since the Tanzania business segment is insignificant to the total business of the Group.

6.3 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.

6.4 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.

In millions of Malawi Kwacha

6 Operating segments (Continued)

6.4 *Information about reportable segments* (Continued)

	Financial services	Tele-communi-cations	Energy	All other segments	Total
2023					
Revenue					
External revenues	227 908	122 070	43 123	1 317	394 418
Inter-segment revenue	1 282	3 852	-	557	5 691
Segment revenue	229 190	125 922	43 123	1 874	400 109
Segment operating profit	121 105	13,184	15 014	26 660	175 963
Segment interest income	-	306	1 718	5 562	7 586
Segment interest expense	(976)	(25 961)	(4)	(6 424)	(33 365)
Segment income tax (expense)/credit	(48 170)	2 478	(5 166)	(2 633)	(53 491)
Segment profit for the year	71 959	(9 993)	11 562	23 165	96 693
Depreciation and amortisation	7 155	23 076	792	446	31 469
Segment assets	1 271 996	189 396	44 095	793 375	2 298 862
Segment liabilities	1 064 221	147 982	11 757	18 852	1 242 812
Capital additions	13 784	29 394	5 809	1 352	50 339
2022					
Revenue					
External revenues	153 543	106 227	25 957	2 877	288 604
Inter-segment revenue	1 010	2 261	-	596	3 867
Segment revenue	154 553	108 488	25 957	3 473	292 471
Segment operating profit	71 281	7 124	5 224	13 512	97 141
Segment interest income	-	119	1 236	3 039	4 394
Segment interest expense	(1 035)	(11 074)	(1)	(5 099)	(17 209)
Segment income tax (expense)/credit	(23 684)	96	(2 147)	(1 846)	(27 581)
Segment profit/(loss) for the year	46 562	(3 735)	4 312	9 606	56 745
Depreciation and amortisation	5 850	20 758	688	450	27 746
Segment assets	1 072 672	175 500	40 467	600 316	1 888 955
Segment liabilities	899 525	122 613	6 928	25 931	1 054 997
Capital additions	5 798	24 484	8 923	1 229	40 434

In millions of Malawi Kwacha

6 Operating segments (Continued)

6.5 Reconciliations of information on reportable segments to IFRS measures

	2023	2022
Revenues		
Total revenues for reportable segments	400 109	292 471
Elimination of inter-segment revenue	(5 691)	(3 867)
Consolidated revenue	394 418	288 604
Depreciation and amortisation		
Total depreciation and amortisation for reportable segments	31 469	27 746
Discontinued operation depreciation	-	98
Elimination of inter-segment depreciation	(185)	(1 006)
Consolidated depreciation and amortisation	31 284	26 838
Profit		
Total profit for reportable segments	96 693	56 745
Elimination of dividend income from Group companies	(27 999)	(17 893)
Share of profit of equity accounted investees	4 056	2 387
Impairment reversal/(loss) of equity accounted investees	1 619	(6 173)
Impairment reversal of goodwill impairment	677	-
Loss on derecognition of a disposed of subsidiary	-	(310)
Loss from discontinued operation	-	1 582
Consolidated profit	75 046	36 338
Assets		
Total assets for reportable segments	2 298 862	1 886 000
Assets for discontinued operations	-	1 203
Inter-segment eliminations	(29 879)	(20 352)
Elimination of fair value relating to equity accounted investees	(13 565)	(12 294)
Impairment of equity accounted investees	1 619	(6 173)
Reversal of goodwill	677	
Elimination of investment in subsidiaries	(652 627)	(483 103)
Consolidated total assets	1 605 087	1 365 281
Liabilities		
Total assets for reportable segments	1 242 812	1 054 997
Liabilities for discontinued operations	-	(1 342)
Inter-segment eliminations	(29,879)	(20 352)
Consolidated total liabilities	1 212 933	1 033 303

In millions of Malawi Kwacha

7 Property, plant and equipment

Group	Land and buildings	Furniture and equipment	Plant and machinery	Motor vehicles	Cane roots*	Capital work in progress	Total
Cost or valuation							
Balance at 1 January 2023	60 662	9 534	154 773	8 247		21 601	254 817
Additions	1 299	968	11 424	3 463	30	12 443	29 627
Disposals	(17)	(700)	(1 564)	(1 365)	(20)	-	(3 666)
Transfers between classes	69	64	4 933	-	-	(5 066)	-
Reclassified to intangibles (note 12)	-	-	-	-	-	(12)	(12)
Reclassified from biological assets (note 10)	-	-	-	-	49	-	49
Write-off	-	(11)	(121)	-	-	-	(132)
Revaluation increase	8 024	-	-	-	-	-	8 024
Balance at 31 December 2023	70 037	9 855	169 445	10 345	59	28 966	288 707
Balance at 1 January 2022	54 034	8 855	138 169	7 180	-	15 725	223 963
Additions	741	606	7 318	2 047	-	18 129	28 841
Disposals	-	(8)	(506)	(962)	-	-	(1 476)
Transfers between classes	1 957	106	10 077	-	-	(12 140)	-
Reclassified from intangibles (note 12)	-		-	-	-	1	1
Write-off	-	(25)	(285)	(18)	-	(114)	(442)
Revaluation increase	3 930	-	-	-	-	-	3 930
Balance at 31 December 2022	60 662	9 534	154 773	8 247	-	21 601	254 817
Accumulated depreciation and impairment							
Balance at 1 January 2023	6 398	5 844	78 059	4 147	-	-	94 448
Depreciation expense	2 815	1 048	13 667	1 296	7	-	18 833
Reclassified from biological assets (note 10)	-	-	-	-	28	-	28
Transfers between classes	(263)	-	263	-	-	-	-
Eliminated on revaluation	(897)	-	-	-	-	-	(897)
Write-off	-	(10)	(115)	-	-	-	(125)
Eliminated on disposal of assets	(199)	(621)	(1 177)	(1 232)	(14)	-	(3 243)
Balance at 31 December 2023	7 854	6 261	90 697	4 211	21	-	109 044
Balance at 1 January 2022	4 447	5 208	64 300	4 229	-	-	78 184
Depreciation expense	2 644	667	14 490	764	-	-	18 565
Eliminated on revaluation	(693)	-	-	-	-	-	(693)
Write-off	-	(24)	(280)	(18)	-	-	(322)
Eliminated on disposal of assets	-	(7)	(451)	(828)	-	-	(1 286)
Balance at 31 December 2022	6 398	5 844	78 059	4 147	-	-	94 448
Carrying amounts							
At 31 December 2023	62 183	3 594	78 748	6 134	38	28 965	179 663
At 31 December 2022	54 264	3 690	76 714	4 100	-	21 601	160 369

*Cane roots relate to sugar cane roots recognised by Presscane. In 2022 the cost of K49 million, accumulated depreciation of K29 million with a net book value of K21 million was recognised in biological assets. The opening balance has been reclassified from biological assets to comply with the requirements of IAS 16: Property, plant and equipment.

In millions of Malawi Kwacha

7 Property, plant and equipment (Continued)

Company	Land and building	Furniture and equipment	Motor vehicle	Total
Cost or valuation				
Balance at 1 January 2023	1 179	630	352	2 161
Additions	797	66	337	1 200
Revaluation increase	187	-	-	187
Disposals	-	(8)	-	(8)
Balance at 31 December 2023	2 163	688	689	3 540
Balance at 1 January 2022	1 082	653	58	1 793
Additions	-	4	296	300
Revaluation increase	97	-	-	97
Disposals	-	(27)	(2)	(29)
Balance at 31 December 2022	1 179	630	352	2 161
Accumulated depreciation				
Balance at 1 January 2023	-	538	52	590
Depreciation expense	-	28	132	160
Eliminated on disposal of assets	-	(8)	-	(8)
Balance at 31 December 2023	-	558	184	742
Balance at 1 January 2022	-	535	13	548
Depreciation expense	-	23	41	64
Eliminated on disposal of assets	-	(20)	(2)	(22)
Balance at 31 December 2022	-	538	52	590
Carrying amounts				
At 31 December 2023	2 163	130	505	2 798
At 31 December 2022	1 179	92	300	1 571

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.

7.1 Useful lives

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

Buildings	40 - 50 years
Plant and machinery	8- 15 years
Furniture and equipment	2- 6 years
Motor vehicles	3- 5 years
Cane roots	6- 7 years

7.2 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 2023 by Mabvuto Phula (MSc International Real Estate, UK, MSIM) Registered Property Valuation Surveyor of CMC Property Consultants and Valuers. 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.

In millions of Malawi Kwacha

7 Property, plant and equipment (Continued)

7.2 Fair value measurement of the Group's land and buildings (Continued)

Land and buildings for the Bank were fair valued as at 31 December 2023 by Desmond N Namangale, MSc. IPM, B.Sc. Land (Est.) Mgt. MSIM of Knight Frank, qualified independent valuer on a current market value basis. Out of the K7 095m (2022: K3 789m) the Group's gross revaluation surplus, K130m (2022: K93m) 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 K6 965m (2022: K3 696m) 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 2023 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. A gross revaluation surplus of MK254m (2022: MK722m) was credited to the revaluation reserve through the statement of other comprehensive income and MK180m depreciation was eliminated on revaluation.

Leasehold properties, civil works, relating to Ethanol Company Limited were re-valued on 31 December 2023 by Mr Nickson S.C. Mwanyali, BSc (Est. Man), Dip (Bus Mngt), MSIM Valuation Surveyor of Knight Frank Malawi Limited on an open market value. A gross revaluation surplus of MK341m (2022: nil) was credited to the revaluation reserve through the statement of other comprehensive income in 2023 and MK174m depreciation was eliminated on revaluation.

Land and buildings relating to Telekom Networks Malawi plc were fair valued as at 31 December 2023 by Rhemont Ngwira BSc (Hons) Property Mangt; Dip (Real Estate); Elliot K. Jambo MSc: Real Estate; MBA; BA; MSIM of MPICO plc. Valuations were carried out based on the basis of open market value. A gross revaluation surplus of MK489m was credited to the revaluation reserve through the statement of other comprehensive income and MK64m depreciation was reversed on revaluation in 2023.

Land and buildings relating to Press Corporation plc were fair valued as at 31 December 2023 by L.A. Nkosi, Msc (RE); Bsc (UEM): BA (Hons); Cert.Prop. Val; MSIM Valuation Surveyor of Prudential Real Estate and Consultancy Services. Valuations were carried out based on sales comparison and investment approach that reflects recent transaction prices for similar properties in similar geographical locations. A gross revaluation surplus of MK187m (2022: MK97m) was credited to the revaluation reserve through the statement of other comprehensive income.

Details of the Group's information about the properties fair value hierarchy as at 31 December 2023 are as follows:

	Fair value as at		Fair value hierarchy
	31/12/2023	31/12/2022	
Land and buildings	62 183	54 264	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;

	2023	2022
Group's land and buildings	17 392	16 093
Company's land and buildings	1 357	560

7.3 Assets pledged as security

The Group's assets with a carrying amount of approximately K82 billion (2022: K81 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 (2022: K25 billion) – see note 27 and 30 below.

In millions of Malawi Kwacha

8 Leases (Group as a lessee)

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

8.1 Right of use assets

Group	Land and buildings	Plant and machinery	Total
Cost			
Balance at 1 January 2023	13 379	16 162	29 541
Additions	412	1 322	1 734
Disposals	(2 185)	-	(2 185)
Balance at 31 December 2023	11 606	17 484	29 090
Balance at 1 January 2022	10 862	12 967	23 829
Additions	2 738	3 195	5 933
Disposals	(10)	-	(10)
Effects of foreign exchange movement	(211)	-	(211)
Balance at 31 December 2022	13 379	16 162	29 541
Depreciation			
Balance at 1 January 2023	6 625	2 454	9 079
Charge for the year	2 610	2 181	4 791
Disposals	(2 166)	-	(2 166)
Balance at 31 December 2023	7 069	4 635	11 704
Balance at 1 January 2022	5 073	1 200	6 273
Charge for the year	1 703	1 254	2 957
Disposals	(151)	-	(151)
Balance at 31 December 2022	6 625	2 454	9 079
Carrying amounts			
At 31 December 2023	4 537	12 849	17 386
At 31 December 2022	6 754	13 708	20 462

The company did not have right of use assets recognised in its statement of financial position for the year ending 31 December 2023 (2022: nil).

In millions of Malawi Kwacha

8.2 Lease liabilities

	Group	
	2023	**2022**
Non-Current	4 587	5 512
Current	821	3 277
At 31 December	5 408	8 789

Movement in lease liabilities during the year was as follows:

As at 1 January	8 789	8 774
Addition	481	1 136
Interest on lease	2 433	1 199
Interest paid	(1 457)	(1 199)
Principal repayment	(4 838)	(1 121)
At 31 December	5 408	8 789

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

	Group	
	2023	**2022**
2023	-	3 913
2024	1 312	1 478
2025	1 097	1 389
2026	1 108	1 250
2027	1 116	1 822
2028	1 127	4 576
2029	1 138	-
2030 onwards	1 150	-
Total	8 048	14 428

8.3 Amounts recognised in the statement of profit or loss

Depreciation expense on right-of-use assets	4 791	2 957
Interest expense on lease liabilities	2 433	1 199
Expense relating to short-term leases	96	70

The Group and the company had total payments relating to lease liability amounting to K6.3 billion and nil (2022: K5.9 billion and nil million) respectively.

The company did not have lease liability recognised in its statement of financial position for the year ending 31 December 2023 (2022: nil).

In millions of Malawi Kwacha

9 Biological assets

9.1 Reconciliation of carrying amount of biological assets

	Fish stock	Growing Cane	Total
Group			
2023			
Balance at 1 January	245	266	511
Increase due to acquisition	47	-	47
Increase due to birth	16	-	16
Decrease due to sales	(107)	-	(107)
Decrease due to death	(6)	-	(6)
Increase/(decrease) in fair value	-	131	131
Reclassified to PPE (note 8)*	-	(21)	(21)
Balance at 31 December	195	376	571
Non-current biological assets	182	-	182
Current biological assets	13	376	389
Balance at 31 December	195	376	571
2022			
Balance at 1 January	569	193	762
Increase due to acquisition	137	-	137
Increase due to birth	929	-	929
Decrease due to sales	(1 053)	-	(1 053)
Decrease due to death	(293)	-	(293)
Increase/(decrease) in fair value	(44)	73	29
Balance at 31 December	245	266	511
Non-current biological assets	135	21	156
Current biological assets	110	245	355
Balance at 31 December	245	266	511

*Prior year growing cane included Cane Roots with a cost of MK49m and accumulated depreciation of MK28m and net book value of MK21m which, under IAS 16: Property, plant and equipment, are required to be classified as PPE. The opening balances have hence been reclassified to PPE as reflected under note 8.

As at 31 December 2023, fish stock comprised of nil tons of fish (2022: 1.5 tons) and nil tons of fingerlings (2022: 32.6 tons). During 2023, the Group sold 1.8 tons of fish (2022: 32.6 tons).

One of the Group's subsidiaries, Presscane Limited invested in Chisanja Limited which is involved in the growing of sugar cane in order to address its current feed stock challenges by growing its own sugarcane from which juice would be extracted to produce ethanol. As at 31 December 2023, the cane growth was estimated at 40% (2022: 40%) with a harvest area of 89 hectares (2022: 89 hectares) and estimated harvest tonnage of 90 (2022: 95 tonnage).

In millions of Malawi Kwacha

9. Biological assets (Continued)

9.2 Measurement of fair values

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

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

- The Group estimates the weight of the fish that is in cages or ponds through sampling. This estimate is used to determine the projected harvest, which takes into account a factor of mortality.
- The projected harvest is valued using selling price based on fish categories.
- The cost to harvest is estimated and this includes cost of feed, both starter and grower and all direct costs to be incurred to produce the fish.
- The value of the fish is then the difference between the value of the projected harvest and the costs to be incurred to harvest.
- Fingerlings are valued at the current selling price of each fingerling achieved during the year.

Assumptions

- Average weight per fish – Average harvest weight achieved during the year is used as basis for calculating biomass.
- Mortality is assumed at 25% (2022: 25%) for cages and 30% (2022: 30%) for fingerlings based on experience and history. The Group no longer stocks fish in ponds; and
- Average selling price – Current selling price based on fish categories as per harvest records.

The fair value measurements of both fish and fingerlings have been categorized as Level 3 fair values;

	Fair value as at		**Fair value hierarchy**
	31/12/2023	**31/12/2022**	
Fish stocks	195	245	Level 3

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 (2022: 89 hectares), estimated yield of 90 tons (2022: 95 tons), estimated sucrose content of 13% (2022: 13%) and cane growth percentage of 40% (2022: 40%) at 31 December 2023.

	Fair value as at		**Fair value hierarchy**
	31/12/2023	**31/12/2022**	
Growing cane	376	266	Level 3

In millions of Malawi Kwacha

9 Biological assets (Continued)

9.3 Financial risk management strategies related to agricultural activities

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

Regulatory and environmental risks

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

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

Supply, demand and commodity risks

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

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

Climate, weather, diseases and other risks

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

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

10 Goodwill

	2023	2022
At the beginning and end of the year	4 547	4 547

10.1 Impairment testing for cash generating units containing goodwill

Goodwill has been allocated for impairment testing purposes to the following cash-generating units;

	2023	2022
TNM Enterprise Business Services Unit	588	588
Corporate banking division	3 959	3 959
	4 547	4 547

10 Goodwill (Continued)

10.1 Impairment testing for cash generating units containing goodwill (Continued)

TNM Enterprise Business services unit

The group determined the recoverable amount of the cash generating unit (Enterprise Business Services Unit) to be MK33.1 billion (2022: K56.0 billion) based on the value in use model. The value in use was based on discounted future cash flows (using the group's approved budgeted figures for 2023 and projections covering a 4 year period from 2024) discounted at a pre-tax discount rate of 23.53% (2022: 19.29%).

All forecasts used in the determination of value in use are extracted from the 2023 budget approved by the Board of Directors.

Cashflow projections during the budget period were based on the same expected gross margins and price inflation through the budget period and average annual growth rate of 15% has been applied. The cash flows beyond that five-year period have been extrapolated using an average of 10% per annum growth rate, which is the projected long-term average growth rate for cash generating unit. 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 carrying amount of the CGUs was MK0.8 billion (2022: MK0.8 billion). As such, in accordance with IAS 36 Impairment of Assets, the group determined that the goodwill was not impaired as at 31 December 2023.

Corporate Banking Division (CBD)

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

The carrying amount of this goodwill was allocated to the Corporate Banking Division (CBD) as a cash generating unit.

The recoverable amount of this cash generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a five-year period and discounted at a weighted average pre-tax discount rate of 49.09% (2022: 40.23%). Cashflow projections during the budget period were based on the same expected gross margins and price inflation through the budget period. Cash flow projections during the budget period are based on the assumption that the unit will grow at between 12% to 20% year on year. Cash flows beyond that five-year period have been extrapolated using an average of 10% (2022: 10%) per annum growth rate which is the projected long term average growth rate for Corporate Banking Business. The Directors believe that any reasonably possible change in the key assumption on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

The recoverable amount of the Cash Generating Unit (CBD) is calculated to be K35.3 billion (2022: K43.8 billion) and its carrying amount is K6.8 billion (2022: K9.8 billion) as such the related goodwill is not impaired.

In millions of Malawi Kwacha

11 Intangible assets

Group	Computer software	Capitalised Development costs	Work in Progress	Patents and trade marks	Total
Cost					
2023					
Balance at 1 January 2023	38 080	-	2 296	1 648	42 024
Transfer to PPE (note 8)	12	-	-	-	12
Transfer between classes	797	-	(797)	-	-
Write-off*	(546)	-	(9)	-	(555)
Additions	2 348	-	3 726	-	6 074
Balance at 31 December 2023	40 691	-	5 216	1 648	47 555
2022					
Balance at 1 January 2022	34 005	-	1 963	1 648	37 616
Transfer to PPE (note 8)	(1)		-		(1)
Transfer between classes	1 081	-	(1 081)	-	-
Write-off*	(169)	-	-	-	(169)
Additions	3 164	-	1 414	-	4 578
Balance at 31 December 2022	38 080	-	2 296	1 648	42 024
Accumulated amortisation					
2023					
Balance at 1 January 2023	20 828	-	-	1 387	22 215
Write-off	(481)	-	-	-	(481)
Amortisation expense	5 097	-	-	165	5 262
Balance at 31 December 2023	25 444	-	-	1 552	26 996
2022					
Balance at 1 January 2022	16 824	-	-	1 222	18 046
Write-off	(169)	-	-	-	(169)
Amortisation expense	4 173	-	-	165	4 338
Balance at 31 December 2022	20 828	-	-	1 387	22 215
Carrying amounts					
At 31 December 2023	15 248	-	5 216	96	20 560
At 31 December 2022	17 252	-	2 296	261	19 809

* The write off during the year relates to Risk manual automation (K10m), Know Your Client (K65m) software in the banking business which were acquired in 2015 and Vertical Greenery System (K471m) in the telecommunication which has been replaced by Policy and Charging Rules Function (PCRF). The 2022 write off amounting to K169m relates to FLEXCUBE 10.5 version computer software that was acquired from Indebank in 2016 under the Banking Business Segment. The system is no longer required by the Group and its licence expired. The asset was fully amortised.

In millions of Malawi Kwacha

11 Intangible assets (Continued)

Company

	Computer software 2023	Computer software 2022
Cost		
Balance at 1 January	363	362
Additions during the year	2	1
Balance at 31 December	365	363
Accumulated amortisation		
Balance at 1 January	153	139
Amortisation charge for the year	16	14
Balance at 31 December	169	153
Carrying amounts	196	210

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

11.1 *Useful lives*

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

Computer software	5 – 15 years
Patents and trademarks	10 years

12 Investment properties

	Freehold land and buildings	Leasehold land and buildings	Undeveloped freehold land	Undeveloped leasehold land	Total
Group					
Balance at 1 January 2023	8 514	5 985	528	1	15 028
Additions during the year	22	-	-	-	22
Gain on property revaluation	1 369	1 478	89	-	2 936
Balance at 31 December 2023	9 905	7 463	617	1	17 986
Balance at 1 January 2022	8 172	4 059	404	1	12 636
Additions during the year	45	709	-	-	754
Gain on property revaluation	297	1 217	124	-	1 638
Balance at 31 December 2022	8 514	5 985	528	1	15 028

In millions of Malawi Kwacha

12 Investment properties (Continued)

Company	**Freehold land and buildings 2023**	**2022**
Valuation		
Balance at 1 January	505	459
Gain on property revaluation	65	46
Balance at 31 December	570	505

A register of investment properties giving details required under the Companies Act, 2013 is maintained at the registered offices of the company and is available for inspection by members or their duly authorised agents.

12.1 Valuation techniques and Fair value hierarchy

Investment properties were professionally and independently revalued by L.A. Nkosi, Msc (RE); Bsc (UEM): BA (Hons); Cert.Prop. Val; MSIM Valuation Surveyor of Prudential Real Estate and Consultancy Services as at 31 December 2023 (also for 2022) 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 2023 are as follows:

	Fair value as at 31/12/2023	**31/12/2022**	**Fair value hierarchy**
Investment properties	17 728	15 028	Level 2

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

12.2 Operating lease arrangements

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

Although the risks associated with rights that the Group retains in underlying assets are not considered to be significant, the Group employs strategies to further minimise these risks. For example, by ensuring all contracts include clauses requiring the lessee to maintain the related property to the standard it was before handing over the property to the Group at the expiry of the lease term. The Group also collects a security deposit equivalent to one month rental which is used in circumstances where the lessee fails to maintain the property to the desired level.

Rental income recognised by the Group during the year is K821 million (2022: K755 million). Direct operating expenses which generated rental during period were K151 million (2022: K157 million).

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

	2023	**2022**
2023	-	804
2024	903	-
	903	804

In millions of Malawi Kwacha

13 Investments in subsidiaries

13.1 Details of the Group's subsidiaries

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

Name of subsidiary	Principal Activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 2023	2022
Financial Services segment				
National Bank of Malawi plc (NBM)	Financial Services	NBM Building, Blantyre	51.49	51.49
Telecommunications segment				
Malawi Telecommunications Limited (MTL) – held for sale	Information and Communication	Lunjika House, Blantyre	52.70	52.70
Telekom Networks Malawi plc (TNM)	Information and Communication	Livingstone towers, Blantyre	43.72	43.72
Energy segment				
Ethanol Company Limited	Ethanol manufacturer	Matiki industrial complex, Dwangwa	66.0	66.0
Presscane Limited	Ethanol manufacturer	Mwitha Village, Chikwawa	50.1	50.1
The all other segments				
Press Properties Limited	Property investment and development	PCL House, Blantyre	100.0	100.0
The Foods Company Limited	Manufacturer and distributor of fish products	Mithechi Village, Mangochi	100.0	100.0
Manzinzi Bay Limited	Investment property	Monkeybay, Mangochi	100.0	100.0
Malawi Pharmacies Limited	Investment property	PCL House, Blantyre	100.0	100.0

Telekom Networks Malawi plc is listed on the Malawi Stock Exchange. Although the Group has only 43.72% ownership in the company, the Directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Telekom Networks Malawi plc on the basis that the Group's right to appoint a majority of directors on the board which gives them the power to direct the affairs of the company.

13.2 Shareholders dispute at Presscane Limited

The shareholders were involved in a dispute over the capital contributions made towards the company. The supreme court pronounced its judgement on the matter on 14th December 2022. The court ruled that the shareholding in the entity be as per the signed joint venture agreement thus 50.1% belonging to Press Corporation plc and 49.9% to Cane Products Limited. This is in line with the way Presscane was accounted for in the consolidated financial statements. The judgement was disputed in 2023 but an amicable agreement was reached between the two parties involved. The shareholding belonging to the parties, thus remain in accordance to the court ruling.

In millions of Malawi Kwacha

13 Investments in subsidiaries (Continued)

13.3 Reconciliation of carrying amount

	Company 2023	Company 2022
Balance at 1 January	483 103	329 981
Capitalisation*	6 135	6 174
Increase in fair value	163 389	146 948
Balance at 31 December	652 627	483 103

*During the year, Press Corporation plc made equity injection in its subsidiaries in order to boost working capital. The Foods Company Limited was capitalised with K6.1 billion (2022: K2.7 billion) and Press Properties nil (2022: K0.2 billion). The naming has been revised to capitalisation from additions in 2022 to improve presentation.

In prior year (2022), Press Corporation plc acquired additional shares in Telekom Networks Malawi amounting to MK3.2 billion) representing shareholding of 2.41%.

13.4 Analysis of carrying amount

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

	2023		2022	
	Fair value (PCL Share)	**Dividend received**	**Fair value (PCL Share)**	**Dividend received**
National Bank of Malawi plc	505 226	18 524	370 771	13 393
Press Properties Limited	18 861	-	17 387	26
Malawi Pharmacies Ltd	-	-	-	30
The Foods Company Limited	6 294	-	5 936	-
Ethanol Company Limited	20 517	712	15 156	562
Presscane Limited	19 640	6 012	12 396	-
Telekom Networks Malawi plc	82 089	-	61 457	415
	652 627	25 248	483 103	14 426

Telekom Networks Malawi plc and National Bank of Malawi plc are listed on the Malawi Stock Exchange and are quoted at market values and were valued at stock market prices.

Unquoted investments in subsidiaries were valued by E. Chokani, a registered valuer of Bridgepath Capital on behalf of the directors for the year ended 31 December 2023 (2022 also). The valuation methods used for the unlisted investments were as follows;

Unlisted investment	**Valuation method**
Ethanol Company Limited	PE multiple
Presscane Limited	EV/EBITDA
Press Properties Limited	Adjusted NAV
The Foods Company Limited	Market Price

In millions of Malawi Kwacha

13 Investments in subsidiaries (Continued)

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

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

	NBM		TNM		Ethanol		PressCane	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Non-current assets	549 865	442 040	110 421	110 543	12 846	9 915	19 555	16 945
Current assets	722 131	631 310	56 563	43 079	6 618	3 411	5 076	10 195
Non-current liabilities	17 017	11 294	28 808	29 445	321	282	1 755	971
Current liabilities	1 047 205	888 231	94 266	76 023	2 667	1 527	7 013	4 148
Equity attributable to owners of the Company	106 983	89 502	19 197	21 053	10 874	7 601	7 947	11 033
Non-controlling interests	100 791	84 323	24 713	27 101	5 602	3 916	7 916	10 988
Revenue	229 189	154 553	121 005	99 835	18 378	14 018	24 745	11 939
Profit/(loss) for the year	71 959	46 563	(4 734)	(1 697)	5 668	2 673	5 893	1 638
Other comprehensive income	(1 379)	5 422	489	-	360	-	(13)	-
Total comprehensive income/(loss)	70 580	51 985	(4 245)	(1 697)	6 028	2 673	5 880	1 638
Non-controlling interest share	48.51%	48.51%	56.28%	56.28%	34.00%	34.00%	49.90%	49.90%
Profit/(loss) attributable to owners of the Company	37 052	23 975	(2 070)	(742)	3 741	1 764	2 952	821
Profit/(loss) attributable to non-controlling interests	34 907	22 588	(2 664)	(955)	1 927	909	2 941	817
Other comprehensive income attributable to owners of the Company	(710)	2 792	214	-	238	-	(7)	-
Other comprehensive income attributable to non-controlling interests	(669)	2 630	275	-	122	-	(6)	-
Total comprehensive income attributable to owners of the Company	36 342	26 767	(1 856)	(742)	3 978	1 764	2 946	821
Total comprehensive income attributable to non-controlling interests	34 238	25 218	(2 389)	(955)	2 050	909	2 934	817
Dividends paid to non-controlling interests	17 450	7 520	-	2 534	363	196	6 008	8
Net cash inflow from operating activities	140 586	223 294	29 920	26 753	4 596	4 814	7 825	1 745
Net cash outflow from investing activities	(56 716)	(41 101)	(14 640)	(18 216)	(2 501)	(2 314)	(6 723)	(5 457)
Net cash outflow from financing activities	(37 844)	(27 567)	(5 884)	(5 446)	(1 069)	(845)	-	-
Net cash inflow/(outflow)	46 026	154 626	9 396	3 091	1 026	1 655	1 102	(3 712)

In millions of Malawi Kwacha

14 Investments in joint ventures

14.1 Details of the Group's joint ventures

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

Name of joint venture	Principal Activity	Principal place of operation	Proportion of ownership interest and voting power held by the Group	
			2023	2022
Puma Energy Malawi Limited	Distribution of petroleum products	Standard bank building, Blantyre	50.0	50.0
Macsteel (Malawi) Limited	Manufacture and sale of steel products	Raynor Avenue, Limbe, Blantyre	50.0	50.0

Two companies, Puma Energy Malawi Limited and Macsteel (Malawi) Limited are 50% owned by Press Corporation plc and 50% owned by technical partners and they are not publicly listed. These have been equity accounted for in the Group accounts and carried at fair value in the separate financial statements of the Company. This is in compliance with IAS 28 *Investments in Associates and Joint Ventures.*

14.2 Reconciliation of carrying amount

	Group		Company	
	2023	2022	2023	2022
At the beginning of the year	15 487	16 148	16 016	18 317
Decrease in fair value recognised in other comprehensive income	-	-	5 149	(2 301)
Impairment reversal/(loss)	1 219	(1 268)	-	-
Group's share of profits	3 798	2 377	-	-
Group's share of other comprehensive income	875	(30)	-	-
Dividend received	(930)	(1 740)	-	-
At end of the year	20 449	15 487	21 165	16 016

14.3 Analysis of carrying amount

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

	Group		Company	
	2023	2022	2023	2022
Puma Energy Malawi Limited	16 898	14 446	16 898	14 975
Macsteel (Malawi) Limited	3 551	1 041	4 267	1 041
Total	20 449	15 487	21 165	16 016

Investments in joint ventures were equity accounted in the consolidated financial statements and were fair valued in the separate financial statements using EV/EBITDA and The Price Earnings (PE) Approach in respect of Puma Energy Malawi Limited and Macsteel (Malawi) Limited respectively.

Investments in joint ventures were valued by E. Chokani, a registered valuer of Bridgepath Capital on behalf of the directors for the year ended 31 December 2023. (2022 also).

In millions of Malawi Kwacha

14 Investments in joint ventures (Continued)

14.4 Summarised financial information of joint ventures

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

	Puma		Macsteel	
	2023	2022	2023	2022
Non-current assets	45 347	39 295	4 545	4 366
Current assets	41 066	25 227	16 084	9 179
Non-current liabilities	(4 197)	(6 168)	(649)	(1 054)
Current liabilities	(47 952)	(29 463)	(12 667)	(7 544)
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	14 594	14 107	(808)	(1 059)
Revenue	291 881	213 447	16 931	9 969
Profit for the year	5 624	4 486	2 311	247
Other comprehensive income for the year	875	-	-	(60)
Total comprehensive income for the year	6 499	4 486	2 311	187
Dividends received from the joint ventures during the year	1 740	1 740	-	-
The above profit for the year includes the following:				
Depreciation and amortisation	3 268	2 732	157	124
Interest income	1 837	1 008	2	3
Interest expenses	-	-	453	182
Foreign exchange loss	5 371	904	(1 594)	(1 482)
Income tax expenses	2 510	1 900	(657)	163

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	
	2023	2022	2023	2022
Net assets of the joint venture	34 263	28 891	7 313	4 947
Proportion of the Group's ownership interest in the joint venture	50%	50%	50%	50%
Impairment loss	(234)	-	-	(1 433)
Carrying amount of the Group's interest in the joint venture	16 328	14 446	3 657	1 041

In millions of Malawi Kwacha

15 Investment in associates

15.1 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 2023	2022
Limbe Leaf Tobacco Company Limited (LLTC)	Tobacco processors and merchants	Alimaunde industrial area, Lilongwe	41.99	41.99
Open Connect Limited	Wholesale data connectivity services	Old Air Malawi Complex, Blantyre	22.01	22.01
United General Insurance Company Limited	General insurance	National Bank of Malawi plc, Victoria Avenue service centre, Blantyre	47.00	47.00
LifeCo Holdings Limited	Life insurance, pension and asset management	Hannover House, Blantyre	49.50	49.50

LLTC is an associate company in which the Group has a 41.99% ownership interest. The company is principally engaged in tobacco processing and merchandising. LLTC is not publicly listed.

Open Connect Limited (OCL) nature of business is provision of wholesale data connectivity and services. The Group owns 22.01% shareholding.

The Group through its banking business holds 47% (2022: 47%) of United General Insurance Company Limited's (UGI) share capital. The company is involved in the provision of general insurance services.

LifeCo Holdings Limited is an associate company in which the group owns 49.5% shareholding. The nature of the company's business is life insurance, pension administration and asset management.

In the consolidated financial statements, the associates were equity accounted whereas in separate financial statements, they are measured at fair value.

15.2 *Reconciliation of carrying amount*

	Group 2023	Group 2022	Company 2023	Company 2022
At the beginning of the year	38 179	39 290	37 411	45 013
Share of profit/(loss)	258	(630)	-	-
Group's share of other comprehensive income	12 066	6 152	-	-
Addition	3 511	-	2 859	-
Dividend received	(1 822)	(1 727)	-	-
Impairment reversal/(loss)	400	(4 906)	-	-
Increase/(decrease) in fair value recognised in other comprehensive income	-	-	13 507	(7 602)
At end of the year	52 592	38 179	53 777	37 411

In millions of Malawi Kwacha

15 Investment in associates (Continued)

15.3 Analysis of carrying amount

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

	Group		Company	
	2023	**2022**	**2023**	**2022**
Open Connect Limited (OCL)	2 575	1 014	2 575	1 014
Limbe Leaf Tobacco Company Limited (LLTC)	47 179	35 570	47 179	35 570
United General Insurance Company Limited (UGI)	1 854	772	-	-
LifeCo Holdings Limited (LifeCo)	984	823	2 897	827
Total	52 592	38 179	52 651	37 411

Investment in associates were equity accounted in the consolidated financial statements and were fair valued using Adjusted NAV for OCL and LifeCo Holdings and EV/revenue multiples for LLTC in the separate financial statements.

Investments in associates OCL and LLTC were valued by E. Chokani, a registered valuer of Bridgepath Capital and in associate LifeCo were valued by a registered valuer, Audit Consult, on behalf of the directors for the year ended 31 December 2023.

15.4 Summarised financial information of associates

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

	LLTC		LifeCo		UGI		OCL	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Non-current assets	69 071	53 620	4 928	2 589	4 294	3 586	33 449	28 176
Current assets	109 057	81 064	6 833	10 372	10 538	9 088	3 502	4 102
Non-current liabilities	(3 455)	(3 167)	(4 005)	(2 079)	-	(21)	(16 115)	(21 864)
Current liabilities	(59 941)	(42 281)	(5 769)	(9 219)	(10 888)	(11 011)	(5 963)	(4 923)
Revenue for the year	158 978	109 390	3 268	730	8 143	-	3 029	3 561
Profit for the year	3 559	3 342	273	51	(52)	(1 360)	(4 498)	(5 148)
Other comprehensive income for the year	-	6 140	-	-	-	-	-	-
Total comprehensive income for the year	3 559	9 482	273	51	(52)	(1 360)	(4 498)	(5 148)
Dividends received from associates during the year	1 822	1 727	-	-	-	-	-	-

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

	LLTC		LifeCo		UGI		OCL	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Net assets of the associate	114 731	89 236	1 986	1 663	3 944	1 642	14 873	5 491
Group's ownership interest in the associate	41.99%	41.99%	49.50%	49.50%	47.00%	47.00%	22.01%	22.01%
Group's interest	48 175	37 470	984	823	1 854	772	3 274	1 209
Goodwill impairment	-	-	-	-	-	-	2 811	2 811
Impairment	(996)	(1 900)	-	-	-	-	(3 510)	(3 006)
Carrying amount of the Group's interest in Associate	47 179	35 570	984	823	1 854	772	2 575	1 014

In millions of Malawi Kwacha

16 Loans and advances to customers

	Group 2023	2022
Gross loans and advances to customers at amortised cost	384 826	294 099
Allowance for impairment losses	(11 743)	(7 754)
Loans and advances, net	373 083	286 345
Gross loans and advances are due to mature as follows:		
- Within three months	45 446	29 061
- Between three months and one year	72 147	66 118
- After one year	267 233	198 920
	384 826	294 099
Loans, net are split into:		
Long term loans	267 233	191 166
Short term loans	105 850	95 179
	373 083	286 345
Analysis of recoveries		
Expected credit losses	-	363
Debts previously written off	3 955	1 783
Transferred to profit or loss	3 955	2 146
Analysis of gross loans by currency		
Malawi Kwacha denominated	219 896	199 068
Tanzania shillings denominated	73 038	43 091
United States dollar denominated	91 892	51 940
	384 826	294 099

Movement of allowance for impairment losses

	Stage 1	Stage 2	Stage 3	Total
2023				
At 1 January 2023	4 157	596	3 001	7 754
Transfer to stage 1	38	(16)	(22)	-
Transfer to stage 2	(135)	137	(2)	-
Transfer to stage 3	(102)	(210)	312	-
Changes in loss allowance for off balance sheet items	(4)	(9)	(122)	(135)
New financial assets originated	798	8	195	1 001
Financial assets that have been de-recognised	(768)	(247)	(870)	(1 885)
ECL charged to income statement	1 483	80	3 763	5 326
Write-off	-	-	(318)	(318)
Closing Balance	5 467	339	5 937	11 743
2022				
At 1 January 2022	3 048	1 004	4 197	8 249
Acquired through business combination				
Transfer to stage 1	126	(41)	(85)	-
Transfer to stage 2	(110)	187	(77)	-
Transfer to stage 3	(480)	(96)	576	-
Changes in loss allowance for off balance sheet items	(96)	7	98	9
New financial assets originated	799	20	207	1 026
Financial assets that have been de-recognised	(336)	(70)	(620)	(1 026)
ECL charged to income statement	1 206	(415)	1 312	2 103
Write-off	-	-	(2 607)	(2 607)
Closing Balance	4 157	596	3 001	7 754

In millions of Malawi Kwacha

16 Loans and advances to customers (Continued)

The Malawi Kwacha average lending rate for the Bank's loans and advances as at 31 December 2023 was 33.5% (2022: 25.44%) per annum and the US Dollar denominated loans carried an average interest rate of 7.49% (2022: 7.98%) per annum and the Tanzanian shilling denominated loans were at an average interest rate of 19.07% (2022: 23.22%).

Restructured loans and modifications

During the year, loans with a total carrying amounting of K1 474m (2022: K42 074m) were restructured (modified). The recalculated gross carrying amount of a financial assets as the present value of the estimated future cash flows after restructuring was K1 519m (2022: K41 496m) resulting into a net modification loss of K45m (2022: K578m) which was recognised in the statement of comprehensive income. Out of the total restructured facilities, the carrying amount of loans restructured due to COVID-19 was nil (2022: K33 970m) and their recalculate gross carrying amount was nil (2022: K33 670m) resulting in a net modification loss amounting to nil (2022: net gain of K300m) which has been recognised in the statement of comprehensive income. In accordance with the Reserve Bank of Malawi's measures to mitigate the impact of COVID-19, restructured facilities due to COVID-19 were maintained in the stages they were before restructure.

The Group has also recognised a net gain of K57m (2022: net loss K452m) relating to loans that were modified in 2018, 2019, 2020, 2021 and 2022. The net loss recognised in the statement of income for the year ended 31 December 2023 following these modifications is therefore K102m (2022: K126m).

17 Finance lease receivables

	Group	
	2023	**2022**
Current finance lease receivable	1 754	2 153
Non-current finance lease receivable	23 604	17 102
	25 358	19 255

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 2023 was 28.72% (2022: 23.1%). All leases are denominated in Malawi kwacha.

17.1 Amounts receivable under finance leases

	Minimum lease payments	
	2023	**2022**
Not later than one year	2 223	2 170
Later than one year and not later than five years	35 604	25 249
	37 827	27 419
Less; unearned finance income	(11 550)	(7 409)
Present value of minimum lease payments receivable	26 277	20 010
Allowance for uncollectible lease payments	(919)	(755)
	25 358	19 255

In millions of Malawi Kwacha

17 Finance lease receivables (Continued)

The net investment in finance leases matures as follows:

	Group 2023	Group 2022
Within three months	240	389
Between three months and one year	1 331	1 764
After one year and not later than five years	23 787	17 102
	25 358	19 255

17.2 Movement in allowance for uncollectible lease payments

	Group 2023	Group 2022
At the beginning of the year	755	427
Net remeasurement of loss allowance	164	328
	919	755

18 Long term receivables

	Group 2023	Group 2022	Company 2023	Company 2022
Open Connect Limited (OCL)	-	3 059	-	3 059
Mibawa Limited	26	44	-	-
	26	3 103	-	3 059
Movement during the year was as follows:				
Balance at 1 January	3 103	1 989	3 059	1 926
Interest capitalised	208	616	207	616
Effects of movements in foreign exchange	60	517	60	517
Capitalisation to equity	(2 859)	-	(2 859)	
Loans repaid	(486)	(19)	(467)	-
Balance at 31 December	26	3 103	-	3 059

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 was denominated in US dollars, unsecured and attracted interest of 9% pa. In 2023, the Shareholders loan was capitalised and reclassified from loan note receivable to investment in associate.

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

In millions of Malawi Kwacha

19 Investment in government securities and equity

19.1 Maturity of other investments

Total other investments are due to mature as follows:

	Group 2023	Group 2022	Company 2023	Company 2022
Non-current investments				
Non – maturing investments	9 272	3 774	7 497	3 612
Between one year and five years	181 399	161 875	-	-
	190 671	165 649	7 497	3 612
Current investments				
Between three months and one year	246 786	195 456	-	-
Within three months	117 823	169 277	-	-
Total other investments	555 280	530 382	7 497	3 612
Comprises of the following:				
Government of Malawi Treasury Bills and Notes	399 047	327 889	-	-
Investment in corporate bonds	1 970	3 523	-	-
Government securities – Akiba	17 631	18 051	-	-
Other investments	234	183	-	-
Equity investments	18 575	11 459	7 497	3 612
Total investments in government securities and equity	437 457	361 105	7 497	3 612
Classified as cash and equivalent money market deposits	117 823	169 277	-	-
Total investments	555 280	530 382	7 497	3 612

19.2 Government of Malawi bills, Reserve Bank of Malawi bonds and Government securities-Akiba

	Average interest rate 2023	Average interest rate 2022	Group 2023	Group 2022
Government of Malawi Treasury Bills	17.85%	14.51%	130 681	120 103
Government of Malawi Treasury Notes	22.50%	18.15%	268 400	207 817
Government securities – bonds	11.62%	11.62%	17 631	18 051
Expected credit loss			(34)	(31)
			416 678	345 940
The bills and notes are due to mature as follows:				
- Within three months			96 171	74 433
- Between three months and one year			105 846	114 130
- Over one year			214 661	157 377
			416 678	345 940

Government of Malawi treasury bills and treasury notes are denominated in Malawi Kwacha. Government bonds are in Tanzanian Shilling. All the securities are held to maturity. The Group assessed the Government securities for impairment. No impairment has been recognised in the financial statements.

19.3 Money market deposits

	Average interest rate 2023	Average interest rate 2022	Group 2023	Group 2022
Money market investments with Reserve Bank of Malawi and other banks	19.00%	13.00%	117 827	172 800
Expected credit loss			(4)	-
			117 823	172 800

Money market investments with Reserve Bank of Malawi, Bank of Tanzania and other banks are held to maturity and have a maturity of one month (2022: one month).

In millions of Malawi Kwacha

19 Investment in government securities and equity (Continued)

19.4 Equity investments

	Group 2023	Group 2022	Company 2023	Company 2022
Held for capital appreciation				
Sunbird Tourism plc	7 497	3 612	7 497	3 612
National switch Limited	334	162	-	-
Investment in KAMA Cooperative	941	793	-	-
	8 772	4 567	7 497	3 612
Held for trading				
Illovo Sugar (Malawi) plc	1 276	1 953	-	-
NICO Holdings plc	2 548	1 023	-	-
Malawi Property Investment Company plc	362	704	-	-
National Investment Trust plc	1 640	833	-	-
NBS Bank Plc	1 149	510	-	-
Standard Bank of Malawi plc	395	204	-	-
FDH Bank of Malawi plc	350	87	-	-
Sunbird Tourism plc	1 077	519	-	-
Telekom Networks plc	420	454	-	-
FMB Capital Holdings plc	199	70	-	-
Airtel Malawi plc	387	535	-	-
	9 803	6 892	-	-
Total equity investments	18 575	11 459	7 497	3 612

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.

20 Deferred tax assets/(liabilities)

	Assets 2023	Assets 2022	Liabilities 2023	Liabilities 2022	Net 2023	Net 2022
Group						
Property, plant and equipment	6 528	9 648	(9 298)	(4 354)	(2 770)	5 294
Investment properties	-	412	(1 762)	(1 731)	(1 762)	(1 235)
Provisions	-	2 900	765	51	765	2 951
Un-realised exchange differences	2	2	(146)	(36)	(144)	(34)
Tax value of loss carried forward	2 838	2 208	(188)	(2)	2 650	2 122
Tax assets/(liabilities)	9 368	15 170	(10 629)	(6 072)	(1 261)	9 098

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

20.1 Movement in net deferred tax asset/(liabilities)

	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
Group				
2023				
Property, plant and equipment	5 294	6 013	(14 077)	(2 770)
Investment properties	(1 235)	(527)	-	(1 762)
Provisions	2 951	(2 186)	-	765
Un-realised exchange differences	(34)	(110)	-	(144)
Tax value or loss carried forward	2 122	528	-	2 650
Total net asset/(liabilities)	9 098	3 718	(14 077)	(1 261)
Company				
2023				
Tax value or loss carried forward	-	634	-	634
Total net asset/(liabilities)	-	634	-	634

In millions of Malawi Kwacha

20.2 ***Deferred tax assets/(liabilities)*** (Continued)

	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Reclassified	Acquired on business combination	Closing balance
Group						
2022						
Property, plant and equipment	3 458	(511)	2 030	317	-	5 294
Investment properties	(1 312)	77	-	-	-	(1 235)
Provisions	1 577	1 374	-	-	-	2 951
Un-realised exchange differences	(58)	22	2	-	-	(34)
Tax value or loss carried forward	3 807	(1 685)	-	-	-	2 122
Total net asset/(liabilities)	7 472	(723)	2 032	317	-	9 098

20.3 *Unrecognised deferred tax assets*

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the concerned company can utilise the benefits there from.

	Group 2023	Group 2022	Company 2023	Company 2022
Tax losses	66 561	73 894	53 797	59 817
Deductible temporary differences;				
Provisions	146	44	15	15
Investment in subsidiaries and associates	-	-	117 195	46 344
Property, plant and equipment	4 036	(151)	2 128	(488)
Unrealised exchange losses	36	9	-	-
	70 779	73 796	173 135	105 688
Un-recognised deferred tax asset @30%	21 234	22 139	51 941	31 706

Tax losses shown above expire after 6 years according to the tax laws in Malawi aged as below:

Tax year				
2022/23	3 535	-	-	-
2021/22	23 667	23 667	21 252	21 252
2020/21	19 267	19 267	17 265	17 265
2019/20	7 057	7 057	5 549	5 549
2018/19	7 332	7 332	5 723	5 723
2017/18	5 702	5 702	4 007	4 007
2015/16	-	10 868	-	6 020
Total	66 560	73 893	53 796	66 560

These deferred tax assets relate to Press Corporation plc (the Company), Press Properties Limited, and The Foods Company Limited. In 2023, a new tax law in relation to dividend expenses was gazetted which upon a thorough assessment, the company estimates to have future taxable profits from which tax losses may be off-set. Hence, deferred tax asset of MK634 (2022: nil) has been recognised in the current year.

21. Inventories

	Group 2023	Group 2022	Company 2023	Company 2022
Finished goods	2 753	2 169	-	-
Raw materials and consumables	1 501	3 258	10	7
Work in progress	6	69	-	-
Goods in transit	38	1	-	-
	4 298	5 497	10	7

In 2023, inventories of K19 billion (2022: K20 billion) were recognised as an expense during the year and included in 'direct trading expenses'. During the year, inventories of K0.03 billion (2022: K0.06 billion) were written off in profit and loss due to stock shrinkages, damages and expiry.

In millions of Malawi Kwacha

22. Trade and other receivables from Group companies

	Company 2023	2022
Amounts due from related party companies		
Press Properties Limited	358	221
Malawi Telecommunications Limited	329	305
Telecom Networks Malawi plc	7	67
Presscane Limited	2 031	22
National Bank of Malawi	4	-
The Foods Company Limited	1 074	842
Other	1	-
	3 804	1 457
Loss allowance	(395)	(256)
Trade and other receivables	3 409	1 201

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

23. Trade and other receivables

	Group 2023	2022	Company 2023	2022
Trade receivables	15 919	12 539	19	5
Prepayments	6 731	5 956	-	-
Letters of credit	914	1 332	-	-
Employee benefit subsidy	2 179	1 517	-	-
Investment for employees	512	1 010	-	-
Malawi government settlements	15 492	195	-	-
Dividend receivable	-	930	-	-
Forex control	1 231	-	-	-
Office account**	1 180	4 179	-	-
Other receivables*	12 242	9 516	1 394	1 373
	56 400	37 174	1 413	1 378
Loss allowance	(2 694)	(2 679)	-	-
Trade and other receivables	53 706	34 495	1 413	1 378

*Other receivables consist of several individually insignificant balances in respect of banking business suspense accounts, staff receivables and non-trade receivables among others. Significant balances include; Commission receivable on government salaries K104m (2022: K45m), Local Banks Suspense K333m (2022: K123m), and Loan Account for Staff K751m (2022: K919m).

**Office account relates customers salaries pool and cash transfer in the banking sector that had not been cleared as at the cut-off date.

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

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

Employee benefit subsidy
A day one gain/loss is recognised on below market rate loans provided to employees and is expensed as an employee benefit expense over the term of the loan as 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 5.4 and 5.6.

In millions of Malawi Kwacha

24. Assets and liabilities classified as held for sale

In 2021 the Group decided to dispose of its stake in one of its subsidiaries namely called Malawi Telecommunications Limited (MTL).

MTL disposal process is still in progress. MTL disposal was negatively impacted by delayed transaction approval by the telecommunications regulatory body. PCL remains committed to its plan to dispose of MTL. Management has identified a buyer and discussions to acquire the business are at an advanced stage. Management is of the view that that based on the status of the transactions and other commitments by the buyer, the sale is more likely to occur within the twelve months period. Upon completion of the transaction, the Groups share in MTL is expected to be disposed in whole and all related assets and liabilities of the disposal group transferred to the buyer. Accordingly, the assets and liabilities of MTL has been classified as held for sale in the consolidated statement of financial position. The proceeds of disposal are expected to exceed the carrying amount of the related acquired net assets and accordingly no impairment losses have been recognised on the classification of this operation as held for sale. At company level, the investment was carried at fair value and no impairment was recognised.

MTL is a subsidiary of the Group with 52.7% shareholding. The principal activity of the company is the provision of a wide range of Information and Communications Technology (ICT) based products and services. Following a strategic review, the Group decided to exit the company so that it can concentrate on other investment operating in the same telecommunication sector. The disposal is expected to be completed in the year 2024.

The summary of assets held for sale is as follows:

	Group		Company	
	2023	2022	2023	2022
Land and buildings	5	4	-	-
Assets relating to disposal group-(MTL)*	21 517	18 475	8 941	9 548
	21 522	18 479	8 941	9 548

*Assets relating to disposal group relate to assets classified as held for sale under MTL as a subsidiary. The related liabilities associated with the assets classified as held for sale are disclosed under note 25.1 on the next page.

Reconciliation of carrying amount of assets held for sale

	Group		Company	
	2023	2022	2023	2022
At the beginning of the period	18 479	24 010	9 548	7 564
Disposed during the period	-	(163)	-	-
Assets relating to a disposed of subsidiary*	-	(4 588)	-	-
Increase/(decrease) on assets held for sale	3,043	(780)	-	-
Surplus on revaluation	-	-	(607)	-
Exchange difference on revaluation	-	-	-	1 984
	21 522	18 479	8 941	9 548

*Assets relating to a disposal of a subsidiary relate to PTC which was disposed in 2022. The net increase in assets held for sale relating to this disposable group amounted to K675m resulting in a total assets relating to a disposal group disposed of K4,588m.

In millions of Malawi Kwacha

24. Assets and liabilities classified as held for sale (Continued)

24.1 Classes of assets and liabilities of operations classified as held for sale

The major classes of assets and liabilities comprising the operations classified as held for sale and reported in the disposal group disclosed under note 25 above are as follows:

	2023 MTL	2022 MTL
Property, plant and equipment and right of use	16 617	15 825
Intangibles	277	3
Non-maturing investments - long term	535	328
Inventories	363	385
Trade and other receivables	3 710	1 924
Bank and cash	14	10
Tax receivable (note 26)	1	-
Total assets classified as held for sale	21 517	18 475
Borrowings	3 589	3 376
Lease liability	2 147	199
Trade and other payables	16 245	11 317
Provisions	343	219
Bank overdraft	441	707
Total liabilities associated with assets classified as held for sale	22 765	15 818
Net (liabilities)/assets of disposal group	(1 248)	2 657

25. Income tax recoverable

	Group		Company	
	2023	2022	2023	2022
Opening balance	3 134	4 730	794	680
Tax received/(paid)	636	(499)	136	114
Tax transfer to tax payable	(264)	(1 097)	-	-
Total income tax recoverable	3 506	3 134	930	794

In millions of Malawi Kwacha

26. Cash and cash equivalents

	Group 2023	Group 2022 Restated*	Company 2023	Company 2022
Balances held at Central Banks	24 640	27 606	-	-
Bank balances	26 266	18 927	124	74
Placement with other banks	136 197	83 515	-	-
Call deposits	3 851	5 848	12 258	7 207
Cash on hand	52 682	36 889	-	-
Cash and cash equivalents	243 636	172 785	12 382	7 281
Other money market deposits	117 823	169 277	-	-
	361 459	342 062		-
Bank overdrafts without financing component*	(5 387)	(7 483)	(8 020)	(7 979)
Cash and cash equivalents as shown in the statement of cash flows	356 072	334 579	4 362	(698)
Bank overdraft				
Bank overdrafts without financing component*	(5 387)	(7 483)	(8 020)	(7 979)
Bank overdrafts with financing component*	(6,329)	(6,631)	-	-
Total bank overdrafts as shown in statement of financial position	(11,716)	(14,114)	(8 020)	(7 979)

*Balances of bank overdrafts of K6.3 billion (2022: K6.3 billion) which have been concluded as part of financing to the group other than being part of cash management have been excluded from the group's cash and cash equivalents. Refer to note 49 for details of restatement.

Balances held at central banks which are denominated in Malawi Kwacha, United States Dollars and Tanzanian shilling are non-interest bearing and are regulated as disclosed in Note 5.

Placements with other banks are held to maturity and with a maturity of one month (2022: one month) after the year end and are denominated in the following currencies:

	Average interest rates 2023	Average interest rates 2022	Group 2023	Group 2022
US Dollars	5.01%	0.50%	107 574	67 865
GBP	1.75%	1.75%	9 927	4 803
Euro	3.80%	0.50%	16 766	9 332
ZAR	8.10%	4.00%	1 929	1 500
Other currencies	-	-	1	15
Totals			136 197	83 515

Overdraft facilities

Some Group bank overdrafts form an integral part of the Group's cash management and are repayable on demand. Other bank overdrafts are considered as short-term borrowings and are classified as bank overdrafts with a financing component as shown under split on note 27 above. As at 31 December 2023, the available overdraft facilities were as follows;

	Group 2023	Group 2022	Company 2023	Company 2022
First Capital Bank plc	3 000	4 500	-	1 500
Eco bank Malawi Limited	3 000	3 000	3 000	3 000
CDH Investment Bank Limited	200	200	-	-
Standard Bank plc	4 500	4 500	-	-
National Bank of Malawi plc	-	-	3 400	1 400
NBS Bank plc	3 400	3 400	3 400	3 400
	14 100	15 600	9 800	9 300

The overdraft facilities of the Group are secured as follows;

(i) K0.2 billion (2022: K0.2 billion) is secured by Press Corporation plc guarantee;
(ii) K3 billion by a debenture charge (2022: K3 billion) over Group's assets and;
(iii) K10.9 billion (2022: K12.4 billion) is unsecured.

The Company's Bank overdraft facilities are due for renewal on 30 November 2023 and are unsecured except for National Bank of Malawi plc facility which is secured by Cash held in in FCDA Investment account.

In millions of Malawi Kwacha

27. Share capital

	Group and Company 2023	2022
Authorised ordinary share capital		
- Number (millions)	2 500	2 500
- Nominal value per share (K)	0.01	0.01
- Nominal value (K million)	25	25
Issued and fully paid		
- Number (millions)	1	1
- Nominal value (K million)	1	1

The Group has one class of ordinary shares which carry no right to fixed income.

28. Other reserves – excluding non-controlling interests

Group	Revaluation reserve	Translation reserve	Regulatory Reserve	Other	Total
2023					
Balance at beginning of the year	33 652	26 275	-	3 745	63 672
Revaluation of property	4 383				4 383
Revaluation of financial asset measured at FCTOCI	3 960	-	-	-	3 960
Release of revaluation surplus on disposal of revalued property	761	-	-	-	761
Excess depreciation eliminated on revaluation and loan loss reserve	718	-	-	-	718
Depreciation Transfer land and buildings	(173)	-	-	-	(173)
Transfer – regulatory reserves		-	-	-	-
Share of other comprehensive income of equity accounted investment	897	12 044	-	-	12 941
Translation differences	-	888	-	-	888
Income tax on other comprehensive income	(7 265)	-	-	-	(7 265)
Balance at 31 December 2023	36 933	39 207	-	3 745	79 885
2022					
Balance at beginning of the year	40 805	21 195	215	3 745	65 960
Revaluation of property	2 722	-	-	-	2 722
Revaluation of financial asset measured at FCTOCI	80	-	-	-	80
Release of revaluation surplus on disposal of revalued property	16	-	-	-	16
Released on disposal of financial asset measured at FCTOCI	(12 946)	-	-	-	(12 946)
Depreciation Transfer land and buildings	(157)	-	-	-	(157)
Transfer – regulatory reserves	-	-	(215)	-	(215)
Share of other comprehensive income of equity accounted investment	2 086	4 036	-	-	6 122
Translation differences	-	1 044	-	-	1 044
Income tax on other comprehensive income	1 046	-	-	-	1 046
Balance at 31 December 2022	33 652	26 275	-	3 745	63 672

In millions of Malawi Kwacha

28 Other reserves – excluding non-controlling interests (Continued)

Company

	Revaluation reserve	Translation Reserve	Total
2023			
Balance at beginning of the year	503 807	111	503 918
Fair value gain on investments	184 198	-	184 198
Revaluation of property	187	-	187
Balance at 31 December 2023	688 192	111	688 303
2022			
Balance at beginning of the year	364 601	111	364 712
Fair value gain on investments	139 109	-	139 109
Revaluation of property	97	-	97
Balance at 31 December 2022	503 807	111	503 918

Revaluation reserve

For Group, the revaluation reserve arises on revaluation of property whereas for Company only, the revaluation reserve relates to revaluation of property and investments in subsidiaries, associates and joint ventures and comprises the cumulative increase in the fair value at the date of valuation. These reserves are not distributable to shareholders until the relevant revalued assets have been disposed of or, in the instance of revalued property, when consumed through use.

Translation reserves

Exchange differences relating to translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit and loss on disposal of the foreign operation.

Regulatory reserve

Regulatory reserve represents the surplus of Expected Credit Losses (ECL) computed in accordance with Bank of Tanzania regulations over ECL for loans and advances computed in accordance with IFRS Accounting standards.

Other reserves

The other reserves for the Group comprise capital redemption reserve.

In millions of Malawi Kwacha

29 Loans and borrowings

29.1 Loans and borrowings summary

Group	Secured	Unsecured	Total
2023			
More than 5 years	-	-	-
Due between 1 and 5 years	24 906	16 799	41 705
Due within 1 year or less	3 479	18 216	21 695
	28 385	35 015	63 400
2022			
More than 5 years	58	-	58
Due between 1 and 5 years	29 656	15 217	44 873
	29 714	15 217	44 931
Due within 1 year or less	8 708	18 459	27 167
	38 422	33 676	72 098
Company			
2023			
Due between 1 and 5 years	5 245	-	5 245
Due within 1 year or less	5 094	-	5 094
	10 339	-	10 339
2022			
Due between 1 and 5 years	10 111	-	10 111
Due within 1 year or less	4 633	-	4 633
	14 744	-	14 744

In millions of Malawi Kwacha

29 Loans and borrowings

29.2 Movement in borrowings

Group	At 01/01/23	Draw-downs	Repayments	Exchange fluctuations	Interest charged	Interest paid	At 31/12/23
Local borrowings							
Commercial Debt-Old Mutual	17 000	-	(2 500)	-	-	-	14 500
Commercial Debt-Nico Asset Managers	-	-	-	-	-	-	-
Malawi Government	210	-	-	-	-	-	210
Reserve Bank of Malawi Debt	3 002	5 004	(357)	-	211	-	7 860
PTC takeover debt -Corporate bond	5 156	-	(1 875)	-	1 260	(1 260)	3 281
PTC takeover debt - FCB Loan	2 800	-	(800)	-	626	(626)	2 000
PTC takeover debt - CDH Loan	328	-	(328)	-	21	(21)	-
Press Corp Corporate Bond	3 260	-	(1 630)	-	798	(798)	1 630
NBS Loan	3 200	-	-	-	835	(607)	3 428
Standard Bank revolving credit facility	22 568	15 659	(14 993)	-	-	-	23 234
Syndicated loan - NBM Capital Markets Ltd	4 516	-	(3 366)	-	907	(907)	1 150
EDF loan	2 162	19	(445)	-	535	(541)	1 730
Total local borrowings	64 202	20 682	(26 294)	-	5 193	(4 760)	59 023
Foreign borrowings							
European Investment Bank	7 896	7 930	(11 664)	195	20	-	4 377
Total foreign borrowings	7 896	7 930	(11 664)	195	20	-	4 377
Total borrowings	72 098	28 612	(37 958)	195	5 213	(4 760)	63 400
Company							
PTC takeover debt - Corporate Bond	5 156	-	(1 875)	-	1 260	(1 260)	3 281
PTC takeover debt - FCB Loan	2 800	-	(800)	-	626	(626)	2 000
PTC takeover debt - CDH Loan	328	-	(328)	-	21	(21)	-
Press Corp Corporate Bond	3 260	-	(1 630)	-	798	(798)	1 630
NBS Loan	3 200	-	-	-	835	(607)	3 428
	14 744	-	(4 633)	-	3 540	(3 312)	10 339

In millions of Malawi Kwacha

29 **Loans and borrowings** (Continued)

29.2 Movement in borrowings (Continued)

Group	At 01/01/22	Draw-downs	Repayments	Exchange fluctuations	Transferred from held for sale	Interest charged	Interest paid	At 31/12/22
Local borrowings								
Commercial Debt-Old Mutual	17 676	-	(676)	-	-	3 006	(3 006)	17 000
Commercial Debt-Nico Asset Managers	5 186	-	(5 186)	-	-	364	(364)	-
Malawi Government	210	-	-	-	-	-	-	210
Reserve Bank of Malawi Debt	-	3 000	(47)	-	-	49	-	3 002
PTC takeover debt -Corporate bond	-	-	(1 875)	-	7 031	1 181	(1 181)	5 156
PTC takeover debt - FCB Loan	-	-	(400)	-	3 200	892	(892)	2 800
PTC takeover debt - CDH Loan	-	-	(328)	-	656	614	(614)	328
Press Corp Corporate Bond	4 890	-	(1 630)	-	-	76	(76)	3 260
NBS Loan	-	3 200	-		-	95	(95)	3 200
Standard Bank revolving credit facility	14 841	18 892	(11 165)	-	-	3 650	(3 650)	22 568
Syndicated loan - NBM Capital Markets Ltd	4 886	-	(370)	-	-	805	(805)	4 516
EDF loan	2 079	28	(160)	-	-	413	(198)	2 162
Total local borrowings	49 768	25 120	(21 837)	-	10 887	11 145	(10 881)	64 202
Foreign borrowings								
European Investment Bank	10 387	-	(3 721)	1 230	-	355	(355)	7 896
Total foreign borrowings	10 387	-	(3 721)	1 230	-	355	(355)	7 896
Total borrowings	60 155	25 120	(25 558)	1 230	10 887	11 500	(11 236)	72 098
Company								
PTC takeover debt - Corporate Bond	-	-	(1 875)	-	7 031	1 181	(1 181)	5 156
PTC takeover debt - FCB Loan	-	-	(400)	-	3 200	614	(614)	2 800
PTC takeover debt - CDH Loan	-	-	(328)	-	656	76	(76)	328
Press Corp Corporate Bond	4 890	-	(1 630)	-	-	95	(95)	3 260
NBS Loan	-	3 200	-	-	-	892	(892)	3 200
	4 890	3 200	(4 233)	-	10 887	2 858	(2 858)	14 744

In millions of Malawi Kwacha

29 Loans and borrowings (Continued)

29.3 Terms and debt repayment schedules

Lender's name	Currency	Interest rate	Repayment terms	Security	Agreed date redemption commences	Agreed date redemption finishes	Due in 1 year	Due within 2 -5 year	Over 5 years
Group – 2023									
Commercial Debt-Old Mutual	Malawi Kwacha	364 TB rate + 1.75%	5 Years - Optional bullet payments of MK1billion tranches after 3rd year	Debenture on TNM Assets	2020	2025	-	14,500	-
Malawi Government	Malawi Kwacha	0%	To be mutually agreed	Unsecured	2023	2024	210	-	-
Reserve Bank of Malawi Debt	Malawi Kwacha	3%	Quarterly	Unsecured	2024	2033	2 064	3 428	2 369
European Investment Bank	United States dollars	3.4%	Semi-annually	Unsecured	2016	2024	4 377	-	-
PTC takeover -Corporate bond	Malawi Kwacha	91 TB rate +5%	Quarterly	TNM Shares	2021	2025	1 875	1 406	-
PTC takeover - FCB Loan	Malawi Kwacha	Reference rate +4.6%	Semi-annually	TNM Shares	2021	2026	800	1 200	-
Press Corp Corporate Bond	Malawi Kwacha	364 TB rate +3%	Annually	TNM Shares	2021	2024	1 630	-	-
NBS Loan	Malawi Kwacha	Reference rate +4.8%	Quarterly	TNM Shares	2024	2027	789	2 639	-
Standard Bank revolving credit facility	Malawi Kwacha	Reference rate +1.%	To be mutually agreed	Unsecured	2022	2027	9 038	14 196	-
Commercial bond	Malawi Kwacha	91 TB rate +5%	Quarterly	TNM Shares	2022	2028	367	783	-
EDF loan	Malawi Kwacha	RBM rate +3.5%	Monthly	NBM shares	2022	2028	546	1 185	-
Total							21 695	39 337	2 369
Company – 2023									
PTC takeover -Corporate bond	Malawi Kwacha	91 TB rate +5%	Quarterly	TNM Shares	2021	2025	1 875	1 406	-
PTC takeover - FCB Loan	Malawi Kwacha	Reference rate +4.6%	Semi-annually	TNM Shares	2021	2026	800	1 200	-
NBS Loan	Malawi Kwacha	Reference rate +4.8%	Quarterly	TNM Shares	2024	2027	789	2 639	-
Press Corp Corporate Bond	Malawi Kwacha	364 TB rate +3%	Annually	TNM Shares	2021	2024	1 630	-	-
							5 094	5 245	-

In millions of Malawi Kwacha

29 Loans and borrowings (Continued)

29.3 Terms and debt repayment schedules (Continued)

Lender's name	Currency	Interest rate	Repayment terms	Security	Agreed date redemption commences	Agreed date redemption finishes	Due in 1 year	Due within 2 -5 year	Over 5 years
Group – 2022									
Commercial Debt-Old Mutual	Malawi Kwacha	364 TB rate + 1.75%	5 Years - Optional bullet payments of MK1billion tranches after 3rd year	Debenture on TNM Assets	2020	2025	-	17,000	-
Malawi Government	Malawi Kwacha	0%	To be mutually agreed	Unsecured	2022	2022	210	-	-
Reserve Bank of Malawi Debt	Malawi Kwacha	3%	Quarterly	Unsecured	2024	2026	-	3 002	-
European Investment Bank	United States dollars	3.4%	Semi-annually	Unsecured	2016	2024	5 118	2 778	-
PTC takeover -Corporate bond	Malawi Kwacha	91 TB rate +5%	Quarterly	TNM Shares	2021	2025	1 875	3 281	-
PTC takeover - FCB Loan	Malawi Kwacha	Reference rate +4.6%	Semi-annually	TNM Shares	2021	2026	800	2 000	-
PTC takeover - CDH Loan	Malawi Kwacha	17.5%	Monthly	PCL guarantee	2020	2023	328	-	-
Press Corp Corporate Bond	Malawi Kwacha	364 TB rate +3%	Annually	TNM Shares	2021	2024	1 630	1 630	-
NBS Loan	Malawi Kwacha	Reference rate +4.8%	Quarterly	TNM Shares	2024	2027	-	3 200	-
Standard Bank revolving credit facility	Malawi Kwacha	Reference rate +1.%	To be mutually agreed	Unsecured	2022	2027	13 131	9 437	-
Commercial bond	Malawi Kwacha	91 TB rate +5%	Quarterly	TNM Shares	2022	2028	3 642	816	58
EDF loan	Malawi Kwacha	RBM rate +3.5%	Monthly	NBM shares	2022	2028	433	1 729	-
Total							27 167	44 873	58
Company – 2022									
PTC takeover -Corporate bond	Malawi Kwacha	91 TB rate +5%	Quarterly	TNM Shares	2021	2025	1 875	3 281	-
PTC takeover - FCB Loan	Malawi Kwacha	Reference rate +4.6%	Semi-annually	TNM Shares	2021	2026	800	2 000	-
PTC takeover - CDH Loan	Malawi Kwacha	17.5%	Monthly	PCL guarantee	2020	2023	328	-	-
NBS Loan	Malawi Kwacha	Reference rate +4.8%	Quarterly	TNM Shares	2024	2027	-	3 200	-
Press Corp Corporate Bond	Malawi Kwacha	364 TB rate +3%	Annually	TNM Shares	2021	2024	1 630	1 630	-
							4 633	10 111	-

In millions of Malawi Kwacha

30 Provisions

	Group bonus	Other	Total
Group			
2023			
Balance at the beginning of the year	6 449	1 912	8 361
Provision made during the year	6 013	39	6 052
Provision used during the year	(6 021)	(1 688)	(7 709)
Balance at the end of the year	6 441	263	6 704
2022			
Balance at the beginning of the year	6 940	452	7 392
Provision made during the year	5 342	1 460	6 802
Provision used during the year	(5 833)	-	(5 833)
Balance at the end of the year	6 449	1 912	8 361

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 include legal claims provision, employees related accrued benefits and Levy provision. 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. 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.

In millions of Malawi Kwacha

31 Income tax payable

	Group		Company	
	2023	**2022**	**2023**	**2022**
Opening balance	8 962	7 114	95	62
Current charge - continuing operations	57 210	27 283	2 814	1 791
Current charge - attributable to discontinued operations	-	7	-	-
Tax refunded	(264)	(486)	-	-
Cash paid	(43 744)	(24 956)	(2 612)	(1 758)
Total income tax payables	22 164	8 962	297	95

32 Trade and other payables

	Group		Company	
	2023	**2022**	**2023**	**2022**
Trade payables	63 399	40 382	95	52
Liabilities to other banks	13 982	35 640	-	-
Taxes and levies	8 838	5 977	161	54
Accruals	5 276	7 007	805	838
Staff payables	2 920	463	-	-
MasterCard and Visa accounts	920	2 003	25	-
Other payables*	18 611	4 821	175	72
Trade and other payables	113 963	96 293	1 261	1 016
Contract liabilities – non current (note 36.2)	902	742	-	-
Contract liabilities – current (note 36.2)	6 192	6 494	-	-

*Other payables consist of Natswitch settlements (K1,521m), Aforbes Bancassurance settlements (K602m), Office accounts (K8,185m), and Puma smartcards (K3,098m) and several individually insignificant accounts. Office account relates banking sectors suspense accounts where customers made payments, but the transaction had not yet been cleared through the bank as at the cut-off date.

The average credit period on purchases of certain goods is 30 days. No interest is charged on the trade payables that are overdue. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. Accruals are in respect of various expenses incurred but whose invoices had not yet been received.

33 Trade and other payables to Group companies

	Company	
	2023	**2022**
Press Properties Limited	44	27
Malawi Telecommunications Limited	9	7
	53	34

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

In millions of Malawi Kwacha

34 Customer deposits

	Average interest rates		Group	
	2023	**2022**	**2023**	**2022**
Analysed by account type:				
Current accounts	0.00%	0.00%	262 531	258 776
Deposit accounts	7.50%	7.5%	162 762	112 462
Savings accounts	7.10%	7.10%	198 639	148 324
Foreign currency accounts*	0.50%	0.50%	198 935	89 809
Client funds	19.00%	14.00%	126 223	186 189
			949 090	795 560
***Analysed by interest risk type*:**				
Interest bearing deposits			686 559	541 519
Non-interest bearing deposits			262 531	254 041
			949 090	795 560
Total liabilities to customers are payable as follows:				
Within three months			921 994	779 944
Between three months and one year			27 096	15 616
			949 090	795 560
Analysis of deposits by sector				
Personal accounts			365 199	194 860
Manufacturing			57 466	52 352
Agriculture			22 798	148 874
Wholesale and retail			156 565	91 197
Finance and insurance			89 685	22 912
Construction			24 898	15 895
Electricity, gas, water and energy			21 207	34 573
Transport, storage and communications			32 345	31 653
Restaurants and hotel			7 525	4 515
Mining and qualifying			32 261	18 784
Real Estate			6 084	4 293
Client funds			126 223	172 187
Others			6 834	3 465
			949 090	795 560

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

*The foreign currency denominated account balances as at 31 December were as follows:-

US Dollar denominated	172 015	74 958
GBP denominated	9 477	4 409
Euro denominated	16 593	9 338
ZAR denominated	850	1 104
	198 935	89 809

In millions of Malawi Kwacha

35 Revenue

35.1 Disaggregated revenue information

Revenue from contracts with customers is disaggregated by major products and service lines. Set out below is the disaggregation of the Group's revenue from contracts with customers and a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 7)

Segments	Financial services	Telecommunications	Energy	All other segments	Total
Group					
2023					
Sale of goods	-	2 511	43 123	496	46 130
Telecommunication Services	-	100 905	-	-	100 905
Fees and commission	45 554	18 654	-	-	64 208
Rental income	-	-	-	821	821
Gain foreign exchange deals	25 533	-	-	-	25 533
Revenue	71 087	122 070	43 123	1 317	237 597
Interest revenue	156 821	-	-	-	156 821
	227 908	122 070	43 123	1 317	394 418
2022					
Sale of goods	-	2 339	25 957	2 121	30 417
Telecommunication Services	-	89 279	-	-	89 279
Interest revenue	110 974	-	-	-	110 974
Fees and commission	29 766	14 609	-	-	44 375
Rental income	-	-	-	755	755
Gain foreign exchange deals	12 804	-	-	-	12 804
	153 544	106 227	25 957	2 876	288 604
Company					
2023					
Management fees	-	-	-	557	557
Dividend income	-	-	-	28 136	28 136
	-	-	-	28 693	28 693
2022					
Management fees	-	-	-	580	580
Dividend income	-	-	-	17 912	17 912
	-	-	-	18 492	18 492

35.2 Contract balances

	Group 2023	Group 2022	Company 2023	Company 2022
Trade receivables (note 24 net of ECL)	13 225	9 860	19	5
Contract assets – non current (note 24)	711	805	-	-
Contract assets – current (note 24)	840	1 439	-	-
Contract liabilities – non current (note 33)	902	742	-	-
Contract liabilities – current (note 33)	6 192	6 494	-	-

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.

In millions of Malawi Kwacha

35. Revenue (Continued)

35.3 Contract balances (Continued)

Contract assets primarily relate to up-front unbilled revenue recorded for the sale of telecommunication devices. Contract assets are assessed for impairment in terms of IFRS 9: *Financial Instruments*.

Contract liabilities relates to the value of unused prepaid airtime sold to customers as at year end, sales of properties where government consent has not yet been obtained, fees and commission that relate to banking facilities that have a tenure of more than one year. Management expects that the contract liabilities will be recognised as revenue during the following reporting period:

	Group	
	2023	2022
2023	-	6 494
2024	6 192	221
2025	111	152
2026	179	114
2027	413	83
2028	49	37
2029	40	121
2030	98	7
2031	12	-

36 Direct trading expenses

	Group		Company	
	2023	2022	2023	2022
Cost of sales	18 736	19 659	-	-
Interest expense	26 683	13 111	-	-
Direct service costs	60 865	52 197	-	-
	106 284	84 967	-	-

37 Other operating income

	Group		Company	
	2023	2022	2023	2022
Net loss from trading in foreign currencies	(33)	(16)	-	-
Fair value adjustment of investment property	2 936	1 545	65	46
Gains and losses from fair value adjustment of biological assets	80	29	-	-
Net gain on financial instruments classified as held at FVTPL	5 346	769	-	-
Profit on disposal of property, plant and equipment	166	783	-	-
Loss on disposal of financial assets	-	(312)	-	(2 165)
Profit on disposal of financial instruments classified as held through profit and loss	2 986	-	-	-
Modification loss/(gain) on restructured loans	102	(126)	-	-
Sundry income*	6 395	2 575	163	146
	17 978	5 247	228	(1 973)

*Sundry income is comprised of income earned from non-core business activities of the Group and they include board members fees and rental income generated by Group companies that are not in property business, among others. Some of the items include; Swift Charges Recoveries at K1,230, VISA Debit Card Recoveries at K1,157 million, revenue from leadership center at K126 million and cheque book issue at K561 million. To improve disclosure, net gain on financial instruments classified as held for trading has been renamed to Net gain on financial instruments classified as held at FVTPL.

In millions of Malawi Kwacha

38 Distribution and selling expenses

	Group 2023	Group 2022	Company 2023	Company 2022
Marketing and publication	4 832	3 457	-	-
Selling expenses	46	91	-	-
Carriage outwards	202	424	-	-
Other	98	215	-	-
	5 178	4 187	-	-

39 Impairment losses on financial assets

	Group 2023	Group 2022	Company 2023	Company 2022
Net remeasurement of loss allowance				
- Loans and advances (note 16)	5 326	2 103	-	-
- Finance leases (note 17.2)	164	328	-	-
- trade receivables (note 5.4.2)	1 181	3 992	139	(46)
Recoveries from impaired loans and advances (note 16)	(3 955)	(2 146)	-	-
Written off	5 706	2 693	-	-
	8 422	6 970	139	(46)

40 Administrative expenses

		Group 2023	Group 2022	Company 2023	Company 2022
Auditors' remuneration	- current year fees	1 633	1 181	298	165
	- other professional services	-	10	-	-
Directors' emoluments	- fees & expenses	1 601	1 085	274	193
	- executive directors' remuneration	1 169	1 194	156	49
Personnel costs		61 997	49 720	1 410	1 016
Pension contribution costs		4 690	3 731	132	143
Legal and professional fees		4 997	3 348	90	94
Stationery and office expenses		3 800	3 070	134	142
Security services		4 402	3 429	70	45
Motor vehicle expenses		4 201	3 005	36	31
Repairs and maintenance		11 823	9 711	227	238
Depreciation, impairment and amortisation		31 284	25 860	176	78
Travel expenses		2 105	1 540	74	52
Communication		1 296	1 121	83	82
Stock write off impairment		106	46	-	-
Card expenses		5 287	3 762	-	-
Impairment loss of equity investment		-	6 174	-	-
SMS banking expenses		1 405	1 078	-	-
Impairment of property, plant and equipment		13	54	-	-
Other*		2 903	4 530	277	297
		144 712	123 649	3 437	2 625

* Other relates to several individually insignificant administrative expense balances such as corporate image, corporate subscription, entertainment, and sundry expenses.

Liability for defined contribution obligations

The principal Group pension scheme is the Press Corporation plc Group Pension and Life Assurance Scheme covering all categories of employees with 832 (2022: 3,781) members as at 31 December 2023. 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.

In millions of Malawi Kwacha

41 Finance income and costs

	Group 2023	Group 2022	Company 2023	Company 2022
Finance income				
Interest income on bank deposits	692	504	227	249
Net foreign exchange gain	5 235	2 515	4 747	2 482
Other	1 105	720	583	296
	7 032	3 739	5 557	3 027
Finance costs				
Bank overdrafts	(3 680)	(1 927)	(1 474)	(924)
Loans	(13 605)	(11 500)	(3 582)	(2 858)
Lease liability	(2 433)	(1 147)	-	-
Foreign exchange loss	(12 252)	(2 287)	-	(14)
	(31 970)	(16 861)	(5 056)	(3 796)
Net finance costs	(24 938)	(13 122)	501	(769)

42 Share of results from equity accounted investees

	Group 2023	Group 2022	Company 2023	Company 2022
Share of profit, net of tax				
Limbe Leaf Tobacco Company Limited	483	1 394	-	-
Puma Energy (Malawi) Limited	2 741	2 243	-	-
Macsteel (Malawi) Limited	1 057	134	-	-
LifeCo Holdings Limited	160	(4)	-	-
United General Insurance Company Limited	409	(798)	-	-
Open Connect Limited	(794)	(1 222)	-	-
	4 056	1 747	-	-
Impairment and reversals of equity accounted investments				
Impairment reversal of equity investment	(1 619)	-	-	-
Share of other comprehensive income, net of tax				
Limbe Leaf Tobacco Company Limited	12 044	6 140	-	-
United General Insurance Company Limited	22	12	-	-
Puma Energy (Malawi) Limited	875	-	-	-
Macsteel (Malawi) Limited	-	(30)	-	-
	12 941	6 122	-	-

43 Income taxes

	Group 2023	Group 2022	Company 2023	Company 2022
Current tax expense				
Current year at 30% (2022:30%) based on taxable profits	54 396	25 492	-	-
Final tax on dividend received from associates, subsidiaries and joint ventures	2 814	1 791	2 814	1 791
	57 210	27 283	2 814	1 791
Deferred tax expense				
In respect of the current year	(3 719)	701	(634)	-
Total Income tax expense recognised in the current year	53 491	27 984	2 180	1 791

The Group's tax expense on continuing operations excludes the Group's share of the tax expense of equity accounted investees of K2,256 million (2022: K1,371 million), which has been included in 'share of profit of equity-accounted investees, net of tax.

In millions of Malawi Kwacha

43 Income taxes (Continued)

43.1 Tax losses carried forward

The Group has estimated tax losses of K66,561 billion (2022: K73,894 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. Refer to note 21.3 for aging analysis.

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;

	2023		2022	
Group				
Profit before tax from continuing operations		128 537		62 703
Tax using the Group's domestic tax rate	30%	38 561	30%	18 811
Tax effect of:				
Share of profit of equity - accounted investees reported net of tax	(3%)	(4 055)	(3%)	(1 747)
Expenses not deductible for tax purposes*	16%	20 206	26%	15 826
Effects of final tax on dividends from associates and subsidiaries	(2%)	(2 814)	(6%)	(3 582)
Unrecognised taxable losses	2%	2 391	9%	5 216
Income not subject to tax**	1%	1 363	(14%)	(8 511)
Other permanent differences	(2%)	(2 161)	3%	1 971
Effective tax rate and income tax charge	42%	53 491	45%	27 984
Company				
Profit/(loss) before tax from continuing operations		25 846		13 171
Tax using the Group's domestic tax rate – 30%	30%	7 754	30%	3 951
Effects of final tax on dividends from associates and subsidiaries	(11%)	(2 814)	(27%)	(3 582)
Tax effect on expenses not deductible for tax purposes*	(11)%	(2 760)	10%	1 422
Effective tax rate and income tax charge	8%	2 180	13%	1 791

*Under the tax laws of Malawi, it is provided that some expenses/income are strictly disallowed. For the the Group, items included in the tax reconciliation relating to expenses not deductible for tax purposes above include depreciation, taxes such as fringe benefit tax, tax penalties, unrealised exchange losses, provisions e.g. bonus provisions, tevet levy, subscriptions, and donations to unapproved organisations, etc. For the company, items included in the tax reconciliation relating to expenses not deductible for tax purposes above include depreciation, taxes such as fringe benefit tax, unrealised exchange losses, provisions e.g. tevet levy, subscriptions, and donations to unapproved organisations, etc.

**The tax laws of Malawi also excludes income from tax which has been recognised in the Statement of comprehensive income. The line items above include deferred income for telecommunication business, fair value gains on property and financial assets, unrealised exchange gains, profit on disposal of assets, etc.

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 K40,421million (2022: K13,624 million) and a weighted average number of ordinary shares outstanding during the year of 120.2 million (2022: 120.2 million).

	Group	
	2023	**2022**
Profit attributable to owners of the Company	40 421	13 624
Profit from continuing operations attributable to the ordinary equity holders of the parent Company		
Profit from continuing operations	75 046	34 719
Non-controlling interest	(34 625)	(22 714)
	40 421	12 005
Weighted average number of ordinary shares	120.2	120.2
Basic and diluted earnings per share (K)	336.28	113.34
Earnings per share from continuing operations (K)	336.28	99.88

45 Contingent liabilities

	Group		Company	
	2023	**2022**	**2023**	**2022**
Legal and other claims	3 660	4 544	-	-
Tax payable	4 363	2 921	-	-
Total contingent liabilities	8 023	7 365	-	-

(a) 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. The Group is also a defendant of six legal cases whose losses could not be reliably quantified due to the nature and stages of the litigation claims. The outcomes of these cases are uncertain and subject of the court's determination.

(b) 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	
	2023	**2022**	**2023**	**2022**
Authorised and contracted for	19 651	19 884	-	-
Authorised but not yet contracted for	38 906	22 488	198	515
	58 557	42 372	198	515

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

In millions of Malawi Kwacha

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	
	2023	2022	2023	2022
Joint ventures of the Group	3 400	4 777	506	3 522
Shareholder - Old Mutual Group	7	-	-	-
Associates of the Group	17	545	-	2 277
Press Trust	2	-	-	-
	3 426	5 322	506	5 799

	Interest income		Interest expense	
	2023	2022	2023	2022
Joint ventures of the Group	93	65	-	-
Associates of the Group	1 838	801	(12)	(11)
Directors	4	2	-	-
Employees – Key management personnel	1 792	1 223	(1 011)	(848)
	3 727	2 091	(1 023)	(859)

Sale of goods and services to related parties were made at the Group's usual list prices. Purchases were made at market price.

47.2 Receivables and payables

	Amounts owed by related parties		Amounts owed to related parties	
	2023	2022	2023	2022
Joint ventures of the Group	933	1 289	36	-
Associates of the Group	-	-	3 617	3 794
	933	1 289	3 653	3 794

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.

In millions of Malawi Kwacha

47. Related parties (Continued)

47.3 Loans and deposits

	Loans		Deposits	
	2023	**2022**	**2023**	**2022**
Joint ventures of the Group	907	910	3 327	558
Shareholder - Old Mutual Group	-	-	26 873	3 712
Associates of the Group	8 838	7 129	583	1 246
Shareholder - Press Trust	-	-	52	53
Directors	304	173	187	54
Employees – Key management personnel	11 095	7 648	1 775	852
Related Pension Funds	-	-	-	201
	21 144	15 860	32 797	6 676

Loans are granted and deposits accepted on normal banking terms. Loans are secured.

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 0.04% (2022: 0.04%) of the voting shares of the Company.

Directors' emoluments are included in administrative expenses more fully disclosed in note 38.

The remuneration of directors and other members of key management personnel during the year was as follows:

	Group		Company	
	2023	**2022**	**2023**	**2022**
Salaries and benefits for key management	8 825	8 369	677	345
Directors' remuneration	2 770	2 279	430	242
	11 595	10 648	1 107	587

In millions of Malawi Kwacha

48 Dividend per share

	Group and Company 2023	2022
Final dividend	4 449	3 487
Interim dividend	1 082	842
	5 531	4 329
Number of ordinary shares in issue (million)	120.2	120.2
Dividend per share (K)	46.00	36.00

During the year, the Group declared and paid a total of K4,625 million representing final dividend for 2022 of K3,543 million and interim dividend for 2023 of K1,82 million. The proposed final dividend for the year 2023 is K3,543 million (2022: K3,487 million) representing K29.46 per share (2022: K29).

49 Prior year adjustments (group statement of cash flows)

The Group financial statement of cash flows for 2022 has been restated to comply with disclosures of IAS 7 Statement of cash flows. Statement of cash flows for prior has also been restated in respect of the following:

I. The balance under cash and cash equivalents as reported under cashflow statement has been restated to exclude certain bank overdrafts that are financing in nature rather than being part of cash management in line with the provisions of *IAS 7 Statement of cash flows.*

II. Following the reclassification of the bank overdrafts under I above, cashflows from financing activities have been restated to include movements in bank overdrafts that are financing in nature other than being part of cash management in line with the provisions of *IAS 7 Statement of cash flows.*

The financial impact of these restatement made to the statement of cash flows are detailed in the analysis below:

Statement of Cash Flows	**Note**	**As previously reported**	**Adjustment**	**Restated**
2022				
Profit before income tax		64 351	-	64 351
Adjustments for:				
Net cash from operating activities		241 535	-	241 535
Net cash used in investing activities		(68 842)	-	(68 842)
Cash flows used in financing activities				
Movement bank overdrafts with financing component	27	-	1 583	1 583
Net cash used in in financing activities		(22 504)	1 583	(20 921)
Net increase in cash and cash equivalents		150 189	1 583	151 772
Cash and cash equivalents at start of the year		176 036	5 048	181 084
Exchange gains on cash and cash equivalents		1 723	-	1 723
Cash and cash equivalents at end of the year		327 948	6 631	334 579

50. 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 2021.

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

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

50.1 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 11.5% of total risk-weighted on statement of financial position assets plus risk-weighted off-statement of financial position items; and
- A total capital (Tier 2) of not less than 15% of its total risk-weighted on statement of financial position assets plus risk-weighted off-statement of financial position items.
- Core capital (Tier 1) which consists of ordinary share capital, share premium, retained profits, 60% of after-tax profits in the current year (or less 100% of current year loss), less any unconsolidated investment in financial companies.
- Total capital (Tier 2), which consists of revaluation reserves and general provisions, when such general provisions have received prior approval of the Reserve Bank of Malawi plus tier 1 capital. Supplementary capital must not exceed core capital i.e., shall be limited to 100% of total core capital.

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

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

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

50. Capital management (Continued)

50.1 Regulatory capital (Continued)

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

	2023 K'm	2022 K'm
Tier 1 capital		
Ordinary share capital	467	467
Share premium	613	613
Retained earnings	164 918	131 342
Unconsolidated investment	(9 695)	(8 410)
Total regulatory (tier 1) capital	156 303	124 012
Supplementary capital		
Revaluation reserve	29 884	36 809
Deferred tax	-	(9 348)
Unconsolidated investment	(9 695)	(8 410)
Total regulatory (tier 2) capital	176 492	143 063
Risk-weighted assets		
Retail bank, corporate bank and treasury	732 701	532 728
Capital ratios		
Total regulatory capital expressed as a percentage of risk-weighted assets	24%	27%
Total tier 1 capital expressed as a percentage of risk-weighted assets	21%	23%

50.2 Sub-subsidiary (Akiba Commercial Bank) capital management

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

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

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

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

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

In millions of Malawi Kwacha

50. Capital management (Continued)

50.2 Sub-subsidiary (Akiba Commercial Bank) capital management (Continued)

When a bank is holding capital conversation buffer of less than 2.5% of risk-weighted assets and off-balance sheet but is meeting minimum capital requirements the bank:

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

The Bank's regulatory capital is divided into two tiers:
Tier 1 capital: means permanent shareholders' equity in the form of issued and fully paid ordinary shares, and perpetual non-cumulative preference shares, capital grants and disclosed reserves less year to date losses, goodwill organization, pre-operating expenses, prepaid expenses, deferred charges, leasehold rights and any other intangible assets.

Tier 2 capital: means general provisions which are held against future, presently unidentified losses and are truly available to meet losses which subsequently materialize, subordinated debts, commutative redeemable preferred stocks and any other form of capital as may be determined and announced from time to time by the Bank.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral guarantees.

A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarizes the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2023 and year ended 31 December 2022. During these two periods, the Bank has not complied with all the externally imposed capital requirements to which they are subject.

	2023 TZS'm	**2022 TZS'm**
Tier 1		
Share capital	27 797	27 297
Share premium	2 432	2 432
Preference shares	11 623	5 960
Retained earnings	(19 215)	(15 276)
Deferred charges	(6 387)	(6 864)
Prepaid expenses	(1 191)	(817)
Total qualifying Tier 1 capital	15 059	12 732

Tier 2	**2023 TZS'm**	**2022 TZS'm**
Allowance supplementary capital	-	930
Total qualifying Tier 2 capital	-	930
Total regulatory capital (Tier 1 & Tier 2)	15 059	14 592
Risk-weighted assets		
On-balance sheet	107 679	112 389
Off-balance sheet	368	523
Operation risk	11 671	11 648
Market risk	65	134
Total risk-weighted assets, operational and market risk	119 783	124 694

In millions of Malawi Kwacha

50. Capital management (Continued)

50.2 Sub-subsidiary (Akiba Commercial Bank) capital management (Continued)

	Bank's ratio 2023	Bank's ratio 2022
Tier 1 capital (BOT minimum 12.5%)	12.57%	10.61%
Tier 1 + Tier 2 (BOT minimum 14.5%)	12.57%	11.36%

In February 2023, the Bank received US$ 2.44 million (TZS 5,663 million) from the National Bank of Malawi plc under an agreement where additional Perpetual Non-Cumulative Preference shares with a par value of TZS 1,000 per share will be issued to the National Bank of Malawi in continued efforts by the majority shareholders to ensure that the Bank is adequately capitalised. Following this recapitalisation, the Bank's Tier 1 Capital was above the minimum ratio, but Tier 2 Capital was still below the minimum ratios required by BOT. However, BoT has granted a waiver of 50% deduction of deferred tax asset from the capital until June 2025 which makes Akiba compliant for both core and total capital. This non-compliance does not result in any accounting implications and does not necessitate repayment of any debt since it involves equity rather than debt. Hence, there are no going concern issues as there are no threats to withdrawal of business licence.

50.3 Basel II implementation

The Basel II, a capital standard accord for banks, which was introduced as an enhancement to the first 1988 Basel accord in 2004 came into effect on 1 January 2014 for all Malawian Banks. The intention is to align bank's business risk as reflected in both the banking book and the trading book to its required minimum capitalisation. This was as a result of notable shortfalls in granularity in Basel I hence the need to ensure that banks are adequately capitalised.

51 Subsequent events

The directors have proposed a dividend of K36.83 per share as disclosed in note 48. This dividend is subject to approval by shareholders at the Annual General Meeting.

52 Exchange rates

The average of the year-end buying and selling rates of the major foreign currencies affecting the performance of the Company and Group are stated below.

Exchange rates as at 31 December.	2023	2022
Kwacha/United States Dollar	1 683.3	1 028.5
Kwacha/Euro	1 919.2	1 126.5
Kwacha/British Pound	2 213.6	1 274.2
Kwacha/South African Rand	93.6	62.3
Inflation rates as at 31 December (%)	34.5	25.4

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

Kwacha/US Dollar	1 733.8
Kwacha/Euro	1 938.5
Kwacha/GBP	2 264.8
Kwacha/Rand	96.9
Inflation rates as at (%) (March 2024)	31.8