PRESS CORPORATION LIMITED

EXTRACTS FROM THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

In millions of Malawi Kwacha

Statements of Comprehensive Income

	GROUP		COMPANY	
	Audited	Audited	Audited	Audited
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
		Restated		
Continuing operations				
Revenue	**161,136**	136,787	**6,970**	6,935
Operating profit	**29,711**	30,906	**4,329**	4,750
Net interest paid	**(4,544)**	(2,452)	**(1,661)**	(1,336)
Exchange (losses)/gain	**(5,684)**	(1,066)	**11**	42
Net finance cost	**(10,228)**	**(3,518)**	**(1,650)**	(1,294)
Share of profit of equity-accounted investments	**6,106**	6,802	**-**	-
Profit before income tax	**25,589**	**34,190**	**2,679**	3,456
Income tax expense	**(13,350)**	(12,576)	**(668)**	(668)
Profit for the year from continuing operations	**12,239**	21,614	**2,011**	2,788
Discontinued operations				
Profit from discontinued operations	**5**	6	**-**	-
Profit for the year	**12,244**	21,620	**2,011**	2,788
Total other comprehensive income net of tax	**5,887**	7,911	**10,100**	19,063
Total comprehensive income for the year	**18,131**	29,531	**12,111**	21,851
Profit attributable to:				
Equity holders of the compnay	**4,197**	10,734	**2,011**	2,788
Non-controlling interest	**8,047**	10,886	**-**	-
	12,244	21,620	**2,011**	2,788
Total comprehensive income attributable to:				
Equity holders of the compnay	**7,416**	16,310	**12,111**	21,851
Non-controlling interest	**10,715**	13,221	**-**	-
	18,131	29,531	**12,111**	21,851
Earnings per share				
Basic and diluted earnings per share (MK)	**34.92**	89.30		
Basic and diluted earnings per share (MK) (continuing operations)	**34.88**	**89.25**		

Statements of Financial Position

	31-Dec-15	31-Dec-14	31-Dec-13	31-Dec-15	31-Dec-14
ASSETS		*Restated*	*Restated*		
Non-current assets					
Property, plant and equipment	**108,266**	90,687	74,343	**1,038**	1,239
Investment properties	**4,783**	3,270	3,096	**-**	-
Other investments	**23,203**	21,037	15,591	**151,978**	135,246
Loans and advances	**40,502**	31,536	20,385	**-**	4
Deferred tax assets	**4,098**	4,332	4,928	**-**	-
	180,852	150,862	118,343	**153,016**	136,489
Current assets					
Inventories	**10,303**	10,062	6,597	**17**	13
Loans and advances	**70,535**	41,606	34,152	**-**	-
Other investments	**74,525**	39,921	32,342	**-**	-
Trade and other receivables	**21,641**	19,620	12,781	**1,482**	992
Cash and cash equivalents	**59,624**	65,852	58,022	**72**	107
	236,628	177,061	143,894	**1,571**	1,112
Total assets	**417,480**	327,923	262,237	**154,587**	137,601
EQUITY AND LIABILITIES					
Equity					
Issued capital	**1**	1	1	**1**	1
Share premium	**2,097**	2,097	2,097	**2,097**	2,097
Reserves and retained earnings	**78,389**	72,633	54,992	**117,250**	106,702
Total equity & earnings attributable to equity holders of the parent	**80,487**	74,731	57,090	**119,348**	108,800
Minority interest	**38,756**	32,138	23,394	**-**	-
Total equity	**119,243**	106,869	80,484	**119,348**	108,800
Non-current liabilities	**11,883**	19,093	20,767	**29,363**	25,474
Current liabilities					
Bank overdraft	**8,662**	4,259	3,035	**680**	340
Interest bearing loans and borrowings	**26,291**	14,100	10,036	**1,878**	1,878
Customer deposits	**211,852**	140,378	118,541	**-**	-
Provisions	**3,521**	4,215	3,619	**71**	588
Trade and other payables	**36,028**	39,009	25,755	**3,247**	521
	286,354	201,961	160,986	**5,876**	3,327
Total liabilities	**298,237**	221,054	181,753	**35,239**	28,801
Total equity and liabilities	**417,480**	327,923	262,237	**154,587**	137,601
	-	**-**	**-**	**-**	-

Statements of Cash Flows

	GROUP		COMPANY	
	Audited	Audited	Audited	Audited
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
Cash flows from/(used in) operating activities				
Cash generated from/(used in) operations	**64,285**	48,327	**(862)**	(628)
Interest and tax paid	**(23,333)**	(16,841)	**(2,310)**	(2,157)
Net cash from/(used in) operating activities	**40,952**	31,486	**(3,172)**	(2,785)
Investing activities				
Proceeds from sale of property, plant and investments	**12,833**	17,558	**5**	101
Interest received	**2,387**	2,283	**70**	128
Dividend received	**1,716**	2,496	**6,249**	5,999
Additions to property, plant and equipment	**(17,248)**	(21,855)	**(86)**	(16)
Acquisition of a subsidiary	**(6,590)**	-	**-**	-
Net investments and loans	**(43,638)**	(23,254)	**-**	(4,506)
Net cash (used in)/from investing activities	**(50,540)**	(22,772)	**6,238**	1,706
Financing activities				
Proceeds from/(repayment of) long term borrowings	**(455)**	2,934	**(1,878)**	2,207
Dividends paid to shareholders of the Company	**(1,563)**	(1,263)	**(1,563)**	(1,263)
Dividend paid to non-controlling interest shareholders	**(5,040)**	(3,779)	**-**	-
Net cash (used in)/from financing activities	**(7,058)**	(2,108)	**(3,441)**	944
Net (decrease)/increase in cash and cash equivalents	**(16,646)**	6,606	(375)	(135)
Cash and cash equivalent acquired on acquisition	**6,015**	-	-	-
Cash and cash equivalents at 1 January	**61,593**	54,987	**(233)**	(98)
Closing cash and cash equivalents	**50,962**	61,593	(608)	(233)

Statements of Changes in Equity

	GROUP			GROUP			COMPANY	
	Owner's Equity	Non Controlling Interest	Total	Owner's Equity	Non Controlling Interest	Total	31 DEC 2015 Total	31 DEC 2014 Total
Balance as at 1 January	**74,731**	**32,138**	**106,869**	**57,090**	**23,394**	**80,484**	**108,800**	**88,212**
Comprehensive income for the year								
Profit for the year	4,197	8,047	12,244	10,734	10,886	21,620	2,011	2,788
Other comprehensive income	3,219	2,668	5,887	5,576	2,335	7,911	10,100	19,063
Total comprehensive income for the year	**7,416**	**10,715**	**18,131**	**16,310**	**13,221**	**29,531**	**12,111**	21,851
Transactions reported directly in equity	(97)	943	846	2,594	(698)	1,896	-	
Dividend from/(to) equity holders	(1,563)	(5,040)	(6,603)	(1,263)	(3,779)	(5,042)	(1,563)	(1,263)
Balance as at 31 December	**80,487**	**38,756**	**119,243**	**74,731**	**32,138**	**106,869**	**119,348**	**108,800**

Segmental Performance

	Financial Services	Telecommu	Energy	Consumer Goods	All other segments	Total
December 2015						
Revenue	45,656	59,148	14,729	39,164	2,439	**161,136**
Operating profit	18,880	12,552	3,216	(1,761)	(3,176)	**29,711**
Net finace charges	-	(9,467)	886	(418)	(1,229)	**(10,228)**
Income tax	(6,230)	(2,914)	(1,321)	(382)	(2,503)	**(13,350)**
Profit from equity accounted and discontinued companies	-	-	-	-	6,111	**6,111**
Profit/(loss) for the year	**12,650**	**171**	**2,781**	**(2,561)**	**(797)**	**12,244**
Capital additions	3,291	12,246	745	583	924	**17,789**
Total assets	284,223	78,542	12,935	8,299	33,481	**417,480**
December 2014						
Revenue	38,533	48,610	11,396	35,941	2,307	**136,787**
Operating profit	19,575	12,307	4,079	(1,469)	(3,586)	**30,906**
Finance charges	-	(3,539)	402	41	(422)	**(3,518)**
Income tax	(6,137)	(2,929)	(1,517)	281	(2,274)	**(12,576)**
Profit from equity accounted companies	-	-	-	-	6,808	**6,808**
Profit/(loss) for the year	**13,438**	**5,839**	**2,964**	**(1,147)**	**526**	**21,620**
Capital additions	3,628	16,119	994	660	928	**22,329**
Total assets	207,041	69,905	11,832	7,696	31,449	**327,923**

Trading Conditions
The operating environment for 2015 was tough, characterized by a deep devaluation of the Malawi Kwacha, high inflation, high interest rates, tight liquidity, and reduced consumer spending. The Malawi Kwacha depreciated by 43% due to continued appetite for imports with weak inflows from exports and direct foreign investments. This was compounded by the low discretional spending and the increase in food prices due to reduction in maize production. during the 2014/15 growing season. The operating environment was further dampened by the liquidity squeeze resulting from the contractionary monitory policy adopted by Government to reduce pressure on inflation and stabilize exchange rates.

Group Results
The Group consolidated profit before tax was MK25.589 billion (2014: MK34.190 billion) representing a 25% drop on prior year. Net profit attributable to ordinary shareholders was MK4.197 billion (2014: MK10.734 billion). This represents a 61% decrease on prior year. Earnings per share also declined by 61%. The performance was after taking into account a net exchange loss amounting to K8.032 billion (2014; MK1.714 billion), including a net exchange loss from equity accounted investments amounting to MK2.348 billion (2014:MK648 million). Similarly, net interest cost increased by 85% to MK4.544 billion (2014: 2.452 billion) due to the high interest rates that prevailed during the year. The results were further adversely affected by reduced gross margins in three operations namely: the Fast Moving Consumer Goods Segments due to stock losses; the Fish Farming business due to slow fish growth; and the Energy Segment due to reduction in the price of ethanol occasioned by reduction in global oil prices and increase in the price of raw materials (molasses) due to the devaluation of the currency. The price of molasses is denominated in US Dollars.

Segmental Performance

The Financial Services Segment continued to deliver strong results and registered an 18% growth in its revenues but registered a drop of 8% in its profit after tax due to increase in operating costs. Going forward the Bank is expected to benefit from increased market share following the acquisition of Indebank.

The Telecommunications Segment was hit hardest by the sharp depreciation of the currency. The segment suffered an exchange loss of MK5.694 billion on its foreign currency exposure and as a result registered a 130% decline in its earnings. Both telecom businesses borrowed heavily in foreign currencies to fund their capacity expansion projects. The fixed phone business is in the process of localizing its foreign loans to mitigate the foreign exchange risk. The proposal to unbundle the fixed phone business to create two separate businesses was approved by the Board. The plan is to have two separate businesses: a telephony business which will focus on data services, and an infrastructure company which will set up an open access network for all operators. A search for a technical partner for the later business is under way.

The Energy Segment registered a 29% growth in its revenues but its earnings declined by 5%. As already mentioned above, the drop in earnings was due to reduced gross margins arising from reduced prices of ethanol, and increased cost of production as a result of the devaluation of the Malawi Kwacha. The company's margins were further reduced by imported molasses from Mozambique which had a high landed cost so as to increase capacity utilization. The project to invest in feedstock production is progressing well and is expected to be completed in 2018.

The Consumer Goods Segment made a loss due to the erosion in working capital following huge stock losses discovered in 2014. The company has put in place a *consolidation and growth strategy'*, aimed at stopping the stock losses and regaining the company's market share. Discussions with potential strategic partners are underway.

All other Segment: The fishing farming business is still struggling with fish growth and high mortality on the aquaculture business and the trawl fishing is on the decline due to depletion of fish in the lake. Efforts to identify a strategic partner are continuing.

The real estate business registered a 19% growth in its earnings.

The equity accounted businesses registered a 10% decline in the PCL's share of their profits due to a 76% reduction in earnings in the Bottling and Brewing business mainly as a result of an exchange loss incurred amounting to MK2.487 billion (2014: MK444 million) and additional depreciation on bottles and crates following a change in the depreciation policy in line with the Carlsberg Group policy. Similarly, the fuel distribution business registered a 27% decline in its earnings due to stock price losses incurred as a result of the reduction of fuel prices during the year following the drop in global oil prices, and an exchange loss incurred on its foreign denominated liabilities. The tobacco processing business, on the other hand, achieved a 26% growth in its earnings while the steel and roofing business registered a 28% growth in its earnings.

Out look

Prospects for 2016 point to a continued subdued operating environment. Although the currency is appreciating and is expected to stabilize in the short term as the tobacco season starts, it is expected to continue depreciating in the long term due to existing significant deficit on the current account, weak inflows from foreign direct investment and continued suspension of budgetary support. This will continue putting pressure on inflation. Likewise, Interest rates are expected to remain high due to anticipated continued borrowing by Government in the absence of foreign budgetary support. Food prices are expected to be high due to the anticipated drop in agricultural production as a result of late rains for the 2015/2016 growing season coupled with the El Nino weather that affected most parts of the country. This will further worsen the already high inflation and reduce consumer demand.

Building on the Group's strength of its size and diversity, the focus will be to nurture and consolidate the Group's existing businesses while continuing to explore the market for any profitable business opportunities. In this regard, the Group has lined up action plans aimed at protecting market share and stopping the hemorrhage in the loss makers. The fixed telephone business is expected to break even once the restructuring process is completed and become profitable thereafter. The ethanol manufacturing business is expected to be feedstock independent by 2018 after the implementation of feedstock production project. The fish farming business is expected to turnaround once the fish growth problems are resolved, and a strategic partner is identified. Similarly, the retail chain is expected to break even in 2017 and become profitable thereafter once the turnaround strategy is fully implemented. Discussions with international strategic partners for a complete turnaround of the retail chain business are underway. The Group will also continue exploring the opportunity to invest in power generation.

Dividend

An interim dividend for the year 2015 of MK480.8 million (2014: MK420.7 million) representing MK4.00 per share (2014: MK3.50 per share) was paid on 30th October 2015 and the Directors have proposed a final dividend for the year 2015 of MK1,021.7 million (2014: MK1,081.8 million) representing MK8.50 per share (2014: MK9.00 per share). This brings the total dividend for 2015 to MK1,502.5 million (2014: MK1,502.5 million) representing MK12.50 per share (2014: MK12.50 per share). A resolution to approve the final dividend will be tabled at the forthcoming Annual General Meeting.

Simon Itaye	Damien Kafoteka	Mathews A. P. Chikaonda	Elizabeth Mafeni
Chairman	Director	Group Chief Executive	Group Financial Controller

1st April 2016

AUDITOR'S REPORT TO THE MEMBERS OF PRESS CORPORATION LIMITED

The accompanying summarised consolidated and separate financial statements, which comprise the summarised statements of financial position as at 31 December 2015 and the summarised statements of comprehensive income, the summarised statements of changes in equity and the summarised statements of cash flows for the year then ended, are derived from the audited financial statements of Press Corporation Limited for the year ended 31 December 2015. We expressed an unmodified opinion on those financial statements in our report dated 4 April 2016. Those financial statements, and the summarised financial statements, do not reflect the effect of events that occurred subsequent to the date of our report on those financial statements.

The summarised financial statements do not contain all the disclosures required by International Financial Reporting Standards and the Malawi Companies Act,1984. Reading the summarised financial statements, therefore, is not a substitute for reading the audited financial statements of Press Corporation Limited.

Directors' Responsibility for the summarised Financial Statements
The directors are responsible for the preparation of the summarised financial statements in accordance with the International Financial Reporting Standards and the Malawi Stock Exchange Listing requirements.

Auditors' Responsibility
Our responsibility is to express an opinion on the summarised financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

Opinion
In our opinion, the summarised consolidated and separate financial statements derived from the audited financial statements of Press Corporation Limited for the year ended 31 December 2015 are consistent, in all material respects, with those financial statements, in accordance with the International Financial Reporting Standards and the Companies Act, 1984.

Deloitte.

Public Accountants
Blantyre, Malawi