PRESS CORPORATION PLC

Consolidated and Separate Financial Statements
For the Year Ended
31 December 2017

C O N T E N T S	**PAGE**

PRESS CORPORATION PLC
DIRECTORS' REPORT
31 December 2017

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 2017.

1. INCORPORATION AND REGISTERED OFFICE

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

The address of its registered office is:
3rd Floor
NBM Top Mandala Building
Kaohsiung Road
P.O. Box 1227
BLANTYRE

2. PRINCIPAL ACTIVITIES OF THE GROUP

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

3. FINANCIAL PERFORMANCE

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

4. SHARE CAPITAL AND SHAREHOLDING

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

The shareholding structure at year end was as follows:-

	2017 %	2016 %
Press Trust	45.08	44.78
Old Mutual Group companies	15.15	15.15
Deutsche Bank Trust Company America	22.34	22.34
Others	17.43	17.73
	100.00	100.00

5. DIVIDENDS

The net profit attributable to owners of the Company for the year of K24.7 billion (2016: K4.9 billion) has been added to retained earnings. The directors have proposed a final dividend for the year 2017 of K2.4 billion (2016: K1.5 billion) representing K20.00 per share (2016: K12.50) to be tabled at the forthcoming Annual General Meeting.

6. DIRECTORATE AND COMPANY SECRETARY

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

Mr. P Khembo	Chairman	Throughout the year	Non-executive
Mr. B Chidyaonga	Director	Throughout the year	Non-executive
Mrs. E Nuka	Director	Throughout the year	Non-executive
Dr. G Partridge	Director / Group Chief Executive	Throughout the year	Executive
Mr J Biziwick	Director / Group Operations Executive	Throughout the year	Executive
Mr. D Kafoteka	Director	Up to August 2017	Non-executive
Mrs. E Jiya	Director	From September 2017	Non-executive
Mr. P Mhango	Director	Up to June 2017	Non-executive
Mr. G Ngalamila	Director	From November 2017	Non-executive
Mr. A Barron	Director	Throughout the year	Non-executive
Mr. B Ndau	Company Secretary	Throughout the year	Executive

7. DIRECTORS' REMUNERATION

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

Entity	**Non-executive Directors fess and expenses**	**Executive Directors remuneration**	**Total**
	K' million	**K' million**	**K' million**
For the year ended 31 December 2017			
Press Corporation plc	67	875	942
Telekom Networks Malawi plc	104	451	555
National Bank of Malawi plc	56	264	320
The Foods Company Limited	19	-	19
Malawi Telecommunications Limited	22	54	76
Open Connect Limited	6	-	6
Presscane Limited	21	-	21
Press Properties Limited	10	-	10
Ethanol Company Limited	23	-	23
Peoples Trading Centre	23	48	71
	351	1,692	2,043
For the year ended 31 December 2016			
Press Corporation plc	87	513	600
Telekom Networks Malawi plc	99	334	433
National Bank of Malawi plc	64	548	612
The Foods Company Limited	15	-	15
Malawi Telecommunications Limited	10	49	59
Open Connect Limited	2	-	2
Presscane Limited	15	-	15
Press Properties Limited	8	-	8
Ethanol Company Limited	18	-	18
Peoples Trading Centre	15	24	39
	333	1,468	1,801

8. DIRECTORS' TENURE POLICY

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

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

Executive Directors serve on the Board by virtue of their offices and their tenure is as per the terms of their contract of employment. Accordingly, the current contract of employment for Executive Director Dr. G Partridge expires on 22nd May 2023 and that of Mr. J Biziwick expires on 30th September 2018.

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

9. DIRECTORS' INTERESTS

The interests of the Directors in office in the shares of the Group and its subsidiaries as at 31 December 2017 is as follows;

Director	**Company**	**Number of shares held (ordinary shares)**	
		2017	**2016**
Dr. G Partridge	National Bank of Malawi	846,507	826,507
Mr. J Biziwick	National Bank of Malawi	2,546	2,546
Mrs. E Jiya	National Bank of Malawi	1,833	1,833
Mrs. E Jiya	Press Corporation plc	1,570	1,570

None of the Directors had, during the year ended 31 December 2017, 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 K158 million (2016: K177 million) as shown below;

	2017 K' million	**2016 K' million**
Malawi Telecommunications Limited	3	2
Telecom Networks Malawi plc	94	116
National Bank of Malawi plc	46	31
Peoples Trading Centre Limited	-	2
The Foods Company Limited	-	1
Ethanol Company Limited	11	11
Presscane Company Limited	1	10
Press Corporation plc	3	4
	158	**177**

11. AUDITORS

The Group's auditors, Deloitte, Certified Public Accountants, P O Box 187, Blantyre, have indicated their willingness to continue their role as the Group's auditors. Resolutions concerning the reappointment of Deloitte as auditors of the Group for the year ending 31 December 2018 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	Half year results review	Tip-offs anonymous	Corporate finance	Agreed upon procedures	Total
	K' million	K' million	K' million	K' million	K' million	K' million
For the year ended 31 December 2017						
Press Corporation plc	67	27	2	-	-	96
Telekom Networks Malawi plc	107	12	4	-	-	123
National Bank of Malawi plc	140	8	3	-	-	151
The Foods Company Limited	22	3	-	-	-	25
Malawi Telecommunications Limited	49	6	2	-	-	57
Open Connect Limited	6	1	-	-	-	7
Presscane Limited	19	4	2	-	-	25
Press Properties Limited	14	3	2	-	-	19
Ethanol Company Limited	14	4	2	-	-	20
Peoples Trading Centre	28	4	4	-	-	36
	466	72	21	-	-	559
For the year ended 31 December 2016						
Press Corporation plc	61	24	1	-	-	86
Telekom Networks Malawi plc	95	11	4	-	3	113
National Bank of Malawi plc	129	7	3	-	1	140
The Foods Company Limited	20	3	-	-	-	23
Malawi Telecommunications Limited	45	5	2	8	-	60
Open Connect Limited	5	-	-	-	-	5
Presscane Limited	16	3	1	-	-	20
Press Properties Limited	12	3	2	-	-	17
Ethanol Company Limited	17	4	2	-	-	23
Peoples Trading Centre	26	4	2	-	-	32
	426	64	17	8	4	519

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

13. CORPORATE GOVERNANCE

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

14. OVERVIEW OF SUBSIDIARIES

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

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

14.1 Subsidiaries corporate governance

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

14.2 Subsidiaries board of directors

During the year ended 31 December 2017, none of the subsidiaries companies directors had an interest in any material contract relating to the businesses of the subsidiaries.

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

Subsidiary	Directors	Tenure	Directors Interest in shares of the subsidiary
National Bank of Malawi plc	Dr. G Partridge	All year - Chairman from 15 June 2017	846,507 (2016: 826,507)
	Dr. M Chikaonda	Up to 14 June 2017 - Chairman	None
	Mr. E Kambalame	All year	None
	Mr. M Kawawa	All year	113,255 (2016: 113,255)
	Mrs. E Mafeni	All year	None
	Mr. D Kafoteka	Up to August 2017	None
	Mrs. M Kachingwe	All year	1,935 (2016: 1,935)
	Mr. J Mhura	All year	None
	Mr. M Msiska	All year	20,367 (2016: 20,367)
	Mr. J Biziwick	All year	2,546 (2016: 2,546)
	Mr. H Jiya	All year	2,306 (2016: 2,306)
	Mr. R Banda	From 19 Dec 2017	None
	Mr. J Nsomba	From 19 Oct 2017	758 (2016: 758)
	Mrs. Z Mitole	All year – company secretary	None
Malawi Telecommunications Limited	Mr. J Biziwick	All year – Chairman	None of the Directors had interest in shares of Malawi Telecommunications Limited
	Mrs. E Mafeni	All year	
	Mr. M Sauti-Phiri	All year	
	Mrs. E Jiya	All year	
	Secretary to the Treasury	All year	
	Principal Secretary for Information	All year	
	Mr. L Katandula	All year	
	Prof. J Kamwachale Khomba	All year All year	
	Dr. H Gombachika	All year	
	Mrs. H Singo	All year – company secretary	

14. OVERVIEW OF SUBSIDIARIES – continued

14.2 Subsidiaries board of directors – continued

Subsidiary	Directors	Tenure	Directors Interest in shares of the subsidiary
Open Connect Limited	Dr. G Partridge Dr. H Gombachika Mr. B Botolo Mrs. E Jiya Ms. M Mbeye Mr. M Mikwamba Mr. C Chibwana	All year – Chairman All year All year Up to September 2017 All year From September 2017 All year – company secretary	None of the Directors had interest in shares of Open Connect Limited
Telekom Networks Malawi plc	Dr. G Partridge Dr. M Chikaonda Mr. H Anadkat Mr. D Kafoteka Mr. D Lungu Mr. J O'Neill Mrs. E Mafeni Mr. J Biziwick Mr. K Phiri Mr. G Randall Mr. D Stevenson Mrs. C Mwansa	From 15 June 2017 – chairman Up to 15 June 2017 – chairman All year – vice chairman Up to 9 Oct 2017 All year All year All year All year From 26 Sept 2017 From 13 Dec 2017 Up to 13 Dec 2017 - CEO All year – company secretary	None of the Directors had interest in shares of Telekom Networks Malawi plc except for Mr. H Anadkat and Mr. J O'Neill who had interest in shares of the company through their other business interest. Total shares held indirectly amounts to 1,013,600,000 and 500,000 respectively.
Ethanol Company Limited	Mr. J Biziwick Mrs. E Mafeni Mr. W Mabulekesi Mr. L. Mandala Mr. L Katandula Mr. B W Jere Mr. B Ndau Mr. C Masoatengenji	All year – Chairman All year All year All year From July 2017 All year All year All year – company secretary	None of the Directors had interest in shares of Ethanol Company Limited
Presscane Limited	Mr. P Mulipa Mr. R Patel Mr. A Chanje Mr. B Msosa Mr. J Korea-Mpatsa Mrs. R. Chitera Mr. B Ndau Mrs. C Chihana	All year – chairman All year All year Up to 19 June 2017 All year All year All year All year – company secretary	None of the Directors had interest in shares of Presscane Limited except for Mr. R R Patel who had 49.9% indirect interest in shares of the company through his other business interest – Cane Products Limited.
Peoples Trading Centre Limited	Mr. J Biziwick Mrs. E Mafeni Mrs. S Chidyaonga Mr. B Ndau Mr. J Evans Mr. M Chikankheni Prof. J Khomba Dr. L Chithambo Mr. R Kunjawa	All year – chairman All year All year All year All year All year All year All year All year – company secretary	None of the Directors had interest in shares of Peoples Trading Centre Limited

14. OVERVIEW OF SUBSIDIARIES – continued

14.2 Subsidiaries board of directors – continued

Subsidiary	**Directors**	**Tenure**	**Directors Interest in shares of the subsidiary**
Press Properties Limited	Mr. J Biziwick Mr. G Chipungu Mr. K Mthuzi Mr. F Tukula Dr. C Guta Ms. M Mbeye Mr. D Mwanyongo	All year – chairman All year Up to June 2017 All year All year All year All year – company secretary	None of the Directors had interest in shares of Press Properties Limited
The Foods Company Limited.	Mr. J Biziwick Dr. B Zingano Prof. K Khomba Prof. J Kang'ombe Dr. O Msiska Mrs. A Valera Mr. A Sesani Mr. B Ndau Mr. W Mtawali	All year – chairman All year From May 2017 All year All year All year All year All year All year – company secretary	None of the Directors had interest in shares of The Foods Company Limited

……………………………….. **Chairman**

………………………………… **Group Chief Executive**

PRESS CORPORATION PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

31 December 2017

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Press Corporation plc and its subsidiaries, comprising the statements of financial position at 31 December 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2013.

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

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

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

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

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

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

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

Approval of the financial statements

The financial statements of the Group and Company, as indicated above, were approved by the board of Directors on **6 April 2018** and are signed on its behalf by

…………………………………..	…………………………………….
Chairman	**Group Chief Executive**

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

Opinion

We have audited the consolidated and separate financial statements of Press Corporation plc and its subsidiaries ("the Group"), set out on pages 18 to 120, which comprise the consolidated and separate statements of financial position as at 31 December 2017, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group as at 31 December 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2013.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter (Separate financial statements)	How the matter was addressed in the audit
Valuation of unlisted equity investments	
The company carries its unlisted equity investments at fair value. Revaluation of these investments are 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. Determination of fair values for the investments involves significant judgement and assumptions and is complex in nature. We consider this as a key audit matter.	Obtained the valuation reports which were independently done by NICO Asset Managers Limited and assessed the professional competence of the valuer by examining the valuer's qualification and experience. Assessed that the information provided by the company to the valuer is accurate and complete for valuation purposes based on our understanding of the investee companies. Read the valuation reports and assessed the reasonableness of assumptions used in the valuations reports in comparison to market data.

Key Audit Matter (Separate financial statements)	**How the matter was addressed in the audit**
Valuation of unlisted equity investments (Continued)	
	Considered the relevance and appropriateness of the valuation methods used. Agreed information used in the valuation such as net assets, shareholding, profits, and others to relevant supporting documents of the investment companies. We found that the assumptions used in determining the valuations were reasonable and that the valuations were appropriate. We further concluded that details of the valuations have been disclosed appropriately in the financial statements.

Key Audit Matter (Consolidated financial statements)	**How the matter was addressed in the audit**
Impairment of loans and advances to customers	
Significant judgement is required by the Directors in assessing the impairment of loans and advances granted by the banking business to customers. The Groups' credit risk policy is disclosed in note 6.4.5. The impairment amounting to K6 billion of loans and advances balance of K126 billion as disclosed in note 16, represents the shortfall between the present value of future expected cash flows, discounted at the original effective interest rate, and the carrying value of the advance in respect of loans and advances that exhibit indications of impairment. The judgements applied in determining the impairment include: • the expected realisable value of the collateral securing the advance; and • the probability that loans and advances will result in loss. Because the determination of impairment requires significant judgements coupled with the requirement to comply with IAS 39 *Financial Instruments Measurements and Recognition*, we considered determining impairment against loans and advances to customers as a key audit matter.	In evaluating the impairment against loans and advances, we assessed the judgements applied by the Directors and our procedures included the following: • Considered managements' credit control processes to identify impaired advances and testing of relevant key controls in the process; • Examined on a sample basis the appraised fair value of the collateral securing impaired advances; • Considered the qualitative factors that indicate impairment including the amount in arrears, period in arrears and the financial strength of the borrower; • Assessed the adequacy of the impairment recorded based on the realisable value of the collateral and the qualitative factors described above; and • We further assessed whether determination of impairment against loans and advances is in line with IAS 39 *Financial Instruments measurements and recognition.* We found that the judgements applied in determining impairment against loans and advances were appropriate and that the amounts recorded were reasonable and complied with IAS 39 *Financial Instruments Measurements and Recognition*. We further concluded that the financial statements disclosures in relation to impairment of loans and advances to customers are appropriate.

Key Audit Matter (Consolidated financial statements)	How the matter was addressed in the audit
Revenue recognition in the telecommunication segment	
The Group's billing systems for voice and data operate on dedicated computer platforms. These systems process millions of pieces of data to electronic records which enables the Group to charge their customers, in real time, based on service usage. The operations of these systems are fairly complex with dynamic and intelligent tariffs regimes which provide for various promotions and discounts that are dependent on demand and individual usage profiles. Income is determined taking into account the profile and usage of each individual customer. In addition prepaid phone units are used over periods that can straddle more than one accounting period. The determination of the correct cut off between what has been used and can be included in income and what has not be used and should be deferred income (creditor) is also a key audit consideration. The nature of the systems and billing profiles make this a complex audit area in relation to the auditor assessing completeness of income. Accordingly, we consider this a key audit matter. The revenue recognition policy of the Group has been disclosed in note 3.9 and we have assessed the policy and found it to be in line with International Financial Reporting Standards and industry practice. In addition the deferred income which is disclosed in note 32 has been assessed to be in accordance with the revenue recognition policies.	We involved our Information Technology (IT) risk specialists in the engagement and carried out the following: • Assessed the general computer controls around the significant revenue and billing systems; • Evaluated the process for capturing the tariff plans, combined with testing of a sample of related transactions. A key aspect of this exercise was to ensure that tariffs are properly approved; • Obtained downloads of information recorded in the Group's billing systems and by using advanced data analytics mirror the dynamic, intelligent tariff regimes to independently compute the income for the year and thus assess the completeness and accuracy of the figures in the revenue reports. • Assessed whether revenue was recorded in the correct period. • Obtained a deferred income reconciliation for the expected deferred income as at period end and tested the accuracy and completeness of the reconciling items. • Re-computed deferred revenue from Intelligent Network data using Computer Assisted Audit Techniques (CAATS). • Checked that the deferred income in the billing system are being reconciled to the records. Based on the work performed, we concluded that revenue was properly recorded.

Key Audit Matter (Consolidated financial statements)	How the matter was addressed in the audit
Depreciation and capitalisation of property plant and equipment in the telecommunication segment	
Depreciation of property, plant and equipment requires management estimation. Key judgments relate to the use of appropriate residual values for assets without a ready secondary market and determining appropriate useful lives. The Group also continued to invest in significant capital expenditure during the year ended 31 December 2017. The determination of when the asset has been commissioned and brought into use has an impact on the depreciation charged during the year. Further the significant level of capital expenditure requires consideration of the nature of costs incurred to ensure that capitalisation of property, plant and equipment meets the specific recognition criteria in IAS 16, '*Property, Plant and Equipment'* (IAS 16), specifically in relation to constructed assets and the application of the directors' judgement in assigning appropriate useful economic lives. As a result, this was noted as a key audit matter. The Group's accounting policy in relation to property, plant and equipment is disclosed in note 3.15.	We assessed the reasonableness of residual values and useful lives in line with our understanding of the business and industry practice. We made a sample of assets and performed the following: • Assessed whether the residual values and useful lives were correctly determined in line with Group policy and industry practice. • Assessed whether depreciation was correctly computed. • Assessed the nature of property, plant and equipment capitalised by the Group to test the validity of amounts capitalised and evaluated whether assets capitalised meet the recognition criteria set out in IAS 16 and note 3.15. • Assessed if capitalisation of assets occurred when the asset was in the location and condition necessary for it to be capable of operating in the manner intended by the Group and that a consistent approach was applied by the Group across all significant operations. In this regard, we examined compliance to the commission and project completion acceptance processes used by the Group. • Assessed the useful economic lives assigned with reference to the Group's historical experience, our understanding of the future utilisation of assets by the Group and by reference to the depreciation policies applied by third parties operating similar assets. The capitalisation of assets was assessed to be appropriate and the timing of commencement of depreciation on the capitalised assets was also appropriate. We concluded that the useful economic lives assigned to these assets are appropriate based on the evidence obtained.

Key Audit Matter (Consolidated financial statements)	How the matter was addressed in the audit
Information Technology (IT) Systems and controls over financial reporting in the banking business	
A significant part of the Group's banking business operations and financial reporting process is reliant on IT systems with automated processes and controls over the capture, storage and extraction of information. The banking operations are dependent on their IT systems to (1) serve customers, (2) support their business processes, (3) ensure complete and accurate processing of financial transactions and (4) support the overall internal control framework. Many of the bank's internal controls over financial reporting are dependent upon automated application controls, completeness, and integrity of reports generated by the IT-systems. A fundamental component of these controls is ensuring that appropriate user access and change management protocols exist and are being adhered to. These protocols are important because they ensure that access and changes to IT systems and related data are made and authorised in an appropriate manner. The banking IT environment is complex with a number of interdependent systems, interfaces and databases. The Group continues to invest in the improvement of banking IT systems and processes as well as development of new IT systems and their implementation further add to the complexity of the IT infrastructure. As our audit sought to place reliance on IT systems and application controls related to financial reporting, a high proportion of the overall audit effort was in this area. Key areas where IT systems were critical in determining accuracy and completeness of account balances were interest income, interest expense, fees and commission income, foreign exchange transactions, classification and suspension of interest on non-performing loans.	We focussed our audit on those IT systems and controls that are significant for financial reporting. As audit procedures over the IT systems and application controls requires specific expertise, we involved our IT audit specialists and Data Analytics team in our audit procedures. We understood and assessed the overall IT control environment and the controls in place which includes controls over access to systems and data, as well as system changes, We tailored our audit approach based on the financial significance of the system and whether there were automated procedures supported by that system. As part of our audit procedures, we identified relevant controls activities and evaluated design and determine implementation. We further, determine the need to test operating effectiveness of the control over appropriate access rights and validating that only appropriate users had the ability to create, modify or delete users accounts for the relevant in scope applications. We also tested the operating effectiveness of controls around program changes to establish changes to the system were appropriately authorised and implemented. Additionally, we assessed and tested the design and implementation and operating effectiveness of the application controls embedded in the process relevant to our audit. Using our Data Analytics team, we recomputed on a sample basis, interest income, interest expense, fees and commission income, and foreign exchange transactions and compared with the amounts that were computed by the system and recognised in the general ledger. For selected loans, we checked if the Bank was suspending interest for loans that were non-performing or recording to profit or loss if the loans were performing. We identified some control deficiencies and the conclusion of these findings had no impact on the financial statements.s

Key Audit Matter (Consolidated financial statements)	How the matter was addressed in the audit
Goodwill impairment assessment	
As disclosed in note 10, the carrying value of goodwill was K5 billion as at 31 December 2017. Significant judgement is required by the Directors in assessing the impairment of goodwill, which is determined with reference to the value in use, based on the cash flow forecast for each cash-generating unit. The assumptions with the most significant impact on the cash flow forecast were: • The growth rate, which is highly subjective since it is based on the Directors' experience and expectations. • Cash flow projections based on expected future performance. • The discount rate is subjective and the calculation is complex. Accordingly, for the purposes of our audit, we identified the impairment of goodwill as a key audit matter due to significant assumptions used in the determination of impairment for goodwill and the complexity of the value in use calculation.	In evaluating the impairment of goodwill, we reviewed the value in use calculations prepared by the Directors, with a particular focus on the growth rate and discount rate. We performed various procedures, including the following: • Tested inputs into the cash flow forecast against performance and in comparison to the Directors' strategic plans in respect of each cash-generating unit. • Compared the growth rates used for the cash generating units to available forecast economic growth rates. • Recomputed the value in use of each cash-generating unit. The results of our assessment indicated that goodwill is not impaired. We further concluded that disclosures made in the financial statements in relation to goodwill impairment are appropriate.

Key Audit Matter (Consolidated financial statements)	How the matter was addressed in the audit
Going Concern	
Subsidiaries of the Group; Malawi Telecommunications Limited, The Foods Company Limited and Peoples Trading Centre Limited have been making losses for a number of years and have net current liability positions as at 31 December 2017. The continued losses and net current liability positions raises questions about the ability of these companies to continue as going concerns and the impact of this on the Group's valuation of assets and liabilities using the going concern basis of accounting. The Directors believe that these subsidiaries will continue as going concerns based on strategic plans that they have put in place. These plans involve making significant judgement and assumptions. We therefore consider the going concern of these subsidiaries and valuation of the respective assets and liabilities as a key audit matter.	In assessing the going concern of these subsidiaries we performed the following procedures: • Evaluated management strategic plans for future actions and assess whether the outcome of those plans is likely to improve the situation and whether management's plans are feasible in the circumstances. • Assessed if assumptions used in the management plans were based on reasonable data. • Examined the financing structures for these companies and assessed whether adequate funds are available to sustain operations. • Assessed if any going concern uncertainties affecting these companies has a material impact of the Group as a whole. We concluded that despite the existence of uncertainties in the specific subsidiaries, the going concern assumption used for those subsidiaries was appropriate. As a consequence, we also consider the valuation of the assets appropriate.

Key Audit Matter (Consolidated financial statements)	How the matter was addressed in the audit
Compliance with debt covenants	
As disclosed in note 29, the Group has loans and borrowings with a carrying value of K55 billion as at 31 December 2017. Non-compliance with covenants governing these loans and borrowings may affect the liquidity of the Group and as such loans may become payable on demand and can also result in financial penalties for the Group. We therefore consider this as a key audit matter.	We inspected loan agreements; reviewed liquidity and financial ratios and reviewed management calculations associated with debt covenants to determine whether any breach of covenants exist. We assessed if re-payments are being made when they fall due. We assessed the implications of any non-compliance with debt covenants identified and verified that such loans have been appropriately disclosed and classified in the financial statements. We noted instances of non-compliance with re-payment terms of borrowings to PTA Bank, Huawei and ZTE. These borrowings have been appropriately classified as current in the financial statements

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report, 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 financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors’ use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 Dsirectors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte

Chartered Accountants

Nkondola Uka
Partner

12 April 2018

PRESS CORPORATION PLC
CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
As at 31 December 2017
In millions of Malawi Kwacha

		Group			Company	
Assets	**Notes**	**31/12/2017**	**31/12/2016** *Restated*	**1/01/2016** *Restated*	**31/12/2017**	**31/12/2016**
Non-current assets						
Property, plant and equipment	8	105,908	93,453	89,820	597	830
Biological assets	9	21	2	2	-	-
Goodwill	10	4,974	4,974	5,026	-	-
Intangible assets	11	16,519	13,826	13,418	230	245
Investment properties	12	6,564	5,360	4,783	231	-
Investments in subsidiaries	13	-	-	-	171,429	138,618
Investments in joint ventures	14	6,198	4,897	1,764	20,618	18,701
Investments in associates	15	34,489	34,730	31,071	54,608	74,851
Loans and advances to customers	16	42,478	32,300	33,063	-	-
Finance lease receivables	17	9,207	8,358	7,439	-	-
Long term loans receivable - group	18	-	-	-	1,733	
Other investments	19	4,378	1,129	1,533	-	-
Deferred tax assets	20	7,946	7,979	4,098	-	-
Total non-current assets		238,682	207,008	192,017	249,446	233,245
Current assets						
Inventories	21	11,510	9,714	10,165	9	20
Biological assets	9	977	154	138	-	-
Loans and advances to customers	16	78,196	89,743	70,535	-	-
Finance lease receivables	17	1,110	1,018	712	-	-
Other investments	19	135,981	88,067	74,525	1,246	-
Trade and other receivables – Group companies	22	-	-	-	2,767	1,845
Trade and other receivables - other	23	26,022	24,187	19,628	559	131
Assets classified as held for sale	24	743	1,122	944	-	-
Income tax recoverable	25	2,141	494	357	128	19
Cash and cash equivalents	26	75,148	58,179	59,624	6,751	104
Total current assets		331,828	272,678	236,628	11,460	2,119
Total assets		570,510	479,686	428,645	260,906	235,364
Equity and liabilities						
Equity						
Share capital	27	1	1	1	1	1
Share premium		2,097	2,097	2,097	2,097	2,097
Other reserves	28	52,012	49,423	44,799	187,308	171,957
Retained earnings		71,447	49,790	44,801	23,768	6,268
Total equity attributable to equity holders of the company		125,557	101,311	91,698	213,174	180,323
Non-controlling interest		56,287	46,214	38,710	-	-
Total equity		181,844	147,525	130,408	213,174	180,323
Non-current liabilities						
Loans and borrowings	29	38,248	20,246	10,150	214	1,068
Provisions	30	70	-	-	-	-
Deferred tax liabilities	20	2,740	2,991	1,733	45,066	45,846
Total non-current liabilities		41,058	23,237	11,883	45,280	46,914
Current liabilities						
Bank overdraft	26	2,790	7,848	8,662	213	2,078
Loans and borrowings	29	16,916	16,650	26,291	890	957
Provisions	30	5,795	5,039	3,521	790	524
Income tax payable	31	4,538	5,780	2,685	94	42
Trade and other payables	32	42,496	44,174	33,343	423	422
Trade and other payables - Group companies	33	-	-	-	42	4,104
Customer deposits	34	275,073	229,433	211,852	-	-
Total current liabilities		347,608	308,924	286,354	2,452	8,127
Total liabilities		388,666	332,161	298,237	47,732	55,041
Total equity and liabilities		570,510	479,686	428,645	260,906	235,364

The financial statements of the Group and Company were approved for issue by the Board of Directors on 6 April 2018 and were signed on its behalf by:

…………………………………..   …………………………………………

Mr. P. Khembo   **Dr. G.B Patridge**

The notes on pages 24 to 120 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 2017
In millions of Malawi Kwacha

	Notes	Group 2017	Group 2016 *Restated*	Company 2017	Company 2016
Continuing operations					
Revenue	35	200,480	188,857	8,626	7,271
Direct trading expenses	36	(81,996)	(77,503)	(14)	(26)
Gross profit		118,484	111,354	8,612	7,245
Other operating income	37	24,394	5,248	17,702	395
Distribution expenses	38	(2,847)	(2,402)	-	-
Administrative expenses	39	(83,505)	(80,341)	(5,160)	(3,865)
Results from operating activities		56,526	33,859	21,154	3,775
Finance income	40	1,714	2,117	955	166
Finance costs	40	(8,975)	(11,787)	(1,682)	(2,065)
Net finance costs		(7,261)	(9,670)	(727)	(1,899)
Share of results of equity-accounted investees	41	4,842	5,543	-	-
Profit before income tax		54,107	29,732	20,427	1,876
Income tax expense	42	(14,438)	(14,418)	(823)	(688)
Profit from continuing operations		39,669	15,314	19,604	1,188
Discontinued operations					
Profit from discontinued operations (net of income tax)		4	5	-	-
Profit for the year		39,673	15,319	19,604	1,188
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss:					
Revaluation of property, plant and equipment		3,308	2,595	-	130
Share of other comprehensive income of equity accounted investments		498	3,204	-	-
Income tax relating to items that may not be reclassified subsequently to profit or loss	20	(25)	2,189	-	-
Items that may be reclassified subsequently to profit or loss:					
Net change in fair value of available for sale financial assets		178	(11)	36,848	78,212
Revaluation surplus on disposal of available for sale financial asset		-	-	(22,277)	-
Income tax relating to items that may be reclassified subsequently to profit or loss	20	-	-	780	(17,533)
Other comprehensive income for the year (net of tax)		3,959	7,977	15,351	60,809
Total comprehensive income for the year		43,632	23,296	34,955	61,997
Profit attributable to:					
Owners of the Company		23,917	4,909	19,604	1,188
Non-controlling interest		15,756	10,410	-	-
Profit for the year		39,673	15,319	19,604	1,188
Total comprehensive income attributable to:					
Owners of the Company		26,350	10,635	34,955	61,997
Non- controlling interest		17,282	12,661	-	-
Total comprehensive income for the year		43,632	23,296	34,955	61,997
Earnings per share					
Basic and diluted earnings per share (K)	43	198.98	40.84		
Continuing operations					
Basic and diluted earnings per share (K)	43	198.94	40.80		

PRESS CORPORATION PLC
STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2017

In millions of Malawi Kwacha

Group 2017	**Issued capital**	**Share premium**	**Other reserves**	**Retained earnings**	**Total equity attributable to equity holders of company**	**Non-controlling interest**	**Total Equity**
Balance at 1 January 2017 as previously stated	1	2,097	49,423	51,685	103,206	46,214	149,420
Prior year adjustment (note 48)	-	-	-	(1,895)	(1,895)	-	(1,895)
Balance at 1 January 2017 as previously stated	1	2,097	49,423	49,790	101,311	46,214	147,525
Profit for the year	-	-	-	23,917	23,917	15,756	39,673
Other comprehensive income	-	-	2,433	-	2,433	1,526	3,959
Total comprehensive income for the year	-	-	2,433	23,917	26,350	17,282	43,632
Transfer to loan loss reserve	-	-	395	(395)	-	-	-
Depreciation transfer land and buildings	-	-	(239)	239	-	-	-
Dividends to equity holders	-	-	-	(2,104)	(2,104)	(7,209)	(9,313)
Balance at 31 December 2017	1	2,097	52,012	71,447	125,557	56,287	181,844
2016 - Restated							
Balance at 1 January 2016	1	2,097	44,799	44,801	91,698	38,710	130,408
Profit for the year	-	-	-	4,909	4,909	10,410	15,319
Other comprehensive income	-	-	5,726	-	5,726	2,251	7,977
Total comprehensive income for the year	-	-	5,726	4,909	10,635	12,661	23,296
Transfer from loan loss reserve	-	-	(984)	984	-	-	-
Depreciation transfer land and buildings	-	-	(118)	118	-	-	-
Non-controlling Interest on business combination	-	-	-	-	-	(78)	(78)
Dividends to equity holders	-	-	-	(1,022)	(1,022)	(5,079)	(6,101)
Balance at 31 December 2016	1	2,097	49,423	49,790	101,311	46,214	147,525

PRESS CORPORATION PLC
STATEMENTS OF CHANGES IN EQUITY (Continued)
For the year ended 31 December 2017

In millions of Malawi Kwacha

	Issued capital	Share premium	Other reserves	Retained earnings	Total Equity
Company					
2017					
Balance at 1 January 2017	1	2,097	171,957	6,268	180,323
Profit for the year	-	-	-	19,604	19,604
Other comprehensive income	-	-	15,351	-	15,351
Total comprehensive income for the year	-	-	15,351	19,604	34,955
Dividends to equity holders	-	-	-	(2,104)	(2,104)
Balance at 31 December 2017	1	2,097	187,308	23,768	213,174
2016					
Balance at 1 January 2016	1	2,097	111,148	6,102	119,348
Profit for the year	-	-	-	1,188	1,188
Other comprehensive income	-	-	60,809	-	60,809
Total comprehensive income for the year	-	-	60,809	1,188	61,997
Dividends to equity holders	-	-	-	(1,022)	(1,022)
Balance at 31 December 2016	1	2,097	171,957	6,268	180,323

PRESS CORPORATION PLC
CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
For the year ended 31 December 2017

In millions of Malawi Kwacha

		Group		Company	
	Notes	**2017**	**2016** *Restated*	**2017**	**2016**
Cash generated by/(used in) operations	47	44,643	42,486	(12,175)	(1,826)
Interest paid		(7,194)	(8,803)	(1,645)	(1,963)
Income taxes paid	25, 31	(17,570)	(11,895)	(880)	(620)
Net cash from/ (used in) operating activities		19,879	21,788	(14,700)	(4,409)
Cash flows from investing activities					
Purchase of property, plant and equipment		(22,617)	(16,537)	(82)	(31)
Purchase of intangible assets		(4,050)	(2,784)	-	(1)
Purchase of investment property		(241)	(99)	-	-
Net cash outflow on acquisition of a subsidiary		-	(26)	-	-
Proceeds from disposal of shares	15.2	17,216	-	17,216	53
Proceeds from sale of investment property and property, plant and equipment		1,617	1,585	46	1
Investment in a subsidiary	13	-	-	(92)	(2,000)
Dividend received		1,525	1,955	8,231	6,882
Interest received		1,714	2,117	955	166
Net cash (used in)/from investing activities		(4,836)	(13,789)	26,274	5,070
Cash flows used in financing activities					
Proceeds from long term borrowings		25,701	16,933	-	-
Repayments of long term borrowings		(9,404)	(19,462)	(958)	(1,005)
Dividend paid to non-controlling interest		(7,209)	(5,079)	-	-
Dividend paid		(2,104)	(1,022)	(2,104)	(1,022)
Net cash from/ (used) in financing activities		6,984	(8,630)	(3,062)	(2,027)
Net increase/ (decrease) in cash and cash equivalents		22,027	(631)	8,512	(1,366)
Cash and cash equivalents at beginning of the year		50,331	50,962	(1,974)	(608)
Cash and cash equivalents at end of the year	26	72,358	50,331	6,538	(1,974)

1. General Information

1.1 Reporting entity

Press Corporation plc ('the company') is a company incorporated in Malawi under the Companies Act, 1984. It was listed on the Malawi Stock Exchange in September 1998 and as a Global Depository Receipt on the London Stock Exchange in July 1998. The consolidated financial statements as at, and for the year ended, 31 December 2017 comprise the company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in associates and joint ventures.

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

1.2 Going concern

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

1.3 Functional and presentation currency

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

2. Application of new and revised International Financial Reporting Standards (IFRs)

2.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied those new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for an accounting period that begins on or after 1 January 2017.

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

2.2 New and revised IFRSs in issue but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, 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.

Effective date	**Standard, Amendment or interpretation**
Annual periods beginning on or after 1 January 2018	IFRS 9 *Financial Instruments* IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

2. Application of new and revised International Financial Reporting Standards (IFRs) (Continued)

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

Effective date	**Standard, Amendment or interpretation**

IFRS 9 *Financial Instruments (Continued)*

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model 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 outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss;

- With regard to measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss;

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit losses and changes in those expected credit losses each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised; and

- The new general hedge accounting requirements retain the three types of hedge accounting mechanics currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

2. Application of new and revised International Financial Reporting Standards (IFRs) (Continued)

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

Annual periods beginning on or after 1 January 2018	IFRS 15 *Revenue from Contracts with Customers* IFRS 15 specifies how and when an entity will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition: • Step 1: Identify the contract(s) with a customer; • Step 2: Identify the performance obligations in the contract; • Step 3: Determine the transaction price; • Step 4: Allocate the transaction price to the performance obligations in the contract; and • Step 5: Recognise Revenue when (or as) the entity satisfies a performance obligation. Under IFRS15, an entity recognises Revenue when (or as) a performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. In April 2016, the IASB issued Classifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.
Annual periods beginning on or after 1 January 2019	IFRS 16 *Leases* IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guide including IAS 17 Leases and the related interpretations when it becomes effective. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are aid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion that will be presented as financing and operating cash flows respectively.

2. Application of new and revised International Financial Reporting Standards (IFRs) (Continued)

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

IFRS 16 *Leases (Continued)*

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

Annual reporting periods beginning on or after 1 January 2021

IFRS 17 *Insurance Contracts*

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

Annual periods beginning on or after 1 January 2018

Classification and Measurement of Share-based Payment Transactions

Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018

Annual Improvements to IFRS Standards 2014–2016 Cycle

Makes amendments to the following standards:

- IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose

- IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Annual reporting periods beginning on or after 1 January 2018

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation addresses foreign currency transactions or parts of transactions where:

- There is consideration that is denominated or priced in a foreign currency;
- The entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- The prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

2. Application of new and revised International Financial Reporting Standards (IFRs) (Continued)

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

Effective date	**Standard, Amendment or interpretation**
Annual reporting periods beginning on or after 1 January 2019	*IFRIC 23 Uncertainty over Income Tax Treatments* The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.
Annual periods beginning on or after 1 January 2019	*Prepayment Features with Negative Compensation (Amendments to IFRS 9)* Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.
Annual periods beginning on or after 1 January 2019	*Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)* Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The directors anticipate that other than IFRS 9 and IFRS 15 these Standards and Interpretations in future periods will have no significant impact on the financial statements of the Group. IFRS 9 will impact the measurement of financial instruments and IFRS 15 will affect recognition of revenue.

<u>Assessed impact of IFRS 15 *Revenue from Contracts with Customers*</u>

IFRS 15 *Revenue from Contracts with Customers* which establishes a single comprehensive model for use in accounting for revenue from contracts with customers is expected to have an impact on the Group's telecommunication businesses. The directors of the Group have preliminarily assessed that the "contract handsets and contract packages" represent two separate performance obligations from the sale of the contract packages and handsets and accordingly, its revenue reported service revenues will be recognized for each of these performance obligations when control over the corresponding goods and services is transferred to the customer.

<u>Assessed impact of IFRS 9 *Financial Instruments*</u>

The directors have preliminarily assessed that loans and advances to customers, finance lease receivables, other investments and trade and other receivables will be subject to the impairment provisions of IFRS 9. The Group expects to apply the general approach to recognise lifetime and 12-month expected credit losses for loans and advances to customers and finance lease receivables. Other investments have been deemed to have low credit risk by the directors as they include Malawi Government Bills and Notes which are guranteed by the Government of Malawi and Money Market deposits which are transacted with reputable financial institutions, the Group hence expects to recognise 12 month expected credit losses for these items. The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade and other receivables as permitted by IFRS 9.

In general, the directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items. The Group is in the progress of developing its models and this is expected to be completed in the first half of 2018.

2. Significant accounting policies

2.2 Statement of compliance

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

2.3 Basis of preparation

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

- Financial instruments at fair value through profit or loss are measured at fair value.
- Biological assets are measured at fair value less costs to sell.
- Investment property is measured at fair value.
- Investments in subsidiaries, joint ventures and associates are measured at fair value in the company financial statements.
- Land and buildings is measured at fair value.

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

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

These different levels have been defined in note 6.7.

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

2.4 Basis of consolidation

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

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

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

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

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

3. Significant accounting policies (Continued)

3.3 Basis of consolidation (Continued)

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

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

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

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

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

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

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

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

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

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

3.4 Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income taxes and IAS 19 Employee benefits respectively;

3. Significant accounting policies (Continued)

3.4 Business combinations (Continued)

- 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.

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 IAS 39 Financial Instruments: Recognition and Measurement, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising 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. Significant accounting policies (Continued)

3.5 Goodwill

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

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

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

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

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

3.6 Investments in associates and Joint Ventures

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

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

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at 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 39 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.

3. Significant accounting policies (Continued)

3.6 Investments in associates and Joint Ventures (Continued)

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 IAS 39. 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 equity method is discontinued.

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

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

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

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

3.7 Interests in joint operations

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

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

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

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

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

3. Significant accounting policies (Continued)

3.8 Non-current assets held for sale

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

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

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

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

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

3.9 Revenue recognition

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

3.9.1 Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, the discount is recognised as a reduction of revenue as the sales are recognized. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

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

3. Significant accounting policies (Continued)

3.9 Revenue recognition (Continued)

3.9.2 Rendering of services

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

- Revenue from prepaid, post-paid and international roaming telephone service is recognised when airtime is used by the customer. Value of unused airtime on prepaid service sold to customers and unused bonuses in customer phones is recognised as deferred revenue in the consolidated statement of financial position.
- Installation revenue is recognised on the date of installation.

3.9.3 Interest income

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

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

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.9.4 Fees and commissions

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

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

3. Significant accounting policies (Continued)

3.9 Revenue recognition (Continued)

3.9.5 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.

The Group's policy for recognition of revenue from operating leases is description in note 3.10 below.

Rental income from other property is recognised as other income.

3.9.6 Dividend income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

3.9.7 Premium on foreign exchange deals

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

3.9.8 Other revenue

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

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

3.10 Leases

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

3.10.1 The Group as lessor

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

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

3.10.2 The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability to the lessor is included in the consolidated and separate statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see note 3.12 below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

3. Significant accounting policies (Continued)

3.11 Foreign currencies

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

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

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

- exchange differences on monetary items receivable from or payable to a foreign operation for which 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.

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

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

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

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

3.12 Borrowing costs

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

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

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

3. Significant accounting policies (Continued)

3.13 Employee benefits

3.13.1 Defined contribution plans

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

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

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

3.13.2 Termination benefits

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

3.13.3 Short-term benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, sick leave and non-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.

3.14 Taxation

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

3.14.1 Current tax

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

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

3.14.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated and separate financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable 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.

3. Significant accounting policies (Continued)

3.14 Taxation (Continued)

3.14.2 Deferred tax (Continued)

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.

3.14.3 Current and deferred tax for the year

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

3.15 Property, plant and equipment

3.15.1 Recognition and measurement

Land and 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 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 and fishing vessels is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of those assets.

3. Significant accounting policies (Continued)

3.15 Property, plant and equipment (Continued)

3.15.1 Recognition and measurement (Continued)

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 properties revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

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

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

3.15.2 Subsequent expenditure

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

3.15.3 Depreciation

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

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

3.15.4 Reclassification to investment property

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

3. Significant accounting policies (Continued)

3.16 Investment property

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

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

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

3.17 Intangible assets

3.17.1 Intangible assets acquired separately

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

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

3.17.2 Internally-generated intangible assets – research and development expenditure

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

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

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

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

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

3.17.3 Intangible assets acquired in a business combination

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

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

3. Significant accounting policies (Continued)

3.17 Intangible assets (Continued)

3.17.4 Subsequent expenditure

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

3.17.5 De-recognition of intangible assets

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

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

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

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

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

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

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

3.19 Biological assets

Biological assets are measured at fair value less costs to sell, with any gain or loss recognised in profit or loss. Costs to sell include all costs that would be necessary to sell the assets including transportation costs.

The fair value of fish held for sale is based on the market price of fish of similar age, breed and genetic merit.

3.20 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of items transferred from biological assets is their fair value less costs to sell at the date of transfer.

3. Significant accounting policies (Continued)

3.21 Provisions

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

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

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

3.21.1 Onerous contracts

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

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

3.21.2 Restructuring

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

3.21.3 Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 Revenue.

3.22 Discontinued operations

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

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

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

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

3. Significant accounting policies (Continued)

3.23 Share capital and dividends

i) Ordinary shares

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

ii) Dividends on ordinary shares

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

iii) Dividend per share

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

iv) Earnings per share

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

v) Equity instruments

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

3.24 Financial instruments

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

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

3.25 Financial assets

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

3. Significant accounting policies (Continued)

3.25 Financial assets (Continued)

3.25.1 Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

3.25.2 Held-to-maturity investments

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

3.25.3 Loans and receivables

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

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

3. Significant accounting policies (Continued)

3.25 Financial assets (Continued)

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

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

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

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

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

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

3.25.5 Impairment of financial assets

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

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

For loans and advances, the Group assess individually significant loans whether objective evidence of impairment exists for these loans. If there is objective evidence that an impairment loss has been incurred, the amount of loss is calculated as the difference between the loans' carrying amount and the present value of estimated future cash flows. If the Group determines that no objective evidence of impairment exist for individually significant loans, it includes the loan in a group of loans with similar credit characteristics and collectively assess them for impairment.

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

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

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

3. Significant accounting policies (Continued)

3.25 Financial assets (Continued)

3.25.5 Impairment of financial assets (Continued)

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

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

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

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

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

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

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

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

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

3. Significant accounting policies (Continued)

3.25 Financial assets (Continued)

3.25.6 De-recognition of financial assets

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

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

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

3.26 Financial liabilities

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

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

3.26.1 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is:

(i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies,

(ii) held for trading, or

(iii) It is designated as at FVTPL.

A financial liability is classified as held for trading if:

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

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

3. Significant accounting policies (Continued)

3.26 Financial liabilities (Continued)

3.26.2 Other financial liabilities

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

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

3.26.3 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. These contracts have several legal forms such as Letters of credit (LCs), Guarantees and performance bonds.

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

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

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

3.26.4 De-recognition of financial liabilities

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

3.27 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 a group entity 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.

3.28 Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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

3. Significant accounting policies (Continued)

3.29 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.

3.30 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.

3.31 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 Control over Telekom Networks Malawi (TNM)

The directors of the Company assessed whether or not the Group has control over TNM based on whether the Group has the practical ability to direct the relevant activities of TNM unilaterally. In making their judgement, the directors considered the Group’s absolute size of holding in TNM of 41.31% (2016: 41.31%) and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of TNM Limited and therefore the Group has control over TNM.

4.1.2 Held-to-maturity financial assets

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances- for example, selling an insignificant amount close to maturity- it will be required to reclassify the entire class as available for sale. Details of assets held for sale are set out in note 23.

4.1.3 Deferred taxation on investment properties

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

4.1.4 Income taxes

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

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

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 are disclosed in the notes specific to those assets or liabilities.

4.2.2 Impairment losses on financial assets

The Group reviews its financial assets to assess impairment at least on a quarterly basis. The impairment evaluation is done both individually and collectively.

Key assumptions used:

a) Cash flows arising from collateral realisation crystallise at an average period of 12 months and arise at the end of the 12 months period. Where cash flows are doubtful, they are assumed to be nil.
b) Where there is a borrowing agreement but no collateral in place, expected future cash flows are assumed to be nil.
c) Unsupported guarantees which are not backed by any tangible asset (by companies or individuals except bank guarantees) are assumed to result in nil cash flows; and
d) No cash flows are assumed to arise where there is no repayment agreement i.e. in instances of unsanctioned borrowing for example exceeding authorised overdraft limits.

4.2.3 Residual values and useful lives of tangible assets

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

4.2.4 Impairment of goodwill

In determining whether goodwill is impaired, the Group estimates the value in use of the cash-generating unit to which goodwill has been allocated. In calculating the value in use, the Group estimates the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the value in use is less than the carrying amount of the assets and liabilities of the cash-generating unit plus its goodwill, an impairment is recognised.

5. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the returns to stakeholders through optimisation of the debt and equity balance. The overall Group strategy remains unchanged from 2016.

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

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

5.1 Regulatory capital

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

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

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

- A total capital (Tier 2) of not less than 15% of its total risk-weighted on statement of financial position assets plus risk-weighted off-statement of financial position items.

The Group's banking business regulatory capital is analysed into two tiers as follows:

- Core capital (Tier 1) which consists of ordinary share capital, share premium, retained profits, 60% of after-tax profits in the current year (or less 100% of current year loss), less any unconsolidated investment in financial companies.

- Total capital (Tier 2), which consists of revaluation reserves and general provisions, when such general provisions have received prior approval of the Reserve Bank of Malawi plus tier 1 capital. Supplementary capital must not exceed core capital i.e. shall be limited to 100% of total core capital.

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.

In millions of Malawi Kwacha

5. Capital management (Continued)

5.1 Regulatory capital (Continued)

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

	2017	2016
Tier 1 capital		
Ordinary share capital	467	467
Share premium	613	613
Retained earnings	51,740	43,612
Unconsolidated investments	(3,459)	(3,369)
	49,361	41,323
Tier 2 capital		
Supplementary capital		
Loan loss reserve	1,160	708
Deferred tax	(6,332)	(6,811)
Revaluation reserve	18,158	15,459
Unconsolidated investments	(3,459)	(3,369)
Total tier 2 capital (total regulatory capital)	58,888	47,310
Risk-weighted assets		
Retail bank, corporate bank and treasury	263,452	254,303
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	22%	19%
Total tier 1 capital expressed as a percentage of risk-weighted assets	19%	16%

6 Financial instruments

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

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.1 Categories of financial instruments (Continued)

Group (Continued)	**Notes**	**Loans and receivables**	**Available for sale**	**Amortised cost**	**Total carrying amount**
At 31 December 2016 - Restated					
Financial assets					
Cash and cash equivalents	26	58,179	-	-	58,179
Trade and other receivables	23	24,187	-	-	24,196
Other investments	19	-	1,100	88,096	89,196
Finance lease receivables	17	9,376	-	-	9,376
Loans and advances to customers	16	122,043	-	-	122,043
		213,785	1,100	88,096	302,981
Financial liabilities					
Bank overdraft	26	-	-	7,848	7,848
Loans and borrowings	29	-	-	36,896	36,896
Trade and other payables	31	-	-	44,174	44,174
Customer deposits	34	-	-	229,433	229,433
		-	-	318,351	318,351

Company					
At 31 December 2017					
Financial assets					
Cash and cash equivalents	26	6,751	-	-	6,751
Trade and other receivables – Group	22	4,500	-	-	4,500
Trade and other receivables	23	559	-	-	559
Other investments	19	-	-	1,246	1,246
Investments in associates	15	-	54,608	-	54,608
Investments in joint ventures	14	-	20,618	-	20,618
Investments in subsidiaries	13	-	171,429	-	171,429
		11,810	246,655	1,246	259,711
Financial liabilities					
Bank overdraft	26	-	-	213	213
Loans and borrowings	29	-	-	1,104	1,104
Trade and other payables	32	-	-	423	423
Trade and other payables to Group companies	33	-	-	42	42
		-	-	1,782	1,782
At 31 December 2016					
Financial assets					
Cash and cash equivalents	26	104	-	-	104
Trade and other receivables – Group	22	1,845	-	-	1,845
Trade and other receivables	23	131	-	-	131
Investments in associates	15	-	74,851	-	74,851
Investments in joint ventures	14	-	18,701	-	18,701
Investments in subsidiaries	13	-	138,618	-	138,618
		2,080	232,170	-	234,250
Financial liabilities					
Bank overdraft	26	-	-	2,078	2,078
Loans and borrowings	29	-	-	2,025	2,025
Trade and other payables	32	-	-	422	422
Trade and other payables to Group companies	33	-	-	4,104	4,104
		-	-	8,629	8,629

6 Financial instruments (Continued)

6.2 Financial risk management

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

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

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

6.3 Risk management framework

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

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

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

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

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

6.4 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Group's credit risk arises principally from the Group's receivables from customers, cash and cash equivalents, investment securities and loans and advances. The amounts presented in the statement of financial position are net of provisions for impairment. The specific provision represents allowances for estimated irrecoverable amounts when there is objective evidence that the asset is impaired.

In millions of Malawi Kwacha

6. Financial instruments (Continued)

6.4 Credit risk (Continued)

6.4.1 Exposure of credit risk

The table below shows the maximum exposure to credit risk by class of financial instrument without taking into account any collateral or other credit enhancements. Financial instruments include financial instruments defined and recognized under IAS39 Financial instruments: recognition and measurement as well as other financial instruments not recognised. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Group		Company	
	2017	2016	2017	2016
Gross maximum exposure				
Trade and other receivables	26,022	24,187	559	131
Trade and other receivables – Group companies	-	-	4,500	1,845
Other investments	140,359	89,196	1,246	-
Loans and advances to customers	120,674	122,043	-	-
Finance lease receivables	10,317	9,376	-	-
Cash and cash equivalents	75,148	58,179	6,751	104
Total recognised financial instruments	372,520	302,981	13,056	2,080
Guarantees and performance bonds	25,495	16,950	16,470	14,700
Letters of credit	28,808	16,855	-	-
Total unrecognised financial instruments	54,303	33,805	16,470	14,700
Total credit exposure	426,823	336,786	29,526	16,780

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 K8,150 million (2016: K3,314 million) held as security for some loans and advances which in the event of default will be offset against such loans and advances.

6.4.2 Trade and other receivables

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

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

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

In millions of Malawi Kwacha

6. Financial instruments (Continued)

6.4 Credit risk (Continued)

6.4.2 Trade and other receivables (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 has provided fully for all receivables over 120 days, except those deemed recoverable based on past payments pattern or settlement agreements in place. Trade and other receivables between 30 days and 120 days are provided for based on the estimated recoverable amounts determined by reference to past default experience and prevailing economic conditions.

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

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

Age of trade receivables that are past due but not impaired

Trade and other receivables that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

	Group	
	2017	**2016**
30-120 days	2,056	1,836
Over 120 days	5,442	2,709
	7,498	4,545

Movement in the allowance for doubtful debts

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

The movement in the allowance for doubtful debts in respect of trade and other receivables during the year was as follows:

	Group	
	2017	**2016**
Balance at beginning of the year	897	814
Impairment (reversal)/charge recognised in the year	1,128	98
Provision previously recognised in statement of comprehensive income written off	-	(15)
Balance at end of the year	2,025	897

In millions of Malawi Kwacha

6. Financial instruments (Continued)

6.4 Credit risk (Continued)

6.4.3 Cash and cash equivalents

The Group held cash and cash equivalents comprising of cash and bank balances net of bank overdrafts amounting to K72,358 million as at 31 December 2017 (2016: K50,331 million). The cash and cash equivalents are held with bank and financial institution counterparties which have high credit ratings.

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

6.4.4 Investments

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

6.4.5 Loans and advances

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

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.

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:

	2017	%	2016	%
Wholesale and retail	48,632	38	34,559	28
Other	9,429	7	9,831	8
Personal	17,670	14	18,967	15
Agriculture	22,200	18	28,210	23
Manufacturing	26,113	21	30,493	25
Finance and insurance	2,585	2	1,007	1
	126,629	100	123,067	100

In millions of Malawi Kwacha

6. Financial instruments (Continued)

6.4 Credit risk (Continued)

6.4.5 Loans and advances (Continued)

Credit quality analysis of loans and advances

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

	Group	
	2017	**2016**
Individually impaired		
Grade 9: Impaired	8,041	1,416
Allowance for impairment	(4,828)	(338)
Carrying amount	3,213	1,078
Past due but not impaired		
Grade 8: sub-standard	3,372	3,201
Grade 7: Watch list	14,573	25,028
Carrying amount	17,945	28,229
Neither past due nor impaired		
Grade 1-3 Low risk	6,066	7,310
Grade 4-6 Fair risk	94,577	86,111
Carrying amount	100,643	93,421
Collective impairment	(1,127)	(685)
Total carrying amount	120,674	122,043

Impaired loans and advances

Impaired loans and advances are loans and advances for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan /advances agreement(s). These loans are graded 9 in the Group's internal credit risk grading system.

Past due but not impaired loans

These are loans and advances where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group. These are graded 7 and 8 in the Group's internal credit risk grading system.

6. Financial instruments (Continued)

6.4 Credit risk (Continued)

6.4.5 Loans and advances (Continued)

Credit quality analysis of loans and advances (Continued)

Neither past due nor impaired loans

These are performing loans that have no indication of impairment and 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.

In ensuring this, the Group puts in place the following credit quality measures;

(ii) For corporate and business accounts with overdraft facilities, the Group ensures that it receives customer initiated deposits at least once every fortnight that will swing the account into a credit balance or at least decrease in exposure to below 50% of the marked limit at least once a month. For personal accounts, there should be such a deposit or salary at least once a month.

(iii) For unauthorised overdrawn accounts with no limit or in excess of marked limits the Group ensures that the situation is regularised within a month (30 days).

(iv) For loans, repayable monthly, quarterly, biannually or yearly, the Group expect the amount due to be settled on the agreed date and that any arrears are cleared before the expiry of 30 days.

(v) Where the exposure emanates from seasonal facilities, full repayment is expected to be made 1 month (30 days) after end of the selling period or expiry date just as is the case where bullet or balloon arrangements are in place .

Allowance for impairment

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

Write-off policy

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

In millions of Malawi Kwacha

6. Financial instruments (Continued)

6.4 Credit risk (Continued)

6.4.5 Loans and advances (Continued)

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.

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

Group	**2017**	**2016**
Against individually impaired		
Motor vehicles	133	232
Commercial property	1,594	283
Residential property	474	176
Total	2,201	691
Against the rest of the loan book		
Motor vehicles	15,203	14,451
Commercial property	12,673	11,217
Residential property	50,978	35,864
Cash	8,150	3,314
Equities	1,514	11,218
Treasury bill	25	25
Mortgages over farmland	9,207	5,504
Debentures	24,330	22,181
Bank guarantees	1,036	1,036
Total	123,116	104,810
Grand total	125,317	105,501

Collateral repossessed

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

In millions of Malawi Kwacha

6. Financial instruments (Continued)

6.5 Liquidity risk

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

6.5.1 Management of liquidity risk

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

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

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

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

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

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

6.5.2 Measurement of liquidity risk – Group's banking business

The key measure used by the Group's banking business for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment securities for which there is an active and liquid market less any deposits from banks, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's banking business compliance with the liquidity limit established by the Reserve Bank of Malawi. Details of the reported Group's banking business ratio of net liquid assets to deposits from customers at the year-end date and during the reporting period were as follows:

	2017	2016
At 31 December	65%	54%
Average for the period	60%	51%
Maximum for the period	67%	54%
Minimum for the period	55%	47%

In millions of Malawi Kwacha

6. Financial instruments (Continued)

6.5 Liquidity risk (Continued)

6.5.3 Liquidity risk table

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

Group

	Less than 1 month	1-3 months	3-12 months	2-5 years	Over 5 years	Total	Carrying amount
At 31 December 2017							
Bank overdraft	2,843	-	-	-	-	2,843	2,790
Loans and borrowings	12,456	608	4,582	64,637	-	82,283	55,164
Customer deposits	237,334	36,316	1,590	-	-	275,240	275,073
Trade and other payables	15,785	7,702	19,009	-	-	42,496	42,496
Total financial liabilities	268,418	44,626	25,181	64,637	-	402,862	394,652
At 31 December 2016							
Bank overdraft	7,904	-	-	-	-	7,904	7,848
Loans and borrowings	6,974	2,807	12,239	32,396	240	54,656	36,896
Customer deposits	201,343	26,963	3,648	-	-	231,954	229,433
Trade and other payables	11,685	19,655	12,834	-	-	44,174	44,174
Total financial liabilities	227,906	49,425	28,721	32,396	240	338,688	318,351

Company

	Less than 1 month	1-3 months	3-12 months	2-5 years	Over 5 years	Total	Carrying amount
At 31 December 2017							
Bank overdraft	213	-	-	-	-	213	213
Loans and borrowings	305	-	742	225	-	1,272	1,104
Trade and other payables to Group companies	42		-		-	42	42
Trade and other payables	423	-	-	-	-	423	423
Total financial liabilities	983	-	742	225	-	1,950	1,782
At 31 December 2016							
Bank overdraft	2,078	-	-	-	-	2,078	2,078
Loans and borrowings	-	358	977	1,308	-	2,643	2,025
Trade and other payables to Group companies	-	-	5,335	-	-	5,335	4,104
Trade and other payables	422	-	-	-	-	422	422
Total financial liabilities	2,500	358	6,312	1,308	-	10,478	8,629

In millions of Malawi Kwacha

6. Financial instruments (Continued)

6.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity and commodity prices will affect the Group's income or the value of holding financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group monitors this risk on a continuing basis. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

6.6.1 Currency risk

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

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

Management of currency risk

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

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

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

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

Currency risk exposure

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows;

	Liabilities		**Assets**	
	2017	**2016**	**2017**	**2016**
Group				
United States Dollars (USD)	72,344	72,417	77,931	62,247
British Pound (GBP)	1,800	2,005	2,707	2,184
EURO	8,927	8,640	9,954	8,544
South African Rand (ZAR)	2,364	1,597	2,309	781
Other currencies	263	25	25	662
Company				
United States Dollars (USD)	-	-	44	39
South African Rand (ZAR)	-	-	1	1

In millions of Malawi Kwacha

6. Financial instruments (Continued)

6.6 Market risk (Continued)

6.6.1 Currency risk (Continued)

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in the Malawi Kwacha against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit before tax where the Malawi Kwacha strengthens 10% against the relevant currency. For a 10% weakening of the Malawi Kwacha against the relevant currency, there would be a comparable impact on the profit before tax, and the balances below would be negative.

	Group		**Company**	
	2017	**2016**	**2017**	**2016**
United States Dollars (USD)	559	(1,017)	4	4
British Pound (GBP)	91	18	-	-
EURO	103	(10)	-	-
South African Rand (ZAR)	(6)	(82)	-	-

6.6.2 Interest rate risk

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

Management of interest rate risk

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

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

Exposure to interest rate risk on financial assets and financial liabilities

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

In millions of Malawi Kwacha

6. Financial instruments (Continued)

6.6 Market risk (Continued)

6.6.2 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 2017						
Financial assets						
Investments in joint ventures and associates	-	-	-	-	40,687	40,687
Other investment	104,243	6,638	-	-	29,478	140,359
Cash and cash equivalents	43,350	-	4,700	-	27,098	75,148
Loans and advances to customers	10,338	10,025	57,833	42,478	-	120,674
Finance lease receivables	-	78	1,032	9,207	-	10,317
Trade and other receivables	-	-	-	-	26,022	26,022
Total financial assets	157,931	16,741	63,565	51,685	123,285	413,207
Financial liabilities						
Bank overdraft	2,790	-	-	-	-	2,790
Loans and borrowings	2,016	8,341	360	44,211	236	55,164
Customer deposits	222,844	36,278	1,585	-	14,366	275,073
Trade and other payables	-	-	-	-	42,496	42,496
Total financial liabilities	227,650	44,619	1,945	44,211	57,098	375,523
Interest sensitivity gap	(69,719)	(27,878)	61,620	7,474	66,187	37,684
At 31 December 2016						
Financial assets						
Investments in joint ventures and associates	-	-	-	-	39,627	39,627
Other investment	60,479	2,873	-	-	25,844	89,196
Cash and cash equivalents	30,963	-	-	-	27,216	58,179
Loans and advances to customers	19,456	10,955	48,327	43,305	-	122,043
Finance lease receivables	-	-	9,376	-	-	9,376
Trade and other receivables	-	-	-	-	24,187	24,187
Total financial assets	110,898	13,828	57,703	43,305	116,874	342,608
Financial liabilities						
Bank overdraft	7,848	-	-	-	-	7,848
Loans and borrowings	6,831	1,246	6,761	21,822	236	36,896
Customer deposits	194,247	26,630	3,309	-	5,247	229,433
Trade and other payables	-	-	-	-	44,174	44,174
Total financial liabilities	208,926	27,876	10,070	21,822	49,657	318,351
Interest sensitivity gap	(98,028)	(14,048)	47,633	21,483	67,217	24,257

In millions of Malawi Kwacha

6. Financial instruments (Continued)

6.6 Market risk (Continued)

6.6.2 Interest rate risk (Continued)

	Less than 1 month	1-3 months	3-12 months	Over 1 year	Non-interest sensitive	Total
Company						
At 31 December 2017						
Financial assets						
Investments in subsidiaries joint ventures and associates	-	-	-	-	246,655	246,655
Cash and cash equivalents	-	48	6,703	-	-	6,751
Trade and other receivables – Group companies	-	-	2,091	-	2,409	4,500
Other investments	-	-	1,246	-	-	1,246
Trade and other receivables	-	-	-	-	559	559
Total financial assets	-	48	10,040	-	249,623	259,711
Financial liabilities						
Bank overdraft	213	-	-	-	-	213
Loans and borrowings	249	-	641	214	-	1,104
Trade and other payables to Group companies	-	-	-	-	42	42
Trade and other payables	-	-	-	-	423	423
Total financial liabilities	462	-	641	214	465	1,782
Interest sensitivity gap	(462)	48	9,399	(214)	249,158	257,929
At 31 December 2016						
Financial assets						
Investments in subsidiaries joint ventures and associates	-	-	-	-	232,170	232,170
Cash and cash equivalents	-	104	-	-	-	104
Trade and other receivables – Group companies	-	-	276	-	1,569	1,845
Trade and other receivables	-	-	-	-	131	131
Total financial assets	-	104	276	-	233,870	234,250
Financial liabilities						
Bank overdraft	2,078	-	-	-	-	2,078
Loans and borrowings	-	313	642	1,070	-	2,025
Trade and other payables to Group companies	-	-	4,063	-	41	4,104
Trade and other payables	-	-	-	-	422	422
Total financial liabilities	2,078	313	4,705	1,070	463	8,629
Interest sensitivity gap	(2,078)	(209)	(4,429)	(1,070)	233,407	225,621

In millions of Malawi Kwacha

6. Financial instruments (Continued)

6.6 Market risk (Continued)

6.6.2 Interest rate risk (Continued)

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates on the financial assets and liabilities at the reporting date. The interest rate sensitivity is also calculated based on a 5% movement on the carrying amounts. If the interest rates had gone up or down by 5% the Group's profit for the year ended 31 December 2017 would decrease/increase by K1.8 billion (2016: K1.2 billion).

6.6.3 Other market price risk

The Group is exposed to equity price risks arising from equity investments listed on the Malawi Stock Exchange. The Group's equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Exposure to equity price risk

As at 31 December 2017, the Company had the following financial assets that exposed it to equity price risk.

	2017	2016
Financial asset		
Investment in National Bank of Malawi	64,924	60,110
Investment in Telekom Networks Malawi Limited	60,141	26,960
	125,065	87,070

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 2017, if the equity price had weakened/strengthened by 5% with all other variables held constant, the Company's other comprehensive income for the year would have been higher/lower as follows:

	2017	2016
Financial asset		
Investment in National Bank of Malawi	3,246	3,006
Investment in Telekom Networks Malawi Limited	3,007	1,348
	6,253	4,354

The analysis is performed on the same basis for 2017 and 2016 and assumes that all other variables remain the same.

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.7 Fair values measurements

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

6.7.1 Fair value hierarchy

The table below shows an 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 2017					
Government promissory notes	19	-	48	-	48
At 31 December 2016					
Government promissory notes	19	-	1,100	-	1,100

Company

	Notes	Level 1	Level 2	Level 3	Total
At 31 December 2017					
Investments in associates	15	-	-	54,608	54,608
Investments in joint ventures	14	-	-	20,618	20,618
Investments in subsidiaries	13	125,065	-	46,364	171,429
		125,065	-	121,590	246,655
At 31 December 2016					
Investments in associates	15	-	-	74,851	74,851
Investments in joint ventures	14	-	-	18,701	18,701
Investments in subsidiaries	13	87,070	-	51,548	138,618
		87,070	-	145,100	232,170

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

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Group

Financial asset	**Fair value as at**		**Fair value hierarchy**	**Valuation technique(s) and key input(s)**
	2017	**2016**		
Government promissory notes	48	1,100	Level 2	Discounted cash flows using applicable interest rates and agreed repayment plan

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.7 Fair values measurements (Continued)

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

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
	2017	2016				
Investment in National Bank of Malawi and Telekom Networks Malawi Limited	125,065	87,070	Level 1	Stock market share prices.	N/A	N/A
Investment in Limbe Leaf Tobacco Company, Macsteel (Malawi) Limited, Castel Malawi Limited, Puma, Presscane, Ethanol Company Limited, Open Connect Limited, Press Properties Limited and Peoples Trading Centre Limited	116,559	138,517	Level 3	*Price multiples method*: The method uses weighted average value of various relevant valuation methods. Methods used include Net Asset valuation method, Price to Sales Relative valuation method, Price to Book Value Relative valuation method, Price to Earnings (P/E) Relative valuation method, EV/EBITDA Relative valuation method, Economic Profit valuation method and Discounted Free Cash Flow valuation method	• Long term revenue growth rates, taking into account management's experience and knowledge of the market conditions of the specific industries, ranging from 10% to 26%. • Accounting policies, judgements and assumptions for recognition and measurement of asset and liabilities. • Weighted average cost of capital ranging from 19% to 26% determined using a capital asset pricing model. • Price earnings ratio ranging from 8 to 16. • Market price to sales ratio ranging from 0.61 to 1.65.	The higher the revenue growth rate and pre-tax operating margin the higher the fair value. The more favourable the accounting policies used in a particular economic environment, the higher the fair value. The higher the weighted average cost of capital and the discount rate the lower the fair value. The higher the discount applied on the multiple the lower the fair value.

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.7 Fair values measurements (Continued)

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

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
	2017	2016				
Investment in The Foods Company Limited	1,083	1,049	Level 3	*Price to sales method*: The approach compares a company's stock price to its projected sales. The ratio is calculated by dividing the company's stock price per share by sales per share for a 12 month period. Industry comparable multiple was used. The multiple was discounted to reflect the differences between the comparable and the company being valued.	• A discount of 50% was applied to the multiple average of the comparable industry companies. • Projected sales were used which are determined using accounting policies, judgements and assumptions.	The higher the sales the higher the fair value. The higher the discount applied on the multiple the lower the fair value
Investment in Malawi Telecommunications Limited, Manzinzi Bay Limited and Malawi Pharmacies Limited.	3,948	5,536	Level 3	*Net asset values:* The method measure the equity holders' claim on the residual assets after paying off the company's liabilities.	Accounting policies, judgements and assumptions for recognition and measurement of asset and liabilities	The more favourable the accounting policies used in a particular economic environment, the higher the fair value.

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.7 Fair values measurements (Continued)

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

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements to approximate their fair values.

		2017		2016	
Group	**Notes**	**Carrying amount**	**Fair Value**	**Carrying amount**	**Fair Value**
Financial assets					
Other investments	19	140,359	140,567	89,196	89,462
Finance lease receivables	17	10,317	11,414	9,376	10,206
Loans and advances to customers	16	120,674	132,331	122,043	127,506
		271,350	284,312	220,615	227,174
Financial liabilities					
Loans and borrowings	29	55,164	63,079	36,896	39,650
		55,164	63,079	36,896	39,650
Company					
Financial liabilities					
Loans and borrowings	29	1,104	1,115	2,025	2,087
		1,104	1,115	2,025	2,087

7 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer ("CEO") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, investment property and intangible assets other than goodwill.

7.1 Basis for segmentation

The Group has five reportable segments which are based on the type of business among its subsidiary, associated companies and joint ventures. These segments are: Financial Services, Telecommunication, Energy, Consumer Goods, and All Other Reportable Segments. The segments offer different products and services, and are managed separately because they require different technology and marketing strategies.

7 Operating segments (Continued)

7.1 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
Consumer Goods segment	Supermarket chain
All other segments	Property investment and development, Holding company, Manufacturer and distributor of food products.

7.2 Geographical segment presentation

All operations of the Group are in Malawi and therefore geographical segment presentation has not been made.

7.3 Information about major customers

The Group revenues are earned from a range of customers, none of which constitute ten percent or more of the total Group's revenues.

7.4 Information about reportable segments

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

7 Operating segments (Continued)

7.4 Information about reportable segments (Continued)

	Reportable segments					
	Financial services	Tele-communi-cations	Energy	Consumer goods	All other segments	Total
2017						
Revenue						
External revenues	68,163	85,395	11,682	33,003	2,237	200,480
Inter-segment revenue	877	7,639	-	47	571	9,134
Segment revenue	**69,040**	**93,034**	**11,682**	**33,050**	**2,808**	**209,614**
Segment operating profit/(loss)	27,551	20,632	200	(2,207)	21,359	67,535
Segment interest income	-	48	1,386	7	959	2,400
Segment interest expense	-	(7,215)	(2)	(1,163)	(2,444)	(10,824)
Segment income tax expense	(8,403)	(5,095)	63	-	(1,004)	(14,439)
Profit for the year	**19,148**	**8,370**	**1,647**	**(3,363)**	**18,870**	**44,672**
Depreciation and amortization	2,896	10,507	454	463	401	14,721
Segment assets	392,267	117,300	21,045	6,308	273,717	810,637
Segment liabilities	310,054	84,171	3,588	14,208	56,541	468,562
Capital additions	4,984	19,574	1,271	483	595	26,907
2016						
Revenue						
External revenues	62,603	74,548	15,196	34,017	2,493	188,857
Inter-segment revenue	975	5,697	-	52	5,431	12,155
Segment revenue	**63,578**	**80,245**	**15,196**	**34,069**	**7,924**	**201,012**
Segment operating profit/(loss)	25,177	22,811	3,038	(2,996)	3,846	51,876
Segment interest income	-	1,180	1,908	9	169	3,266
Segment interest expense	-	(10,289)	-	(1,238)	(2,609)	(14,136)
Segment income tax expense	(8,642)	(3,238)	(1,727)	-	(811)	(14,418)
Profit for the year	**16,535**	**10,464**	**3,219**	**(4,225)**	**595**	**26,588**
Depreciation and amortization	2,782	10,523	438	383	423	14,549
Segment assets	329,501	100,055	19,864	7,193	245,030	701,643
Segment liabilities	260,552	70,479	4,123	11,730	60,060	406,944
Capital additions	6,168	30,269	1,953	810	453	39,653

In millions of Malawi Kwacha

7 Operating segments (Continued)

7.5 Reconciliations of information on reportable segments to IFRS measures

	2017	2016
Revenues		
Total revenues for reportable segments	209,614	201,012
Elimination of inter-segment revenue	(9,134)	(12,155)
Consolidated revenue	**200,480**	**188,857**
Depreciation and amortisation		
Total depreciation and amortisation for reportable segments	14,721	14,549
Adjustment due to different accounting policies relating to telecommunication plant	(777)	(311)
Consolidated depreciation and amortisation	**13,944**	**14,238**
Profit		
Total profit for reportable segments	44,672	26,588
Profit for other non-reportable segments	363	311
Elimination of dividend income from Group companies	(8,231)	(6,882)
Adjustment due to different accounting policies	(1,977)	(10,246)
Share of profit of equity accounted investees	4,842	5,543
Profit for discontinued operation	4	5
Consolidated profit	**39,673**	**15,319**
Assets		
Total assets for reportable segments	810,637	701,643
Assets for discontinued operations	163	151
Inter-segment eliminations	(22,562)	(16,019)
Assets for other segments	1,449	1,063
Elimination of fair value relating to equity accounted investees	(34,542)	(53,927)
Elimination of investment in subsidiaries	(171,429)	(138,618)
Adjustment due to different accounting policies realting to telecomunication plant	(13,206)	(14,607)
Consolidated total assets	**570,510**	**479,686**
Liabilities		
Total liabilities for reportable segments	468,562	406,944
Liabilities for discontinued operations	112	105
Inter-segment eliminations	(29,839)	(29,042)
Elimination of deferred tax liabilities due to different accounting policies	(5,103)	-
Elimination of deferred tax liabilities arising from fair value measurement of investments in separate financial statements	(45,066)	(45,846)
Consolidated total liabilities	**388,666**	**332,161**

In millions of Malawi Kwacha

8 Property, plant and equipment

Group	Land and buildings	Plant, furniture and equipment	Motor vehicles	Capital work in progress	Total
Cost or valuation					
Balance at 1 January 2017	41,767	85,632	7,785	6,286	141,470
Additions	485	14,695	1,792	5,645	22,617
Disposals	(531)	(2,320)	(1,093)	-	(3,944)
Transfers between classes	375	4,094	-	(4,469)	-
Transfer to intangibles (note 11)	-	(87)	-	(87)	(174)
Transfer to investment property (note 12)	(231)	-	-	-	(231)
Reclassified from held for sale (note 24)	-	-	28	-	28
Reclassified as held for sale (note 24)	(118)	-	-	-	(118)
Revaluation increase	3,026	1	-	-	3,027
Balance at 31 December 2017	44,773	102,015	8,512	7,375	162,675
Balance at 1 January 2016	39,143	77,653	5,739	6,040	128,575
Additions	251	8,526	3,082	4,678	16,537
Disposals	(203)	(3,986)	(866)	(46)	(5,101)
Transfers between classes	809	3,439	48	(4,296)	-
Transfer to intangibles (note 11)	-	-	-	(90)	(90)
Reclassified as held for sale (note 24)	(672)	-	(218)	-	(890)
Revaluation increase	2,439	-	-	-	2,439
Balance at 31 December 2016	41,767	85,632	7,785	6,286	141,470
Accumulated depreciation and impairment					
Balance at 1 January 2017	1,864	41,672	3,804	677	48,017
Depreciation expense	1,006	9,931	1,476	-	12,413
Eliminated on revaluation	(596)	-	-	-	(596)
Eliminated on disposal of assets	(3)	(2,144)	(920)	-	(3,067)
Balance at 31 December 2017	2,271	49,459	4,360	677	56,767
Balance at 1 January 2016	1,218	34,479	3,058	-	38,755
Depreciation expense	1,007	9,651	1,408	-	12,066
Eliminated on revaluation	(363)	-	-	-	(363)
Impairment losses recognised in profit or loss	134	1,297	-	677	2,108
Eliminated on reclassification as held for sale (note 24)	(29)		(103)		(132)
Eliminated on disposal of assets	(103)	(3,755)	(559)	-	(4,417)
Balance at 31 December 2016	1,864	41,672	3,804	677	48,017
Carrying amounts					
At 31 December 2017	42,502	52,556	4,152	6,698	105,908
At 31 December 2016	39,903	43,960	3,981	5,609	93,453

In millions of Malawi Kwacha

8 Property, plant and equipment (Continued)

Company	Land and building	Plant, furniture and equipment	Motor vehicle	Total
Cost or valuation				
Balance at 1 January 2017	691	526	75	1,292
Additions	1	81	-	82
Transfer to investment property	(231)	-	-	(231)
Disposals	-	(82)	(49)	(131)
Balance at 31 December 2017	461	525	26	1,012
Balance at 1 January 2016	561	512	75	1,148
Additions	-	31	-	31
Revaluation increase	130	-	-	130
Disposals	-	(17)	-	(17)
Balance at 31 December 2016	691	526	75	1,292
Accumulated depreciation				
Balance at 1 January 2017	-	402	60	462
Depreciation expense	-	58	5	63
Eliminated on disposal of assets	-	(65)	(45)	(110)
Balance at 31 December 2017	-	395	20	415
Balance at 1 January 2016	-	328	42	370
Depreciation expense	-	87	18	105
Eliminated on disposal of assets	-	(13)	-	(13)
Balance at 31 December 2016	-	402	60	462
Carrying amounts				
At 31 December 2017	461	130	6	597
At 31 December 2016	691	124	15	830

Registers of land and buildings giving details required under the Companies Act 2013 are maintained at the respective registered offices of each company within the Group and are open for inspection by members or their duly authorised agents.

8.1 Useful lives

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

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

8.2 Fair value measurement of the Group's land and buildings

The Group's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent impairment losses. The fair value measurements of the Group's land and buildings were performed by qualified valuers as detailed below. There has been no change in the valuation technique this year.

Land and buildings relating to Malawi Telecommunications Limited were revalued as at 31 December 2015 by Simeon D. Banda Bsc (Hons) MSIM MRICS Chartered Quantity Surveyor of SFS Property Consultants in association with Sam M. Nhlane (Hons) Lond, MSIM Registered Valuation Surveyor of SMN Property Professionals. Valuations were carried out on the basis of open market value. Directors consider that the carrying amounts are not materially different from the fair values as determined in the last valuation.

In millions of Malawi Kwacha

8 Property, plant and equipment (Continued)

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

Land and buildings relating to the banking business were fair valued as at 31 December 2017 by Nickson S. C. Mwanyali BSc (Est. Man), Dip (Bus Mngt), MSIM of Knight Frank, qualified independent valuers. Valuations were carried out based on a current market value basis. Out of the K3,195m (2016: K2,110m) gross revaluation surplus, K501m (2016: K404m) was credited to the statement of comprehensive income to reverse decreases in fair values previously charged to the statement of comprehensive income and the balance of K2,694m (2016: K1,706m) 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 2017 were performed by Samuel Nhlane BSc (Hons), MSIM, a Chartered Valuation Surveyor of SMN Property Professionals, Independent Registered Valuation Surveyor. Valuations were carried out based on the market comparable approach that reflects recent transaction prices for similar properties in similar geographical locations.

Land and buildings relating to Press Corporation plc were fair valued as at 31 December 2016 by Nickson S. C. Mwanyali BSc (Est. Man), Dip (Bus Mngt), MSIM of Knight Frank , qualified independent valuers on a current market value basis.

Details of the Group's information about the properties fair value hierarchy as at 31 December 2017 are as follows:

	Fair value as at 31/12/2017	Fair value as at 31/12/2016	Fair value hierarchy
Land and buildings	42,502	39,903	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;

	2017	2016
Group's land and buildings	13,739	12, 213
Company's land and buildings	287	287

8.3 Impairment losses recognised in the year

In prior year, the Group impaired its CDMA 450 and WiMAX Networks for the mobile data and mobile voice cash generating units. The total amount impaired was K2.1 billion and was recognised in profit and loss.

The cash generating units were incurring losses and their technologies had come to the end of their lives with their support contracts ending. Chances of the cash generating units recovering from such losses were unlikely. Accordingly, management made a decision to de-commission the networks.

In the current year, the impairment assessment of its cash generating units in line with International Accounting Standard 36 *Impairment of Assets* did not result in any impairement.

8.4 Assets pledged as security

The Group's assets with a carrying amount of approximately K60 billion (2016: K48 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 K24.8 billion (2016: K 20.1 billion) – see note 26 and 29 below.

In millions of Malawi Kwacha

9 Biological assets

9.1 Reconciliation of carrying amount of fish stock

	Group	
	2017	**2016**
Balance at 1 January	156	140
Increase due to birth	182	84
Decrease due to sales	(221)	(52)
Increase/ (decrease) due to death and changes in fair value	881	(16)
Balance at 31 December	998	156
Non-current biological assets	21	2
Current biological assets	977	154
Balance at 31 December	998	156

As at 31 December 2017, biological assets comprised of 550.5 tons of fish (2016: 35.5 tons) and 10.3 tons of fingerlings (2016: 9.3 tons). During 2017, the Group sold 170.5 tons of fish (2016: 143.7 tons) and 0.1 tons of fingerlings (2016: 0.2 tons).

9.2 Measurement of fair values

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

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

- The Group estimates the weight of the fish that is in cages or ponds through sampling. This estimate is used to determine the projected harvest, which takes into account a factor of mortality.
- The projected harvest is valued using average selling price based on fish categories.
- The cost to harvest is estimated and this includes cost of feed, both starter and grower and all direct costs to be incurred to produce the fish.
- The value of the fish is then the difference between the value of the projected harvest and the costs to be incurred to harvest.
- 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 – Mortality is assumed at 23% (2016: 64%) for the cages and 20% (2016: 20%) for fingerlings based on experience and history.
- Average selling price – Current selling price based on fish categories as per harvest records.

The fair value measurements of both fish and fingerlings have been categorized as Level 2 fair values based on observable market sales data;

	Fair value as at		Fair value hierarchy
	31/12/2017	**31/12/2016**	
Fish stocks	998	156	Level 2

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

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 fish breeding business:-

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.

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.

Climate, weather, diseases and other risks

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

10 Goodwill

	2017	2016
Opening balance	4,974	5,026
Reduction after acquisition completion	-	(52)
Balance at 31 December	4,974	4,974

10.1 Impairment testing for cash generating units containing goodwill

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

	2017	2016
Consumer goods segment	427	427
TNM Business services unit	588	588
Wholesale banking division	3,959	3,959
	4,974	4,974

Consumer goods segment

The goodwill associated with consumer goods segment arose when the company (Press Corporation plc) acquired 50% shareholding in Peoples Trading Centre Limited in 2012 from Metcash Investment Holdings Limited to become a wholly owned subsidiary.

The recoverable amount of this cash generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 25% (2016: 23%) per annum. Cash flows beyond that five-year period have been extrapolated using a steady 10% (2016: 10%) per annum growth rate. This growth rate does not exceed the long-term average growth rate for the retail industry.

10 Goodwill (Continued)

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

Consumer goods segment (continued)

Inflation was expected to be around 10% (2016: 10%) in the long-term with long term real GDP of 6% (2016: 6%). The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. The recoverable amount of the Cash Generating Unit is calculated to be K4.0 billion (2016: K4.3 billion) and its carrying amount is K2.1 billion (2016: K2.3 billion) as such the related goodwill is not impaired.

TNM Business services unit

The goodwill associated with TNM Business services unit arose when the Group's subsidiary, Telekom Networks Malawi Limited acquired Burco Electronics Systems Limited in 2014.

The recoverable amount of this cash generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 21% (2016: 33%) per annum.

Cash flow projections during the budget period are based on the assumption that the unit will grow at 10% (2016: 10%) year on year. The growth was estimated by directors of the unit based on past performance of the cash generating unit and their expectations of market developments. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

The recoverable amount of the Cash Generating Unit is calculated to be K4.1 billion (2016: K2.7 billion) and its carrying amount is K0.9 billion (2016: K1 billion) as such the related goodwill is not impaired.

Whole Banking Division

The banking business of the Group, National Bank of Malawi 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 Wholesale Banking Division (WBD) as a cash generating unit.

The recoverable amount of this cash generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a five-year period, and discounted at a weighted average cost of capital of 19.32% (2016:33.37%). Cash flows beyond that five-year period have been extrapolated using an average of 21% per annum growth rate which is the projected long term average growth rate for Wholesale Banking Business. The Directors believe that any reasonably possible change in the key assumption on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

The recoverable amount of the Cash Generating Unit (WBD) is calculated to be K363.6 billion (2016: K143 billion) and its carrying amount is K148.2 billion (2016: K135 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					
2017					
Balance at 1 January 2017	15,506	604	3,373	1,648	21,131
Transfer between classes	1,476	-	(1,476)	-	-
Transfer from PPE (note 8)	174	-	-	-	174
Additions from internal developments	-	36	-	-	36
Additions from separate acquisitions	1,501	-	2,513	-	4,014
Balance at 31 December 2017	18,657	640	4,410	1,648	25,355
2016					
Balance at 1 January 2016	13,908	585	2,163	1,648	18,304
Transfer between classes	538	-	(538)	-	-
Transfer from PPE (note 8)	90	-	-	-	90
Write off	(47)	-	-	-	(47)
Additions from internal developments	-	19	-	-	19
Additions from separate acquisitions	1,017	-	1,748	-	2,765
Balance at 31 December 2016	15,506	604	3,373	1,648	21,131
Accumulated amortisation and impairment					
2017					
Balance at 1 January 2017	6,416	324	167	398	7,305
Amortisation expense	1,364	2	-	165	1,531
Balance at 31 December 2017	7,780	326	167	563	8,836
2016					
Balance at 1 January 2016	4,329	323	-	234	4,886
Write off	(47)	-	-	-	(47)
Impairment losses recognised in profit or loss	127	-	167	-	294
Amortisation expense	2,007	1	-	164	2,172
Balance at 31 December 2016	6,416	324	167	398	7,305
Carrying amounts					
At 31 December 2017	10,877	314	4,243	1,085	16,519
At 31 December 2016	9,090	280	3,206	1,250	13,826

Development costs are all internally generated.

The 2016 impairment provision relates to computer software and systems which were acquired through business combinations with Indebank Limited. Such items were considered not useful to the banking business of the Group as they already had similar or superior systems. The total cost of the impaired items as at 31 December 2016 was K373 million with accumulated depreciation of K79 million.

In millions of Malawi Kwacha

11 Intangible assets (Continued)

Company	2017 Computer software	2017 Work in Progress	2017 Total	2016 Computer software	2016 Work in Progress	2016 Total
Cost						
Balance at 1 January	245	72	317	245	71	316
Additions from separate acquisitions	-	-	-	-	1	1
Balance at 31 December	245	72	317	245	72	317
Accumulated amortisation						
Balance at 1 January	72	-	72	56	-	56
Amortisation charge for the year	15	-	15	16	-	16
Balance at 31 December	87	-	87	72	-	72
Carrying amounts	158	72	230	173	72	245

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 2017	3,530	1,580	249	1	5,360
Additions during the year	7	234	-	-	241
Transferred from Property, Plant and Equipment (note 8)	-	231	-	-	231
Disposals	-	-	(37)	-	(37)
Gain on property revaluation	517	242	10	-	769
Balance at 31 December 2017	**4,054**	**2,287**	**222**	**1**	**6,564**
Balance at 1 January 2016	3,173	1,417	192	1	4,783
Additions during the year	83		16	-	99
Gain on property revaluation	274	163	41	-	478
Balance at 31 December 2016	**3,530**	**1,580**	**249**	**1**	**5,360**

In millions of Malawi Kwacha

12 Investment properties (Continued)

	Freehold land and buildings	Total
Company		
Balance at 1 January 2017	-	-
Transferred from Property, Plant and Equipment (note 8)	231	231
Balance at 31 December 2017	**231**	**231**

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

12.1 Valuation techniques and Fair value hierarchy

Investment properties relating to Press Properties Limited were professionally and independently revalued by Mavuto Phula, Bsc (Edu), Cert (P/Mgmt), MSC (Real Estates), and a chartered valuation surveyor with CMC Property Consultants & Valuers at 31 December 2017 on an open market value basis and the resultant gains/losses are recognised in the profit and loss.

Press Corporation plc Investment property was fair valued as at 31 December 2017 by by Nickson S. C. Mwanyali BSc (Est. Man), Dip (Bus Mngt), MSIM of Knight Frank, qualified independent valuers on a current market value basis.

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 2017 are as follows:

	Fair value as at		Fair value hierarchy
	31/12/2017	31/12/2016	
Investment properties	6,564	5,360	Level 2

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

In millions of Malawi Kwacha

13 Investments in subsidiaries

13.1 Details of the Group's subsidiaries

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

Name of subsidiary	Principal Activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 2017	2016
Financial Services segment				
National Bank of Malawi (NBM)	Financial Services	NBM Building, Blantyre	51.49	51.49
Telecommunications segment				
Malawi Telecommunications Limited (MTL)	Information and Communication	Lunjika House, Blantyre	52.70	52.70
Open Connect Limited (OCL)	Wholesale data connectivity services	Chayamba Building, Blantyre	52.70	52.70
Telekom Networks Malawi plc (TNM)	Information and Communication	Livingstone towers, Blantyre	41.31	41.31
Energy segment				
Ethanol Company Limited	Ethanol manufacturer	Matiki industrial complex, Dwangwa	66.0	66.0
Presscane Limited	Ethanol manufacturer	Mwitha Village, Chikwawa	50.1	50.1
Consumer Goods segment				
Peoples Trading Centre Limited	Supermarket chain	PTC House, Blantyre	100.0	100.0
The All other segments				
Press Properties Limited	Property investment and development	Top Mandala, Blantyre	100.0	100.0
The Foods Company Limited	Manufacturer and distributor of food products	Mithechi Village, Mangochi	100.0	100.0
Manzinzi Bay Limited	Investment property	Monkeybay, Mangochi	100.0	100.0
Discontinued Operations				
Press Trading (Pty) Limited	Dormant	Johannesburg	-	100.0
Malawi Pharmacies Limited	Dormant	Blantyre	100.0	100.0

Telekom Networks Malawi plc is listed on the Malawi Stock Exchange. Although the Group has only 41.31% ownership in the company, the Directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Telekom Networks Malawi plc on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by the other shareholders. Another shareholder owns 23.65% with the balance of 35.04 % ownership interests being owned by thousands of shareholders that are unrelated to the Group, none individually holding more than 5.66%.

13.2 Shareholders dispute at Presscane Limited

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

In millions of Malawi Kwacha

13 Investments in subsidiaries (Continued)

13.3 Reconciliation of carrying amount

	Company 2017	Company 2016
Balance at 1 January	138,618	112,900
Additions	92	2,000
Disposal	-	(19)
Increase in fair value	32,719	23,737
Balance at 31 December	171,429	138,618

During the year, Press Corporation plc made an equity injection of K92 million in The Foods Company Limited, its wholly owned subsidiary in order to boast its working capital.

13.4 Analysis of carrying amount

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

	2017		2016	
	Fair value / cost (PCL Share)	**Dividend received**	**Fair value / cost (PCL Share)**	**Dividend received**
National Bank of Malawi	64,924	4,458	60,110	3,195
Press Properties Limited	4,436	-	3,992	-
Manzinzi Bay Limited	2	-	2	-
The Foods Company Limited	1,083	-	1,049	-
Ethanol Company Limited	8,783	258	12,408	487
Presscane Limited	8,131	-	8,740	-
Malawi Telecommunications Limited	3,946	-	5,534	-
Open Connect Limited	15,905	-	16,250	-
Telecom Networks Malawi plc	60,141	1,991	26,960	1,244
Peoples Trading Centre Limited	4,078	-	3,573	-
	171,429	6,707	138,618	4,926

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

Unquoted investments in subsidiaries were valued by Nico Asset Managers on behalf of the Directors as at 31st December 2017 (2016: National Bank Capital Markets Limited). Price multiples method was used for unlisted investments except for The Foods Company Limited and Malawi Telecommunications Limited which were valued using price to sales multiple and Net asset value valuation methods respectively.

Unbundling of Malawi Telecommunications Limited

In a bid to make the company more efficient and effective, in 2016 MTL was successfully unbundled to form two separate companies, Open Connect Limited (OCL) and MTL with both companies directly owned by the original shareholders of MTL based on the original MTL shareholding structure. This unbundling resulted in creation of two focussed businesses i.e. MTL focusing on access network and internet to corporates and retail consumers and OCL focussing on open access fibre infrastructure business for the Telecommunication Companies in Malawi.

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		MTL		OCL		Ethanol		Presscane	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Non-current assets	110,143	86,489	51,224	39,613	16,256	18,281	18,842	19,716	3,348	2,314	4,360	4,072
Current assets	282,124	243,012	17,751	10,986	11,896	10,930	1,332	529	4,608	5,389	8,728	8,089
Non-current liabilities	14,950	803	13,746	7,477	1,812	1,256	13,227	13,989	250	702	585	301
Current liabilities	295,104	259,749	26,094	22,277	17,849	18,302	9,727	7,178	1,066	1,520	1,687	1,600
Equity attributable to owners of the Company	42,331	35,502	12,032	8,609	4,475	5,087	(1,465)	(486)	4,383	3,617	5,419	5,141
Non-controlling interests	39,882	33,447	17,102	12,236	4,016	4,566	(1,315)	(436)	2,258	1,863	5,397	5,120
Revenue	66,590	63,578	77,238	65,550	11,993	12,127	3,804	2,568	4,678	6,993	7,004	8,202
Profit (loss) for the year	19,147	16,536	13,108	8,206	(1,162)	3,190	(1,858)	(932)	1,091	1,616	556	1,603
Other comprehensive income	2,825	3,865	-	-	-	326	-	-	458	19	-	-
Total comprehensive income	21,972	20,401	13,108	8,206	(1,162)	3,516	(1,858)	(932)	1,549	1,635	556	1,603
Non-controlling interest share	48.51%	48.51%	58.70%	58.70%	47.30%	47.30%	47.30%	47.30%	34.00%	34.00%	49.90%	49.90%
Profit (loss) attributable to owners of the Company	9,859	8,514	5,414	3,389	(612)	1,681	(979)	(491)	720	1,067	279	803
Profit (loss) attributable to non-controlling interests	9,288	8,022	7,694	4,817	(550)	1,509	(879)	(441)	371	549	277	800
Other comprehensive income attributable to owners of the Company	1,455	1,990	-	-	-	172	-	-	302	13	-	-
Other comprehensive income attributable to non-controlling interests	1,370	1,875	-	-	-	154	-	-	156	6	-	-
Total comprehensive income attributable to owners of the Company	11,313	10,504	5,414	3,389	(612)	1,853	(979)	(491)	1,022	1,079	279	803
Total comprehensive income attributable to non-controlling interests	10,659	9,897	7,694	4,817	(550)	1,663	(879)	(441)	527	556	277	800
Dividends paid to non-controlling interests	4,224	3,038	2,829	1,768	-	-	-	-	132	249	-	-
Net cash inflow (outflow) from operating activities	8,347	16,596	21,154	15,771	1,568	(8,394)	224	10,814	183	207	1,792	382
Net cash inflow (outflow) from investing activities	(16,286)	(7,898)	(18,955)	(7,971)	308	13,944	(216)	(20,325)	(373)	336	512	(358)
Net cash inflow (outflow) from financing activities	5,268	(9,547)	1,661	(5,270)	(1,780)	(5,235)	-	9,510	(388)	(732)	-	-
Net cash inflow (outflow)	(2,671)	(849)	3,860	2,530	96	315	8	(1)	(578)	(189)	2,304	24

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 2017	2016
Puma Energy Malawi Limited	Distribution of petroleum products	Standard bank building, Blantyre	50.0	50.0
Macsteel (Malawi) Limited	Manufacture and sale of steel products	Raynor Avenue, Limbe, Blantyre	50.0	50.0

Two companies, Puma Energy Malawi Limited and Macsteel (Malawi) Limited are 50% owned by Press Corporation plc and 50% owned by technical partners and they are not publicly listed. These have been equity accounted for in the Group accounts and carried at fair value in the separate financial statements of the Company. This is in compliance with IFRS 11 *Joint arrangements.*

14.2 Reconciliation of carrying amount

	Group 2017	Group 2016	Company 2017	Company 2016
At the beginning of the year	4,897	1,764	18,701	16,777
Increase in fair value recognised in other comprehensive income	-	-	1,917	1,924
Group's share of profits	1,912	1,913	-	-
Group's share of other comprehensive income	1,720	1,720	-	-
Dividend received	(611)	(500)	-	-
At end of the year	6,198	4,897	20,618	18,701

14.3 Analysis of carrying amount

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

	Group 2017	Group 2016	Company 2017	Company 2016
Puma Energy Malawi Limited	5,144	3,898	19,328	17,702
Macsteel (Malawi) Limited	1,054	999	1,290	999
Total	6,198	4,897	20,618	18,701

Investments in joint ventures were equity accounted in the consolidated financial statements and were fair valued using price multiples method in the separate financial statements.

Investments in joint ventures were valued by Nico Asset Managers (2016: National Bank of Malawi Capital Markets Limited) on behalf of the Directors at 31 December 2017.

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	
	2017	**2016**	**2017**	**2016**
Non –current assets	12,298	12,332	1,472	1,468
Current assets	11,604	10,358	2,323	2,613
Non-current liabilities	(1,096)	(1,225)	(348)	(373)
Current liabilities	(12,517)	(13,668)	(1,339)	(1,711)
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	5,424	3,774	269	70
Revenue	104,746	94,543	5,708	5,901
Profit for the year	3,492	3,379	332	443
Other comprehensive income for the year	-	2,809	-	633
Total comprehensive income for the year	3,492	6,188	332	1,076
Dividends received from the joint ventures during the year	500	500	111	-
The above profit for the year include the following:				
Depreciation and amortisation	1,110	1,141	69	65
Interest income	240	248	-	-
Interest expenses	-	-	28	124
Foreign exchange loss/(gain)	129	262	(52)	83
Income tax expenses	1,665	1,494	109	205

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	
	2017	**2016**	**2017**	**2016**
Net assets of the joint venture	10,289	7,797	2,108	1,997
Proportion of the Group's ownership interest in the joint venture	50%	50%	50%	50%
Carrying amount of the Group's interest in the joint venture	5,144	3,898	1,054	999

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** 2017	2016
Castel Malawi Limited (formerly Carlsberg Malawi Limited)	Beverage manufacturer and distributor	Makata, Blantyre	20.00	39.65
Limbe Leaf Tobacco Company Limited (LLTC)	Tobacco processors and merchants	Alimaunde industrial area, Lilongwe	41.99	41.99

Castel Malawi Limited is an associate company in which the Group has a 20% (2016: 39.65%) ownership interest. The main business of Castel Malawi Limited is the brewing and distribution of beer, the production and distribution of soft drinks, and the importation, manufacture and distribution of spirits and wines. The company is not publicly listed.

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

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

15.2 Change in the Group's ownership interest in associate

In August 2017, the Group disposed of a 20% interest in Castel Malawi Limited to Castel Group, B.I.H. Brasseries Internationales Holding Limited. The sales proceeds amounted to K17.2 billion and the profit of K14.2 billion was recognised in the Group's income statement. The Group continues to account for the 20% remaining interest as an associate. In separate financial statements, the proportion of the gain previously recognised in other comprehensive income relating to the reduction in ownership interest was reclassified to profit or loss.

15.3 Reconciliation of carrying amount

	Group		**Company**	
	2017	**2016**	**2017**	**2016**
At the beginning of the year	34,730	31,071	74,851	22,301
Group's share of profit	2,930	3,630	-	-
Group's share of other comprehensive income	498	1,484		
Dividend received	(914)	(1,455)	-	-
Disposal	(2,755)	-	(22,454)	-
Increase in fair value recognised in other comprehensive income	-	-	2,211	52,550
At end of the year	34,489	34,730	54,608	74,851

In millions of Malawi Kwacha

15 Investment in associates (Continued)

15.4 Analysis of carrying amount

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
Limbe Leaf Tobacco Company Limited	31,069	28,874	35,942	29,434
Castel Malawi Limited	3,420	5,856	18,666	45,417
Total	34,489	34,730	54,608	74,851

Investments in associates were equity accounted in the consolidated financial statements and were fair valued using price multiples method in the separate financial statements.

Investments in associates were valued by Nico Asset Managers (2016: National Bank of Malawi Capital Markets Limited) on behalf of the Directors at 31 December 2017.

15.5 Summarised financial information of associates

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

	LLTC		Castel	
	2017	**2016**	**2017**	**2016**
Non-current assets	42,483	40,994	35,955	23,004
Current assets	106,510	116,781	29,524	19,032
Non-current liabilities	(4,711)	(8,219)	(4,462)	(3,946)
Current liabilities	(70,291)	(80,793)	(43,919)	(23,320)
Revenue	110,127	116,999	55,709	55,474
Profit for the year	6,220	8,240	2,324	431
Other comprehensive income for the year	1,185	1,716	-	1,923
Total comprehensive income for the year	7,405	9,956	2,324	2,354
Dividends received from the associate during the year	914	906	-	549

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

	LLTC		Castel	
	2017	**2016**	**2017**	**2016**
Net assets of the associate	73,991	68,763	17,098	14,770
Proportion of the Group's ownership interest in the associate	41.99%	41.99%	20.00%	39.65%
Carrying amount of the Group's interest in Associate	31,069	28,874	3,420	5,856

In millions of Malawi Kwacha

16 Loans and advances to customers

	Group	
	2017	**2016**
Gross loans and advances to customers at amortised cost	126,629	123,067
Allowance for impairment losses	(5,955)	(1,024)
Loans and advances, net	120,674	122,043
Gross loans and advances are due to mature as follows:		
- Within three months	22,759	32,364
- Between three months and one year	61,392	58,403
- After one year	42,478	32,300
	126,629	123,067
Loans, net are split into:		
Long term loans	42,478	32,300
Short term loans	78,196	89,743
	120,674	122,043
Movement of allowance for impairment losses		
At the beginning of the year	1,024	1,638
Charged during the year	5,319	1,718
Written off during the year	(236)	(1,315)
Recovered during the year	(152)	(1,017)
Balance at the end of the year	5,955	1,024
Analysis of gross loans and advances by sector:		
- Wholesale and retail	49,587	34,762
- Others	9,578	9,889
- Personal accounts	17,670	19,079
- Agriculture	22,213	28,376
- Manufacturing	27,084	30,672
- Finance and insurance	2,585	1,013
	128,717	123,791
Provision for impairment of interest from impaired loans and advances	(2,088)	(724)
	126,629	123,067
Movement of provision for impairment of interest from impaired loans and advances		
At the beginning of the year	724	933
Applied against advances	(1,379)	(1,122)
Suspended during the year	2,803	982
Recovered during the year	(60)	(69)
At the end of the year	2,088	724
Analysis of recoveries		
Specific provisions	152	1,017
Interest in suspense	60	69
Debts previously written off	834	624
Transferred to profit or loss	1,046	1,710
Analysis of gross loans by currency		
Malawi Kwacha denominated	69,716	78,394
United States dollar denominated	56,913	44,673
	126,629	123,067

The Malawi Kwacha base lending rate for the bank as at 31 December 2017 was 25% (2016: 32.0%) and US Dollar denominated loans carried an average interest rate of 8.74% (2016: 8.83%).

Interest income is no longer charged to profit and loss once the loan is classified as sub-standard (grade 8 and 9 as disclosed under note 6.4.5 above).

In millions of Malawi Kwacha

17 Finance lease receivables

	Group	
	2017	**2016**
Current finance lease receivable	1,110	1,018
Non-current finance lease receivable	9,207	8,358
	10,317	9,376

17.1 Amounts receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2017	**2016**	**2017**	**2016**
Not later than one year	1,510	1,139	1,110	1,018
Later than one year and not later than five years	11,931	12,172	9,207	8,358
	13,441	13,311	10,317	9,376
Less; unearned finance income	(3,118)	(3,867)	n/a	n/a
Present value of minimum lease payments receivable	10,323	9,444	10,317	9,376
Allowance for uncollectible lease payments	(6)	(68)	-	-
	10,317	9,376	10,317	9,376

The finance lease receivables are secured by the leased assets.

Finance lease receivables past due amounts to K81 million (2016: K783 million) and they were all impaired.

The average interest charged on finance leases was 25% (2016: 33%)

18 Loans receivables from Group companies

	Company	
	2017	**2016**
Peoples Trading Centre Limited	1,733	-
	1,733	-
Summary of inter-company loans		
Loan granted during the year	1,615	-
Interest capitalised	118	-
At end of the year	1,733	-

During the year, the Company provided a loan to one of its wholly owned subsidiary Peoples Trading Centre Limited to boost their working capital. The loan is unsecured, has no fixed repayment period and attracts interest at the rate of the 90 day Treasury bill rate plus 2%.

In millions of Malawi Kwacha

19 Other investments

19.1 Maturity of other investments

Total other investments are due to mature as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
Non-current investments				
Non – maturing investments	803	668	-	-
Between one year and five years	3,575	461	-	-
	4,378	1,129	-	-
Current investments				
Between three months and one year	16,994	16,030	1,246	-
Within three months	118,987	72,037	-	-
	135,981	88,067	1,246	-
Total other investments	140,359	89,196	1,246	-
Comprises of the following:				
Government of Malawi Treasury Bills and Notes	29,478	25,844	-	-
Money market deposits	104,195	59,379	-	-
Government of Malawi promissory note	48	1,100		
Other	6,638	2,873	1,246	-
Total investments	140,359	89,196	1,246	-

19.2 Government of Malawi bills and Reserve Bank of Malawi bonds

	Average interest rate		Group	
	2017	**2016**	**2017**	**2016**
Government of Malawi Treasury Bills	20.10%	22.47%	24,670	25,591
Government of Malawi Treasury Notes	18.15%	17.91%	4,808	253
			29,478	25,844

The bills and notes are due to mature as follows:		
- Within three months	11,021	9,849
- Between three months and one year	15,698	15,995
- Over one year	2,759	-
	29,478	25,844

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

19.3 Money market deposits

	Average interest rate		Group	
	2017	**2016**	**2017**	**2016**
Money market investments with Reserve Bank of Malawi and other banks	20.77%	27.92%	104,195	59,379

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

In millions of Malawi Kwacha

19. Other investments (Continued)

19.4 Government promissory notes

	Maturity date	Carrying amount
2017		
Acquired in 2017	As explained below	48
2017		
Acquired in 2016	11 August 2017	1,100

In 2016, the Bank acquired a promissory note from the market at a cost of K967m. The note had a nominal value of K1 341m and its maturity date was 11 August 2017. The carrying amount as at 31 December 2016 included accrued interest receivable amounting to K133m. Interest income amounting K241m relating the promissory note has been recognized in the statement of comprehensive income as at 31 December 2017.

During the year, the Group acquired three additional promissory notes from the market at total cost of K43m. The cost of each note was K21m, K8m and K14m and their maturity dates are 13 February 2018, 22 February 2018 and 27 September 2018 respectively. The notes have a total nominal value of K53m.The carrying amount includes accrued interest receivable amounting to K5m.

The fair value level has been disclosed under note 6.7.

20. Deferred tax assets/(liabilities)

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Group						
Property, plant and equipment	5,063	5,837	(3,346)	(2,334)	1,717	3,503
Investment properties	-	-	(1,082)	(911)	(1,082)	(911)
Other investments	352	(871)	-	-	352	(871)
Provisions	1,192	2,171	3	(69)	1,195	2,102
Un-realised exchange differences	1,339	842	(150)	(183)	1,189	659
Tax value of loss carried forward	-	-	1,835	506	1,835	506
Tax assets/(liabilities)	7,946	7,979	(2,740)	(2,991)	5,206	4,988
Company						
Property and investments in subsidiaries and associates	-	-	(45 066)	(45 846)	(45 066)	(45 846)

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

In millions of Malawi Kwacha

20. Deferred tax assets/(liabilities) (Continued)

20.1 Movement in net deferred tax asset/(liabilities)

	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Closing balance
Group				
2017				
Property, plant and equipment	3,503	(1,761)	(25)	1,717
Investment properties	(911)	(171)	-	(1,082)
Other investments	(871)	1,223	-	352
Provisions	2,102	(907)	-	1,195
Un-realised exchange differences	659	530	-	1,189
Tax value or loss carried forward	506	1,329	-	1,835
Total net asset/(liabilities)	4,988	243	(25)	5,206
2016				
Property, plant and equipment	1810	(518)	2,211	3,503
Investment properties	(772)	(139)	-	(911)
Other investments	-	141	(1,012)	(871)
Provisions	716	1,095	291	2,102
Un-realised exchange differences	589	(651)	721	659
Tax value or loss carried forward	22	506	(22)	506
Total net asset/(liabilities)	2,365	434	2,189	4,988

Company

	Opening balance	Reclassification	Recognised in other comprehensive income	Closing balance
2017				
Investment in subsidiaries and associates	(45,735)	(55)	780	(45,010)
Property	(111)	55	-	(56)
	(45,846)	-	780	(45,066)
2016				
Investment in subsidiaries and associates	(28,261)	59	(17,533)	(45,735)
Property	(52)	(59)	-	(111)
	(28,313)	-	(17,533)	(45,846)

20.2 Unrecognised deferred tax liabilities

As at 31 December 2017, there was a deferred tax liability of K45.0 billion (2016: K45.8 billion) in the separate financial statements. The liability originates from temporary differences of K150.0 billion (2016: K152.8 billion) relatiing to revaluation gains of investments in subsidiaries, associates and joint ventures. Due to the elimination of these revaluation gains on consolidation, the associated deferred tax was derecognised at Group level.

In millions of Malawi Kwacha

20. Deferred tax assets/(liabilities) (Continued)

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		Company	
	2017	**2016**	**2017**	**2016**
Tax losses	47,689	52,457	8,315	21,508
Deductible temporary differences;				
Provisions	196	619	(17)	567
Property, plant and equipment	(7,791)	(9,327)	-	-
Unrealised Exchange losses	561	551	-	-
	40,656	44,300	8,299	22,075
Un-recognised deferred tax asset @30%	12,197	13,290	2,490	6,623

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

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

During the year, the Company utilised part of its unrecognised deferred tax asset following profit realised on disposal of its 20% interest in Castel Malawi Limited.

21. Inventories

	Group			Company	
	31/12/17	**31/12/16**	**01/01/2016**	**31/12/17**	**31/12/16**
		Restated			
Finished goods	8,598	7,007	7,875	-	12
Raw materials and consumables	2,835	2,594	2,035	9	8
Work in progress	50	49	68	-	-
Goods in transit	27	64	187	-	-
	11,510	9,714	10,165	9	20
Inventories as previously stated	11,510	10,095	10,165	9	20
Prior year adjustment – note 49	-	(381)	-	-	-
Inventories	11,510	9,714	10,165	9	20

In 2017, inventories of K32.8 billion (2016: K33.2 billion) were recognised as an expense during the year and included in ‘Direct trading expenses’.

During the year, inventories of K0.6 billion (2016: K1.3 billion) were written off in profit and loss due to stock shrinkages, damages and expiry.

In addition, inventories have been reduced by K3 million (2016: K15 million) as a result of the write-down to net realisable value. Such write-downs were recognised as an expense during 2017 and included in ‘Administrative expenses’. There were no reversals of such write-downs and all inventories are expected to be recovered within twelve months. The carrying amount of inventory carried at net realisable value as at 31 December 2017 was Nil (2016: K213 million).

In millions of Malawi Kwacha

22. Trade and other receivables from Group companies

	Group		Company	
	2017	**2016**	**2017**	**2016**
Amounts due from related party companies				
Press Properties Limited	-	-	204	158
Malawi Telecommunications Limited	-	-	112	113
Open Connect Limited	-	-	380	191
Telecom Networks Malawi	-	-	830	417
Peoples Trading Centre Limited	-	-	377	303
Ethanol Company Limited	-	-	1	14
Presscane Limited	-	-	5	24
National Bank of Malawi	-	-	-	6
The Foods Company Limited	-	-	739	538
Other	-	-	119	81
	-	-	2,767	1,845

The amounts due from related party companies are denominated in Malawi Kwacha, are payable within 30 days and are interest free except for K358 million (2016: K276 million) which attracts interest at the rate of the Treasury bill plus 2% margin.

23. Trade and other receivables

	Group			Company	
	31/12/17	**31/12/16** ***Restated***	**01/01/2016**	**31/12/17**	**31/12/16**
Trade receivables	15,213	11,039	10,362	-	22
Prepayments	3,017	1,984	2,169	-	64
Letters of credit	828	659	557	-	-
Employee benefit subsidy	1,954	2,063	1,784	-	-
Forward contracts	-	3,258	-	-	-
MasterCard accounts	1,303	444	-	-	-
Other receivables	5,732	5,637	5,570	559	45
	28,047	25,084	20,442	559	131
Provision for doubtful debts	(2,025)	(897)	(814)	-	-
	26,022	24,187	19,628	559	131
Trade and other receivables as previously stated	26,022	24,196	19,628	559	131
Prior year adjustment – note 49	-	(9)	-	-	-
Trade and other receivables	26,022	24,187	19,628	559	131

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.

Employee benefit subsidy

In accordance with IAS 19 *Employee Benefits*, the fair value adjustment to staff loans is recognised as an asset representing a future employee benefit which is expensed as and when the employees render their services to the Group.

Credit and market risks, and impairment losses

Information about the Group's exposure to credit and market risks, and impairment losses for trade and other receivables is included in notes 6.4 and 6.6.

In millions of Malawi Kwacha

24. Assets classified as held for sale

	Group	
	2017	**2016**
Land and buildings	610	874
Motor vehicles	-	115
Investment property	133	133
	743	1,122

The Group intends to dispose some of its excess properties as shown above within the next 12 months. A search is underway for potential buyers.

Included in land and buildings held for sale is an amount of K0.9 million (2016: K116 million) relating to plots of land that the Group has sold but are held by the Group because Government consent to sale has not been awarded yet.

24.1 Reconciliation of carrying amount

	Group	
	2017	**2016**
At the beginning of the period	1,122	944
Disposed during the period	(516)	(533)
Impairment reversal/(loss)	47	(47)
Reclassified to PPE (note 8)	(28)	-
Reclassified from PPE (note 8)	118	758
	743	1,122

The impairment loss of K47 million in 2016 relates to land and buildings held for sale as the Directors of the Group expected that the fair value less costs to sale is lower than the carrying amount. In 2017, the Group disposed of such assets which resulted in the reversal of the impairment loss initially recognized in 2016.

25. Income tax recoverable

	Group		Company	
	2017	**2016**	**2017**	**2016**
Opening balance	494	357	19	86
Tax paid	1,664	246	109	(67)
Prior year over provision	(17)	-	-	-
Tax transfer to income tax payable	-	(109)	-	-
Total income tax recoverable	2,141	494	128	19

In millions of Malawi Kwacha

26. Cash and cash equivalents

	Group			Company	
	31/12/17	31/12/16 *Restated*	01/01/2016	31/12/17	31/12/16
Reserve Bank of Malawi	16,139	15,786	18,160	-	-
Bank balances	4,257	2,961	1,558	55	79
Money market placements	9,680	2,759	2,296	4,700	-
Placement with other banks	32,052	21,683	24,129	-	-
Call deposits	1,719	1,356	2,836	1,996	25
Cash on hand	11,301	13,634	10,645	-	-
Cash and cash equivalents	75,148	58,179	59,624	6,751	104
Bank overdrafts	(2,790)	(7,848)	(8,662)	(213)	(2,078)
Cash and cash equivalents as shown in the statement of cash flows	72,358	50,331	50,962	6,538	(1,974)
Cash and cash equivalents as previously stated	72,358	50,988	50,962	6,538	(1,974
Prior year adjustment – note 49	-	(657)	-	-	-
Cash and cash equivalents	72,358	50,331	50,962	6,538	(1,974)

Balances held at Reserve Bank of Malawi which are denominated in Malawi Kwacha and United States Dollars are non-interest bearing and are regulated as disclosed in Note 5.

Money market placements with other banks are held to maturity and mature within one month (2016: one month) of the year end and are denominated in the following currencies:

	Average interest rates		Group	
	2017	2016	2017	2016
US Dollars	0.50%	0.50%	18,610	9,832
GBP	1.75%	1.75%	2,620	2,114
Euro	0.50%	0.50%	9,625	8,443
ZAR	4.00%	4.00%	1,172	632
Other currencies	-	-	25	662
Totals			32,052	21,683

Overdraft facilities

Bank overdrafts forms an integral part of the Group's cash management. These are repayable on demand. As at 31 December 2017, the available overdraft facilities were as follows;

	Group		Company	
	2017	2016	2017	2016
First Merchant Bank plc	3,400	2,700	400	400
Eco bank Malawi Limited	-	2,500	-	1,100
CDH Investment Bank Limited	650	650	-	-
Standard Bank plc	2,000	2,000	-	-
	6,050	7,850	400	1,500

The overdraft facilities of the Group are secured as follows;

(i) K1.8 billion (2016: K1.8 Billion) is secured by Press Corporation plc guarantee;
(ii) K1.8 billion by a debenture (2016: K1.1 billion) and;
(iii) K2.4 billion (2016: K4.9 billion) is unsecured.

The Company's overdraft facility is due for renewal on 30 November 2018 and is unsecured. The Ecobank facility expired on 30th November 2017 and was not renewed.

In millions of Malawi Kwacha

27. Share capital

Authorised ordinary share capital	Group and Company 2017	Group and Company 2016
- 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

28. Other reserves – excluding non-controlling interests

Group	Revaluation reserve	Translation reserve	Loan loss reserve	Other	Total
2017					
Balance at beginning of the year	25,847	19,478	156	3,942	49,423
Revaluation of property	1,792	-	-	-	1,792
Transfer to loan loss reserve from retained earnings	-	-	395	-	395
Depreciation Transfer land and buildings	(239)	-	-	-	(239)
Release of revaluation surplus on disposal of revalue PPE	178				178
Share of other comprehensive income of equity accounted investment	-	498			498
Income tax on other comprehensive income	(35)	-	-	-	(35)
Balance at 31 December 2017	27,543	19,976	551	3,942	52,012
2016					
Balance at beginning of the year	22,093	17,582	1,140	3,984	44,799
Revaluation of property	1,398	-	-	-	1,398
Transfer from loan loss reserve to retained earnings	-	-	(984)	-	(984)
Depreciation Transfer land and buildings	(118)	-	-	-	(118)
Reclassification of reserves	36	-	-	(36)	-
Net change in fair value of available for sale financial asset	-	-	-	(6)	(6)
Share of other comprehensive income of equity accounted investment	1,308	1,896			3,204
Income tax on other comprehensive income	1,130	-	-	-	1,130
Balance at 31 December 2016	25,847	19,478	156	3,942	49,423

In millions of Malawi Kwacha

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

Company

	Revaluation reserve	Translation Reserve	Total
2017			
Balance at beginning of the year	171,847	110	171,957
Fair value gain on investments	36,848	-	36,848
Release of revaluation surplus on disposal of available for sale financial asset	(22,277)	-	(22,277)
Deferred tax on revaluation	780	-	780
Balance at 31 December 2017	187,198	110	187,308
2016			
Balance at beginning of the year	111,038	110	111,148
Fair value gain on investments	78,212	-	78,212
Revaluation of property	130	-	130
Deferred tax on revaluation	(17,533)	-	(17,533)
Balance at 31 December 2016	171,847	110	171,957

Revaluation reserve

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

Translation reserves

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

Loan loss reserve

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

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**
2017			
Due between 1 and 5 years	19,861	18,387	38,248
Due within 1 year or less	7,788	9,128	16,916
	27,649	27,515	55,164
2016			
More than 5 years	12	209	221
Due between 1 and 5 years	17,434	2,591	20,025
	17,446	2,800	20,246
Due within 1 year or less	7,625	9,025	16,650
	25,071	11,825	36,896
Company			
2017			
Due between 1 and 5 years	214	-	214
Due within 1 year or less	890	-	890
	1,104	-	1,104
2016			
Due between 1 and 5 years	1,068	-	1,068
Due within 1 year or less	957	-	957
	2,025	-	2,025

29.2 Movement in borrowings

Group	**At 01/01/17**	**Draw-downs**	**Repayments**	**Exchange fluctuations**	**Interest accrual**	**At 31/12/17**
Local borrowings						
Belgium Government	107	-	-	-	5	112
CDH Investment Bank Limited	916	173	(307)	-	297	1,079
Commercial debt	5,384	-	(384)	-	250	5,250
Commercial debt – Nico Asset Managers Limited	-	5,000	-	-	236	5,236
Continental Discount House Limited	1,153	-	(1,153)	-	-	-
Corporate bond	9,500	-	-	-	-	9,500
DANIDA loan	725	-	-	-	20	745
FMB Loan	-	1,000	(199)	-	136	937
Kuwait Development Fund	1,202	-	-	-	78	1,280
MACRA long term payable	1,686	-	(681)	-	-	1,005
Malawi Government	210	-	-	-	-	210
NBM commercial paper	400	-	(400)	-	-	-
NORDIC Development Fund	1,092	-	-	-	63	1,155
Press Corp MTN coupon loan	2,025	-	(958)	-	37	1,104
Syndicated loan - NBM capital Market	315	-	(84)	-	-	231
Total local borrowings	24,715	6,173	(4,166)	-	1,123	27,844

In millions of Malawi Kwacha

29 Loans and borrowings (Continued)

29.2 Movement in borrowings (Continued)

Group	At 01/01/17	Draw-downs	Repayments	Exchange fluctuations	Interest accrual	At 31/12/17
Foreign borrowings						
Huawei deferred payment	5,309	5,613	(5,238)	187	-	5,871
Huawei long term payable	872	-	-	-	-	872
Libyan Government	236	-	-	-	-	236
European Investment Bank	-	13,915	-	-	61	13,976
PTA Bank	4,197	-	-	3	598	4,798
ZTE Vendor financing	1,567	-	-	-	-	1,567
Total foreign borrowings	12,181	19,528	(5,238)	190	659	27,320
Total borrowings	**36,896**	**25,701**	**(9,404)**	**190**	**1,782**	**55,164**

Company						
MTN coupon	2,025	-	(958)	-	37	1,104
Total local borrowings	**2,025**	**-**	**(958)**	**-**	**37**	**1,104**

2016

Group	At 01/01/16	Draw-downs	Repayments	Exchange fluctuations	Interest accrual	At 31/12/16
Local borrowings						
Belgium Government	102	-	-	-	5	107
CDH Investment Bank Limited	-	827	-	-	89	916
Commercial debt	5,000	-	-	-	384	5,384
Continental Discount House Limited	-	974	-	-	179	1,153
Corporate bond	-	9,500	-	-	-	9,500
DANIDA loan	705	-	-	-	20	725
FDH Bank Limited	676	-	(750)	-	74	-
Kuwait Development Fund	1,125	-	-	-	77	1,202
MACRA long term payable	-	1,686	-	-	-	1,686
Malawi Government	209	-	-	-	1	210
NBM commercial paper	800	-	(400)	-	-	400
NORDIC Development Fund	1,029	-	-	-	63	1,092
Press Corp MTN coupon loan	2,902	-	(979)	-	102	2,025
Reserve Bank of Malawi	3	-	(3)	-	-	-
Standard Bank plc – MWK Loan	26	-	(26)	-	-	-
Standard Bank plc Syndicated Loan	278	-	(278)	-	-	-
Syndicated loan - NBM capital Market	399	-	(84)	-	-	315
Total local borrowings	13,254	12,987	(2,520)	-	994	24,715
Foreign borrowings						
Huawei deferred payment	7,017	2,578	(4,943)	657	-	5,309
Huawei long term payable	-	872	-	-	-	872
Libyan Government	216	-	-	20	-	236
Nederlands FMO	3,339	-	(3,339)	-	-	-
PTA Bank	11,544	-	(8,660)	978	335	4,197
ZTE Vendor financing	1,071	496	-	-	-	1,567
Total foreign borrowings	23,187	3,946	(16,942)	1,655	335	12,181
Total borrowings	**36,441**	**16,933**	**(19,462)**	**1,655**	**1,329**	**36,896**

Company						
MTN coupon	2,902	-	(979)	-	102	2,025
Standard Bank of Malawi plc	26	-	(26)	-	-	-
Total local borrowings	**2,928**	**-**	**(1,005)**	**-**	**102**	**2,025**

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
Group - 2017								
Belgium Government	Malawi Kwacha	8%	1/2 yearly	Government	2005	2020	43	69
CDH Investment Bank	Malawi Kwacha	182TB rate+5.5%	Quarterly	PCL Guarantee	2017	2022	1,079	-
Commercial debt Old Mutual	Malawi Kwacha	364 TB rate + 2%	5 Years - Option for bullet payments of MK1b tranches after 3rd year	Debenture on TNM Assets	2018	2021	250	5,000
Commercial debt Nico Asset Managers	Malawi Kwacha	180 TB rate + 1.8%	5 Years - Option for bullet payments of MK1b tranches after 3rd year	Debenture on TNM Assets	2020	2022	236	5,000
Corporate bond	Malawi Kwacha	365TB rate +6%	On maturity	FOC and PCL guarantee	2021	2021	-	9,500
DANIDA loan	Malawi Kwacha	4%	1/2 yearly	Government	2004	2020	170	575
European Investment bank	US Dollars	3%	1/2 yearly	Unsecured	2016	2018	61	13,915
FMB Loan	Malawi Kwacha	23%	Quarterly	PCL Guarantee	2016	2022	937	-
Huawei deferred payment	US Dollars	6 Months Libor + 6.5%	Within 2 Years	Unsecured	270 Days after Invoice	Rolling-Within 2 Years	3,421	2,450
Huawei long term payable	US Dollars	0%	Monthly	Unsecured	2017	2017	872	-
Kuwait Development Fund	Malawi Kwacha	15%	1/2 yearly	Government	2003	2017	766	514
Libyan Government	US Dollars	0%	Dividend offset	Unsecured	n/a	n/a	-	236
MACRA long term payable	Malawi Kwacha	0%	Monthly	Unsecured	2017	2018	1,005	-
Malawi Government	Malawi Kwacha	3%	Half yearly	Unsecured	2034	2043	-	210
NORDIC Development Fund	Malawi Kwacha	15%	1/2 yearly	Government	2003	2018	737	418
Press Corp MTN coupon loan	Malawi Kwacha	364TB rate+4%	Quarterly	TNM Shares	2015	2019	890	214
PTA Bank	US Dollars	8%	Graduated	charge of assets	2009	2018	4,798	-
Syndicated loan - NBM capital	Malawi Kwacha	364TB rate+4%	Quarterly	PCL guarantee	2015	2020	84	147
ZTE Vendor financing	US Dollars	0%	Monthly	Unsecured	2017	2018	1,567	-
Total							**16,916**	**38,248**
Company - 2017								
Press Corp MTN coupon loan	Malawi Kwacha	364TB+4%	Quarterly	TNM shares	2015	2019	**890**	**214**

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 - 2016									
Belgium Government	Malawi Kwacha	8%	1/2 yearly	Government	2005	2020	90	17	-
CDH Investment bank	Malawi Kwacha	364 TB rate +5%	Quarterly	PCL Guarantee	2017	2020	289	864	-
CDH Investment Bank	Malawi Kwacha	182TB rate+5.5%	Quarterly	PCL Guarantee	2017	2022	133	772	11
Commercial debt Old Mutual	Malawi Kwacha	364 TB rate + 2%	5 Years - Option for bullet payments of MK1b tranches after 3rd year	Debenture on TNM Assets	2018	2021	384	5,000	-
Corporate bond	Malawi Kwacha	365TB rate +6%	On maturity	FOC and PCL guarantee	2021	2021	-	9,500	-
DANIDA loan	Malawi Kwacha	4%	1/2 yearly	Government	2004	2020	587	138	-
Huawei deferred payment	US Dollars	6 Months Libor + 6.5%	Within 2 Years	Unsecured	270 Days after Invoice	Rolling- Within 2 Years	3,861	1,448	-
Huawei long term payable	US Dollars	0%	Monthly	Unsecured	2017	2017	872	-	-
Kuwait Development Fund	Malawi Kwacha	15%	1/2 yearly	Government	2003	2017	1,202	-	-
Libyan Government	US Dollars	0%	Dividend offset	Unsecured	n/a	n/a	236	-	-
MACRA long term payable	Malawi Kwacha	0%	Monthly	Unsecured	2017	2017	720	966	-
Malawi Government	Malawi Kwacha	3%	Half yearly	Unsecured	2034	2043	-	-	210
NBM commercial paper	Malawi Kwacha	364 TB rate +4%	Quarterly	PCL Guarantee	2015	2017	400	-	-
NORDIC Development Fund	Malawi Kwacha	15%	1/2 yearly	Government	2003	2018	1,071	21	-
Press Corp MTN coupon loan	Malawi Kwacha	364TB rate+4%	Quarterly	TNM Shares	2015	2019	957	1,068	-
PTA Bank	US Dollars	8%	Graduated	charge of assets	2009	2018	4,197	-	-
Syndicated loan - NBM capital Market	Malawi Kwacha	364TB rate+4%	Quarterly	PCL guarantee	2015	2020	84	231	-
ZTE Vendor financing	US Dollars	0%	Monthly	Unsecured	2017	2017	1,567	-	-
Total							**16,650**	**20,025**	**221**
Company - 2016									
Press Corp MTN coupon loan	Malawi Kwacha	364TB+4%	Quarterly	TNM shares	2015	2019	**957**	**1,068**	**-**

In millions of Malawi Kwacha

29 Loans and borrowings (Continued)

29.4 Loans and borrowings arrears

One of the Group subsidiary, Malawi Telecommunication Limited, is in arrears in respect of repayment of some of its loans in particular the Malawi Government guaranteed loans, the MACRA loan, Huawei loan, ZTE loan and PTA Bank loan. Subsequent to year end, the subsidiary restructured the Malawi Government guaranteed loans to long term with a repayment period of 10 years effective 1st January 2019.

PTA bank loan was restructured in 2015 and agreed with the lender for the loan to be settled using proceeds to be realised from the sale of the Fibre Optic Cable business. The late settlement of the PTA loan is due to the delay in the finalisation of a deal for the sale of the Fibre Optic Cable business.

30 Provisions

	Legal claim	Group bonus	Other	Total
Group				
2017				
Balance at the beginning of the year	239	3,999	801	5,039
Provision made during the year	13	5,096	154	5,263
Provision used during the year	-	(4,489)	52	(4,437)
Balance at the end of the year	252	4,606	1,007	5,865
Non-current liabilities	-	-	70	70
Due within 1 year or less	252	4,606	937	5,795
Balance as at the end of the year	252	4,606	1,007	5,865
2016				
Balance at the beginning of the year	246	2,429	846	3,521
Provisions reversed during the period	(7)	(25)	-	(32)
Provision made during the year	-	4,486	115	4,601
Provision used during the year	-	(2,891)	(160)	(3,051)
Balance at the end of the year	239	3,999	801	5,039
Due within 1 year or less	239	3,999	801	5,039
Company				
2017				
Balance at the beginning of the year	-	524	-	524
Provision made during the year	-	790	-	790
Provision used during the year	-	(524)	-	(524)
Balance at the end of the year	-	790	-	790
2016				
Balance at the beginning of the year	-	71	-	71
Provision made during the year	-	453	-	453
Balance at the end of the year	-	524	-	524

All provisions relating to the company are due within 1 year or less.

In millions of Malawi Kwacha

30 Provisions (Continued)

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

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

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

31 Income tax payable

	Group		Company	
	2017	2016	2017	2016
Opening balance	5,780	2,685	42	42
Current charge	14,665	14,863	823	688
Cash paid	(15,906)	(11,649)	(771)	(688)
Prior period charge	(1)	(10)	-	-
Tax transfer from income tax recoverable (note 24)	-	(109)	-	-
Total income tax payables	4,538	5,780	94	42

32 Trade and other payables

	Group			Company	
	31/12/17	31/12/16 *Restated*	01/01/16	31/12/17	31/12/16
Trade payables	22,056	17,736	18,811	42	34
Liabilities to other banks	1,714	14,570	3,347	-	-
Taxes and levies	5,681	3,762	2,080	70	73
Deferred revenue	4,887	2,957	3,863	-	-
Accruals	5,116	2,591	2,628	270	315
Other payables	1,230	1,332	1,381	41	-
Staff payables	633	637	644	-	-
Dividend payable	1,179	589	589	-	-
Total trade and other payables	42,496	44,174	33,343	423	422
Trade and other payables as previously stated	42,496	43,326	33,343	423	422
Prior year adjustments – note 49	-	848	-	-	-
Trade and other payables	42,496	44,174	33,343	423	422

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.

In millions of Malawi Kwacha

33 Trade and other payables to Group companies

	Company 2017	Company 2016
PressCane Limited	-	2,985
Ethanol Company Limited	-	1,082
Manzinzi Bay Limited	19	19
Press Properties Limited	6	8
Malawi Telecommunications Limited	6	5
Telekom Networks Malawi plc	2	5
Peoples Trading Centre Limited	9	-
	42	4,104

Amounts due to Presscane Limited and Ethanol Company Limited were in respect of amounts placed on deposit with Press Corporation plc treasury. The deposits were fully paid in the current years.

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

34 Customer deposits

	Average interest rates 2017	Average interest rates 2016	Group 2017	Group 2016
Analysed by account type:				
Current accounts	0.10%	0.15%	132,521	90,999
Deposit accounts	7.67%	10.50%	38,680	28,736
Savings accounts	6.57%	7.80%	54,008	42,632
Foreign currency accounts*	0.50%	0.50%	49,864	67,066
			275,073	229,433
Analysed by interest risk type:				
Interest bearing deposits			260,707	224,186
Non-interest bearing deposits			14,366	5,247
			275,073	229,433
Total liabilities to customers are payable as follows:				
- Within three months			273,488	226,124
- Between three months and one year			1,585	3,309
			275,073	229,433
Analysis of deposits by sector				
- Personal accounts			65,687	49,664
- Manufacturing			7,043	11,122
- Wholesale and retail			24,497	21,924
- Finance and insurance			25,186	25,197
- Government accounts			23,393	16,759
- Others			129,267	104,767
			275,073	229,433
* The foreign currency denominated account balances as at 31 December were as follows:-				
US Dollar denominated			38,676	55,613
GBP denominated			1,614	2,005
Euro denominated			8,768	8,498
ZAR denominated			804	925
Other currencies			2	25
			49,864	67,066

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

In millions of Malawi Kwacha

35 Revenue

	Group		Company	
	2017	**2016**	**2017**	**2016**
Sale of goods	47,929	52,311	395	389
Rendering of Services	84,387	73,943	-	-
Interest	68,164	62,603	-	-
Investment income – dividend	-	-	8,231	6,882
	200,480	188,857	8,626	7,271

For the year ended 31 December 2017, the Group had deferred revenue of K4.9 billion (2016: K2.9 billion) relating 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.

36 Direct trading expenses

	Group		Company	
	2017	**2016** *Restated*	**2017**	**2016**
Cost of sales	32,783	33,292	14	26
Interest expense	6,558	6,148	-	-
Direct service costs	42,655	38,063	-	-
	81,996	77,503	14	26

Prior year cost of sales were restated – refer to note 49 for details of the restatement.

37 Other operating income

	Group		Company	
	2017	**2016** *Restated*	**2017**	**2016**
Net gains from trading in foreign currencies	34	39	-	-
Recoveries from impaired loans and advances	1,027	1,017	-	-
Fair value adjustment of investment property	769	477	-	-
Gains and losses from fair value adjustment of biological assets	554	-	-	-
Net gain/(loss) on financial instruments classified as held for trading	2,029	(171)	-	-
Profit on disposal of property, plant and equipment	234	321	10	(3)
Profit on disposal of available for sale financial assets	14,284	34	17,039	34
Site co-siting	2,564	1,311	-	-
Sundry income	2,899	2,220	653	364
	24,394	5,248	17,702	395

Prior year sundry income was restated – refer to note 49 for details of the restatement.

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.

In millions of Malawi Kwacha

38 Distribution expenses

	Group		Company	
	2017	**2016**	**2017**	**2016**
Marketing and publication	1,827	1,842	-	-
Selling expenses	61	67	-	-
Carriage outwards	781	311	-	-
Other	178	182	-	-
	2,847	2,402	-	-

39 Administrative expenses

		Group		Company	
		2017	**2016** *Restated*	**2017**	**2016**
Auditors' remuneration	- current year fees	524	559	77	86
	- prior year fees	54	41	-	-
	- other professional services	7	6	-	-
Directors' emoluments	- fees & expenses	294	333	67	87
	- executive directors' remuneration	1,692	1,468	875	513
Personnel costs		35,241	31,126	2,412	1,656
Pension contribution costs		2,343	2,316	145	125
Legal and professional fees		1,091	1,188	47	50
Stationery and office expenses		2,285	1,932	326	261
Security services		2,195	2,173	54	46
Motor vehicle expenses		1,736	2,048	393	287
Bad debts		6,567	2,809	-	-
Repairs and maintenance		6,234	6,284	319	255
Depreciation, impairment and amortisation		13,581	16,640	79	118
Travel expenses		1,011	1,064	-	-
Communication		674	1,652	-	-
Stock write off, impairment		798	1,506	-	-
Other		7,178	7,196	366	381
		83,505	80,341	5,160	3,865

Prior year administrative expenses were restated – refer to note 49 for details of the restatement.

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 3,346 (2016: 3,374) members as at 31 December 2017. The Fund is a defined contribution fund and is independently self-administered by its Trustees. Under this arrangement employer's liability is limited to the pension contributions.

40 Finance income and costs

	Group		Company	
	2017	**2016**	**2017**	**2016**
Interest income				
Interest income on bank deposits	902	830	252	163
Net foreign exchange gain	364	1,141	364	3
Other	448	146	339	-
	1,714	2,117	955	166
Interest expense				
Bank overdrafts	(1,547)	(2,105)	(629)	(393)
Loans	(7,397)	(6,442)	(1,053)	(1,672)
Foreign exchange loss	(31)	(3,240)	-	-
	(8,975)	(11,787)	(1,682)	(2,065)
Net finance costs	(7,261)	(9,670)	(727)	(1,899)

During the year, borrowing costs amounting to K18 million were capitalised (2016: Nil).

In millions of Malawi Kwacha

	Group 2017	Group 2016	Company 2017	Company 2016
41 Share of results from equity accounted investees				
Share of profit, net of tax				
Limbe Leaf Tobacco Company Limited	2,612	3,459	-	-
Castel Malawi Limited	318	171	-	-
Puma Energy (Malawi) Limited	1,746	1,691	-	-
Macsteel (Malawi) Limited	166	222	-	-
	4,842	5,543	-	-
Share of other comprehensive income, net of tax				
Limbe Leaf Tobacco Company Limited	498	721	-	-
Castel Malawi Limited	-	763	-	-
Puma Energy (Malawi) Limited	-	1,404	-	-
Macsteel (Malawi) Limited	-	316	-	-
	498	3,204	-	-

	Group 2017	Group 2016	Company 2017	Company 2016
42 Income taxes				
Current tax expense				
Current year at 30% (2016:30%) based on taxable profits	13,842	14,074	-	-
Changes in estimates related to prior years	16	90	-	-
Final tax on dividend received from associates, subsidiaries and joint ventures	823	688	823	688
	14,681	14,852	823	688
Deferred tax (credit)/expense				
In respect of the current year	(243)	(434)	-	-
Total Income tax expense recognised in the current year	14,438	14,418	823	688

The Group's tax expense on continuing operations excludes the Group's share of the tax expense of equity accounted investees of K2,333 million (2016: K2,247 million), which has been included in 'share of profit of equity-accounted investees, net of tax'.

42.1 Tax losses carried forward

The Group has estimated tax losses of K47.6 billion (2016:K52.4 billion). These include capital losses, which can be set off against future capital gains. Where relevant, these tax losses have been set off against deferred tax liabilities, which would arise on the disposal of revalued assets at carrying value. Tax losses are subject to agreement by the Malawi Revenue Authority and are available for utilisation against future taxable income, including capital gains, only in the same company. Under the Malawi Taxation Act it is not possible to transfer tax losses from one subsidiary to another or obtain Group relief.

Tax losses can only be carried forward for six years.

42.2 Reconciliation of effective tax rate

The tax on the Group's and Company's profit before tax differs from theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group and Company.

The income tax expense for the year can be reconciled to the accounting profit as follows;

In millions of Malawi Kwacha

42 Income taxes

42.2 Reconciliation of effective tax rate (continued)

	2017		2016 *Restated*	
Group				
Profit before tax from continuing operations		54,107		29,732
Tax using the Group's domestic tax rate – 30%	30%	16,232	30%	8,920
Tax effect of:				
Share of profit of equity-accounted investees reported net of tax	(3%)	(1,453)	(6%)	(1,663)
Income not subject to tax	-	-	(1%)	(183)
Expenses not deductible for tax purposes	-	152	1%	326
Tax incentives	-	28	(1%)	(251)
Effects of final tax on dividends from associates and subsidiaries	2%	823	2%	688
Under provisions in previous periods	-	16	-	90
Unrecognised taxable losses	7%	3,537	22%	6,396
Effects of previously unrecognised deferred tax asset	(8%)	(4,286)	-	-
Other permanent differences	(1%)	(611)	1%	95
Effective tax rate and income tax charge	27%	14,438	48%	14,418
Company				
Profit before tax from continuing operations		20,427		1,876
Tax using the Group's domestic tax rate – 30%	30%	6,128	30%	563
Effects of final tax on dividends from associates and subsidiaries	4%	823	37%	688
Unrecognised taxable losses	(5%)	(1,016)	(30%)	(563)
Effects of previously unrecognised deferred tax asset	(25%)	(5,112)	-	-
Other permanent differences	-	-	-	-
Effective tax rate and income tax charge	4%	823	37%	688

43 Basic earnings per share and diluted earnings per share

Calculation of basic earnings per share and diluted earnings per share is based on the profit attributable to ordinary shareholders of K24,707 million (2016: K4,909 million) and a weighted average number of ordinary shares outstanding during the year of 120.2 million (2016:120.2 million).

	Group 2017	Group 2016 *Restated*
Profit attributable to owners of the Company	23,917	4,909
Weighted average number of ordinary shares	120.2	120.2
Basic earnings per share *(K)*	198.98	40.84
Number of shares in issue	120.2	120.2
Diluted earnings per share *(K)*	198.94	40.80
Profit from continuing operations	39,669	15,314
Non-controlling interest	(15,756)	(10,410)
Profit from continuing operations attributable to the ordinary equity holders of the parent Company	23,913	4,904
Basic earnings per share (from continuing operations) (K)	198.94	40.80
Diluted earnings per share (from continued operations) (K)	198.94	40.80

In millions of Malawi Kwacha

44 Contingent liabilities

	Group		Company	
	2017	**2016**	**2017**	**2016**
Foreign guarantees	1,318	519	-	-
Local guarantees and performance bonds	24,177	16,431	16,470	14,700
Letters of credit	28,808	16,855	-	-
	54,303	33,805	16,470	14,700
Legal and other claims	1,875	1,647	-	-
Tax payable	4,946	2,373	-	-
Total contingent liabilities	61,124	37,825	16,470	14,700

(a) Guarantees and performance bonds represent acceptances, guarantees, indemnities and credits issued by National Bank of Malawi plc to non-Group entities which would crystallize into a liability only in the event of default on the part of the relevant counterparty. For the Company, the guarantees represents guarantees made by the parent Company for bank loans taken by The Foods Company Limited, Malawi Telecommunication Limited, Press Properties Limited and Peoples Trading Centre Limited and corporate bond taken by Open Connect Limited.

(b) Letters of credit (LCs) relate to standby LCs issued by National Bank of Malawi plc on behalf of selected customers. By issuing these LCs, the Bank is guaranteeing payment to the third party in the event that the customer defaults on their contractual obligations on the transaction. These are non-cash upfront LCs and are therefore memoranda items only.

(c) Legal and other claims represent legal and other claims made against the Group in the ordinary course of business, the outcome of which is uncertain. The amount disclosed represents an estimate of the cost to the Group in the event that legal proceedings find the Group to be in the wrong. In the opinion of the directors the claims are not expected to give rise to a significant cost to the Group.

(d) Tax liability relates to disputes that the Group's subsidiary Peoples Trading Centre Limited and the Group's associate Limbe Leaf Tobacco Ltd have with the Malawi Revenue Authority. The total potential tax liability for the associate (Limbe Leaf Tobacco Ltd) is K5.0 billion (2016:K5.6 billion) and PCL's portion of the liability recognised as contingent liability amounts to K2.1 billion (2016: K2.3 billion).

45 Capital commitments

	Group		Company	
	2017	**2016**	**2017**	**2016**
Authorised and contracted for	5,432	8,935	-	-
Authorised but not yet contracted for	21,655	18,061	116	285
	27,087	26,996	116	285

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

In millions of Malawi Kwacha

46 Related parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

46.1 Trading transactions

During the year, the Group entered into the following trading transactions with related parties that are not members of the Group;

	Sales		Purchases	
	2017	**2016**	**2017**	**2016**
Joint ventures of the Group	4,731	4,606	1,635	1,404
Shareholder - Old Mutual Group	8	18	-	-
Associates of the Group	36	76	7,494	4,148
Shareholder - Press Trust	1	1	-	-
	4,776	4,701	9,129	5,552

	Interest Income		Interest Expense	
	2017	**2016**	**2017**	**2016**
Joint ventures of the Group	1	-	-	-
Shareholder - Old Mutual Group	5	-	-	(12)
Associates of the Group	54	53	(1)	(3)
Directors	6	4	-	-
Employees	1,369	1,288	(1,035)	(988)
	1,435	1,345	(1,036)	(1,003)

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

Average interest rate on related party interest income was 25% (2016: 34%)

46.2 Receivables and payables

	Amounts owed by related parties		Amounts owed to related parties	
	2017	**2016**	**2017**	**2016**
Joint ventures of the Group	913	434	61	7
Shareholder - Old Mutual Group	3	2	-	-
Associates of the Group	144	27	453	1,156
Directors	4	-	-	3
Employees	-	74	69	-
	934	537	583	1,166

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

46 Related parties (Continued)

46.3 Loans and deposits

	Loans		Deposits	
	2017	**2016**	**2017**	**2016**
Joint ventures of the Group	-	-	840	1,748
Shareholder - Old Mutual Group	-	-	1,912	3,357
Associates of the Group	7	-	529	164
Shareholder - Press Trust	-	-	192	150
Directors	495	398	106	10
Employees	5,328	6,136	545	444
Related Pension Funds	-	-	252	3
	5,830	6,534	4,376	5,876

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

During the year no amount due from a related party was written off against interest in suspense and provision for loan losses. There were no provisions in respect of loans granted to related parties as at the end of the year (2016: nil).

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

46.4 Compensation of key management personnel

Directors of the Company and their immediate relatives control 0.01% (2016: 0.01%) of the voting shares of the Company.

Directors' emoluments are included in administrative expenses more fully disclosed in note 39.

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
Salaries and benefits for key management	6,442	6,029	435	422
Directors remuneration	1,986	1,801	942	600
Post-employment benefit	477	413	25	23
	8,905	8,243	1,402	1,045

In millions of Malawi Kwacha

47 Cash flows from operating activities

	Group		Company	
	2017	**2016**	**2017**	**2016**
Profit before income tax	54,111	29,732	20,427	1,876
Adjustments for:				
Depreciation and amortization	13,944	16,640	63	121
Finance costs	8,975	11,787	1,682	2,065
Finance income	(1,714)	(2,117)	(955)	(166)
Share of results from equity accounted investments	(4,842)	(5,543)	-	-
(Profit)/ loss on sale of investment property and property, plant and equipment	(234)	(321)	(10)	3
Fair value adjustments and unrealised foreign excahnge losses	(1,735)	(706)	1	-
Profit on disposal of shares	(14,284)	-	(17,039)	(34)
Investment income (dividends)	-	-	(8,231)	(6,882)
(Decrease)/Increase in provisions	826	1,518	266	453
Working capital changes:				
Decrease/(Increase) in inventories	(1,796)	451	11	(3)
Increase in Loans and advances to customers	1,369	(18,445)	-	-
Increase in Finance lease receivables	(941)	(1,225)	-	-
(Increase)/Decrease in trade and other receivables	(1,835)	(4,559)	(428)	(59)
Increase in trade and other receivables -Group	-	-	(2,655)	(521)
Increase in other investments	(51,163)	(13,138)	(1,246)	-
(Decrease)/Increase in trade and other payables	(1,678)	10,831	1	288
Increase in trade and other payables- Group	-	-	(4,062)	1,033
Increase in customer deposits	45,640	17,581	-	-
Cash generated by/(used in) operations	44,643	42,486	(12,175)	(1,826)

48 Dividend per share

	Group and Company	
	2017	**2016**
Final dividend	2,405	1,503
Interim dividend	601	-
	3,006	1,503
Number of ordinary shares in issue (million)	120.2	120.2
Dividend per share (K)	25.00	12.50

During the year, the Group declared and paid a total of K2,104 million representing final dividend for 2016 of K1,503 million and interim dividend for 2017 of K601 million. The proposed final dividend for the year 2017 is K2,405 million (2016: K1,503 million) representing K20 per share (2016: K12.50).

In millions of Malawi Kwacha

49 Prior year restatement

Prior year adjustments have been processed in respect of the following:

Inventories
Prior year adjustment related to correction of recorded trading and non trading stock that were not physically available. The adjustment resulted in an increase in cost of sales by K112 million and administrative expenses by K269 million and a decrease in inventories by K381 million.

Trade and other receivables
Prior year adjustment relates to correction of overstatement of recorded other receivables. The adjustment resulted in decrease of other income by K9 million and decrease in trade and other receivables by K9 million.

Bank and cash
Prior year adjustment of K617 million related to cash receivable from one of the money transfer partner which was being recognized as deposits in transit. The error occurred in the determination of recoverability of the balance as a result of not using information that was available at the time of preparing financial statements. The adjustment resulted in an increase in administrative expenses by K617 million (bad debts provision) and a decrease in cash of K617 million. In addition, another adjustment was made in respect of misclassification between cost of sales and bank and cash. The adjustment resulted in an increase in cost of sales by K40 million and a decrease in cash of K40 million.

Trade and other payables
Prior year adjustment related to correction of understatement of prior year liabilities following a detailed analysis of the creditors ledger. The adjustment to trade and other payables resulted in an increase in other income by K90 million, cost of sales by K1,006 million and decrease in administrative expenses by K68 million and an increase in trade and other payables by K848 million.

49.1 Restatement impact on comparatives

The financial statements have accordingly been restated in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and related disclosures made in accordance with IAS 1 *Presentation of Financial Statements*.

The impact of these restatements is detailed in the analysis below.

	As previously reported in 2016	Adjustment	Restated
Statement of financial position			
Cash and cash equivalent (note 26)	50,988	(657)	50,331
Inventories (note 21)	10,095	(381)	9,714
Trade and other receivables (note 23)	24,196	(9)	24,187
Trade and other payables (note 32)	43,326	848	44,174
Statement of comprehensive income			
Cost of sales (note 36)	32,134	1,158	33,292
Administrative expenses (note 39)	79,523	818	80,341
Other income – sundry (note 37)	5,167	81	5,248
Profit for the year	17,214	1,895	15,319

The adjustment to administrative expenses resulted in an increase of the following line items; travel expenses K41 million, stationery K26 million, stock write off K202 million and bad debts provision K617 million and the decrease of K63 million in stationery and office expenses and K5 million in personnel expenses.

In millions of Malawi Kwacha

50 Subsequent events

The directors have proposed a dividend of K20 per share as disclosed in note 48. This dividend is subject to approval by shareholders at the Annual General Meeting.

51 Inflation and exchange rates

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

Exchange rates as at 31 December.	**2017**	**2016**
Kwacha/United States Dollar	725.6	725.4
Kwacha/Euro	865.1	764.0
Kwacha/British Pound	974.3	890.6
Kwacha/South African Rand	58.7	53.7
Inflation rates as at 31 December (%)	7.1	20.0

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

Kwacha/GBP
Kwacha/Rand
Kwacha/US Dollar
Kwacha/Euro

Inflation rates as at February 2017