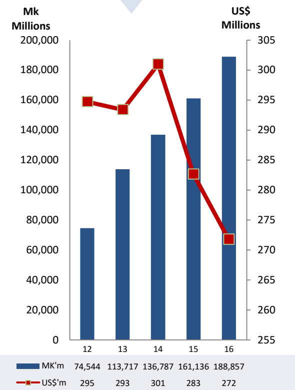
Annual Report 2016

CONTENTS

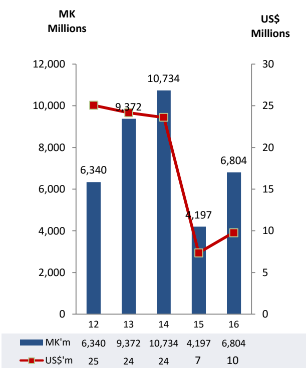
Cover photo by Billy Mphande, owner of Shire Camp Safaris in Liwonde

	Malawi Kwacha			US Dollars		
Group Summary (in millions)	**2016**	**2015**	**Change %**	**2016**	**2015**	**Change %**
Turnover	188,857	161,136	17.20	272	283	(3.85)
Attributable earnings	6,804	4,197	62.12	10	7	33.00
Shareholders' equity	103,206	91,698	12.55	142	138	3.09
Share performance						
Basic earnings per share	56.61	34.92	62.12	0.08	0.06	33.00
Cash retained from operations per share	186.73	74.67	150.08	0.26	0.11	129.05
Net asset value per share (shareholders' equity per share)	1,243	1,085	14.58	1.71	1.63	4.94
Dividend per share	8.50	13.00	(34.61)	0.01	0.02	(40.11)
Market price per share	540.00	535.00	0.93	0.74	0.81	(7.55)
Price earnings ratio	9.54	15.3	(37.74)	9.14	13.15	(30.49)
Number of shares in issue (in millions)	120.20	120.2	0.00			
Volume of shares traded (in thousands)	508.00	2,117	(76.00)			
Value of shares trades (in MK miilions)	272.00	1,085	(74.93)	0.39	1.90	(79.43)
Financial statistics						
After tax return on equity	16.68	13.35	24.91	0.02	0.02	14.41
Gearing	12%	7%	(65.25)			
Average monthly rates				694.90	570.10	
Year end exchange rates				725.40	664.40	

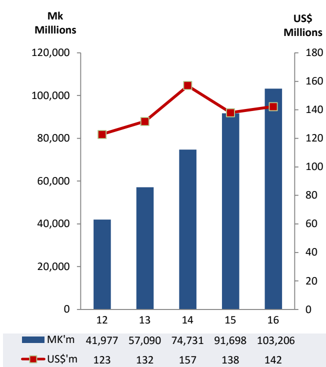
TURNOVER



PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS



ORDINARY SHAREHOLDERS' FUNDS



CORPORATE SOCIAL RESPONSIBILITY

Press Corporation Limited is a member of the UN Global Compact Network and, by signing up, has endorsed the Global Compact Principles in terms of the Group's operations.

Through donations, projects, programs and social investments, the Group invested about MK500 million in corporate social responsibility which is about 3% of the Group's Profit After Tax for the year 2016.

...the Group invested **K500 million** in corporate social responsibilty

INTEGRITY

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

All Press Corporation Limited suppliers are bound by rules of the PCL Procurement manual which prevents them from being engaged in corrupt and fraudulent practises as well as collusion. The manual also acts as a guide to staff members to maintain the integrity of the Company by acting fairly when dealing with suppliers. All procurement processes are conducted in a transparent, accountable, fair and competitive manner with impeccable standards.

EMPLOYMENT EQUITY

Press Corporation Limited's employment policy is based on a system of opportunities for all. Employment equity seeks to identify, develop and reward each employee who demonstrates the qualities of individual initiative, enterprise, hard work and loyalty in their jobs.

Employment is on the basis of merit rather than an individual's race, colour, creed, gender, or any other criterion unrelated to their capacity to do the job.

Employees have the right to work in an environment which is free from any form of harassment or unlawful discrimination with respect to race, colour, creed, gender, place of origin, political persuasion, marital, family status or disability.

HIV/AIDS POLICY

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

Press Corporation Limited continues to provide free anti-retroviral therapy to employees of the Group and on a nominal fee to the general public at the PCL Clinic situated at the Trade Fair Grounds in Blantyre.. All staff at the clinic are trained to provide the appropriate counselling to employees who are diagnosed with the HIV virus.

ENVIRONMENTAL MANAGEMENT

Press Corporation Limited and its subsidiaries are committed to developing operational policies to address the environmental impact of its business activities by integrating pollution control, waste management and rehabilitation activities into operating procedures.

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

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

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

ETHCO also maximizes the use of steam from a renewable source (sugarcane bagasse steam from Dwangwa Sugar Corporation) as opposed to steam from coal which is a fossil fuel in order to protect the environment.

During the year, Press Corporation Limited through its subsidiaries, planted thousands of trees across the Country in an attempt to reverse the effects of deforestation in Malawi. The trees were distributed in school woodlots, planted in mountains and along rivers to enhance environmental protection.

COMMUNITY ENGAGEMENT

As a responsible corporate citizen, Press Corporation Limited and its subsidiaries aim to give back to the community by engaging in various corporate social responsibility activities..

ETHCO continued to freely deliver the dry sludge from the ethanol production process to local small scale farmers in its community within a 20 km radius. This sludge is used as a fertilizer supplement in their gardens hence reducing the communities' fertilizer costs.

TNM, through the Ufulu @50 Promotion which entailed winners could choose a community project of choice for their community, handed over the projects to the communities during the year, including sanitary facilities, mattresses, Early Childhood Development centre and computer.

MTL and TNM sponsored YONECO a nongovernmental organization whose aim is the elimination of child abuse, violence against children and exploitation of children in schools and communities in Malawi through Child Helpline Services in Malawi. TNM provided the Toll Free lines where as MTL provided the search lines.

SOCIAL INVESTMENTS

During the year, Press Corporation Limited and its subsidiary and associate companies continued to make donations in cash and in kind to organisations involved in serving the less privileged members of the society.

The Company joined the many organisations and individuals to support "Strides of Hope – Beyond You" which was a group of youths walking 362Km from Lilongwe to Blantyre in order to raise funds to equip the High Dependency Unit of Kamuzu Central Hospital's paediatric ward.

Some of the companies including National Bank, Ethanol Company Limited, Puma, Limbe Leaf Tobacco Company Limited and TNM rehabilitated schools, built classrooms, donated desks, chairs and computers as well as sponsored students in some of the secondary schools and colleges across the Country in a quest to improve the learning environment.

TNM and Carlsberg Malawi went further and commissioned boreholes to bring clean water to learners and communities to promote good health and sanitation.

HEALTH

During the year, Press Corporation Limited continued to offer health services to the general public through the PCL Clinic in Blantyre and Maldeco Fisheries Clinic in Mangochi.

The Company, through some of the Group's Companies, made several donations of medical equipment to some hospitals and organisations across the nation in a bid to improve the health care services in the country.

Furthermore, through the Sharehope partnership (Coca-Cola Africa Foundation, CitiHope International and MedShare), Carlsberg Malawi delivered donations of 3, 40 foot containers to Ekwendeni Mission Hospital, Zomba Central Hospital and Queen Elizabeth Central Hospital. The donations which consisted of brand new medical and biomedical equipment, were selected by hospital staff in the beneficiary hospitals, based on their needs. Donations in 2016 were valued at over $400 000.

ANTI-CORRUPTION

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

Press Corporation Limited and its subsidiary companies support the objective of the Business Action Against Corruption (BAAC) which is to actively promote business commitment to fighting corruption and foster widespread support for the Business Code of Conduct and to pursue linkages with relevant national and regional business led anti-corruption initiatives.

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

> VISION

To be the premier holding company dominating every market it serves with strength and agility

> MISSION STATEMENT

To create and sustain industry-dominant businesses in order to generate real growth in shareholder value and contribute to the socio-economic development of Malawi and the region

> CORE VALUES

Our core values are the PRICE we are committed to pay in conducting our business.

People Centred

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

Responsibility

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

Integrity

We commit to conduct our business in a transparent and ethical manner and pledge to be accountable to our customers, shareholders and society.

Customer Value

We strive to surpass customers’ expectations both internally and externally. We are therefore committed to enable our customers excel by: creating long-term relationships, being responsive and relevant, and delivering value consistently.

Excellence

We pursue excellence through highly efficient and effective processes that deliver goods and services of outstanding quality

Group consolidated profit after tax was MK17.21 billion (2015: MK12.24 billion) representing a 41% increase year-on-year. Net profit attributable to ordinary shareholders was MK6.80 billion (2015: MK4.20 billion).

THE ECONOMY

The Malawi Economy continued to register a weak GDP growth. The growth in 2016 was 2.50% compared with a growth of 3% in 2015. The slow growth was mainly on account of drought which caused a decline in the agricultural sector for a second season running resulting in about 40% of the population experiencing food insecurity.

Tobacco revenues, the mainstay of the export sector, declined in the year 2016 to USD276.39 million from USD337.40 million in the previous year on account of reduction in prices. Inspite of an increase in output by 1%, the unsatisfactory tobacco sales were as a result of poor quality due to drought and a general decline in global demand.

Similarly, there was a significant deficit in maize production. A harvest of 2.4m metric tonnes was realized compared with national requirements of 3.2m metric tonnes, representing a drop of 14.3% from the output of 2.8million tonnes in 2015.

The weak economic performance was further exacerbated by the recurrent power outages which were rampant throughout 2016, severely affecting productivity of all sectors of the economy.

Total foreign exchange reserves at 4.51 months import cover amounting to USD944 million remained healthy (2015: USD1,007, representing 4.82 months import cover) well above the recommended level of 3 months import cover.

Inflation remained stubbornly high and averaged 21.80% in 2016, not significantly different from the average rate of 21.95% in 2015, inspite of a consistent tight monetary policy through out the period. This was on account of food inflation of 26.7% in 2016 from an average rate of 24.0% in 2015 caused by the maize deficit and low agricultural production generally. The suppression of overall inflation however emanated from running a tight monetary policy regime in addition to a decline in global oil prices.

EXCHANGE RATES AND MONEY MARKET DEVELOPMENTS

In 2016, the Malawi Kwacha depreciated against the major trading currencies including the United States Dollar, Euro and South African Rand. The Kwacha depreciated against the USD which is the main trading currency by 8.4% to close at MK725.01 from MK664.37. The depreciation was in line with market expectations in spite of a satisfactory reserves position. The Malawi Kwacha however appreciated against the British Pound by 9.6% from MK984.32 to MK890.28 due to the effects of the Brexit vote in the United Kingdom which caused the Pound to depreciate significantly against all major currencies.

The Reserve Bank of Malawi revised the Policy Rate downwards to 24% in 2016 from 27% in 2015 towards the end of the year on the basis of lower inflation expectations. Consequently, commercial backs also lowered their base lending rates commensurately. However, interest rates still remained high resulting in increased credit risks in the banking sector.

STOCK MARKET DEVELOPMENTS

The market continued with its bear run that started in 2015, reflecting the underlying weak macroeconomic fundamentals during the past 2 years. It registered a negative return on investment of 8.53% (15.70% in US$ terms) compared to a negative return of 2.17% (29.94% in US$ terms) in 2015, and recorded significant reductions in both total traded values and volumes compared to the corresponding period 2015.

GROUP PERFORMANCE

The Group delivered good results notwithstanding the difficult operating environment that prevailed during the period. Group consolidated profit after tax was MK17.21 billion (2015: MK12.24 billion) representing a 41% increase year-on-year. Net profit attributable to ordinary shareholders was MK6.80 billion (2015: MK4.20 billion). This represents a 61% growth on prior year. Likewise, earnings per share increased to MK56.61 from MK34.92 representing a 62% growth.

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DIVIDEND

Directors have proposed a final dividend for the year 2016 of MK1.50 billion (2015: MK1.02 billion) representing MK12.50 per share (2015: MK8.50 per share). No interim dividend was paid for the year 2016 (2015: MK480.8 million representing MK4.00 per share).Total dividend for 2015 was MK1.50 billion representing MK12.50 per share. A resolution to approve the final dividend will be tabled at the forthcoming Annual General Meeting.

2017 promises to be a better year with an expected GDP growth of **5.6%**

PROSPECTS FOR 2017

2017 promises to be a better year with an expected GDP growth of 5.6% led by a recovery in agricultural production due to a good rainfall season. The Kwacha remained stable in the Q1 of 2017 but expectations are that it will depreciate gradually due to the continuing underperformance in the external sector.

Building on the Group's strength in terms of its size and diversity, the focus will be to continue nurturing and consolidating the Group's existing businesses, turning around underperforming companies, while continuing to explore the market for any profitable business opportunities including power generation.

MANAGEMENT OF THE COMPANY

During the year, the Company embarked on an extensive search for a Group Chief Executive in view of the then impending retirement of Dr Mathews Chikaonda. KPMG Advisory Services Limited were hired to handle the recruitment process. Following a thorough and transparent process, Dr George Partridge emerged the successful candidate and was appointed Group Chief Executive and Executive Director in November 2016. On behalf of my colleagues on the Board, I welcome Dr Partridge to PCL and wish him success as he takes over the leadership mantle from Dr Chikaonda.

Dr Mathews Chikaonda retired both as Group Chief Executive of Press Corporation Limited and as an Executive Director on 31st December 2016. On behalf of my colleagues on the Board, I would like to express the Board's appreciation for the contribution he made to the Press Group and wish him a fruitful retirement.

BOARD OF DIRECTORS

The Board Chairman Mr Simon A Itaye and Director Dr Bernard Zingano retired from the Board during the year. I wish to thank Mr Itaye for the outstanding leadership he provided to the Board as Chairman and Dr Zingano for his commitment and valuable contributions. Consequently, Mrs. Estelle Nuka and Mr Arthur Ben Chidyaonga were appointed in their stead. I welcome both Mrs. Nuka and Mr Chidyaonga and look forward to their contributions on the Board. Subsequent to the retirement of Mr Itaye, I was elected Chairman of the Board.

APPRECIATION

I wish to thank my fellow Directors for their counsel, management and staff for their professionalism,continued support, co-operation and dedication during the year that was characterized by a very challenging operating environment. With their support, the Company was able to face and overcome the difficult challenges as outlined in this Report. I look forward to a successful year in 2017.

PATRICK W KHEMBO
CHAIRMAN

The Group is keen to maintain its leadership role in the private sector by nurturing profitable operations to ensure sustainable growth in market share and dominance.

GROUP OPERATIONS

Management focus is to turn around the fortunes of loss making companies and those companies that are performing below their potential, while at the same time enhancing and sustaining those that are performing well. Strategies being deployed include recapitalization, technical partnerships, debt restructuring and change management, among others. Implementation of these strategies started gathering momentum in H2 of 2016.

During the year under review, the People's chain stores was recapitalized and opened its first Food Lovers Market store in Lilongwe following a franchise agreement with Fruit and Veg City Africa International. In addition, 2 Spar branded shops were opened in Lilongwe and Blantyre, under a Spar franchise arrangement, a well-known upmarket international brand. These technical partnerships and franchise arrangements form part of the turnaround startegies for the consumer goods segment. Additional shops under the franchise arrangements are planned for 2017.

The fibre optic backbone network business was hived off from the fixed telephony business culminating in a new company called Open Connect Limited which is now the carrier of carriers for all other telcos. Malawi Telecommunications Limited (MTL) continues to offer fixed telephony and a wide range of Information and Communications Technology (ICT) solutions to both corporate and retail consumers. The foreign debt burden for OCL was localised for better management of exchange rate risks. The process of seeking a technical partner in OCL is ongoing.

Carlsberg Group A/S sold their entire stake in Carlsberg Malawi Limited to B.I.H Brasseries Internationales Holding Limited, a member of the Castel Group. With Groupe Castel replacing Carlsberg Group A/S as a new majority shareholder, the Company has lined up several expansion and process enhancement projects for implementation in 2017 and beyond. In addition, the Company will be introducing new lines of both alcoholic and non-alcoholic beverages. This development will strengthen the hitherto weak performance of Carlsberg and put it in a better shape than it has been for the past two years.

GROUP FINANCIAL PERFORMANCE

The Group delivered good results registering above inflation average growth in its earnings notwithstanding the challenges in the operating environment. Drought conditions during the 2015/2016 season and the resultant weak GDP growth affected disposable incomes, while power generation challenges reduced capacity utilization, culminating into uncompetitive cost structures and reduced output.

Group consolidated profit after tax at MK17.21 billion (2015: MK12.24 billion) represents a 41% increase on prior year. Group results were anchored by financial services (National Bank) and the mobile phone operator (TNM) which produced excellent results. Significant contributions and improvements in performance were registered in the tobacco processing company (Limbe Leaf), fuel distribution (PUMA), steel products (Macsteel) and the two ethanol manufacturing companies (ETHCO and PressCane).The good performance was driven by increased revenues and remarkable improvements in gross margins. In addition, the reduction in interest rates and the stability of the Kwacha resulted in significant savings in finance costs. Group operating results were suppressed by continuing significant losses incurred in PTC, MTL and The Foods. At Company level, MTL made a profit of MK3.8 billion due to inter-company sale of assets to OCL.

Brief profiles of individual companies have been given elsewhere in this Annual Report.

STRATEGIC DIRECTION

Press Corporation Limited focuses on growth through diversification. The Group is keen to maintain its leadership role in the private sector by nurturing profitable operations to ensure sustainable growth in market share and dominance in the respective sectors consistent with the pillars contained in the Company's 5 year Strategic Plan. These pillars are Business Expansion, Competitive Advantage, Human Capital Development, Technological Enhancement, and Corporate Social Responsibility. However, alongside these pillars, it has become imperative that management should also prioritise on turn-around strategies to resuscitate non-performing investments with potential, which are pulling down the performance of the whole Group.

Turn-around Strategies

Management is now focussing on the turnaround strategies for the identified non-performing and underperforming investments as previously outlined in this Report. This is being implemented in tandem with the five strategic pillars contained in its 5 year Strategic Plan.

Business Expansion

The impetus is to grow market share in existing markets, expand into new markets, innovate and develop new products and services. The business expansion theme includes developing a regional market footprint in SADC and COMESA.

Competitive Advantage

This includes fostering innovation, promoting differentiated products and services and improving cost efficiency by streamlining production and business processes. The action plan includes plant rehabilitations, new product lines and cost containment strategies.

Human Capital Development

To continue leveraging on human capital by improving employee resourcing, developing and maintaining human capital through training, mentorships and other capacity-building programs. The Group will continue improving employer-employee relationships.

Technological Enhancement

In order to build and enhance technological development, PCL will intensify technology search and development for products/services and processes, mostly together with technical partners. PCL will implement technology focused organizational development programmes and ensure that the Group acquires commercially proven technology to improve processes and avoid inefficiencies.

> The Group delivered good results registering above inflation average growth in its earnings notwithstanding the challenges in the operating environment.

Corporate Social Responsibility

As a good corporate citizen, the Group will continue to take a lead in participating and investing in corporate social responsibility activities. During the year, the Group spent close to MK500 million in several CSR projects.

STAFF WELFARE AND DEVELOPMENT

All Group companies continue to play their part in the fight against HIV/AIDS in the workplace. PCL is founder-member of the Malawi Business Coalition Against HIV/AIDS (MBCA), a private sector initiative which coordinates and enhances the Private Sector response to HIV and AIDS at work place in Malawi. HIV/AIDS awareness events continued to be held throughout the year. Furthermore, Employee Wellness Programs were implemented with the focus on the total well-being of the employee.

Training and development of staff continues to play an important role in the Company's overall strategic plan in order to allow for the efficient delivery of services and also provide for effective succession planning. Training in Management and Leadership is encouraged at all senior and middle management levels. Employees continue to be sponsored on courses relevant to their career development. The Company continues to seek and recruit qualified and young graduates into its Management Trainee Program who are making positive impact in the various companies where they have been placed within the Group.

CONCLUSION

Let me take the opportunity to sincerely thank the Board, Management and Staff for the warm welcome and support that was accorded to me since my joining Press Corporation Limited. I look forward to working with all stakeholders so that together we can take PCL to even greater heights.

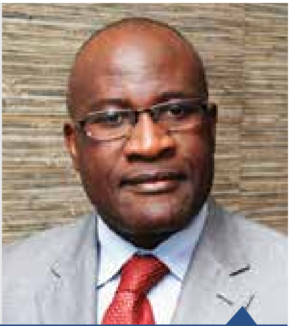
DR GEORGE B. PARTRIDGE
GROUP CHIEF EXECUTIVE

Strength through diversity

BUSINESS OVERVIEW

BRIEF COMPANY PROFILE

National Bank of Malawi (NBM) and its subsidiaries are engaged in the business of commercial banking, stock broking, fund management and pension fund administration. In addition, NBM has a 31% stake in UGI, a general short term insurance company.



Macfussy Kawawa > Acting Chief Executive Officer

NBM GROUP PERFORMANCE

The Bank registered a 29% growth in the group profit before tax from MK19.6 billion to MK25.2 billion against a background of a challenging operating environment characterized by high inflation, drought, food deficits and high interest rates. Proceeds from tobacco were lower than prior year on account of low prices despite a 1% increase in production volumes. The Country experienced unprecedented power shortages and outages resulting from low water levels in both the Lake Malawi and the Shire River due to drought. The massive load shedding greatly affected customers' production for a greater part of the year which reduced demand for bank products and services. The Bank underperformed on foreign exchange income while it exceeded its target on money market investments due to relatively high yields offered on investments because of excess liquidity.

Following its acquisition in 2015, the Indebank Group was integrated into NBM during the year. The process was smooth and seamless. In addition to pre-integration losses amounting to MK400 million, the Bank incurred once off integration costs in excess of MK1.7 billion which affected reported Group results. These costs were in respect of staff retrenchments, systems integration and impairment of assets following the rationalization of ex-Indebank service centres.

Loans and advances grew by 17% in part attributed to the Indebank acquisition in a year of generally subdued demand for credit following the low economic growth.

The Bank registered a **29%** growth in the group profit before tax

Loans and advances grew by **17%**

PRIORITIES FOR 2017

As part of the continuing efforts to enhance the performance of IT systems, the Bank's upgrade of its T24 system from Release 9 to Release 15 will be completed during the first half of the year. The upgrade is expected to enhance efficiencies especially on speed of customer service and quality of information.

The Bank will roll out a European Investment Bank (EIB) supported Agri-storage facility to the tune of Euro 30million signed in Q4 of 2016 for purposes of providing quality agriculture storage assets across the country to major agriculture merchants.

The Bank will introduce a credit card and commence agency banking operations to cater for some areas where the Bank does not have presence.

The full integration of Indebank has positioned the Bank to consolidate its market leadership and also offers an opportunity for introduction of project financing oriented facilities targeted at small to medium enterprises.

TNM GEARED TO BECOME A FULLY-FLEDGED ICT COMPANY

TNM is a truly Malawian company committed to maintaining a sustainable and profitable business. The Company aims to continue investing in its ICT infrastructure platform that in turn is expected to spur economic growth for building a great nation.

Douglas Stevenson > Managing Director

PERFORMANCE

The Company achieved good subscriber and service revenue growth during 2016 which resulted in sustained margins and profitability levels despite the challenging economic environment. These achievements were supported by the introduction of new consumer and business enterprise products, strong brand and cost containment management strategies.

The high inflation environment, high interest rates and the impact of volatile exchange rates on our significant foreign currency denominated expenditure continued to drive increased costs for the operation. Although the current levels of profitability are encouraging, TNM requires a significant higher level of profitability to ensure the sustainability of future investment in infrastructure expansion projects and the upgrade of its technology, as well as further coverage expansion, as was evidenced by the rollout of the 4G LTE network and further site builds in the Southern Region.

Despite the challenging economic environment, the Company has been successful with initiatives taken to improve its revenue streams and cost management projects, which resulted in an EBITDA margin maintained at 35% in 2016 (2015: 35%). Net financing cost decreased to MK4,250 million (2015: MK4,454 million) which includes foreign exchange losses of MK 815 million (2015: MK1,496 million). Net profit after taxation for 2016, increased by 52% to MK8,206 million, from MK5,414 million in 2015.

TNM invested in capital expenditure of MK9,176 million in 2016 (2015: MK12,027 million) which mainly consisted of 4G LTE technology, Lilongwe and Blantyre capacity and coverage expansion, fixed broadband and mobile broadband technology, and various other technology upgrade projects in the unified communications space.

HIGHLIGHTS

In 2016, TNM invested over USD2 million to commission 71 new 4G LTE network sites in the major cities of Malawi. The 4G LTE investment has provided TNM with a platform to provide a wide selection of business enterprise services. TNM will now be able to offer services such as Video Conferencing, Virtue Private Networks, Call Centre as a Service as well as high speed data. Access to high speed data is an important tool to economic growth of Malawi.

Net profit after taxation for 2016, increased by **52%**

TNM has established a number of WIFI hot spots throughout the Country offering high speed internet. This has made business growth achievement accessible and much easier regardless of where our customers are, as well as addressing internet for all.

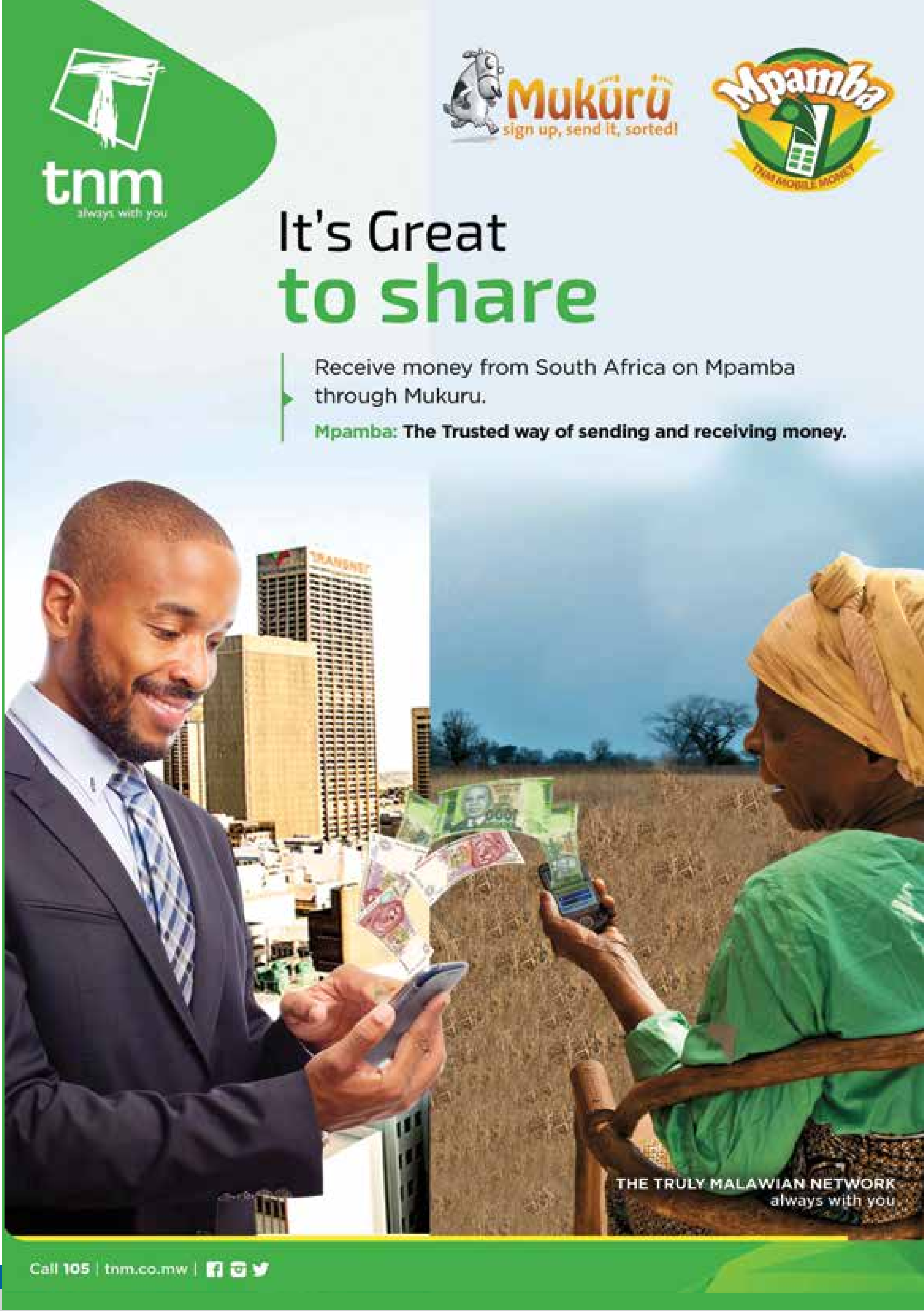
During the year 2016, TNM also invested in Blantyre network quality improvement and network expansion program.

One of the recent additions to TNM footprint is the BICC shop. It is fully branded with the TNM thematic campaign; “It feels great”, to give the customer improved intimacy. TNM is always striving to improve the customer experience through provision of a customer-friendly and centric environment by bringing services closer to our valued customers

PRIORITIES FOR 2017

Attention in 2017 will be focused on managing foreign debts, implementing only priority capital expenditure, growing business services, and improving customer excellence.

Going forward, TNM will continue to deliver value in mobile telecoms while also focusing on the customer and translating mobile technology into everyday life for the customer. As a customer-centric business, the service and product delivery hinges on responding to the needs of customers and adding value to their business and personal life.


tnm
always with you
Mukuru
sign up, send it, sorted!
Mpamba
TNM MOBILE MONEY
It's Great
to share
Receive money from South Africa on Mpamba through Mukuru.
Mpamba: The Trusted way of sending and receiving money.
THE TRULY MALAWIAN NETWORK
always with you
Call 105 | tnm.co.mw |

BRIEF PROFILE

Malawi Telecommunication Limited (MTL) offers a wide range of Information and Communications Technology (ICT) solutions to corporate, small and medium enterprises (SMEs), and consumers. The range of products and services on offer includes data services, Internet, fixed voice and mobile voice. MTL directly employs approximately 490 employees.

Dr Harry Gombachika >Chief Executive Officer

TELECOMMUNICATIONS INDUSTRY

The telecommunications industry in Malawi continues to grow mainly in the mobile voice, mobile broadband, fixed broadband, and Internet market segments, consistent with global trends. Accordingly, demand for bandwidth among our enterprise customers continues to increase; applications that depend on our network have also metamorphosed from decentralized processing into centralized, online and real-time interactive processes, and even more mission critical services are increasingly being supported by our network.

Enterprise data revenue grew by **41%** year on year while wholesale Internet grew by **279%** year on year.

BUSINESS MODEL AND STRATEGY

Recognizing that the driver for growth and profitability in the telecommunication ecosystems rests on a multi-dimensional and integrated corporate restructuring that optimally balances business strategy, business modelling, financial and operational structures, in the past two years, focus was on restructuring the business consistent with the current market dynamics.

Firstly, transformed the corporate philosophy from being a provider of communication technologies to a provider of connectivity solutions for greater customer experience. As a result, there has been tremendous change in response to customers such that some business that was once lost has been regained. Significant growth in the year stemmed from upgrades and referrals.

Secondly, hived-off the fibre infrastructure into a separate business line under Open Connect Limited (OCL) as part of business restructuring. As a result, the fibre infrastructure business has been transformed into a directly cash-generating unit based on open access model. This is an attractive option for other telcos who would like to grow their business without significant investments in assets that do not offer competitive advantage. Additionally, the finance costs that have dwarfed growth efforts in MTL will be reduced by converting debt into equity through partnership in OCL.

Finally, focused on fixed broadband, telephone and co-siting while exploring the business feasibility of the following potential growth areas: ICT services, data centres, cloud, e-services, OTT and mobile services. Core to this is the off-loading of business lines that have over the years been leeching on MTL.

The restructuring of the business resulted in a performance improvement from a loss of **K6.5 billion** in 2015 to a profit of **K3.8 billion** in 2016.

2016 HIGHLIGHTS

During the year, the FOC infrastructure business was hived-off into OCL, which resulted in recognising MK10 billion non-operating income, an increase in operating costs, significant decrease in finance cost, and MK3.8 billion net profit. Further, we continued to improve our operational processes, and renewed our commitment to quality services through Service Level Agreements (SLAs) and active engagement with key customers. Consequently, despite losing a revenue stream OCL that on average contributed 10% and stiff competition, the year on year operating revenue increased by 14%.

BUSINESS FINANCIAL PERFORMANCE

MTL's performance in the strategic areas of enterprise and wholesale solutions was good. Enterprise data revenue grew by 41% year on year while wholesale Internet grew by 279% year on year. The Company struggled in the retail consumer solutions space and revenue year on year decreased by 13%. Overall the operating revenue grew by 14% year on year even though the wholesale connectivity revenue stream that was accounting for 10% was transferred to OCL as part of the business restructuring. The normalised operating revenue growth year on year was 23% and this is excluding the prior year wholesale connectivity revenue transferred to OCL.

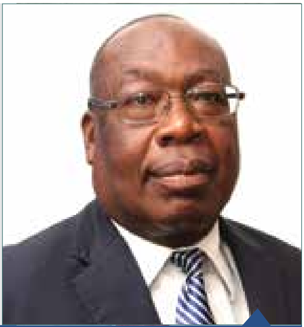
The restructuring of the business resulted in a performance improvement from a loss of K6.5 billion in 2015 to a profit of K3.2 billion in 2016.

STRATEGIC DIRECTION

In the upcoming year, focus will be on building a sustainable and profitable business. Specifically:

- Rebuild and protect the business in the areas of strength, namely fixed broadband, fixed telephony and co-siting by investing in improving customers' experience and quality of service.
- Organically grow the business into emerging business lines for future revenue streams while off-loading business leeches with their corresponding baggage.
- Improve financial resourcing and utilization structure.

People's Trading Centre Limited (PTC), a wholly owned subsidiary of PCL, is the pioneer of chain stores in Malawi and is currently the industry leading retail Company. PTC has a number of stores operating both in the wholesale as well as retail segments of the market.



Mathews Chikankheni > Chief Executive Officer

PTC trades under the following brands:

- **Metro Stores** – wholesales and / or retail servicing the cities and urban areas.
- **People's Supa Save** – wholesale and /or retail serving in the country's cities.
- **People's Express** – convenience shops located in cities, urban and peri-urban area.
- **People's Cash and Carry** – wholesale shops in urban and peri-urban areas.
- **Spar** – an up market international brand currently serving the 2 major cities.
- **Food Lovers Market** – also an International brand specialising in fresh fruit and vegetables
- In 2016, the Company had a staff compliment of well over 1500 with 70 Shops spread across the country.

PTC maintained a **25%** market share

COMPETITIVE POSITION

PTC maintained a 25% market share in spite of competition from international and local independent retail chain stores, small retailers and hawkers. PTC strives to remain competitive in its pricing while maintaining sufficient margins for profitability.

PERFORMANCE

Due to the extremely difficult economic environment in 2016, turnover during the year dropped by 13.1%. A strategic decision was made to scale down some consistently underperforming stores and put in place strategies to manage massive shrinkages experienced in the past two years. This decision has seen an improvement in Gross Margins and has placed the business into a sustainable position to make a turn around.

HIGHLIGHTS

In its quest for growth and expansion of the Spar brand, the Company opened a second Spar shop in Blantyre in November 2016. Another Spar Supermarket is scheduled to open in the second quarter of 2017 in Blantyre.

Following a Franchise Agreement with Fruit and Veg City Africa International, the Company opened the first Food Lovers Market store at Gateway Mall in Lilongwe which has heralded a new shopping experience in fresh fruit and vegetables trading in Malawi.

STRATEGIC DIRECTION

PTC's objective is to remain the affordable leading fast moving consumer goods trader with a shopping experience to match. PTC will leverage from its Spar International and Food Lovers Market franchises to develop quality service departments in its shops. These service departments include home meals, butchery, bakery and fruit and vegetables which provides higher margins than other traditional lines.

As part of its expansion strategy, PTC plans to open additional Spar stores by the end of 2017 across the country. The Company will continuously be looking at potential partners to improve the brand and enhance its levels of innovation, competitiveness and shopping experience. In this regard, PTC intends to enter into franchise agreements for operations of some of its shops.

OUTLOOK

Prospects in 2017 for the Malawi Economy look much better than the previous 2 years on account of a good rainfall season which should translate into a good crop output and therefore improved disposable incomes, agriculture being the backbone of the economy. PTC is well positioned to take full advantage of the economic rebound with the turnaround strategy that is now in place.


FOOD LOVER'S
MARKET
EXIT

SPAR

BRIEF COMPANY PROFILE

TFCL is the single largest commercial fishing Company and aquaculture producer in Malawi with capacity to produce 50% of total farmed tilapia in the Country. TFCL operates three divisions; Maldeco Fisheries engaged in capture fishing (Open Lake); Maldeco Aquaculture grows Chambo in ponds and in cages; and Maldeco Feeds which produces commercial livestock feed and fish feed for its farmed Chambo.

Jenara Ngwale > Operations Manager

PRODUCTS AND CUSTOMERS

TFCL processes and distributes fish as fresh, frozen, smoked, filleted or chunked to meet various customer Preferences. The Feed Division produces all types of livestock feed products including poultry. TFCL distributes its products through a network of distributor shops located in strategic townships and locations across the Country and through a network of chain stores

COMPETITIVE ENVIRONMENT

TFCL faces competition from imported tilapia as well as small scale fish trawlers. The Company strives to remain competitive by:-

- Increasing its value addition capacity both freezing and smoking; and
- Flexible and competitive pricing while maintaining sufficient margins.

PERFORMANCE OVERVIEW

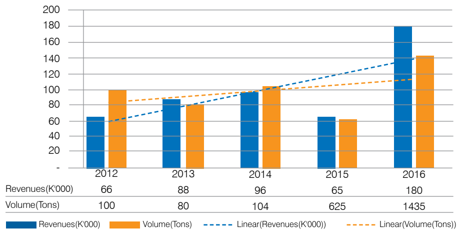
Overall
Overall revenues were 12% above prior year.

Capture Fisheries
Catches grew by 24% over prior year. High fish catches in Q1. Cold chain management challenges in Q1 prevented the company from realizing full fish revenues. A new flake ice plant was purchased and produces up to 26 tons of ice per day. This has helped to improve cold chain management and reduction in fish wastage

Aquaculture
Harvests grew by 130% over prior year due to the use of floating feed and improvements in aquaculture management. Fish growth was accelerated through selective stocking and double grading of fingerlings. TFCL has invested heavily in Aqua Chambo production facilities to increase production in 2017 and this will counter fish imports from neighboring countries.

Overall revenues were **12%** above prior year.

AQUA CHAMBO FIVE YEAR PERFORMANCE



Feed Production
Feed production was 51% below last year. Escalating prices of raw materials and power cuts resulted into low feed production

RISK AREAS FOR 2017

The following are the risk areas for 2017:-

- Power outages
- Dwindling fish stocks in the lake and effects of climate change
- High inflation, interest rates and unstable exchange rates

2017 OUTLOOK

The improvements in aquaculture management are expected to significantly improve performance of the Company in 2017. However, with the poor performance of the economy, power shortages, and a weakening currency, costs of imported floating fish feed and raw materials are expected to soar and will impact on the production costs of both aqua fish and commercial livestock and fish feed.

2017 PRIORITIES

2017 priorities are as follows:-

- Continue the use of floating feed and good fish husbandry practices;
- Continuous improvement of operations and cost cutting measures ;
- Adopt modern technologies to improve security;
- Improve procurement of critical materials and parts;
- Open “Maldeco Corners” in Peoples, Spar and Food Lovers shops; and
- Open Maldeco branded shops in Blantyre and Lilongwe.

STRATEGIC DIRECTION

The goal for the Aquaculture Division is to grow Chambo production output to 2000 – 8000 tons per annum in the medium to long term to satisfy local demand and tap on regional export market. Specialist technical expertise was deployed which has brought about remarkable improvements in the Aquaculture Division. The Company plans to acquire an extruder for the Feed Mill to enable the production of extruded floating feed.

BRIEF COMPANY PROFILE

Carlsberg Malawi Ltd is the leading producer and distributor of alcoholic and non-alcoholic beverages in Malawi. The company has 85% market share in the clear beer market, 83% share in soft drinks and 20% in spirits with Malawi Gin brand being the best seller and an export product.

Olivier Renson > Chief Executive Officer

Carlsberg Malawi Limited is comprised of 3 business entities, namely; Carlsberg Malawi Brewery Limited (CMBL), Southern Bottlers Limited (SBL) and Malawi Distilleries Limited (MDL). CMBL, officially commissioned in 1968 and is the first Carlsberg Brewery establishment outside Denmark.

Carlsberg Malawi operates from 4 sites across the country with 6 production lines supplying from 13 owned depots and 7 contracted depots (AMC).

Groupe Castel purchased Carlsberg Denmark's stake in August 2016. Groupe Castel is the number 1 producer of wine in Europe and is the number 2 producer of beer and soft drinks in Africa.

An investment of US$15m has been planned for various machinery, procurement of bottles and production efficiency projects to run from 2017.

HIGHLIGHTS FOR 2016

2016 was a challenging year in terms of volume performance from both production and sales. Soft drinks (mainly the Coca-Cola range) declined in sales as a result of an influx of imported carbonated drinks in various pack sizes, flavors and mainly in PET in nearly all brands. This resulted in a decline in market share.

We also experienced poor volume performance of certain channel partners in key locations due to unpaid debt.

PERFORMANCE

Overall turnover declined by 12% compared to 2015. Due to the nature of our products, the severe drought levels and the economic downturn resulted in low disposable incomes accounting for the low demand, especially on Coca-Cola soft drinks. This was also compounded by a shortage of glass bottles.

OUTLOOK FOR 2017

The economy shows signs of a significant rebound, with an accompanying rebound in disposable incomes and demand for beverages. The company will return to profitability in 2017.

The key deliverables for 2017 include:

- An investment of US$15m has been planned for various machinery, procurement of bottles and production efficiency projects to run from 2017.
- A new and efficient Supply Chain model to be implemented to ensure significant improvements in the operating efficiencies
- Commencement of a supplier diversification program through the Procurement Department to ensure total and effective support all functions
- Leverage on Groupe Castel and introduce new and relevant products on the market to excite consumers and continue being competitive and remaining the leading beverage producer and supplier for Malawi.
- Launching various flavors in PET and the rebranding of bottled water

STRATEGIC DIRECTION

The main focus is to get the business back on track both in terms of volumes, operating efficiencies and profitability and to deliver on the 2017 priorities as above. In the medium to long term the aim is to consistently grow the product base by leveraging on the expertise of Groupe Castel, broaden the product range and to be able to offer Malawi's consumers a complete range of affordable beverages.

Quench: One of Carlsberg Malawi Limited premium products

BRIEF COMPANY PROFILE

The Company remains Malawi's sole producer of Extra Neutral Alcohol (ENA). Due to the flexibility of its plant, the company also produces Fuel Ethanol (Anhydrous Alcohol - AA) and Rectified Spirit. CDAP produces Coca-Cola standard Carbon dioxide which is sold to the beverage industry for bottling of fizzy drinks.

Lusubilo Chakaniza > Chief Executive Officer

HIGHLIGHTS FOR 2016

Production volumes dropped by 12% due to challenges in availability of feedstock. However, sales grew by 5% on account of significant finished stocks that were brought forward from the 2015 season.

Cost containment measures resulted in significant efficiencies. As a result, Profit Before Tax grew by 57% to MK2.7 billion (2015: MK1.7 billion)

Other highlights for the year included the resumption of ENA export sales to Tanzania and Uganda; higher than planned recoveries on molasses amidst power challenges; improved quality of ENA due to plant design modifications; and the successful implementation of an Enterprise Risk Management (ERM) system.

PRIORITIES AND STRATEGIES FOR 2017

The Company has in-built flexibility so that it can respond very quickly to changes in the operating environment. EthCo will continue to optimize its production processes and product mix in order to maximize alcohol recoveries to improve margins.

A process of reviewing the project viability to increase production volumes through the implementation of the additional feedstock (Project RAMA) is at an advanced stage. Various processes of the distillery are also being revamped and emphasis is being placed on developing staff competencies to match the newly acquired technologies.

OUTLOOK

Current production volumes do not satisfy the Country's demand for fuel ethanol, presenting the Company with an opportunity to grow. The Company is operating at 50% of its installed capacity due to the constraints on feedstock availability. The outcome of the review process on the viability of project RAMA will be key in exploiting the Company's growth potential.

Profit Before Tax grew by **57%** to MK2.7 billion

BRIEF COMPANY PROFILE

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

Dr Christopher Guta > Chief Executive Officer

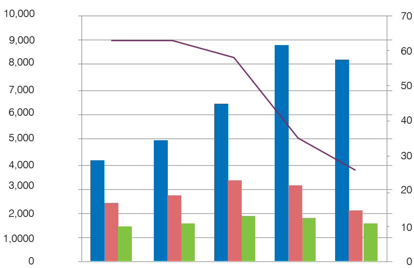
PERFORMANCE

2016 was a challenging year from an operations perspective. Production volumes of both products were adversely affected by power challenges which not only reduced availability of the plant but also resulted in the distillery achieving lower conversion ratio of molasses to ethanol. In addition, there were also supply challenges on feedstock. These challenges notwithstanding, plant utilization was at 80%, producing a total of 14.4 million litres of ethanol.

The control of fuel ethanol prices by the energy regulator in a context of high cost of production has also contributed to the decline in profitability in 2016.

Feedstock importation from Mozambique continued to complement locally available molasses and this has contributed to a better performance in production volumes than would otherwise have been possible with local supplies only. At the operating level, profit at K928m was favourable compared with the budget of K813m.

Figure 1: 2016 Performance Overview



	2012	2013	2014	2015	2016
Revenue, K'million	4,160	4,940	6,435	8,797	8,202
Gross Profit, K'million	2,413	2,737	3,214	3,165	2,158
Net Profit, K'million	1,469	1,542	1,918	1,849	1,603
Gross Profit, K'million	63	63	58	36	26

At the operating level, profit at **K928m** was favourable compared with the budget of K813m

2016 HIGHLIGHTS

- Achieved the second highest plant utilization and production volumes since the distillery was commissioned in 2004
- Taken delivery of all plant and equipment for the Plant Upgrade for implementation in 2017.
- Development of an Enterprise Risk Management Framework and its implementation.
- Made significant progress towards a project on self-reliance of feedstock. The concept has attracted an award of a grant from the Malawi Innovation Challenge Fund towards the implementation of such a project due to an innovative business model which will have a significant social impact on surrounding communities.

STRATEGIC DIRECTION

The Company will continue to identify and implement cost containment measures adopted in 2016 which have helped to considerably improve operational performance.

The feedstock self-reliance project will remain the major pre-occupation for the sustenance of the Company.

BRIEF COMPANY PROFILE

The Company is a leading distributor of petroleum products in Malawi. The business operates in four segments comprising Retail (58 service stations); Commercial/ wholesale; Aviation (at Kamuzu International and Chileka Airports); and Lubricants.

Dr Davies Lanjesi >Managing Director

MARKET POSITION

Demand for petroleum fuels increased by 14% as compared with volumes sold in 2015. Competition continues to increase with new entrants investing in a significant way in new retail sites. Puma however continued to maintain its overall market leadership in 2016.

HIGHLIGHTS FOR 2016

Puma increased its retail network by four sites whose impact is expected in 2017.

Emphasis continues to be placed on among other areas, continuous service improvements and safety. All retail attendants were trained in customer service by experts.

On quality control, two ground fuel depots were audited and achieved the required level of international standards.

BUSINESS AND PERFORMANCE OVERVIEW

A total of 135 million litres of fuel was sold in 2016, representing an 11% volume growth. The increase in performance was due to improved sales in the retail segment as a result of image upgrade and improvements in retail dealers' cash flow management. There was also a marked improvement in the Commercial segment owing to increased demand. The aviation and lubricants segments remained subdued.

Total operating costs at MK2.97 billion were 3.2% of total turnover compared with 2.7% of turnover in 2015. Profit Before Tax at MK4.9 billion is 44% higher than 2015: (MK3.4billion).

STRATEGIC DIRECTION

In view of a highly competitive market characterised by high inflation and interest rates, Puma Energy has continued its strategy of revenue maximization, efficient cash management, and cost containment. A new Investment strategy is being developed for the retail segment as a strategic response to the current market trends.

Profit Before Tax at MK4.9 billion is **44%** higher than 2015: (MK3.4billion).

BRIEF COMPANY PROFILE

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

Donal McAlpine >Managing Director

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

PERFORMANCE HIGHLIGHTS

Limbe Leaf Tobacco Company Limited purchased 31% of total national leaf tobacco crop production. Factory processing volumes are in line with previous year. Pre-tax profits increased 25% over previous year.

The Company's sustainability programmes included a comprehensive forestry program which saw the planting of 415 and 250 hectares of trees under the company's smallholder and commercial forestry programmes respectively. The programme and other related initiatives aim at progressively matching and exceeding wood use in the production of its leaf tobacco purchases.

OUTLOOK

Reports indicate a much smaller tobacco crop in 2017 and this may impact performance for the coming period. Developments in national farmer registration should assist the Tobacco Control Commission's regulation of the crop to better align it with demand conditions and thereby reduce volatility of production levels from one year to the next.

Pre-tax profits increased **25%** over previous year.

BRIEF COMPANY PROFILE

Press Properties Limited has excelled as a property manager of real estate since the late 1960's with well qualified and dedicated professionals in the real estate business. The Company has long been recognized for success and leadership in the residential real estate service market with its upmarket residential estate.

Hlazo Nyirenda > Operations Manager

THE BUSINESS ENVIRONMENT AND PERFORMANCE REVIEW

The year 2016 operating business environment proved to be difficult economically due to low revenues from tobacco which negatively impacted the exchange rate and the cost of imported construction materials. Though the central bank reduced the base lending rates, the interest rates still remained high which affected property sales due to credit squeeze. Despite the challenging economic environment, the company managed to achieve the following:

- Pretax profit was 158% above budget and 109% above 2015 due high occupancy rates and rental increase of above 25%

Pretax profit was **158%** above budget and **109%** above 2015

HIGHLIGHTS

In 2016 Press Properties Limited completed the construction of 16 upmarket executive townhouses in Area 9, Lilongwe, increased rentable space by 20% and achieved 100% occupancy rate within 6 months of the project completion. The Company is currently planning to implement similar projects in the near future.

As part of its corporate social responsibility, the Company completed the construction of Chapima Heights police unit to enhance security in the area and the police unit office block is expected to be operation this year.

STRATEGIC DIRECTION

In 2017 the Company will implement a consolidation and growth strategy whose key objectives are:

Sustaining and growing shareholders' value through:

- Refurbishment and renovation of our existing properties to grow rental revenue and optimise maintenance expenses.
- Development of Chapima Heights plots sales
- Development of organizational capabilities to optimise maintenance expenses and grow its property management revenue

A cross section
of some of the magnificent
town houses owned by
Press Properties Limited.

BRIEF COMPANY PROFILE

Macsteel is the largest leading manufacturer and distributor of steel, wire and roofing products to the construction industry in Malawi. The Company is a Joint Venture with Macsteel Service Centre (South Africa).

Rickey White > Managing Director

PERFORMANCE

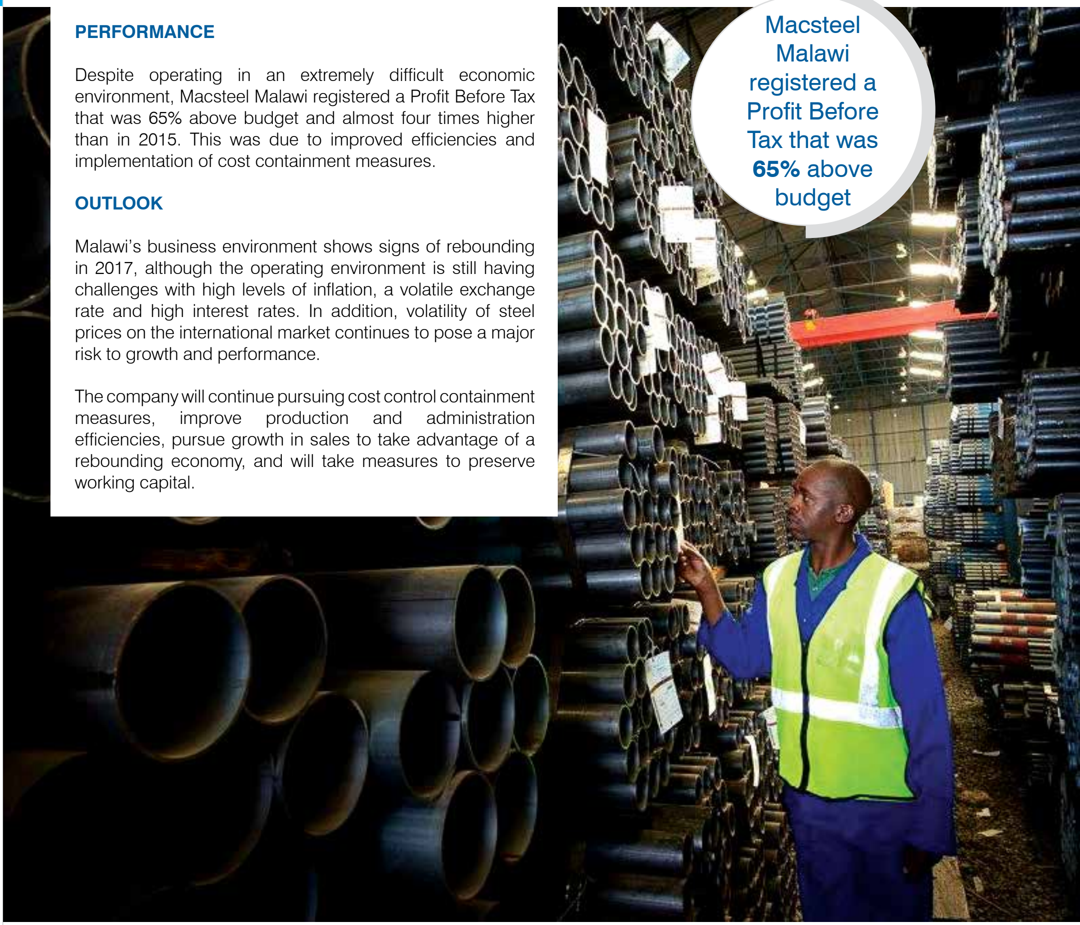
Despite operating in an extremely difficult economic environment, Macsteel Malawi registered a Profit Before Tax that was 65% above budget and almost four times higher than in 2015. This was due to improved efficiencies and implementation of cost containment measures.

OUTLOOK

Malawi's business environment shows signs of rebounding in 2017, although the operating environment is still having challenges with high levels of inflation, a volatile exchange rate and high interest rates. In addition, volatility of steel prices on the international market continues to pose a major risk to growth and performance.

The company will continue pursuing cost control containment measures, improve production and administration efficiencies, pursue growth in sales to take advantage of a rebounding economy, and will take measures to preserve working capital.

Macsteel Malawi registered a Profit Before Tax that was **65%** above budget



CORPORATE GOVERNANCE

RISK MANAGEMENT

Due to the diversified portfolio of investments, effective risk management capabilities represent a key source of competitive advantage for the Group. Shareholder value is generated by selectively taking exposures that are adequately rewarding commensurate with assessed risks. Material risks are retained only where these are adequately mitigated and consistent with the Company's approved risk appetite thresholds.

The Group adopted the Enterprise Wide Philosophy (ERM) in 2012. The Board has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Board sets the risk appetite, tolerance limits and tone for implementation of the risk management policy consistent with the Group's strategy. This requires that management maintains an appropriate system of internal controls and reporting to ensure that risks are managed within the agreed parameters. The Board Risk Committee which meets at least twice a year, has oversight responsibility for strategic, operational, financial, reputational, legal/compliance and social and environment risks, as well as any other risks that the Group may be exposed to in the course of carrying out its business.

PATRICK W KHEMBO **(62)**
BSc (Agr.)
CHAIRMAN (from 05/05/2016)
Appointed to the Board on 26/6/2015

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

ANDREW G BARRON **(57)**
H N D Bus.
DIRECTOR
Appointed to the Board on 29/08/2000

Mr Barron is a farmer and the Managing Director of Mbabzi Estates Limited and Lincoln Investments (Pvt) Limited, a position that he has held since 1989. He also has a number of other business interests and is a director at Malawi Property Investments Company Limited, New Capital Properties Limited, Capital Developments Limited, Auction Holdings Limited, Seed-Co Malawi Ltd, Plantation House Investments Limited. He also chairs Malawi Leaf Ltd. He is an alternate councillor at the Tobacco Association of Malawi.

PATRICK D MHANGO **(55)**
B.Soc Sc, MBA
DIRECTOR
Appointed to the Board on 1/4/2014

Mr Mhango is the Chief Executive Officer/Executive Secretary of Press Trust. He joined the Trust in 2004 as Head of Operations and was promoted to his current position on 1st April, 2014. Prior to that, he worked as Operations Manager of Indefund Limited. He is an economist with extensive knowledge and experience in finance, fund management, corporate governance, and strategic general management with over 17 years' experience in the financial sector. By virtue of his position with Press Trust, he sits on the boards of several companies in which the Trust has invested. In his own right, he is currently a member of the Economics Association of Malawi (ECAMA) where he served as Treasurer General till July 2014. He also served as President of Rotary Club of Bwaila in Lilongwe between 2015 and 2016.

DAMIEN KAFOTEKA **(53)**
FCCA, B Com Acc., Dip Bus.
DIRECTOR
Appointed to the Board on 25/5/2015

Mr Kafoteka holds an FCCA, BCom Accountancy and Diploma in Business Studies. Mr Kafoteka is currently the Managing Director of MPICO Ltd., the largest property development company in Malawi that is listed on the Malawi Stock Exchange. In the immediate past he was working as Finance Director of Old Mutual (Malawi), a subsidiary of a leading international and asset Management Company. Mr Kafoteka's career in senior management spans more than 25 years, having worked as chief accountant for companies such as Petroleum Importers Ltd, Southern Africa Institute for Media Entrepreneurial Development (SAIMED), Tambala Food Products, Malawi Pharmacies Ltd, and leading Malawi retail chain PTC/McConnell & Co.

ARTHUR BEN CHIDYAONGA **(60)**
DipArch, BArch, MMIA,RIBA
DIRECTOR
Appointed to the Board on 01/04/2016

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

ESTELLE WONGANI NUKA **(50)**
MBA, FCCA, CPA(M), B.COM
DIRECTOR
Appointed to the Board on 27/05/2016

Mrs Nuka is a chartered accountant with extensive experience in financial management and accounting. She is a life coach and founder of EWN Consulting & Training, a consulting and coaching firm that specializes in providing consulting, training and coaching services for corporations and individuals on financial management, leadership and principles of success and transformation. Prior to setting up EWN Consulting & Training, she worked as Head of Finance and Administration and Director of Finance for the following organizations: Christian Health Association of Malawi, Malawi Revenue Authority, National Seed Company of Malawi and PSI/Malawi. She also worked as an auditor with Price Waterhouse. She has over the years served on several boards including Mandala Limited, NBS Bank, Electricity Supply Corporation, Malawi Energy Regulatory Authority and Pakachere Trust. She currently sits on the boards of United General Insurance (UGI), and Francis Pilau (Mtengowanthenga) Hospital.

DR GEORGE PARTRIDGE **(53)**
B.Soc.Sc, (Econ), MSc (Finance), FCCA, CA(M), Ph.D
EXECUTIVE DIRECTOR
Group Chief Executive

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

JOHN BIZIWICK **(58)**
B.Soc Sc (Economics), Msc (Economics)
EXECUTIVE DIRECTOR
Group Operations Executive

Mr Biziwick was born on 13th June 1958. He joined the Group as Group Operations Executive-Designate on 5th October, 2015. Prior to this, he worked as Commissioner General of the Malawi Revenue Authority from June 2012 to July 2014. Before joining the MRA,
Mr Biziwick worked for NBS Bank as the Chief Executive Officer from 2002 to 2012

BOARD OF DIRECTORS

The Board of Directors has the ultimate responsibility of setting the direction of the Group through the provision of oversight over the execution of strategic objectives and key policies by management in compliance with applicable legislation, regulations and governance codes for Malawi. The Board meets a minimum of four times in a year.

At 31 December 2016 the Board consisted of six non-executive directors and two executive directors. The Chairman is elected amongst the non-executive directors. Business is conducted in accordance with the Board Charter and Terms of Reference of the Board Committees as approved by the Board from time to time.

Press Trust and Old Mutual appoint five of the non-executive directors. These appointments are in accordance with the Company's Articles of Association. At 31 December 2016 Press Trust and Old Mutual owned 44.78% and 15.2% respectively of the shares in the Company.

Executive Directors are appointed by the Board from members of Executive Management.

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

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

The names of the executive and non-executive directors in office as at 31 December 2016 and at the date of this report are set out on Page 39.

Board Meetings – Meeting Attendance

Member	18 Jan	19 Feb	1 April	5 May	17 May	27 May	2 Aug	26 Aug	7 Nov	25 Nov	
Mr P W Khembo	✓	✓	✓	✓	✓	✓	✓	✓	A	A	80%
Mr D Kafoteka	A	A	✓	✓	✓	✓	✓	✓	✓	✓	80%
Mr A G Barron	✓	✓	✓	✓	✓	✓	A	✓	✓	A	80%
Mr P D Mhango	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Mrs E W Nuka	N/A	N/A	N/A	N/A	N/A	N/A	A	✓	✓	✓	75%
Mr A B Chidyaonga	N/A	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	100%
Dr G B Partridge	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	✓	✓	100%
Mr J Biziwick	N/A	N/A	N/A	✓	✓	✓	✓	✓	✓	✓	100%
Former Directors											
Mr S A Itaye	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100%
Dr B Zingano	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100%
Dr M A P Chikaonda	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Mr P Mulipa	✓	A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	50%

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

BOARD COMMITTEES

APPOINTMENTS AND REMUNERATION COMMITTEE

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

The principal function of the Committee is to ensure that the Group's human resources are best utilised and that members of

staff are remunerated commensurate with their responsibilities and effectiveness, by reviewing salary trends in the market and approving salaries at the executive directors' and executive management level based on these findings.
During the year under review the Committee met five times; in March, May, August, October, and November.

Appointments And Remuneration Committee Meetings – Meeting Attendance

Member	24 March	24 May	23 Aug	21 Nov	
Mr A G Barron	✓	✓	✓	✓	100%
Mr D Kafoteka	✓	✓	✓	A	75%
Mr A B Chidyaonga	N/A	✓	✓	✓	100%
Dr B Zingano	✓	N/A	N/A	N/A	100%

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

RISK COMMITTEE

The Committee comprises of three non-executive directors. Members of Executive Management, the Group Risk Manager and the Internal Audit Manager attend the Committee meetings by invitation. Mr P D Mhango currently chairs the Committee.

The Committee was set up as part of the Group's overall risk strategy, with the principle objective of ensuring that there are policies and strategies in place to manage all risks relating to all operations of Press Corporation Limited and companies within the Group.

During the year, the Committee met twice: in March and November.

Risk Committee Meetings – Meeting Attendance

Member	24 March	21 Nov	
Mr P D Mhango	N/A	✓	100%
Mr P Khembo	✓	N/A	100%
Mr A G Barron	✓	✓	100%
Mr A B Chidyaonga	N/A	✓	100%
Dr B Zingano	✓	N/A	100%

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

AUDIT COMMITTEE

The Committee comprises two non-executive directors and one co-opted non-board member. Members of Executive Management and Group Internal Audit Manager attend the meetings by invitation. The Committee is currently chaired by Mr D Kafoteka. The Company's External and Internal Auditors have unrestricted access to the Chairman of the Committee.

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

During the year under review, the Committee met five times: in March, July, August, October and November.

Audit Committee Meetings – Meeting Attendance						
Member	**24 March 2016**	**24 July 2016**	**23 Aug 2016**	**25 Oct 2016**	**22 Nov 2016**	
Mr D Kafoteka	✓	✓	✓	✓	✓	100%
Mr P D Mhango	A	A	✓	✓	✓	60%
Mrs E W Nuka	N/A	N/A	N/A	N/A	✓	100%
Mr D Kambalametore	✓	✓	✓	✓	✓	100%

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

INTERNAL AUDIT

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

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

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

INTEGRITY

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

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

CODE OF ETHICS

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

DIVERSITY

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

DIRECTORS AND MANAGEMENT

DIRECTORS

Mr P W Khembo	Chairman (from 05/05/2016)
Mr A G Barron	Appointments and Remuneration Committee Chairman
	Risk Committee Member
Mr P D Mhango	Risk Committee Chairman
Mr D Kafoteka	Finance, Audit and Risk Committee Chairman
	Appointments and Remuneration Committee Member
Mr A B Chidyaonga	Appointments and Remuneration Committee Member
	Risk Committee Chairman Member
Mrs E W Nuka	Finance, Audit and Risk Committee Member
Dr G B Partridge	Group Chief Executive
Mr J Biziwick	Group Operations Executive

EXECUTIVE MANAGEMENT

Dr G B Partridge	Group Chief Executive (from 01/11/2016)
Mr J Biziwick	Group Operations Executive
Mrs E Mafeni	Group Financial Controller
Mr B M W Ndau	Group Administration Executive and General Counsel
Dr M A P Chikaonda	Outgoing Group Chief Executive

Dr George Partridge (53)
B.Soc.Sc, (Econ), MSc (Finance), FCCA, CA(M), Ph.D
Executive Director
Group Chief Executive

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

John Biziwick (58)
B.Soc Sc (Economics), Msc (Economics)
Group Operations Executive

Mr John Biziwick was born on 13th June 1958. He joined the Group as Group Operations Executive-Designate on 5th October, 2015. Prior to this, he worked as Commissioner General of the Malawi Revenue Authority from June 2012 to July 2014. Before joining the MRA, Mr Biziwick worked for NBS Bank as the Chief Executive Officer from 2002 to 2012

Elizabeth Mafeni (Mrs) (48)
MBL, FCCA, CPA(M), BCom.
Group Financial Controller

Mrs Elizabeth Mafeni was born on 26th October 1968. She joined the Group in September 1999 as Chief Accountant at Malawi Pharmacies Limited. In June 2000 she was transferred to the Corporate Head Office initially as Chief Accountant until 2003 when she was promoted to the position of Group Financial Accountant. On 01 October 2010, she was promoted to the position of Group Financial Controller.

Benard M.W. Ndau (44)
LL.M (USA), LL.B (Hons).
Group Administration Executive and General Counsel

Mr. Ndau was born on 12th January 1972. He joined the Group in December 2012 as Company Secretary/ Compliance Officer. Prior to this, he served as Director of Regulatory Affairs at Airtel Malawi Ltd. Before joining Airtel, Mr Ndau worked as General Counsel of the Malawi Communications Regulatory Authority (MACRA) from 2008 to 2011 and as Legal Counsel in the legal department of the World Bank in Washington DC from 2005 to 2007. As Legal Practitioner, he worked for a private practice firm of Messrs Savjani & Co from 1999 to 2004. In his own right, Mr. Ndau is a Fulbright Scholar and a part time post graduate lecturer in International Commercial Arbitration at the Law School of the University of Malawi, Chancellor College.

Dr Mathews A P Chikaonda (62)
BA Finance & Economics (Hons),
Diploma in Business Studies (Distinction), MBA (Finance), Ph.D (Finance)
Outgoing Group Chief Executive

Dr. Chikaonda retired from Press Corporation Limited on 31st December 2016 having served as the Company's Group Chief Executive from 2002 to 2016.

	2016 MK'm	2015 MK'm	2014 MK'm	2013 MK'm	2012 MK'm
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME					
Turnover	188,857	161,136	136,787	113,717	74,544
Profit before income tax and share of profit of equity-accounted investees	26,089	19,488	27,394	20,509	9,830
Share of profit of equity-accounted investees net of income tax	5,543	4,284	5,213	4,405	3,421
Profit before income tax	31,632	23,772	32,607	24,914	13,251
Income tax expense	(14,418)	(11,528)	(10,987)	(7,550)	(3,738)
Profit after income tax	17,214	12,244	21,620	17,364	9,513
Attributable to non-controlling interests	(10,410)	(8,047)	(10,886)	(7,992)	(3,173)
Attributable to owners of the company	6,804	4,197	10,734	9,372	6,340
Dividend paid to ordinary shareholders	(1,022)	(1,563)	(1,263)	(661)	(560)
Retained profit	5,782	2,634	9,471	8,711	5,780
Basic earnings per share (MK)	56.61	34.92	89.30	77.97	52.75
Dividend per share (MK)	8.50	13.00	10.51	5.50	4.66
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION					
Property, plant and equipment	93,453	89,820	77,816	68,206	63,774
Investment properties	5,360	4,783	3,270	3,096	3,591
Investment in equity accounted investees	39,627	32,835	19,628	13,922	8,914
Other non-current assets	68,568	64,579	50,148	33,119	32,387
Net current liabilities	(34,351)	(49,726)	(24,900)	(17,092)	(29,604)
Total employment of capital	172,657	142,291	125,962	101,251	79,062
Ordinary shareholders' funds	103,206	91,698	74,731	57,090	41,977
Non-controlling interest	46,214	38,710	32,138	23,394	17,148
Loans and borrowings	20,246	10,150	17,395	17,306	17,001
Provisions	-	-	-	-	88
Deferred tax liabilities	2,991	1,733	1,698	3,461	2,848
Total capital employed	172,657	142,291	125,962	101,251	79,062
CONSOLIDATED STATEMENTS OF CASH FLOWS					
OPERATING ACTIVITIES					
Cash generated from operations	43,143	32,308	40,896	42,386	31,951
Interest and tax paid	(20,698)	(23,333)	(15,920)	(11,972)	(10,853)
Cashflows from operating activities	22,445	8,975	24,976	30,414	21,098
INVESTING ACTIVITIES					
Interest/Dividend received	4,072	4,103	4,779	8,923	1,744
Capital expenditure	(19,420)	(17,248)	(22,663)	(12,290)	(17,554)
(Acquisition) /Disposalof subsidiaries net of cash	(26)	(575)	-	-	892.00
Proceeds from sale of property, plant and equipment and investment properties	1,585	1172	1622	874	923
Cashflows (used in) investing activities	(13,789)	(12,548)	(16,262)	(2,493)	(13,995)
FINANCING ACTIVITIES					
Proceeds from issue of shares	-	-	-	-	-
Dividends paid to non-controlling shareholders	(5,079)	(5,040)	(3,779)	(3,242)	(1,615)
Dividends paid to shareholders of the company	(1,022)	(1,563)	(1,263)	(661)	(560)
Increase/(decrease) in borrowings	(2,529)	(455)	2,934	(582)	9,516
Cashflows from/(used in) financing activities	(8,630)	(7,058)	(2,108)	(4,485)	7,341
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	26	(10,631)	6,606	23,436	14,444

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2016

DIRECTORS' REPORT

31 December 2016

The Directors have pleasure in presenting their report together with the audited consolidated and separate financial statements of Press Corporation Limited for the year ended 31 December 2016.

INCORPORATION AND REGISTERED OFFICE

Press Corporation Limited is a company incorporated in Malawi under the Companies Act, 2013. 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 address of its registered office is:

National Bank Building
Top Mandala
P.O. Box 1227
BLANTYRE

PRINCIPAL ACTIVITIES OF THE GROUP

Press Corporation Limited is a diversified Group with significant interests in the Malawi economy. Its subsidiary companies operate in real estate; energy; retail and consumer products; financial services and telecommunications. Press Corporation Limited 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.

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.

SHAREHOLDING

The shareholding structure at year end was as follows:-

	2016 %	2015 %
Press Trust	44.78	44.47
Old Mutual Group companies	15.15	14.29
Deutsche Bank Trust Company America	22.34	22.34
Others	17.73	18.90
	100.00	100.00

DIVIDENDS

The net profit attributable to owners of the Company for the year of K6.8 billion (2015: K4.2 billion) has been added to retained earnings. The Directors have proposed a final dividend for the year 2016 of K1.5 billion (2015: K1 billion) representing K12.50 per share (2015: K8.50) to be tabled at the forthcoming Annual General Meeting.

DIRECTORATE AND COMPANY SECRETARY

The names of the Company's Directors and Secretary are listed below:-

Mr. S.A. Itaye	Chairman	Up to April 2016
Mr. P. Khembo	Chairman	From May 2016
Mr B. Chidyaonga	Director	From April 2016
Mrs. E. Nuka	Director	From June 2016
Dr. G B Partridge	Director / Group Chief Executive	From November 2016
Dr. M.A.P. Chikaonda	Director	(Throughout the year)
Mr. D. Kafoteka	Director	(Throughout the year)
Mr. P.D Mhango	Director	(Throughout the year)
Mr. A.G. Barron	Director	(Throughout the year)
Dr. B. Zingano	Director	Up to March 2016
Mr. B.M.W. Ndau	Company Secretary	(Throughout the year)

Chairman

Group Chief Executive

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Press Corporation Limited and its subsidiaries, comprising the statements of financial position at 31 December 2016, 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.

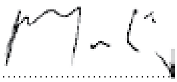
The Directors' responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; 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 31st March 2017 and were signed on its behalf by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Chairman	Group Chief Executive

Deloitte.

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

Opinion

We have audited the consolidated and separate financial statements of Press Corporation Limited and its subsidiaries ("the Group"), set out from pages 53 to 149, which comprise the consolidated and separate statements of financial position as at 31 December 2016, 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 2016, 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 investment	
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. The valuations were carried out by NBM Capital Markets Limited, a sub-subsidiary of Press Corporation Limited.	Obtained the valuation reports 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 assess the reasonableness of assumptions used in the valuations reports in comparison to market data. Considered the relevance and appropriateness of the valuation methods used. Agreed information used in the valuation such as net assets, shareholding, profits, and others to relevant supporting documents of the investment companies. We found that the assumptions used in determining the valuations were reasonable and that the valuations were appropriate. We further concluded that details of the valuations have been disclosed appropriately in the financial statements.

Key Audit Matter (Consolidated financial statements)	How the matter was addressed in the audit
Impairment of loans and advance to customers	
Significant judgement is required by the Directors in assessing the impairment of loans and advances to customers granted by the banking business. The Groups' credit risk policy is disclosed in note 6.4.5. The impairment amounting to K1 billion against loans and advances balance of K123 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 uses significant judgements coupled with the fact that compliance with IAS 39 *Financial Instruments Measurements and Recognition* requirements is tedious, 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: • 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 collateral and the qualitative factors described above; and • Considered managements' credit control processes to identify impaired advances and testing of relevant key controls in the process. • 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 31 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. 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 2016. 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**
Goodwill impairment assessment	
As disclosed in note 10, the carrying value of goodwill was K5 billion as at 31 December 2016. 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. 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 also the complexity of the value in use calculation. 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.	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. • Involved a specialist to assist with the testing of the discount rate. The specialist's procedures included evaluating the Group's funding rates, funding structures and risk profile against relevant market data. • Recomputed of 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.
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 2016. 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 on the Group as a whole. We concluded that despite the existence of uncertainties in the specific subsidiaries, the going concern assumption used for those subsidiaries was appropriate. As a consequence, we also consider the valuation of the assets appropriate.

Key Audit Matter (Consolidated financial statements)	How the matter was addressed in the audit
Compliance with debt covenants	
As disclosed in note 28, the Group has loans and borrowings with a carrying value of K37 billion as at 31 December 2016. Non-compliance with covenants governing these loans and borrowings may impact on 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 SeparateFinancial Statements

- 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.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Deloitte

Deloitte
Chartered Accountants

Nkondola Uka
Partner

7 April 2017

In millions of Malawi Kwacha

		Group		Company	
Assets	**Notes**	**2016**	**2015**	**2016**	**2015**
Non-current assets					
Property, plant and equipment	8	93,453	89,820	830	778
Biological assets	9	2	2	-	-
Goodwill	10	4,974	5,026	-	-
Intangible assets	11	13,826	13,418	245	260
Investment properties	12	5,360	4,783	-	-
Investments in subsidiaries	13	-	-	138,618	112,900
Investments in joint ventures	14	4,897	1,764	18,701	16,777
Investments in associates	15	34,730	31,071	74,851	22,301
Loans and advances to customers	16	32,300	33,063	-	-
Finance lease receivables	17	8,358	7,439	-	-
Other investments	18	1,129	1,533	-	-
Deferred tax assets	19	7,979	4,098	-	-
Total non-current assets		207,008	192,017	233,245	153,016
Current assets					
Inventories	20	10,095	10,165	20	17
Biological assets	9	154	138	-	-
Loans and advances to customers	16	89,743	70,535	-	-
Finance lease receivables	17	1,018	712	-	-
Other investments	18	88,067	74,525	-	-
Trade and other receivables – Group companies	21	-	-	1,845	1,324
Trade and other receivables - other	22	24,196	19,628	131	72
Assets classified as held for sale	23	1,122	944	-	-
Income tax recoverable	24	494	357	19	86
Cash and cash equivalents	25	58,836	59,624	104	72
Total current assets		273,725	236,628	2,119	1,571
Total assets		480,733	428,645	235,364	154,587
Equity and liabilities					
Equity					
Share capital	26	1	1	1	1
Share premium		2,097	2,097	2,097	2,097
Other reserves	27	49,423	44,799	171,957	111,148
Retained earnings		51,685	44,801	6,268	6,102
Total equity attributable to equity holders of the company		103,206	91,698	180,323	119,348
Non-controlling interest		46,214	38,710	-	-
Total equity		149,420	130,408	180,323	119,348
Non-current liabilities					
Loans and borrowings	28	20,246	10,150	1,068	1,050
Deferred tax liabilities	19	2,991	1,733	45,846	28,313
Total non-current liabilities		23,237	11,883	46,914	29,363
Current liabilities					
Bank overdraft	25	7,848	8,662	2,078	680
Loans and borrowings	28	16,650	26,291	957	1,878
Provisions	29	5,039	3,521	524	71
Income tax payable	30	5,780	2,685	42	42
Trade and other payables	31	43,326	33,343	422	134
Trade and other payables -Group companies	32	-	-	4,104	3,071
Customer deposits	33	229,433	211,852	-	-
Total current liabilities		308,076	286,354	8,127	5,876
Total liabilities		331,313	298,237	55,041	35,239
Total equity and liabilities		480,733	428,645	235,364	154,587

The financial statements of the Group and Company were approved for issue by the Board of Directors on 31st March 2017 and were signed on its behalf by:

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Mr. P. Khembo Dr. G.B Patridge

The notes on pages 58 to 149 are an integral part of these consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

31 December 2016

In millions of Malawi Kwacha

Assets	Notes	Group 2016	Group 2015	Company 2016	Company 2015
Continuing operations					
Revenue	34	188,857	161,136	7,271	6,970
Direct trading expenses	35	(76,345)	(73,284)	(26)	(22)
Gross profit		**112,512**	**87,852**	**7,245**	**6,948**
Other operating income	36	5,167	5,179	395	209
Distribution expenses	37	(2,402)	(2,365)	-	-
Administrative expenses	38	(79,523)	(60,955)	(3,865)	(2,828)
Results from operating activities		35,754	29,711	3,775	4,329
Finance income	39	2,117	2,387	166	70
Finance costs	39	(11,787)	(12,615)	(2,065)	(1,720)
Net finance costs		(9,670)	(10,228)	(1,899)	(1,650)
Share of results of equity-accounted investees	40	5,543	4,284	-	-
Profit before income tax		31,627	23,767	1,876	2,679
Income tax expense	41	(14,418)	(11,528)	(688)	(668)
Profit from continuing operations		17,209	12,239	1,188	2,011
Discontinued operations					
Profit from discontinued operations (net of income tax)		5	5	-	-
Profit for the year		17,214	12,244	1,188	2,011
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss:					
Revaluation of property, plant and equipment		2,595	5,143	130	-
Share of other comprehensive income of equity accounted investments		3,204	10,639	-	-
Income tax relating to items that may not be reclassified subsequently to profit or loss	19	2,189	1,233	-	-
Items that may be reclassified subsequently to profit or loss:					
Net change in fair value of available for sale financial assets		(11)	(60)	78,212	16,733
Income tax relating to items that may be reclassified subsequently to profit or loss	19	-	-	(17,533)	(6,633)
Other comprehensive income for the year (net of tax)		7,977	16,955	60,809	10,100
Total comprehensive income for the year		25,191	29,199	61,997	12,111
Profit attributable to:					
Owners of the Company		6,804	4,197	1,188	2,011
Non-controlling interest		10,410	8,047	-	-
Profit for the year		17,214	12,244	1,188	2,011
Total comprehensive income attributable to:					
Owners of the Company		12,530	18,530	61,997	12,111
Non- controlling interest		12,661	10,669	-	-
Total comprehensive income for the year		25,191	29,199	61,997	12,111
Earnings per share					
Basic and diluted earnings per share (K)	42	56.61	34.92		
Continuing operations					
Basic and diluted earnings per share (K)	42	56.56	34.88		

In millions of Malawi Kwacha

	Issued capital	Share premium	Other reserves	Retained earnings to equity holders of company	Total equity attributable interest	Non-controlling	Total equity
Balance at 1 January 2016	1	2,097	44,799	44,801	91,698	38,710	130,408
Profit for the year	-	-	-	6.804	6,804	10,410	17,214
Other comprehensive income	-	-	5,726	-	5,726	2,251	7,977
Total comprehensive income for the year	-	-	5,726	6,804	12,530	12,661	25,191
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 (note 47)	-	-	-	(1,022)	(1,022)	(5,079)	(6,101)
Balance at 31 December 2016	1	2,097	49,423	51,685	103,206	46,214	149,420
2015							
Balance at 1 January 2015	1	2,097	30,596	42,037	74,731	32,138	106,869
Profit for the year	-	-	-	4,197	4,197	8,047	12,244
Other comprehensive income	-	-	14,333	-	14,333	2,622	16,955
Total comprehensive income for the year	-	-	14,333	4,197	18,530	10,669	29,199
Transfer to loan loss reserve	-	-	63	(63)	-	-	-
Reversal of accumulated depreciation	-	-	(80)	80	-	-	-
Depreciation transfer land and buildings	-	-	(113)	113	-	-	-
Non-controlling Interest on business combination	-	-	-	-	-	943	943
Dividends to equity holders (note 47)	-	-	-	(1,563)	(1,563)	(5,040)	(6,603)
Balance at 31 December 2015	1	2,097	44,799	44,801	91,698	38,710	130,408

STATEMENTS OF CHANGES IN EQUITY (Continued)

31 December 2016

In millions of Malawi Kwacha

	Issued capital	Share premium	Other reserves	Retained earnings	Total Equity
Company					
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 (note 47)	-	-	-	(1,022)	(1,022)
Balance at 31 December 2016	1	2,097	171,957	6,268	180,323
2015					
Balance at 1 January 2015	1	2,097	101,048	5,654	108,800
Profit for the year	-	-	-	2,011	2,011
Other comprehensive income	-	-	10,100	-	10,100
Total comprehensive income for the year	-	-	10,100	2,011	12,111
Dividends to equity holders (note 47)	-	-	-	(1,563)	(1,563)
Balance at 31 December 2015	1	2,097	111,148	6,102	119,348

In millions of Malawi Kwacha

		Group		Company	
	Notes	**2016**	**2015**	**2016**	**2015**
Cash generated by/(used in) operations	46	43,143	32,308	(1,826)	(1,444)
Interest paid		(8,803)	(11,786)	(1,963)	(1,596)
Income taxes paid	24, 30	(11,895)	(11,547)	(620)	(714)
Net cash from/ (used in) operating activities		22,445	8,975	(4,409)	(3,754)
Cash flows from investing activities					
Purchase of property, plant and equipment		(16,537)	(14,435)	(31)	(64)
Purchase of intangible assets		(2,784)	(2,761)	(1)	(22)
Purchase of investment property		(99)	(52)	-	-
Net cash outflow on acquisition of a subsidiary	13.5	(26)	(575)	-	-
Proceeds from disposal of a subsidiary	13.3	-	-	53	-
Proceeds from sale of investment property and property, plant and equipment		1,585	1,172	1	172
Investment in a subsidiary	13.3	-	-	(2,000)	-
Dividend received		1,955	1,716	6,882	6,664
Interest received		2,117	2,387	166	70
Net cash (used in)/from investing activities		(13,789)	(12,548)	5,070	6,820
Cash flows used infinancing activities					
Proceeds from long term borrowings		16,933	9,411	-	-
Repayments of long term borrowings		(19,462)	(9,866)	(1,005)	(1,878)
Dividend paid to non-controlling interest		(5,079)	(5,040)	-	-
Dividend paid		(1,022)	(1,563)	(1,022)	(1,563)
Net cash used in financing activities		(8,630)	(7,058)	(2,027)	(3,441)
Net increase/(decrease)in cash and cash equivalents		26	(10,631)	(1,366)	(375)
Cash and cash equivalents at start of the year		50,962	61,593	(608)	(233)
Cash and cash equivalents at end of the year	25	50,988	50,962	(1,974)	(608)

In millions of Malawi Kwacha

1. General Information

1.1 Reporting entity

Press Corporation Limited ('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 2016 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 (IFRSs)

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 after1 January 2016.

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 Standards and Interpretations in issue, not yet effective

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but not yet effective:

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 de-recognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issu ed 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.

In millions of Malawi Kwacha

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

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

Effective date	Standard, Amendment or interpretation
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 standard provides a single, principles based five-step model to be applied to all contracts with customers. 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.
Annual periods beginning on or after 1 January 2019	IFRS 16 Leases IFRS 16 specifies how an entity will recognise, measure, present and disclose leases. The standard requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying assets as a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

In millions of Malawi Kwacha

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

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

Effective date	Standard, Amendment or interpretation
Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date.	Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) Amends IFRS 4 Insurance Contracts to provide two options for entities that issue insurance contracts within the scope of IFRS 4: • an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; • An optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach. The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.
Effective for annual periods beginning on or after 1 January 2018	Transfers of Investment Property (Amendments to IAS 40) The amendments to IAS 40 Investment Property: • Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.
The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017	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 • IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations 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.

In millions of Malawi Kwacha

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

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

Effective date	Standard, Amendment or interpretation
Annual periods beginning on or after 1 January 2017	Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) Amends IAS 12 Income Taxes to clarify the following aspects: • Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. • The carrying amount of an asset does not limit the estimation of probable future taxable profits. • Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. • An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.
Annual periods beginning on or after 1 January 2017	Disclosure Initiative (Amendments to IAS 7) Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
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.

In millions of Malawi Kwacha

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

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

Effective date	Standard, Amendment or interpretation
Annual reporting periods beginning on or after 1 January 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.

The Directors anticipate that other than IFRS 15 and IFRS 9, these Standards and Interpretations in future periods will have no significant impact on the consolidated and separate financial statements of the Company.

Impact of IFRS 15

The Directors are still in the process of assessing the full impact of the application of IFRS 15 on the Group's financial statements and it is not practicable to provide a reasonable financial estimate of the effect until the directors complete the detailed review. The Directors do not intend to early apply the standard and intend to use the full retrospective method upon adoption.

Impact of IFRS 9

- Unlisted shares classified as available-for-sale investments carried at fair value as disclosed in note 13, 14 and 15: these shares qualify for designation as measured at FVTOCI under IFRS 9; however, the fair value gains or losses accumulated in the investment revaluation reserve will no longer be subsequently reclassified to profit or loss under IFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income;
- Financial assets measured at amortised cost, finance lease receivables (note 17) and loans and advances to customers (note 16) will be subject to the impairment provisions of IFRS 9. The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its finance lease receivables and loans and advances to customers as required or 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 are currently assessing the potential impact.

3. Significant accounting policies

3.1 Statement of compliance

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

3.2 Basis of 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:

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.2 Basis of preparation (Continued)

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

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

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

These different levels have been defined in note 6.7.

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

3.3 Basis of consolidation

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

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

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

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

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

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

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

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

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

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.3 Basis of consolidation (Continued)

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 interest 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 values, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

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

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

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.4 Business combinations (Continued)

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is re-measured at subsequent reporting dates in accordance with 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.

3.5 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.

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.6 Investments in associates and Joint Ventures (Continued)

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at costand adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

The requirements of IAS 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 amountof the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with 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.

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.7 Interests in joint operations

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

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

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

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

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

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

3.8 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.

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.9 Revenue recognition (Continued)

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.

3.9.2 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, postpaid 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.

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.9 Revenue recognition (Continued)

3.9.4 Fees and commissions (Continued)

- Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognised on completion of the underlying transaction.
- Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time apportion basis.
- Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. The same principle is applied to wealth management, financial planning and custody services that are continuously provided over an extended period of time.
- Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

3.9.5 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.

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.10 Leases (Continued)

3.10.2 The Group as lessee (Continued)

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.

3.11 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.

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.12 Borrowing costs

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

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

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

3.13 Employee benefits

3.13.1 Defined contribution plans

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

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.

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.14 Taxation (Continued)

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.

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.

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.15 Property, plant and equipment (Continued)

3.15.1 Recognition and measurement (Continued)

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.

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.

3.16 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.

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.16 Investment property (Continued)

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.

In millions of Malawi Kwacha

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.

In millions of Malawi Kwacha

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 amountthat 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.

In millions of Malawi Kwacha

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.

3.25.1 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

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.25 Financial assets (Continued)

3.25.1 Financial assets at FVTPL (Continued)

- 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.

3.25.4 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.

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.25 Financial assets (Continued)

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

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.

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.

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.25 Financial assets (Continued)

3.25.5 Impairment of financial assets (Continued)

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.

3.25.6 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'.

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.26 Financial liabilities (Continued)

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.

3.26.2 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.

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

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.

3.29 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.

In millions of Malawi Kwacha

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

4.1 Critical judgements in applying accounting policies

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

4.1.1 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% (2015: 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.

4.2 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.

In millions of Malawi Kwacha

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

4.2 Key sources of estimation uncertainty (Continued)

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 2015.

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 26 and 27).

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.

In millions of Malawi Kwacha

5. Capital management (Continued)

5.1 Regulatory capital (Continued)

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

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

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

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

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

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

	2016	2015
Tier 1 capital		
Ordinary share capital	467	467
Share premium	613	613
Retained earnings	50,278	33,707
Unconsolidated investments	(3,641)	(3,591)
	47,717	31,196
Tier 2 capital		
Loan loss reserve	708	1,448
Available for sale reserve	-	11
Revaluation reserve	15,459	11,653
Unconsolidated investments	(3,641)	(3,591)
Total regulatory capital	60,243	40,717
Risk-weighted assets		
Retail bank, corporate bank and treasury	254,303	205,837
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	24%	20%
Total tier 1 capital expressed as a percentage of risk-weighted assets	19%	15%

In millions of Malawi Kwacha

6 Financial instrument

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 2016					
Financial assets					
Cash and cash equivalents	25	58,836	-	-	58,836
Trade and other receivables	22	24,196	-	-	24,196
Other investments	18	-	1,100	88,096	89,196
Finance lease receivables	17	9,376	-	-	9,376
Loans and advances to customers	16	122,043	-	-	122,043
		214,451	1,100	88,096	303,647
Financial liabilities					
Bank overdraft	25	-	-	7,848	7,848
Loans and borrowings	28	-	-	36,896	36,896
Trade and other payables	31	-	-	43,326	43,326
Customer deposits	33	-	-	229,433	229,433
		-	-	317,503	317,503
At 31 December 2015					
Financial assets					
Cash and cash equivalents	25	59,624	-	-	59,624
Trade and other receivables	22	19,628	-	-	19,628
Other investments	18	-	2,285	73,773	76,058
Finance lease receivables	17	8,151	-	-	8,151
Loans and advances to customers	16	103,598	-	-	103,598
		191,001	2,285	73,773	267,059
Financial liabilities					
Bank overdraft	25	-	-	8,662	8,662
Loans and borrowings	28	-	-	36,441	36,441
Trade and other payables	31	-	-	33,343	33,343
Customer deposits	33	-	-	211,852	211,852
		-	-	290,298	290,298
Company					
At 31 December 2016					
Financial assets					
Cash and cash equivalents	25	104	-	-	104
Trade and other receivables – Group	21	1,845	-	-	1,845
Trade and other receivables	22	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	25	-	-	2,078	2,078
Loans and borrowings	28	-	-	2,025	2,025
Trade and other payables	31	-	-	422	422
Trade and other payables to Group companies	32	-	-	4,104	4,104
		-	-	8,629	8,629

In millions of Malawi Kwacha

6 Financial instrument (Continued)

6.1 Categories of financial instruments (Continued)

At 31 December 2015					
Financial assets					
Cash and cash equivalents	25	72	-	-	72
Trade and other receivables – Group	21	1,324	-	-	1,324
Trade and other receivables	22	72	-	-	72
Investments in associates	15	-	22,301	-	22,301
Investments in joint ventures	14	-	16,777	-	16,777
Investments in subsidiaries	13	-	112,900	-	112,900
		1,468	151,978	-	153,446
Financial liabilities					
Bank overdraft	25	-	-	680	680
Loans and borrowings	28	-	-	2,928	2,928
Trade and other payables	31	-	-	134	134
Trade and other payables to Group companies	32	-	-	3,071	3,071
		-	-	6,813	6,813

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 instrument (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	
	2016	**2015**	**2016**	**2015**
Gross maximum exposure				
Trade and other receivables	24,196	19,628	131	72
Trade and other receivables – Group companies	-	-	1,845	1,324
Other investments	89,196	76,058	-	-
Loans and advances to customers	122,043	103,598	-	-
Finance lease receivables	9,376	8,151	-	-
Cash and cash equivalents	58,836	59,624	104	72
Total recognised financial instruments	303,647	267,059	2,080	1,468
Guarantees and performance bonds	16,950	5,028	14,700	2,970
Letters of credit	16,855	20,257	-	-
Total unrecognised financial instruments	33,805	25,285	14,700	2,970
Total credit exposure	337,452	292,344	16,780	4,438

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 K3,314 million (2015: K2,938 million) held as security for some loans and advances which in the event of default will be offset against such loans and advances.

6.4.2 Trade and other receivables

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

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

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

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

In millions of Malawi Kwacha

6. Financial instrument (Continued)

6.4 Credit risk (Continued)

6.4.2 Trade and other receivables (Continued)

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	
	2016	**2015**
30 - 120 days	1,836	3,052
Over 120 days	2,709	528
	4,545	3,580

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	
	2016	**2015**
Balance at beginning of the year	814	861
Impairment (reversal)/charge recognised in the year	98	(12)
Provision previously recognised in statement of comprehensive income written off	(15)	(35)
Balance at end of the year	897	814

6.4.3 Cash and cash equivalents

The Group held cash and cash equivalents of K50,988 million as at 31 December 2016 (2015: K50,962 million). The cash and cash equivalents are held with bank and financial institution counterparties which have high credit ratings.

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

6.4.4 Investments

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

6.4.5 Loans and advances

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

In millions of Malawi Kwacha

6. Financial instrument (Continued)

6.4 Credit risk (Continued)

6.4.5 Loans and advances (Continued)

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

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

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:

	2016	%	2015	%
Wholesale and retail	34,559	28	30,395	29
Other	9,831	8	5,169	5
Personal	18,967	15	14,484	14
Agriculture	28,210	23	22,042	21
Manufacturing	30,493	25	29,778	28
Finance and insurance	1,007	1	3,368	3
	123,067	100	105,236	100

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	
	2016	2015
Individually impaired		
Grade 9: Impaired	1,416	1,999
Allowance for impairment	(338)	(1,319)
Carrying amount	1,078	680
Past due but not impaired		
Grade 8: sub-standard	3,201	1,784
Grade 7: Watch list	25,028	5,041
Carrying amount	28,229	6,825
Neither past due nor impaired		
Grade 1-3 Low risk	7,310	21,406
Grade 4-6 Fair risk	86,111	75,006
Carrying amount	93,421	96,412
Collective impairment	(685)	(319)
Total carrying amount	122,043	103,598

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.

In millions of Malawi Kwacha

6. Financial instrument (Continued)

6.4 Credit risk (Continued)

6.4.5 Loans and advances (Continued)

Credit quality analysis of loans and advances (Continued)

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.

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.

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.

In millions of Malawi Kwacha

6. Financial instrument (Continued)

6.4 Credit risk (Continued)

6.4.5 Loans and advances (Continued)

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

Group	**2016**	**2015**
Against individually impaired		
Motor vehicles	232	361
Commercial property	283	452
Cash	-	1
Residential property	176	392
Total	691	1,206
Against the rest of the loan book		
Motor vehicles	14,451	12,065
Commercial property	11,217	9,693
Residential property	35,864	30,920
Cash	3,314	2,937
Equities	11,218	5,488
Treasury bill	25	27
Mortgages over farmland	5,504	4,325
Bank guarantees	1,036	1,109
Total	82,629	66,564
Grand total	83,320	67,770

Collateral repossessed

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

6.5 Liquidity risk

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

6.5.1 Management of liquidity risk

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

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

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

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

In millions of Malawi Kwacha

6. Financial instrument (Continued)

6.5 Liquidity risk (Continued)

6.5.1 Management of liquidity risk (Continued)

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

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

6.5.2 Measurement of liquidity risk – Group's banking business

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

	2016	2015
At 31 December	54%	54%
Average for the period	51%	65%
Maximum for the period	54%	72%
Minimum for the period	47%	54%

6. Financial instrument (Continued)

In millions of Malawi Kwacha

6.5 Liquidity risk (Continued)

6.5.3 Liquidity risk table

The following table detail 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 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	10,837	19,655	12,834	-	-	43,326	43,326
Total financial liabilities	227,058	49,425	28,721	32,396	240	337,840	317,503
At 31 December 2015							
Bank overdraft	8,662	-	-	-	-	8,662	8,662
Loans and borrowings	1,190	2,013	23,371	9,408	22,821	58,803	36,441
Customer deposits	160,534	35,324	17,248	3	-	213,109	211,852
Trade and other payables	18,400	13,237	1,706	-	-	33,343	33,343
Total financial liabilities	188,786	50,574	42,325	9,411	22,821	313,917	290,298
Company							
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
At 31 December 2015							
Bank overdraft	680		-	-	-	680	680
Loans and borrowings	-	510	1,889	2,117	-	4,516	2,928
Trade and other payables to Group companies	-	-	3,777	-	-	3,777	3,071
Trade and other payables	-	134	-	-	-	134	134
Total financial liabilities	680	644	5,666	2,117	-	9,107	6,813

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.

In millions of Malawi Kwacha

6. Financial instrument (Continued)

6.6 Market risk (Continued)

6.6.1 Currency risk (Continued)

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	
	2016	**2015**	**2016**	**2015**
Group				
United States Dollars (USD)	72,417	83,332	62,247	44,761
British Pound (GBP)	2,005	3,117	2,184	3,337
EURO	8,640	9,613	8,544	8,445
South African Rand (ZAR)	1,597	997	781	1,077
Other currencies	25	34	662	198
Company				
United States Dollars (USD)	-	-	39	35
South African Rand (ZAR)	-	-	1	1

Foreign currency sensitivity analysis

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

In millions of Malawi Kwacha

6. Financial instrument (Continued)

6.6 Market risk (Continued)

6.6.1 Currency risk (Continued)

	Group		Company	
	2016	2015	2016	2015
United States Dollars (USD)	(1,017)	(3,857)	4	3
British Pound (GBP)	18	22	-	-
EURO	(10)	(117)	-	-
South African Rand (ZAR)	(82)	8	-	-

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 instrument (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	Carrying amount
At 31 December 2016							
Financial assets							
Investments in joint ventures and associates	-	-	-	-	39,627	39,627	39,627
Other investment	60,479	2,873	-	-	25,844	89,196	89,196
Cash and cash equivalents	30,963	-	-	-	27,873	58,836	58,836
Loans and advances to customers	19,456	10,955	48,327	43,305	-	122,043	122,043
Finance lease receivables	-	-	9,376	-	-	9,376	9,376
Trade and other receivables	-	-	-	-	24,196	24,196	24,196
Total financial assets	110,898	13,828	57,703	43,305	117,540	343,274	343,274
Financial liabilities							
Bank overdraft	7,848	-	-	-	-	7,848	7,848
Loans and borrowings	6,831	1,246	6,761	21,822	236	36,896	36,896
Customer deposits	194,247	26,630	3,309	-	5,247	229,433	229,433
Trade and other payables	-	-	-	-	43,326	43,326	43,326
Total financial liabilities	208,926	27,876	10,070	21,822	48,809	317,503	317,503
Interest sensitivity gap	(98,028)	(14,048)	47,633	21,483	68,731	25,771	25,771
At 31 December 2015							
Financial assets							
Investments in joint ventures and associates	-	-	-	-	32,835	32,835	32,835
Other investment	-	56,223	18,302	1,533	-	76,058	76,058
Cash and cash equivalents	4,788	26,031	-	-	28,805	59,624	59,624
Loans and advances to customers	11,273	11,912	50,245	30,168	-	103,598	103,598
Finance lease receivables	-	60	652	7,439	-	8,151	8,151
Trade and other receivables	-	-	-	-	19,628	19,628	19,628
Total financial assets	16,061	94,226	69,199	39,140	81,268	299,894	299,894
Financial liabilities							
Bank overdraft	8,662	-	-	-	-	8,662	8,662
Loans and borrowings	974	1,855	17,441	15,955	216	36,441	36,441
Customer deposits	160,534	34,888	16,427	3	-	211,852	211,852
Trade and other payables	-	-	-	-	33,343	33,343	33,343
Total financial liabilities	170,170	36,743	33,868	15,958	33,559	290,298	290,298
Interest sensitivity gap	(154,109)	57,483	35,331	23,182	47,709	9,596	9,596

In millions of Malawi Kwacha

6. Financial instrument (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	Carrying amount
Company							
At 31 December 2016							
Financial assets							
Investments in subsidiaries joint ventures and associates	-	-	-	-	232,170	232,170	232,170
Cash and cash equivalents	-	104	-	-	-	104	104
Trade and other receivables – Group companies	-	-	276	-	1,569	1,845	1,845
Trade and other receivables	-	-	-	-	131	131	131
Total financial assets	-	104	276	-	233,870	234,250	234,250
Financial liabilities							
Bank overdraft	2,078	-	-	-	-	2,078	2,078
Loans and borrowings	-	313	642	1,070	-	2,025	2,025
Trade and other payables to Group companies	-	-	4,063	-	41	4,104	4,104
Trade and other payables	-	-	-	-	422	422	422
Total financial liabilities	2,078	313	4,705	1,070	463	8,629	8,629
Interest sensitivity gap	(2,078)	(209)	(4,429)	(1,070)	233,407	225,621	225,621
At 31 December 2015							
Financial assets							
Investments in subsidiaries joint ventures and associates	-	-	-	-	151,978	151,978	151,978
Cash and cash equivalents	-	72	-	-	-	72	72
Trade and other receivables – Group and associates	-	-	290	-	1,034	1,324	1,324
Trade and other receivables	-	-	-	-	72	72	72
Total financial assets	-	72	290	-	153,084	153,446	153,446
Financial liabilities							
Bank overdraft	680	-	-	-	-	680	680
Loans and borrowings	-	470	1,410	1,048	-	2,928	2,928
Trade and other payables to Group companies	-	-	3,031	-	40	3,071	3,071
Trade and other payables	-	-	-	-	134	134	134
Total financial liabilities	680	470	4,441	1,048	174	6,813	6,813
Interest sensitivity gap	(680)	(398)	(4,151)	(1,048)	152,910	146,633	146,633

In millions of Malawi Kwacha

6. Financial instrument (Continued)

6.6 Market risk (Continued)

6.6.2 Interest rate risk (Continued)

Interest rate sensitivity analysis

The sensitivity analyis 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 2016 would decrease/increase by K2.1 billion (2015: K1.9 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 2016, the Company had the following financial assets that exposed it to equity price risk.

	2016	2015
Financial asset		
Investment in National Bank of Malawi	60,110	62,034
Investment in Telekom Networks Malawi Limited	26,960	24,886
	87,070	86,920

Equity price sensitivity analysis

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

At 31 December 2016, 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:

	2016	2015
Financial asset		
Investment in National Bank of Malawi	3,006	3,102
Investment in Telekom Networks Malawi Limited	1,348	1,244
	4,354	4,346

The analysis is performed on the same basis for 2016 and 2015 and assumes that all other variables remain the same.

6.7 Fair values measurements

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

6.7.1 Fair value hierarchy

The table below shows an 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).

In millions of Malawi Kwacha

6 Financial instrument (Continued)

6.7 Fair values measurements (Continued)

Group	Notes	Level 1	Level 2	Level 3	Total
At 31 December 2016					
Government promissory notes	18	-	1,100	-	1,100
At 31 December 2015					
Government promissory notes	18	-	2,285	-	2,285
Company					
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
At 31 December 2015					
Investments in associates	15	-	-	22,301	22,301
Investments in joint ventures	14	-	-	16,777	16,777
Investments in subsidiaries	13	86,920	-	25,980	112,900
		86,920	-	65,058	151,978

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 2016	Fair value as at 2015	Fair value hierarchy	Valuation technique(s) and key input(s)
Government promissory notes	1,100	2,285	Level 2	Discounted cash flows using applicable interest rates and agreed repayment plan

In millions of Malawi Kwacha

6 Financial instrument (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 2016	Fair value as at 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Investment in National Bank of Malawi and Telekom Networks Malawi Limited	87,070	86,920	Level 1	Stock market share prices.	N/A	N/A
Investment in Ethanol Company Limited, Open Connect Limited and Peoples Trading Centre Limited	15,981	12,585	Level 3	Discounted Cash Flows (DCF): The DCF analysis uses free cash flow projections and discounts them by use of an appropriate weighted average cost of capital to arrive at a present fair value.	• Long term revenue growth rates, taking into account management's experience and knowledge of the market conditions of the specific industries, ranging from 14% to 26%. • Weighted average cost of capital ranging from 23.10% to 39.99% determined using a capital asset pricing model. • Nominal risk free rate based on the average yield of the 364 Treasury bill of 26%. • Beta: industry beta for a similar listed companies used as proxies and it ranges 0.51 to 0.60. • Illiquidity premium range of 5% - 10% based on the envisaged in tradability of the related company and quality of its assets • Market risk premium of 6% determined by the difference between average bank base rate minus nominal risk free 364 TB yield.	The higher the revenue growth rate and pre-tax operating margin the higher the fair value. The higher the weighted average cost of capital and the discount rate the lower the fair value

In millions of Malawi Kwacha

6 Financial instrument (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 2016	Fair value as at 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Investment in Carlsberg (Malawi) Limited, Puma Energy (Malawi) Limited, PressCane Limited, Manzinzi Bay Limited, Malawi Pharmacies Limited.	71,861	27,647	Level 3	Maintainable earnings: The earnings approach uses estimated total value of earnings (Net Operating Profit Less Adjusted Taxes (NOPLAT)) as free cash flow to establish the total value of sustainable earnings, which are discounted by weighted average cost of capital to arrive at a present fair value then capitalized by the p/e(x) multiple.	• Long term NOPLAT growth rates, taking into account management's experience and knowledge of the market conditions of the specific industries, ranging from 13% to 31%. • Weighted average cost of capital ranges from 3.52% to 6.83% determined using a capital asset pricing model. • Capitalization done using a discounted price earnings ratio ranges from 3.52% to 6.83% based on the company's peers or close proxy that publicly trades. Discounting done to reflect the non-tradabilitynature of respective companies stocks.	The higher the earnings the higher the fair value. The higher the weighted average cost of capital and the discount rate the lower the fair value
Investment in Limbe Leaf Tobacco Company, Macsteel (Malawi) Limited, Malawi Telecommunications Limited, The Foods Company Limited and Press Properties Limited	57,258	24,826	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 instrument (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.

		2016		2015	
Notes	**Carrying**	**Fair amount**	**Carrying Value**	**Fair amount**	**Value**
Group					
Financial assets					
Other investments	18	89,196	89,462	76,058	76,152
Finance lease receivables	17	9,376	10,206	8,151	8,827
Loans and advances to customers	16	122,043	127,506	103,598	106,783
		220,615	227,174	187,807	191,762
Financial liabilities					
Loans and borrowings	28	36,896	39,650	36,441	39,363
		36,896	39,650	36,441	39,363
Company					
Financial liabilities					
Loans and borrowings	28	2,025	2,087	2,928	3,154
		2,025	2,087	2,928	3,154

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.

In millions of Malawi Kwacha

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 manufacturer
Consumer Goods segment	Supermarket chain
The 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	**Telecommu -nications**	**Energy**	**Consumer goods**	**All other segments**	**Total**
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	(1,101)	3,846	53,771
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**	**(2,330)**	**595**	**28,483**
Share of profit of equity accounted investees	-	-	-	-	5,543	**5,543**
Depreciation and amortization	2,782	10,523	438	383	423	**14,549**
Segment assets	329,501	100,055	19,864	8,240	245,030	**702,690**
Segment liabilities	260,552	70,479	4,123	10,882	60,060	**406,096**
Capital additions	6,168	30,269	1,953	810	453	**39,653**
2015						
Revenue						
External revenues	45,656	59,148	14,729	39,164	2,439	161,136
Inter-segment revenue	1,092	2,374	-	54	5,312	8,832
Segment revenue	**46,748**	**61,522**	**14,729**	**39,218**	**7,751**	**169,968**
Segment operating profit/(loss)	19,615	12,231	2,935	(1,716)	4,256	37,321
Segment interest income	-	1,243	1,458	45	72	2,818
Segment interest expense	-	(11,514)	(1)	(570)	(2,086)	(14,171)
Segment Income tax expense	(6,230)	(2,914)	(1,321)	(382)	(681)	(11,528)
Profit for the year	**13,385**	**(954)**	**3,071**	**(2,623)**	**1,561**	**14,440**
Share of profit of equity accounted investees	-	-	-	-	4,284	**4,284**
Depreciation and amortization	2,305	7,602	382	325	301	**10,915**
Segment Assets	288,290	78,614	16,933	8,301	163,905	**556,043**
Segment liabilities	233,484	56,826	3,698	10,613	39,320	**343,941**
Capital additions	3,291	11,705	745	583	924	**17,248**

In millions of Malawi Kwacha

7 Operating segments (Continued)

7.5 Reconciliations of information on reportable segments to IFRS measures

	2016	2015
Revenues		
Total revenues for reportable segments	201,012	169,968
Elimination of inter-segment revenue	(12,155)	(8,832)
Consolidated revenue	**188,857**	**161,136**
Depreciation and amortisation		
Total depreciation and amortisation for reportable segments	14,549	10,915
Adjustment due to different accounting policies	(311)	(179)
Consolidated depreciation and amortisation	**14,238**	**10,736**
Profit		
Total profit for reportable segments	28,483	14,440
Profit for other non-reportable segments	311	179
Elimination of dividend income from Group companies	(6,882)	(6,664)
Elimination of inter-segment profit	(10,246)	-
Share of profit of equity accounted investees	5,543	4,284
Profit for discontinued operation	5	5
Consolidated profit	**17,214**	**12,244**
Assets		
Total assets for reportable segments	702,690	556,043
Assets for discontinued operations	151	145
Elimination of inter-segment assets	(16,019)	(10,085)
Assets for other segments	1,063	743
Elimination of fair value relating to equity accounted investees	(53,927)	(5,729)
Elimination of investment in subsidiaries	(138,618)	(112,899)
Adjustment due to different accounting policies	(14,607)	427
Consolidated total assets	**480,733**	**428,645**
Liabilities		
Total liabilities for reportable segments	406,096	343,941
Liabilities for discontinued operations	105	103
Elimination of inter-segment liabilities	(29,042)	(17,494)
Elimination of deferred tax liabilities arising from fair value measurement of investments in separate financial statements	(45,846)	(28,313)
Consolidated total liabilities	**331,313**	**298,237**

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 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 23)	(672)	-	(218)	-	(890)
Revaluation increase	2,439	-	-	-	2,439
Balance at 31 December 2016	41,767	85,632	7,785	6,286	141,470
Balance at 1 January 2015	29,757	69,300	5,287	5,509	109,853
Additions	1,120	6,348	1,359	5,608	14,435
Disposals	(85)	(1,027)	(1,432)	(335)	(2,879)
Acquisitions through business combinations	3,046	425	525	201	4,197
Transfers between classes	466	2,439	-	(2,905)	-
Transfer to intangibles	-	-	-	(429)	(429)
Transfer to investment properties	-	-	-	(1,609)	(1,609)
Revaluation increase	4,839	168	-	-	5,007
Balance at 31 December 2015	39,143	77,653	5,739	6,040	128,575
Accumulated depreciation and impairment					
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 23)	(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
Balance at 1 January 2015	389	28,424	3,224	-	32,037
Depreciation expense	1,196	6,897	922	-	9,015
Eliminated on revaluation	(362)	(63)	-	-	(425)
Impairment losses recognised in profit or loss	-	178	-	-	178
Eliminated on disposal of assets	(5)	(957)	(1,088)	-	(2,050)
Balance at 31 December 2015	1,218	34,479	3,058	-	38,755
Carrying amounts					
At 31 December 2016	39,903	43,960	3,981	5,609	93,453
At 31 December 2015	37,925	43,174	2,681	6,040	89,820

In millions of Malawi Kwacha

8 Property, plant and equipment (Continued)

Company	Land and buildings	Plant, furniture and equipment	Motor vehicles	Total
Cost or valuation				
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
Balance at 1 January 2015	552	494	73	1,119
Additions	9	50	5	64
Disposals	-	(32)	(3)	(35)
Balance at 31 December 2015	561	512	75	1,148
Accumulated depreciation				
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
Balance at 1 January 2015	-	250	24	274
Depreciation expense	-	97	18	115
Eliminated on disposal of assets	-	(19)	-	(19)
Balance at 31 December 2015	-	328	42	370
Carrying amounts				
At 31 December 2016	691	124	15	830
At 31 December 2015	561	184	33	778

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.

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 2016 by Knight Frank, qualified independent valuers on a current market value basis. Land and buildings for Indebank were revalued as at 31 December 2015 by J Kantema BSc (Hons) Land Admin, BSc, MSIM an independent registered chartered valuation surveyor of Real Property and Development Consultants. Out of the K2 110m (2015: K1 398m) gross revaluation surplus, K404m (2015: K15m) 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 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 2016 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 Limited were fair valued as at 31 December 2016 by 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 2016 are as follows:

	Fair value as at 31/12/2016	Fair value as at 31/12/2015	Fair value hierarchy
Land and buildings	39,903	37,925	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;

	2016	2015
Group's land and buildings	12, 213	12,647
Company's land and buildings	287	287

8.3 Impairment losses recognised in the year

During the year, the Group carried out impairment assessment of its cash generating units in line with International Accounting Standard 36 Impairment of Assets. This review resulted in an impairment of its CDMA 450 and WiMAX Networks for the mobile data and mobile voice cash generating units. The total amount impaired is K2.1 billion which has been recognised in profit and loss.

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

8.4 Assets pledged as security

The Group's assets with a carrying amount of approximately K48 billion (2015: K55 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 K20.1 billion (2015: K14.2 billion) – see note 25 and 28 below.

In millions of Malawi Kwacha

9 Biological assets

9.1 Reconciliation of carrying amount of fish stock

	Group	
	2016	**2015**
Balance at 1 January	140	51
Increase due to birth	84	112
Decrease due to sales	(52)	(65)
Increase/ (decrease) due to death and changes in fair value	(16)	42
Balance at 31 December	156	140
Non-current biological assets	2	2
Current biological assets	154	138
Balance at 31 December	156	140

As at 31 December 2016, biological assets comprised of 35.5 tons of fish (2015: 147.9 tons) and 9.3 tons of fingerlings (2015: 0.2 tons). During 2016, the Group sold 143.7 tons of fish and 0.2 tons of fingerlings.

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 64% (2015: 64%) for the ponds and 20% (2015: 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 31/12/2016	**Fair value as at 31/12/2015**	**Fair value hierarchy**
Fish stocks	156	140	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

	2016	2015
Opening balance	5,026	1,015
Reduction after acquisition completion (note 13)	(52)	-
Acquisition through business combination	-	4,011
Balance at 31 December	4,974	5,026

10.1 Impairment testing for cash generating units containing goodwill

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

Consumer goods segment	427	427
TNM Business services unit	588	588
Whole banking division	3,959	4,011
	4,974	5,026

Consumer goods segment

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 23% per annum. Cash flows beyond that five-year period have been extrapolated using a steady 10% per annum growth rate. This growth rate does not exceed the long-term average growth rate for the retail industry.

Inflation was expected to be around 10% in the long-term with long term real GDP of 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 K4.3 billion and its carrying amount is K2.3 billion as such the related goodwill is not impaired.

In millions of Malawi Kwacha

10 Goodwill (Continued)

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

TNM Business services 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 a discount rate of 33% per annum.

Cash flow projections during the budget period are based on the assumption that the unit will grow at 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 K2.7 billion and its carrying amount is 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. During 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.

As at 31 December 2015, in accordance with IFRS 3 Business Combination, a provisional goodwill amounting to K4,011m was recorded pending the purchase price allocation valuation exercise which was carried out in 2016. The carrying amount of this goodwill has been allocated to the Whole 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 and discounted at a weighted average cost of capital of 33.37%. The recoverable amount of the Cash Generating Unit (WBD) is calculated to be K143 billion and its carrying amount is 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					
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
2015					
Balance at 1 January 2015	10,220	326	2,832	1,648	15,026
Transfer between classes	1,591	169	(1,760)	-	-
Transfer from PPE (note 8)	429	-	-	-	429
Disposal during the year	(163)	-	-	-	(163)
Acquisition through business combination	251	-	-	-	251
Additions from internal developments	-	90	-	-	90
Additions from separate acquisitions	1,580	-	1,091	-	2,671
Balance at 31 December 2015	13,908	585	2,163	1,648	18,304
Accumulated amortisation and impairment					
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
2015					
Balance at 1 January 2015	2,781	322	-	69	3,172
Disposal during the year	(7)	-	-	-	(7)
Amortisation expense	1,555	1	-	165	1,721
Balance at 31 December 2015	4,329	323	-	234	4,886
Carrying amounts					
At 31 December 2016	9,090	280	3,206	1,250	13,826
At 31 December 2015	9,579	262	2,163	1,414	13,418

Development costs are all internally generated.

The 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 have 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	2016			2015		
	Computer software	Work in Progress	Total	Computer software	Work in Progress	Total
Cost						
Balance at 1 January	245	71	316	408	49	457
Disposal during the year	-	-	-	(163)	-	(163)
Additions from separate acquisitions	-	1	1	-	22	22
Balance at 31 December	245	72	317	245	71	316
Accumulated amortisation						
Balance at 1 January	56	-	56	63	-	63
Disposal during the year	-		-	(7)		(7)
Amortisation charge for the year	16	-	16	-	-	-
Balance at 31 December	72	-	72	56	-	56
Carrying amounts	173	72	245	189	71	260

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	Undeve-loped freehold land	Undeve-loped Leasehold land	Total
Group					
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**
Balance at 1 January 2015	1,594	1,384	291	1	3,270
Additions during the year	7	-	45	-	52
Transferred from Property, Plant and Equipment	1,609	-	-	-	1,609
Transfer between classes	100	-	(100)	-	-
Reclassified as held for sale	-	-	(131)	-	(131)
Disposals	(30)	(97)	-	-	(127)
Gain/(loss) on property revaluation	(107)	130	87	-	110
Balance at 31 December 2015	**3,173**	**1,417**	**192**	**1**	**4,783**

In millions of Malawi Kwacha

12 Investment properties (Continued)

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

12.1 Valuation techniques and Fair value hierarchy

Investment properties were professionally and independently revalued by Don Whayo, Bsc (Est. Man), Dip (Urb Man), BA, MRICS, MSIM, a chartered valuation surveyor with Knight Frank (Malawi) Limited at 31 December 2016 on an open market value basis and the resultant gains/losses are recognised in profit and loss.

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 2016 are as follows:

	Fair value as at 31/12/2016	Fair value as at 31/12/2015	Fair value hierarchy
Investment properties	5,360	4,783	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 2016	Proportion of ownership interest and voting power held by the Group 2015
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 con-nectivity services	Chayamba Building, Blantyre	52.70	-
Telekom Networks Malawi Limited (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	Namiwawa, Blantyre	100.0	00.0
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 Limited 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 Limited 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 5.6%.

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 based on the advice from the Group's external counsel, that the outcome of the case will be favourable to the Group. Accordingly, PressCane Limited is recognised as a subsidiary in the Group's financial statements with a 50.1% sharehoding (shareholding before the dispute).

In millions of Malawi Kwacha

13 Investments in subsidiaries (Continued)

13.3 Reconciliation of carrying amount

	Company 2016	Company 2015
Balance at 1 January	112,900	102,912
Additions	2,000	-
Disposal	(19)	-
Increase in fair value	23,737	9,988
Balance at 31 December	138,618	112,900

During the year, Press Corporation Limited made an equity injection of K2 billion in Peoples Trading Centre Limited, its wholly owned subsidiary in order to boast its working capital.

Press Trading (Pty) Limited, a wholly owned subsidiary whose operations were discontinued several years ago was deregistered during the year. The subsidiary was being carried at K19 million in the Company's financial statements.The deregistration resulted in proceeds of K53 million and a profit of K34 million was recognised in Company's profit and loss.

13.4 Analysis of carrying amount

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

	2016		2015	
	Fair value/ cost (PCL Share)	**Dividend received**	**Fair value/ cost (PCL Share)**	**Dividend received**
National Bank of Malawi	60,110	3,195	62,034	3,179
Press Properties Limited	3,992	-	3,638	-
Manzinzi Bay Limited	2	-	2	-
The Foods Company Limited	1,049	-	1,115	-
Ethanol Company Limited	12,408	487	7,302	526
Presscane Limited	8,740	-	5,632	-
Malawi Telecommunications Limited	5,534	-	2,989	-
Open Connect Limited	16,250	-	-	-
Telecom Networks Malawi Limited	26,960	1,244	24,886	1,244
Peoples Trading Centre Limited	3,573	-	5,283	-
Press Trading (Proprietary) Limited	-	-	19	-
	138,618	4,926	112,900	4,949

Telekom Networks Malawi Limited 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 National Bank Capital Markets Limited on behalf of the Directors as at 31st December 2016 (2015: National Bank Capital Markets Limited). Net asset valuation method was used for unlisted investments except for PressCane Limited and Ethanol Company Limited which were valued using Maintainable earnings and Discounted Cash flows valuation method respectively.

Unbundling of Malawi Telecommunications Limited

In a bid to make the Company more efficient and effective, 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 focused on access network and internet to corporates and retail consumers and OCL focusing on open access fibre infrastructure business for the Telecommunication companies in Malawi.

In millions of Malawi Kwacha

13 Investments in subsidiaries (Continued)

13.4 Analysis of carrying amount

Unbundling of Malawi Telecommunications Limited (Continued)

Accordingly, the Fiber Optic Backbone and Fibre Optic Metro Rings with a carrying amount of K4.5 billion (fair value of K20.2 billion) and the debts amounting to K14.6 billion were transferred from MTL to OCL. This also resulted in a transfer of CarrierLINK business line from MTL to OCL. The CarrierLINK business line was contributing 10% of MTL revenues before the unbundling. As at 31 December 2016, the fair value of OCL was K16.2 billion.

13.5 Acquisition of a sub-subsidiary

In October 2015, the Group's subsidiary National Bank of Malawi acquired a 97.05% interest in Indebank Limited and the process of acquiring the remaining 2.95% minority interest, which represented Employee Share Ownership Program (ESOP), was underway pending consideration agreement. Accordingly, all assets and liabilities of Indebank Limited were transferred to National Bank of Malawi as at that date.

In August 2016, the acquisition of minority interest (2.95%) in Indebank Limited was completed thus making Indebank Limited a wholly owned subsidiary of National Bank of Malawi.

In both cases, the consideration transferred to materialize the acquisition was cash.

Acquisition of Indebank Limited is a growth strategy for the bank and will strengthen the Small and Medium Enterprise business and offer special packages to start ups, project and development finance.

Below are acquisition details;

Entity	Principal activity	Effective date of acquisition	Interest acquired	Consideration transferred
Indebank Limited	Commercial banking	31 October 2015	97.05%	6,590
Indebank Limited	Commercial banking	31 August 2016	2.95%	26

Assets acquired and liabilities recognised as at the date of acquisition

Assets	
Cash and cash equivalent	6,015
Treasury and Reserve Bank of Malawi Bills	2,597
Investment in associate	15
Loans and advances	9,282
Other assets	743
Deferred tax	224
Investment property	133
Property, plant and equipment	4,197
Intangible assets	251
Total assets	23,457
Liabilities	
Deposits	17,554
Current income tax liability	5
Other liabilities	1,503
Deferred tax	661
Loans	212
Total liabilities	19 935
Net assets	3 522

In millions of Malawi Kwacha

13 Investments in subsidiaries (Continued)

13.5 Acquisition of a sub-subsidiary (Continued)

Goodwill arising on acquisition

	2016	2015
Consideration transferred	26	6,590
Non-controlling interest	(78)	943
Less: Fair value of identifiable net assets acquired	-	(3,522)
Goodwill arising on acquisition (note 10)	(52)	4,011
Cumulative goodwill on the whole acquisition	3,959	4,011
Net cash outflow on acquisition of subsidiary		
Consideration paid in cash	26	6,590
Less: cash and cash equivalent balances acquired	-	(6,015)
Net cash outflow	26	575

Non-Controlling Interest (NCI)

The remaining NCI relates to Indetrust Holdings, which was a subsidiary of Indebank Limited and now of National Bank of Malawi which holds a 51% interest and the remaining 49% belongs to Indetrust Pension Fund.

Impact of acquisition on the results of the Group

Included in the consolidated profit for the year is a loss of K187 million (2015: K232 million) attributable to the additional business generated by Indebank Limited. Consolidated revenue for the year includes K1,731 million (2015: K701 million) in respect of Indebank Limited.

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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Non-current assets	86,489	80,660	39,613	36,136	18,281	27,056	19,716	-	2,314	2,344	4,072	2,556
Current assets	243,012	227,887	10,986	10,128	10,930	5,294	529	-	5,389	3,947	8,089	8,087
Non-current liabilities	803	430	7,477	7,445	1,256	571	13,989	-	702	521	301	199
Current liabilities	259,749	253,311	22,277	23,168	18,302	25,642	7,178	-	1,520	1,193	1,600	1,786
Equity attributable to owners of the company	35,502	28,220	8,609	6,464	5,087	3,234	(486)	-	3,617	3,021	5,141	4,338
Non-controlling interests	33,447	26,586	12,236	9,187	4,566	2,903	(436)	-	1,863	1,556	5,120	4,320
Revenue	63,578	46,748	65,550	50,097	12,127	11,425	2,568	-	6,993	5,932	8,202	8,797
Profit (loss) for the year	16,536	13,386	8,206	5,414	3,190	(6,367)	(932)	-	1,616	1,222	1,603	1,849
Other comprehensive income	3,865	2,423	-	-	326	3,153	-	-	19	-	-	-
Total comprehensive income	20,401	15,809	8,206	5,414	3,516	(3,214)	(932)	-	1,635	1,222	1,603	1,849
Non-controlling interest share	48.51%	48.51%	58.70%	58.70%	47.30%	47.30%	47.30%	-	34.00%	34.00%	49.90%	49.90%
Profit (loss) attributable to owners of the company	8,514	6,892	3,389	2,236	1,681	(3,355)	(491)	-	1,067	807	803	926
Profit (loss) attributable to non-controlling interests	8,022	6,494	4,817	3,178	1,509	(3,012)	(441)	-	549	415	800	923
Other comprehensive income attributable	1,990	1,248	-	-	172	1,662	-	-	13	-	-	-
Other comprehensive income attributable to non-controlling interests	1,875	1,175	-	-	154	1,491	-	-	6	-	-	-
Total comprehensive income attributable to owners of the company	10,504	8,140	3,389	2,236	1,853	(1,694)	(491)	-	1,079	807	803	926
Total comprehensive income attributable to non-controlling interests	9,897	7,669	4,817	3,178	1,663	(1,520)	(441)	-	556	415	800	923
Dividends paid to non-controlling interests	3,038	3,001	1,768	1,768	-	-	-	-	249	269	-	-
Net cash inflow (outflow) from operating activities	16,596	53,277	15,771	4,980	(8,394)	497	10,814	-	207	806	382	(730)
Net cash inflow (outflow) from investing activities	(7,898)	(43,541)	(7,971)	(11,115)	13,944	174	(20,325)	-	336	216	(358)	501
Net cash inflow (outflow) from financing activities	(9,547)	(8,204)	(5,270)	2,338	(5,235)	(843)	9,510	-	(732)	(790)	-	
Net cash inflow (outflow)	(849)	1,532	2,530	(3,797)	315	(172)	(1)	-	(189)	232	24	(229)

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 2016	Proportion of ownership interest and voting power held by the Group 2015
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 Limited 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		Company	
	2016	**2015**	**2016**	**2015**
At the beginning of the year	1,764	1,546	16,777	9,063
Increase in fair value recognised in other comprehensive income	-	-	1,924	7,714
Group's share of profits	1,913	1,241	-	-
Group's share of other comprehensive income	1,720	-	-	-
Dividend received	(500)	(1,023)	-	-
At end of the year	4,897	1,764	18,701	16,777

14.3 Analysis of carrying amount

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
Puma Energy (Malawi) Limited	3,898	1,304	17,702	15,650
Macsteel (Malawi) Limited	999	460	999	1,127
Total	4,897	1,764	18,701	16,777

Investments in joint ventures were valued by National Bank of Malawi Capital Markets Limited (2015: National Bank of Malawi Capital Markets Limited) on behalf of the Directors at 31 December 2016. Puma Energy (Malawi) Limited was valued using the maintainable earnings model whereas Macsteel (Malawi) Limited was valued using the net asset value method in the separate financial statements of the Company.

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 as at 31 December 2016 and for the year then ended 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:

Group	**Puma**		**Macsteel**	
	2016	**2015**	**2016**	**2015**
Non –current assets	12,332	6,635	1,468	1,433
Current assets	10,358	7,184	2,613	1,991
Non-current liabilities	(1,225)	(371)	(373)	(379)
Current liabilities	(13,668)	(10,840)	(1,711)	(2,125)
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	3,774	2,134	70	(355)
Revenue	94,543	82,348	5,901	4,976
Profit for the year	3,379	2,361	443	120
Other comprehensive income for the year	2,809	-	633	-
Total comprehensive income for the year	6,188	2,361	1,076	120
Dividends received from the joint ventures during the year	500	1,000	-	23
The above profit for the year include the following:				
Depreciation and amortisation	1,141	957	65	43
Interest income	248	244	-	-
Interest expenses	-	-	124	89
Foreign exchange loss	262	525	83	109
Income tax expenses	1,494	1,075	205	44

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

Net assets of the joint venture	7,797	2,608	1,997	920
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	3,898	1,304	999	460

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 2016	Proportion of ownership interest and voting power held by the Group 2015
Carlsberg Malawi Limited (formerly Bottling and Brewing Group Limited)	Beverage manufacturer and distributor	Makata, Blantyre	39.6	39.6
Limbe Leaf Tobacco Company Limited (LLTC)	Tobacco processors and merchants	Alimaunde industrial area, Lilongwe	42.0	42.0

Carlsberg Malawi Limited is an associate company in which the Group has a 39.65% ownership interest. The main business of Carlsberg 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 Reconciliation of carrying amount

	Group		Company	
	2016	**2015**	**2016**	**2015**
At the beginning of the year	31,071	18,082	22,301	23,271
Group's share of profit	3,630	3,043	-	-
Group's share of other comprehensive income	1,484	10,639		
Dividend received	(1,455)	(693)	-	-
Increase (decrease) in fair value recognised in other comprehensive income	-	-	52,550	(970)
At end of the year	34,730	31,071	74,851	22,301

15.3 Analysis of carrying amount

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
Limbe Leaf Tobacco Company	28,874	25,599	29,434	15,957
Carlsberg Malawi Limited	5,856	5,472	45,417	6,344
Total	34,730	31,071	74,851	22,301

Investments in associates were valued by National Bank of Malawi Capital Markets Limited (2015: National Bank of Malawi Capital Markets Limited) on behalf of the Directors at 31 December 2016. LLTC was valued using net asset value model whereas Carlsberg Malawi Limited was valued using maintainable earnings method in the separate financial statements of the Company.

In millions of Malawi Kwacha

15 Investment in associates (Continued)

15.4 Summarised financial information of associates

Summarised below is the financial information of the associates as at 31 December 2016 and for the year then ended 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		Carlsberg	
	2016	**2015**	**2016**	**2015**
Non-current assets	40,994	42,658	23,004	19,352
Current assets	70,999	68,563	19,032	21,818
Non-current liabilities	(8,219)	(12,553)	(3,946)	(2,491)
Current liabilities	(35,011)	(37,704)	(23,320)	(24,878)
Revenue	116,999	75,174	55,474	49,528
Profit for the year	8,240	6,095	431	1,219
Other comprehensive income for the year	1,716	25,338	1,923	-
Total comprehensive income for the year	9,956	31,433	2,354	1,219
Dividends received from the associate during the year	906	693	549	-

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

Net assets of the associate	68,763	60,964	14,770	13,801
Proportion of the Group's ownership interest in the associate	41.99%	41.99%	39.65%	39.65%
Carrying amount of the Group's interest in Associate	28,874	25,599	5,856	5,472

In millions of Malawi Kwacha

16 Loans and advances to customers

	Group 2016	Group 2015
Gross loans and advances to customers at amortised cost	123,067	105,236
Allowance for impairment losses	(1,024)	(1,638)
Loans and advances, net	122,043	103,598
Gross loans and advances are due to mature as follows:		
- Within three months	32,364	23,185
- Between three months and one year	58,403	50,245
- After one year	32,300	31,806
	123,067	105,236
Loans, net are split into:		
Long term loans	32,300	33,063
Short term loans	89,743	70,535
	122,043	103,598
Movement of allowance for impairment losses		
At the beginning of the year	1,638	1,703
Charged during the year	1,718	3,464
Written off during the year	(1,315)	(1,965)
Recovered during the year	(1,017)	(1,564)
Balance at the end of the year	1,024	1,638
Analysis of gross loans and advances by sector:		
- Wholesale and retail	34,762	30,665
- Others	9,889	5,215
- Personal accounts	19,079	14,612
- Agriculture	28,376	22,237
- Manufacturing	30,672	30,042
- Finance and insurance	1,013	3,398
	123,791	106,169
Provision for impairment of interest from impaired loans and advances	(724)	(933)
	123,067	105,236
Movement of provision for impairment of interest from impaired loans and advances		
At the beginning of the year	933	976
Applied against advances	(1,122)	(2,725)
Suspended during the year	982	2,702
Recovered during the year	(69)	(20)
At the end of the year	724	933
Analysis of recoveries		
Specific provisions	1,017	1,564
Interest in suspense	69	20
Debts previously written off	624	1,397
Transferred to profit or loss	1,710	2,981
Analysis of gross loans by currency		
Malawi Kwacha denominated	78,394	64,935
United States dollar denominated	44,673	40,301
	123,067	105,236

The Malawi Kwacha base lending rate for the bank as at 31 December 2016 was 32% (2015: 34.0%) and US Dollar denominated loans carried an average interest rate of 8.83% (2015: 8.97%).

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).

17 Finance lease receivables

	Group 2016	Group 2015
Current finance lease receivable	1,018	712
Non-current finance lease receivable	8,358	7,439
	9,376	8,151

17.1 Amounts receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2016	**2015**	**2016**	**2015**
Not later than one year	1,139	857	1,018	712
Later than one year and not later than five years	12,172	11,085	8,358	7,439
	13,311	11,942	9,376	8,151
Less; unearned finance income	(3,867)	(3,743)	n/a	n/a
Present value of minimum lease payments receivable	9,444	8,199	9,376	8,151
Allowance for uncollectible lease payments	(68)	(48)	-	-
	9,376	8,151	9,376	8,151

The finance lease receivables are secured by the leased assets.

Finance lease receivables past due amounts to K783 million (2015: K652 million) and they were all impaired.

The average interest charged on finance leases was 33% (2015: 34%)

18 Other investments

18.1 Maturity of other investments

Total other investments are due to mature as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
Non-current investments				
Non – maturing investments	668	942	-	-
Between one year and five years	461	591	-	-
	1,129	1,533	-	-
Current investments				
Between three months and one year	16,030	18,302	-	-
Within three months	72,037	56,223	-	-
	88,067	74,525	-	-
Total other investments	89,196	76,058	-	-
Comprises of the following:				
Government of Malawi Bills and Reserve Bank of Malawi bonds	25,844	29,409	-	-
Money market deposits	59,379	40,023	-	-
Government of Malawi promissory note	1,100	2,285		
Other	2,873	4,341	-	-
Total investments	89,196	76,058	-	-

18 Other investments (Continued)

18.2 Government of Malawi bills and Reserve Bank of Malawi bonds

	Average interest rate		Group	
	2016	2015	2016	2015
Government of Malawi Treasury Bills	22.47%	23.3%	25,591	28,592
Government of Malawi treasury notes	17.91%	17.91%	253	235
Reserve Bank of Malawi bonds	9.7%	9.7%	-	582
			25,844	29,409
The bills are due to mature as follows:				
- Within three months			9,849	11,101
- Between three months and one year			15,995	18,073
- Over one year			-	235
			25,844	29,409

Government of Malawi bills and Reserve Bank of Malawi bonds are denominated in Malawi Kwacha and are held to maturity.

18.3 Money market deposits

Balances with discount houses	27.92%	25%	59,379	40,023

Money market deposits are denominated in Malawi Kwacha and are held to maturity and mature within one month after the reporting date. The deposits earned an average interest rate of 27.92% (2015: 25%).

18.4 Government promissory notes

	2016	2015
Government promissory notes	1,100	2,285
The notes are due to mature as follows:		
- Within three months	-	93
- Between three months and one year	1,100	2,192
	1,100	2,285

In February 2013, the Government of Malawi issued promissory notes to settle its indebtedness in respect of Government Guaranteed loans in the market including interest. The total exposure of the Group at that date was K16.9 billion. The Group accepted the promissory notes to settle the Government Guaranteed loans effective 1 February 2013. The notes attract interest at the rate of the earliest 91 day Treasury bill yield during each quarter plus 2%. Interest of K217m (2015: K1 291m) has been recognised in the statement of comprehensive income. The carrying value of the closing book was nil (2015: K2 181m).

During the year, the Group acquired another promissory note from the market at a cost of K967m. The note has a nominal value of K1,341 million and its maturity date is 11 August 2017. The carrying amount includes accrued interest receivable amounting to K133m.

The fair value level has been disclosed under note 6.7.

19 Deferred tax assets/(liabilities)

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Group						
Property, plant and equipment	3,260	1,455	(2,334)	(2,222)	926	(767)
Investment properties	-	-	(911)	(772)	(911)	(772)
Other investments	(871)	-	-	-	(871)	-
Provisions	2,171	578	(69)	138	2,102	716
Un-realised exchange differences	3,871	2,517	(183)	1,101	3,688	3,618
Tax value of loss carried forward	(452)	(452)	506	22	54	(430)
Tax assets/(liabilities)	7,979	4,098	(2,991)	(1,733)	4,988	2,365
Company						
Property and investments in subsidiaries and associates	-	-	(45,846)	(28,313)	(45,846)	(28,313)

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

19.1 Movement in net deferred tax asset/(liabilities)

	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Acquired in business combination	Closing balance
Group					
2016					
Property, plant and equipment	(767)	(518)	2,211	-	926
Investment properties	(772)	(139)	-	-	(911)
Other investments	-	141	(1,012)	-	(871)
Provisions	716	1,095	291	-	2,102
Un-realised exchange differences	3,618	(651)	721	-	3,688
Tax value or loss carried forward	(430)	506	(22)	-	54
Total liabilities	2,365	434	2,189	-	4,988
2015					
Property, plant and equipment	(1,386)	(177)	1,233	(437)	(767)
Investment properties	(759)	(13)	-	-	(772)
Provisions	845	(129)	-	-	716
Other items	3,566	52	-	-	3,618
Tax value or loss carried forward	368	(798)	-	-	(430)
Total liabilities	2,634	(1,065)	1,233	(437)	2,365

Company

	Opening balance	Recognised in other comprehensive income	Reclassification	Closing balance
2016				
Investment in subsidiaries and associates	(28,261)	(17,533)	59	(45,735)
Property	(52)	-	(59)	(111)
	(28,313)	(17,533)	-	(45,846)
2015				
Investment in subsidiaries and associates	(21,628)	(6,633)	-	(28,261)
Property	(52)	-	-	(52)
	(21,680)	(6,633)	-	(28,313)

19 Deferred tax assets/(liabilities) (Continued)

19.2 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	
	2016	**2015**	**2016**	**2015**
Tax loses	52,457	39,130	21,508	17,340
Deductible temporary differences;				
Provisions	619	330	567	8
Property, plant and equipment	(9,327)	(13,333)	-	-
Unrealised Exchange losses	551	9,141	-	-
	44,300	35,268	22,075	17,348
Un-recognised deferred tax asset @30%	13,290	10,580	6,623	5,204

Tax losses shown above expire after 6 years.

These deferred tax assets relate to Press Corporation Limited Company, Malawi Telecommunications Limited, Peoples Trading Centre and The Foods Company Limited.

19.3 Unrecognised deferred tax liabilities

As at 31 December 2016, there was a deferred tax liability of K45.8 billion (2015: K28.2 billion) in the separate financial statements. The liability originates from temporary differences of K152.8 billion (2015: K94.2 billion) relating to revaluation gains of investments in subsidiaries, associates and joint ventures. Due to the elimination of these revaluation gains on consolidation, the associated deferred tax was derecognised at Group level.

20 Inventories

	Group		Company	
	2016	**2015**	**2016**	**2015**
Finished goods	7,007	7,875	12	8
Raw materials and consumables	2,863	2,035	8	9
Work in progress	49	68	-	-
Goods in transit	176	187	-	-
	10,095	10,165	20	17

In 2016, inventories of K32.1 billion (2015: K41.9 billion) were recognised as an expense during the year and included in 'Direct trading expenses'.

During the year, inventories of K1.3 billion (2015: K1 billion) were written off in profit and loss due to stock shrinkages, damages and expiry.

In addition, inventories have been reduced by K15 million (2015: K112 million) as a result of the write-down to net realisable value. Such write-downs were recognised as an expense during 2016. 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 reliasable value as at 31 December 2016 was K213 million (2015: K317 million).

The write-downs are included in 'Administrative expenses'.

In millions of Malawi Kwacha

21 Trade and other receivables from Group companies

	Group		Company	
	2016	2015	2016	2015
Amounts due from related party companies				
Press Properties Limited	-	-	158	92
Malawi Telecommunications Limited	-	-	113	106
Open Connect Limited	-	-	191	-
Telecom Networks Malawi	-	-	417	415
Peoples Trading Centre Limited	-	-	303	199
Ethanol Company Limited	-	-	14	-
PressCane Limited	-	-	24	-
National Bank of Malawi	-	-	6	-
The Foods Company Limited	-	-	538	415
Other	-	-	81	97
	-	-	1,845	1,324

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

22 Trade and other receivables

	Group 2016	Group 2015	Company 2016	Company 2015
Trade receivables	11,039	10,362	22	30
Prepayments	1,984	2,169	64	39
Letters of credit	659	557	-	-
Employee benefit subsidy	2,063	1,784	-	-
Forward contracts	3,258	-	-	-
Other receivables	6,090	5,570	45	3
	25,093	20,442	131	72
Provision for doubtful debts	(897)	(814)	-	-
	24,196	19,628	131	72

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.

23 Assets classified as held for sale

	Group	
	2016	2015
Land and buildings	874	944
Motor vehicles	115	-
Investment property	133	-
	1,122	944

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. Impairment loss of K47 million (2015: Nil) was recognised on reclassification of land and buildings as held for sale as the Directors of the Group expect that the fair value less costs to sale is lower than the carrying amount.

In millions of Malawi Kwacha

23 Asset classified as held for sale (Continued)

Included in land and buildings held for sale is an amount of K116 million (2015: K131 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.

23.1 Reconciliation of carrying amount

	Group	
	2016	2015
At the beginning of the period	944	1,008
Disposed during the period	(533)	(195)
Impairment	(47)	-
Reclassified from investment property (note 12)	-	131
Reclassified from PPE (note 8)	758	-
	1,122	944

24 Income tax recoverable

	Group		Company	
	2016	2015	2016	2015
Opening balance	357	410	86	66
Current credit	-	21	-	-
Cash paid	246	88	(67)	20
Tax transfer to VAT and Excise tax payable	-	(83)	-	-
Tax transfer to income tax payable	(109)	(79)	-	-
Total income tax recoverable	494	357	19	86

25 Cash and cash equivalents

Reserve Bank of Malawi	15,786	18,160	-	-
Bank balances	3,618	1,558	79	58
Money market placements	2,759	2,296		
Placement with other banks	21,683	24,129	-	-
Call deposits	1,356	2,836	25	14
Cash on hand	13,634	10,645	-	-
Cash and cash equivalents	58,836	59,624	104	72
Bank overdrafts	(7,848)	(8,662)	(2,078)	(680)
Cash and cash equivalents as shown in the statement of cash flows	50,988	50,962	(1,974)	(608)

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 (2015: one month) of the year end and are denominated in the following currencies:

	Average interest rates		Group	
	2016	2015	2016	2015
Malawi Kwacha denominated	-	27.00%	-	5,102
US Dollars	0.50%	0.50%	9,832	6,184
GBP	1.75%	1.75%	2,114	3,283
Euro	0.50%	0.50%	8,443	8,384
ZAR	4.00%	4.00%	632	977
Other currencies	-	-	662	199
Totals			21,683	24,129

In millions of Malawi Kwacha

25 Cash and cash equivalents (Continued)

Overdraft facilities

Bank overdrafts forms an intergral part of the Group's cash management. These are repayable on demand.

The available overdraft facilities were as follows;

	Group		Company	
	2016	**2015**	**2016**	**2015**
First Merchant Bank Limited	2,700	2,700	400	400
Eco bank Malawi Limited	2,500	2,500	1,100	1,100
CDH Investment Bank	650	450	-	-
Standard Bank Limited	2,000	2,000	-	-
	7,850	7,650	1,500	1,500

The overdraft facilities of the Group are secured as follows;

(i) K1.8 billion (2015: K1.6 Billion) is secured by Press Corporation Limited guarantee;
(ii) K1.1 billion by a debenture (2015: K1.1 billion) and;
(iii) K4.9 billion (2015: K4.9 billion) is unsecured.

The Company's overdraft facilities are all due for renewal on 30 November 2017 and are unsecured.

26 Share capital

	Group and Company	
Authorised ordinary share capital	**2016**	**2015**
- 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

In millions of Malawi Kwacha

27 Other reserves – excluding non-controlling interests

Group

	Revaluation reserve	Translation reserve	Loan loss	Other reserve	Total
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	-	-	(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
2015					
Balance at beginning of the year	18,510	6,943	1,077	4,066	30,596
Revaluation of property	3,027	-	-	-	3,027
Transfer to loan loss reserve	-	-	63	-	63
Depreciation Transfer land and buildings	(131)	-	-	18	(113)
Reversal of accumulated depreciation	(80)	-	-	-	(80)
Net change in fair value of available for sale financial asset	-	-	-	(100)	(100)
Release of revaluation surplus on disposal of Property, Plant and Equipment	132	-	-	-	132
Share of equity accounted investments translation reserves	-	10,639	-	-	10,639
Income tax on other comprehensive income	635	-	-	-	635
Balance at 31 December 2015	22,093	17,582	1,140	3,984	44,799

Company

	Revaluation reserve	Translation reserve	Total
2016			
Balance at beginning of the year	111,038	110	111,148
Fair value gain on investments	44,456	-	44,456
Revaluation of property	130	-	130
Deferred tax on revaluation	(7,407)	-	(7,407)
Balance at 31 December 2016	148,217	110	148,327
2015			
Balance at beginning of the year	100,938	110	101,048
Fair value gain on investments	16,733	-	16,733
Deferred tax on revaluation	(6,633)	-	(6,633)
Balance at 31 December 2015	111,038	110	111,148

In millions of Malawi Kwacha

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

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.

28 Loans and borrowings

28.1 Loans and borrowings summary

Group	Secured	Unsecured	Total
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
2015			
More than 5 years	5,000	2,507	7,507
Due between 1 and 5 years	2,108	535	2,643
	7,108	3,042	10,150
Due within 1 year or less	15,587	10,704	26,291
	22,695	13,746	36,441
Company			
2016			
Due between 1 and 5 years	1,068	-	1,068
Due within 1 year or less	957	-	957
	2,025	-	2,025
2015			
Due between 1 and 5 years	1,050	-	1,050
Due within 1 year or less	1,878	-	1,878
	2,928	-	2,928

In millions of Malawi Kwacha

28 Loans and borrowings (Continued)

28.1 Movement in borrowings

Group

	At 01/01/16	Draw-downs	Repay-ments	Exchange fluctu-ations	Interest accrual	At 31/12/16
Local borrowings						
Belgium Government	102	-	-	-	5	107
CDH Investment Bank	-	827	-	-	89	916
Commercial debt	5,000	-	-	-	384	5,384
Continental discount house	-	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 – MWK Loan	26	-	(26)	-	-	-
Standard Bank Led 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 Limited	26	-	(26)	-	-	-
Total local borrowings	**2,928**	**-**	**(1,005)**	**-**	**102**	**2,025**

In millions of Malawi Kwacha

28 Loans and borrowings (Continued)

28.2 Movement in borrowings (Continued)

Group

	At 01/01/15	Draw-downs	Through business combi-nation	Repay-ments	Exchange fluctu-ations	Interest accrual	At 31/12/15
Local borrowings							
Belgium Government	97	-	-	-	-	5	102
Commercial debt	-	5,000	-	-	-	-	5,000
DANIDA loan	685	-	-	-	-	20	705
FDH Bank Limited	678	-	-	(253)	-	251	676
FMB – EIB	223	-	-	(223)	-	-	-
Kuwait Development Fund	1,048	-	-	-	-	77	1,125
Leasing and Finance Company	180	-	-	(180)	-	-	-
Malawi Government	3	-	-	(3)	-	-	-
Malawi Government	-	-	209	-	-	-	209
NBM commercial paper	1,200	-	-	(400)	-	-	800
NORDIC Development Fund	966	-	-	-	-	63	1,029
Press Corp MTN coupon loan	4,629	-	-	(1,851)	-	124	2,902
Reserve Bank of Malawi	-	-	3	-	-	-	3
Standard Bank Led syndicated Loan	1,539	-	-	(1,261)	-	-	278
Syndicated loan – NBM CM	-	420	-	(21)	-	-	399
Standard Bank – MWK Loan	53	-	-	(27)	-	-	26
Total local borrowings	11,301	5,420	212	(4,219)	-	540	13,254
Foreign borrowings							
Huawei deferred payment	4,636	3,991	-	(2,596)	986	-	7,017
Libyan Government	159	-	-	-	57	-	216
Netherlands FMO	5,582	-	-	(2,260)	-	17	3,339
PTA Bank	8,716	-	-	(360)	2,950	238	11,544
ZTE Vendor financing	1,101	-	-	(431)	367	34	1,071
Total foreign borrowings	20,194	3,991	-	(5,647)	4,360	289	23,187
Total borrowings	**31,495**	**9,411**	**212**	**(9,866)**	**4,360**	**829**	**36,441**
Company							
MTN coupon	4,629	-	-	(1,851)	-	124	2,902
Standard Bank of Malawi Limited	53	-	-	(27)	-	-	26
Total local borrowings	**4,682**	**-**	**-**	**(1,878)**	**-**	**124**	**2,928**

In millions of Malawi Kwacha

28 Loans and borrowings (Continued)

28.3 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 years	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	Malawi Kwacha	364 TB rate + 4%	5 Years - Option for bullet payments of MK1m tranches after 3rd year	Debenture on TNM Assets	2018	2021	384	5,000	-
Corporate bond	Malawi Kwacha	365TB rate +6%	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	Quarterly rate+4%	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

28 Loans and borrowings (Continued)

28.3 Terms and debt repayment schedules (Continued)

Lender's name	Currency	Interest rate	Repay-ment terms	Security	Agreed date	Agreed date redemption commences	Due in 1 year redemption finishes	Due within	Over 5 years
2Group - 2015									
Belgium Government	Malawi Kwacha	8	½ yearly	Government	2003	2020	80	22	-
Commercial debt	Malawi Kwacha	364TB+4%	Quarterly	Unsecured	2015	2019	-	-	5,000
DANIDA loan	Malawi Kwacha	4	½ yearly	Government	2004	2020	521	184	-
FDH Bank Limited	Malawi Kwacha	38	Monthly	PCL Guarantee	2014	2018	333	343	-
Huawei deferred payment	US Dollars	7%	Quarterly	Unsecured	2015	2021	4,510	-	2,507
Kuwait Development Fund	Malawi Kwacha	15	½ yearly	Government	2003	2017	1,071	54	-
Libyan Government	US Dollars	-	-	Dividend offset	-	-	216	-	-
Malawi Government	Malawi Kwacha	3	½ yearly	Unsecured			-	209	-
NBM commercial paper	Malawi Kwacha	364TB+4%	Quarterly	PCL shares	2015	2017	400	400	-
Nederlands FMO	US Dollar	9	½ Yearly	Unsecured	2012	2016	3,340	-	-
NORDIC Development Fund	Malawi Kwacha	15	½ yearly	Government	2003	2018	966	63	-
Press Corp MTN coupon loan	Malawi Kwacha	364TB+4%	Quarterly	TNM shares	2015	2017	1,852	1,050	-
PTA Bank	US Dollars	8	Quarterly	Debenture	2009	2016	11,543	-	-
Reserve Bank of Malawi	Malawi Kwacha	10	½ yearly	Unsecured			-	3	-
Standard Bank – MWK Loan	Malawi Kwacha	35	Quarterly	Related asset	2010	2016	26	-	-
Standard Bank led Syndicated loan	Malawi Kwacha	35	Annually	Debenture	2012	2016	278	-	-
Syndicated loan – NBM capital	Malawi Kwacha	364TB+4%	Quarterly	PCL Guarantee	2015	2020	84	315	-
ZTE Vendor financing	US Dollars	9	½ yearly	Asset financed	2012	2015	1,071	-	-
Total							**26,291**	**2,643**	**7,507**
Company - 2015									
Standard Bank of Malawi Limited	Malawi Kwacha	35	Quarterly	Related asset	2010	2016	26	-	-
Press Corp MTN coupon loan	Malawi Kwacha	364TB+4%	Quarterly	TNM shares	2015	2017	1,852	1,050	-
Total							**1,878**	**1,050**	**-**

In millions of Malawi Kwacha

29 Provisions

	Legal claim	Group bonus	Other	Total
Group				
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
2015				
Balance at the beginning of the year	27	3,677	511	4,215
Assumed in a business combination	-	-	691	691
Provision made during the year	219	2,787	83	3,089
Provision used during the year	-	(4,035)	(439)	(4,474)
Balance at the end of the year	246	2,429	846	3,521
Company				
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
2015				
Balance at the beginning of the year	-	588	-	588
Provision used during the year	-	(517)	-	(517)
Balance at the end of the year	-	71	-	71

All provisions as reported above are due within 1 year or less.

Legal Claims

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

Group bonus

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

Other Provisions

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

In millions of Malawi Kwacha

30 Income tax payable

	Group 2016	Group 2015	Company 2016	Company 2015
Opening balance	2,685	3,739	42	68
Current charge	14,863	10,461	688	668
Cash paid	(11,649)	(11,438)	(688)	(694)
Prior period charge	(10)	2	-	-
Tax transfer from income tax recoverable (note 24)	(109)	(79)	-	-
Total income tax payables	5,780	2,685	42	42

31 Trade and other payables

	Group 2016	Group 2015	Company 2016	Company 2015
Trade payables	16,702	18,811	34	6
Liabilities to other banks	14,570	3,347	-	-
Taxies and levies	3,762	2,080	73	68
Deferred revenue	2,957	3,863	-	-
Accruals	2,591	2,628	315	60
Other payables	1,518	1,381	-	-
Staff payables	637	644	-	-
Dividend payable	589	589	-	-
Total Trade and other payables	43,326	33,343	422	134

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.

32 Trade and other payables to Group companies

Amounts due to related party companies

	Company 2016	Company 2015
PressCane Limited	2,985	2,746
Ethanol Company Limited	1,082	287
Manzinzi Bay Limited	19	16
Press Properties Limited	8	3
Malawi Telecommunications Limited	5	14
Telekom Networks Malawi Limited	5	1
National Bank of Malawi	-	3
Macsteel (Malawi) Limited	-	1
	4,104	3,071

Amounts due to PressCane Limited and Ethanol Company Limited represent treasury deposits with Press Corporation Limited treasury. Interest on deposits is charged at market deposit interest rate plus 1% margin and is calculated daily on the outstanding balance. Any overdue interest is capitalized. The treasury deposit is payable on demand.

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

In millions of Malawi Kwacha

33 Customer deposits

	Average interest rates		Group	
	2016	**2015**	**2016**	**2015**
Analysed by account type:				
Current accounts	0.15%	0.15%	90,999	88,793
Deposit accounts	10.50%	10.50%	28,736	27,402
Savings accounts	7.80%	7.80%	42,632	32,986
Foreign currency accounts*	0.50%	0.50%	67,066	62,671
			229,433	211,852
Analysed by interest risk type:				
Interest bearing deposits			224,186	209,605
Non-interest bearing deposits			5,247	2,247
			229,433	211,852
Total liabilities to customers are payable as follows:				
- Within three months			226,124	209,214
- Between three months and one year			3,309	2,638
			229,433	211,852
Analysis of deposits by sector				
- Personal accounts			49,664	98,430
- Manufacturing			11,122	9,155
- Agriculture			-	2,015
- Wholesale and retail			21,924	18,759
- Finance and insurance			25,197	15,888
- Others			121,526	67,605
			229,433	211,852

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

US Dollar denominated	55,613	50,649
GBP denominated	2,005	3,117
Euro denominated	8,498	8,124
ZAR denominated	925	747
Other currencies	25	34
	67,066	62,671

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

34 Revenue

	Group		Company	
	2016	**2015**	**2016**	**2015**
Sale of goods	52,311	56,787	389	306
Rendering of Services	73,943	58,694	-	-
Interest	62,603	45,655	-	-
Investment income – dividend	-	-	6,882	6,664
	188,857	161,136	7,271	6,970

For the year ended 31 December 2016, the Group had deferred revenue of K2.9 billion (2015: K3.8 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 execution of a future act.

In millions of Malawi Kwacha

35 Direct trading expenses

	Group		Company	
	2016	**2015**	**2016**	**2015**
Cost of sales	32,134	41,904	26	22
Interest expense	6,148	4,661	-	-
Direct service costs	38,063	26,719	-	-
	76,345	73,284	26	22

36 Other operating income

Net gains from trading in foreign currencies	39	87	-	-
Recoveries from impaired loans and advances	1,017	1,564	-	-
Fair value adjustment of investment property	477	170	-	-
Fair value adjustment of other assets	(171)	89	-	-
Profit on disposal of property, plant and equipment	321	218	(3)	1
Profit on disposal of available for sale financial assets	34	-	34	-
Site co-siting	1,311	938	-	-
Sundry income	2,139	2,113	364	208
	5,167	5,179	395	209

Sundry income is comprised of income earned from non-core business activities of the Group and they include leased circuit rentals, board members fees and rental income generated by Group companies that are not in property business, among others.

37 Distribution expenses

Marketing and publication	1,842	1,695	-	-
Selling expenses	67	87	-	-
Carriage outwards	311	398	-	-
Other	182	185	-	-
	2,402	2,365	-	-

38 Administrative expenses

Auditors' remuneration	- current year fees	559	363	86	53
	- prior year fees	41	6	-	-
	- other professional services	6	4	-	-
Directors' emoluments	- fees & expenses	264	188	87	53
	- executive directors' remuneration	1,464	1,085	513	339
Personnel costs		31,207	24,687	1,656	1,372
Pension contribution costs		2,316	1,680	125	115
Legal and professional fees		1,188	950	50	93
Stationery and office expenses		1,970	1,681	261	135
Security services		2,173	1,543	46	40
Motor vehicle expenses		2,048	1,606	287	39
Bad debts		2,192	3,351	-	-
Repairs and maintenance		6,284	4,282	255	165
Depreciation, impairement and amortisation		16,640	10,570	118	142
Travel expenses		1,023	1,021	-	
Communication		1,652	1,106	-	
Stock write off, impairment		1,300	1,067	-	
Other		7,196	5,765	381	282
		79,523	60,955	3,865	2,828

Liability for defined contribution obligations

The principal Group pension scheme is the Press Corporation Limited Group Pension and Life Assurance Scheme covering all categories of employees with 3,374 (2015: 3,414) members as at 31 December 2016. The Fund is a defined contribution fund and is independently self-administered by its Trustees. Under this arrangement employer's liability is limited to the pension contributions.

In millions of Malawi Kwacha

39 Finance income and costs

	Group		Company	
	2016	2015	2016	2015
Interest income				
Interest income on bank deposits	830	963	163	59
Net foreign exchange gain	1,141	1,208	3	11
Other	146	216	-	-
	2,117	2,387	166	70
Interest expense				
Bank overdrafts	(2,105)	(1,455)	(393)	(148)
Loans	(6,442)	(4,268)	(1,672)	(1,572)
Foreign exchange loss	(3,240)	(6,892)	-	-
	(11,787)	(12,615)	(2,065)	(1,720)
Net finance costs	(9,670)	(10,228)	(1,899)	(1,650)

During the year, no borrowing costs were capitalised (2015: K86 million).

40 Share of results from equity accounted investees

	Group		Company	
	2016	2015	2016	2015
Share of profit, net of tax				
Limbe Leaf Tobacco Company Limited	3,459	2,560	-	-
Carlsberg Malawi Limited	171	483	-	-
Puma Energy (Malawi) Limited	1,691	1,180	-	-
Macsteel (Malawi) Limited	222	61	-	-
	5,543	4,284	-	-
Share of other comprehensive income, net of tax				
Limbe Leaf Tobacco Company Limited	721	10,639	-	-
Carlsberg Malawi Limited	763	-	-	-
Puma Energy (Malawi) Limited	1,404	-	-	-
Macsteel (Malawi) Limited	316	-	-	-
	3,204	10,639	-	-

Reclassification of tax expense of equity accounted investees

In previous years, Group's share of tax expense relating to equity accounted investees was included in the Group's tax expense on continuing operation. Effective 1st Jan 2016, these are being included in share of profits from equity accounted investees, net of tax. Accordingly the comparatives have also been reclassified. The Group's share of the tax expense of equity accounted investees was K2,247million (2015: K1,822 million).

In millions of Malawi Kwacha

41 Income taxes

	Group		Company	
	2016	**2015**	**2016**	**2015**
Current tax expense				
Current year at 30% (2015:30%) based on taxable profits	14,074	9,793	-	-
Changes in estimates related to prior years	90	2	-	-
Final tax on dividend received from associates, subsidiaries and joint ventures	688	668	688	668
	14,852	10,463	688	668
Deferred tax (credit)/expense				
In respect of the current year	(434)	1,065	-	-
Total Income tax expense recognised in the current year	14,418	11,528	688	668

The Group's tax expense on continuing operations excludes the Group's share of the tax expense of equity accounted investees of K2,247million (2015: K1,822 million), which has been included in 'share of profit of equity-accounted investees, net of tax'.

Reclassification of tax expense of equity accounted investees

In previous years, Group's share of tax expense relating to equity accounted investees was included in the Group's tax expense on continuing operation. Effective 1stJan 2016, these are being included in share of profits from equity accounted investees, net of tax. Accordingly the comparatives have also been reclassified. The Group's share of the tax expense of equity accounted investees was K2,247million (2015: K1,822 million).

41.1 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;

	Group		Company	
2016	**2016**	**2016**	**2016**	
Profit before tax from continuing operations		31,627		1,876
Tax using the Group's domestic tax rate	30%	9,488	30%	563
Tax effect of:				
Share of profit of equity-accounted investees reported net of tax	(5%)	(1,663)	-	-
Income not subject to tax	(1%)	(183)	-	-
Expenses not deductible for tax purposes	1%	326	1%	26
Tax incentives	(1%)	(251)	-	-
Effects of final tax on dividends from associates and subsidiaries	6%	2,000	(3%)	(66)
Under provisions in previous periods	0%	90	-	-
Unrecognised taxable losses	14%	4,516	-	-
Other permanent differences	1%	95	9%	165
Effective tax rate and income tax charge	45%	14,418	37%	688

41.2 Tax losses carried forward

The Group has estimated tax losses of K52.4 billion (2015:K39.1 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.

In millions of Malawi Kwacha

42 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 K6,804 million (2015: K4,197 million) and a weighted average number of ordinary shares outstanding during the year of 120.2 million (2015:120.2 million).

	Group	
	2016	**2015**
Profit attributable to owners of the Company	6,804	4,197
Weighted average number of ordinary shares	120.2	120.2
Basic earnings per share (K)	56.61	34.92
Number of shares in issue	120.2	120.2
Diluted earnings per share (K)	56.61	34.92
Profit from continuing operations	17,209	12,239
Non-controlling interest	(10,410)	(8,047)
Profit from continuing operations attributable to the ordinary equity holders of the parent Company	6,799	4,192
Basic earnings per share (from continuing operations) (K)	56.56	34.88
Diluted earnings per share (from continued operations) (K)	56.56	34.88

43 Contingent liabilities

	Group		Company	
	2016	**2015**	**2016**	**2015**
Foreign guarantees	519	297	-	-
Local guarantees and performance bonds	16,431	4,731	14,700	2,970
Letters of credit	16,855	20,257	-	-
	33,805	25,285	14,700	2,970
Legal and other claims	1,647	1,891	-	-
Tax payable	2,373	4,265	-	-
Total contingent liabilities	37,825	31,441	14,700	2,970

(a) Guarantees and performance bonds represent acceptances, guarantees, indemnities and credits issued by National Bank of Malawi 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 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.

In millions of Malawi Kwacha

43 Contingent liabilities (Continued)

(d) Tax liability relates to disputes that the Group's associates Limbe Leaf Tobacco Ltd and Carlsberg Malawi Limited have with the Malawi Revenue Authority. The total potential tax liability isK5.6billion (2015:K5.6billion) and PCL's portion of the liability amounts to K2.3billion (2015: K2.3billion).

44 Capital commitments

	Group		Company	
	2016	**2015**	**2016**	**2015**
Authorised and contracted for	8,935	15,099	-	-
Authorised but not yet contracted for	18,061	21,176	285	109
	26,996	36,275	285	109

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

45 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.

45.1 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	
	2016	**2015**	**2016**	**2015**
Joint ventures of the Group	4,606	4,848	1,404	1,187
Shareholder - Old Mutual Group	18	-	-	-
Associates of the Group	76	392	4,148	13,644
Shareholder - Press Trust	1	-	-	-
	4,701	5,240	5,552	14,831

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

45.2 Receivables and payables

	Amounts owed by related parties		Amounts owed to related parties	
	2016	**2015**	**2016**	**2015**
Joint ventures of the group	434	460	7	235
Shareholder - Old Mutual Group	2	-	-	-
Associates of the group	27	83	1,156	2,934
Directors	-	-	3	-
Employees	74	70	-	-
	537	613	1,166	3,169

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

45 Related parties (Continued)

45.3 Loans and deposits

	Loans		Deposits	
	2016	**2015**	**2016**	**2015**
Joint ventures of the group	-	-	1,748	802
Shareholder - Old Mutual Group	-	-	3,357	1,746
Associates of the group	-	-	164	327
Shareholder - Press Trust	-	-	150	4
Directors	398	339	10	20
Employees	6,136	3,547	444	243
Related Pension Funds	-	-	3	45
	6,534	3,886	5,876	3,187

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 (2015: 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.

45.4 Compensation of key management personnel

Directors of the Company and their immediate relatives control 0.01% (2015: 0.01%) of the voting shares of the Company.

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

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
Salaries and benefits for key management	6,029	5,340	422	524
Directors remuneration	1,728	1,273	600	392
Post-employment benefit	413	252	23	54
	8,170	6,865	1,045	970

In millions of Malawi Kwacha

46 Cash flows from operating activities

	Group		Company	
	2016	**2015**	**2016**	**2015**
Profit before income tax	31,627	23,767	1,876	2,679
Adjustments for:				
Depreciation and amortization	16,640	11,011	121	119
Finance costs	11,787	12,615	2,065	1,720
Finance income	(2,117)	(2,387)	(166)	(70)
Share of results from equity accounted investments	(5,543)	(4,284)	-	-
(Profit)/ loss on sale of investment property and property, plant and equipment	(321)	(218)	3	1
Fair value adjustments and unrealised forex losses	(706)	4,156		
Profit on disposal of a subsidiary	-	-	(34)	-
Investment income (dividends)	-	-	(6,882)	(6,664)
(Decrease)/Increase in provisions	1,518	(694)	453	(517)
Working capital changes:				
Decrease/(Increase) in inventories	70	(152)	(3)	(4)
Increase in Loans and advances to customers	(18,445)	(37,305)	-	-
Increase in Finance lease receivables	(1,225)	(828)	-	-
(Increase)/Decrease in trade and other receivables	(4,568)	(1,900)	(59)	393
Increase in trade and other receivables -Group	-	-	(521)	(863)
Increase in other investments	(13,138)	(31,998)	-	-
(Decrease)/Increase in trade and other payables	9,983	(1,927)	288	(288)
Increase in trade and other payables- Group	-	-	1,033	2,050
Increase in customer deposits	17,581	71,474	-	-
Working capital acquired on acquisition of a sub-subsidiary	-	(9,022)	-	-
Cash generated by/(used in) operations	43,143	32,308	(1,826)	(1,444)

47 Dividend per share

	Group and Company	
	2016	**2015**
Final dividend	1,503	1,022
Interim dividend	-	481
	1,503	1,503
Number of ordinary shares in issue (million)	120.2	120.2
Dividend per share (K)	12.50	12.50

The proposed final dividend for the year is K1,503 million (2015: K1,022 million) representing K12.50 per share (2015: K8.50).

In millions of Malawi Kwacha

48 Subsequent events

The Directors have proposed a dividend of K12.50 per share as disclosed in note 47. This dividend is subject to approval by shareholders at the Annual General Meeting.

49 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.	**2016**	**2015**
Kwacha/United States Dollar	725.4	664.4
Kwacha/Euro	764.0	726.6
Kwacha/British Pound	890.6	985.4
Kwacha/South African Rand	53.7	43.4
Inflation rates as at 31 December (%)	20.0	24.9

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

Kwacha/GBP	906.1
Kwacha/Rand	53.8
Kwacha/US Dollar	725.7
Kwacha/Euro	774.7
Inflation rates as at February 2017	16.1%

shareholders	% of total Shareholdings	Number shares in issue	shareholding of shares	Number of range	%
Press Trust	44.78%	53,854,101	1,000,000 +	10	0.66%
Deutsche Bank Trust Company America	22.34%	26,860,500	10,001 - 1,000,000	73	4.80%
Old Mutual Life assurance (Malawi) Limited	15.15%	18,223,930	5,001 - 10,000	29	1.91%
Others	17.73%	21,317,182	1 - 5,000	1,408	92.62%
Total		**120,255,713**		**1,520**	**100.00%**

Share Market

	2016	2015	2014	2013	2012
Total number of shares in issue	120,255,713	120,255,713	120,255,713	120,255,713	120,255,713
Malawi Stock Exchange (MSE) Market statistics					
Market capitalization at 31 December (MKm)	64,938	64,337	34,273	22,608	21,646
Market capitalization at 31 December (US$'m)	89.52	96.83	72.03	52.20	63.28
Subscription price at listing MK14.89					
Last traded price					
31 December (MK per share)	540.00	535.00	285.00	188.00	180.00
Highest (MK per share)	540.00	453.10	285.00	188.00	180.00
Lowest (MK per share)	535.00	285.00	188.00	176.00	153.00
Net asset value (NAV) per share	1,243.09	1,084.93	669.58	396.41	353.94
Value of shares traded (MKm)	272.00	1,085.00	1,688.00	152.00	176.67
Earnings per share %	56.61	34.92	77.97	28.86	44.23
Dividend yield %	1.57	2.43	2.59	1.51	1.51

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LOCATION OF LISTING
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