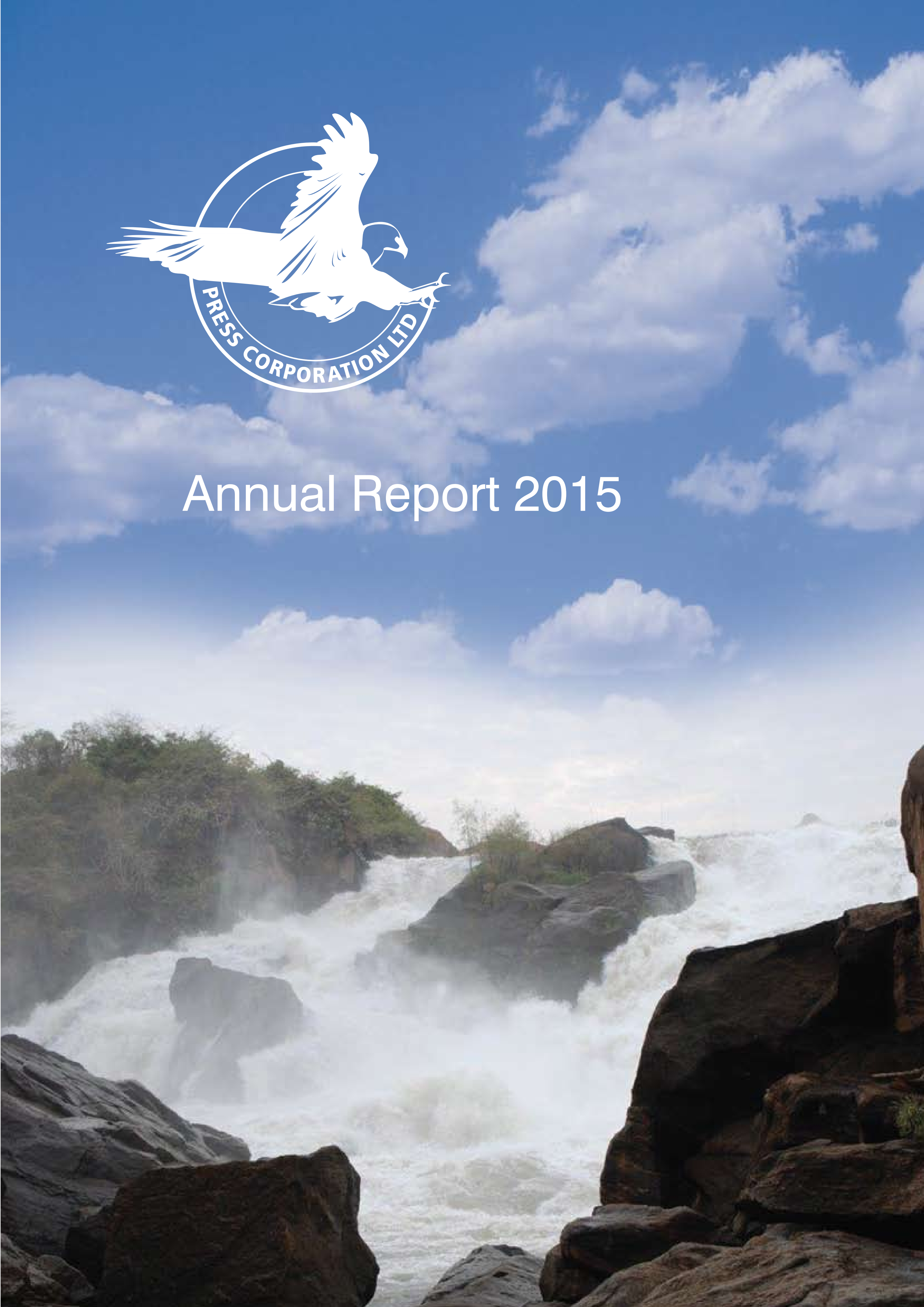
PRESS CORPORATION LTD

Annual Report 2015



Dominant . Strong . Agile

ANNUAL REPORT 2015

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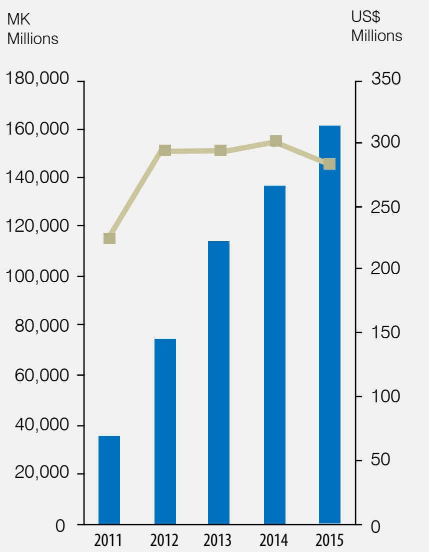
FINANCIAL HIGHLIGHTS

	Malawi Kwacha Millions			US Dollars Millions		
	2015	2014	Change %	2015	2014	Change %
Group Summary (in millions)						
Turnover	161,136	136,787	17.80	283	301	(6.10)
Attributable earnings	4,197	10,734	(60.90)	7	24	(68.83)
Shareholders' equity	91,698	74,731	22.70	138	157	(12.13)
Share performance						
Basic earnings per share	34.92	89.30	(60.90)	0.06	0.20	(68.83)
Cash retained from operations per share	340.87	268.68	26.87	0.51	0.56	(9.14)
Net asset value per share (shareholders' equity per share)	1085	889	22.03	1.63	1.87	(12.61)
Dividend paid per share	13.00	10.51	23.75	0.02	0.02	(11.38)
Market price per share	535.00	453.10	18.08	0.81	0.95	(15.44)
Price earnings ratio	15.3	5.1	201.98	13.15	4.85	171.30
Number of shares in issue (in millions)	120.2	120.2	0.00			
Volume of shares traded (in thousands)	2,117	1,244	70.18			
Value of shares trades (in MK millions)	1,085	454	138.99	1.90	1.00	90.51
Financial statistics						
After tax return on equity	13.35	28.93	(53.85)	0.02	0.06	(66.95)
Gearing	7%	14%	48.41			
Average monthly exchange rates				570.10	454.45	
Year end exchange rates				664.40	475.80	

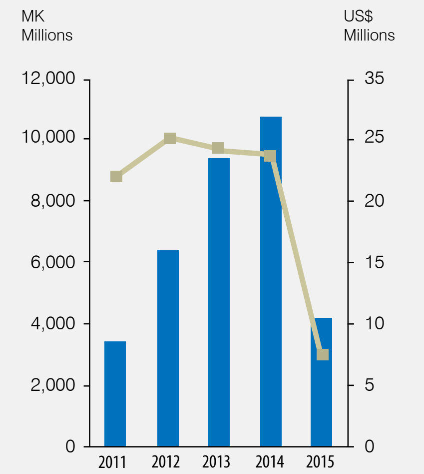
TURNOVER



TURNOVER

	2011	2012	2013	2014	2015
MK'm	35,305	74,544	113,717	136,787	161,136
US$'m	224	295	293	301	283

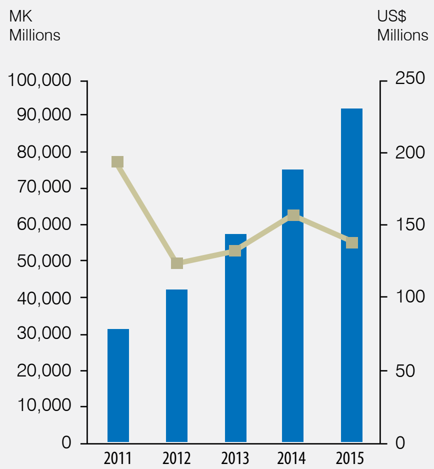
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS



PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

	2011	2012	2013	2014	2015
MK'm	3,469	6,340	9,372	10,734	4,197
US$'m	22	25	24	24	7

ORDINARY SHAREHOLDERS' FUNDS



ORDINARY SHAREHOLDERS' FUNDS

	2011	2012	2013	2014	2015
MK'm	31,532	41,977	57,090	74,731	91,698
US$'m	193	123	132	157	138

Exchange rate (MK/US$)	2011	2012	2013	2014	2015
Average monthly exchange rates	157.30	252.93	387.58	454.45	570.10
Year end exchange rates	163.80	342.06	433.10	475.80	664.40

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.

INTEGRITY

EMPLOYMENT EQUITY AND HIV/AIDS POLICY

ENVIRONMENTAL MANAGEMENT

INTEGRITY

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

Press Corporation Limited has an established multi-departmental procurement committee and a procurement manual which is in line with procurement best practice. Press Corporation Limited conducts all procurement processes in a transparent, accountable, fair and competitive manner. Our suppliers are bound by the rules of this 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.

EMPLOYMENT EQUITY AND HIV/AIDS POLICY

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.

Recruitment is on the basis of merit rather than an individual's race, colour, creed, gender, or any other criterion unrelated to one's 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.

Furthermore, 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.

To this end, Press Corporation Limited has a fully equipped clinic to provide free anti-retroviral therapy to employees of the Group and on a nominal fee, to the general public. The members of staff at the clinic have been 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. All waste paper is shredded and donated to a local re-cycling organisation.

COMMUNITY ENGAGEMENT | **SOCIAL INVESTMENTS** | **HEALTH** | **ANTI-CORRUPTION**

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 constructed a waste water treatment plant in its new soft drink plant which treats all liquid waste to acceptable limits before being discharged back to the environment.

Carlsberg Malawi also has an ozone protection program in place which ensures that the Company does not use ozone depleting substances in its operations which include cooling systems, solvents and refrigeration gases. All ozone depleting gases e.g. R22, R12 were replaced by other ozone friendly gases, e.g. 134a.

As a way of managing waste, both our ethanol producing Companies, Ethanol Company Limited (ETHCO) and Presscane Limited use ponds to withhold 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.

Puma Energy uses only double-skinned tanks complete with leakage detectors at all the underground tank installation sites to prevent any product leaks into the ground. Selected retail sites are equipped with modern tanks and interceptors that prevent any possible leakage of fuel from damaging the environment.

During the year, Press Corporation Limited through its subsidiaries, continued to plant thousands of trees across the Country in an attempt to reverse the effects of deforestation which results in loss of soil fertility, change in rainfall patterns and floods.

COMMUNITY ENGAGEMENT

As a responsible corporate citizen,the Group aims to give back to the communities in which we operate.

In the first quarter of the year, the Country was hit by devastating floods due to heavy rains which left over 121,000 people homeless and without food resulting in Malawi being declared a state of national disaster on 14 January 2015. In response, Press Corporation through it's Subsidiary and Associate Companies, donated assorted relief items to the communities which were affected by the floods.

The relief items included bottled water from Carlsberg to avoid a breakout of waterborne diseases, food stuffs, cash through the public private partnership dialogue, and through the Association of Telecommunications Operators (ATOL).

Carlsberg Malawi together with The Coca-Cola Africa Foundation and US based charites, CitiHope International and MedShare donated medicines to Zomba Central Hospital and Mulanje Mission Hospital in support of the victims of the flood crisis.

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 selecting a community project of their choice, carried out 30 projects during the year including: construction of early childhood centres, classroom blocks, and procurement of school desks and medical supplies.

TNM continued to sponsor 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 the expansion of the Child Helpline Services in Malawi. TNM provides the Toll Free lines.

SOCIAL INVESTMENTS

In furtherance to its commitment to the community, Press Corporation Limited and its subsidiary and associate Companies make donations in cash and in kind to organisations involved in serving the less privileged members of the society. During the year, donations were made towards education, health and access to safe drinking water.

In a bid to reduce the patient to nurse ratio in Malawi, National Bank has been sponsoring student nurses in CHAM (Christian Health Association of Malawi) Colleges for a three year diploma course and 2015 marked their final year. All the 18 students who were being sponsored will graduate in 2016.

There has been a deliberate move by the Government and several organizations to keep girls in school. TNM during the year launched an annual scholarship program for girls in partnership with Age Africa. Through the scholarships, TNM will pay for the girls' upkeep and fees from form 1 through 4. Similarly, National Bank in partnership with Lions Club of Blantyre, contributed towards the construction of girls dormitories to reduce incidences of rape, early pregnancies and marriages.

HEALTH

As part of its corporate social responsibility, Press Corporation Limited has not limited its provision of health services to members of staff only, but has opened up its clinic to the general public. Due to increased demand of its services and to improve service delivery, the PCL Clinic relocated to much bigger and better premises at Trade Fair grounds, Blantyre, in the first quarter of the year.

Maldeco Fisheries, a subsidiary of Press Corporation Limited has also continued to run a fully-fledged clinic in Mangochi offering an array of services to the communities surrounding the Company premises, who in the past had to travel long distances to access medical care.

Carlsberg Malawi's partnership project, ShareHope continued to bring hope to patients at hospitals such as Ekwendeni Mission, Queen Elizabeth Central and Zomba Central. Through ShareHope, Carlsberg Malawi and partners, supported and strengthened in-country healthcare systems by contributing medical supplies, medical equipment as well as the requisite training to operate and maintain the equipment in the long run. During the year the beneficiary hospitals received 1 40-foot container of medical equipment.

ANTI-CORRUPTION

Press Corporation Limited conforms to Principle Ten of the UN Global Compact which states that Businesses should work against 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 programmes to address corruption internally and within their supply chains. Companies are also challenged to work collectively and join civil society.

Press Corporation Limited and its subsidiary companies continue to support one of the main objectives 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.

As an extension of the Group's Fraud Policy, Press Corporation Limited and its subsidiaries subscribe to Tip Offs Anonymous, a whistle blowing hotline service provided by Deloitte. 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.

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.

CHAIRMAN'S REPORT

THE GENERAL ECONOMY

The Malawi Economy registered a lower GDP growth of 3% in 2015 from a growth of 6% in 2014 and an average growth of 5% in the previous year. The marginal slowdown in growth was mainly attributable to reduced performance in the agricultural sector which is the driving force of the economy. The sector was affected mainly by the late onset of rains during the growing season and also by the floods which affected some parts of the country in the first quarter of 2015. The Economic Intelligence Unit of The Economist estimated that the agricultural sector grew 0.3% in 2015 from a growth of 6.1% in 2014. Severe power shortages in the year also adversely affected SMEs as well as the manufacturing and retail industries.

Simon A Itaye

Tobacco production declined marginally from 191.97 million kilograms to 190.72 kilograms. Average tobacco prices declined by 7% from USD1.88 per kilogram to USD1.76 due to oversupply of tobacco on the world market. Total revenue from tobacco therefore at USD 335.24 million was lower than USD 361.56 million achieved in the previous year. Similarly, maize production also went down by 28% to 2.8 million tonnes from 3.9 million tonnes in 2014. Results of the Food Security Vulnerability Assessment conducted by the Malawi Vulnerability Assessment Committee (MVAC) estimated that a total of 2.8 million people (17% of the population) may not meet their annual food requirement during the 2015/2016 consumption year causing a maize deficit of 223,723 metric tonnes.

Total foreign exchange reserves increased by 9% during the year and closed at U$1,007 million translating to an import cover of 4.82 months compared to U$922 million in 2014 which however translated to 4.83 months import cover. In March 2015, the IMF Board approved the release of US$ 18 million under extended credit facility after Government had put in place prudent fiscal management conditions. However, Malawi was declared off track in September 2015 due to fiscal policy slippages arising from overspending on the wage bill.

The average headline inflation at the beginning of 2015 was 21.9% which was lower than 23.8% in the last quarter of 2014 owing to effects of tight monetary policy, currency appreciation and lower international fuel prices. However this trend did not last long due to a depreciating currency and a sharp rise in food prices. Therefore inflation closed at 24.9% by December 2015 which was higher than the 24.2% in the same period the previous year. Shortage of maize due to adverse weather conditions and the floods which devastated some parts of the country was the main driver of the increase in inflation.

EXCHANGE RATES AND MONEY MARKET DEVELOPMENTS

The Malawi Kwacha depreciated sharply against all the major currencies. The Kwacha registered a depreciation of 28.39% (2014: 8.97%) against the United States Dollar, by 25.6%, (2014:3.35%) against the British Pound. It also depreciated against the Euro and the South African Rand by 20.80% and 5.45% (2014: appreciated by 3.78% and 4.69%) respectively.

The Reserve Bank of Malawi raised the benchmark interest rate (the Policy Rate) from 25% to 27% in late 2015 to contain inflationary pressures. The Liquidity Reserve Requirement was adjusted downwards from 15.5% to 7.5% in July 2015 which helped banks maintain lending rates as it countered the effect of the increase in the Policy Rate.

Treasury bill rates decreased on all tenors in the year under review. The 91-day tenor closed the year at 23.87% from 26.92% in 2014 while the 182-day tenor and the 364-day tenor decreased to 24.63% and 26.24% from 26.87% and 27.02% respectively. Applications during the year under review amounted to MK509 billion (MK430 billion in 2014). The 182 days paper accounted for the highest subscription rate at 34.2%, followed by the 91 days paper at 33.9% and the 364 days paper at 33.9%. The total Treasury bill maturities stood at MK408 billion against a total allotted amount of MK379 billion.

STOCK MARKET DEVELOPMENTS

The Stock Market was bearish during the year under review and registered a negative return on investment of 2.17% (-29.94% in USD) down from 18.79% (8.14% in USD) achieved in 2014. The Malawi All Share Index (MASI) closed at 14886.12 points in December 2015 from 14562.53 points in the previous year. Conversely, there was an increase in traded volume as the market transacted a total of 2,355,317,369 shares at a total consideration of MK48.5 billion which was a 37% increase in terms of volumes and a 349% increase in terms of value from the 1,724,271,388 shares at a total consideration of MK10.8 billion transacted in the previous year.

The Domestic Share Index (DSI) decreased by 2.20% to close at 11,462.87 points from a gain of 18.99% and a closing of 11,720 points. The Foreign Share Index (FSI) on the other hand increased by 0.14% to close at 1,762.13 points from 1,759.61 points in 2014.

GROUP PERFORMANCE

2015 was a tough year characterized by high interest rates, high inflation, low consumer spending and a deep devaluation of the Malawi Kwacha. Consequently the Group consolidated profit before tax at MK25.589 billion (2014:MK34.190 billion) was 25% below prior year.

DIVIDEND

An interim dividend for the year 2015 of MK480.8 million (2014: MK420.7 million) representing MK4.00 per share (2014: MK3.50 per share) was paid on 30th October 2015 and the Directors have proposed a final dividend for the year 2015 of MK1021.7 million (2014: MK1081.8 million) representing MK8.50 per share (2014: MK9.00 per share). This brings the total dividend for 2015 to MK1502.5 million (2014: MK1502.5 million) representing MK12.50 per share (2014: MK12.50 per share). A resolution to approve the final dividend will be tabled at the forthcoming Annual General Meeting.

PROSPECTS FOR 2016

Prospects for 2016 point to a continued subdued operating environment. Although the currency is appreciating and is expected to stabilize in the short term as the tobacco season starts, it is expected to continue depreciating in the long term due to existing significant deficit on the current account, weak inflows from foreign direct investment and continued suspension of budgetary support. This will continue putting pressure on inflation. Likewise, interest rates are expected to remain high due to anticipated continued

Profit Before Tax
MK25.589 billion
(2014: MK34.190 billion)

Net Profit Attributable to Ordinary Shareholders
MK4.197 billion
(2014: MK10.734 billion)

Net Interest Cost
MK4.544 billion
(2014: MK2.452 billion)

Interim Dividend
MK480.8 million
(2014: MK420.7 million)

Food prices are expected to be high due to the anticipated drop in agricultural production as a result of late rains for the 2015/2016 growing season coupled with the El Nino weather that affected most parts of the country.

Building on the Group's strength of its size and diversity, the focus will be to nurture and consolidate the Group's existing businesses while continuing to explore the market for any profitable business opportunities.

borrowing by Government in the absence of foreign budgetary support. Food prices are expected to be high due to the anticipated drop in agricultural production as a result of late rains for the 2015/2016 growing season coupled with the El Nino weather that affected most parts of the country. This will further worsen the already high inflation and reduce consumer demand.

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

MANAGEMENT OF THE COMPANY

Mr. John Biziwick joined the Company on 5th October 2015 as Group Operations Executive-Designate. Mr Biziwick will assume the position of Group Operations Executive upon the retirement of Mr Pius Mulipa on 31st March 2016. He joins the Company's Executive Management.

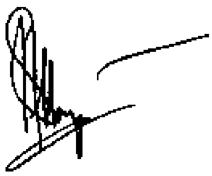
THE BOARD OF DIRECTORS

Mr. Clement Chilingulo retired from the Board on 26th June 2015, having served on the Board as Director for 14 years. He chaired the Board from January 2013 until his retirement. I wish to thank Mr Chilingulo for his stewardship and the valuable leadership he provided to the Board.

Mr Chilingulo was replaced as Director by Mr Patrick Khembo in accordance with the Company's Memorandum and Articles of Association. Mr Simon Itaye was elected Chairman of the Board in place of Mr Chilingulo. In May 2015, Mr Chris Kapanga, who represents Old Mutual on the Board, informed the Company that he had been assigned by Old Mutual to oversee the company's operations in Ghana. During his absence, Mr Damien Kafoteka was appointed as Mr Kapanga's alternate director. I welcome both Mr Khembo and Mr Kafoteka and look forward to their contributions on the Board.

APPRECIATION

I wish to thank my fellow Directors for their counsel, Management and Staff for their continued support, cooperation and dedication during the year. With their support, the Company was able to face and overcome difficult challenges during the year as outlined in this Report. I look forward to a successful year in 2016.



SIMON A ITAYE
CHAIRMAN

GROUP CHIEF EXECUTIVE'S REPORT

OVERVIEW

The operating environment in 2015 was tough, characterized by a sharp depreciation of the Malawi Kwacha, high inflation, high interest rates, tight liquidity, and reduced consumer spending. The Malawi Kwacha depreciated by 43% due to continued appetite for imports with weak inflows from exports and direct foreign investments. This was compounded by the low discretional spending and the increase in food prices due to reduction in agriculture production as a result of floods that affected most parts of the Country during the 2014/15 growing season. The operating environment was further dampened by the liquidity squeeze resulting from the contractionary monetary policy adopted by Reserve Bank of Malawi to reduce pressure on inflation and stabilize exchange rates.

The Group consolidated profit before tax was MK25.589 billion (2014: MK34.190 billion) representing a 25% drop on prior year. Net profit attributable to ordinary shareholders was MK4.197 billion (2014: MK10.734 billion). This represents a 61% decrease on prior year. Earnings per share also declined by 61%. This performance was after taking into account a net exchange loss amounting to K8.032 billion (2014; MK1.714 billion), including a net exchange loss from equity accounted investments amounting to MK2.348 billion (2014:MK648 million).

Dr Mathews Chikaonda

Similarly, net interest cost increased by 85% to MK4.544 billion (2014: 2.452 billion) due to the high interest rates that prevailed. The results were further adversely affected by reduced gross margins in three operations namely: the Fast Moving Consumer Goods Segment due to stock losses; the Fish Farming business due to slow fish growth; and the Energy Segment due to reduction in the price of ethanol occasioned by reduction in global oil prices and increase in the price of raw materials (molasses) due to the depreciation of the currency. The price of molasses is denominated in US Dollars

STRATEGIC DIRECTION

Press Corporation strategy

Press Corporation Limited is focusing on growth through diversification. We are keen to maintain our leadership role in the private sector by focusing on and nurturing profitable operations to ensure consistent growth in their market share and maintain dominance in their respective sectors. To achieve this, the Group is implementing an aggressive Strategic Plan with five strategic pillars or focal areas, namely: Business Expansion, Competitive Advantage, Human Capital Development, Technological enhancement, and Corporate Social Responsibility.

Business Expansion

PCL group companies will focus on strategies to grow market share in existing markets, expand into new markets, innovate and develop new products and services.

The business expansion theme includes a market development focus in order to have a regional footprint. This will

> Press Corporation Limited will implement technology focused organizational development programmes and enhance interaction with players in local and international knowledge development and transfer centres.

encompass exports and foreign direct investments in countries in the SADC region and beyond through acquisitions or Greenfield investments.

Competitive Advantage
PCL is aiming to gain and maintain competitive advantage by fostering innovation, promoting differentiated products and services and improving cost efficiency by streamlining the business processes.

Human Capital Development
PCL is poised to leverage the 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. PCL will implement technology focused organizational development programmes and enhance interaction with players in local and international knowledge development and transfer centres. The Group will acquire commercially proven technology to be used for its processes to avoid inefficiencies.

Corporate Social Responsibility
PCL will Maintain Sustainability through Corporate Social Responsibility, promote Science and Technology in Malawi Primary and Secondary Schools through ''Press4Science'' Programmes, Enhance the positive impact(s) of our business activities on the environment in alignment with ISO 14000. Press Corporation will also focus on improving total wellness of employees and their families, and also empower local communities through expertise sharing.

The Group's policies will continue to be anchored in the following framework:-

- Hold at least a 50% equity in investments so as to influence key decisions and overall strategy.
- Ensure that Group's debt-equity ratio remains consistent with the Company's risk policy.
- Pay such dividends as take into account cash flows vis-à-vis potentially profitable investment opportunities for growth and sustainability.
- Operate with reputable joint venture partners to take advantage of their management and technical expertise.
- Maintain strict performance criteria for investments and divest underperforming assets in a timely manner.
- Conduct business in an environmentally responsible manner and work with various stakeholders, e.g. Government and Donors in promoting sustainable development.
- Build a successful team with a culture of excellence by investing in leadership training for PCL's employees.
- Invest in people through training in leadership in order to promote a culture of excellence, team work and innovation.
- Ensure diversity by employing more women in decision-making positions.

STAFF WELFARE AND DEVELOPMENT

Press Corporation Limited continues to play its part in the fight against HIV/AIDS in the workplace with all related awareness activities being conducted during working hours. The Company is founder-member and still an active member of the Malawi Business Coalition Against HIV/AIDS (MBCA) which is a private sector initiative. HIV/AIDS awareness events continued to be held during the year. On World AIDS Day, the Group commemorated the day by holding an event for employees and their spouses, where experts from different organisations, as well as individuals, made speeches and presentations in line with the theme "90 90 90." Thus the UNAIDS "Fast Track" ambitious new global targets which state that by 2020, 90% of all people living with HIV will know their HIV status; 90% of all people with diagnosed HIV infection will receive sustained antiretroviral therapy; 90% of all people receiving antiretroviral therapy will have viral suppression.

Furthermore, Press Corporation Limited continued embarking on Employee Wellness Programs where the focus is on the total well-being of the employee. The Company realises that there are other lifestyle diseases which are equally dangerous but can be avoided or controlled with lifestyle behavioural changes. 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 the senior and middle management levels. Other employees continue to be sponsored on courses relevant to their individual developmental needs in areas such as accounting, marketing and human resources.

We continue to seek and recruit qualified and young graduates into the Press Group "Management Trainee" Program which has been running for the past eleven (11) years. Upon completion of their training, the Trainees are placed in the various companies within the Group to ensure that the Group has a reservoir of future managers and leaders.

In closing, I wish to sincerely thank Staff, Management and the Board of Directors of Press Corporation Limited and all the Group Companies, Subsidiaries and Associates, for their unwavering support during the year. We look forward to the future with great expectations to take the Group to greater heights.

DR MATHEWS CHIKAONDA
Group Chief Executive

BUSINESS OVERVIEW

Carlsberg Malawi Ltd

Ethanol Company Ltd

National Bank of Malawi

Macsteel Malawi Ltd

Malawi Telecommunications Ltd

Limbe Leaf Tobacco Company Ltd

Puma Energy Malawi Ltd

The Foods Company Ltd

TNM Ltd

Presscane Ltd

Peoples Trading Centre

Press Properties Ltd

NATIONAL BANK OF MALAWI

George Partridge
Chief Executive Officer

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, as its associate.

NBM Group Performance

The Bank registered a group pre-tax profit of K19.6b (2014: K20.7b), representing a 5% reduction. This is against a background of a poor economic environment and the opportunity cost of the outlay from internally generated resources used for the acquisition of Indebank, an ailing inadequately capitalized commercial bank which its business has a huge potential. NBM continues to absorb Indebank's post-acquisition losses pending full integration.

A high interest rate environment prevailed through-out the year as part of a tight monetary policy regime. Consequently, demand for credit was lower than anticipated resulting in lower than planned net interest and associated fee income. The unfavourable operating environment increased the risk of bad debts which caused the Bank to adopt a more conservative attitude in managing the loan book.

The Bank has therefore shown remarkable resilience in its performance under the circumstances. However, as a direct impact of the acquisition of Indebank, both deposits and the loan book at group level have grown significantly by 48% and 44% respectively, signifying the future earning potential of the investment.

During the year the Bank enhanced its mobile phone banking system (Mo626ice) to include the ability to do in-country interbank transfers. The Bank played a leading role in the National Switch, enabling its cardholders to have access to their accounts through all ATMs whose banks are members of the switch.

The Bank also finalised certification of MasterCard acquiring through its ATM network thereby enabling MasterCard card holders transact on the Bank's ATMs and POS devices.

Priorities for 2016

As part of the continuing efforts to enhance the performance of the Bank's IT systems, an upgrade assessment of the Bank's T24 system was commissioned in 2015 as a pre-requisite for the upgrade of the main Banking platform from the current Release 9 to Release15. The Project is underway with a go live date planned for mid-2017. Once completed, this upgrade is expected to enhance efficiencies in terms of speed of customer service and quality of information.

Following NBM's acquisition of 97.05% of Indebank in 2015, the Bank's other major objective is to ensure that there is a smooth integration of all of Indebank and its subsidiary operations by the end of the third quarter.

NBM will be introducing additional card products as a commitment to the drive towards making payments cashless, convenient, and easy. The Bank has plans to roll out credit card products for its customer segments under the Visa and MasterCard brands to which the Bank is a Principal Member.

Group Pre-tax Profit
MK19.6
billion
(2014: MK20.7 billion)

Acquired
97.05%
of Indebank

TNM LIMITED

Douglas Stevenson
Chief Executive Officer

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

Performance

Service revenue grew 24% above last year on the foundation of a number of factors, chief of which was the net subscriber base which grew by 17% over the previous year. This was driven by the implementation of various network expansion and improvement projects. Despite these improvements in the network, pre-tax profits grew only 3% above prior year on account of higher operating costs occasioned by the significant loss of value of the Malawi Kwacha against the US Dollar. In addition, the same challenge led to the Company incurring over three and a half times more net foreign exchange losses than in the prior year (MK1.496 billion: MK420million).

Highlights

In the last quarter of 2015, TNM invested K2.6 billion to commission 37 new 3G network sites in the Lake Malawi districts of Salima and Mangochi. The new sites have boosted coverage in the two tourist attraction districts. TNM believes that access to a quality network service will help boost the tourism sector in Malawi. The additional sites include Senga Bay and Mafco, Kasanga Bay and Mazizi Bay. For tourism to thrive, a high quality and dependable mobile network complete with data capabilities is prerequisite. These additional sites are well equipped with high speed internet and data connectivity to help business and leisure tourists stay in touch.

A similar expansion drive was also completed in the Commercial City of Blantyre during the first half of 2015. Under the Data Improvement Project, 53 3G sites were implemented; under the Blantyre Project 36 new sites were put on air; finally, 7 new sites went on air under the Blantyre-Zomba-Lilongwe-Mzuzu Project.

Getting closer to the subscriber

TNM's efforts in network coverage expansion were supported by improved customer services by among others bringing products and services closer to customers. We accordingly increased our shop network to 21 outlets nationwide. The new shops provide more space and therefore increase customer care touch points. They are fully branded with the TNM thematic campaign; "It's great" to give the customer improved ambience. TNM is always striving to improve the customer experience through provision of a customer-friendly and centric environment by bringing services closer to its valued customers.

One of the recent additions to its wide shop network is the state of the art Hi-Tech Shop at Gateway Mall in Lilongwe. The Hi-Tech shop offers an experiential platform to showcase latest communications devices and services available through the TNM network. These new shops among others offer all mobile money Mpamba transactions, sim card replacements, airtime purchases, general inquiries and other TNM related services. The shops have been opened in Nchalo, Blantyre, Zomba, Lilongwe, Ntcheu, Kasungu ,Mangochi, Mzimba, Mzuzu and Karonga among others.

Priorities for 2016

Due to the macro-economic environment continuing to be unstable, attention in 2016 will be focused on reducing foreign debts, implementing only priority capital expenditure, growing business services, and improving customer excellence.

Service Revenue
Grew by
24%

TNM shall continue to pursue its footprint expansion programme with four more shops due to open during the first half of 2016 at Umodzi Park in Lilongwe, Balaka, Mulanje and Salima.

Going forward, TNM's vision is to turn into a fully-fledged Information Communication and Technology (ICT) Company that delivers 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, our service and product delivery hinges on responding to the needs of our customer and adding value to their business and personal life.

MALAWI TELECOMMUNICATIONS LIMITED

Dr Harry Gombachika
Chief Executive Officer

MTL is a limited liability Company which offers a wide range of Information and Communications Technology (ICT) based solutions to corporate businesses, Small and Medium Enterprises and consumers. The range of products and services offered to business customers and consumers include fixed voice, mobile voice and data services.
Employing approximately 509 employees through its five major divisions namely Commercial, Technical, Finance, Human Resource and Administration and Corporate, MTL is owned by Press Corporation, the majority shareholder, at 52.7% shareholding; Old Mutual at 16.1%; Nico Holdings at 9.0%; Investment Alliance at 2.2%; and the Malawi Government holding 20%.

Telecommunications Industry

Driven by the continuous migration of consumers from fixed telephony to data-centric communications solutions, and the evolving business needs that are driving enterprises to move towards IT based service models, 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.

Business model and strategy

Despite all the challenges the Country is facing, MTL is taking a more focused approach in determining products and services offerings on the market in order to capture real opportunities in the telecommunication ecosystems. Specifically, the driver for growth and profitability rests on a multi-dimensional and integrated corporate restructuring that optimally balances business strategy, business modeling, financial and operational structures.

- MTL anchored the foundation of the Company's turnaround strategy by renewing the business strategy which transforms the Company's philosophy from being a provider of communication technologies to a provider of connectivity solutions for greater customer experience as follows:

  - Shifted the focus of MTL's business from infrastructure to customer value propositions.
  - Designed the product/service roadmap to transform the Company offerings from individual products or services into integrated reliable communication solutions.
  - Combined strategic positioning, activity fit, and operational efficiency and effectiveness.

- Secondly remodeled MTL's business by unbundling the business into three:

  - FOC backbone: this business provides secure, reliable, low-cost, high-speed bandwidth as a carrier of carriers. The business is expected to run as an open access, private sector driven national communication backbone trading under the name of Open Connect Limited (OCL) as an MTL subsidiary.
  - Broadband and Telephony: provides customer-centric, secure and competitive data and voice services.
  - Co-siting: this business provides secure and reliable sites with optimum coverage for broadcasters and telecoms.

2015 highlights

During the year, operational processes were reviewed in tandem with customer expectations; focused customer acquisition process and renewed MTL's commitment to quality services through Service Level Agreements (SLAs) and active engagement with key customers. Year on year operating revenue increased by 13%, and Earnings from operations Before Interest Tax, Depreciation and Amortization increased by 25%.

Wholesale revenue grew by 50% and enterprise revenue grew by 13% year on year.

Business Financial Performance

MTL's performance in the strategic areas of enterprise solutions and wholesale solutions was good. Wholesale revenue grew by 50% and enterprise revenue grew by 13% year on year. However, the Company struggled in the retail consumer solutions space and revenue year on year decreased by 35%. Overall the operating revenue grew by 13% year on year.

The business refocused strategy resulted in an increase in Earnings before interest and tax by 25% year on year which was slightly above inflation to close at K2.3 billion.

MTL infrastructure was mainly financed by foreign debts and the foreign currency exposure stood at $24 million as at 31 December 2015. The depreciation of the kwacha year on year against the major foreign currencies resulted in a rise of exchange losses by more than 500% to close at K4 billion. In order to abate the foreign currency exposure risk, the Board of Directors approved a localization of the major foreign debts through a K15 billion corporate bond and the Company is in the process of raising the corporate bond.

Strategic Direction

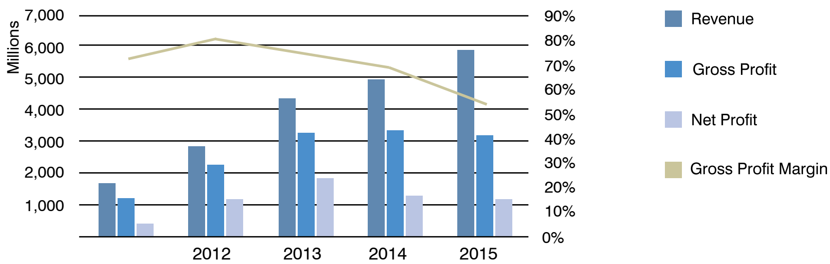
In the upcoming year, our job is to continue to focus intently on what we can control:

- Providing our customers with the best service and most comprehensive connectivity services solutions in the market, and
- Managing our costs and re-building our brand.

ETHANOL COMPANY LIMITED

Lusubilo Chakaniza (Mrs)
General Manager

EthCo Performance Overview



Ethanol Company Limited (EthCo) was established in 1982 as a limited liability Company in response to the 1970 energy crisis. The Company is the pioneer of molasses based ethanol production in Malawi. The Company's shareholding comprises PCL (66%); Indetrust (26%); and Dwangwa Sugar Corporation Ltd (8%). The total staff compliment currently stands at 112 employees. Recently, the Company invested in Carbon Dioxide and Allied Products (CDAP) Limited, owning 30% shareholding. CDAP purifies the carbon dioxide that is produced as a by-product in ethanol production at EthCo.

Products and services

The Company is Malawi's sole producer of Extra Neutral Alcohol (ENA) that is used by the beverage alcohol and pharmaceutical industries. Besides ENA, which is currently the Company's headline product, Fuel Ethanol (produced as anhydrous alcohol) and Rectified Spirit are also produced for petrol blending by oil companies and industrial applications respectively.

The purified carbon dioxide that is produced by EthCo's associate, CDAP Limited, is largely sold to the beverage industry for bottling of fizzy drinks.

Market Share

EthCo holds a 15% share with the national requirement at 24 million litres. The ENA market share stands just below 50%. The market for Rectified Spirit is negligible and EthCo produces this product only on demand or as a matter of plant design necessities.

Performance

Production volumes grew by 23% to 10.7 million litres (2014: 8.7 million litres). This was possible through the importation of additional molasses from Sena in Mozambique. The Company sold 9.8 million litres (2014: 8.8 million litres) of this production, increasing its revenue over 2014 performance by 20% to MK5.9 billion (2014: MK4.96 billion). The volume and revenue growth effort was however overshadowed by rising costs of raw materials and spare parts due to the Malawi Kwacha depreciation and falling fuel ethanol prices following falling global oil prices. There was hence a drop in Profit Before Tax by 16% to MK1.7 billion (2014: MK2.06 billion). The Company had a healthy cash position closing the year 2015 with MK2.89 billion.

Highlights:

- the acquisition of a Gas Chromatography machine for analyzing Extra Neutral Alcohol (ENA) quality;
- the onset of operations by CDAP Limited in November 2015;
- the maintenance of ISO 9001, OHSAS 18001 and ISO 14001 certifications for the Company's Safety, Health, Environment and Quality management system

Priorities and Strategies for 2016

The Company will be implementing an additional feedstock project that will enable processing of sugarcane from small holder farmers in an EthCo owned mill to produce syrup, supplementing molasses as feedstock for ethanol production. In 2016, EthCo will concentrate on securing funding and acquisition of the mill and revamping the fermentation section of the plant to enable process efficiency improvement. In addition, EthCo will explore prospects for procuring feedstock on the basis of fermentables and consolidate its ENA market position locally while strategizing on pricing models that will enable re-establishment of its regional markets as the volumes grow from 2017.

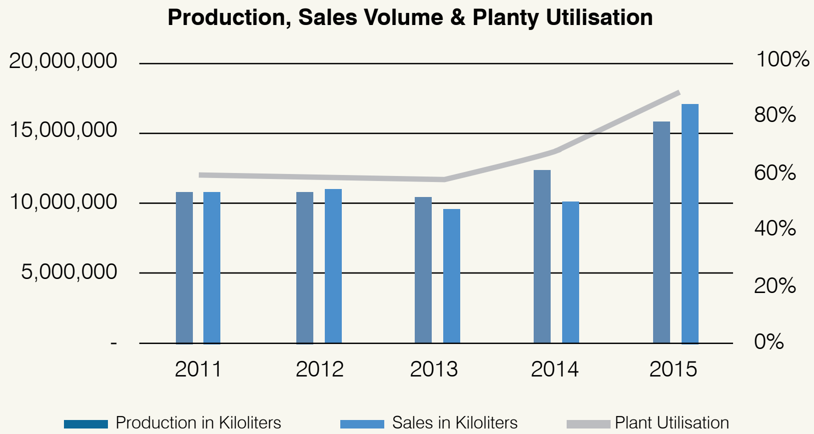
Outlook

While it is expected that the fuel ethanol price may go up as global oil prices improve, the increase may remain low for a greater part of the year. The local ENA market remains uncertain with the ban issued by Government on liquor sachets and the enforcement of the use of plastic bottle packaging. It is hence predicted that there may be a reduction in demand for the product. With the emergence of other manufacturers in the region and tightening of tax structures in individual countries, the export market remains unfavorable. The volume expansion plans through additional feedstock will enable competitive pricing of the product for the export market.

These developments will occur against a backdrop of rising costs of raw materials, spare parts and other services due to currency depreciation and inflationary pressures. Management will ensure continual reviews and careful implementation of the 2016 budget with prudence and agility, focusing on a product mix that will ensure protection of the business margins.

PRESSCANE

Abel Chanje
Chief Executive Officer



Performance

The year in review has been marked by a series of significant milestones in production, sales and operations. For the first time the Company produced a record 16 million litres, which was matched by record sales volume of 17 million litres representing attainment of 89% and 97% of designed annual production capacity and sales potential respectively. This attainment was enabled by the plant operating without stopping for the entire production season.

The higher production and sales volumes, however, did not translate into proportionately higher revenue, due to the continued reduction of the regulated price for fuel ethanol in Malawi. Nevertheless, sales revenue at MK 8.7 billion was 36% above last year's MK6.4 billion.

Business Processes and Strategy

In terms of business processes, a number of factors underpinned these developments, chief of which was the supplementation of feedstock from Illovo's Nchalo sugar mill with imports from Companhia de Sena sugar mill in Marromeu, Mozambique. In addition to the positive supply-side business processes, effective customer relations and efficient product delivery to markets facilitated increased product demand.

Business Environment and Industry Dynamics

The operating business environment in 2015 and attendant industry dynamics had a negative impact on the performance of the Company. The depreciation of Malawi Kwacha from July 2015 caused the cost of sales to increase by 89% from MK2.8 billion in 2014 to MK5.3 billion in 2015. The increased cost of sales was not matched by an increase in fuel ethanol prices on account of reducing global oil prices. The effect of these market induced dynamics was that the overall profitability of the Company in 2015 at MK2.6 billion was lower than that for 2014 (MK2.7 billion) by 3%.

2015 Highlights

- 2015 was the first year since the Company came into operation in 2004 that fuel ethanol was sold in each of the twelve calendar months.
- The Company increased plant capacity utilization from previously 69% to 89% in 2015
- Production efficiencies improved on account of staff dedication and better team work.
- The Company's approach to Safety, Health, Environment, Quality and Security (SHEQS) was heightened by a new focus on Risk, following adoption of a comprehensive Enterprise Risk Management Framework during the year.
- The Company's participation in national debate on sugar industry matters increased its recognition as an integral player in the sugarcane value chain.

2016 Priorities

Following approval by the PressCane Board to expand production capacity, Management is expecting the following:

- Realization of higher sales volumes in 2016 and beyond subject to availability of feedstock.
- A greater proportion of rectified spirit in the product sales mix.
- Expansion of the Distillery that will see its rated capacity rising from 60,000 litres per day to 90 000 litres per day during the 2016 production season, representing an additional 30 million litres per annum.
- Laying the foundations for product diversification with potential investment in production of carbon dioxide as a major area of focus.
- Increased adoption of energy efficiency technologies

Strategic Direction

In order to produce the additional 30 million litres per annum the Company is implementing a project to independently produce the additional feedstocks. This project will involve the participation of out-grower village cooperatives to grow and supply sugar cane to PressCane for the purpose of direct expression of juice as input into the production of ethanol. Negotiations with cooperatives and the acquisition of the plant and equipment for that purpose are all in progress.

PUMA ENERGY

Dr Davies Lanjesi
Managing Director

Puma Energy is a leading distributor of petroleum products in Malawi. Its business is in four segments which are; Retail, where it operates 58 service stations; Commercial segment where it supplies various customers and resellers; Aviation segment where it operates at Kamuzu International and Chileka Airports; and Lubricants segments where it supplies lubricating oils to distributors.

Market Position

Total demand for ground fuels, petrol, diesel and paraffin in 2015 was at 299.37 million litres which was 9% higher than demand in 2014 which was at 275.42 million litres. Puma is the market leader with 41% market share at the close of 2015.

Highlights for 2015

- Two refuellers for aviation business were commissioned on 27th November 2015 and these will improve efficiency in the aviation business.
- A total of 33 retail sites were upgraded in 2015. These sites registered sales volume growth following the upgrade.

Business and Performance Overview:

A total of 122 million litres of fuel was sold in 2015, representing a 9% growth from 2014 sales volume. The increase in performance was due to:

- Improved sales in retail segment as a result of image upgrade and improvements in retail dealers' cash flow management.
- Improved purchases in Aviation owing to increased number of both cargo and passenger flights and increased frequency of flights.
- Improvements in Lubricants sales volume to new customers acquired by the distributors, and a response to incentives offered to them when they exceed agreed targets

Total operating cost at MK2.3billion was equal to 2014 despite the high inflation rates (24.9% as at end December 2015. Net profit at MK2.36 billion was 27% lower than 2014 when it was MK3.10 billion. This was impacted by net inventory loss of MK627 million and foreign exchange loss of MK533 million. The underlying net profit was therefore Mk3.52 billion which 10% higher than 2014.

Strategic Direction

In view of elusive macro-economic stability in Malawi characterised by high inflation rates, high interest rates and tight foreign exchange market, Puma Energy has implemented revenue maximisation and cost reduction survival strategies including lobbying for margin increase and a low cost investment strategy.

Risk Areas for 2016

The following are key risk areas in 2016:

Net Profit
MK2.36
billion
(2014: MK3.10 billion)

- Continued pressure for reduction of Aviation product prices and margins.
- Proposed bulk importation may result in high possibilities of interruptions of fuel supply.
- High Inflation rates and unstable exchange rates.

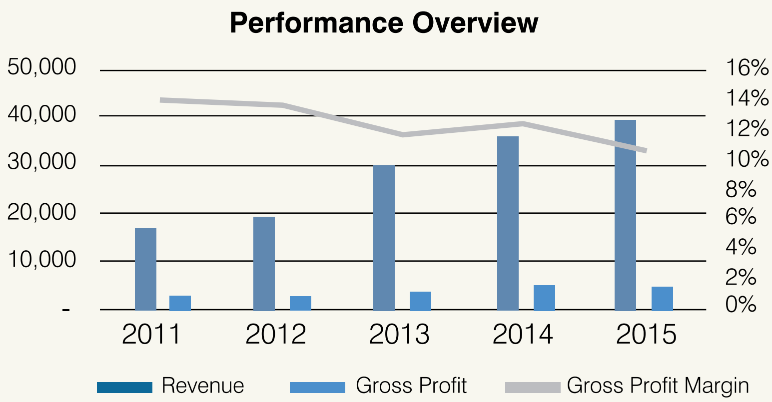
Priorities for 2016

Puma Malawi will focus on the following key priority areas;

- Growing the Retail segment to maximize revenue.
- Cost optimisation while maintaining good customer service and quality standards of operation.
- Stock monitoring at Retail service stations to ensure product availability.
- Safe operations that will ensure no harm to people and the environment.
- Opening two new retail sites which will lead to growth in sales volume.
- Training and accreditation of retail attendants on customer service with the aim of attracting more customers to its retail sites.

PEOPLE'S TRADING CENTRE LIMITED

Ken Mthunzi
Chief Executive Officer



People's Trading Centre Limited (PTC) is the pioneer of food chain stores in Malawi and it is currently the leading food retail Company. Trading under the "Peoples" Brand, it has a number of stores offering wholesale as well as retail prices in all segments of the retail market in Malawi. PTC operates under five categories of shops:

- Metro Stores and People's Super Save shops- wholesale and /or retail servicing country cities
- People's Express- convenience shops located in cities, urban and peri-urban areas.
- People's Cash and Carry - wholesale shops in urban and peri-urban areas.
- Spar – an international brand currently operating only at the City Centre, Lilongwe since August 2015.

PTC is wholly owned by Press Corporation Limited. Employing 1,763 people in 2015, the Company had 85 shops spread across the country as at 31st December 2015.

Competitive Position

Malawi's retail business is characterized by a few international and local chain stores and a lot of small retailers and hawkers. PTC strives to remain competitive in its pricing while maintaining sufficient margins. Due to its country wide reach and strong brand name, Peoples, market share is now estimated at about 25%.

Performance

Despite operating in an extremely difficult environment, turnover during the year was 9.2% above prior year and the Company continues to reclaim market share in the industry. However, profit margins remained depressed, caused mainly by some local products which move in high volumes but provide low profit margin.

Highlights

In a strategic move to improve shop management and pave way for Spar shops, three outlets were closed down during the year.

Following the signing of Franchise Agreement with Spar International, a Spar Store was opened at City Centre in Lilongwe on 29th August 2015.

Strategic Direction

PTC's vision is to remain the leading fast moving consumer goods distributor, saving its customers time and money. PTC will, using its Spar International franchise, develop service departments which have so far remained almost insignificant parts of its business. These service departments include home meal replacements, butchery, bakery and fruit and vegetables which provide higher margins.

As an expansion strategy, PTC plans to open 7 new Spar stores by the end of 2017 across the Country. The Company is also planning to partner with a second international franchisor to improve the brand and enhance its level of innovation, competitiveness and service delivery to its customers.

...a Spar Store was opened at City Centre in Lilongwe on 29th August 2015.

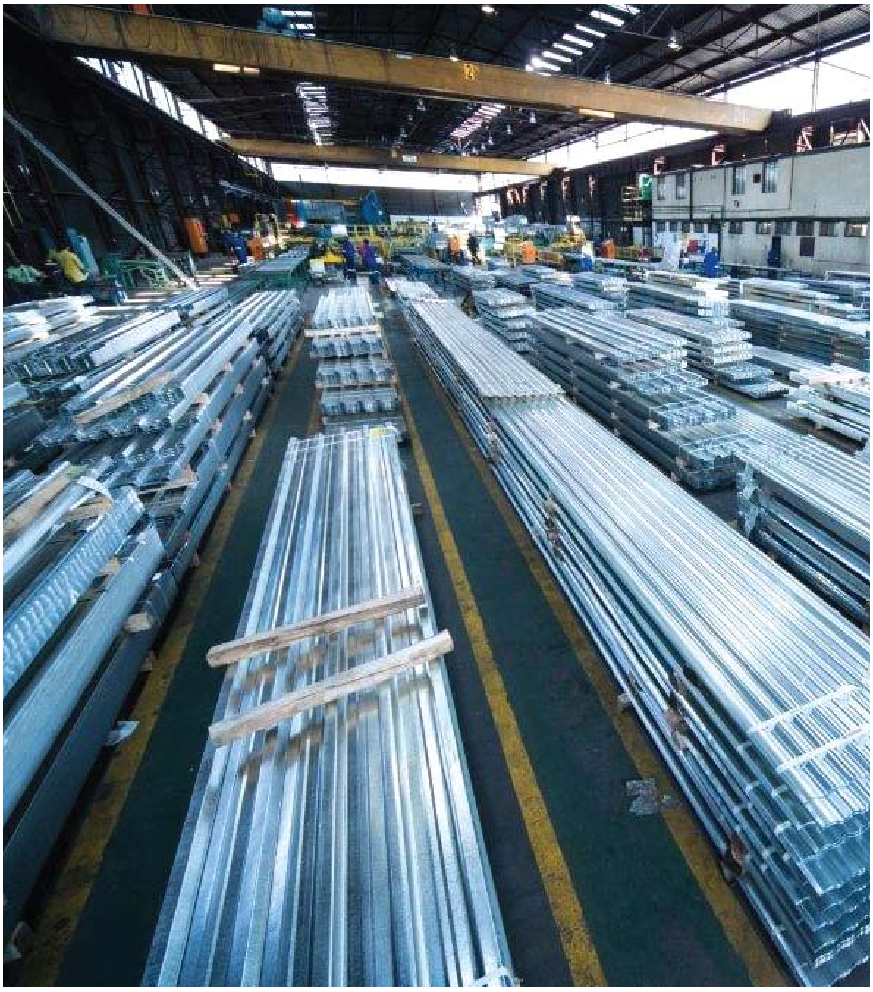
Expansion Strategy
7 new Spar stores by 2017

Outlook

With erratic rainfall being experienced, the productive capacity of the economy is likely to remain low. A significant portion of PTC merchandise is imported. Therefore, prices of these products are likely to remain high on account of high Dollar/Kwacha exchange rates, which may lead to lower than anticipated sales volumes. However, this will be mitigated by the opening of new stores in strategic areas in the City of Blantyre in 2016.

MACSTEEL MALAWI LIMITED

Rickey White
Managing Director



Macsteel Malawi Limited has been operating under various names and shareholders since 1966. The Company is currently co-owned as a Joint Venture by Press Corporation Limited and Macsteel Service Centre (South Africa). Macsteel is the largest and leading manufacturer and distributor of steel, wire and roofing products to the construction industry in Malawi.

Performance

The construction industry suffers most during macro-economic instability from reduced demand of its products and imported raw materials. The continued devaluation of the Malawi Kwacha, growing inflation and subdued GDP have negatively impacted the performance of the Company.

During 2015, Macsteel Malawi had an additional challenge. Massive steel price reductions of up to 50%, rendered the Company's stock expensive. By the end of 2015, the "toxic stocks" had been cleared. The profit before tax for 2015 was K175 million, 29% higher than 2014.

Risks

Major risk areas that the Company faces include the following:

- Lack of regulation in the steel market makes Macsteel susceptible to unfair competition by those evading duties and Value Added Tax, lack of quality standards and corruption;
- The Malawi economy is volatile and a volatile and rapidly falling Kwacha does damage to the real terms value of the Company's business, and the contraction of real terms demand for our products;
- Volatile steel prices have an impact on margins and profitability.

Priorities for 2016 and beyond

Macsteel Malawi must build resilience to the weak economy and volatile steel prices. This Company intends to face these challenges by:

- Protecting working capital from the weakening Kwacha. As a hedging mechanism, stock levels are higher than foreign creditors;
- Reducing debt and borrowings. The commercial banks base rate is currently 35%. Liquidity will be improved by reducing stock holding levels, increased cash sales and collecting debt timeously;
- Improving operational efficiency and cutting costs;
- Increasing volumes by investing in sales and marketing.

These strategies will enable Macsteel Malawi to survive in the short term and have an explosive growth after the economy turns around.

Profit before tax
29%
higher than 2014

CARLSBERG MALAWI LIMITED

Robin Walker
Chief Executive Officer

Officially opened on 14 December 1968, Carlsberg Malawi Limited (CML) was the first Carlsberg brewery outside Denmark. The idea to establish a Carlsberg brewery in Malawi was initiated by a Danish Foreign Minister who visited Malawi during the independence celebrations in 1966. Carlsberg Malawi now operates from 4 sites across the Country with 7 production lines supplying via 27 owned or contracted depots to enable all Malawi consumers to benefit from Carlsberg's products.

Market Position

Carlsberg Malawi is the leading beverage producer and distributer in Malawi with beer brands including Carlsberg Green, Stout, Special Brew, Chill and local power brand Kuche Kuche. The soft drinks range includes Coca- Cola, Fanta, Sprite, Sobo squash and Quench still water, and the spirits range includes the Iconic Malawi Gin, Malawi Vodka, Powers Brandy, Powers No. 1 and Premier Brandy.

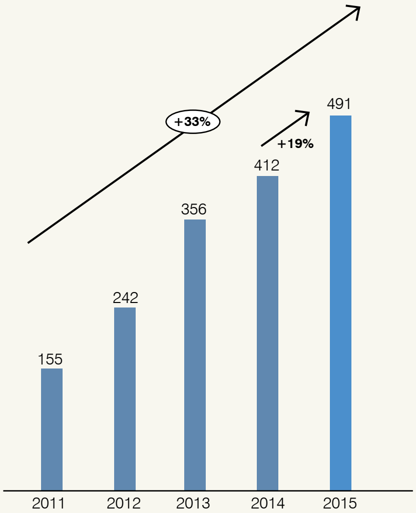
Carlsberg Malawi holds 98% of the clear beer market and 98% of the soft drinks market with around 20% of the local spirit market in glass. Malawi Gin is the best seller and is an export product as well.

Highlights for 2015

2015 was a tough year for Carlsberg Malawi and for the Country as a whole. The year started with floods which devastated some parts of the Country especially in the Southern Region.The Company continued to support the local economy by bottling water on the squash line and providing it free to local communities which were affected by the floods.

Performance

Overall the business showed a 14% volume decline in 2015 driven mainly by lack of product availability in the second and third quarter of the year, combined with Malawi's high inflation levels. Profits were substantially down as a result of (and a major contributing factor) the depreciation of the Malawi Kwacha. This had a big impact on the Company as most of the raw materials are imported.



Key points that impacted our results in 2015 :

- Kwacha devaluation
- Major line breakdowns in mid-year and into the peak season due to poor maintenance standards
- Shortage of glass bottles due to late and insufficient ordering for 2015 needs
- Poor market demand due to local economy (GDP) growing much slower than rate of inflation and thus reducing consumer spending power.
- Major fraud issues that both distracted senior management time and reduced profits in the year. A detailed forensic audit was carried out by a major audit and accountancy firm and controls are now tightened to prevent a recurrence.

In the last 2 months of 2015 stock levels started to recover and sales improved but poor seasonal demand prevented a sufficient level of recovery.

In Q3 and Q4 Carlsberg started to implement a series of Must Win Battles (MWB) to drive improvement and change in the business which will lead to a stronger 2016.

Priorities for 2016

Key priorities for 2016 entitled "Renaissance 2016" are largely linked to the Must Win Battles:

- Return the business to growth in sales and profitability
- Increase OEE(overall efficiency of equipment) and line availability - all key SKUs (packaging formats per type and size) in stock all of the time
- Ensure that a delivery culture is in place right across the Company
- Plan effectively and think ahead

To enable us to achieve these things we have also made some key commitments to ensuring the business is properly supported.

- Committed to invest $5.5m in bottles and crates to enable more effective and efficient use of production lines.
- Investment of $3m in a new carbonated PET production line to expand the range of products available to Malawi consumers.
- Skills transfer from experts to local teams.

Strategic Direction

The main focus of the Business is to consistently grow the product base in Malawi, broaden the product range and to be able to offer Malawi's consumers a complete range of beverages from one trusted supplier at reasonable prices.

Risk

Key risk items which are being managing closely are :

- Late arrival of new bottles due to customs delays resulting in line downtime. The Company continues to manage this closely to minimise the impact.
- Poor demand in the first half which might get worse if the currency depreciates further. The Company has contingency plans in place to cover this financially albeit it would negatively affect top line growth.

Overall the management is very hopeful about 2016 and look forward to reporting a much stronger year and secure future in 1 years' time.

THE FOODS COMPANY LIMITED

Jenara Ngwale
Operations Manager

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.

Business Review

Products and Customers

TFCL processes and distributes fish as fresh, frozen, smoked, filleted or chunked to meet various customer preferences. There has been a noticeable rise in demand for Maldeco Aquaculture Chambo fingerlings and these are sold on demand to small and medium scale fish farmers across the Country. The Feed Division produces all types of livestock feed products including poultry, pig, dog and sheep feed with poultry feed contributing over 90% of production and sales.

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

There is now considerable competition from small scale fish trawlers who have improved the capacity of their fishing gears and are able to fish in deeper waters just like TFCL. TFCL is increasing its current value addition capacity (both freezing and smoking) and is introducing new lines of para-boiled and fried value added products to differentiate itself on the market.

The launch of centralized fresh fish deliveries and flexible approach to selling depending on supply situation will help maintain competitiveness on the informal markets.

For the farmed fish, there is also some noticeable competition from neighboring countries. However, internal demand and increased economic activities in these countries constrains high tilapia exports to the Malawi market.

Performance Overview/ Highlights for 2015

Overall revenues were 6% below prior year due to low fish catches and harvests as a result of unsettled weather patterns which caused damage to fishing gear and affected availability and movement of fish. Cold chain management challenges also contributed to the overall reduction in fish revenues. The Company has ordered a new flake ice plant with a capacity of producing 20 tons of ice per day to improve its cold chain management.

Feed production was 21% above last year despite power and critical raw material shortages. Livestock feed sales were 35% above prior year mainly as a result of increased demand for Maldeco feed following price follower strategy and quality improvements.
Strategies in aquaculture management to accelerate fish growth through selective stocking, double grading of fingerlings and use of floating feed were implemented in the last quarter.

Risk Areas

The poor performance of the economy is affecting demand for products and interest rate risks are having a substantial impact on the Company's costs of borrowing.

2016 Outlook

The improvements in cold chain and aquaculture management are expected to significantly improve performance of the Company in 2016. However, with the poor performance of the economy and the impending drought, costs of raw materials are expected to soar and will impact on the production costs of both commercial livestock feed and fish feed.

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. To achieve this goal negotiations with a potential strategic and technical investment partner are ongoing.

The Company will procure efficient fishing gear to reduce trawling costs in the medium term for the Capture Fisheries division.

2016 Priorities

Aquaculture: build on the proven management systems that accelerate fast growth rates of Chambo: the stocking of all male fingerlings; double grading of fingerlings; increased stocking weight from 0.5g to 10g; increased stocking densities from 80,000 to 130,000 and expand the usage of floating fleet to several cages and ponds.

Feed business: maintain competiveness through continuous quality improvements and operational efficiencies.

Capture fisheries: maximise revenue through increased value added products.

PRESS PROPERTIES LIMITED

Hlazo Nyirenda
Operations Manager

Press Properties Limited (PPL) is in the real estate business and specialises in property development, property letting, property sales and property management. The Company has a property portfolio comprising residential properties i.e. The "Press Village" situated in Namiwawa- an exclusive low density residential area in Blantyre and the recently constructed Executive apartments in Area 9, Lilongwe. It has also commercial (offices and shops) and industrial properties for rent and the Chapima Heights project in Blantyre, which is developed land with plot demarcations for development and sale.

PPL has excelled as a property developer and manager of real estate since the late 1960's. Having well qualified and dedicated employees in the property business, PPL has long been recognized for success and leadership in the residential real estate services market.

The Company mission statement is clear and precise: To be the preferred real estate Company in Malawi with a balanced portfolio of primely sited high quality and well maintained commercial, industrial and residential properties and providing the most efficient property management services while maximizing value of our shareholders.

Business and Performance Review

In 2015 the general operating environment was characterised by high inflation rates, high interest rates and volatile exchange rate, which pushed up the cost of doing business and subsequently affecting the performance of the Company, mostly in the second half of the year especially in plot sales at Chapima Heights and delayed payment of rentals. Despite the harsh economic environment, the Company managed to achieve the following:

- Actual turnover was 62% above 2014
- Pretax profit was 21% above 2014
- The Company also recorded good sales from Chapima Heights in terms of credit sales.
- The Area 9 townhouses projects was completed and it is expected that this will increase the rentable space by square metres and rental income by at least 40%

Competitive Environment

The landscape has not changed much and real estate business is still characterized by a few large organizations on one hand, and many small to medium sized suppliers, mostly individuals owning a couple of properties for rent, family trusts and other smaller companies working either individually or through estate agents, on the other hand.

The establishment of new companies which sell land, provide residential accommodation and in addition provide other property related services has also made an impact in the property industry. However, PPL has managed to gain competitive advantage by offering land for sale at the Chapima Heights project in Blantyre which is planned, demarcated and is serviced with water, electricity and tarmac roads. The Company is in the process of finalising the construction of a police unit in the area to enhance security.

Strategic Direction and Outlook for 2016

Generally, 2016 promises to be a better year than 2015 because of the completion of the Area 9 Project which is expected to increase rentable space by 7,763.046 square metres and rentable income by at least 40%.

In 2016, MK 87 million rental income in write backs and MK 20 million in rental income is also expected.

PPL will continue to aggressively sale plots at Chapima Heights.

In the long term, the Company will continue implementing the medium term strategy which commenced in 2013, focusing on rebuilding the property portfolio in order to increase the number of rentable units, thereby improving the rental income base. The Company will also seek to expand its income base by focusing on property management for third parties and valuation rather than relying on rentable income alone. PPL will also continue to enhance its brand as the ultimate partner in property development and management and finally search for a strategic equity partner.

LIMBE LEAF TOBACCO

Rodney J Hagger
Managing Director

Limbe Leaf Tobacco Company Limited is committed to the promotion and procurement of sustainably grown Malawi leaf tobacco, addressing the crop; the environment, the farmers; and the communities associated with production. From its roots in the 1960's, Limbe Leaf Tobacco Company Limited has grown to become one of Malawi's leading tobacco processors. The Company continues to invest in its agronomy operations and with the growers to enhance such sustainability. The operations of the Company involve the following processes:

- Agronomic and sustainable tobacco support services for growers, promoting good agricultural and labour practices, forestry and the environment, and food production.
- Leaf procurement where tobacco wrapped in hessian bales is purchased from contracted growers and also on auction floors;
- Tobacco processing : where the midrib(backbone stem) is removed from each individual leaf (lamina)
- Tobacco exporting where tobacco is supplied to more than 60 countries across the world.

Highlight
In the year under review, 511 and 410 hectares of trees were planted under Limbe Leaf's smallholder programme and in Kasungu commercial forestry plantations respectively.

Industry and Market Position
The national tobacco crop for 2015 was 193 million Kilograms, being slightly higher than the previous year. National volume purchased under contract was at 82% as compared to 75% in the previous year. The Company's share of the market increased from 28% in the previous year to 31% for the reporting year.

Performance
The annual trading results were significantly impacted by the movement in the local currency which by December had resulted in an average devaluation rate of 24%. Total production at the end of December was slightly up, being 1% above prior year. Pretax profits grew by 161% over prior year mainly on account of exchange variations.

Outlook
Looking ahead, as preparations are underway for the 2016 sales season, the change towards a more organized and credible trading system continues, with good progress in many areas. However, the weather has been abnormally dry, a situation attributed to the EL Nino weather system. Despite the dry conditions, reports indicate that crop volume estimates are still intact; therefore, the situation may turn out better than it seems at present.

	2015 MK'm	2014 MK'm *Restated*	2013 MK'm	2012 MK'm	2011 MK'm
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME					
Turnover	161,136	136,787	113,717	74,544	35,305
Profit before income tax and Share of profit of equity-accounted investees	19,488	27,394	20,509	9,830	6,160
Share of profit of equity-accounted investees net of income tax	6,106	6,802	5,915	3,421	2,439
Profit before income tax	25,594	34,196	26,424	13,251	8,599
Income tax expense	(13,350)	(12,576)	(9,060)	(3,738)	(2,471)
Profit after income tax	12,244	21,620	17,364	9,513	6,128
Attributable to non-controlling interests	(8,047)	(10,886)	(7,992)	(3,173)	(2,659)
Attributable to equity holders of the company	4,197	10,734	9,372	6,340	3,469
Dividend paid to ordinary shareholders	(1,563)	(1,263)	(661)	(560)	(560)
Retained profit	2,634	9,471	8,711	5,780	2,909
Basic earnings per share (MK)	34.92	89.30	77.97	52.75	28.86
Dividend per share (MK)	13.00	10.51	5.50	5.16	4.66
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION					
Property, plant and equipment	89,820	77,816	68,206	63,774	48,450
Investment properties	4,783	3,270	3,096	3,591	2,869
Investment in equity accounted investees	32,835	19,628	13,922	8,914	7,462
Other non-current assets	64,579	50,148	33,119	32,387	17,779
Net current liabilities	(49,726)	(24,900)	(17,092)	(29,604)	(17,025)
Total employment of capital	142,291	125,962	101,251	79,062	59,535
Ordinary shareholders' funds	91,698	74,731	57,090	41,977	31,532
Non-controlling interest	38,710	32,138	23,394	17,148	16,384
Loans and borrowings	10,150	17,395	17,306	17,001	6,828
Provisions	-	-	-	88	913
Deferred tax liabilities	1,733	1,698	3,461	2,848	3,878
Total capital employed	142,291	125,962	101,251	79,062	59,535
CONSOLIDATED STATEMENTS OF CASH FLOWS					
OPERATING ACTIVITIES					
Cash generated from operations	64,306	48,215	60,616	27,903	18,174
Interest and tax paid	(23,333)	(15,920)	(11,972)	(10,853)	(4,509)
Cashflows from operating activities	40,973	32,295	48,644	17,050	13,665
INVESTING ACTIVITIES					
Interest/Dividend received	4,103	4,779	8,923	1,744	186
Capital expenditure	(17,248)	(22,663)	(12,290)	(17,554)	(9,016)
(Acquisition) /Disposalof subsidiaries net of cash	(575)	-	-	892	-
(Acquisition)/disposal of other investments	(31,998)	(7,319)	(18,230)	4,048	(2,972)
Proceeds from sale of property, plant and equipment and investment properties	1,172	1622	874	923	759
Cashflows (used in) investing activities	(44,546)	(23,581)	(20,723)	(9,947)	(11,043)
FINANCING ACTIVITIES					
Dividends paid to non-controlling shareholders	(5,040)	(3,779)	(3,242)	(1,615)	(1,012)
Dividends paid to shareholders of the company	(1,563)	(1,263)	(661)	(560)	(560)
Increase/(decrease) in borrowings	(455)	2,934	(582)	9,516	3,184
Cashflows from/(used in) financing activities	(7,058)	(2,108)	(4,485)	7,341	1,612
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	(10,631)	6,606	23,436	14,444	4,234

Risk Overview

Our Approach to Risk Management

As a producer of various services and products through our diversified range of portfolio investments, the management of risk lies at the heart of our business, and effective risk management capabilities represent a key source of competitive advantage for the Group. We generate shareholder value by selectively taking exposure to risks that are adequately rewarded and that can be appropriately managed. We retain material risks only where these are consistent with our risk appetite and risk-taking altitude that seeks to create value and maximize our shareholders' wealth.

The Group adopted the Enterprise Wide Philosophy of managing risks in 2012 hence its risk management processes seek to identify risks from both a top-down strategic perspective and a bottom-up business perspective. The Board has overall responsibility for risk management, setting of risk appetite and the tone for implementation of the risk management policy. Once these are in place it is then the responsibility of Executive Management to implement the Board's policies on risk management. In support of the adopted philosophy and as an effective means of giving visibility and control of both financial and non-financial risks, a Group Enterprise Wide Framework was developed and adopted in May 2015. The framework particularly articulates the risk governance which includes the development of risk policies and business standards, the setting up of a risk oversight committee within the Board and provides clarity and detail on the roles and responsibilities and the processes used to identify, measure, manage, monitor and report risks, including the use of stress and scenario testing. This is then linked to the risk appetite framework where risks that we select in pursuit of return, the risks that we accept but seek to minimise and the risks we seek to avoid or transfer, including quantitative expressions of the level of risk we can support (such as the amount of capital we are prepared to put at risk) is clearly spelt out. The process is underway to ensure that the Risk Appetite policy is developed and completed in 2016).

The Group's Enterprise Risk Management (ERM) framework has adopted the three line defense approach to risk management. The first line of defense are the business and process owners whose activities create and/or manage the risks that can facilitate or prevent the Group's objectives from being achieved. The second line of defense is the Group Risk Department tasked to support management by bringing expertise, process excellence, and managementmonitoring alongside the first line to help ensure thatrisk and control are effectively managed. Internal audit then functions as our third line providing assurance to senior management and the Board over both the first and second lines' efforts consistent with the expectations of the Board of directors and Executive Management. At the very pinnacle of all this, the framework makes it clear that while risk is the responsibility of everyone in the Group, the Board plays a critical role in implementing the Company's risk management structure and ensuring that there is a right "tone from the top" that permeates the whole Group.

The Group Risk Committee meets four times a year and reviews the Group's risk profile and any related risk assessments systematically taking into account any changes which may have been recommended by management in relation to the comprehensive It then presents its report and recommendations to the Board for discussion, approval and, if appropriate, re-rating of risks so as to ensure that appropriate focus is placed on the correct risks. As a result of the regular reviews, changes required in the control environment are implemented by management to ensure, as far as possible, that the Group's risks are either eliminated or mitigated

Principal Risks and Uncertainties

The Group faces a range of other risks which are managed through similar risk mitigation plans at the operational level, and are subject to regular management reporting and appropriate oversight. Below is a summary of the key risks under active review by the Group Risk Committee.

- Strategy Execution failure or delay
- Political and Regulatory Risks
- Operational Risk
  - Information Technology systems
  - Fraud and Dishonesty
  - Intellectual Capital retention
  - Intellectual Capital retention
- Financial Risks
  - Credit Risks
  - Interest Rate Risk
  - Foreign Exchange Risk
  - Liquidity Risk
- Social, safety and environmental

Risk disclosures provided in line with the requirements of International Financial Reporting Standard 7 Financial Instruments: Disclosures (IFRS 7) and disclosures on capital required by International Accounting Standard 1 Presentation of Financial Statements (IAS 1) are included within Financial Statements disclosures section.

SIMON A ITAYE (58)
B.Com, FCCA, MBA
CHAIRMAN from 26/6/15
Appointed to the Board on 5/03/1998

Mr Itaye has extensive experience in audit, financial and strategic general management and is currently the Managing Director of Nampak Malawi Limited (NML). Mr Itaye was appointed Chairman of the Board on 26th June 2015. He is non-executive Chairman in Marsh Limited, Millennium Challenge Account-Malawi, Easy Loans Limited and Investments Alliance Limited.

CLEMENT S CHILINGULO **(62)**
LLB, FCIS
CHAIRMAN until 26/6/15
Appointed to the Board on 07/02/2001

Mr Chilingulo has served in legal and company secretarial positions of several companies beginning with Press (Holdings) Limited where he rose to the position of Deputy Group Company Secretary. This was followed by Indebank and then Commercial Bank of Malawi (now Standard Bank) where he served as Legal Counsel & Company Secretary. From September 1997, he was Executive Secretary of Press Trust until his retirement on 31st March 2014. He retired from the Board on 26th June 2015.

PATRICK W KHEMBO **(61)**
BSc (Agr.)
DIRECTOR
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, Indebank, Cotton Council of Malawi, Malawi Human Rights Resource Centre, Legumes Development Trust and Blantyre Health Research & Training Trust among others.

ANDREW G BARRON **(56)**
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 and he chairs Malawi Leaf Ltd. He is an alternate councillor at the Tobacco Association of Malawi.

CHRIS A. KAPANGA **(56)**
Dip Bus Mgt., ACII, MBA,
Chartered Insurer
DIRECTOR
Appointed to the on Board 26/08/2011

Mr Kapanga is a Chartered Insurer with over thirty years international experience in the insurance industry. He has held senior positions in various insurance companies in Malawi and South Africa. He is currently Chief Executive Officer of Old Mutual Ghana. He is also a director on a number of boards as a representative of Old Mutual.

DR. BERNARD ZINGANO **(68)**
PhD; RIBA; MIA
DIRECTOR
Appointed to the Board on 21/5/2013

Dr. Zingano is a Chartered Architect, but his Doctorate is in Mechanical Engineering related to Solar Energy. He is currently the Director and Senior Partner of Zingano and Associates. Prior to his setting up his practice he worked in the civil service for over 20 years, ascending to the post of Principal Secretary in the Ministry of Works and Supplies. Dr. Zingano is an accomplished researcher and author having published articles on architecture and solar energy in both local and international journals. He is a member of the Royal Institute of British Architects, Royal Society of Arts of London and World Renewable Energy Network and is Founder member of the Malawi Institute of Architects (MIA).

PATRICK D MHANGO **(54)**
B.Soc Sc, MBA
DIRECTOR
Appointed to the Board on 1/4/2014

Mr Mhango is the Chief Executive Officer 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 financial services and general operations. 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 is also a President of Rotary Club of Bwaila in Lilongwe.

DAMIEN KAFOTEKA **(52)**
FCCA, B Com Acc., Dip Bus
ALTERNATE DIRECTOR
Appointed to the Board on 25/5/2015

Mr Kafoteka is the Finance Director of Old Mutual (Malawi), a subsidiary of a leading international and asset Management Company. Mr Kafoteka's career as a senior management accountant spans more than 20 years, having worked as Chief Finance Officer 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.

BOARD OF DIRECTORS

The Board of Directors is responsible to the shareholders for setting the direction of the Group through the establishment of strategic objectives and key policies. The Board meets quarterly, settles the strategic mission and is responsible for the overall direction and control of the Group.

At 31 December 2015 the Board consisted of six non-executive directors and two executive directors. The Chairman is a non-executive director and has a casting vote.

Press Trust and Old Mutual appoint five of the non-executive directors. These appointments are in accordance with the Company's Articles of Association. At 31 December 2015 Press Trust and Old Mutual owned 44.47% and 14.3% respectively of the shares in the Company.

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

The Corporate Board is responsible 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.

The names of the executive and non-executive directors in office at 31 December 2015 are set out on Page 31.

PRINCIPAL BOARD COMMITTEES ARE:

AUDIT COMMITTEE

The Committee currently comprises two non-executive directors and one non-board member and meets no less than twice in the year. The Group Chief Executive, the Group Financial Controller, and the Group Internal Audit Manager attend the meetings by invitation. The external auditors have access to this Committee. It is currently chaired by Mr D Kafoteka. In the year ended 31 December 2015 the Committee met three times; in March, August, and December.

The Committee's principal functions are to review the annual and interim financial statements and accounting policies, the effectiveness of internal controls over management information and other systems of internal control, the preliminary reported financial information, and to discuss the auditors' findings and recommendations. The external auditors are appointed each year based on recommendations of the Committee, which is also responsible for fixing their remuneration. In addition, it reviews the Corporation's procedures and policies.

APPOINTMENTS AND REMUNERATION COMMITTEE

The Committee comprises three non-executive directors. It is currently chaired by Mr A G Barron.

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 place and approving salaries at the executive directors' and executive management level based on these findings.

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

RISK COMMITTEE

The Committee comprises of three non-executive directors. Members of Executive Management also attend the Committee's meetings. The Group Risk Manager and the Internal Audit Manager attend on invitation. Dr B Zingano 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. It is also the Committee's objective to ensure that Executive Management has adequate skills and knowledge and is competent to manage the identified and perceived risks.

During the year, the Committee met four times; in March, May, August and November.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board of Directors is responsible for the Group's systems of internal controls. To fulfil its responsibilities, Management maintains accounting records and has developed and continues to maintain appropriate systems of internal control. The Group has established a comprehensive process for the identification, review and consideration of risks at both Group and subsidiary level. At Group level, the Group Risk Manager periodically submits his reports to the directors.

The directors report that the Group's internal controls and systems of internal control are designed to provide reasonable but not absolute assurance, as to the integrity and reliability of financial statements and to safeguard, verify and maintain accountability of its assets and to detect and minimise fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations.

The systems of internal control are based on established organisational structures implemented by the Management together with written policies and procedures, including budgeting and forecasting disciplines and the comparison of actual results against these budgets and forecasts. The directors have satisfied themselves that these systems and procedures are implemented, maintained and monitored by appropriately trained personnel with proper segregation of authority, duties and reporting lines, and by comprehensive use of advanced computer hardware and software technologies. Employees are required to maintain the highest ethical standards in ensuring that business practices are conducted in a manner which in all reasonable circumstances is above reproach. The effectiveness of the systems of internal control in operation is monitored continually through reviews and reports from the head of the Group Internal Audit Manager.

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

A formal "Limits of Authority" is in place that specifically reserves certain matters for Board decision.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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 C S Chilingulo	Chairman (Until 26/06/2016)
Mr S A Itaye	Chairman (from 26/06/2015)
Mr C A Kapanga	Director
Mr D Kafoteka	Alternate Director from 25/5/15 Audit Committee Chairman Appointments and Remuneration Committee Member
Mr A G Barron	Appointments and Remuneration Committee Chairman Risk Committee Member
Dr B Zingano	Risk Committee Chairman Appointments and Remuneration Committee Member
Mr P D Mhango	Audit Committee Member
Mr P W Khembo	Risk Committee Member
Mr D Kambalametore	Audit Committee Member
Dr M A P Chikaonda	Group Chief Executive
Mr P P Mulipa	Group Operations Executive

EXECUTIVE MANAGEMENT

Dr M A P Chikaonda	Group Chief Executive
Mr P P Mulipa	Group Operations Executive
Mr J Biziwick	Group Operations Executive-Designate
Mrs E Mafeni	Group Financial Controller
Mr B M W Ndau	Group Administration Executive and General Counsel

Dr Mathews A. P. Chikaonda (61)

BA Finance & Economics (Hons), Diploma in Business Studies (Distinction), MBA (Finance), Ph.D (Finance)
Executive Director
Group Chief Executive

Dr. Chikaonda was born on 8th August, 1954. He joined the Group in April 2002 as Group Chief Executive. Prior to this, he served as Assistant Professor of Finance and Associate Professor of Finance (tenured) from 1988 to 1991, and 1992 to 1994, respectively, at Memorial University of Newfoundland in Canada before serving as Deputy Governor of the Reserve Bank of Malawi from August 1994. In January 1995, Dr Chikaonda was appointed Governor of the Reserve Bank of Malawi and served in this post until March 2000 when he was appointed to the Cabinet and served in the Government of Malawi as Minister of Finance and Economic Planning until January 2002. In his own right, Dr Chikaonda is a Director of Illovo Sugar (Malawi) Limited and is also a member of the Leadership Council and Director of the US-based Initiative for Global Development (IGD).

Pius P. Mulipa (62)

BA, Dip (Mgt.), MSc (Mgt.),
Executive Director
Group Operations Executive

Mr Mulipa was born on 11th January, 1953. He joined the Group as a Management Trainee in 1977 initially at Peoples Trading Centre Limited and more latterly at Hardware and General Dealers, and Tambala where he was appointed General Manager. In 1996 he was promoted to the position of Assistant Group General Manager – Foods at Press Corporation. In the year 2000 he was responsible for the Industrial Division. In the year 2001, he was appointed Group General Manager – Business Development for the Company. He is now the Group Operations Executive with effect from 25 September 2001. In his own right, Mr Mulipa is a director of Old Mutual Life Assurance Company Malawi Ltd and the Malawi Revenue Authority.

John Biziwick (57)

B.Soc Sc(Economics), Msc (Economics).Group Operations
Executive-Designate

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 and as Deputy General Manager (Operations) from 2000 to 2002. Mr Biziwick began his professional career in the Reserve Bank of Malawi which he joined in 1980 as an Economist. From 1980 to 2000 he worked in various departments including the Research and Statistics, Foreign Exchange, Exchange Control, and International Operations.

Elizabeth Mafeni (Mrs) (47)

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 (43)

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.

PRESS CORPORATION LIMITED

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2015

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 2015.

INCORPORATION AND REGISTERED OFFICE

Press Corporation Limited 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 address of its registered office is:
7th Floor
Chayamba Building
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:-

	2015	2014
	%	%
Press Trust	44.47	44.47
Old Mutual Group companies	14.29	12.71
Deutsche Bank Trust Company America	22.34	22.37
Others	18.90	20.45
	100.00	100.00

DIVIDENDS

The net profit attributable to owners of the Company for the year of K4.20 billion (2014: K10.73 billion) has been added to retained earnings. An interim dividend of K481 million (2014: K421 million) representing K4 per ordinary share (2014: K3.5) was paid during the year. The directors have further proposed a final dividend for the year 2015 of K1,022 million (2014: K1,082 million) representing K8.50 per share (2014: K9) 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	From July 2015
Mr C S Chilingulo	Chairman	Up to June 2015
Dr. M.A.P. Chikaonda	Director / Group Chief Executive	
Mr C A Kapanga	Director	Up to April 2015
Mr. D. Kafoteka	Director	From May 2015
Mr. P. Khembo	Director	From June 2015
Mr. P.D Mhango	Director	
Mr. A.G. Barron	Director	
Dr. B. Zingano	Director	
Mr. B.M.W. Ndau	Company Secretary	

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 2015, 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, and the Directors' report, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 1984.

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, 1984.

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 ability to continue as a going concern and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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

Approval of the financial statements

The financial statements of the Group and Company, as indicated above, were approved by the board of Directors on 27th May, 2016 and are signed on its behalf by

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

Deloitte.

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Blantyre
Malawi

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We have audited the separate and consolidated financial statements of Press Corporation Limited and its subsidiaries (the Group) as set out on pages 39 to 125, which comprise the statements of financial position as at 31 December 2015, and the statements of comprehensive income, statements of changes in equity and the statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Group's directors are responsible for preparation of these financial statements that show a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 1984 and 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in accordance with the provisions of the Companies Act, 1984, so far as concerns the members of the company.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 52 to the financial statements which indicates that the financial statements for the year ended 31 December 2015 which we signed on 4 April 2016 have been revised. As explained in note 52, this is to reflect the effects of foreign currency retranslation of an associate.

Deloitte

Certified Public Accountants
Blantyre, Malawi.

27th May, 2016

Audit • Tax • Consulting • Financial Advisory •

Partners: NT Uka JS Melrose VW Beza CA Kapenda MC Mwenelupembe (Mrs.)
Associate of Deloitte Africa, a member of Deloitte Touche Tohmatsu

In millions of Malawi Kwacha

		Group			Company	
Assets	**Notes**	**31/12/15**	**31/12/14**	**31/12/13**	**31/12/15**	**31/12/14**
			Restated	*Restated*		
Non-current assets						
Property, plant and equipment	9	89,820	77,816	68,206	778	845
Biological assets	10	2	2	12	-	-
Goodwill	11	5,026	1,015	427	-	-
Intangible assets	12	13,418	11,854	5,698	260	394
Investment properties	13	4,783	3,270	3,096	-	-
Investments in subsidiaries	14	-	-	-	112,900	102,912
Investments in joint ventures	15	1,764	1,546	1,212	16,777	9,063
Investments in associates	16	31,071	18,082	12,710	22,301	23,271
Loans and advances to customers	17	33,063	24,687	16,252	-	-
Finance lease receivables	18	7,439	6,849	4,133	-	-
Loans receivable from Group companies	19	-	-	-	-	4
Other investments	20	1,533	1,409	1,669	-	-
Deferred tax assets	21	4,098	4,332	4,928	-	-
Total non-current assets		192,017	150,862	118,343	153,016	136,489
Current assets						
Inventories	22	10,165	10,013	6,561	17	13
Biological assets	10	138	49	36	-	-
Loans and advances to customers	17	70,535	41,606	34,152	-	-
Finance lease receivables	18	712	474	712	-	-
Other investments	20	74,525	39,921	32,342	-	-
Trade and other receivables-Group companies	23	-	-	-	1,324	461
Trade and other receivables - other	24	19,628	17,728	11,527	72	465
Assets classified as held for sale	25	944	1,008	200	-	-
Income tax recoverable	26	357	410	342	86	66
Cash and cash equivalents	27	59,624	65,852	58,022	72	107
Total current assets		236,628	177,061	143,894	1,571	1,112
Total assets		428,645	327,923	262,237	154,587	137,601
Equity and liabilities						
Equity						
Share capital	28	1	1	1	1	1
Share premium		2,097	2,097	2,097	2,097	2,097
Other reserves	29	44,799	30,596	18,577	111,148	101,048
Retained earnings		44,801	42,037	36,415	6,102	5,654
Total equity attributable to equity holders of the company		91,698	74,731	57,090	119,348	108,800
Non-controlling interest		38,710	32,138	23,394	-	-
Total equity		130,408	106,869	80,484	119,348	108,800
Non-current liabilities						
Loans and borrowings	30	10,150	17,395	17,306	1,050	2,804
Long term loans payable to Group companies	31	-	-	-	-	990
Deferred tax liabilities	21	1,733	1,698	3,461	28,313	21,680
Total non-current liabilities		11,883	19,093	20,767	29,363	25,474
Current liabilities						
Bank overdraft	27	8,662	4,259	3,035	680	340
Loans and borrowings	30	26,291	14,100	10,036	1,878	1,878
Provisions	32	3,521	4,215	3,619	71	588
Income tax payable	33	2,685	3,739	3,304	42	68
Trade and other payables	34	33,343	35,270	22,451	134	422
Trade and other payables to Group companies	35	-	-	-	3,071	31
Customer deposits	36	211,852	140,378	118,541	-	-
Total current liabilities		286,354	201,961	160,986	5,876	3,327
Total liabilities		298,237	221,054	181,753	35,239	28,801
Total equity and liabilities		428,645	327,923	262,237	154,587	137,601

The financial statements of the Group and Company were approved for issue by the Board of Directors on 27th May, 2016 and were signed on its behalf by:

……………………………………..
Mr. S.A. Itaye

……………………………………..
Dr. M.A.P. Chikaonda

The notes on pages 44 to 125 are an integral part of these consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

In millions of Malawi Kwacha

	Notes	Group 2015	Group 2014 *Restated*	Company 2015	Company 2014
Continuing operations					
Revenue	37	161,136	136,787	6,970	6,935
Direct trading expenses	38	(73,284)	(60,200)	(22)	(23)
Gross profit		87,852	76,587	6,948	6,912
Other operating income	39	5,179	6,173	209	918
Distribution expenses	40	(2,365)	(2,585)	-	-
Administrative expenses	41	(60,955)	(49,269)	(2,828)	(3,080)
Results from operating activities		29,711	30,906	4,329	4,750
Finance income	42	2,387	2,283	70	128
Finance costs	42	(12,615)	(5,801)	(1,720)	(1,422)
Net finance costs		(10,228)	(3,518)	(1,650)	(1,294)
Share of results of equity-accounted investees	43	6,106	6,802	-	-
Profit before income tax		25,589	34,190	2,679	3,456
Income tax expense	44	(13,350)	(12,576)	(668)	(668)
Profit from continuing operations		12,239	21,614	2,011	2,788
Discontinued operations					
Profit from discontinued operations (net of income tax)	8	5	6	-	-
Profit for the year		12,244	21,620	2,011	2,788
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss:					
Revaluation of property, plant and equipment		5,143	4,150	-	84
Share of other comprehensive income of equity accounted investments		10,639	2,989	-	-
Income tax relating to items that may not be reclassified subsequently to profit or loss	21	1,233	753	-	-
Items that may be reclassified subsequently to profit or loss:					
Net change in fair value of available for sale financial assets		(60)	19	16,733	16,683
Income tax relating to items that may be reclassified subsequently to profit or loss	21	-	-	(6,633)	2,296
Other comprehensive income for the year (net of tax)		16,955	7,911	10,100	19,063
Total comprehensive income for the year		29,199	29,531	12,111	21,851
Profit attributable to:					
Owners of the Company		4,197	10,734	2,011	2,788
Non-controlling interest		8,047	10,886	-	-
Profit for the year		12,244	21,620	2,011	2,788
Total comprehensive income attributable to:					
Owners of the Company		18,530	16,310	12,111	21,851
Non- controlling interest		10,669	13,221	-	-
Total comprehensive income for the year		29,199	29,531	12,111	21,851
Earnings per share					
Basic and diluted earnings per share (K)	45	34.92	89.30	-	-
Continuing operations					
Basic and diluted earnings per share (K)	45	34.88	89.26	-	-

In millions of Malawi Kwacha

	Issued capital	Share premium	Other reserves	Retained earnings	Total equity attributable to equity holders of company	Non-controlling interest	Total Equity
Group							
2015							
Balance at 1 January 2015 as previously stated	1	2,097	30,596	42,551	75,245	32,138	107,383
Prior year adjustment (note 16)	-	-	-	(514)	(514)	-	(514)
Balance at 1 January 2015 as restated	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 arising on business combination	-	-	-	-	-	943	943
Dividends to equity holders	-	-	-	(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
Group							
2014 – restated							
Balance at 1 January 2014	1	2,097	18,577	36,415	57,090	23,394	80,484
Profit for the year	-	-	-	10,734	10,734	10,886	21,620
Other comprehensive income	-	-	5,576	-	5,576	2,335	7,911
Total comprehensive income for the year	-	-	5,576	10,734	16,310	13,221	29 531
Transfer to loan loss reserve	-	-	1,077	(1,077)	-	-	-
Depreciation transfer land and buildings	-	-	(49)	49	-	-	-
Net reserve movement on THL deregistration	-	-	5,415	(2,821)	2,594	(698)	1,896
Dividends to equity holders	-	-	-	(1,263)	(1,263)	(3,779)	(5,042)
Balance at 31 December 2014	1	2,097	30,596	42,037	74,731	32,138	106,869

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2015

In millions of Malawi Kwacha

	Issued capital	Share premium	Other reserves	Retained earnings	Total Equity
Company					
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	-	-	-	(1,563)	(1,563)
Balance at 31 December 2015	1	2,097	111,148	6,102	119,348
2014					
Balance at 1 January 2014	1	2,097	81,985	4,129	88,212
Profit for the year	-	-	-	2,788	2,788
Other comprehensive income	-	-	19,063	-	19,063
Total comprehensive income for the year	-	-	19,063	2,788	21,851
Dividends to equity holders	-	-	-	(1,263)	(1,263)
Balance at 31 December 2014	1	2,097	101,048	5,654	108,800

In millions of Malawi Kwacha

		Group		Company	
	Notes	2015	2014	2015	2014
Cash generated by/(used in) operations	49	64,306	48,215	(1,029)	(1,307)
Interest paid		(11,786)	(5,583)	(1,596)	(1,422)
Income taxes paid		(11,547)	(10,337)	(714)	(735)
Net cash from/(used in) operating activities		40,973	32,295	(3,339)	(3,464)
Cash flows from investing activities					
Purchase of property, plant and equipment		(14,435)	(16,614)	(64)	(96)
Purchase of intangible assets		(2,761)	(6,039)	(22)	-
Purchase of investment property		(52)	(10)	-	-
Purchase / additions of other investments		(43,638)	(23,254)	-	(4,631)
Proceeds on disposal of other investments		11,640	15,935	-	-
Net cash outflow on acquisition of a sub-subsidiary (note 14)		(575)	-	-	-
Proceeds from sale of investment property and property, plant and equipment		1,172	1,622	172	181
Dividend received		1,716	2,496	6,249	6,678
Interest received		2,387	2,283	70	128
Net cash flow (used)/from investing activities		(44,546)	(23,581)	6,405	2,260
Cash flows from financing activities					
Long term borrowings received		9,411	11,654	-	4,629
Repayments of long term borrowings		(9,866)	(8,720)	(1,878)	(2,422)
Loan proceeds from subsidiary companies		-	-	-	186
Loans repaid to subsidiary companies		-	-	-	(61)
Dividend paid to non-controlling interest		(5,040)	(3,779)	-	-
Dividend paid		(1,563)	(1,263)	(1,563)	(1,263)
Net cash flow (used)/from financing activities		(7,058)	(2,108)	(3,441)	1,069
Net (decrease)/increase in cash and cash equivalents		(10,631)	6,606	(375)	(135)
Cash and cash equivalents at start of the year		61,593	54,987	(233)	(98)
Cash and cash equivalents at end of the year	27	50,962	61,593	(608)	(233)

In millions of Malawi Kwacha

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 and separate financial statements as at, and for the year ended, 31 December 2015 comprise the company and its subsidiaries (together referred to as '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 principal activities of the Group.

2. BASIS OF PREPARATION

2.1 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, 1984.

2.2 Going concern

The directors have, at the time of approving the Consolidated and Separate Financial Statements, a reasonable expectation that the Group and Compaany 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.

2.3 Basis of measurement

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

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

The methods used to measure fair values are discussed further in note 4.

2.4 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.

2.5 Use of estimates and judgements

The preparation of consolidated and separate financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

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.

3.1 Basis of consolidation

i) Subsidiaries

The consolidated and separate financial statements include all subsidiaries that are controlled by the Company. Under the Companies Act, 1984 and International Financial Reporting Standard 10, *Consolidated Financial Statements*, control is presumed to exist where the company is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The control principle is applied in circumstances when voting rights or similar rights give an investor power including situations where the company holds less than a majority of voting rights and in circumstances involving potential voting rights; when the entity is designed so that voting rights are not the dominant factor in deciding who controls the entity; in circumstances involving agency relations and when the company has control over specified assets of an entity. The financial statements of subsidiaries are included in the consolidated and separate financial

In millions of Malawi Kwacha

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of consolidation (Continued)

***i) Subsidiaries** (Continued)*

statements from the date that control commences until the date that control ceases.

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

ii) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Accounting for jointly controlled entities is governed by IFRS 11 *Joint Arrangements* which requires jointly controlled entities to be accounted using the equity method.

Investments in jointly controlled entities are initially recognised at cost which includes transaction costs.

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

iii) Associates

The consolidated and separate financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. Investments in associates are initially recognized at cost which includes transaction costs. Associated companies are those entities in which the Company or a subsidiary has a long-term interest and has significant influence, but not control, over the financial and operating policies. Where associates have different year-ends to the Company, management accounts for the year-end that is coterminous with the Group's year are used after review for compliance with year-end procedures and Group accounting policies. The Group's investment includes goodwill identified at acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees. When the Group's share of losses exceeds the carrying amount of the associate including any long-term interests that form part thereof, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations or has made payment on behalf of the associates.

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

iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

v) Non-controlling interest

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's interest therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

vi) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.2 Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Malawi Kwacha at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Malawi Kwacha at exchange rates ruling at the dates the fair value was determined.

In millions of Malawi Kwacha

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Foreign currency (Continued)

ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Malawi Kwacha at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Malawi Kwacha at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes off only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

3.3 Property, plant and equipment

i) Recognition and measurements

Land and buildings are measured at revalued amounts less accumulated depreciation and impairment losses. Items of plant and equipment and motor vehicles are measured at cost less accumulated depreciation and impairment losses. Fishing vessels are measured at revalued amounts less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located when the Group has the obligation to remove the asset or restore the site. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Interest and foreign exchange losses on loans which are utilized for the purchase and construction of qualifying assets are capitalized until when the asset is substantially ready for use after which they are recognised in profit or loss.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other operating income in profit or loss. When revalued assets are disposed of, the amounts included in the revaluation reserve are transferred to retained earnings.

ii) Reclassification to investment properties

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. A gain is recognized in profit or loss to the extent it reverses a previous impairment on the specific property. Any remaining gain arising on re-measurement is recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the specific property, with any remaining loss recognized immediately in the profit or loss.

iii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefit embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iv) Revaluation

Revaluations of property and Fishing vessels are carried out by independent valuers with sufficient regularity such that the

In millions of Malawi Kwacha

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Property, plant and equipment (Continued)

***iv) Revaluation** (Continued)*

carrying amount does not differ materially from that which would be determined using fair values at the reporting date as economic conditions dictate. The basis of valuation used is current market value. Surpluses on revaluations are accounted for in the revaluation reserve. Accumulated depreciation is eliminated to the gross carrying amount on revaluation. On disposal of the asset, the portion of the reserve related to the specific asset is transferred to retained earnings. Revaluation decreases are charged to the profit or loss except to the extent that they relate to revaluation surpluses previously transferred to the revaluation reserve. An amount equivalent to the additional depreciation arising from revaluations is transferred annually, net of deferred tax, from the revaluation reserve to retained earnings.

v) Depreciation

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Items of property, plant and equipment are depreciated from the date they are ready for use. Leased assets are depreciated over the shorter of the lease term and their useful lives if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

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

The assets' residual values, useful lives and depreciation method are reviewed and adjusted if appropriate, at each reporting date.

3.4 Intangible assets

i) Goodwill

Goodwill arising on an acquisition represents the excess of the fair value of the consideration transferred, the recognized amount of any non-controlling interests in the acquiree and, in a business combination achieved in stages, the fair value of existing equity interest in the acquiree over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is measured at cost less impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

ii) Computer software

Acquired computer software that has a probable economic life exceeding one year is recognised as an intangible asset and is capitalised on the basis of the costs to acquire and bring to use the specific software. Computer software is amortised over its useful life. The estimated useful life is five years (current and comparative years).

iii) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and impairment losses. The estimated useful life is five years (current and comparative years).

iv) 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.

v) Amortisation

Amortisation is based on the cost of an asset less its residual value. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Goodwill is not amortised but is reviewed for impairment annually as outlined in note 3.9 below.

In millions of Malawi Kwacha

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 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.

3.6 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of material and direct labour, any other cost directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

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.

3.7 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.

i) The group as a 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 company'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 leases. 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.

ii) The group as a 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 recognised in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are recognised in profit or loss.

Rentals payable under operating leases are recognised as an expense on a straight-line basis over the term of the relevant lease. 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.

3.8 Inventories

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

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

3.9 Impairment

i) Financial assets

A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset, that can be estimated reliably.

In millions of Malawi Kwacha

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Impairment (Continued)

i) Financial assets (Continued)

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When an event occurring after the impairment was recognised causes the amount of impairment to decrease, the decrease in impairment loss is reversed through profit or loss.

Individually significant financial assets are tested for impairment on an individual basis. The difference between the acquisition cost (net of principal repayment and amortisation) and current fair value less any impairment loss previously recognised in profit or loss are assessed collectively in groups that share similar credit characteristics, excluding assets considered individually significant.

ii) Available-for-sale financial assets

An impairment loss in respect of an available-for-sale financial asset are recognised by reclassifying the losses accumulated in other reserves in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization and the current fair value, less any impairment loss recognized previously in profit or loss. If, in subsequent period, the fair value of the impaired available-for-sale financial assets increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available for sale security is recognised in other comprehensive income.

iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, investment property, inventories, deferred tax assets, income tax, assets and non-current assets held for sale within the scope of IFRS 5 are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's or cash generating unit's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. 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 and the risks specific to the asset.

For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash inflows that largely are independent from other assets or group of assets. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately and therefore is not tested for impairment separately. Instead, the entire amount of investment in the associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.10 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as being met only when the sale is highly probable

In millions of Malawi Kwacha

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Non-current assets held for sale and discontinued operations (Continued)

and the asset (or disposal group) is available for immediate sale in its present condition.

Immediately before classification as held for sale, the measurement of the assets and/or components of a disposal group are brought up-to-date in accordance with applicable IFRSs. Then, they are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss. The same applies to gains and losses on subsequent remeasurement. Gains are not recognised in excess of any cumulative impairment loss.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed or is held for sale, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. 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 period.

3.11 Employee benefits

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

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.

i) Other long term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted.

ii) Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. 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.

3.12 Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding up of the discount is recognised as finance cost.

i) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Costs relating to the on-going activities of the Group are not provided for. Future operating losses are not provided for.

In millions of Malawi Kwacha

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Provisions (Continued)

ii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. 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.

3.13 Revenue

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

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Dividends are recognised when the company is entitled thereto.

i) Goods sold and services rendered

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.

Revenue from the sale of goods is recognized in profit or loss when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then 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 services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

ii) Fees and commissions

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

Fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed or upon the occurrence of a specific act such as a sale, placement or syndication. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

iii) Dividend income

Dividend income for available-for-sale equities is recognised when the right to receive payment is established – this is the ex-dividend date for equity securities.

iv) Premium on foreign exchange deals

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

v) 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.

3.14 Finance income and expense

Finance income comprises interest income on funds invested, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised through profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of discount on provisions, foreign currency losses, changes in fair value of financial assets at fair value through profit or loss, and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

In millions of Malawi Kwacha

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Finance income and expense (Continued)

3.15 Share capital and dividends

i) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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.

3.16 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

i) Current income tax

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

ii) Deferred tax

Deferred tax recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: taxable temporary differences arising on the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting nor taxable profit or loss, and temporary differences relating to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary difference and they will probably not reverse in the foreseeable future. The amount of deferred tax is measured based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to the same taxable entity, or on different tax entities, but that intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary difference to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

3.17 Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

In millions of Malawi Kwacha

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Financial assets (Continued)

Purchases and sales of financial assets at fair value through profit or loss and available-for-sale are recognised on trade-date which is the date on which the Group commits to purchase or sell the asset. Loans and receivables are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as effective hedging instrument. Financial assets at fair value through profit or loss are subsequently measured at fair value with changes in fair value recognised in profit or loss.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are subsequently measured at amortised cost using the effective interest method less any impairment losses.

Loans and receivables comprise trade and other receivables and cash and cash equivalents.

a) ***Trade and other receivables***

Trade and other receivables are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts (i.e. impairment losses) are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade and other receivables comprise inter-branch accounts, interest receivables, staff advances and other assets and are measured at their amortised cost less impairment losses (refer accounting policy 3.9).

b) ***Cash and cash equivalents***

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are subsequently measured at amortised cost. Bank overdrafts that are payable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

iii) Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or which do not meet the definition of fair value through profit or loss, loans and receivables or held-to-maturity financial assets.

Shares in other companies and unlisted shares classified as available for sale and are independently valued as economic conditions dictate. Listed shares are carried at market value.

These investments are subsequently measured at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in other comprehensive income should be recognised in profit or loss. However, interest on interest-bearing available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the entity's right to receive payment is established.

3.18 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

In millions of Malawi Kwacha

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Financial assets (Continued)

3.18 Offsetting financial instruments (Continued)

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.

3.19 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.

3.20 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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 profit or loss.

3.21 Financial liabilities

The accounting policies adopted for specific financial liabilities are set out below:

i) Customer deposits and liabilities to other banks

Customer deposits and liabilities to other banks are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. These are subsequently measured at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognized in profit or loss as interest over the period of the borrowings using the effective interest method.

ii) Other liabilities

Other financial liabilities comprise loans and borrowings, overdrafts and trade and other payables. Other liabilities are initially measured at fair value net of transaction costs incurred, and are subsequently measured at amortised cost, using the effective interest method.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

3.23 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 or income of the Group.

3.23 Segment reporting

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.

In millions of Malawi Kwacha

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.24 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 payment when due in accordance with the original or modified terms of a debt instrument.

These 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.*

3.25 Adoption of new and revised International Financial Reporting Standards

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

In the current year, the Group has adopted those new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on or before 1 January 2015.

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

3.26 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 period beginning on or after 1 January 2018	IFRS 9 *Financial Instruments* IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.
Annual period beginning on or after 1 January 2018	FRS 15 *Revenue from Contracts with Customers* IFRS 15 specifies how and when an IFRS reporter 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. This core principle is delivered in a five-step model framework: • Identify the contract(s) with a customer • Identify the performance obligations in the contract • Determine the transaction price • Allocate the transaction price to the performance obligations in the contract • Recognise revenue when (or as) the entity satisfies a performance obligation.

In millions of Malawi Kwacha

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Effective date	Standard, Amendment or interpretation
Annual period beginning on or after 1 January 2016	Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations.* Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 12 Income Taxes regarding the recognition of deferred taxes at the time of acquisition and IAS 36 *Impairment of Assets* regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.
Annual period beginning on or after 1 January 2019	IFRS 16 Leases IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides lessee accounting model, 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
Annual period beginning on or after 1 January 2016	Amendments to IAS 1 Disclosure Initiative The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice. • An entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. • An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material. • In the other comprehensive income section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosures for the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss and those that will be reclassified subsequently to profit or loss.
Annual period beginning on or after 1 January 2016	Amendments to IAS 27: Equity Method in Separate Financial Statements The amendments focus on separate financial statements and allow the use of the equity method in such statements. Specifically, the amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements: • at cost, • in accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS 9), or • using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. Basically the same accounting must be applied to each category of investments and the amendments also clarifies that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs.

In millions of Malawi Kwacha

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Effective date	Standard, Amendment or interpretation
Annual period beginning on or after 1 January 2016	Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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 financial statements of the company. IFRS 9 will impact the measurement of financial instruments whilst IFRS 15 will affect recognition of revenue.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability.

i) Property

The fair value of property recognised subsequent to initial recognition is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

ii) Biological assets

The fair value of fish older than 9 months, being the age at which it becomes marketable, is based on the market price. The fair value of mother fish is based on the market price of fish of similar age, breed and genetic make-up. The fair value of fingerlings is based on the present value of the net cash flows expected to be realised at maturity.

iii) Investment property

An external, independent valuation company, having appropriate recognised professional's qualifications and recent experience in the location and category of property being valued, values the Group investment property every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged for on the date of the valuation between a willing buyer and a willing seller in an arm's length transactions after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

iv) Valuation of unlisted investments

In valuing the Company's investments in unlisted companies, consideration is given to the sustainability of dividend streams, maintainable earnings, projected cost of equity,the growth in dividends and net assets of the investments concerned, together with recent or proposed transactions in the shares concerned or similar shares. The Company engaged the services of a professional valuer who valued the unlisted investments at 31 December 2015.

iv) Determination of Telekom Networks Malawi (TNM) as a subsidiary of Press Corporation Limited (PCL)

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% (2014: 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.

In millions of Malawi Kwacha

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

4.1 Determination of fair values (Continued)

vi) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

4.2 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.

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 loan's carrying amount and the present value of estimated future cash flows. If the Group determines that no objective evidence of impairment exists 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 of 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 cummulative 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.

Key assumptions used:

a) Cashflows arising from collateral realisation crystallise at an average period of 12 months and arise at the end of the 12 months period. Where cashflows are doubtful, they are assumed to be nil.
b) Where there is a borrowing agreement but no collateral in place, expected future cashflows 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.

4.3 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.

5. STATUTORY REQUIREMENTS

In accordance with Section 38 of the Banking Act, 2009, the Reserve Bank of Malawi has established the following requirements as at the reporting date related to the Group's banking business:

5.1 Liquidity reserve requirement

The Group's banking business is required to maintain a liquidity reserve with the Reserve Bank of Malawi equivalent to not less than 15.5% (2014: 15.5%) of total customer deposits. At the end of the year, the liquidity reserve was equivalent to 54.39% (2014: 61.31%) of total customer deposits.

5.2 Capital adequacy requirement as per Section 10(1) of the Banking Act, 2009

The Bank's available capital is required to be a minimum of 10% (2014: 10%) of its risk bearing assets and contingent liabilities. At the end of the year the Bank's available capital was 20% (2014: 21.9%) of its risk bearing assets and contingent liabilities.

5.3 Prudential aspects of bank liquidity

As a complement to Section 38 of the Banking Act, 2009, the Reserve Bank of Malawi had issued the following guidelines on the management of liquidity as at the reporting date:

- Liquidity Ratio I - Net liquidity (total liquid asset less suspense accounts in foreign currency) divided by total deposits must be at least 30%.

In millions of Malawi Kwacha

5. STATUTORY REQUIREMENTS (Continued)

- Liquidity Ratio II - Net liquidity (total liquid assets less suspense accounts in foreign currency and cheques in the course of collection) divided by total deposits must be at least 20%.

At the end of the year, the Bank's liquidity ratio I was 54.45% (2014: 61.50%) and liquidity ratio II was 54.39% (2014: 61.31%).

5.4 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 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.

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

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

- 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. 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 of the bank is 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.

There have been no material changes in the Group's management of capital during the period.

In millions of Malawi Kwacha

5. STATUTORY REQUIREMENTS (Continued)

5.4 Regulatory capital (Continued)

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

	2015	2014
Tier 1 capital		
Ordinary share capital	467	467
Share premium	613	613
Retained earnings	33,707	26,542
Unconsolidated investments	(7,182)	(396)
	27,605	27,226
Tier 2 capital		
Loan loss reserve	1,530	1,076
Available for sale reserve	11	202
Revaluation reserve	11,654	9,116
Total regulatory capital	40,800	37,620
Risk-weighted assets		
Retail bank, corporate bank and treasury	205,837	171,764
Total risk-weighted assets	205,837	171,764
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	19.8%	21.9%
Total tier 1 capital expressed as a percentage of risk-weighted assets	13.4%	15.9%

6. FINANCIAL RISK MANAGEMENT

Overview

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

- Strategic risk
- Credit risk;
- Liquidity risk;
- Market risk; and
- Currency 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.

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 develops 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 three Board Committees: The Risk Committee, the Audit Committee and the Appointments and Remuneration Committee, which are all responsible for developing and monitoring Group risk management

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (Continued)
Risk management framework (Continued)

policies in their specified areas. All Board Committees have non-executive members and report regularly to the Board of Directors on their activities.

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.

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 Internal Audit Department which undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Risk Committee.

6.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, loans and advances, investment securities and cash and cash equivalents.

i) 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, when available, and in some cases bank references. Purchase 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. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment or cash basis.

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

The Group establishes an allowance for impairment 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.

ii) 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, a track record of profitable business management, the Group does not expect any counterparty to fail to meet its obligations.

iii) Loans and advances

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

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

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

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (Continued)

6.1 Credit risk (Continued)

iv) Cash and cash equivalents

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

The credit risks on balances with banks, treasury bills and local registered stocks are limited because the counterparties are institutions with high credit ratings.

a) ***Exposure of credit risk***

Maximum exposure to credit risk without taking into account any collateral or other credit enhancements.

The table below shows the maximum exposure to credit risk by class of financial instrument. 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	
	2015	**2014**	**2015**	**2014**
		Restated		
Gross maximum exposure				
Long term loans receivable – Group	-	-	-	4
Trade and other receivables	19,628	17,728	72	465
Trade and other receivables – Group companies	-	-	1,324	461
Other Investments	76,068	41,330	-	-
Loans and advances to customers	103,598	66,293	-	-
Finance lease receivables	8,151	7,323	-	-
Cash and cash equivalents	59,624	65,852	72	107
Total recognised financial instruments	267,069	198,526	1,468	1,037
Guarantees and performance bonds	5,028	3,438	2,970	2,300
Letters of credit	20,257	17,391	-	-
Total unrecognised financial instruments	25,285	20,829	2,970	2,300
Total credit exposure	292,354	219,355	4,438	3,337

b) ***Net exposure to credit risk without taking into account any collateral or other credit enhancements***

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 end of the year, the Group had financial liabilities in form of cash deposits amounting to K2,849 million (2014: K2,467 million) held as security for some loans and advances which in the event of default will be offset against such loans and advances.

The Group's credit risk is primarily attributed to credit sales made to customers, overdraft and loan facilities extended to its customers. 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 February 2013, the Government of Malawi issued promissory notes to settle its exposure and several other Government Guaranteed loans, including interest, up to the effective date of the promissory notes. The total exposure of the Group to these Government Guarantee loans as at 1 February 2013 was K16.9 billion. The Group accepted the promissory notes to settle Government Guarantee loans effective 1 February 2013. The promissory notes are in blocks with the longest certificate maturing in 2016. The notes attract interest at the rate of earliest 91 day treasury bill yield plus 2% during each quarter.

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (Continued)

6.1 Credit risk (Continued)

c) Credit quality of loans and advances

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

	2015	2014
Group		
Loans and advances		
Individually impaired		
Grade 9: Impaired	1,999	3,738
Allowance for impairment	(1,319)	(1,703)
Carrying amount	680	2,035
Past due but not impaired		
Grade 8: sub-standard	1,784	971
Grade 7: Watch list	5,041	3,055
Carrying amount	6,825	4,026
Neither past due nor impaired		
Grade 1-3 Low risk	21,406	14,819
Grade 4-6 Fair risk	75,006	45,413
Carrying amount	96,412	60,232
Collective impairment	(319)	-
Total carrying amount	103,598	66,293

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

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

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;

i. 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.

ii. 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).

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (Continued)
6.1 Credit risk (Continued)

c) Credit quality of loans and advances (Continued)

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

iv. 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.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade.

	Loans and advances to customers		
	Gross	**Allowance for Impairment**	**Net**
Group			
31 December 2015			
Grade 9: Individually impaired	1,999	(1,319)	680
31 December 2014			
Grade 9: Individually impaired	3,738	(1,703)	2,035

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 not updated 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 RISK MANAGEMENT (Continued)
6.1 Credit risk (Continued)

c) Credit quality of loans and advances (Continued)

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

	2015	2014
Group		
Against individually impaired		
Motor vehicles	361	368
Commercial property	452	1,586
Cash	1	-
Residential property	392	701
Total	1,206	2,655
Against the rest of the loan book		
Motor vehicles	11,485	13,426
Commercial property	9,693	8,951
Residential property	28,577	25,107
Cash	2,849	2,467
Equities	5,488	4,196
Treasury bill	25	25
Mortgages over farmland	4,325	3,841
Bank guarantees	1,036	142
Total	63,478	58,155
Grand total	64,684	60,810

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

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (Continued)

6.1 Credit risk (Continued)

c) Credit quality of loans and advances (Continued)

The Group monitors its banking business concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

	2015	2014
Loans and advances to customers		
Concentration by sector		
Wholesale and retail	30,395	18,097
Other	5,169	1,590
Personal	14,484	11,239
Agriculture	22,042	16,335
Manufacturing	29,778	20,235
Finance and insurance	3,368	500
	105,236	67,996
Concentration by sector percentage	**%**	**%**
Wholesale and Retail	29	26
Other	5	2
Personal	14	17
Agriculture	21	24
Manufacturing	28	30
Finance and insurance	3	1
	100	100

Credit quality of investment securities
The risk that counterparties to trading instruments might default on their obligations is monitored on an on-going basis. In monitoring credit risk exposure, consideration is given to trading instruments with a positive fair value and the volatility of the fair value of trading instruments.

Credit quality of other financial assets
To manage the level of credit risk, the Group deals with counterparties of good credit standing, enters into master netting agreements wherever possible, and when appropriate, obtains collateral. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default.

6.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities as they fall due. Liquidity risk arises from financial liabilities that are settled with cash or other financial assets.

i) Management of liquidity risk

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

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 as a whole. The liquidity requirements of business

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (Continued)

6.2 Liquidity risk (Continued)

i) *Management of liquidity risk (Continued)*

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 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.

ii) *Exposure to liquidity risk*

The key measure used by the Group 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 compliance with the liquidity limit established by the Reserve Bank of Malawi. Details of the reported Group banking business ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows:

	2015	2014
At 31 December	54%	62%
Average for the period	65%	62%
Maximum for the period	72%	65%
Minimum for the period	54%	59%

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (Continued)

6.2 Liquidity risk (Continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:-

	Less than 1 month	1- 3 months	3 -12 months	Over 1 year	Total	Carrying amount
Group						
At 31 December 2015						
Bank overdraft	8,662	-	-	-	8,662	8,662
Loans and borrowings	1,190	2,013	23,371	32,229	58,803	36,441
Liabilities to customers	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	32,232	313,917	290,298
At 31 December 2014 – restated						
Bank overdraft	4,259	-	-	-	4,259	4,259
Loans and borrowings	1,274	1,946	15,132	36,703	55,055	31,495
Liabilities to customers	125,670	12,220	2,809	22	140,721	140,378
Trade and other payables	-	35,270	-	-	35,270	35,270
Total financial liabilities	131,203	49,436	17,941	36,725	235,305	211,402
Company						
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
At 31 December 2014						
Bank overdraft	340	-	-	-	340	340
Loans and borrowings	-	506	1,939	5,916	8,361	4,682
Long-term loans to Group companies	-	-	-	1,791	1,791	990
Trade and other payables	-	453	-	-	453	453
Total financial liabilities	340	959	1,939	7,707	10,945	6,465

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (Continued)

6.3 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 future cash flows or the value of its holdings of 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.

a) Currency risk

The Group is exposed to currency risk mainly on 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.

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.

The Group had the following significant foreign currency positions:

	MK	USD	GBP	EURO	ZAR	OTHER	TOTAL
Group							
At 31 December 2015							
Financial assets							
Investments in joint ventures and associates	32,835	-	-	-	-	-	32,835
Other investments	76,058	-	-	-	-	-	76,058
Cash and cash equivalents	58,883	550	30	61	100	-	59,624
Finance leases, loans and advances to customers	71,448	40,301	-	-	-	-	111,749
Trade and other receivables	2,852	3,910	3,307	8,384	977	198	19,628
Total financial assets	242,076	44,761	3,337	8,445	1,077	198	299,894
Financial liabilities							
Bank overdraft	8,662	-	-	-	-	-	8,662
Loans and borrowings	13,254	23,187	-	-	-	-	36,441
Customers deposits	151,131	48,699	3,117	8,124	747	34	211,852
Trade and other payables	20,158	11,446	-	1,489	250	-	33,343
Total financial liabilities	193,205	83,332	3,117	9,613	997	34	290,298
Net balance open position	48,871	(38,571)	220	(1,168)	80	164	9,596

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (Continued)

6.3 Market Risk (Continued)

a) Currency risk (Continued)

	MK	USD	GBP	EURO	ZAR	OTHER	TOTAL
Group (Continued)							
At 31 December 2014 – restated							
Financial assets							
Investments in joint ventures and associates	19,628	-	-	-	-	-	19,628
Other Investments	41,330	-	-	-	-	-	41,330
Cash and cash equivalents	36,562	21,940	4,001	1,006	584	1,759	65,852
Finance leases, loans and advances to customers	50,756	22,860	-	-	-	-	73,616
Trade and other receivables	15,692	1,011	46	789	190	-	17,728
Total financial assets	163,968	45,811	4,047	1,795	774	1,759	218,154
Financial liabilities							
Bank overdraft	4,259	-	-	-	-	-	4,259
Loans and borrowings	11,302	20,193	-	-	-	-	31,495
Customers deposits	99,616	34,536	3,585	2,273	332	36	140,378
Trade and other payables	26,200	7,629	134	855	285	167	35,270
Total financial liabilities	141,377	62,358	3,719	3,128	617	203	211,402
Net balance open position	22,591	(16,547)	328	(1,333)	157	1,556	(6,752)
Company							
At 31 December 2015							
Financial assets							
Investments in joint ventures associates and subsidiaries	151,978	-	-	-	-	-	151,978
Trade and other receivables	72	-	-	-	-	-	72
Trade and other receivables – Group companies	1,324	-	-	-	-	-	1,324
Cash and cash equivalents	36	35	-	-	1	-	72
Total financial assets	153,410	35	-	-	1	-	153,446
Financial liabilities							
Bank overdraft	680	-	-	-	-	-	680
Long term payable group	3,071	-	-	-	-	-	3,071
Loans and borrowings	2,928	-	-	-	-	-	2,928
Trade and other payables	134	-	-	-	-	-	134
Total financial liabilities	6,813	-	-	-	-	-	6,813
Net balance open position	146,597	35	-	-	1	-	146,633

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (Continued)
6.3 Market Risk (Continued)
a) Currency risk (Continued)

	MK	USD	GBP	EURO	ZAR	OTHER	TOTAL
Company							
At 31 December 2014							
Financial assets							
Long term loans receivable – Group	4	-	-	-	-	-	4
Investments in joint ventures associates and subsidiaries	135,246	-	-	-	-	-	135,246
Trade and other receivables	465	-	-	-	-	-	465
Trade and other receivables – Group companies	461	-	-	-	-	-	461
Cash and cash equivalents	83	24	-	-	-	-	107
Total financial assets	136,259	24	-	-	-	-	136,283
Financial liabilities							
Bank overdraft	340	-	-	-	-	-	340
Long term payable group	990	-	-	-	-	-	990
Loans and borrowings	4,682	-	-	-	-	-	4,682
Trade and other payables	453	-	-	-	-	-	453
Total financial liabilities	6,465	-	-	-	-	-	6,465
Net balance open position	129,794	24	-	-	-	-	129,818

Foreign currency sensitivity

At the reporting date, if the Malawi Kwacha had weakened/strengthened by 10% against its major trading currencies, with all other variables held constant, post-tax profit for the year would have been higher/lower as follows, mainly as a result of foreign exchange gains/losses:

	Group		Company	
	2015	**2014**	**2015**	**2014**
United States Dollar	(3,857)	(3,411)	3	2
Great British Pound	22	3	-	-
Euro	(117)	1,606	-	-
South African Rand	8	2	-	-

This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date.

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (Continued)

6.3 Market Risk (Continued)

b) Interest rate risk

The Group adopts a policy of ensuring that between 40 and 60 percent of its exposure to changes in interest rates on borrowings is on a fixed rate basis.

Exposure of interest rate risk-non-trading portfolio

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

	Less than 1 month	1 - 3 months	3 - 12 months	Over 1 year	Non-interest sensitive	Total	Carrying amount
Group							
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
At 31 December 2014 - restated							
Financial assets							
Investments in joint ventures and associates	-	-	-	-	19,628	19,628	19,628
Other Investment	-	26,319	13,602	1,409	-	41,330	41,330
Cash and cash equivalents	18,000	16,603	-	-	31,249	65,852	65,852
Loans and advances to customers	-	9,844	31,762	24,687	-	66,293	66,293
Finance lease receivables	-	70	404	6,849	-	7,323	7,323
Trade and other receivables	-	-	-	-	17,728	17,728	17,728
Total financial assets	18,000	52,836	45,768	32,945	68,605	218,154	218,154

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (Continued)

6.3 Market Risk (Continued)

b) Interest rate risk (Continued)

	Less than 1 month	1 - 3 months	3 - 12 months	Over 1 year	Non-interest sensitive	Total	Carrying amount
Group							
At 31 December 2014 - restated							
Financial liabilities							
Bank overdraft	4,259	-	-	-	-	4,259	4,259
Loans and borrowings	1,115	1,781	11,045	17,395	159	31,495	31,495
Customer deposits	125,670	12,039	2,650	19	-	140,378	140,378
Trade and other payables	-	-	-	-	35,270	35,270	35,270
Total financial liabilities	131,044	13,820	13,695	17,414	35,429	211,402	211,402
Interest sensitivity gap	(113,044)	39,016	32,073	15,531	33,176	6,752	6,752
Company							
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 companies	-	-	1,324	-	-	1,324	1,324
Trade and other receivables	-	-	-	-	72	72	72
Total financial assets	-	72	1,324	-	152,050	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	-	-	3,071	-	-	3,071	3,071
Trade and other payables	-	-	-	-	134	134	134
Total financial liabilities	680	470	4,481	1,048	134	6,813	6,813
Interest sensitivity gap	(680)	(398)	(3,157)	(1,048)	151,916	146,633	146,633

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (Continued)

6.3 Market Risk (Continued)

b) 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 2014							
Financial assets							
Long term loans receivable-Group	-	-	-	4	-	4	4
Investments in subsidiaries joint ventures and associates	-	-	-	-	135,246	135,246	135,246
Cash and cash equivalents	-	107	-	-	-	107	107
Trade and other receivables – Group companies	-	-	-	-	461	461	461
Trade and other receivables	-	-	-	-	465	465	465
Total financial assets	-	107	-	4	136,172	136,283	136,283
Financial liabilities							
Bank overdraft	-	340	-	-	-	340	340
Loans and borrowings	-	463	1,389	2,830	-	4,682	4,682
Trade and other payables to Group companies	-	-	990	-	-	990	990
Trade and other payables	-	-	-	-	453	453	453
Total financial liabilities	-	803	2,379	2,830	453	6,465	6,465
Interest sensitivity gap	-	(696)	(2,379)	(2,826)	135,719	129,818	129,818

c) Other market price risk

Equity price risk arises from available-for-sale equity securities listed on the Malawi Stock Exchange.

As at 31 December 2015, the Company had the followings financial assets that exposed it to price risk.

	2015	2014
Financial asset		
Investment in National Bank of Malawi	62,034	57,946
Investment in Telekom Networks Malawi Limited	24,886	16,964
	86,920	74,910

At 31 December 2015, if the share price had weakened/strengthened by 5% with all other variables held constant, the Company's post-tax profit for the year would have been higher/lower as follows:

	2015	2014
Financial asset		
Investment in National Bank of Malawi	3,102	2,897
Investment in Telekom Networks Malawi Limited	1,244	848
	4,346	3,745

The analysis is performed on the same basis for 2015 and 2014 and assumes that all other variables remain the same.

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (Continued)

6.4 Financial assets and liabilities

Accounting classifications and fair values
The table below sets out the Group's and company's classification of each class of financial assets and liabilities, and their fair values:

	Notes	Loans and receivables	Available for sale	Amortised cost	Total carrying amount	Fair value
Group						
At 31 December 2015						
Financial assets						
Cash and cash equivalents	27	59,624	-	-	59,624	59,624
Trade and other receivables	24	19,628	-	-	19,628	19,628
Other investments	20	-	2,285	73,773	76,058	76,152
Finance lease receivables	18	8,151	-	-	8,151	8,827
Loans and advances to customers	17	103,598	-	-	103,598	106,783
		191,001	2,285	73,773	267,059	271,014
Financial liabilities						
Bank overdraft	27	-	-	8,662	8,662	8,662
Loans and borrowings	30	-	-	36,441	36,441	39,363
Trade and other payables	34	-	-	33,343	33,343	33,343
Customer deposits	36	-	-	211,852	211,852	211,852
		-	-	290,298	290,298	293,220
At 31 December 2014 – restated						
Financial assets						
Cash and cash equivalents	27	65,852	-	-	65,852	65,852
Trade and other receivables	24	17,728	-	-	17,728	17,728
Other investments	20	-	-	41,330	41,330	41,330
Finance lease receivables	18	7,323	-	-	7,323	7,568
Loans and advances to customers	17	66,293	-	-	66,293	69,850
		157,196	-	41,330	198,526	202,328
Financial liabilities						
Bank overdraft	27	-	-	4,259	4,259	4,259
Loans and borrowings	30	-	-	31,495	31,495	32,955
Trade and other payables	34	-	-	35,270	35,270	35,270
Customer deposits	36	-	-	140,378	140,378	140,378
		-	-	211,402	211,402	212,862

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (Continued)

6.4 Financial assets and liabilities (Continued)

Accounting classifications and fair values (Continued)

	Notes	Loans and receivables	Available for sale	Amortised cost	Total carrying amount	Fair value
Company						
At 31 December 2015						
Financial assets						
Cash and cash equivalents	27	72	-	-	72	72
Trade and other receivables – Group	23	1,324	-	-	1,324	1,324
Trade and other receivables	24	72	-	-	72	72
Investments in associates	16	-	22,301	-	22,301	22,301
Investments in joint ventures	15	-	16,777	-	16,777	16,777
Investments in subsidiaries	14	-	112,900	-	112,900	112,900
		1,468	151,978	-	153,446	153,446
Financial liabilities						
Bank overdraft	27	-	-	680	680	680
Loans and borrowings	30	-	-	2,928	2,928	3,154
Trade and other payables	34	-	-	134	134	134
Trade and other payables to group companies	35	-	-	3,071	3,071	3,071
		-	-	6,813	6,813	7,039
At 31 December 2014						
Financial assets						
Cash and cash equivalents	27	107	-	-	107	107
Trade and other receivables – Group	23	461	-	-	461	461
Trade and other receivables	24	465	-	-	465	465
Loans receivables – Group	19	4	-	-	4	4
Investments in associates	16	-	23,271	-	23,271	23,271
Investments in joint ventures	15	-	9,063	-	9,063	9,063
Investments in subsidiaries	14	-	102,912	-	102,912	102,912
		1,037	135,246	-	136,283	136,283
Financial liabilities						
Bank overdraft	27	-	-	340	340	340
Loans and borrowings	30	-	-	4,682	4,682	4,894
Trade and other payables	34	-	-	422	422	422
Trade and other payables to group companies	35	-	-	31	31	31
Long term loans payable to group companies	32	-	-	990	990	990
		-	-	6,465	6,465	6,677

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (Continued)

6.4 Financial assets and liabilities (Continued)

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 approximate their fair values.

	Notes	Level 1	Level 2	Level 3	Total
Group					
At 31 December 2015					
Financial assets					
Other investments	20	-	76,152	-	76,152
Finance lease receivables	18	-	8,827	-	8,827
Loans and advances to customers	17	-	106,783	-	106,783
		-	191,762	-	191,762
Financial liabilities					
Loans and borrowings	30	-	39,363	-	39,363
		-	39,363	-	39,363
Company					
At 31 December 2015					
Financial liabilities					
Loans and borrowings	30	-	3,154	-	3,154
		-	3,154	-	3,154

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (Continued)

6.4 Financial assets and liabilities (Continued)

Accounting classifications and fair values (Continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: 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).

	Notes	Level 1	Level 2	Level 3	Total
Group					
At 31 December 2015					
Government promissory notes	20	-	2,285	-	2,285
At 31 December 2014					
Government promissory notes	20	-	6,349	-	6,349
Company					
At 31 December 2015					
Investments in associates	16	-	-	22,301	22,301
Investments in joint ventures	15	-	-	16,777	16,777
Investments in subsidiaries	14	86,920	-	25,980	112,900
		86,920	-	65,058	151,978
At 31 December 2014					
Investments in associates	16	-	-	23,271	23,271
Investments in joint ventures	15	-	-	9,063	9,063
Investments in subsidiaries	14	74,910	-	28,002	102,912
		74,910	-	60,336	135,246

In millions of Malawi Kwacha

6. FINANCIAL RISK MANAGEMENT (Continued)

6.5 Fair value measurements

Asset	Fair value as at 2015	2014	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	86,920	74,910	Level 1	Stock market share prices	N/A	N/A
Investment in Carlsberg Malawi Limited	6,344	7,688	Level 3	Discounted cashflow	Long term revenue growth rate and pre-tax operating margin taking into account management's knowledge of market conditions of the specific industries. Weighted average cost of capital of 38.75% determined using a capital asset pricing model and a discount for lack of marketability determined by reference to the share price of listed entities in similar industries of 8%.	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 the lower the fair value.
Investment in Puma	15,650	8,304	Level 3	Maintanable earnings	Current value of of earnings (Net Operating Profit Less Adjusted Taxes (NOPLAT) as free cash flow to establish the total value of sustainable earnings, capitalized using a price earning ratio of 12% based on the company's peers or close proxy that publicly trades discounted by 46% to reflect the non-tradeability nature of Puma Energy stocks.	The higher the earnings the higher the fair value. The higher the weighted average cost of capital and the discount the lower the fair value.
Investment in Peoples Trading Centre Limited, Ethanol Company Limited, Presscane Limited, Manzinzi Bay Limited, Malawi Pharmacies Limited.	18,238	17,415	Level 3	Maintanable earnings	Current value of of earnings (Net Operating Profit Less Adjusted Taxes (NOPLAT) as free cash flow to establish the total value of sustainable earnings, capitalized using a price earning ratio ranging from 11% to 18% based on the company's peers or close proxy that publicly trades discounted by a range of 30% to 45% to reflect the non-tradeability nature of respective companies stocks.	The higher the earnings the higher the fair value. The higher the weighted average cost of capital and the discount the lower the fair value.
Investment in Limbe Leaf Tobacco Company	15,957	15,583	Level 3	Net asset values of the company	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 value.
Investment in Malawi Telecommunications Limited, The Foods Company Limited and Press Properties Limited	7,742	10,587	Level 3	Net asset values of the company	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 value.
Investment in Macsteel	1,127	759	Level 3	Discounted cash flow	Long term revenue growth rate and pre-tax operating margin taking into account management's knowledge of market conditions of the specific industries. Weighted average cost of capital of 37.64% determined using a capital asset pricing model and a discount for lack of marketability determined by reference to the share price of listed entities in similar industries of 8%.	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 the lower the fair value.

In millions of Malawi Kwacha

7. OPERATING SEGMENTS

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's Chief Executive Officer (CEO) reviews internal management reports on at least a quarterly basis.

The Group recognises five operating industries 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.

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.

Information regarding the results of each reportable segment is included 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.

The following summary describes the operations in each of the Group's reportable segments:

Name	Principal Activity	Principal place of operation	Proportion of ownership interest and voting power held by the Group	
			2015	**2014**
Financial Services segment				
National Bank of Malawi	Financial Services	NBM Building, Blantyre	51.49	51.49
Telecommunications segment				
Malawi Telecommunications Limited (MTL)	Information and Communication	Lamya House, Blantyre	52.70	52.70
Telekom Networks Malawi Limited	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				
People's 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 Chayamba Building, Blantyre	100.0	100.0
Press Corporation Limited	Holding company		-	-
The Foods Company Limited	Manufacturer and distributor of food products	Mithechi Village, Mangochi	100.0	100.0
Manzinzi Limited	Investment property Associates	Monkeybay, Mangochi	100.0	100.0

In millions of Malawi Kwacha

7. OPERATING SEGMENTS (Continued)

Name	Principal Activity	Principal place of operation	Proportion of ownership interest and voting power held by the Group 2015	2014
Associates				
Carlsberg Malawi Limited	Beverage manufacturer and distributor	Makata, Blantyre	39.6	39.6
Limbe Leaf Tobacco Company Limited	Tobacco processors and merchants	Alimaunde industrial area, Lilongwe	42.0	42.0
Joint Ventures				
Puma Energy Malawi Limited	Fuel & Oil distributor	Standard bank building, Blantyre	50.0	50.0
Macsteel Malawi Limited	Steel processors	Raynor Avenue, Limbe, Blantyre	50.0	50.0
Discontinued Operations				
Press Trading (Pty) Limited	Dormant	Johanesberg	100.0	100.0
Malawi Pharmacies Limited	Dormant	Blantyre	100.0	100.0

All the Group companies are incorporated in Malawi except for Press Trading (Pty) Limited which is incorporated in South Africa.

Discontinued Operations
Some operations were discontinued as part of re-organisation and restructuring, others were discontinued after they became unprofitable. The dormant companies shown above are the ones that have been retained for future use as vehicles for new projects.

Jointly Controlled Entities
Two companies, Puma Energy Malawi Limited and Macsteel (Malawi) Limited are 50% owned by the Company and 50% owned by technical partners. 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.

Geographical segment presentation
All operations of the Group are in Malawi except for Press Trading (Proprietary) Limited, a dormant company incorporated in South Africa, and therefore geographical segment presentation has not been made.

Information about major customers
The Group revenues are earned from several range of customers none of which constitute ten percent or more of the total Group's revenues.

In millions of Malawi Kwacha

7. OPERATING SEGMENTS (Continued)

	Financial services	Telecomm-unications	Energy	Consumer goods	All other segments	Total
2015						
Revenue						
Sales	-	650	14,729	39,218	7,284	61,881
Interest income	46,748	-	-	-	467	46,748
Services	-	60,872	-	-	-	61,339
Total revenues	46,748	61,522	14,729	39,218	7,751	169,968
Inter-group revenue	(1,092)	(2,374)	-	(54)	(363)	(3,883)
Investment income dividend received from subsidiary companies	-	-	-	-	(4,949)	(4,949)
Revenue from external customers	45,656	59,148	14,729	39,164	2,439	161,136
Segment results						
Results from operating activities	18,880	12,552	3,216	(1,761)	(3,176)	29,711
Net finance (costs)/income	-	(9,467)	886	(418)	(1,229)	(10,228)
Share of profit of equity accounted investment	-	-	-		6,106	6,106
Income tax expense	(6,230)	(2,914)	(1,321)	(382)	(2,503)	(13,350)
Profit from discontinued operations	-	-	-	-	5	5
Profit for the year	12,650	171	2,781	(2,561)	(797)	12,244
Other information						
Capital additions	3,291	11,705	745	583	924	17,248
Depreciation and amortisation	1,980	6,287	335	279	135	9,016
Statement of financial position						
Assets						
Non-current assets	80,069	63,619	4,899	1,312	42,118	192,017
Current assets	204,154	14,923	8,036	6,987	2,528	236,628
Consolidated total assets	284,223	78,542	12,935	8,299	44,646	428,645
Liabilities						
Non-current liabilities	430	7,768	720	400	2,565	11,883
Current liabilities	223,037	46,502	2,977	9,255	4,583	286,354
Consolidated total liabilities	223,467	54,270	3,697	9,655	7,148	298,237

In millions of Malawi Kwacha

7. OPERATING SEGMENTS (Continued)

	Financial services	Telecomm-unications	Energy	Consumer goods	All other segments	Total
	Restated					
2014						
Revenue						
Sales	-	1,016	11,396	35,941	6,598	54,951
Interest income	40,120	-	-	-		40,120
Services	-	49,864	-	-	369	50,233
Total revenues	40,120	50,880	11,396	35,941	6,967	145,304
Inter-Group revenue	(1,587)	(2,270)	-	-	(288)	(4,145)
Investment income dividend received from subsidiary companies	-	-	-	-	(4,372)	(4,372)
Revenue from external customers	38,533	48,610	11,396	35,941	2,307	136,787
Segment results						
Results from operating activities	19,575	12,307	4,079	(1,469)	(3,586)	30,906
Net finance (costs)/income	-	(3,539)	402	41	(422)	(3,518)
Share of profit of equity accounted investment	-	-	-	-	6,802	6,802
Income tax expense	(6,137)	(2,929)	(1,517)	281	(2,274)	(12,576)
Profit from discontinued operations	-	-	-	-	6	6
Profit for the year	13,438	5,839	2,964	(1,147)	526	21,620
Other information						
Capital additions	3,628	16,453	994	660	928	22,663
Depreciation and amortisation	1,880	4,981	326	193	286	7,666
Statement of financial position						
Assets						
Non-current assets	59,806	56,613	4,353	1,505	28,585	150,862
Current assets	147,235	13,292	7,479	6,191	2,864	177,061
Consolidated total assets	207,041	69,905	11,832	7,696	31,449	327,923
Liabilities						
Non-current liabilities	2,379	10,891	766	856	4,201	19,093
Current liabilities	159,819	26,318	3,449	7,537	4,838	201,961
Consolidated total liabilities	162,198	37,209	4,215	8,393	9,039	221,054

In millions of Malawi Kwacha

8. DISCONTINUED OPERATION

	Group 2015	Group 2014
Results from discontinued operations		
Revenue	11	11
Expenses	(6)	(5)
Profit for the year net of tax	5	6
Basic earnings per share (MK)	3	1
Diluted earnings per share (MK)	3	1
Cash flows from discontinued operation		
Net cash from operating activities	9	6

9. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant furniture and equipment	Motor vehicles	Capital work in progress	Total
Group					
Cost or valuation					
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 (note 14)	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)
Surplus on revaluation	4,839	168	-	-	5,007
Balance at 31 December 2015	39,143	77,653	5,739	6,040	128,575
Balance at 1 January 2014	24,035	58,269	5,995	6,113	94,412
Additions	922	7,657	1,655	6,380	16,614
Disposals	(57)	(758)	(2,363)	-	(3,178)
Transfers between classes	1,094	4,182	-	(6,984)	(1,708)
Transfer to asset held for sale	(808)	-	-	-	(808)
Surplus on revaluation	4,588	-	-	-	4,588
Balance at 31 December 2014	29,774	69,350	5,287	5,509	109,920

In millions of Malawi Kwacha

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

Accumulated depreciation and impairment	**Land and buildings**	**Plant Furniture and Equipment**	**Motor vehicles**	**Capital work in progress**	**Total**
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
Balance at 1 January 2014	60	22,928	3,218	-	26,206
Depreciation expense	560	5,963	1,143	-	7,666
Eliminated on revaluation	(230)	-	-	-	(230)
Impairment losses recognised in profit or loss	16	315	-	-	331
Eliminated on disposal of assets	-	(732)	(1,137)	-	(1,869)
Balance at 31 December 2014	406	28,474	3,224	-	32,104
Carrying amounts					
At 31 December 2015	37,925	43,174	2,681	6,040	89,820
At 31 December 2014	29,368	40,876	2,063	5,509	77,816

Impairment losses recognised in the year

During the year, the Group carried out a review of the recoverable amount of its telecommunications equipment. These assets are used in the Group's telecommunication segment. The review led to the recognition of an impairment loss of K178 million which has been recognised in profit and loss. The impaired equipment were no longer in use as they become obsolete and no future cash flows are expected to arise from these assets. These assets were written down to zero. The impairment losses have been included in profit or loss in the Administrative expenses.

In millions of Malawi Kwacha

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land and buildings	Plant Furniture and Equipment	Motor vehicles	Total
Company				
Cost or valuation				
Balance at 1 January 2015	552	494	73	1,119
Additions	9	50	5	64
Disposals	-	(32)	(3)	(25)
Balance at 31 December 2015	561	512	75	1,148
Balance at 1 January 2014	452	458	249	1,159
Additions	15	56	25	96
Surplus on revaluation	85	-	-	85
Disposals	-	(20)	(201)	(221)
Balance at 31 December 2014	552	494	73	1,119
Accumulated depreciation and impairment				
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
Balance at 1 January 2014	-	184	101	285
Depreciation expense	-	90	31	121
Eliminated on disposal of assets	-	(24)	(108)	(132)
Balance at 31 December 2014	-	250	24	274
Carrying amounts				
At 31 December 2015	561	184	33	778
At 31 December 2014	552	244	49	845

The useful lives used in the calculation of depreciation have been disclosed in note 3.3.

Registers of land and buildings giving details required under the Companies Act 1984, Schedule 3, Section 16, 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.

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.

Certain land and buildings for Press 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 2015. 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 the banking business were fair valued as at 31 December 2015 by Knight Frank, qualified independent valuers. 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. The revalued amounts were assumed to approximate the fair values as at the acquisition date of 31 October 2015. Out of the K1,398 million total revaluation surplus, K15 million 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 K1,383 million was credited to the revaluation reserve through the statement of other comprehensive income. Valuations were carried out based on the market comparable approach that reflects recent transaction prices for similar properties in similar geographical locations.

In millions of Malawi Kwacha

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

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 based on the market comparable approach that reflects recent transaction prices for similar properties in similar geographical locations.

Revaluation of freehold land and buildings relating to the Foods Company Limited as at 31 December 2015 were performed by Samuel Nhlane BSc (Hons), MSIM, a Chartered Valuation Surveyor of SMN Property Professionals, Independent Registered Valuation Surveyor who is not related to the company. Valuations were carried out based on the market comparable approach that reflects recent transaction prices for similar properties in similar geographical locations.

Fishing vessels belonging to The Foods Company Limited, included under plant, furniture and equipment were revalued on a depreciated replacement cost basis as at 31 December 2015 by O. E. Singini MSc. (Shipping Management Tech).

Details of the Groups information about the properties fair value hierarchy as at 31 December 2015 are as follows:

	Fair value hierarchy			Fair value as at 31/12/2015
	Level 1	Level 2	Level 3	
Land and buildings	-	37,925	-	37,925

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.

10. BIOLOGICAL ASSETS

	Group	
	2015	2014
Balance at 1 January	51	48
Increase due to birth	112	145
Decrease due to sales	(65)	(54)
Increase/ (decrease) due to death and changes in fair value	42	(88)
Balance at 31 December	140	51
Non-current biological assets	2	2
Current biological assets	138	49
Balance at 31 December	140	51

As at 31 December 2015 and 2014 biological assets held for sale comprised of fish and fingerlings.

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

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

In millions of Malawi Kwacha

10. BIOLOGICAL ASSETS (Continued)

Assumptions
- Average weight per fish – Average harvest weight achieved during the year is used as basis for calculating biomass.
- Mortality – Mortality for cages is assumed at 75% (2014: 85%) and for the ponds assumed at 64% (2014: 70%) based on experience and history.
- Average selling price – Current selling price based on fish categories as per harvest records.

Details of the company's biological assets and information about fair value hierarchy as at 31 December 2015 are as follows:

	Fair value hierarchy			Fair value as at 31/12/2015
	Level 1	**Level 2**	**Level 3**	
Fish stocks	-	140	-	140

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

11. GOODWILL

	2015	2014
Opening balance	1,015	427
Acquisition through business combination	4,011	588
	5,026	1,015

Opening goodwill amounting to K1,015 million is made up of K427 million which arose in the acquisition of 50% shares in People's Trading Centre from a joint venture partner which resulted in 100% ownership in the company and K588 million which arose when Telecom Networks Malawi Limited acquired Burco Electronics Limited.

The opening 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
	1,015	1,015

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 ten-year period, and a discount rate of 31.71% per annum.

Cashflow projections during the budget period are based on the assumption that the unit will grow at a long term growth rate of 19%. The growth was determined as a product of the return to equity and their retention rate. Inflation was expected to be around 12% in the longterm with long term real GDP of 6%. The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

In millions of Malawi Kwacha

11. 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 23% per annum.

Cashflow projections during the budget period are based on the assumption that the unit will grow at 20% in the first budget year and thereafter in the long term the growth rate of 10% is expected. 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 recoverable amount is based would not cause aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Goodwill acquired during the year

On 31 October 2015, one of the Group's subsidiaries National Bank of Malawi acquired 97.05% of the issued equity of Indebank Limited. The purchase consideration was K6,590 million. The goodwill arising on acquisition of K4,011 million (refer to note 14) has been provisionally recorded as at 31 December 2015. In accordance with IAS 36 Impairment of Assets paragraph 84, the purchase price allocation valuation exercise will be carried out in 2016 and disclosed in the 2016 financial statements. The goodwill balance has not been allocated to cash generating units as at the reporting date as some transitional and operational issues are yet to be finalised.

12. INTANGIBLE ASSETS

	Computer software	Capitalised development costs	Work in progress	Patents and trade marks	Total
Group					
Cost					
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 9)	429	-	-	-	429
Disposal during the year	(163)	-	-	-	(163)
Acquisition through business combination (note 14)	251	-	-	-	251
Addittions from internal developments	-	90	-	-	90
Addittions from separate acquisitions	1,580	-	1,091	-	2,671
Balance at 31 December 2015	13,908	585	2,163	1,648	18,304

In millions of Malawi Kwacha

12. INTANGIBLE ASSETS (Continued)

	Computer software	Capitalised development costs	Work in progress	Patents and trade marks	Total
Group					
2014					
Balance at 1 January 2014	5,706	326	1,835	-	7,867
Transfer from PPE (note 9)	1,708	-	-	-	1,708
Addittions from internal developments	-	-	169	-	169
Addittions from separate acquisitions	2,806	-	828	1,648	5,282
Balance at 31 December 2014	10,220	326	2,832	1,648	15,026
Accumulated amortisation and impairment					
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
2014					
Balance at 1 January 2014	1,929	240	-	-	2,169
Amortisation expense	852	82	-	69	1,003
Balance at 31 December 2014	2,781	322	-	69	3,172
Carrying amounts					
At 31 December 2015	9,579	262	2,163	1,414	13,418
At 31 December 2014	7,439	4	2,832	1,579	11,854

Development costs are all internally generated.

Included in 2014 work in progress is internally generated development cost amounting to MK169 million. These have been capitalised in the current year. There are no internally generated costs in work in progress at the end of 2015.

The useful lives used in the calculation of amortisation have been disclosed in note 3.4.

In millions of Malawi Kwacha

12. INTANGIBLE ASSETS (Continued)

	2015 Computer software	2015 work in progress	2015 Total	2014 Computer software	2014 work in progress	2014 Total
Company						
Cost						
Balance at 1 January	408	49	457	408	129	537
Disposal during the year	(163)	-	(163)	-	(80)	(80)
Addittions from separate acquisitions	-	22	22	-	-	-
Balance at 31 December	245	71	316	408	49	457
Accumulated amortisation and impairment						
Balance at 1 January	63	-	63	35	-	35
Disposal during the year	(7)		(7)	-	-	-
Amortisation charge for the year	-	-	-	28	-	28
Balance at 31 December	56	-	56	63	-	63
Carrying amounts	189	71	260	345	49	394

The useful lives used in the calculation of amortisation have been disclosed in note 3.4.

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.

In millions of Malawi Kwacha

13. INVESTMENT PROPERTIES

	Freehold land and buildings	Leasehold land and buildings	Undeveloped freehold land	Undeveloped leasehold land	Total
Group					
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
Balance at 1 January 2014	1,455	1,343	297	1	3,096
Additions during the year	10	-	-	-	10
Disposals	(26)	(100)	(6)	-	(132)
Surplus on revaluation	155	141	-	-	296
Balance at 31 December 2014	1,594	1,384	291	1	3,270

The Group's Investment properties are stated at their revalued amounts being the fair value at the date of revaluation. The fair value measurements of the Group's Investment properties were performed by qualified valuers as detailed below. There has been no change in the valuation technique this year.

Investment properties relating to Press 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 2015. Valuations were carried out based on the market comparable approach that reflects recent transaction prices for similar properties in similar geographical locations.

Registers of land and buildings giving details required under the Companies Act 1984, Schedule 3, Section 16, 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.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2015 are as follow:

	Level 1	Level 2	Level 3	Fair value as at 31/12/2015
Investment properties	-	4,783	-	4,783

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

14 INVESTMENTS IN SUBSIDIARIES

	Company 2015	2014
Balance at 1 January	102,912	86,849
Acquisitions	-	4,631
Increase in fair value and other additions	9,988	11,432
Balance at 31 December	112,900	102,912

In millions of Malawi Kwacha

14. INVESTMENT IN SUBSIDIARIES (Continued)

The investments are analysed as follows:

	2015 Fair Value/cost PCL share	Dividend received	2014 Fair Value/cost PCL share	Dividend received
National Bank of Malawi	62,034	3,179	57,946	2,777
Press Properties Limited	3,638	-	3,450	-
Manzinzi Bay Limited	2	-	2	-
The Foods Company Limited	1,115	-	1,856	-
Ethanol Company Limited	7,302	526	8,518	466
Presscane Limited	5,632	-	4,536	-
Malawi Telecommunications Limited	2,989	-	5,281	-
Telecom Networks Malawi Limited	24,886	1,244	16,964	979
Peoples Trading Centre Limited	5,283	-	4,340	150
Press Trading (Proprietary) Limited	19	-	19	-
	112,900	4,949	102,912	4,372

Investments in subsidiaries were valued by National Bank Capital Markets Limited on behalf of the Directors as at 31st December 2015 (2014: National Bank Capital Markets Limited). Maintenable earnings valuation method was used for unlisted investments except for Press Properties Limited, the Foods Company Limited and Malawi Telecommunications Limited which were valued using net assets valuation method. 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.

Sub-subsidiary acquired during the year

During the year, one of the Groups' subsidiary National Bank of Malawi acquired Indebank Limited as a growth strategy for the bank. Indebank will strengthen Small and Medium Enterprise business and offer special packages to start ups, project and development finance. The consideration transferred to materialize the acquisition was cash.

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

In millions of Malawi Kwacha

14. INVESTMENT IN SUBSIDIARIES (Continued)

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

Non-Controlling Interest (NCI)

The non-controlling interest of 2.95% (ESOP) recognized at the acquisition date was by reference to the net asset value of the NCI amounting to K943 million.

Goodwill arising on acquisition

Consideration transferred	6,590
Non-controlling interest	943
Less: Fair value of identifiable net assets acquired	(3,522)
Goodwill arising on acquisition (note 11)	4,011

Net cash outflow on acquisition of subsidiary

Consideration paid in cash	6,590
Less: cash and cash equivalent balances acquired	(6,015)
Net cash outflow	575

Impact of acquisition on the results of the Group

Included in the profit for the year is a loss of K232 million attributable to the additional business generated by Indebank Limited. Revenue for the year includes K701 million in respect of Indebank Limited.

Had business combination been affected at 1 January 2015, the total income for the Group from continuing operations would have been increased by K4,200 million.

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.

In millions of Malawi Kwacha

14. INVESTMENT IN SUBSIDIARIES (Continued)

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

	NBM		TNM		MTL		Ethanol		Presscane	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Non-current assets	80,660	61,240	36,136	29,814	27,056	26,800	2,344	2,400	2,556	1,953
Current assets	227,887	166,694	10,128	9,793	5,294	4,316	3,947	3,905	8,087	7,034
Total assets	308,547	227,934	6,264	39,607	32,350	31,116	6,291	6,305	10,643	8,987
Non-current liabilities	430	2,379	7,445	2,538	571	9,313	521	502	199	274
Current liabilities	253,311	181,274	23,168	23,819	25,642	12,355	1,193	1,600	1,786	1,880
Total liabilities	253,741	183,653	30,613	26,357	26,213	21,668	1,714	2,102	1,985	2,154
Revenue	46,748	40,120	50,097	40,517	11,425	10,361	5,932	4,961	8,797	6,435
Profit/(loss) after tax	13,386	14,558	5,414	5,243	(6,367)	945	1,222	1,377	1,849	1,942
Other comprehensive income	2,423	2,952	-	-	3,153	1,930	-	(26)	-	-
Total comprehensive income	15,809	17,510	5,414	5,243	(3,214)	2,875	1,222	1,351	1,849	1,942
Dividends declared	6,187	5,393	3,012	1,908	-	-	790	700	-	-
Non-controlling interest share	48.51%	48.51%	58.70%	58.7%	47.30%	47.3%	34.00%	34.00%	49.90%	49.90%
Dividends paid to non-controlling interests	3,001	2,616	1,768	929	-	-	269	234	-	-
Equity attributable to owners of the company	28,220	22,800	6,464	5,855	3,234	5,461	3,021	2,775	4,338	3,423
Non-controlling interest	26,586	21,480	9,187	8,321	2,903	4,901	1,556	1,429	4,320	3,410
Profit attributable to owners of the company	6,892	7,496	2,236	2,165	(3,355)	498	807	909	926	973
Profit/ (loss) attributable to non-controlling interest	6,494	7,062	3,178	3,078	(3,012)	447	415	468	923	969
Net cash flows from operating activities	53,277	31,101	4,980	15,001	497	(632)	806	1,313	(730)	1,109
Net cash flows from investing activities	(43,541)	(11,381)	(10,686)	(12,769)	174	2,890	216	(269)	501	250
Net cash flows from financing activities	(8,204)	(9,560)	2,020	1,485	(843)	(3,057)	(790)	(718)	-	-
Net cash inflow/outflow	1,532	10,160	(3,686)	3,717	(172)	(799)	232	326	(229)	1,359

In millions of Malawi Kwacha

15. INVESTMENTS IN JOINT VENTURES

	Group		Company	
	2015	**2014**	**2015**	**2014**
a) Investment at the year end				
Puma Energy Malawi Limited	1,304	1,123	15,650	8,304
Macsteel Limited	460	423	1,127	759
Total	1,764	1,546	16,777	9,063
b) Movement during the year				
At beginning of the year	1,546	1,212	9,063	8,074
Increase in fair value recognised in other comprehensive income	-	-	7,714	989
Share of profits	1,241	1,657	-	-
Dividends	(1,023)	(1,323)	-	-
At end of the year	1,764	1,546	16,777	9,063

Investments in joint ventures were valued by National Bank of Malawi Capital Markets Limited (2014: National Bank of Malawi Capital Markets Limited) on behalf of the Directors at 31 December 2015. Puma Energy Malawi Limited was valued using maintainable earnings model whereas Macsteel was valued using discounted cash flow method in the separate financial statements of the company.

Summarised below is the financial information of joint ventures as at 31 December 2015 and for the year then ended:

Group	Puma		Macsteel	
	2015	**2014**	**2015**	**2014**
Non –current assets	6,635	6,643	1,433	1,073
Current assets	7,184	6,177	1,991	2,301
Total Assets	13,819	12,820	3,424	3,374
Non-current liabilities	371	532	379	274
Current liabilities	10,840	10,042	2,125	2,254
Total liabilities	11,211	10,574	2,504	2,528
Revenue	82,348	85,639	4,976	4,181
Profit from continuing operations	2,361	3,100	120	95
Total comprehensive income	2,361	3,100	120	95
Cash and cash equivalents	2,134	377	(355)	(244)
Current financial liabilities	10,450	9,687	2,045	2,133
Depreciation and amortisation	(957)	(864)	(51)	(36)
Interest income	244	56	-	1
Interest expenses	-	(2)	(89)	(138)
Foreign exchange loss	(525)	(396)	(109)	-
Income tax expenses	(1,075)	(1,333)	(44)	(48)
Dividends received from the joint ventures during the year	1,000	1,275	23	48

In millions of Malawi Kwacha

15. INVESTMENTS IN JOINT VENTURES (Continued)

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

	Puma		Macsteel	
	2015	**2014**	**2015**	**2014**
Group				
Net assets of the joint venture	2,608	2,246	1,433	1,079
Proportion of the Group's ownership interest in the joint venture	50%	50%	2,557	2,655
Carrying amount of the Group's interest in the joint venture	1,304	1,123	460	423

16. INVESTMENT IN ASSOCIATES

		Group		Company	
		2015	**2014** Restated	**2015**	**2014**
a)	***Investment at the year end***				
	Limbe Leaf Tobacco Company (LLTC)	25,599	13,094	15,957	15,583
	Carlsberg Malawi Limited	5,472	4,988	6,344	7,688
	Total	31,071	18,082	22,301	23,271
b)	***Movement during the year***				
	At beginning of the year as previously stated	18,596	12,710	23,271	19,010
	Prior year adjustment	(514)	-	-	-
	At beginning of the year as restated	18,082	12,710	23,271	19,010
	Share of comprehensive income	13,682	6,545	-	-
	Dividend	(693)	(1,173)	-	-
	Increase in fair value recognised in other comprehensive income	-	-	(970)	4,261
	At end of the year	31,071	18,082	22,301	23,271

Investments in associates were valued by National Bank of Malawi Capital Markets Limited, on behalf of the directors as at 31 December 2015 (2014: National Bank of Malawi Capital Markets Limited) in the company financial statements.

However, at Group level, these were accounted for using the equity method.

During the year, the Group changed its policy in relation to depreciation of bottles and crates. According to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', any effect of such change need to be accounted for restrospectively as such comparative figures have been restated to reflect this change. The restatement has led to the decrease in investment in associates as at 31 December 2014 and the share of profit from associates for the year 2014.

In millions of Malawi Kwacha

16. INVESTMENT IN ASSOCIATES (Continued)

Summarised below is the financial information of the associates as at 31 December 2015 and for the year then ended:

	LLTC		CARLSBERG MALAWI LTD	
	2015	**2014**	**2015**	**2014** Restated
Non-current assets	42,658	23,915	19,352	18,216
Current assets	68,563	29,753	21,818	20,701
Total assets	111,221	53,668	41,170	38,917
Non-current liabilities	12,553	11,205	2,491	2,674
Current liabilities	37,704	11,279	24,878	23,663
Total liabilities	50,257	22,484	27,369	26,337
Revenue	75,174	80,236	49,528	49,749
Profit from continuing operations	6,095	4,843	1,219	3,837
Cash and cash equivalents	1,348	1,028	3,356	4,421
Non-current financial liabilities	10,017	9,340	182	426
Current financial liabilities	35,935	6,907	21,422	19,436

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

Net assets of the associate	60,964	31,184	13,801	12,580
Proportion of the Group's ownership interest in the joint venture	41.99%	41.99%	39.65%	39.65%
Carrying amount of the Group's interest in the associate	25,599	13,094	5,472	4,988

In millions of Malawi Kwacha

17. LOANS AND ADVANCES TO CUSTOMERS

	Group	
	2015	**2014**
Gross loans and advances to customers at amortised cost	105,236	67,996
Allowance for impairment losses	(1,638)	(1,703)
Net loans and advances	103,598	66,293
Gross loans and advances are due to mature as follows:		
- Within three months	23,185	11,547
- Between three months and one year	50,245	31,762
- After one year	31,806	24,687
	105,236	67,996
Net loans are split into:		
Long term loans	33,063	24,687
Short term loans	70,535	41,606
	103,598	66,293
Movement of allowance for impairment losses		
At the beginning of the year	1,703	1,339
Charged during the year	3,464	1,976
Written off during the year	(1,965)	(1,302)
Recovered during the year	(1,564)	(310)
Balance at the end of the year	1,638	1,703
Analysis of gross loans and advances by sector:		
- Wholesale and retail	30,395	18,097
- Others	5,169	1,590
- Personal accounts	14,484	11,239
- Agriculture	22,042	16,335
- Manufacturing	29,778	20,235
- Finance and insurance	3,368	500
	105,236	67,996
Provision for impairment of interest from impaired loans and advances	(933)	(976)
	104,303	67,020
Movement of provision for impairment of interest from impaired loans and advances		
At the beginning of the year	976	537
Applied against advances	(2,725)	(1,404)
Suspended during the year	2,702	2,062
Recovered during the year	(20)	(219)
At the end of the year	933	976
Analysis of recoveries		
Specific provisions	1,564	309
Interest in suspense	20	219
Debts previously written off	1,397	816
Transferred to profit or loss	2,981	1,344
Analysis of gross loans by currency		
Malawi Kwacha denominated	64,935	45,136
United States dollar denominated	40,301	22,860
	105,236	67,996

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 6.1 above).

In millions of Malawi Kwacha

18 FINANCE LEASE RECEIVABLES

	Group	
	2015	2014
Current finance lease receivable	712	474
Non-current finance lease receivable	7,439	6,849
	8,151	7,323

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	2015	2014
Not later than one year	857	519	712	474
Later than one year and not later than five years	11,085	10,880	7,439	6,849
	11,942	11,399	8,151	7,323
Less; unearned finance income	(3,743)	(3,948)	n/a	n/a
Present value of minimum lease payments receivable	8,199	7,451	8,151	7,323
Allowance for uncollectible lease payments	(48)	(128)	-	-
	8,151	7,323	8,151	7,323

The base lending rate for Group's banking subsidiary as at 31 December 2015 was 34% (2014: 40%) and the US Dollar denominated loans were granted at an average interest rate of 8.97% (2014: 9.0%). The finance lease receivables are secured by the leased assets.

The Group's credit risk is primarily attributed to overdraft and other loan facilities extended to its customers. The amounts presented in the statement of financial position are net of provisions for impairment allowances as shown above. The specific allowance for impairment represents allowances for estimated irrecoverable amounts when there is objective evidence that the asset is impaired.

19. LOANS RECEIVABLES FROM GROUP COMPANIES

	Company	
	2015	2014
Malawi Telecommunications Limited	-	4
	-	4
Summary of inter-company loans		
Movement during the year was as follows:		
Balance at 1 January	4	5
Provision for impairment	(4)	(1)
Balance at 31 December	-	4

The loans are unsecured and were payable within a year. The loan has been fully provided at the end of the year.

In millions of Malawi Kwacha

20 OTHER INVESTMENTS

	Group 2015	Group 2014	Company 2015	Company 2014
Total other investments are due to mature as follows:				
i) Long term investments				
- Non – maturing investments	942	653	-	-
- Between one year and five years	591	756	-	-
	1,533	1,409	-	-
ii) Current investments				
- Between three months and one year	18,302	13,602	-	-
- Within three months	56,223	26,319	-	-
	74,525	39,921	-	-
Total other investments	76,058	41,330	-	-
Movement				
Opening balance	41,330	34,011	-	-
Additions	43,638	23,254	-	-
Disposals	(11,640)	(15,935)	-	-
Other movements	2,730	-	-	-
Closing balance	76,058	41,330	-	-
Comprises of the following:				
Government of Malawi Bills and Reserve Bank of Malawi bonds	29,409	23,523		-
Money market deposits	40,023	7,933		-
Government of Malawi promissory note	2,285	6,349		-
Other	4,341	3,525		-
Total investments	76,058	41,330		-

a) Government of Malawi bills and Reserve Bank of Malawi bonds

	Average interest rate 2015	Average interest rate 2014	Group 2015	Group 2014
Government of Malawi Treasury Bills	23.3%	21.0%	28,827	22,209
Reserve Bank of Malawi bonds	9.7%	9.7%	582	1,314
			29,409	23,523
The bills are due to mature as follows:				
- Within three months			11,101	9,351
- Between three months and one year			18,073	13,602
- Over one year			235	570
			29,409	23,523

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

b) Money market deposits

Balances with discount houses	25%	26.8%	40,023	7,933
			40,023	7,933

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 25% (2014: 24%).

In millions of Malawi Kwacha

20 OTHER INVESTMENTS (Continued)

		Interest rate		Group	
		2015	2014	2015	2014
c)	**Government promissory notes**				
	Government promissory notes	91 day treasury bill rate plus 2%	91 day treasury bill rate plus 2%	2,285	6,349
	The stocks are due to mature as follows:				
	- Within three months			93	-
	- Between three months and one year			2,192	2,116
	- Between one and five years			-	4,233
				2,285	6,349

In February 2013, the Government of Malawi issued promissory notes to settle its exposure and several other Government Guaranteed loans, including interest. The total exposure of National Bank of Malawi to these Government Guarantee loans as at 1 February 2013 was K16.9 billion. The Bank accepted the promissory notes to settle the Government Guaranteed loans effective 1 February 2013. The Bank sold off the certificate maturing in 2017 representing 25% of the whole investment. This meant that the whole portfolio has been designated as an available for sale asset. The remaining promissory notes are in blocks with the longest certificate maturing in 2016. The face value of the closing book was K2,285million (2014:K6,349 million). The investment has been presented at fair value. The fair value has been determined by computing the net present value of the future cash flows using the effective interest rate method. This fair value presentation resulted in a K191 million decrease (2014: K203 million increase) in value when compared with the face value. The loss has been recognised in other comprehensive income. The cumulative fair value increase is K11 million.

The notes attract interest at the rate of the earliest 91 day Treasury bill yield during each quarter plus 2%. Interest of K1,291 million (2014: K2,116 million) has been recognised in the statement of comprehensive income.

Government promissory notes are denominated in Malawi Kwacha.

During the year, the bank acquired another promissory note from the market at a cost of K71 million. The note has a nominal value of K96 million and its maturity date is 18 February 2016.

The financial assets are held to maturity, available for sale financial assets and loans carried at amortised cost.

21. DEFERRED TAX ASSETS/(LIABILITIES)

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
Group						
Property, plant and equipment	1,455	228	(2,222)	(1,614)	(767)	(1,386)
Investment properties	-	-	(772)	(759)	(772)	(759)
Provisions	578	646	138	199	716	845
Un-realised exchange differences	2,517	3,112	1,101	454	3,618	3,566
Tax value of loss carried forward	(452)	346	22	22	(430)	368
Tax assets/(liabilities)	4,098	4,332	(1,733)	(1,698)	2,365	2,634
Company						
Property and investments in subsidiaries and associates	-	-	(28,313)	(21,680)	(28,313)	(21,680)

In millions of Malawi Kwacha

21. DEFERRED TAX ASSETS/(LIABILITIES) (Continued)

Movement of net deferred tax asset/(liabilities) is as follows:-

	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Acquired on business combination	Occured during reorganisation	Closing balance
Group						
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
2014						
Property, plant and equipment	(657)	623	753	-	(2,105)	(1,386)
Investment properties	(741)	(18)	-	-	-	(759)
Provisions	442	246	-	-	157	845
Other items	2,400	(1,479)	-	-	2,645	3,566
Tax value or loss carried forward	23	345	-	-	-	368
Total liabilities	1,467	(283)	753	-	697	2,634

Company
Movement of net deferred tax liabilities is as follows:-

	Opening balance	Recognised in other comprehensive income	Closing Balance
2015			
Investment in subsidiaries and associates	(21,628)	(6,633)	(28,261)
Property	(52)	-	(52)
	(21,680)	(6,633)	(28,313)
2014			
Investment in subsidiaries and associates	(23,924)	2,296	(21,628)
Property	(52)	-	(52)
	(23,976)	2,296	(21,680)

Unrecognised deferred tax assets

The following deferred tax assets have not been recognised in the financial statements:

	Group		Company	
	2015	2014	2015	2014
Un-recognised deferred tax asset	10,352	4,369	5,204	2,818
Related Tax losses	34,892	15,825	17,340	9,395

Deferred tax assets have not been recognised in respect of these tax losses because it is not probable that future taxable profit will be available against which the concerned company can utilise the benefits there from. Tax losses expire after 6 years. These losses relate to Press Corporation Limited Company, Malawi Telecommunications Limited, Peoples Trading Centre and The Foods Company Limited.

In millions of Malawi Kwacha

22. INVENTORIES

	Group		Company	
	2015	**2014**	**2015**	**2014**
Finished goods	7,875	7,357	8	8
Raw materials and consumables	2,035	2,545	9	5
Work in progress	68	105	-	-
Goods in transit	187	6	-	-
	10,165	10,013	17	13

Inventory of K1 billion (2014: K1.1 billion) has been written off in profit and loss during the year.

The cost of inventories recognised as an expense includes K112 million (2014: K165 million) in respect of write-downs of inventory to net realisable value. There were no reversal of such write-downs and all inventories are expected to be recovered within twelve months.

23. TRADE AND OTHER RECEIVABLES FROM GROUP COMPANIES

Amounts due from related party companies				
Press Properties Limited	-	-	92	29
Malawi Telecommunications Limited	-	-	106	104
Telecom Networks Malawi	-	-	415	291
Peoples Trading Centre	-	-	199	22
Ethanol Company Limited	-	-	-	5
The foods company	-	-	415	-
Other	-	-	97	10
	-	-	1,324	461

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

24. TRADE AND OTHER RECEIVABLES (OTHER)

	Group			Company	
	2015	**2014**	**2013**	**2015**	**2014**
		Restated	Restated		
Trade receivables	10,362	7,507	5,640	30	431
Prepayments	2,169	1,830	1,195	39	30
Letters of credit	557	802	426	-	-
Other receivables	7,354	8,450	4,782	3	44
	20,442	18,589	12,043	72	505
Provision for doubtful debts	(814)	(861)	(516)	-	(40)
	19,628	17,728	11,527	72	465

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.

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

Before accepting any new customers, the Group performs an internal assessement of the potential customers credit quality and defines credit limits by customer.

In millions of Malawi Kwacha

24. TRADE AND OTHER RECEIVABLES (OTHER) (Continued)

Trade receivables disclosed above include amounts (see below for aged analysis) 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.

Age of trade receivables that are past due but not impaired

	Group	
	2015	**2014**
30 -120 days	3,052	888
Over 120 days	442	528
	3,494	1,416

Movement in the allowance for doubtful debts

	2015	2014
Balance at beginning of the year	861	516
Impairment (reversal)/charge recognised in the year	(12)	370
Provision previously recognised in statement of comprehensive income written off	(35)	(25)
Balance at end of the year	814	861

Prior year adjustment – letter of credits

The Banking business of the Group offers two types of letters of credit (LCs) to customers: Cash upfront LCs and LCs without cash upfront. Over the years the Bank has been carrying both types of LCs on the balance sheet as other assets and other liabilities. This was an error as in accordance with IAS37 *Provisions, Contingent Liabilites and Contingent Assets,* the LCs without cash upfront are contingent liabilities and should be disclosed off balance sheet. The error has been accounted for restrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.* As a result comparative figures have been restated. The restatement has resulted in a decrease of trade and other receivables in 2014 and 2013 by K17.4 billion and K9.9 billion. There has been no impact on equity for both years. A reconciliation for the restatement is shown below:

	2014	**2013**
Letters of credit as previously stated	18,193	10,286
Reclassified as contingent asset	(17,391)	(9,860)
Letters of credit as re-stated	802	426

25. ASSET CLASSIFIED AS HELD FOR SALE

	Group	
	2015	**2014**
Property		
At the beginning of the period	1,008	200
Disposed during the period	(195)	-
Reclassified from investment property	131	-
Reclassified from PPE	-	808
	944	1,008

In millions of Malawi Kwacha

26. INCOME TAX RECOVERABLE

	Group		Company	
	2015	**2014**	**2015**	**2014**
Opening balance	410	342	66	40
Current credit	21	26	-	26
Cash paid (received)	88	42	20	-
Tax transfer	(162)	-	-	-
Total income tax recoverable	357	410	86	66

27. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	**2014**	**2015**	**2014**
Reserve Bank of Malawi	18,160	20,457	-	-
Bank balances	1,558	373	58	26
Placement with other banks	26,425	27,395	-	-
Call deposits	2,836	6,835	14	81
Cash on hand	10,645	10,792	-	-
Cash and cash equivalents	59,624	65,852	72	107
Bank overdrafts	(8,662)	(4,259)	(680)	(340)
Cash and cash equivalents as shown in the statement of cash flows	50,962	61,593	(608)	(233)

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.

The Company has banking facilities of K1.1 billion with Ecobank (2014: Nil) and K400 million with FMB Bank (2014:K400 million) both due for renewal on 30 November 2016. These are unsecured facilities.

28. SHARE CAPITAL

	Group and Company	
	2015	**2014**
Authorised ordinary share capital		
- Number (millions)	2,500	2,500
- Nominal value per share (K)	0.01	0.01
- Nominal value (K million)	25	25
Issued and fully paid		
- Number (millions)	1	1
- Nominal value (K million)	1	1

In millions of Malawi Kwacha

29. OTHER RESERVES – EXCLUDING NON-CONTROLLING INTERESTS

	Revaluation reserve	Translation reserve	Loan loss reserve	Other	Total
Group					
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
Group					
2014					
Balance at beginning of the year	14,508	3,953	-	116	18,577
Revaluation of property	2,191	-	-	-	2,191
Transfer to loan loss reserve	-	-	1,077	-	1,077
Depreciation Transfer land and buildings	(49)	-	-	-	(49)
Net change in fair value of available for sale financial asset	-	-	-	10	10
Net reserve movement on THL deregistration	1,475	-	-	3,940	5,415
Share of equity accounted investments translation reserves	-	2,990	-	-	2,990
Income tax on other comprehensive income	385	-	-	-	385
Balance at 31 December 2014	18,510	6,943	1,077	4,066	30,596
Company					
2015					
Balance at 1 January 2015	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
2014					
Balance at 1 January 2014	81,875	110	-	-	81,985
Fair value gain on investments	16,683	-	-	-	16,683
Revaluation of property plant and equipment	84	-	-	-	84
Deferred tax on revaluation	2, 296	-	-	-	2,296
Balance at 31 December 2014	100,938	110	-	-	101,048

In millions of Malawi Kwacha

29. OTHER RESERVES – EXCLUDING NON-CONTROLLING INTERESTS (Continued)

Revaluation reserve
For Group, the revaluation reserve relates to 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
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Loan loss reserve
This relates to 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 and capital profits.

30. LOANS AND BORROWINGS

	Secured	Unsecured	Total
Group			
2015			
Terms and debt repayment schedules			
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
2014			
Terms and debt repayment schedules			
More than 5 years	-	39	39
Due between 1 and 5 years	12,353	5,003	17,356
	12,353	5,042	17,395
Due within 1 year or less	5,562	8,538	14,100
	17,915	13,580	31,495
Company			
2015			
Terms and debt repayment schedules			
Due between 1 and 5 years	1,050	-	1,050
Due within 1 year or less	1,878	-	1,878
	2,928	-	2,928
2014			
Terms and debt repayment schedules			
Due between 1 and 5 years	2,804	-	2,804
Due within 1 year or less	1,878	-	1,878
	4,682	-	4,682

In millions of Malawi Kwacha

30. LOANS AND BORROWINGS (Continued)

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

In millions of Malawi Kwacha

30. LOANS AND BORROWINGS (Continued)

	At 01/01/14	Drawdowns	Repayments	Exchange fluctuations	Interest accrual	At 31/12/14
Group						
Movement in borrowings						
Local borrowings						
Belgium Government	92	-	-	-	5	97
CDH Bank Limited	164	-	(164)	-	-	-
DANIDA loan	665	-	-	-	20	685
FDH Bank Limited	46		(46)	-	-	-
FDH Bank Limited	-	714	(36)	-	-	678
FDH Bank Limited	28	-	(28)	-	-	-
FMB – MWK Loan	28	-	(28)	-	-	-
FMB – USD	157	-	(145)	(12)	-	-
FMB – EIB	471	-	(264)	16	-	223
FMB – USD Loan	440	-	(407)	(33)	-	-
Kuwait Development Fund	971	-	-	-	77	1,048
Malawi Government	2	-	-	-	1	3
NBS Bank Limited	18	-	(18)	-	-	-
NBS Bank Limited	8	-	(8)	-	-	-
NBM commercial paper	-	1,200	-	-	-	1,200
Press Corp MTN coupon loan	-	4,629	-	-	-	4,629
NBS Bank Limited	-					
NORDIC Development Fund	903	-	-	-	63	966
Leasing and Finance Company	-	180	-	-	-	180
Leasing and Finance Company	7		(7)			
Standard Bank Led syndicated Loan	2,713	-	(1,174)	-	-	1,539
Standard Bank – MWK Loan	80	-	(27)	-	-	53
Standard Bank – MWK Loan	448	-	(448)	-	-	-
Total local borrowings	7,241	6,723	(2,800)	(29)	166	11,301
Foreign borrowings						
Development Bank of South Africa	487	-	(487)	-	-	-
Libyan Government	144	-	-	15	-	159
ZTE Vendor financing	2,319	681	(1,757)	(163)	21	1,101
Huawei deferred payment	-	4,250	-	386	-	4,636
Netherlands FMO	8,348	-	(2,797)	-	31	5,582
PTA Bank	8,803	-	(879)	792	-	8,716
Total foreign borrowings	20,101	4,931	(5,920)	1,030	52	20,194
Total borrowings	27,342	11,654	(8,720)	1,001	218	31,495
Company						
NBS Bank Limited	8	-	(8)	-	-	-
MTN coupon	-	4,629	-	-	-	4,629
Standard Bank of Malawi Limited	80	-	(27)	-	-	53
Total local borrowings	88	4,629	(35)	-	-	4,682
Foreign borrowings						
Development Bank of South Africa	487	-	(487)	-	-	-
Total borrowings	**575**	**4,629**	**(522)**	**-**	**-**	**4,682**

In millions of Malawi Kwacha

30. LOANS AND BORROWINGS (Continued)

	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
Loans analysis									
Group - 2015									
Lender's name									
Belgium Government	Malawi Kwacha	8	½ yearly	Government	2003	2020	80	22	-
Commercial debt	Malawi Kwacha	364TB+4%	Quarterly	None	2015	2019	-	-	5,000
DANIDA loan	Malawi Kwacha	4	½ yearly	Government	2004	2020	521	184	-
FDH Bank Limited	Malawi Kwacha	38	Monthly	Board resolution	2014	2018	333	343	-
Kuwait Development Fund	Malawi Kwacha	15	½ yearly	Government	2003	2017	1,071	54	-
Malawi Government	Malawi Kwacha	3	½ yearly	None			-	209	-
Reserve Bank of Malawi	Malawi Kwacha	10	½ yearly	None			-	3	-
NBM commercial paper	Malawi Kwacha	364TB+4%	Quarterly	PCL shares	2015	2017	400	400	-
Press Corp MTN coupon loan	Malawi Kwacha	364TB+4%	Quarterly	TNM shares	2015	2017	1,852	1,050	-
NORDIC Development Fund	Malawi Kwacha	15	½ yearly	Government	2003	2018	966	63	-
Syndicated loan – NBM capital	Malawi Kwacha	364TB+4%	Quarterly	PCL Guarantee	2015	2020	84	315	-
Standard Bank led Syndicated loan	Malawi Kwacha	35	Annually	Debenture	2012	2016	278	-	-
Standard Bank – MWK Loan	Malawi Kwacha	35	Quarterly	Related asset	2010	2016	26	-	-
Libyan Government	US Dollars	-	-	Dividend offset	-	-	216	-	-
ZTE Vendor financing	US Dollars	9	½ yearly	Asset financed	2012	2015	1,071	-	-
Huawei deferred payment	US Dollars	7%	Quarterly	None	2015	2021	4,510	-	2,507
Netherlands FMO	US Dollar	9	½ Yearly	None	2012	2016	3,340	-	-
PTA Bank	US Dollars	8	Quarterly	Debenture	2009	2016	11,543	-	-
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

30. LOANS AND BORROWINGS (Continued)

	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
Loans analysis									
Group - 2014									
Lender's name									
Belgium Government	Malawi Kwacha	8	½ yearly	Government	2003	2020	71	22	4
DANIDA loan	Malawi Kwacha	4	½ yearly	Government	2004	2020	466	184	35
FDH Bank Limited	Malawi Kwacha	38	Monthly	Board resolution	2014	2018	124	554	-
FMB – USD Loan	US Dollars	10	Monthly	None	2011	2015	223	-	-
Kuwait Development Fund	Malawi Kwacha	15	½ yearly	Government	2003	2017	953	95	-
Malawi Government	Malawi Kwacha	8.5	½ yearly	None	1999	2014	3	-	-
NBM commercial paper	Malawi Kwacha	364TB+4%	Quarterly	PCL shares	2015	2017	400	800	-
Press Corp MTN coupon loan	Malawi Kwacha	364TB+4%	Quarterly	TNM shares	2015	2017	1,852	2,777	-
NORDIC Development Fund	Malawi Kwacha	15	½ yearly	Government	2003	2018	872	94	-
Leasing and Finance Company	Malawi Kwacha	35%	One off	None	2015	2015	180	-	-
Standard Bank – MWK Loan	Malawi Kwacha	35	Annually	Debenture	2012	2016	1,261	278	-
Standard Bank – MWK Loan	Malawi Kwacha	34	Quarterly	Related asset	2010	2016	26	27	-
Libyan Government	US Dollars	-	-	Dividend offset	-	-	159	-	-
ZTE Vendor financing	US Dollars	9	½ yearly	Asset financed	2012	2015	316	786	-
Huawei deferred payment	US Dollars	7%	Quarterly	None	2015	2016	2,408	2,228	-
Netherlands FMO	US Dollar	9	½ Yearly	None	2012	2016	3,202	2,379	-
PTA Bank	US Dollars	8	Quarterly	Debenture	2009	2018	1,584	7,132	-
Total							14,100	17,356	39
Company - 2014									
Standard Bank of Malawi Limited	Malawi Kwacha	34	Quarterly	Related asset	2010	2016	26	27	-
Press Corp MTN coupon loan	Malawi Kwacha	364TB+4%	Quarterly	TNM shares	2015	2017	1,852	2,777	-
Total							1,878	2,804	-

In millions of Malawi Kwacha

30. LOANS AND BORROWINGS (Continued)

a) Government of Malawi Guaranteed Loans

The Government of Malawi borrowed funds from Denmark, Nordic Development Fund, Kuwait Fund for Arab Economic Development and Belgium Government to finance the development of telecommunications services in terms of bilateral agreements, which were on lent to the Group. The Group is responsible for servicing the loans, through the Government of Malawi. These loans are guaranteed by the Government of Malawi.

In June 2006, the Group agreed with the Government of Malawi to convert to Malawi Kwacha the loans on lent to the company at the foreign currency exchange rates ruling as at April 2003 and revise some of the interest rates.

Security, interest rates and repayment terms applicable to the loans are shown below:

Government of Malawi/Kingdom of Denmark	The Government of the Kingdom of Denmark made available to the Government of Malawi a grant of Danish Kroners (DKK) 79,000,000 to support the implementation of the preparatory programme to support the Telecommunications sector. Under Article 13 of the Bilateral Agreement, the Government made available to Malawi Telecommunications Limited (then Malawi Posts and Telecommunications Corporation) a loan amounting to DKK53,200,000. The loan bears interest at 3.5% per annum and is payable half-yearly in arrears. The loan is unsecured, but ranks pari passu with future loan facilities and it is repayable over 20 years from the date of receipt of all equipment. In the addendum signed in June 2006 between the Company and the Government of Malawi, the loan was fixed at K920,947,960.94 and interest was maintained at 3.5% per annum.
Nordic Development Fund	The loan bears interest at 15% per annum and is repayable half-yearly in arrears. The loan is unsecured, but ranks pari passu with future loan facilities and it is repayable over 17 years from the date of receipt of all equipment. It was agreed in the addendum signed in June 2006 between the Company and Government of Malawi to fix the loan at K627,159,500 and the interest was set at 7.5% per annum.
Kuwait Fund for Arab Economic Development	The loan bears interest at 7% per annum and is repayable half-yearly in arrears. The loan is unsecured, but ranks pari passu with future loan facilities and is repayable over 16 years including a 4-year grace period. It was agreed in the addendum signed in June 2006 between the Company and Government of Malawi to fix the loan at K918,457,716.39 and the interest was put at 15% per annum.
Government of Belgium	The loan bears interest at 7.5% per annum and is repayable half-yearly in arrears starting from 31 March 2005. The loan is unsecured, but ranks pari passu with future loan facilities and it is repayable over 15 years. It was agreed in the addendum signed in June 2006 between the Company and Government of Malawi to fix the loan at K88,701,816.63 with interest rate maintained at 7.5% per annum.
Libyan Government	The loan is interest free and unsecured. There are no repayment terms.

In millions of Malawi Kwacha

31. LONG TERM LOANS PAYABLE TO GROUP COMPANIES

	Company	
	2015	**2014**
National bank of Malawi	-	63
Presscane Limited	-	927
	-	990
Movement		
Opening balance	990	2,765
Additions during the year	-	186
Reclassified to short term	(990)	-
Repayments	-	(1,961)
Closing balance	-	990

The loans are unsecured and attract interest at market investment rates plus 1% margin.

32. PROVISIONS

	Legal claim	Group bonus	Other	Total
Group				
2015				
Balance at the beginning of the year	27	3,677	511	4,215
Provision acquired in business combination	-	-	691	691
Charge for the year	219	2,787	83	3,089
Provision used in the year	-	(4,035)	(439)	(4,474)
Balance at the end of the year	246	2,429	846	3,521
Due within 1 year or less	246	2,429	846	3,521
Balance as at the end of the year	246	2,429	846	3,521
2014				
Balance at the beginning of the year	7	2,898	714	3,619
Charge for the year	20	3,988	18	4,026
Provision used in the year	-	(3,209)	(221)	(3,430)
Balance at the end of the year	27	3,677	511	4,215
Due within 1 year or less	27	3,677	511	4,215
Balance as at the end of the year	27	3,677	511	4,215

In millions of Malawi Kwacha

32. PROVISIONS (Continued)

	Legal claim	Group bonus	Other	Total
Company				
2015				
Balance at the beginning of the year	-	588	-	588
Paid out during the year	-	(517)	-	(517)
Provision made during the year	-	-	-	-
Balance at the end of the year	-	71	-	71
Due within 1 year or less	-	71	-	71
2014				
Balance at the beginning of the year	-	393	-	393
Paid out during the year	-	(393)	-	(393)
Provision made during the year	-	588	-	588
Balance at the end of the year	-	588	-	588
Due within 1 year or less	-	588	-	588

i. 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.

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

iii. 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 existing legal framework governing respective levies.

33. INCOME TAX PAYABLE

	Group		Company	
	2015	**2014**	**2015**	**2014**
Opening balance	3,739	3,304	68	109
Current charge	10,461	12,276	668	668
Cash paid	(11,438)	(11,858)	(694)	(709)
Prior period charge	2	17	-	-
Tax transfer	(79)	-	-	-
Total payables	2,685	3,739	42	68

In millions of Malawi Kwacha

34. TRADE AND OTHER PAYABLES

	Group			Company	
	2015	**2014**	**2013**	**2015**	**2014**
		Restated	*Restated*		
Trade payables	18,811	19,330	9,467	6	36
Accruals	599	673	668	39	308
Liabilities to other banks	3,347	5,228	213	-	-
Others	10,586	10,039	12,103	89	78
	33,343	35,270	22,451	134	422

The average credit period on purchases of certain goods is 30 days. No interest is charged on the trade payables that are over due. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The Banking business of the Group offers letters of credit (LCs) to customers. Over the years the Bank has been carrying both types of LCs on the balance sheet as other assets and other liabilities. This was an error as in accordance with IAS37 *Provisions, Contingent Liabilites and Contingent Assets*, the LCs are contingent liabilities and should be disclosed off balance sheet. The error has been corrected restrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. As a result comparative figures have been restated. The Letters of credit have been disclosed under contingent liabilities, note 46 below. The restatement has resulted in a decrease of trade and other payables in 2014 and 2013 by K17.4 billion and K9.9 billion. There has been no impact on equity for both years. A reconciliation for the restatement is shown below:

	2014	**2013**
Letters of credit as previously stated	17,391	9,860
Reclassified as contingent liability	(17,391)	(9,860)
Letters of credit as re-stated	-	-

35. TRADE AND OTHER PAYABLES TO GROUP COMPANIES

	Company	
	2015	**2014**
Amounts due to related party companies		
Press Properties Limited	3	1
Malawi Telecommunications Limited	14	9
Manzinzi	16	14
Telekom Networks Limited	1	3
National bank of Malawi	3	-
Mcsteel Limited	1	-
PressCane Limited	2,746	-
Ethanol Company Limited	287	4
	3,071	31

In millions of Malawi Kwacha

36. CUSTOMER DEPOSITS

	Group	
	2015	**2014**
Current accounts	88,793	58,270
Deposit accounts	27,402	17,635
Savings accounts	32,986	23,711
Foreign currency accounts*	62,671	40,762
	211,852	140,378
Analysed by interest risk type:		
Interest bearing deposits	209,605	139,182
Non-interest bearing deposits	2,247	1,196
	211,852	140,378
Total liabilities to customers are payable as follows:		
- Within three months	209,214	139,182
- Between three months and one year	2,638	1,196
	211,852	140,378
Analysis of deposits by sector		
- Personal accounts	98,430	35,884
- Manufacturing	9,155	4,277
- Agriculture	2,015	180
- Wholesale and retail	18,759	13,382
- Finance and insurance	15,888	9,161
- Others	67,605	77,494
	211,852	140,378
* The foreign currency denominated account balances as at 31 December were as follows:-		
US Dollar denominated	50,649	34,536
GBP denominated	3,117	3,585
Euro denominated	8,124	2,273
ZAR denominated	747	332
Other currencies	34	36
	62,671	40,762

The interest rate on foreign currency accounts averaged 0.5% (2014:0.5%)

In millions of Malawi Kwacha

37. REVENUE

	Group		Company	
	2015	**2014**	**2015**	**2014**
Sales	56,787	50,007	306	257
Services	58,694	48,246	-	-
Interest	45,655	38,534	-	-
Investment income – dividend	-	-	6,664	6,678
	161,136	136,787	6,970	6,935

38. DIRECT TRADING EXPENSES

	Group 2015	Group 2014	Company 2015	Company 2014
Cost of sales	41,904	34,776	22	23
Interest expense	4,661	3,773	-	-
Direct service costs	26,719	21,651	-	-
	73,284	60,200	22	23

39. OTHER OPERATING INCOME

	Group 2015	Group 2014	Company 2015	Company 2014
Net gains from trading in foreign currencies	87	7	-	-
Recoveries from impaired loans and advances	1,564	1,344	-	-
Fair value adjustment of investment property	170	295	-	-
Fair value adjustment of other assets	89	1,316	-	-
Profit on disposal of property, plant and equipment	218	181	1	10
Profit on disposal of available for sale financial assets	-	1,052	-	-
Sundry income	3,051	1,978	208	908
	5,179	6,173	209	918

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

40. DISTRIBUTION EXPENSES

	Group 2015	Group 2014	Company 2015	Company 2014
Marketing and publication	1,695	1,866	-	-
Selling expenses	87	89	-	-
Carriage outwards	398	412	-	-
Other	185	218	-	-
	2,365	2,585	-	-

In millions of Malawi Kwacha

41. ADMINISTRATIVE EXPENSES

			Group		Company	
			2015	**2014**	**2015**	**2014**
Auditors' remuneration	-	current year fees	363	`280	53	51
	-	prior year fees	6	-	-	-
	-	other professional services	4	1	-	
Directors' emoluments	-	fees & expenses	188	123	53	47
	-	executive directors' remuneration	1,285	933	539	402
Personnel costs			24,487	18,879	1,172	1,546
Pension contribution costs			1,680	1,390	115	85
Legal and professional fees			950	545	93	66
Stationery and office expenses			1,681	1,507	135	261
Security services			1,543	1,174	40	31
Motor vehicle expenses			1,606	1,899	39	45
Bad debts			3,351	2,403	-	2
Repairs and maintenance			4,282	3,638	165	168
Depreciation and amortisation			10,570	8,402	142	139
Other			8,959	8,095	282	237
			60,955	49,269	2,828	3,080

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 3,414 (2014: 2,752) members as at 31 December 2015. 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.

42. FINANCE INCOME AND COSTS

	Group 2015	Group 2014	Company 2015	Company 2014
Interest income				
Interest income on bank deposits	963	743	59	83
Net foreign exchange gain	1,208	1,377	11	42
Other	216	163	-	3
	2,387	2,283	70	128
Interest expense				
Bank overdrafts	(1,455)	(1,237)	(148)	(39)
Loans	(4,268)	(2,121)	(1,572)	(1,383)
Foreign exchange loss	(6,892)	(2,443)	-	-
	(12,615)	(5,801)	(1,720)	(1,422)
Net finance costs	(10,228)	(3,518)	(1,650)	(1,294)

During the year, borrowing costs capitalised amounted to K86 million (2014: K50 million). The Group weighted average capitalisation rate on funds borrowed is 26% per annum (2014: 30% per annum).

In millions of Malawi Kwacha

43. SHARE OF RESULTS FROM EQUITY ACCOUNTED INVESTEES

	Group		Company	
	2015	**2014**	**2015**	**2014**
		Restated		
Limbe Leaf Tobacco Company Limited	3,666	2,265	-	-
Carlsberg Malawi Limited	634	2,249	-	-
Puma Energy (Malawi) Limited	1,718	2,216	-	-
Macsteel Malawi Limited	88	72	-	-
	6,106	6,802	-	-

During the year, the Group changed its policy in relation to depreciation of bottles and crates. According to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', any effect of such change need to be accounted for restrospectively as such comparative figures have been restated to reflect this change. The restatement has led to the decrease in investment in associates as at 31 December 2014 and the share of profit from associates for the year 2014.

44. INCOME TAX EXPENSE

	Group		Company	
	2015	**2014**	**2015**	**2014**
Current tax expense				
Current year at 30% (2014:30%) based on taxable profits	11,615	11,608	-	-
Under-provisions for prior years	2	17	-	-
Final tax on dividend received from associates, subsidiaries and joint ventures	668	668	668	668
	12,285	12,293	668	668
Deferred tax expense				
Tax losses	798	(345)	-	-
Origination and reversal of temporary differences	267	628	-	-
	1,065	283	-	-
Income tax expense	13,350	12,576	668	668

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 as follows:

	%	%	%	%
Standard tax rate	30	30	30	30
Permanent differences	22	5	(5)	(13)
Effective tax rate	52	35	25	17

The Group has estimated tax losses of K34.9 billion (2014:K15.8 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.

The effective tax rate at company level is below the standard tax rate of 30% because the income tax charge is in respect of tax on dividend income at a rate of 10%. This tax is deducted at source.

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

45. 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 K4,197 million (2014:**K10,734** million) and a weighted average number of ordinary shares outstanding during the year of 120.2 million (2014:120.2 million).

	Group	
	2015	**2014**
		Restated
Profit attributable to owners of the company	4,197	10,734
Weighted average number of ordinary shares	120.2	120.2
Basic earnings per share (K)	34.92	89.30
Number of shares in issue	120.2	120.2
Diluted earnings per share (K)	34.92	89.30
Profit from continuing operations	12,239	21,614
Non-controlling interest	(8,047)	(10,886)
	4,192	10,728
Basic earnings per share (from continuing operations) (MK)	34.88	89.26
Diluted earnings per share (from continued operations) (MK)	34.88	89.26

46. CONTINGENT LIABILITIES

	Group			Company	
	2015	**2014**	**2013**	**2015**	**2014**
		Restated	*Restated*		
Foreign guarantees	297	52	213	-	-
Local guarantees and performance bonds	4,731	3,386	5,580	2,970	2,300
Letters of credit	20,257	17,391	9,860	-	-
	25,285	20,829	15,653		
Legal and other claims	1,891	1,177	1,356	-	-
Net deficit on NBM Pension Fund	-	2,488	-	-	-
Tax payable	4,265	3,724	1,900	-	-
Total contingent liabilities	31,441	28,218	18,909	2,970	2,300

(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.

(b) As highlighted above under note 24 and 34, the Banking business of the Group over the years has been erroneously carrying Letter of Credits on its balance sheet as other assets and other liabilities and yet they are contingent liabilities. The error has been accounted for retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors hence disclosed here as contingent liability. As a result comparative figures have been restated.

(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

46. CONTINGENT LIABILITIES (Continued)

(d) The National Bank of Malawi Pension Fund used to run a hybrid defined contribution scheme and in oder to comply with the new Pension Act, it became a fully defined contribution scheme. As a hybrid fund, it was being valued by independent actuaries, Alexander Forbes. As per the actuarial valuation of December 2013, the General Fund had a surplus of K1,903 million and the Special Fund had a deficit of K4,391 million thus giving a net deficit of K2,488 million which was disclosed in prior year as a contingent liability.

In 2015, a new actuarial valuation as at 31 December 2014 was done by independent actuaries, Alexander Forbes. As per the actuarial valuation, the General Fund had a surplus of K2,596 million (December 2014: K1,903 million) and the Special Fund had a surplus of K1 830 million (December 2014: deficit of K4,391 million.) thus confirming the non-existence of such deficit. Therefore, no liability nor contingent liability has been recognized in the 2015 annual financial statements.

The above position on the Special Fund was based on the old rules when the Fund still had a defined benefit scheme. The old rules fell away with the ushering in of new rules for the now fully defined contribution scheme.

(e) Tax liability relates to disputes that Telecom Networks Limited, Limbe Leaf Tobacco Ltd and Carlsberg Malawi Limited have with the Malawi Revenue Authority. Telecom Networks Limited potential liability is K1.8 billion whereas Limbe Leaf Tobacco and Carlsberg Malawi Limited in total may result in a tax payable of K5.6 billion (2014:K9.1 billion) and PCL's portion of the liability amounts to K2.3 billion (2014: K3.7 billion).

47. CAPITAL COMMITMENTS

	Group		Company	
	2015	2014	2015	2014
Authorised and contracted for	15,099	3,818	-	-
Authorised but not yet contracted for	21,176	20,829	109	-
	36,275	24,647	109	-

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

48. 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.

Trading transactions

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

	Sale of goods		Purchases of goods	
	2015	2014	2015	2014
Associates of the Group	392	-	13,644	13,499
Joint ventures of the Group	4,848	4,490	1,187	1,100
	5,240	4,490	14,831	14,599

In millions of Malawi Kwacha

48. RELATED PARTIES (Continued)

The following balances were outstanding at the end of the reporting period;

	Amounts owed by related parties		Amounts owed to related parties	
	2015	**2014**	**2015**	**2014**
Associates of the Group	83	608	2,934	1,999
Joint ventures of the Group	460	818	235	320
	543	1,426	3,169	2,319

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

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.

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

Compensation of key management personnel

Directors of the Company and their immediate relatives control 0.01% (2014: 0.01%) of the voting shares of the Company.

Directors' emoluments are included in administrative expenses more fully disclosed in note 41.

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
Salaries and benefits for key management	5,340	3,482	869	528
Directors remuneration	1,473	1,056	592	449
Post employment benefit	252	192	54	35
	7,065	4,730	1,515	1,012

In millions of Malawi Kwacha

49. CASH FLOWS FROM OPERATING ACTIVITIES

	Group		Company	
	2015	2014	2015	2014
		Restated		
Profit before income tax	25,589	34,190	2,679	3,456
Adjustments for:				
Depreciation and amortization	11,011	9,000	119	149
Finance costs	12,615	5,801	1,720	1,422
Finance income	(2,387)	(2,283)	(70)	(128)
Gross share of profit from equity accounted investments	(6,106)	(6,802)	-	-
(Profit)/ loss on sale of investment property and property, plant and equipment	(218)	(181)	1	(12)
Fair value adjustments and unrealised forex losses	4,156	(638)		-
Net reserves effect on inclusion of MTL	-	1,896	-	-
Investment income (dividends)	-	-	(6,249)	(6,678)
(Decrease)/Increase in provisions	(694)	596	(517)	195
Working capital changes:				
Increase in inventories	(152)	(3,452)	(4)	(6)
Increase in Loans and advances to customers	(37,305)	(15,889)	-	-
Increase in Finance lease receivables	(828)	(2,478)	-	-
(Increase)/Decrease in trade and other receivables	(1,900)	3,659	393	(25)
(Increase)/Decrease in trade and other receivables - Group	-	-	(863)	438
(Decrease)/Increase in trade and other payables	(1,927)	2,959	(288)	(101)
Increase/(Decrease) in trade and other payables - Group		-	2,050	(17)
Increase in customer deposits	71,474	21,837	-	-
Working capital acquired on acquisition of a sub-subsidiary	(9,022)	-	-	-
Cash generated by/(used in) operations	64,306	48,215	(1,029)	(1,307)

50. DIVIDEND PER SHARE

	Group and Company	
	2015	2014
Final dividend	1,022	1082
Interim dividend	481	421
	1,503	1503
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 K1,022 million (2014: K1,082 million) representing K8.50 per share (2014: K9).

51. SUBSEQUENT EVENTS

The directors have proposed a dividend of K8.50 per share as disclosed in note 50. This dividend is subject to approval by shareholders at the Annual General Meeting.

52. REVISION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2015 which were approved by the directors on 1 April 2016 have been revised following information that became available after the approval. The revision was made to take into account the effects of retranslation of an associate whose functional currency is the United States Dollar. Following the revision, the Group's share of other comprehensive income has increased by K11 billion resulting in the increase of the Group's total comprehensive income from K18 billion to K29 billion. Total assets have increased from K417 billion to K428 billion and total equity has increased from K119 billion to K130 billion.

In millions of Malawi Kwacha

53. 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	**2015**	**2014**
Kwacha/United States Dollar	664.4	475.8
Kwacha/Euro	726.6	575.4
Kwacha/British Pound	985.4	738.4
Kwacha/South African Rand	43.4	41.0
Inflation rates as at 31 December (%)	24.9	24.2

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

Kwacha/GBP	1,041.6
Kwacha/Rand	45.3
Kwacha/US Dollar	707.9
Kwacha/Euro	791.5
Inflation rates as at April 2016	20.9%

	% of total shares in issue	Number of shares	Shareholding range	Number of shareholders	%
Press Trust	44.47%	53,475,249	1,000,000 +	10	0.65%
Deutsche Bank Trust Company America	22.34%	26,860,500	10,001 - 1,000,000	72	4.65%
Old Mutual Life assurance (Malawi) Limited	14.29%	17,183,104	5,001 - 10,000	33	2.13%
Others	18.90%	22,736,860	1 - 5,000	1,435	92.57%
Total		**120,255,713**		**1,550**	**100.00%**

	2015	2014	2013	2012	2011
Share Market					
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)	64,337	54,488	34,273	22,608	21,646
Market capitalization at 31 December (US$'m)	96.83	114.52	79.13	66.09	132.15
Subscription price at listing MK14.89					
Last traded price					
31 December (MK per share)	535.00	453.10	285.00	188.00	180.00
Highest (MK per share)	535.00	453.10	285.00	188.00	180.00
Lowest (MK per share)	453.10	285.00	188.00	176.00	153.00
Net asset value (NAV) per share	1,084.93	889.09	669.58	396.41	353.94
Value of shares traded (MKm)	1,085.00	454.00	1,688.00	152.00	176.67
Earnings per share %	34.92	89.30	77.97	28.86	44.23
Dividend yield %	2.43	2.32	2.59	1.51	1.51

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