



PRESS CORPORATION PLC

SUMMARY OF AUDITED RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2018

in millions of Malawi Kwacha

STATEMENTS OF COMPREHENSIVE INCOME

	CONSOLIDATED		SEPARATE	
	Audited 31-Dec-18	Audited 31-Dec-17	Audited 31-Dec-18	Audited 31-Dec-17
Continuing operations				
Revenue	214,420	200,480	388	395
Dividend income	-	-	10,129	8,231
Earnings before interest, tax, depreciation and amortisation	65,606	70,107	5,563	21,233
Depreciation and amortisation	(15,163)	(13,581)	(68)	(79)
Results from operating activities	50,443	56,526	5,495	21,154
Net interest paid	(2,995)	(7,594)	(431)	(1,091)
Exchange (losses)/gain	(155)	333	(31)	364
Net finance cost	(3,150)	(7,261)	(462)	(727)
Share of profit of equity-accounted investments	4,995	4,842	-	-
Profit before income tax	52,288	54,107	5,033	20,427
Income tax expense	(15,584)	(14,438)	(983)	(823)
Profit for the year from continuing operations	36,704	39,669	4,050	19,604
Discontinued operations				
Profit from discontinued operations	9	4	-	-
Profit for the year	36,713	39,673	4,050	19,604
Total other comprehensive income net of tax	7,669	3,959	38,716	15,351
Total comprehensive income for the year	44,382	43,632	42,766	34,955
Profit attributable to:				
Equity holders of the company	18,373	23,917	4,050	19,604
Non-controlling interest	18,340	15,756	-	-
	36,713	39,673	4,050	19,604
Total comprehensive income attributable to:				
Equity holders of the company	23,192	26,350	42,766	34,955
Non-controlling interest	21,190	17,282	-	-
	44,382	43,632	42,766	34,955
Earnings per share				
Basic and diluted earnings per share (MK)	152.85	198.98		
Basic and diluted earnings per share (MK) (continuing operations)	152.78	198.94		

STATEMENTS OF FINANCIAL POSITION

	CONSOLIDATED		SEPARATE	
	Audited 31-Dec-18	Audited 31-Dec-17	Audited 31-Dec-18	Audited 31-Dec-17
ASSETS				
Non-current assets				
Property, plant and equipment and investment properties	121,460	112,493	803	828
Intangibles	22,690	21,493	218	230
Investments in subsidiaries, joint ventures and associates	49,112	40,687	304,622	246,655
Other investments	19,315	4,378	6,069	-
Loans and advances	73,717	51,685	-	-
Long term receivables and contract assets	1,706	-	1,403	1,733
Deferred tax assets	9,412	7,946	-	-
	297,412	238,682	313,115	249,446
Current assets				
Other investments	131,578	135,981	-	1,246
Loans and advances	86,943	79,306	-	-
Trade and other receivables and contract assets	28,900	26,022	2,213	3,326
Other current assets	12,959	15,371	376	137
Cash and cash equivalents	64,581	75,148	5,056	6,751
	324,961	331,828	7,645	11,460
Total assets	622,373	570,510	320,760	260,906
EQUITY AND LIABILITIES				
Equity				
Issued capital	1	1	1	1
Share premium	2,097	2,097	2,097	2,097
Reserves and retained earnings	148,814	123,459	250,715	211,076
Total equity & earnings attributable to equity holders of the parent	150,912	131,557	252,813	213,174
Minority interest	68,163	56,287	-	-
Total equity	219,075	181,844	252,813	213,174
Non-current liabilities				
Deferred tax liabilities	4,560	2,740	53,711	45,066
Deferred revenue	141	-	-	-
Borrowings and provisions	47,386	38,318	8,217	214
	52,087	41,058	61,928	45,280
Current liabilities				
Bank overdraft	6,212	2,790	3,782	213
Borrowings	4,232	16,916	221	890
Other current liabilities	340,767	327,902	2,016	1,349
	351,211	347,608	6,019	2,452
Total liabilities	403,298	388,666	67,947	47,732
Total equity and liabilities	622,373	570,510	320,760	260,906

STATEMENTS OF CASH FLOWS

	CONSOLIDATED		SEPARATE	
	Audited 31-Dec-18	Audited 31-Dec-17	Audited 31-Dec-18	Audited 31-Dec-17
Cash generated by / (used in) operations				
Interest paid, tax paid and refund	40,889	44,643	(4,740)	(12,175)
Net cash from / (used in) operating activities	(21,448)	(24,764)	(2,630)	(2,525)
Investing activities				
Proceeds from sale of property, plant and investments	19,441	19,879	(7,370)	(14,700)
Interest received	4,686	18,833	27	17,262
Dividend received	2,326	1,714	933	955
Purchase of property, plant and equipment	2,514	1,525	10,129	8,231
Investment in subsidiaries	(27,830)	(26,908)	(39)	(82)
Net cash (used in) / from investing activities	-	-	(9,327)	(92)
	(18,304)	(4,836)	1,723	26,274
Financing activities				
Net proceeds and repayment of long term borrowings	(3,462)	16,297	3,510	(958)
Dividends paid to shareholders of the Company	(3,127)	(2,104)	(3,127)	(2,104)
Dividend paid to non-controlling interest shareholders	(8,537)	(7,209)	-	-
Net cash used in financing activities	(15,126)	6,984	383	(3,062)
Net increase/(decrease) in cash and cash equivalents	(13,989)	22,027	(5,264)	8,512
Cash and cash equivalents at start of the year	72,358	50,331	6,538	(1,974)
Cash and cash equivalents at end of the year	58,369	72,358	1,274	6,538

STATEMENTS OF CHANGES IN EQUITY

	Owner's Equity	CONSOLIDATED Non Controlling interest	Total	SEPARATE Total
As at 31 December 2018				
Balance at 1 January 2018	125,557	56,287	181,844	213,174
Comprehensive income for the year	18,373	18,340	36,713	4,050
Profit for the year	4,819	2,850	7,669	38,716
Other comprehensive income				
Total comprehensive income for the year	23,192	21,190	44,382	42,766
Transactions reported directly in equity	5,290	(777)	4,513	-
Dividend to equity holders	(3,127)	(8,537)	(11,664)	(3,127)
Balance as at period end	150,912	68,163	219,075	252,813
As at 31 December 2017				
Balance at 1 January 2017 as previously stated	103,206	46,214	149,420	180,323
Prior year adjustment	(1,895)	-	(1,895)	-
Balance as at 1 January 2017	101,311	46,214	147,525	180,323
Comprehensive income for the year	23,917	15,756	39,673	19,604
Profit for the year	2,433	1,526	3,959	15,351
Other comprehensive income				
Total comprehensive income for the year	26,350	17,282	43,632	34,955
Dividend to equity holders	(2,104)	(7,209)	(9,313)	(2,104)
Balance as at period end	125,557	56,287	181,844	213,174

SEGMENTAL PERFORMANCE

	Financial Services	Telecommunications	Energy	Consumer Goods	All other segments	Total
December 2018						
Revenue	63,326	102,220	17,036	28,909	2,929	214,420
External revenues	1,415	4,817	1	14	759	7,006
Inter-segment revenue	64,741	107,037	17,037	28,923	3,688	221,426
Segment revenue						
Segment operating profit/(loss)	22,339	28,313	1,236	(1,791)	5,468	55,565
Segment interest income	-	31	1,089	5	958	2,083
Segment interest expense	-	(3,828)	(8)	(1,022)	(2,123)	(6,981)
Segment income tax expense	(7,051)	(7,652)	(920)	49	(15,666)	(15,666)
Segment Profit/(loss)	15,288	16,864	1,397	(2,759)	4,211	35,001
Depreciation and amortization	4,799	10,795	493	317	383	16,787
Segment assets	417,102	101,135	22,308	6,971	337,341	884,857
Segment liabilities	328,688	53,001	3,815	12,069	74,228	471,801
Capital additions	5,598	19,523	956	942	422	27,441
Reconciliation of profit on reportable segments to IFRS measures						
Total profit/(loss) for reportable segments	15,288	16,864	1,397	(2,759)	4,211	35,001
Profit on de-recognition of a subsidiary	-	-	-	-	6,160	6,160
Adjustment due to different accounting policies	-	677	-	-	-	677
Elimination of dividend income from Group companies	-	-	-	-	(10,129)	(10,129)
Share of profit of equity accounted investees	-	-	-	-	4,995	4,995
Profit for discontinued operation	-	-	-	-	9	9
Consolidated profit	15,288	17,541	1,397	(2,759)	5,246	36,713
December 2017						
Revenue						
External revenues	68,163	85,395	11,682	33,003	2,237	200,480
Inter-segment revenue	877	7,639	-	47	571	9,134
Segment revenue	69,040	93,034	11,682	33,050	2,808	209,614
Segment operating profit/(loss)	27,551	20,632	200	(2,207)	21,722	67,898
Segment interest income	-	48	1,386	7	959	2,400
Segment interest expense	-	(7,215)	(2)	(1,163)	(2,444)	(10,824)
Segment income tax expense	(8,403)	(5,095)	63	-	(1,004)	(14,439)
Segment Profit/(loss)	19,148	8,370	1,647	(3,363)	19,233	45,035
Depreciation and amortization	2,896	10,507	454	463	401	14,721
Segment assets	392,267	117,300	21,045	6,308	273,717	810,637
Segment liabilities	310,054	84,171	3,588	14,208	56,541	468,562
Capital additions	4,984	19,574	1,271	483	595	26,907
Reconciliation of profit on reportable segments to IFRS measures						
Total profit/(loss) for reportable segments	19,148	8,370	1,647	(3,363)	19,233	45,035
Adjustment due to different accounting policies	-	-	-	-	(1,977)	(1,977)
Elimination of dividend income from Group companies	-	-	-	-	(8,231)	(8,231)
Share of profit of equity accounted investees	-	-	-	-	4,842	4,842
Profit for discontinued operation	-	-	-	-	4	4
Consolidated profit	19,148	8,370	1,647	(3,363)	13,871	39,673

OTHER INFORMATION

	CONSOLIDATED		SEPARATE	
	Audited 31-Dec-18	Audited 31-Dec-17	Audited 31-Dec-18	Audited 31-Dec-17
Capital Expenditure for the period	27,830	26,908	39	82
Capital Expenditure committed	24,339	27,087	63	116
Finance lease commitments	26,575	13,441	-	-
Contingent liabilities	96,588	61,124	6,970	16,470
Listed investments at market value	-	-	202,035	125,065
Unlisted investments at directors' valuation	-	-	108,656	121,590

BASIS OF PREPARATION

The Directors have prepared the summary consolidated and separate financial statements in order to meet the requirements of the Malawi Stock Exchange Listings. The Directors have considered the listing requirements of the Malawi Stock Exchange and believe that the summary statements of financial position, comprehensive income and cash flows are sufficient to meet the requirements of the users of the summary consolidated and separate financial statements. The accounting policies applied in the preparation of the consolidated and separate financial statements, from which the summary consolidated and separate financial statements were derived, are in terms of International Financial Reporting Standards and are consistent with the accounting policies applied in the preparation of the previous consolidated and separate financial statements.

PERFORMANCE OVERVIEW

Group Results

The Board is pleased to present results for Press Corporation PLC for the year ended 31 December, 2018.

The Group delivered satisfactory results with a 7% growth in revenues. Profit after tax at MK36.71 billion (2017: MK39.67 billion) was 7% down on prior year. This result was after taking into account a gain on disposal of a 60% stake in Open Connect Limited amounting to MK6.16 billion. Similarly, prior year comparatives took into account a profit on a part-disposal of the Group's 19% stake in Castel amounting to MK14.28 billion.

Excluding the above mentioned once off items, the Group therefore registered a 20% increase in its underlying profit after tax. The strong performance was driven by continued improvements in operating efficiencies that resulted in cost reductions, notwithstanding the prevailing poor operating environment characterized by severe power challenges and weak demand for goods and services.

During the year, the Group acquired a 15% stake in Sunbird Tourism PLC in line with its strategy to invest in tourism.

SEGMENTAL PERFORMANCE

The Financial Services Segment (National Bank of Malawi PLC)

The Bank delivered satisfactory results and achieved an overall growth in its Statement of Financial Position of 6.3%, driven by a 21% growth in the loan book and an 8.6% increase in non-interest income. Non-performing loans were within acceptable levels. Net interest income and customer deposits, on the other hand, declined due to the subdued operating environment despite the reduction in interest rates during the period. Consequently, the bank's profit after tax declined by 16.6%.

The Telecommunications Segment (mobile phone company - TNM, fixed telephony - MTL, and the telecommunications infrastructure company - OCL)

The telecommunications segment delivered excellent results and more than doubled its profit after tax, driven by the continued strong results from TNM, the turnaround in OCL and a profit registered in MTL.

TNM continued with its strong performance and registered a 27% growth in its profit after tax following a successful implementation of its revenue growth and cost containment initiatives during the year. The company continued to invest in capacity expansion projects to sustain revenue growth.

OCL was successfully recapitalized following the conclusion of a transaction with a private equity investor, Harith General Partners, for a 60% stake in the company. The company was subsequently accounted for as an associated company. During the year, the company registered a 126% growth in its profit after tax.

Similarly, MTL registered a 121% increase in its net profit driven by a significant reduction in overheads as well as a profit on sale of excess non-performing assets following an operational restructuring exercise. Directors are in discussion with a potential strategic investor to rejuvenate the business.

The Energy Segment (ethanol manufacturing - PressCane and EthCo)

PressCane delivered excellent results with a 182% growth in profits driven by the increase in sales volumes and improved margins. EthCo, on the other hand, made a loss mainly due to lower than anticipated sales of Extra Neutral Alcohol resulting from the aftermath of a prolonged statutory temporary closure of its major off-takers in 2017, lower margins achieved on the export market and the impact of a write off of prospecting costs capitalized over the years relating to feed stock production. As a result of the weak results from EthCo, the segment registered a 15% decline in profit after tax. The search for alternative sources of feed stock is on-going.

The Consumer Goods Segment (retail chain - Peoples)

The turnaround strategies for the company are on course. The company was restructured into 4 major brands from the original 6 brands namely, Peoples Metro, Peoples Express, Spar and Food Lovers, with the Spar and Food Lovers brands meant to re-position the company as an upmarket brand. New management has been recruited to drive the turnaround plan. During the year, Directors approved a capital injection of MK5.3 billion in the company for working capital, rebranding and computerization of the business. Though still making losses, the company registered an 18% improvement in its bottom line, driven by improvements in operating efficiencies and the impact of the rebranding exercise. The continuing collaboration with Spar is making a significant impact in the turnaround journey.

All-Other Segment: (fish farming - Maldeco and real estate - Press Properties)

The fish farming business continued to make losses but was successfully restructured to improve operating efficiency and to position the company for growth. The company has high potential for growth and profitability due to existing high demand for the aqua tilapia. Directors approved a capital injection of MK1.1 billion for investment in additional breeding ponds for brood stock and fingerling production. As a result the company increased its fish production from 170 tons in 2017 to 712 tons during the year. New management was recruited to drive the turnaround strategy.

The real estate business continued on the path to recovery after a successful restructuring to streamline its operations. Likewise, the company got a capital injection of MK1.9 billion to increase its capacity in commercial properties. The company delivered excellent results and its profit after tax more than doubled compared to prior year.

Equity accounted businesses: (Joint ventures – PUMA, a fuel distribution company and Macsteel, a steel processing and trading company; associated companies – Limbe Leaf, a tobacco processing company; and Castel, a bottling and brewing company)

The Group's share of profit from equity accounted investments registered a 3% growth. Excellent results were delivered by Limbe Leaf and Macsteel while results from the fuel distribution company remained flat but satisfactory. Castel Malawi successfully completed the rehabilitation of its production plants to re-position itself for growth. During the year the company made a loss mainly due to rehabilitation costs, reduced margins occasioned by the impact of erratic power supply and the attendant operating and quality control challenges.

OUTLOOK

Management is confident of delivering planned results. The Group is well positioned to exploit growth opportunities both locally and in the region following the restructuring of most of the businesses. In addition, the prevailing stable macro-economic environment provides a platform for continued growth.

The agriculture sector is expected to perform well following the good rains received across the country, which will have a positive impact on disposable incomes and demand for goods and services. Floods experienced in some parts of the country, however, pose a downside risk. Likewise, increased government spending in the run-up to the General Elections and high debt levels by Government, could derail the stable macroeconomic environment.

DIVIDEND

Directors have resolved to recommend a final dividend amounting to MK2.403 billion (2017:MK2.403 billion) representing MK20.00 per share (2017:K20.00 per share), to be paid on Friday, 30th August 2019 to members whose names appear on the register as at the close of business on 23rd August 2019. An interim dividend amounting to MK721.20 million (2017:MK600.78 million representing MK6.00 per share (2017: MK5.00 per share) was paid on 26th October 2018. This makes the total dividend for the year MK3.122 billion (2017:MK3.004 billion) representing MK26.00 per share (2017:MK25 per share).

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