



PRESS CORPORATION PLC

In millions of Malawi Kwacha

STATEMENTS OF COMPREHENSIVE INCOME

	CONSOLIDATED		SEPARATE	
	Audited 31-Dec-19	Audited 31-Dec-18	Audited 31-Dec-19	Audited 31-Dec-18
Continuing operations				
Revenue	220,066	214,420	431	388
Dividend income			10,454	10,129
Earnings before interest, tax, depreciation and amortisation	65,844	65,006	6,887	5,563
Depreciation and amortisation	(19,799)	(15,153)	(121)	(86)
Results from operating activities	46,045	50,443	5,776	5,495
Net interest (paid)/received	(7,140)	(2,996)	(1,420)	(431)
Exchange losses/(gain)	(169)	(105)	-	(31)
Net finance (cost)/income	(7,263)	(3,150)	(1,420)	(462)
Share of profit of equity-accounted investments	3,415	4,905	-	-
Profit before income tax	42,197	52,298	5,356	5,033
Income tax expense	(17,519)	(15,584)	(994)	(983)
Profit for the year from continuing operations	24,678	36,704	4,356	4,050
Discontinued operations				
Profit from discontinued operations	71	9	-	-
Profit for the year	24,758	36,713	4,356	4,050
Total other comprehensive income, net of tax	3,062	7,669	23,233	38,716
Total comprehensive income for the year	27,820	44,382	27,589	42,766
Profit attributable to:				
Equity holders of the company	6,157	18,373	4,356	4,050
Non-controlling interest	18,163	21,190	-	-
Total comprehensive income attributable to:	24,758	36,713	4,356	4,050
Equity holders of the company	9,717	23,192	27,589	42,766
Non-controlling interest	18,163	21,190	-	-
Earnings per share				
Basic and diluted earnings per share (MK)	67.86	152.85	-	-
Basic and diluted earnings per	67.27	152.78	-	-

STATEMENTS OF FINANCIAL POSITION

	CONSOLIDATED		SEPARATE	
	Audited 31-Dec-19	Audited 31-Dec-18	Audited 31-Dec-19	Audited 31-Dec-18
ASSETS				
Non-current assets				
Property, plant and equipment, right of use assets and investment properties	142,063	121,460	1,203	803
Intangibles	23,547	22,690	210	219
Investments in subsidiaries, joint ventures and associates	46,494	49,112	345,540	324,622
Other investments	52,362	19,315	3,963	6,089
Loans and advances	100,048	73,717	-	-
Long term receivables and contract assets	2,132	1,706	1,473	1,403
Deferred tax assets	10,984	9,412	-	-
Current assets	378,930	297,412	353,389	313,115
Other investments	127,574	131,578	-	-
Loans and advances	81,790	86,943	-	-
Trade and other receivables and contract assets	27,895	28,900	3,007	2,213
Other current assets	12,859	12,859	311	376
Cash and cash equivalents	58,934	64,581	2,432	5,056
Total assets	308,475	324,961	5,750	7,645
Equity and liabilities				
Equity				
Issued capital	1	1	-	1
Share premium	2,097	2,097	2,097	2,097
Reserves and retained earnings	155,302	148,814	275,177	250,715
Total equity & earnings attributable to equity holders of the parent	157,400	150,912	277,275	252,813
Minority interest	78,063	88,163	-	-
Total equity	235,463	239,075	277,275	252,813
Non-current liabilities				
Deferred tax liabilities	5,521	4,560	67,916	53,711
Deferred revenue	119	141	-	-
Borrowings, lease liability and provisions	44,122	47,396	8,173	8,217
Current liabilities	49,762	52,087	75,089	61,628
Bank overdraft	7,866	6,212	4,251	3,782
Borrowings and lease liability	19,468	4,228	58	221
Other current liabilities	374,726	340,767	1,466	2,016
Total liabilities	462,189	351,211	5,775	6,019
Total equity and liabilities	497,652	490,286	81,050	67,867

STATEMENTS OF CASH FLOWS

	CONSOLIDATED		SEPARATE	
	Audited 31-Dec-19	Audited 31-Dec-18	Audited 31-Dec-19	Audited 31-Dec-18
Cash generated by / (used in) operations	47,398	40,889	(5,159)	(4,740)
Interest paid, tax paid and refund	(22,178)	(21,448)	(2,764)	(2,630)
Net cash from / (used in) operating activities	25,220	19,441	(7,914)	(7,370)
Investing activities				
Proceeds from sale of property, plant and equipment	2,117	4,698	-	27
Interest received	1,614	2,326	373	93
Dividend received	3,464	2,514	10,454	10,129
Purchase of property, plant and equipment	(27,879)	(27,830)	(64)	(39)
Investment in subsidiaries	-	-	(2,493)	(8,327)
Net cash (used in) / from investing activities	(20,784)	(18,304)	8,280	1,723
Financing activities				
Net proceeds and repayment of long term borrowings and leasing	(618)	(3,462)	(3,322)	(3,510)
Dividends paid to shareholders of the Company	(3,127)	(3,127)	(332)	(3,127)
Dividend paid to non-controlling interest shareholders	(8,537)	-	-	-
Net cash used in financing activities	(11,857)	(15,156)	(3,459)	383
Net decrease in cash and cash equivalents	(7,421)	(13,989)	(3,093)	(5,264)
Cash and cash equivalents at start of the year	58,369	72,358	1,274	6,538
Cash and cash equivalents at end of the year	50,948	58,369	(1,819)	1,274

SUMMARY OF AUDITED RESULTS FOR THE YEAR ENDED 31ST DECEMBER 2019

STATEMENTS OF CHANGES IN EQUITY

	CONSOLIDATED		SEPARATE	
	Owner's Equity	Non Controlling	Total	Total
As at 31 December 2019	150,912	68,163	219,075	252,813
Balance at 1 January 2019				
Comprehensive income for the year	24,758	18,163	42,921	42,766
Profit for the year	24,758	18,163	42,921	42,766
Other comprehensive income	-	-	-	-
Total comprehensive income	24,758	18,163	42,921	42,766
Dividend to equity holders	(3,127)	(8,111)	(11,238)	(11,238)
Balance as at period end	157,400	78,063	235,463	277,275
As at 31 December 2018	125,557	56,287	181,844	213,174
Balance at 1 January 2018	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

SEGMENTAL PERFORMANCE

	Financial Services	Telecommunications	Energy	Consumer Goods	All other segments	Total
December 2019						
Revenue	71,726	103,243	19,459	22,853	2,786	220,066
External revenues	1,269	3,078	6	720	5,113	10,129
Segment revenue	73,035	106,321	19,459	22,859	3,505	225,179
Segment operating profit/(loss)	25,975	23,592	2,727	(2,425)	7,898	57,767
Segment interest income	-	82	564	-	363	1,009
Segment interest expense	(716)	(5,122)	(1)	(1,543)	(2,578)	(9,960)
Segment income tax expense	(8,163)	(6,750)	(1,546)	-	(1,052)	(17,519)
Segment Profit/(loss)	17,096	11,802	2,144	(3,967)	4,651	31,726
Depreciation and amortisation	4,351	14,678	623	1,013	491	21,156
Segment assets	460,217	125,714	26,551	7,776	387,711	1,007,869
Segment liabilities	359,295	73,247	4,000	16,396	85,653	539,591
Capital additions	6,013	19,600	1,058	277	1,031	27,979
Reconciliation of profit on reportable segments to IFRS measures						
Total profit/(loss) for reportable segments	17,096	11,802	2,144	(3,967)	4,651	31,726
Adjustment due to different accounting policies	-	-	-	-	-	-
Elimination of dividend income from Group companies	-	-	-	-	(10,054)	(10,054)
Share of profit of equity accounted investees	-	-	-	-	3,415	3,415
Profit for discontinued operation	-	-	-	-	71	71
Consolidated profit	17,096	11,802	2,144	(3,967)	(3,117)	24,758
December 2018						
Revenue	63,326	102,220	17,036	28,909	2,929	214,420
External revenues	1,415	4,817	1	14	779	7,006
Segment revenue	64,741	107,037	17,037	28,923	3,698	221,436
Segment operating profit/(loss)	22,339	28,313	1,236	(1,791)	5,468	55,565
Segment interest income	-	31	1,099	5	568	2,097
Segment interest expense	-	(3,828)	(8)	(1,022)	(2,123)	(6,981)
Segment income tax (expense)/credit	(7,051)	(7,652)	(920)	49	(92)	(15,666)
Segment Profit/(loss)	15,288	16,864	1,397	(2,759)	4,211	35,001
Depreciation and amortisation	4,799	10,795	493	317	383	16,787
Segment assets	417,102	101,135	22,308	6,971	339,024	886,540
Segment liabilities	328,688	53,001	3,815	12,069	74,228	471,891
Capital additions	5,098	19,523	956	942	422	27,941
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 loss of control of a subsidiary	-	-	-	-	6,190	6,190
Adjustment due to different accounting policies	-	677	-	-	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

OTHER INFORMATION

	CONSOLIDATED		SEPARATE	
	Audited 31-Dec-19	Audited 31-Dec-18	Audited 31-Dec-19	Audited 31-Dec-18
Capital Expenditure for the period	27,879	27,830	54	39
Capital Expenditure committed	30,000	24,339	151	63
Finance lease commitments	22,561	26,575	-	-
Contingent liabilities	42,187	41,983	17,590	19,030
United investments at market value	-	-	238,034	200,035
United investments at directors' valuation	-	-	112,469	108,656

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 financial statements are prepared in accordance with the accounting policies applied in the preparation of the consolidated and separate financial statements, from which the summary consolidated and separate financial statements are 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 the Group for the year ended 31st December, 2019.

The Group delivered a profit after tax of MK24.76 billion (2018: MK36.71 billion) representing a 33% decrease. The reduction should be read in the context of a one-off prior year gain of MK3.88 billion arising from restructuring initiatives of the telecommunications segment and a one-off cost of MK2.5 billion in 2019 relating to functional review exercises in some of its companies. The underlying profit excluding the one-offs puts the current year profit at 3% below prior year results.

The operating environment was a challenging one, characterized by unprecedented low consumer spending and business uncertainty arising from pre-election activities as well as protracted post-electoral disputes. Thus, revenue generation was impacted resulting in the Group registering only a 3% growth. The less than satisfactory growth in revenue in turn put pressure on working capital resulting in a 131% increase in net finance charges.

Going forward, the Group will continue with its efficiency drive and initiatives to turnaround the companies that have hitherto underperformed. During the year, a diagnostic study revealed that part of the underperformance of these companies is an account of severe under-capitalization which requires urgent attention. Management has already drawn up plans to remedy this. In respect of previously reported loss-making companies, it is pleasing to note that Press Properties Ltd and Ethical Company Ltd (EthCo) have completely turned around and are profitable while The Foods Company Ltd is now significantly moving in the right direction.

SEGMENTAL PERFORMANCE

The Financial Services Segment (National Bank of Malawi plc)
The Bank continued with its good performance considering the operating landscape and delivered a profit after tax of MK1.71 billion (2018: MK15.27 billion) representing a 7% increase. The results were after taking into account one-off staff rationalisation costs incurred during the year amounting to MK8.12 million. Plans are now at an advanced stage for the Bank to make its first ever acquisition outside Malawi.

The Telecommunications Segment (mobile phone company: TNM, and the fixed telephony and broad band company: MTL)
Profit from the telecommunications segment declined by 33%. Prior year results for the fixed line phone business included a one-off gain from the restructuring of non-core assets amounting to MK2.7 billion. The mobile phone company, on the other hand, registered a 10% decline in its net earnings, due to a one-off restructuring expenditure of MK1.04 billion, a stock write-off of MK450 million and an increase in depreciation expense resulting from the heavy capital investment made over the past three years to reposition the company for sustainable growth. Plans are underway to identify a strategic partner in MTI.

The Energy Segment (ethanol manufacturing: PressCane and EthCo)
The segment delivered strong results with a 53% increase in its earnings. The performance was driven by the continued satisfactory performance by PressCane which registered a 10% growth in its earnings. Similarly, EthCo delivered good results and registered a 340% growth in its earnings from a loss made same period last year, driven by increased utilisation capacity due to the availability of raw materials from carry-over stocks and improved sales volumes.

The Consumer Goods Segment (retail chain: Peoples)
The retail chain continued making losses and registered a 44% increase in its losses as a result of a 21% decline in sales revenues due to closure of a number of stores following a restructuring of the business, attendant restructuring costs, and a significant increase in debt cost. During the year, the Board approved an injection of MK2 billion for working capital. The impact will be fully felt in 2020. Directors are weighing various equity recapitalization options to deal with the company's unsustainable debt cost position. The search for a strategic investor is continuing.

All-Other Segments (fish farming: The Foods Company, and real estate: Press Properties)
The Foods Company Ltd continued to register positive gains with an improvement of 23% in its losses. The company is on the path to a complete recovery with the ongoing investment in capacity expansion after a successful restructuring of its operations. Similarly, the real estate business continued with its good performance and registered a 41% growth in its profit before tax. The company needs more capital to have critical mass in commercial properties.


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, Castlet, a bottling and brewing company, and Open Connect Limited: a telecom fibre back bone infrastructure company)
While most companies within this segment produced satisfactory results, the Group's share of profit declined by 32%. This was mainly due to poor results reported in the bottling and brewing business (Castlet) as a result of operational challenges some of which emanated from changes in regulations. Some of the issues have since been resolved and the business is expected to be profitable going forward.


The tobacco processing company and the fibre back bone company, on the other hand, delivered good results. Profit from the fuel distribution and steel processing companies declined by 25% and 45% respectively mainly due to weak demand and reduced gross margins. There were no margin increases awarded to fuel distribution companies during the period.

OUTLOOK
General business confidence remains at a low ebb in light of continuing uncertainty following the nullification of presidential elections. In addition, the COVID-19 pandemic is likely to have an impact on the Group's general productivity and business as supply chains worldwide are being severely disrupted. Management is closely monitoring the pandemic and taking all necessary precautionary and mitigation measures.

The foregoing notwithstanding, the Group is nonetheless poised to deliver satisfactory results due to the expected full re-utilisation of capacity which will have a significant positive impact on the Group results. The Group is implementing a new revenue streams and efficiency improvements.

DIVIDEND
Directors have resolved to recommend a final dividend amounting to MK2.403 billion (2018: MK2.403 billion) representing MK2.00 per share (2018: MK2.00 per share), to be paid on Friday, 28th August 2020 to members whose names appear on the register as at the close of business on 27th August 2020. An interim dividend amounting to MK2.71 billion (2018: MK2.71 billion) representing MK6.00 per share (2018: MK6.00 per share) was paid on 28th October 2019. This brings the total dividend for the year to MK2.122 billion (2017: MK2.122 billion) representing MK2.00 per share (2018: MK2.00 per share).

Chairman

E. Chiliza
Chairman

Director

Elizabeth
Group Financial Controller

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

To the members of Press Corporation Plc

Opinion
The summary consolidated and separate financial statements, which comprise the summary consolidated and separate statements of financial position as at 31 December 2019, the summary consolidated and separate statements of comprehensive income and summary consolidated and separate cash flow statements for the year then ended and related notes, are derived from the audited consolidated and separate financial statements of Press Corporation Plc for the year ended 31 December 2019.

In our opinion, the accompanying summary consolidated and separate financial statements are consistent in all material respects, with the audited consolidated and separate financial statements on the basis described in the Basis for Preparation Paragraph.

Summary Financial Statements
The summary consolidated and separate financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated and separate financial statements and the auditor's report thereon, therefore, is not a substitute for reading the consolidated and separate audited financial statements and the auditor's report thereon. The summary consolidated and separate financial statements and the auditor's consolidated and separate financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the consolidated and separate audited financial statements.

The Audited Financial Statements and Our Report Thereon
We expressed an unmodified audit opinion on the audited consolidated and separate financial statements in our report dated 16 April, 2020. That report also includes the communication of key audit matters. Key audit matters are those matters that in our professional judgment were of most significance in our audit of the consolidated and separate financial statements of the current period.

Director's Responsibility for the Summary Financial Statements
The directors are responsible for the preparation of the summary consolidated and separate financial statements in accordance with the listing requirements of the Malawi Stock Exchange.

Auditor's Responsibility
Our responsibility is to express an opinion on whether the summary consolidated and separate financial statements, with the auditor's consolidated and separate financial statements based on our procedures, which were conducted in accordance with International Standard