FMBcapital HOLDINGS plc

BOTSWANA • MALAWI • MAURITIUS • MOZAMBIQUE • ZAMBIA • ZIMBABWE

Summary of audited consolidated and separate financial statements as at 31 December 2019

Summary Statements of Profit or Loss and other Comprehensive Income

US$	Notes	Consolidated Audited 31–Dec–19	Consolidated Audited 31–Dec–18	Separate Audited 31–Dec–19	Separate Audited 31–Dec–18
Interest income		78 913 127	95 069 602	(97 174)	602 274
Interest expense on deposits and other accounts		(23 169 176)	(22 246 619)	(1 466 154)	(1 206 915)
Net interest income/(expense)		55 743 951	72 822 983	(1 563 328)	(604 641)
Fees and commissions		29 350 083	41 333 681	–	(70 200)
Income from investments (including investment properties)		(1 628 114)	2 413 333	186 706	6 200 152
Gain/(loss) on foreign exchange transactions		18 322 488	21 077 712	(451 023)	(292 613)
Other operating income		3 329 072	751 070	3 574 246	3 369 005
Total non–interest income		49 373 529	65 575 796	3 309 929	9 206 344
Total operating income		105 117 480	138 398 779	1 746 601	8 601 703
Staff and training costs		35 100 313	48 922 039	2 931 448	2 657 388
Premises and equipment costs		12 568 982	14 131 332	992 887	31 204
Depreciation and amortisation		9 487 523	6 602 258	308 744	17 076
Other expenses		28 122 490	26 960 645	1 104 075	1 908 898
Impairment loss on financial assets		9 547 419	4 166 418	–	–
Total expenses		94 826 727	100 782 692	5 337 154	4 614 566
Operating profit/(loss)		10 290 753	37 616 087	(3 590 553)	3 987 137
Net monetary loss	2	(6 056 792)	–	–	–
Impairment loss on owner occupied property	2	(7 823 115)	–	–	–
Impairment loss on investment in joint venture	2	(5 978 437)	–	–	–
Impairment loss on investment property	2	(1 752 143)	–	–	–
Effects of hyperinflation – Zimbabwe		(21 610 487)	–	–	–
Share of profit in joint venture		555 811			
Gain on a bargain purchase		95 642	–	–	–
Profit/(loss) before income tax expense		(10 668 281)	37 616 087	(3 590 553)	3 987 137
Income tax expense		(7 941 027)	(6 998 336)	(13 302)	(612 217)
Profit/(loss) for the year		(18 609 308)	30 617 751	(3 603 855)	3 374 920
Other comprehensive income					
Items that will not be classified to profit or loss					
Revaluation surplus on property		–	4 173 295	–	–
Deferred tax on revalued property		1 240 627	(1 033 972)	–	–
Fair value gain/(loss) on investment net of deferred tax		(760 606)	2 723 663	–	–
		480 021	5 862 986	–	–
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translating foreign operations incorporating effect of hyperinflation		5 978 524	(55 128 886)	–	–
Total other comprehensive income/(loss) for the year		6 458 545	(49 265 900)	–	–
Total comprehensive income/(loss) for the year		(12 150 763)	(18 648 149)	(3 603 855)	3 374 920
Profit or loss attributable to:					
Owners of the parent		(4 974 291)	16 601 206	(3 603 855)	3 374 920
Non–controlling interest		(13 635 017)	14 016 545	–	–
Profit/(loss) for the year		(18 609 308)	30 617 751	(3 603 855)	3 374 920
Total comprehensive income/(loss) attributable to:					
Owners of the parent		(2 348 367)	(3 394 328)	(3 603 855)	3 374 920
Non–controlling interest		(9 802 396)	(15 253 821)	–	–
Total comprehensive income/(loss) for the year		(12 150 763)	(18 648 149)	(3 603 855)	3 374 920
Basic earnings per share (US cents)		(0.202)	0.709	(0.147)	0.144

US$	31–Dec–19		31–Dec–19
Operating profit/(loss) attributable to:		**Effects of Zimbabwe's inflation attributable to:**	
Owners of the parent	9 799 386	Owners of the parent	(9 223 356)
Non-controlling interest	491 367	Non-controlling interest	(12 387 131)
Operating profit/(loss) for the year	10 290 753	**Total impact**	(21 610 487)

Summary Statements of Changes in Equity

US$	Consolidated Audited 31–Dec–19	Consolidated Audited 31–Dec–18	Separate Audited 31–Dec–19	Separate Audited 31–Dec–18
As at the beginning of the year	134 237 340	143 211 288	119 046 262	103 970 226
Initial application of IFRS 9 (net of deferred tax)	–	(2 745 454)	–	–
Restated balance as at 1 January	134 237 340	140 465 834	119 046 262	103 970 226
Profit/(loss) for the year	(18 609 308)	30 617 751	(3 603 855)	3 374 920
Total other comprehensive income	6 458 545	(49 265 900)	–	–
Other movements	1 176 187	718 539	–	–
Other transactions with owners	4 746 846	11 701 116	–	11 701 116
Balance as at 31 December 2019	128 009 610	134 237 340	115 442 407	119 046 262

Summary Statements of Financial Position

US$	Notes	Consolidated Audited 31–Dec–19	Consolidated Audited 31–Dec–18	Separate Audited 31–Dec–19	Separate Audited 31–Dec–18
ASSETS					
Cash and cash equivalents		247 157 290	242 823 101	1 222 774	6 773 806
Money market investments		208 260 305	226 424 936	–	626 739
Loans and advances to customers		394 978 354	359 147 633	–	–
Finance lease receivables		2 448 642	2 228 832	–	–
Repurchase agreements		67 071 019	29 969 134	–	–
Deferred tax asset		1 185 179	499 256	–	–
Current tax asset		2 692 689	3 698 352	–	–
Investments at fair value through profit or loss		6 295 311	7 665 487	–	–
Investment in subsidiary companies	1	–	–	134 904 875	125 941 039
Investment in Joint Venture	3	14 456 648	–	–	–
Investment property	3	5 441 927	6 545 861	–	–
Intangible assets		11 954 100	6 917 153	1 776 281	–
Property and equipment	3	50 343 097	54 948 935	810 683	190 498
Right of use assets		8 912 787	–	241 469	–
Assets held for sale		3 903 980	17 531 259	–	–
Financial assets at fair value through other comprehensive income		1 664 939	1 793 644	–	–
Other assets		25 485 850	10 825 578	7 774 181	3 821 005
Total assets		1 052 252 117	971 019 161	146 730 263	137 353 087
LIABILITIES AND EQUITY					
Liabilities					
Balances due to other banks	4	143 932 626	47 735 602	–	–
Customer deposits		681 390 892	720 825 817	–	–
Other payables		30 250 550	27 825 897	4 421 265	1 020 078
Lease liabilities		6 920 823	–	129 835	–
Subordinated debt	5	26 599 027	16 859 518	–	–
Deferred Tax liabilities		6 144 054	3 243 342	–	–
Income tax payable		14 058	1 306 308	–	–
Provisions		2 253 721	1 698 590	–	–
Loans payable	6	15 950 009	6 500 000	15 950 009	6 500 000
Redeemable preference shares		10 786 747	10 786 747	10 786 747	10 786 747
Total liabilities		924 242 507	836 781 821	31 287 856	18 306 825
Equity					
Share capital		117 409 081	117 409 081	117 409 081	117 409 081
Restructuring reserve		(54 510 623)	(54 510 623)	–	–
Property revaluation reserve		4 245 921	3 005 294	–	–
Loan loss reserve		4 058 845	2 903 507	–	–
Investment revaluation reserve		574 931	878 738	–	–
Translation reserve		(22 107 529)	(23 817 452)	–	–
Retained earnings		28 545 590	33 656 133	(1 966 674)	1 637 181
Total equity attributable to equity holders of the company		78 216 216	79 524 678	115 442 407	119 046 262
Non–Controlling Interest		49 793 394	54 712 662	–	–
Total equity		128 009 610	134 237 340	115 442 407	119 046 262
Total equity and liabilities		1 052 252 117	971 019 161	146 730 263	137 353 087

Summary Statements of Cash flows

US$	Consolidated Audited 31–Dec–19	Consolidated Audited 31–Dec–18	Separate Audited 31–Dec–19	Separate Audited 31–Dec–18
Cash flows from operating activities				
Interest and fees received	111 470 717	159 054 073	1 189 138	3 608 466
Interest Paid	(22 499 054)	(22 246 619)	(856 436)	(1 206 915)
Cash paid to suppliers and employees	(87 389 473)	(100 653 291)	(1 716 233)	(5 493 719)
	1 582 190	36 154 163	(1 383 531)	(3 092 168)
Decrease in net customer balances	(67 685 230)	(169 969 730)	–	(3 820 127)
Cash used from operations	(66 103 040)	(133 815 567)	(1 383 531)	(6 912 295)
Dividend received	471 332	1 009 699	92 075	6 200 152
Income taxes paid	(7 978 274)	(7 847 231)	(13 302)	(612 217)
Cash used in operating activities	(73 609 982)	(140 653 099)	(1 304 758)	(1 324 360)
Cash flows from investing activities				
(Purchases)/maturities of money market investments	17 147 823	(65 094 765)	598 693	(626 739)
(Purchases)/maturities of currency swaps (net)	(37 905 394)	4 820 256	–	–
Sale of investments at fair value through profit or loss	495 864	–	–	–
Purchases of investment securities	(58 910)	–	–	–
Payment for acquisition of business, net of cash acquired	(631 820)	–	–	–
Subscription of shares in subsidiary company	–	–	(8 963 836)	(2 812 894)
Proceeds from sale of equipment	121 565	108 866	–	–
Acquisition of property and equipment and intangibles	(11 527 413)	(11 650 094)	(2 652 897)	(207 574)
Cash outflows applied to investing activities	(32 358 285)	(71 815 737)	(11 018 040)	(3 647 207)
Cash flows from financing activities				
Capital subscription by non-controlling interests	4 746 846	–	–	–
Proceeds from issue of shares	–	11 701 116	–	11 701 116
Loan to subsidiary company	–	–	(2 678 243)	–
Proceeds/(repayment) of long-term borrowings	115 386 542	(447 739)	9 450 009	–
Cash flows from financing activities	120 133 388	11 253 377	6 771 766	11 701 116
Net (Decrease)/Increase in cash and cash equivalents	14 165 121	(201 215 459)	(5 551 032)	6 729 549
Cash and cash equivalents at 1 January	242 832 503	499 167 446	6 773 806	44 257
Effect of changes in exchange rate and hyperinflation	(9 793 852)	(55 119 484)	–	–
Cash and cash equivalents at 31 December*	247 203 772	242 832 503	1 222 774	6 773 806

**Cash and cash equivalents at 31 December are gross amounts excluding expected credit losses of US$ 46 482 and US$ 9 402 for 2019 and 2018, respectively.*

NOTES TO THE SUMMARY AUDITED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

1 Investment in subsidiary companies

At the end of the reporting year, the Company's portfolio of investments in subsidiary companies comprised:

	Nature of Business	Type of Investment	Holding % 2019	Holding % 2018	US$ 2019	US$ 2018
First Capital Bank Plc (Malawi)	Banking	Equity Shares	**100.0**	100.0	**88 034 224**	101 073 622
Afcarme Zimbabwe Holdings (Private) Limited	Banking	Equity Shares	**81.0**	81.0	**17 420 080**	17 420 080
First Capital Bank Zambia)Limited	Banking	Equity Shares	**49.0**	49.0	**4 634 343**	4 634 343
First Capital Shared Services Ltd	Shared Service	Equity Shares	**100.0**	100.0	**105**	105
First Capital Bank Ltd (Botswana)	Banking	Equity Shares	**38.6**	–	**3 046 405**	–
First Capital Bank Ltd (Botswana)	Banking	Preference Shares	**100.0**	100.0	**2 475 355**	1 995 000
First Capital Bank S.A. (Mozambique)	Banking	Equity Shares	**80.0**	–	**19 294 363**	–
First Capital Bank S.A. (Mozambique)	Banking	Subordinated Debt	**–**	100.0	**–**	817 889
					134 904 875	125 941 039
Movements during the year were as follows					**2 019**	2 018
Opening balance					**125 941 039**	123 128 045
Subscription of shares					**9 781 725**	1 995 105
Issue/(settlement) of subordinated debt					**(817 889)**	817 889
Closing balance					**134 904 875**	125 941 039

In 2019, First Capital Bank Plc (FCB Malawi) transferred its investments in First Capital Bank Ltd (FCB Botswana), with a carrying value US$ 1 239 912, and First Capital Bank S.A (FCB Mozambique), with a carrying value US$ 11 799 486, through dividends in specie to FMBcapital Holdings PLC (FMBCH). FMBCH accounted for the dividend received by recording their respective original carrying values as an investment in each of the new direct subsidiaries and reducing the carrying value of its investment in FCB Malawi by an equivalent amount. This restructuring has had no impact on the consolidated financial position of the Group.

During the year the company subscribed US$ 7 494 877 for its pro rata share of a rights issue by FCB Mozambique and US$ 1,806,493 for its pro rata share of a rights issue by FCB Botswana. The Group's percentage holding in both subsidiaries remains unchanged.

The company invested US$ 480 355 during the year to acquire preference shares with a par value of BWP 5 132 000 issued by FCB Botswana which earn a preferred dividend at the Bank of Botswana rate plus 300 basis points, currently 7.75% per annum.

2 IAS 29 – Financial Reporting in Hyperinflationary Economies

During 2019, the emergence of indicators that the Zimbabwe economy had become hyperinflationary necessitated the application by the Group of the requirements of IAS 29 – *Financial Reporting in Hyperinflationary Economies*. Accordingly, the financial statements of Afcarme Zimbabwe Holdings were restated to reflect the impact of inflation in its functional currency, the Zimbabwe dollar, before being translated on consolidation into the Group's presentation currency, the US dollar. The general price index used for restatement was the Zimbabwe CPI which increased by 522% over the year 2019. In the same period, the US$/Zimbabwe$ exchange rate moved from 3.62 to 16.77, an increase of 363%.

A credit to translation reserve through other comprehensive income of the equivalent of US$ 9 307 931 arose on restatement of the net assets and post-acquisition reserves of Afcarme at 1 January 2019 which was partially offset by netting off an exchange loss of US$ 3 329 407 on translation at year-end exchange rates.

At 31 December 2019 the carrying value of monetary assets and non-monetary assets carried at fair value were not restated but other non-monetary assets and certain profit and loss lines of Afcarme were restated to reflect the impact of inflation.

Reported profit is therefore impacted for the principal reason that initial restatements of the opening balance sheet are reflected in other comprehensive income, but subsequent adjustments thereto are recorded in profit or loss. In the particular case of the Group, the value of adjustments is increased due to a disconnect between the Zimbabwe inflation rate and the rate of depreciation of its domestic currency against the Group's presentation currency.

The most material inflation-accounting adjustments impacting the Group performance are:

	US$	
Net monetary loss	**(6 056 792)**	This represents the loss in value which arose from the Zimbabwean business holding an excess of monetary assets over monetary liabilities in a hyperinflationary scenario.
Impairment loss on investment in joint venture	**(5 978 437)**	The 1 January 2019 carrying amounts of owner-occupied property, investment in joint venture and investment property were indexed for inflation in accordance with IAS 29, with the gain recorded in other comprehensive income. However, the underlying fair value of these properties in US$ had not changed materially, hence an offsetting impairment loss was recorded in profit and loss.
Impairment loss on investment property	**(1 752 143)**	
Impairment loss on owner occupied property	**(7 823 115)**	

3 Property investments

Audited (US$)	Investment Property 31-Dec-19	Investment Property 31-Dec-18	Property and equipment 31-Dec-19	Property and equipment 31-Dec-18	Investment in JV 31-Dec-19	Investment in JV 31-Dec-18
Balance at 1 January 2019	6 545 861	6 343 495	79 673 648	67 462 261	–	–
Additions	–	–	7 703 908	10 288 191	–	–
On acquisition of subsidiary	–	–	59 525	–	–	–
Effect of changes in exchange rate and hyperinflation	1 542 014	(195 134)	(658 910)	(1 311 164)	4 949 315	–
Impairment loss*	(1 752 143)	–	(7 823 115)	–	(5 978 437)	–
Impairment loss on revalued assets	–	–	–	(184 247)	–	–
Revaluation surplus	–	–	–	3 662 019	–	–
Disposals	–	–	(382 507)	(640 792)	–	–
Change in fair value	(1 316 438)	397 500	–	–	–	–
Current year share of profit in joint venture	–	–	–	–	555 811	–
Prior years share of Profit adjustment	–	–	–	–	123 946	–
Dividends received during the year	–	–	–	–	(123 946)	–
Transfers	422 633	–	(3 850 527)	397 380	14 929 959	–
Total cost/valuation	5 441 927	6 545 861	74 722 022	79 673 648	14 456 648	–
Accumulated depreciation/ amortisation	–	–	(24 378 925)	(24 724 713)	–	–
Carrying amount at 31 December	5 441 927	6 545 861	50 343 097	54 948 935	14 456 648	–

Impairment loss to write down the IAS 29 indexed value to the current realisable value.

4 Balances due to other banks

Audited (US$)	31-Dec-19	31-Dec-18
Inter bank borrowings	**63 592 028**	12 413 846
Currency swaps	**67 071 019**	29 969 134
European Investment Bank (EIB)	**3 269 579**	5 352 622
FMO Line of Credit	**10 000 000**	–
	143 932 626	47 735 602

Balances due to other banks are stated at amortised cost. Inter bank borrowings are availed to assist in the management of day to day liquidity of Group banks and are short term in nature. Currency swap liabilities arise from contracts which FCB Malawi entered into with the Reserve Bank of Malawi and Standard Bank (South Africa). The corresponding assets to these liabilities are disclosed as repurchase agreements in the Statement of financial position. On the maturity dates of the contracts FCB Malawi and the contract counterparties will settle the liabilities and the corresponding assets. The EIB and FMO facilities were provided to subsidiaries of the Group for the purpose of on lending to banking customers. The EIB facilities bear interest at rates from 3.9% to 5,8% per annum and are repayable in equal bi-annual instalments ending June 2022. The FMO facilities bear interest at LIBOR plus a margin of 3.5% and are repayable in equal quarterly instalments from March 2021 to December 2023.

5 Subordinated debt

Audited (US$)	31-Dec-19	31-Dec-18
Notes issued by FCB Malawi	**9 488 993**	9 665 870
Notes issued by FCB Botswana	**17 110 034**	6 378 653
Notes issued by FCB Mozambique	**–**	814 995
Total notes in issue	**26 599 027**	16 859 518

The subordinated debt notes constitute direct, subordinated and unsecured obligations of FCB Botswana and FCB Malawi. The FCB Botswana notes are denominated in Botswana Pula, mature on various dates from 2022 to 2029 and carry interest at rates linked to the prevailing Botswana bank rate. The FCB Malawi notes are denominated in Malawi Kwacha, mature in June 2023 and bear interest at rates linked to the prevailing yield on Malawi Government 90-day treasury bills.

6 Loans Payable

Audited (US$)	31-Dec-19	31-Dec-18
Related parties	**6 500 000**	6 500 000
Other lenders	**9 450 009**	–
	15 950 009	6 500 000

All loans are unsecured and repayable in full in 2023. Loans from related parties bear interest at 9% per annum payable quarterly. Loans from other lenders bear interest at 8% per annum payable annually.

7 Events after the reporting date: COVID-19

Novel Coronavirus (COVID-19) was declared as a global pandemic by the World Health Organisation in March 2020, which has affected the world economy, including countries where the Group has operations. The Group evaluated early the likely impact of Covid19 and put plans in place in advance of lockdowns to ensure that it would continue to operate effectively and efficiently while working remotely. As we manage through this crisis, the executive management team meet regularly to review operations, anticipate and manage any issues, with both Group and country boards being updated on a regular basis. We have in addition conducted an extensive review of our operations to assess any potential impact across our credit book, liquidity and our projected operating results for the year. While some impact is likely, we do not expect this to be material.

No other events have occurred between the date of the statement of financial position and the date of approval of the financial statements, which require adjustment to or disclosure in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF FMBCAPITAL HOLDINGS PLC

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 profit or loss and other comprehensive income, summary consolidated and separate statements of changes in equity and summary consolidated and separate statements of cash flows for the year then ended and the notes to the summary consolidated and separate financial statements, are derived from the audited financial statements of FMBcapital Holdings 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 financial statements, in accordance with the International Financial Reporting Standards (IFRSs).

Summary Consolidated and Separate Financial Statements

The summary consolidated and separate financial statements do not contain all the disclosures required by International Financial Reporting Standards (IFRSs) in the preparation of the audited consolidated and separate financial statements of FMBcapital Holdings Plc. Reading the summary consolidated and separate financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The Audited Consolidated and Separate Financial Statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 8th June 2020. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period.

Directors' Responsibility for the Summary Consolidated and Separate Financial Statements

The Directors are responsible for the preparation of the summary consolidated and separate financial statements in accordance with IFRSs.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated and separate financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Chartered Accountants
8 June 2019

Vishal Agrawal, FCA
Licensed by FRC

FMBcapital HOLDINGS plc

Summary of audited consolidated and separate financial statements as at 31 December 2019

(continued)

Review of the year

In 2019 the Group's corporate restructuring was completed and all banking entities are now directly held by FMBcapital Holdings Plc. This was supported by a capital injection of US$ 9.7m into the Botswana and Mozambique businesses to position them to capture additional growth opportunities in these markets. First Capital Bank Botswana also acquired the business and assets of Bank of India (Botswana) Limited as part of its strategic growth plans. In Zimbabwe we completed the integration and IT migration process for the business, in addition to shifting certain activities to be performed by our Mauritius shared service centre. These changes are part of a continued process to position the Group to leverage skills and resources efficiently and to capitalise on future growth opportunities.

2019 Performance

Year on year profit after tax for the Group (excluding Zimbabwe) was US$ 10.9m, broadly in line with prior year with both Botswana and Mozambique showing strong growth, compensating for relative weakness in Zambia and Malawi.

The environment in Zimbabwe has deteriorated significantly this year, with continuing devaluation of the currency and hyperinflation now impacting results. The adverse impact on the Group's performance of the currency devaluation in Zimbabwe is further exacerbated by the outcome of the classification of the Zimbabwe economy as hyperinflationary for the purposes of IAS 29 – *Financial Reporting in Hyperinflationary Economies*. Group results show an after-tax profit of $ 10.9m excluding Zimbabwe, a 6% reduction from last year. Including Zimbabwe, the reported Group loss is US$ 18.6m. Loss of US$ 29.5m attributable to Zimbabwe includes US$ 21.6m due to IAS 29 adjustments.

	Profit after tax	
US$	**31-Dec-19**	31-Dec-18
Malawi	**8 164 146**	**9 153 832**
Botswana	**4 476 770**	**2 795 171**
Mozambique	**1 094 178**	**128 723**
Zambia	**630 362**	**2 726 734**
Mauritius	**(3 449 134)**	**(3 168 995)**
Total excluding Zimbabwe	**10 916 322**	**11 635 465**
Zimbabwe	**(29 525 630)**	**18 982 286**
Total Group	**(18 609 308)**	**30 617 751**

Our Malawi operations performed broadly in line with the previous year, with the reduction in profits coming from fair value losses on equity investments of US$ 0.9m. Botswana's increase in capital enabled us to drive significant growth in the bank's retail lending business which has been a key contributor to profit growth. The investment of additional capital in Mozambique also helped sustain improved performance across the business, registering significant income growth on the back of higher transactional volumes from both new and existing customers. Zambia's performance is down on last year with lower income, particularly on fees and foreign exchange transactions, against a background of currency devaluation and tight liquidity conditions. In Mauritius, the continued investment in IT infrastructure and shared services for the Group resulted in a loss for the year but this expenditure is expected to result in future cost reductions for the Group's operating entities.

Outlook

Business sentiment across the Group excluding Zimbabwe remains cautiously optimistic, supported by a resilient balance sheet with over 40% of total assets in liquid form giving the Group the capacity to take advantage of investment opportunities that may arise. Hyperinflation will likely persist in Zimbabwe with the business there being closely monitored and restructured as required to mitigate its impact and that of the overall volatile economic environment in the country.

The potential effects of COVID-19 have been assessed, and we do not, based on current forecasts, anticipate a material impact to the Group, though we will continue to closely review the situation as we move forward.

Basis of preparation

The directors have prepared the summary financial statements to meet the listings requirements of the Malawi Stock Exchange. The directors have considered the listings requirements of the Malawi Stock Exchange and believe that the summary statements of financial position, comprehensive income, changes in equity and cash flows are sufficient to meet the requirements of the users of the summary financial statements. The amounts in the summary financial statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards. The summary financial statements have been derived from the annual financial statements which were approved by the board of directors on 8 June 2020.

Dheeraj Dikshit
Director

Mahendra Gursahani
Director