PRESS CORPORATION PLC

PCL

39TH ANNUAL GENERAL MEETNG

39TH ANNUAL GENERAL MEETING NOTICE

NOTICE IS HEREBY GIVEN THAT THE THIRTY-NINTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AT THE NATIONAL BANK OF MALAWI PLC LEADERSHIP CENTRE, OFF CHIKHWAWA ROAD IN BLANTYRE, ON FRIDAY, 28TH JULY, 2023 STARTING FROM 14:00 HOURS, AT WHICH THE FOLLOWING ORDINARY BUSINESS WILL BE TRANSACTED:

1. MINUTES OF THE LAST ANNUAL GENERAL MEETING

To confirm the minutes of the last Annual General Meeting held on 22nd July, 2022.

2. FINANCIAL STATEMENTS

To receive the audited Financial Statements of the Company for the year ended 31st December 2022, together with the reports of the Directors and Auditors thereon.

3. DIVIDEND

To declare a final dividend of MK3,487 million, representing MK29 per share, in respect of year 2022 profits as recommended by the Directors. An interim dividend amounting to MK842 million, representing MK7.00 per share was already paid on 28th October, 2022, making a total dividend for the year ended 31st December, 2022 to MK4,329 million, representing MK36 per share.

The Dividend will be payable on 25th August, 2023 to those Shareholders registered in the books of the Company as at the close of business on 18th August, 2023.

The share register will be closed from 21st August, 2023 to 25th August, 2023, both dates inclusive, and no transfers shall be registered during that time.

4. APPOINTMENT OF AUDITORS

To authorise the Directors to appoint Auditors for the ensuing year and to authorise the Directors to determine their remuneration.

5. DIRECTORS' RE-ELECTION

To re-elect the following Directors who retire, in terms of the Articles of Association, by rotation and, being eligible, have offered themselves for re-election:

5.1 Mr. Gibson Ngalamila

Mr. Gibson Ngalamila is a Chartered Accountant, Chartered Company Secretary and governance expert. He has served as Executive Secretary for Press Trust for more than 6 years. Prior to his current position, he served the Trust in various capacities in the Operations Department.

5.2 Mr. Jim Nsomba

Mr. Jim Nsomba is a Finance expert. He joined Old Mutual Malawi Limited as Finance Director in May, 2017 up to his retirement in 2022. Prior to joining Old Mutual, he was Regional Manager for Africa Finance Transformation at Standard Bank Africa Head Office from 2005 to 2017.

6. EXECUTIVE DIRECTORS' REMUNERATION

To authorise the Directors to determine the remuneration of Executive Directors.

7. NON-EXECUTIVE DIRECTORS FEES AND SITTING ALLOWANCES

To fix the Fees and Sitting Allowances of the Chairman and other Non-Executive Directors with effect from 01st January 2023 as follows:

Directors Fees:

- Chairman - MK14,883,000.00 per annum payable quarterly in arrears (up from MK13,530,000.00)
- Non-Executive Directors - MK12,430,000.00 per annum payable quarterly in arrears (up from MK11,300,000.00)

Sitting Allowances:

- Chairperson - MK665,500.00 per sitting (up from MK605,000.00 per sitting)
- Committee Chairperson - MK605,000.00 per sitting (up from MK550,000 per sitting)
- Non-Executive Directors - MK572,000.00 per sitting (up from MK520,000.00 per sitting)

8. OTHER BUSINESS

To transact such other business as may be transacted at an Annual General Meeting of which prior notice should have been given to the Company Secretary not less than 21 days before the date of the forthcoming Annual General Meeting.

Dated the 29th day of June 2023

BY ORDER OF THE BOARD

MOUREEN MBEYE
COMPANY SECRETARY

Registered Office
Press Corporation plc
3rd Floor, PCL House
Top Mandala
Kaohsiung Road
P O Box 1227
BLANTYRE

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy (or proxies) to attend and vote on its/his/her behalf. A proxy need not be a member of the Company.
2. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or notarially certified copy of that power of attorney or authority shall be deposited at the Company Secretary's office not less than forty-eight (48) hours before the time appointed for holding the meeting and in default the instrument of proxy shall not be treated as valid. The instrument appointing a proxy shall be in the form attached hereto or forms as near thereto as circumstances admit.
3. At the above meeting it will be proposed that a final dividend of MK3,487 million (2021:MK3,367 million) representing MK29.00 per share (2021:MK28.00) be declared payable on Friday, 25th August, 2023 to those shareholders registered in the books of the Company as at the close of business on Friday, 18th August, 2023.
4. No other business shall be transacted at the above meeting unless the Company Secretary shall have been notified of the same not less than 21 days before the date of the meeting.
5. The AGM Pack consisting of the Notice, Agenda, Minutes, a Proxy Form, and Financial Statements shall be circulated to the shareholders through their registered addresses. Soft copies are also available on the PCL website (www.presscorp.com).

6. Shareholders who wish to attend the meeting virtually and/or to have copies of the AGM Pack sent to them by email or WhatsApp must provide their contact details and indicate their preference by contacting the Company Secretary as follows:

   By email: pcl.shareholders@presscorp.com
   By WhatsApp: +265 887 095 041

7. Shareholders can raise any questions on any agenda item by addressing them to the Company Secretary (through the contacts listed above) by email or WhatsApp starting from 7th July, 2023 to 21st July, 2023.

8. The Company will collate all questions (and their answers) and publish these anonymously on its website on 25th July 2023.

9. Selected questions and answers will be commented upon by the Chairperson during the meeting.

10. Shareholders are strongly encouraged to vote and send their questions in advance of the Annual General Meeting, especially if they are planning to log-in and attend virtually.

38TH ANNUAL GENERAL MEETING MINUTES

MINUTES OF THE THIRTY- EIGHTH ANNUAL GENERAL MEETING OF THE COMPANY HELD AT NATIONAL BANK OF MALAWI PLC LEADERSHIP CENTRE IN BLANTYRE ON FRIDAY, 22ND JULY, 2022 STARTING FROM 14:00 HOURS

PRESENT

BOARD AND COMPANY SECRETARY

Mr. R Mwadiwa	Chairman
Mr. G Ngalamila	Director
Mr. J Nsomba	Director
Mr S. Malata	Director
Mr. D Mawindo	Director
Mrs. B Mahuka	Director
Ms. M. Mbeye	Company Secretary

PROXIES RECEIVED

NO	SHAREHOLDER/MEMBER	PROXY
1.	Press Trust	Mr Symon Msefula / Prof Moses Maliro
2.	MPC Pension Fund	Mark Mikwamba
3.	Magetsi Pension Fund	Mark Mikwamba
4.	Aviation Pension Fund	Mark Mikwamba
5.	Public Services Pension Trust Fund	Mark Mikwamba
6.	Madzi Pension Fund	Mark Mikwamba
7.	Old Mutual Life Assurance	Mark Mikwamba
8.	CHAM Pension Fund	Mark Mikwamba
9.	FDH Financial Holdings	Mark Mikwamba
10.	Standard Bank ITF OMUT Balanced Fund	Mark Mikwamba
11.	RBM Pension Fund	Mark Mikwamba
12.	TNM Pension Fund	Mark Mikwamba
13.	First Capital Bank Pension Fund	Mark Mikwamba
14.	Nico Asset Manager Ltd	Rupert Nkhono/Chikondi Gomani
15.	Toyota Pension Fund	Rupert Nkhono/Chikondi Gomani
16.	Sucoma Pension Fund	Rupert Nkhono/Chikondi Gomani
17.	Public Service Pension Fund	Rupert Nkhono/Chikondi Gomani
18.	Press Corporation Pension Fund	Rupert Nkhono/Chikondi Gomani
19.	Nico Life	Rupert Nkhono/Chikondi Gomani
20.	Nico General	Rupert Nkhono/Chikondi Gomani
21.	Malawi Posts corporation Pension Fund	Rupert Nkhono/Chikondi Gomani
22.	Limbe Leaf Pension Fund	Rupert Nkhono/Chikondi Gomani
23.	APT	Rupert Nkhono/Chikondi Gomani
24.	NITL	Rupert Nkhono/Chikondi Gomani
25.	Standard Bank Pension Fund	Rupert Nkhono/Chikondi Gomani
26.	NBS Timasuke Pension Fund	Rupert Nkhono/Chikondi Gomani
27.	NHL Timasuke Pension Fund	Rupert Nkhono/Chikondi Gomani
28.	RBM Pension Fund	Rupert Nkhono/Chikondi Gomani
29.	Continental Asset Managers Nominees	James Mbingwa /Waaza Phiri
30.	Public Service Pension Trust Fund	James Mbingwa /Waaza Phiri
31.	Continental Unrestricted Pension Fund	James Mbingwa /Waaza Phiri
32.	PCL Pension Fund CAM	James Mbingwa /Waaza Phiri
33.	Madzi Pension FundCAM	James Mbingwa /Waaza Phiri
34.	CHAM Pension Fund CAM	James Mbingwa /Waaza Phiri
35.	Magetsi Pension Fund CAM	James Mbingwa /Waaza Phiri
36.	MUST Gratuity Fund CAM	James Mbingwa /Waaza Phiri
37.	Vanguard Pension Servcies CAM	James Mbingwa /Waaza Phiri

IN ATTENDANCE

Dr. L Chithambo	Acting Chief Executive
Mr N Uka	Deloitte

WELCOME REMARKS

Mr. Randson Mwadiwa, the Chairman of the Board, took the Chair of the meeting. He welcomed all Members to the 38th Annual General Meeting of the Company. He briefed the Members on the performance of the Company for the 2021 financial year with reference to the operating environment; Group performance, including the segments that experienced challenges in the year, notably TNM and The Foods Company Limited; as well as the divestiture of PTC. The Chairman also provided the Members with an update on the restructuring process that took place at the Corporate Office, which saw the reduction in headcount from 35 to 24. The Chairman concluded his welcome remarks by assuring the Members that the Group's business model, strategic priorities, cost containment initiatives and key growth platforms would continue to deliver Shareholder value and benefit the Company's other stakeholders.

301 QUORUM

The Chairman announced that a quorum was present and that thirty-seven (37) proxies had been received.

302 NOTICE

The notice convening the meeting was taken as read.

303 MINUTES OF THE THIRTY – SEVENTH ANNUAL GENERAL MEETING

The minutes of the Thirty-Seventh Annual General Meeting of the Company held on 9th July, 2021 were taken as read and duly noted. The minutes were confirmed as a true record of the meeting.

304 RECEIPT AND CONSIDERATION OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2021 TOGETHER WITH THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON

The Chairman informed members that the Directors' Report appeared on page 16 of the Annual General Meeting pack and on page 56 of the Annual Report, and proposed that it be taken as read. Thereafter, Mr Uka, the partner at Deloitte, presented the Auditors' Report. At the conclusion of the Auditor's presentation, the resolution was put to the Members for their approval.

Upon voting by the Members, it was resolved:

THAT the audited financial statements for the year ended 31st December 2021, together with the Reports of the Directors and the Auditors thereon as presented at the meeting, **BE** and **ARE HEREBY** received and adopted.

305 DECLARATION OF DIVIDEND

The Board recommended a final dividend for the year ended 31st December 2021 of MK3.4 billion, representing MK28.00 per share. It was reported that an interim dividend amounting to MK722 million representing MK6.00 per share was already paid on 29th October, 2021. The total dividend for the year, therefore, amounted to MK4.1 billion, representing MK34.00 per share.

Upon voting by the Members, it was resolved:

THAT, upon the recommendation of the Directors, and the Members having noted that an interim dividend amounting to MK722 million representing MK6.00 per share was paid on 29th October, 2021, a final dividend of MK3.4 billion representing MK28.00 per share in respect of the year ended 31st December 2021 **BE** and **IS HEREBY** declared as the final dividend payable on Friday, 26th August, 2022 to those Shareholders registered in the books of the Company as at the close of business on Friday, 19th August 2022.

306 APPOINTMENT OF AUDITORS

(i) The Chairman informed members that Messrs Deloitte had, during the financial year ending 31st December 2021, indicated their willingness to continue to act as auditors to the Company.

Upon voting by the Members, it was resolved:

THAT, having agreed to continue in office as auditors, Messrs Deloitte, Certified Public Accountants, **BE** and **ARE HEREBY** re-appointed Auditors of the Company to hold office until the conclusion of the next Annual General Meeting.

(ii) The Chairman informed Members that having re-appointed Deloitte as Auditors, it was necessary to authorize the Directors to fix the remuneration of the Auditors.

Upon voting by the Members, it was resolved:

THAT the Directors BE and **ARE HEREBY** authorized to fix the remuneration of the Auditors.

307 DIRECTORS RE-ELECTION

The Chairman informed Members that Mr. Stewart Malata, a Director who was due to retire by rotation, was eligible and available for re-election.

Upon voting by the Members, it was resolved:

THAT Mr. Stewart Malata, a Director who retires by rotation and, being eligible, offers himself for re-election, **BE** and **IS HEREBY** re-elected as Director.

308 EXECUTIVE DIRECTORS' REMUNERATION

The Chairman informed the members that the Company, from time to time, appoints Executive Directors from Members of the Company's Executive Management team. It was, therefore, necessary for Members to authorize the Directors to determine their remuneration.

Upon voting by the Members, it was resolved:

THAT the Directors **BE** and **ARE HEREBY** authorized to determine the remuneration of the Executive Directors.

309 APPROVAL OF NON-EXECUTIVE DIRECTORS' FEES AND SITTING ALLOWANCES

The Chairman informed Members of a recommendation from Directors that Directors fees and sitting allowances be maintained as those of 2021 as follows:

Directors Fees:
- Chairman - MK13,530,000.00 per annum payable quarterly in arrears
- Non-Executive Directors - MK11,300,000.00 per annum payable quarterly in arrears

Sitting Allowances:
- Board Chairman - MK605,000.00 per sitting
- Committee Chairperson - MK550,000.00 per sitting
- Non-Executive Directors - MK520,000.00 per sitting

Upon voting by the Members, it was resolved:

THAT the fees and sitting allowances for the Board Chairman, Chairpersons of the Board Committees and other Non-Executive Directors as set out above **BE** and **ARE HEREBY** fixed with effect from 1st January 2022.

310 TO PASS A SPECIAL RESOLUTION FOR THE ALTERATION OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Chairman informed the Members that the circular to Shareholders on Alteration of the Articles of Association was circulated together with the notice of the AGM. The circular also appeared on pages 126-153 of the 38th AGM Notice Booklet, and was, therefore, taken as read. It was, therefore, recommended that a special resolution be passed by the Members for the alteration of the Company's Articles of Association as proposed.

Upon voting by the Members, it was resolved:

THAT the Company's Articles of Association **BE** and **ARE HEREBY** altered.

311 CLOSURE OF MEETING

There being no other business to transact, the Chairman declared the meeting closed at 16:20 hours.

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CHAIRMAN **DATE**

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The Directors have pleasure in presenting their report together with the audited consolidated and separate financial statements of Press Corporation plc for the year ended 31 December 2022.

1. INCORPORATION AND REGISTERED OFFICE

Press Corporation plc is a Company incorporated in Malawi under the Companies Act, 2013. It was listed on the Malawi Stock Exchange in September 1998.

The address of its registered office is:
3rd Floor
PCL House
Kaohsiung Road
P.O. Box 1227
BLANTYRE

2. PRINCIPAL ACTIVITIES OF THE GROUP

Press Corporation plc is a diversified Group with significant interests in the Malawi economy. Its subsidiary companies operate in financial services; telecommunications; energy; retail and real estate. Press Corporation plc has two joint venture companies in the energy and consumer goods sectors. It also has three associates in the telecommunications; agro-industrial and life insurance.

3. 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.

4. SHARE CAPITAL AND SHAREHOLDING

The authorised share capital of the Group is K25 million (2021: K25 million) divided into 2,500,000,000 Ordinary Shares of K0.01 each. The issued and fully paid capital is K1.2 million (2021: K1.2 million) divided into 120,255,713 (2021: 120,255,713) fully paid Ordinary Shares of K0.01 each.

The shareholding structure at year end was as follows:-

	2022 %	2021 %
Press Trust	47.58	47.58
Old Mutual Life Assurance Company Limited	16.29	16.29
Standard bank of South Africa nominees ITF Northern Trust Global Services	-	0.37
Others	36.13	35.76
	100.00	100.00

5. DIVIDENDS

The net profit attributable to owners of the Company for the year of K13.6 billion (2021: K21.7 billion) has been added to retained earnings. Interim dividend paid for 2022 was K842 million (2021: K722 million) representing K7 per share (2021: K6). The directors have proposed a final dividend for the year 2022 of K3,487 million (2021: K3,367 million) representing K29 per share (2021: K28) to be tabled at the forthcoming Annual General Meeting.

6. DIRECTORATE AND COMPANY SECRETARY

The names of the Company's directors and secretary are listed below:-

Mr. R Mwadiwa	Chairman	From August 2020	Non-executive
Mr. J Nsomba	Director	Throughout the year	Non-executive
Mr. G Ngalamila	Director	Throughout the year	Non-executive
Mr. S Malata	Director	Throughout the year	Independent non-executive
Mr. D Mawindo	Director	Throughout the year	Non-executive
Mrs. B Mahuka	Director	Throughout the year	Non-executive
Dr. G Partridge	Director/Group Chief Executive	Up to 31 January 2022	Executive
Mr. B Ndau	Company Secretary	Up to 31 January 2022	Executive
Ms. M Mbeye	Company Secretary	From 1 February 2022	Executive

7 DIRECTORS' REMUNERATION

The directors' fees and remuneration for the Group and its subsidiaries was as follows:

Entity	Non-executive Directors fees and expenses	Executive Directors remuneration	Total
	K' million	K' million	K' million
For the year ended 31 December 2022			
Press Corporation plc	193	49	242
Telekom Networks Malawi plc	132	-	132
National Bank of Malawi plc	511	892	1,403
The Foods Company Limited	26	-	26
Malawi Telecommunications Limited	17	119	136
Presscane Limited	100	-	100
Press Properties Limited	31	-	31
Ethanol Company Limited	75	134	209
	1,085	1,194	2,279
For the year ended 31 December 2021			
Press Corporation plc	161	621	782
Telekom Networks Malawi plc	114	-	114
National Bank of Malawi plc	401	832	1,233
The Foods Company Limited	25	-	25
Malawi Telecommunications Limited	23	120	143
Presscane Limited	88	-	88
Press Properties Limited	19	-	19
Ethanol Company Limited	38	112	150
Peoples Trading Centre Limited	17	-	17
	886	1,685	2,571

8. DIRECTORS' TENURE POLICY

In accordance with the Articles of Association, non-executive Directors are appointed by the shareholders with at least 10% shareholding; namely Press Trust and Old Mutual plc with the exception of one independent Director (Mr. S. Malata) who is nominated by the Board of Directors and confirmed by the Annual General Meeting.

At the annual general meeting of the company in every year, one-third of the non-executive directors shall retire from office. The directors to retire in every year shall be those who have been longest in office since their last election or have been appointed by the directors since the last annual general meeting. A retiring director is eligible for re-election. Notwithstanding this, non-executive Directors appointed by the major shareholders may be recalled by the particular appointing major shareholder.

Executive Directors are appointed by the Board and their tenure is as per the terms of their contract of employment. Dr. George Partridge ceased to be an executive Director on 31st January 2022 when he left the employment of the company.

On termination of the contract, a three months' notice in writing must be given in case of Executive Directors whereas Non-executive Director's termination of their appointment is effective immediately when the notice of termination of their appointment is delivered to the Company Secretary. There is no predetermined compensation on termination of the appointment of Non-executive Directors.

9. DIRECTORS' INTERESTS

The interests of the Directors in office in the shares of the Group and its subsidiaries as at 31 December 2022 is as follows;

Director	Company	Number of shares held (ordinary shares)	
		2022	2021
Dr. G Partridge	Telekom Networks Malawi plc	-	1,000,000
Dr. G Partridge	National Bank of Malawi plc	-	846,507
Dr. G Partridge	Press Corporation plc	-	45,000
Mr. J Nsomba	National Bank of Malawi plc	758	758
Mr. S Malata	Telekom Networks Malawi plc	53,751	53,751
Mr. R Mwadiwa	Telekom Networks Malawi plc	18,800	18,800
Mr. R Mwadiwa	Press Corporation plc	1,000	1,000

None of the Directors had, during the year ended 31 December 2022 (2021: nil), an interest in any material contract relating to the business of the Company or of any of its subsidiary undertakings.

10. DONATIONS

As part of its corporate social responsibility, the Group and its subsidiaries made charitable donations of K415 million (2021: K207 million) as shown below;

	2022 K' million	2021 K' million
Malawi Telecommunications Limited	1	-
Telekom Networks Malawi plc	62	96
National Bank of Malawi plc	277	76
Ethanol Company Limited	27	19
Presscane Company Limited	13	13
Press Corporation plc	35	3
	415	207

11. AUDITORS

These financial statements were audited by Deloitte, Chartered Accountants, P O Box 187, Blantyre. Resolutions concerning the appointment of auditors of the Group for the year ending 31 December 2023 and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

12. AUDITORS REMUNERATION

The agreed fees payable by the Group and its subsidiaries to their auditors for financial audit and non-financial audit services are as follows::

Entity	Financial Audit K' million	Half year results review K' million	Tip-offs anonymous K' million	IT system review K' million	Total K' million
For the year ended 31 December 2022					
Press Corporation plc	113	41	2	-	156
Telekom Networks Malawi plc	179	26	6	16	227
National Bank of Malawi plc	343	23	44	-	410
The Foods Company Limited	27	5	-	-	32
Malawi Telecommunications Limited	70	7	3	-	80
Presscane Limited	41		3	-	44
Press Properties Limited	23	5	-	-	28
Ethanol Company Limited	26	8	2	-	36
	822	115	60	16	1,013
For the year ended 31 December 2021					
Press Corporation plc	90	39	2	-	131
Telekom Networks Malawi plc	154	18	5	-	177
National Bank of Malawi plc	351	19	4	-	374
The Foods Company Limited	23	4	-	-	27
Malawi Telecommunications Limited	65	7	3	-	75
Presscane Limited	34	6	3	-	43
Press Properties Limited	22	4	2	-	28
Ethanol Company Limited	21	7	2	-	30
Peoples Trading Centre Limited	46	6	-	9	61
	806	110	21	9	946

The Directors are satisfied that the provision of non-audit services did not compromise the auditor independence.

13. CORPORATE GOVERNANCE

The Group continues to embrace and abide by the main principles of modern corporate governance as contained in the Malawi Code II (Code of Best Practice for Corporate Governance in Malawi). In this regard, the Group has at Board level, a Board Audit and Finance Committee, Investment Committee and a Board Appointments and Remuneration Committee. The Committees comprise of Non-Executive Directors.

14. OVERVIEW OF SUBSIDIARIES

The Group carried out its activities through its main subsidiaries namely; National Bank of Malawi plc, Malawi Telecommunications Limited, Telekom Networks Malawi plc, Ethanol Company Limited, Presscane Limited, Peoples Trading Centre Limited (up to 28 February 2022), Press Properties Limited and The Foods Company Limited.

The Company's shareholding in the subsidiaries, their principal activities and financial performance is disclosed in note 14 of the consolidated and separate financial statements.

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14.1 Subsidiaries corporate governance

The subsidiaries have their own Boards of Directors having the rights and obligations to manage such companies in the best interest of the companies. The Company has its representatives on the boards of subsidiary companies and monitors the performance of the companies regularly.

14.2 Subsidiaries board of directors

During the year ended 31 December 2022, none of the subsidiary company directors had an interest in any material contract relating to the businesses of the subsidiaries.

Information about subsidiaries' Board of Directors and their interest in shares, if any, in the respective subsidiary is shown below;

Subsidiary	Directors	Tenure	Directors Interest in shares of the subsidiary
National Bank of Malawi plc	Mr. J Lipunga Dr. G Partridge Mr. M Nkhoma Mr. M Kawawa Mrs. E Mafeni Mrs. M Kachingwe Mr. J Mhura Mrs. B Nyirenda Mr. B Ndau Mr. H Jiya Mr. R Banda Mr. J Nsomba Mrs. D Ngwira Mr. C Mzengereza Dr. L Chithambo Ms. M Mbeye Dr. B Malunga Mrs. Z Mitole	Chairman - From 1 April 2022 Chairperson - Up to 31 March 2022 All year All year Up to 31 March 2022 Up to 31 March 2022 All year All year Up to 31 March 2022 All year All year All year All year All year From 1 April 2022 From 1 April 2022 From 1 April 2022 All year - Company secretary	None N/a None 113,255 (2021: 113,255) N/a N/a None None N/a 48,813 (2021: 17,306) None 758 (2020: 758) None None None None None None
Malawi Telecommunications Limited	Mrs. E Mafeni Mr. F Mvalo Dr. L Chithambo Mr. C. Kapanga Mr. M Katsala Secretary to the Treasury Principal Secretary for Information Dr. H Gombachika Mrs. C Tirigu	Chairman - Up to 31 March 2022 All year All year All year All year All year All year All year All year - Company secretary	None of the Directors had interest in shares of Malawi Telecommunications Limited
Telekom Networks Malawi plc	Mr. T Phiri Dr. G Partridge Mr. D Lungu Mrs. E Mafeni Mr. K Phiri Dr. I Nzyoka Mr. L Katandula Mr. W Swart Dr. L Chithambo Mrs M Nyambose Mrs. C Mwansa	Chairman - From 31 March 2022 Chairman - Up to 30 March 2022 Up to 30 March 2022 Up to 30 March 2022 All year All year All year All year All year From 31 March 2022 All year - Company secretary	None N/a N/a N/a 240,000 (2021: 240,000) None 1,370,000 (2021: 1,370,000) None 100,000 (2021: 100,000) None None
Ethanol Company Limited	Dr. L Chithambo Mr. W Mabulekesi Mr. G Kunje Mr. F Honde Mr. B W Jere Mr. G Kambale Ms E. Chanza Mr. J. Ngolombe Ms L . Chakaniza Mr. T Chavura	All year - Chairperson All year From April 2022 All year All year Up to March 2022 From April 2022 to October 2022 All year All year All year - Company secretary	None of the Directors had interest in shares of Ethanol Company Limited

14. OVERVIEW OF SUBSIDIARIES – continued

14.2 Subsidiaries board of directors – continued

Subsidiary	Directors	Tenure	Directors Interest in shares of the subsidiary
Presscane Limited	Mr. P Guta Mr. P Mulipa Mr. R R Patel Mr. J Korea-Mpatsa Mrs. R. Chitera Mr. B Ndau Dr. L Chithambo Mr. G Kambale Mr. K Tembo Mr R.L. Patel Mrs. C Chihana	Chairman - From 1 April 2022 Chairman - up to 2 February 2022 All year All year Up to 31 March 2022 Up to 31 March 2022 From 1 April 2022 From 1 April 2022 All year All year All year - Company secretary	None of the Directors had interest in shares of Presscane Limited except for Mr. R R Patel who had 49.9% indirect interest in shares of the company through his other business interest – Cane Products Limited.
Press Properties Limited	Mr. C Mkandawire Mr. B Ndau Mr. G Chipungu Mr. F Tukula Ms. M Mbeye Mr. R Matemba Mrs. M Mulaga Mr. S Bisani Mr. M Zeleza Ms. C. Khaki	Chairman - From 1 April 2022 Chairman - Up to 31 March 2022 Up to 31 March 2022 Up to 31 March 2022 Up to 31 March 2022 From 1 April 2022 From 1 April 2022 From 1 April 2022 From 1 April 2022 All year - Company secretary	None of the Directors had interest in shares of Press Properties Limited
The Foods Company Limited.	Dr. C Guta Mr. B Ndau Mr. P Khambadza Prof. J Khomba Dr. L Chithambo Prof. J Kang'ombe Dr. V Msiska Ms. M Mbeye Dr. S Chimatiro Ms. R. Kamoto Ms. B. Chilima Ms. C. Khaki	Chairman – From 1 April 2022 Chairman – Up to 31 March 2022 Up to 31 March 2022 Up to 31 March 2022 Up to 31 March 2022 All year Up to 31 March 2022 All year From 1 April 2022 From 1 April 2022 From 1 April 2022 All year - Company secretary	None of the Directors had interest in shares of The Foods Company Limited

Chairman
Mr. R Mwadiwa

Chief Executive Officer
Dr. R Mangani

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Press Corporation plc and its subsidiaries, comprising the statements of financial position at 31 December 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2013.

The Act also requires the Directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act, 2013.

In preparing the financial statements, the Directors accept responsibility for the following:

- Maintenance of proper accounting records;
- Selection of suitable accounting policies and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards, when preparing financial statements; and
- Preparation of financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

The Directors' responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Directors have made an assessment of the Group's and Company's ability to continue as a going concern and have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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

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Approval of the financial statements

The financial statements of the Group and Company, as indicated above, were approved by the board of Directors on 26 May 2023 and are signed on its behalf by

....	....
Chairman	**Chief Executive Officer**
Mr. R Mwadiwa	Dr. R Mangani

Deloitte.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF **PRESS CORPORATION PLC**

Opinion

We have audited the consolidated and separate financial statements of Press Corporation plc and its subsidiaries ("the Group"), set out on pages 22 to 127, which comprise the consolidated and separate statements of financial position as at 31 December 2022, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group as at 31 December 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2013.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Malawi. We have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Continued)

Key Audit Matter (Separate financial statements)	How the matter was addressed in the audit
Valuation of unlisted equity investments	
Unlisted equity investments are carried at fair value in the separate financial statements. Revaluation of these investments is done at the end of every financial year. The valuation methods adopted as well as the valuations are disclosed in note 14, 15 and 16. The total value of these unlisted investments is K104 billion. Determination of fair values for the investments involves significant judgement and assumptions and is complex in nature. The key judgements and assumptions include growth rates and cost of capital used in the determination of future discounted cash flows, market multiples, control premiums and marketability discounts used in the determination of values using the market approach valuations methods. We consider this as a key audit matter.	We checked the design and implementation of controls around valuation of unlisted equity investments; We obtained valuation reports, which were independently done by a registered valuer of Bridgepath Capital Limited and assessed the professional competence of the valuer by examining the valuer's qualification and experience; Assessed that the information provided by the company to the valuer is accurate and complete for valuation purposes based on our understanding of the investee companies and by agreeing the information to relevant supporting documents; Involved a specialist to assist in the review of the valuations on a sample basis; Assessed the reasonableness of assumptions used in the valuation reports in comparison to market data; Carried out retrospective reviews by comparing forecasted data against actuals for the current year; and Considered the relevance and appropriateness of the valuation methods used. We found that the assumptions used in determining the valuations were reasonable and that the valuations were appropriate. We further concluded that details of the valuations have been disclosed appropriately in the financial statements.

Key Audit Matter (Consolidated financial statements)	How the matter was addressed in the audit
Determination of Expected Credit Losses (ECL) for loans and advances at National Bank of Malawi Plc	
The Group exercises significant judgement using subjective assumptions over both when and how much to record expected credit losses, and estimation of the amount of the impairment provision for loans and advances. Key areas of judgment included: • The significance of the judgements used in classifying loans and advances into various stages stipulated in IFRS 9. Staging of loans and advances is a significant component in determining the Expected Credit Losses (ECL) as such inaccurate staging may have a significant impact on ECL output. The categories of loans and advances that were determined to be significant in the Group's staging were large exposures, stage 1 and stage 2 loans as the Group's loans are concentrated under these categories; and • Assumptions used in the expected credit loss model such as, expected future cash flows arising from collateral values. As at 31 December 2022, the gross loans and advances to customers were K294 billion against which Expected Credit Losses of K7.8 billion were recorded. This is disclosed in note 17 (Loans and advances) to the financial statements. The Expected Credit Losses policy is presented in accounting policies in note 3.24.3 to the financial statements. Loans and advances are stated at amortised cost net of identified impairments. We consider this as a key audit matter.	With respect to staging of loans and advances, our audit procedures comprised the following: • We checked the design and implementation of controls around ECLs; • We obtained an understanding of the Group's staging criteria; • We assessed management's criteria for appropriateness and completeness against the requirements of IFRS 9 and other relevant regulatory guidance; • We checked accuracy and completeness of data used in staging; • We selected a sample of loans and advances and checked if they have been correctly staged based on the Group's accounting policy and IFRS 9 requirements; and • For the selected loans and advances that were restructured, we obtained the restructure facility letters to confirm the restructure and assessed if staging is in line with the requirements of IFRS 9. For expected future cash flows arising from collateral, we performed the following procedures: • We obtained an understanding of how the Group incorporates collateral in its ECL model; • We checked whether the Group had a valid charge over the collateral that was used and also whether the collaterals were recently inspected, where necessary; • We obtained management calculation of the haircuts that were applied on the collateral and checked the calculation for accuracy; and • We further checked if the information that was used in the haircut calculation was complete and accurate by reference to transactions data on recent enforcements.

Key Audit Matters (Continued)

Key Audit Matter (consolidated financial statements)	How the matter was addressed in the audit
Determination of Expected Credit Losses (ECL) for loans and advances at National Bank of Malawi Plc (Continued)	
	We found that the modelling approach and methods applied in determining expected credit losses against loans and advances were appropriate and that the amount impaired and recognised in the consolidated and separate financial statements was reasonable and complied with IFRS 9 *Financial Instruments*. We further concluded that the financial statements disclosures in relation to impairment of loans and advances were appropriate.
Revenue recognition at Telekom Networks Malawi Plc	
The Group's billing systems for voice and data operate on dedicated computer platforms. These systems process millions of pieces of data to electronic records which enables the Group to charge their customers, in real time, based on service usage. The operations of these systems are fairly complex with dynamic and intelligent tariffs regimes which provide for various promotions and discounts that are dependent on demand and individual usage profiles. Income is determined taking into account the profile and usage of each individual customer. In addition, prepaid phone units are used over periods that can straddle more than one accounting period. The determination of the correct cut off between what has been used and can be included in income and what has not been used and should be deferred income (creditor) is also a key audit consideration. The nature of the systems and billing profiles make this a complex audit area in relation to the auditor assessing completeness of income. Accordingly, we consider this a key audit matter. The revenue recognition policy of the Group has been disclosed in note 3.8 and the revenue streams analysis is in note 37 to the financial statements.	We involved our Information Technology (IT) risk specialists in the engagement and carried out the following procedures: • Assessed the general computer controls around the significant revenue and billing systems; • Evaluated the process for capturing the tariff plans, combined with testing of a sample of related transactions. A key aspect of this exercise was to ensure that tariffs are properly approved; • We obtained downloads of information recorded in the group's billing system and by using advanced data analytics mirror the dynamic, intelligent tariff regimes to independently compute the income for ten months of the year and thus assess the completeness and accuracy of the figures in the revenue reports; • We also performed analytical review procedures for two months of the year (August and September 2022) as readable data was not readily available for these months in order to recalculate the expected revenue. We developed an expectation of billing revenue for these two months by using the results of our revenue recalculations for the last quarter of the year after considering the impact of tariff changes; • We assessed whether revenue was recorded in the correct period; • Obtained a reconciliation for the expected contract liabilities as at period end and tested the accuracy and completeness of the reconciling items; • Re-computed contract liabilities from Intelligent Network (IN) data using analytics (IN is a telephone network architecture devised to deliver increased service management control); and • Checked that contract liabilities in the billing system are being reconciled to the records. Based on the work performed, we concluded that revenue was properly recorded. We have also found revenue recognition policy to be in line with International Financial Reporting Standards. In addition, the contract liabilities disclosed in note 33 to the financial statements have been assessed to be in accordance with the revenue recognition policy.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report and the Statement of Directors' responsibilities, as required by the Companies Act, 2013 which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements, or

Other Information (Continued)

our knowledge obtained in the audit, or otherwise appears to be materially misstated.
If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2013 and for such internal control as the Directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Deloitte
Chartered Accountants

Vilengo Beza
Partner

30 June 2023

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
As at 31 December 2022
In millions of Malawi Kwacha

		Group			Company	
Assets	**Notes**	**31/12/22**	**31/12/21 *Restated****	**1/1/2021 *Restated****	**31/12/22**	**31/12/21**
Non-current assets						
Property, plant and equipment	8	160,369	145,779	136,857	1,571	1,245
Right-of-use assets	9	20,462	17,556	14,674	-	-
Biological assets	10	156	50	65	-	-
Goodwill	11	4,547	4,547	4,547	-	-
Intangible assets	12	19,809	19,570	18,401	210	223
Investment properties	13	15,028	12,636	11,166	505	459
Investments in subsidiaries	14	-	-	-	483,103	329,981
Investments in joint ventures	15	15,487	16,148	8,370	16,016	18,317
Investments in associates	16	38,179	39,290	39,517	37,411	45,013
Loans and advances to customers	17	191,166	148,237	131,634	-	-
Finance lease receivables	18	17,102	13,282	15,752	-	-
Contract asset	24	805	1,187	601	-	-
Long term receivable – other	19	3,103	1,989	1,740	3,059	1,926
Investments in government securities and equity	20	165,649	161,847	98,588	3,612	3,532
Deferred tax assets	21	15,170	13,254	10,554	-	-
Total non-current assets		667,032	595,372	492,466	545,487	400,696
Current assets						
Inventories	22	5,497	4,729	6,063	7	11
Biological assets	10	355	712	782	-	-
Loans and advances to customers	17	95,179	74,686	45,589	-	-
Finance lease receivables	18	2,153	1,630	1,733	-	-
Investments in government securities and equity*	20	195,456	162,212	115,880	-	-
Trade and other receivables – Group companies	23	-	-	-	1,201	1,833
Trade and other receivables*	24	34,495	28,872	32,116	1,378	378
Contract assets*	24	1,439	1,165	637	-	-
Income tax recoverable	26	3,134	4,730	2,764	794	680
Cash and cash equivalents*	27	342,062	187,581	113,906	7,281	8,434
Assets classified as held for sale	25	18,479	24,010	1,539	9,548	7,564
Total current assets		698,249	490,327	321,009	20,209	18,900
Total assets		1,365,281	1,085,699	813,475	565,696	419,596
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	63,672	65,960	53,667	503,918	364,712
Retained earnings		147,190	120,582	102,689	35,812	28,641
Total equity attributable to equity holders of the company		212,960	188,640	158,454	541,828	395,451
Non-controlling interest		119,018	107,186	85,687	-	-
Total equity		331,978	295,826	244,141	541,828	395,451
Non-current liabilities						
Loans and borrowings	30	44,931	38,825	46,867	10,111	3,260
Lease liabilities	9	5,512	5,732	2,964	-	-
Contract liabilities	37	742	392	297	-	-
Financial guarantees	34	-	-	-	-	7,956
Deferred tax liabilities	21	6,072	5,782	5,011	-	-
Total non-current liabilities		57,257	50,731	55,139	10,111	11,216
Current liabilities						
Bank overdraft	27	14,114	11,545	9,942	7,979	6,457
Loans and borrowings	30	27,167	21,330	11,359	4,633	1,630
Lease liabilities	9	3,277	3,042	3,367	-	-
Financial guarantees	34	-	-	-	-	2,275
Provisions	31	8,361	7,392	4,640	-	-
Income tax payable	32	8,962	7,114	7,473	95	62
Trade and other payables*	33	96,293	103,328	70,944	1,016	2,492
Contract liabilities*	37	6,494	4,767	5,610	-	-
Trade and other payables – Group companies	35	-	-	-	34	13
Customer deposits	36	795,560	547,083	400,860	-	-
Liabilities directly associated with assets classified as held for sale	25	15,818	33,541	-	-	-
Total current liabilities		976,046	739,142	514,195	13,757	12,929
Total liabilities		1,033,303	789,873	569,334	23,868	24,145
Total equity and liabilities		1,365,281	1,085,699	813,475	565,696	419,596

The financial statements of the Group and Company were approved for issue by the Board of Directors on 26 May 2023 and were signed on its behalf by:

Chairman
Mr. R Mwadiwa

Chief Executive Officer
Dr. R Mangani

The notes on pages 28 to 127 are an integral part of these consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
As at 31 December 2022

In millions of Malawi Kwacha

	Notes	Group 2022	Group 2021	Company 2022	Company 2021
Continuing operations					
Revenue	37	177,630	170,176	18,492	14,248
Interest revenue	37	110,974	78,897	-	-
Direct trading expenses	38	(84,967)	(72,574)	-	-
Gross profit		203,637	176,499	18,492	14,248
Other operating income	39	5,247	15,136	(1,973)	1,579
Distribution expenses	40	(4,187)	(3,284)	-	-
Impairment losses on financial assets	41	(6,970)	(4,348)	46	(58)
Administrative expenses	42	(123,649)	(104,366)	(2,625)	(5,570)
Operating profit before finance costs*		74,078	79,637	13,940	10,199
Finance income	43	3,739	2,214	3,027	944
Finance costs	43	(16,861)	(11,540)	(3,796)	(12,697)
Net finance costs		(13,122)	(9,326)	(769)	(11,753)
Share of results of equity-accounted investees	44	1,747	2,489	-	-
Profit/(loss) before income tax		62,703	72,800	13,171	(1,554)
Income tax expense	45	(27,984)	(23,236)	(1,791)	(1,472)
Profit/(loss) from continuing operations		34,719	49,564	11,380	(3,026)
Discontinued operations					
Profit/(loss) from discontinued operations (net of income tax)	46	1,619	(4,433)	-	-
Profit/(loss) for the year		36,338	45,131	11,380	(3,026)
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss:					
Gain on property revaluation		4,515	7,870	97	111
Share of other comprehensive income of equity accounted investments	29,44	6,122	7,884	-	-
Fair value gain on investments in equity instruments designated as at fair value through other comprehensive income (FVTOCI)	29	80	-	139,109	47,307
Income tax relating to items that may not be reclassified subsequently to profit or loss	21	2,032	448	-	292
Items that may be reclassified subsequently to profit or loss:					
Foreign exchange differences on translation of foreign operations		2,028	-	-	-
Other comprehensive income for the year (net of tax)		14,777	16,202	139,206	47,710
Total comprehensive income for the year		51,115	61,333	150,586	44,684
Profit/(loss) attributable to:					
Owners of the Company		13,624	21,728	11,380	(3,026)
Non-controlling interest		22,714	23,403	-	-
Profit/(loss) for the year		36,338	45,131	11,380	(3,026)
Total comprehensive income attributable to:					
Owners of the Company		24,638	33,695	150,586	44,684
Non-controlling interest		26,477	27,638	-	-
Total comprehensive income for the year		51,115	61,333	150,586	44,684
Earnings per share					
Basic and diluted earnings per share (K)	47	113.34	180.77		
Continuing operations					
Basic and diluted earnings per share (K)	47	99.88	217.65		

* To ensure there is consistency in presentation with statement of cash flows, the line has been renamed from results from operating activities to operating profit before finance costs.

In millions of Malawi Kwacha

Group

	Issued capital	Share premium	Other reserves	Retained earnings	Total equity attributable to equity holders of company	Non-controlling interest	Total Equity
2022							
Balance at 1 January 2022	1	2,097	65,960	120,582	188,640	107,186	295,826
Profit for the year	-	-	-	13,624	13,624	22,214	36,338
Other comprehensive income*	-	-	11,014	-	11,014	3,763	14,777
Total comprehensive income for the year	-	-	11,014	13,624	24,638	26,477	51,115
Depreciation transfer - land and buildings (note 29)	-	-	(157)	157	-	(149)	(149)
Transfer to regulatory reserve (note 29)	-	-	(215)	215	-	(202)	(202)
Released on disposal of investment (note 46)	-	-	(12,946)	16,034	3,088	-	3,088
Transfer due to disposal of assets	-	-	16	-	16	-	16
Excess depreciation eliminated on revaluation and loan loss reserve	-	-	-	787	787	(787)	-
Dividends to equity holders	-	-	-	(4,209)	(4,209)	(13,507)	(17,716)
Balance at 31 December 2022	1	2,097	63,672	147,190	212,960	119,018	331,978
2021							
Balance at 1 January 2021	1	2,097	53,667	102,689	158,454	85,687	244,141
Profit for the year	-	-	-	21,728	21,728	23,403	45,131
Other comprehensive income	-	-	11,967	-	11,967	4,235	16,202
Total comprehensive income for the year	-	-	11,967	21,728	33,695	27,638	61,333
Depreciation transfer - land and buildings (note 29)	-	-	(32)	48	16	(16)	-
Transfer to regulatory reserve (note 29)	-	-	215	(417)	(202)	202	-
Translation differences (note 29)*	-	-	278	-	278	261	539
Minority interest arising on business combinations (note 14)	-	-	-	-	-	3,832	3,832
Excess depreciation eliminated on revaluation and loan loss reserve	-	-	(135)	262	127	(127)	-
Dividends to equity holders	-	-	-	(3,728)	(3,728)	(10,291)	(14,019)
Balance at 31 December 2021	1	2,097	65,960	120,582	188,640	107,186	295,826

In millions of Malawi Kwacha

	Issued capital	Share premium	Other reserves	Retained earnings	Total Equity
Company					
2022					
Balance at 1 January 2022	1	2,097	364,712	28,641	395,451
Profit for the year	-	-	-	11,380	11,380
Other comprehensive income (note 29)	-	-	139,206	-	139,206
Total comprehensive income for the year	-	-	139,206	11,380	150,586
Dividends to equity holders	-	-	-	(4,209)	(4,209)
	1	2,097	503,918	35,812	541,828
2021					
Balance at 1 January 2021	1	2,097	325,292	27,105	354,495
Profit for the year	-	-	-	(3,026)	(3,026)
Other comprehensive income (note 29)	-	-	47,710	-	47,710
Total comprehensive income for the year	-	-	47,710	(3,026)	44,684
Release of revaluation surplus on disposal of investments in equity instruments designated as at fair value through other comprehensive income (FVTOCI)	-	-	(8,290)	8,290	-
Dividends to equity holders	-	-	-	(3,728)	(3,728)
Balance at 31 December 2021	1	2,097	364,712	28,641	395,451

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
For the year ended 31 December 2022

In millions of Malawi Kwacha

	Notes	Group 2022	Group 2021 *Restated**	Company 2022	Company 2021
Profit before income tax		64,351	68,367	13,171	(1,554)
Adjustments for:					
Depreciation, amortisation, and impairment	42	32,034	24,138	78	72
Interest revenue and similar income*	37	(110,974)	(78,897)	-	-
Interest expense and similar charges*	38	13,111	7,778	-	-
Finance costs		16,861	9,326	3,796	12,697
Finance income		(3,739)	(2,214)	(3,027)	(944)
Share of results from equity accounted investments		(1,747)	(2,489)	-	-
(Profit)/loss on sale of investment property and property, plant and equipment		(783)	(92)	-	6
(Profit)/Loss on disposal of investments	39	312	(9,586)	2,165	(1,113)
Fair value adjustments and unrealised foreign exchange losses and write-offs		3,310	(891)	(46)	(230)
Negative goodwill arising on acquisition of Akiba		-	(277)		-
Investment dividends		-	-	(17,912)	(13,555)
Increase in provisions		969	2,752	-	-
Operating cash flows before working capital movements		13,705	17,915	(1,775)	(4,621)
Working capital changes:					
Working capital relating to assets and liabilities held for sale		1,397	14,055	-	-
(Increase)/decrease in inventories		(768)	1,334	4	1
Increase in loans and advances to customers		(63,422)	(19,234)	-	-
(Increase)/decrease in finance lease receivables		(4,343)	2,573	-	-
(Increase)/decrease in trade and other receivables		(6,629)	2,710	(2,133)	(34)
Decrease in trade and other receivables - Group		-	-	632	3,078
(Decrease) in trade and other payables relating to PTC		-	-	(1,509)	-
(Increase)/decrease in Investments in government securities and equity*		(2,801)	24,233	-	-
(Decrease)/increase in trade and other payables		(4,958)	30,292	(1,476)	1,608
Increase/(decrease) in trade and other payables - Group			-	21	(3,687)
Increase in customer deposits		248,477	104,714	-	-
Cash generated from/(used in) operations		180,658	178,592	(6,236)	(3,655)
Interest paid*		(28,267)	(14,861)	(3,796)	(2,466)
Interest received*		112,990	80,635	1,321	944
Income tax refunds	26, 32	611	122	-	-
Income taxes paid	26, 32	(24,457)	(24,294)	(1,872)	(1,455)
Net cash from/(used in) operating activities		241,535	220,194	(10,583)	(6,632)
Cash flows from investing activities					
Purchase of property, plant and equipment		(28,841)	(36,922)	(300)	(296)
Purchase of intangible assets		(4,578)	(871)	(1)	(24)
Purchase of investment property		(754)	(1)	-	-
Gross receipts from investments*		241,535	155,454	-	-
Gross payments of investments*		(275,107)	(281,761)	-	-
Purchase of equity investments		(2,051)	(404)	-	-
Proceeds from disposal of equity investments		529	516	-	-
Purchase/additions of other investments		-	(766)	-	(766)
Proceeds from sale of investment property and property, plant and equipment		995	217	7	1
Payments for right of use assets*		(4,797)	(1,103)	-	-
Proceeds on disposal of investment in associate		-	9,586	-	9,586
Proceeds from contingent consideration on the sale of OCL		-	512	-	512
Investment in subsidiaries	14	-	-	(2,945)	(4,315)
Acquisition of shares in a subsidiary		-	-	(3,229)	-
Dividend received		3,467	3,402	17,912	13,555
Net cash flow from the acquisition/(disposal) of subsdiary		(89)	7,867	-	-
Net cash (used in)/from investing activities		(68,049)	(144,274)	11,444	18,253

In millions of Malawi Kwacha

Group		Company			
	Notes	2022	2021	2022	2021
			Restated*		
Cash flows used in financing activities					
Proceeds from long term borrowings		25,120	26,319	3,200	-
Repayments of long-term borrowings		(25,558)	(11,725)	(4,233)	(1,630)
Repayment of principal element of leasing liability		(1,121)	(4,639)	-	(33)
Acquisition of shares in subsidiary		(3,229)	-	-	-
Dividend paid to non-controlling interest		(13,507)	(10,291)	-	-
Dividend paid		(4,209)	(3,728)	(4,209)	(3,728)
Net cash used in financing activities		(22,504)	(4,064)	(5,242)	(5,391)
Net increase/(decrease) in cash and cash equivalents*		150,189	71,856	(4,381)	6,230
Cash and cash equivalents at beginning of the year*		176,036	103,964	1,977	(4,442)
Effect on foreign exchange rate changes		1,723	216	1,706	189
Cash and cash equivalents at end of the year*	27	327,948	176,036	(698)	1,977

* Refer to note 52 for details of the restatement.

In millions of Malawi Kwacha

1 General Information

1.1 Reporting entity

Press Corporation Plc ('the Company') is a company incorporated in Malawi under the Companies Act, 2013. It was listed on the Malawi Stock Exchange in September 1998.

The Company and its subsidiaries operate in financial services; telecommunications; energy; retail and real estate. The Company has two joint venture companies in the energy and consumer goods sectors. It also has four associates in the telecommunications; agro-industrial and life insurance sector.

The consolidated financial statements as at, and for the year ended, 31 December 2022 comprise the company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in associates and joint ventures.

The address of its registered office and principal place of business are disclosed in the directors' report together with the principal activities of the Group.

1.2 Going concern

The directors have, at the time of approving the Consolidated and Separate Financial Statements, a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Companies in the Group declare dividends only when they satisfy the solvency requirements of the Companies Act which requires that dividends can only be declared when companies have adequate resources to meet expenditures in the normal course of business. Dividend distributions are governed by agreed dividend policies which take into consideration the investments and operational requirements of the entities. Where necessary companies in the Group arrange for facilities of varying durations with financial institutions to augment their cashflow requirements. Thus, they continue to adopt the going concern basis of accounting in preparing the Consolidated and Separate Financial Statements..

1.3 Functional and presentation currency

These consolidated and separate financial statements are presented in Malawi Kwacha, which is the functional currency of the principal subsidiaries within the Group. Except as indicated, all financial information presented in Malawi Kwacha has been rounded to the nearest million..

2. Adoption of new and revised International Financial Reporting Standards

2.1 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 1 January 2022.

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2022	Reference to the Conceptual Framework (Amendments to IFRS 3) The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.
Annual reporting periods beginning on or after 1 January 2022	Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
Annual reporting periods beginning on or after 1 January 2022	Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

In millions of Malawi Kwacha

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

2.1 Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements (Continued)

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2022	Makes amendments to the following standards: • IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. • IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. • IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. • IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

2.2 Standards and Interpretations in issue, not yet effective

A number of new standards, amendments to standards and interpretations are issued and effective for annual periods beginning on or after 1 January 2023 and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective date	Standard, Amendment or Interpretation
Effective date Annual reporting periods beginning on or after 1 January 2023	IFRS 17 Insurance Contracts IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.
Annual reporting periods beginning on or after 1 January 2023	Amendments to IFRS 17 Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The main changes are: • In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023. • In December 2021, the IASB issued Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17) to address implementation challenges that were identified after IFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

In millions of Malawi Kwacha

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

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

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2023	• IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. • For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.
Annual reporting periods beginning on or after 1 January 2023	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy.
Annual reporting periods beginning on or after 1 January 2023	Definition of Accounting Estimates (Amendments to IAS 8) The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.
Annual reporting periods beginning on or after 1 January 2023	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition
Annual reporting periods beginning on or after 1 January 2024	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.
Annual reporting periods beginning on or after 1 January 2024	Non-current Liabilities with Covenants (Amendments to IAS 1) The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

The directors anticipate that the application of these Standards and Interpretations that may have an impact on the Group's consolidated financial statements in future periods should such transactions arise in future periods.

3. Significant accounting policies

3.1 Statement of compliance

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

3.2 Basis of accounting

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.
- Financial instruments at fair value through other comprehensive income are measured at fair value.
- Biological assets are measured at fair value less costs to sell.
- Investment property is measured at fair value.

3. Significant accounting policies (Continued)

3.2 Basis of accounting (Continued)

- Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.
- Investments in subsidiaries, joint ventures and associates are measured at fair value in the company financial statements.
- Land and buildings are measured at fair value.

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

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

These different levels have been defined in note 6.7.

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

3.3 Basis of consolidation

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

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

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

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

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

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

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

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

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

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

3. Significant accounting policies (Continued)

3.3 Basis of consolidation (Continued)

3.3.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between:

(i) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
(ii) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group has directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.4 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred except for instances where equity instruments are issued.

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

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assts. The choice of measurement basis is made on a transaction by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable on the basis specified in another IFRS.

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified

3. Significant accounting policies (Continued)

3.4 Business combinations (Continued)

as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is re-measured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arisings from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss when such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

3.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described at note 3.6 below.

3.6 Investments in associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

3. Significant accounting policies (Continued)

3.6 Investments in associates and Joint Ventures (Continued)

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

In the Company's separate financial statements, investments in associates and joint ventures are carried at fair value through other comprehensive income

3.7 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified a held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IFRS 9 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above).

3. Significant accounting policies Continued)

3.7 Non-current assets held for sale (Continued)

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

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3.8 Revenue recognition

The Group's revenue arises mainly from provision of mobile telecommunication services, mobile money services, sale of goods – retail and other, interest income and fees and commission. The Company's main revenue is dividend income.

3.8.1 Provision of mobile telecommunication services

The Group generates revenue from providing mobile telecommunication services such as network services (comprising prepaid, data, international incoming, messaging, enterprise business services, postpaid and roaming), mobile money (mpamba) services, as well as from the sale of various devices. These products and services are either sold separately or in bundled packages. The typical length of a contract for post-paid bundled package is 24 months.

Bundled packages
For bundled packages, the group accounts for individual products and services separately if they are distinct - i.e., if a product or service is separately identifiable from other items in the bundled package and if a customer can benefit from it. The consideration is allocated between separate products and services in a bundle based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the group sells mobile devices and network services separately.

Mobile telecommunications services
These comprise of prepaid, data, international incoming, messaging, enterprise business services, postpaid and roaming, mobile money services and from the sale of various devices.

Enterprise business services relate to speed based internet services and virtual private network (VPN) solutions which allows customers to access the network and are sold to companies and non-governmental organisations. The services are sold based on fixed bandwidth.

Mobile telecommunications services are considered to represent a single performance obligation as all are provided over the Telekom Networks Malawi plc network and transmitted as data representing a digital signal on the network.

The transmission of data consume network bandwidth and therefore, irrespective of the nature of the communication, the subscriber ultimately receives access to the network and the right to consume network bandwidth. Network services are, therefore, viewed as a single performance obligation represented by capacity on the Telekom Networks Malawi plc network.

Revenue from telecommunication services is recognized over time when the customer has received access to the network and has used the service. This faithfully depicts the transfer of the service to the customer as it is the actual point at which the customer enjoys the service.

Devices
The group sells a range of devices. The group recognises revenue when customers obtain control of devices, normally being when the customers take possession of the devices. For devices sold separately, customers pay in full at the point of sale. For devices sold in bundled packages, customers usually pay monthly in equal instalments over a period of 24 months. Contract assets are recognised when customers take possession of devices.

The Group assesses the contract handsets which are bundled with postpaid and prepaid contracts that run over a period of 24 months to determine if they contain a significant financing component. The Group does not charge a premium for selling these handsets in bundled 24 months contracts hence the price at which they are sold on contract is the same as the cash selling price. The Group has elected to apply the practical expedient that allows the Group not to adjust the transaction price for the significant financing component for contracts where the time difference between customer payment and transfer of goods or services is expected to be one year or less. In the event that there are contracts containing significant financing component, the Group reduces the device revenue and recognises interest revenue over the period between satisfying the related performance obligation and payment. However, there were no individual contracts containing significant financing component in the year ended 31 December 2022.

Mobile money transaction fees
Mpamba is a mobile money transaction service allowing customers to deposit, transfer and withdraw money or pay for goods and services and using a mobile phone. Registration is free and available at any Mpamba agent.

3. Significant accounting policies (Continued)

3.8 Revenue recognition (Continued)

Mobile money transaction fees (Continued)
Revenue from this service is earned largely from transfer and withdrawal transactions performed by customers. A graduated tariff depending on the funds being transacted is applied on all transactions which are cumulatively reported as Mpamba transaction fees. Revenue is recognised when a customer performs successful Mpamba transaction.

3.8.2 Sale of goods
The Group operates a chain of retail stores selling groceries and perishables. For sale of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price for the retail stores is due immediately when the customer purchases the goods.

Sale of goods to non-retail customers, revenue is recognised when a Group entity transfers control of the goods to the customer, being at the point in time when the customer takes undisputed delivery of the goods. A 30 days credit period is granted in respect of other goods sold.

3.8.3 Interest revenue
Interest income for all interest-bearing financial instruments except for those classified as held for trading or designated at fair value through profit and loss are recognised as interest income in the statement of comprehensive income using the effective interest rate method. Non trading interest income earned on bank deposits for group companies other than the bank is disclosed within finance income in the statement of comprehensive income and is recognised by applying the effective interest rate.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

3.8.4 Fees and commissions
Fees and commission income that are integral to the effective interest rate on a financial asset are included in the effective interest rate; specifically:

- Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan once it is withdrawn.
- Loan syndication fees are recognised as revenue when the syndication has been completed and the bank retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants.
- Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognised on completion of the underlying transaction.
- Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time apportion basis.
- Asset management fees related to investment funds are recognised rateably over the period in which the service is provided. The same principle is applied to wealth management, financial planning and custody services that are continuously provided over an extended period of time.
- Performance linked fees or fee components are recognised when the performance criteria are fulfilled.

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

3.8.5 Dividend income
Dividends are recognised in the statement of comprehensive income when the Group's right to receive payment is established.

3.8.6 Rental income
Rental income from investment property is recognized in the profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income to be received. Rental income from properties whose main business is not renting properties is recognised as other income. The Group's policy for recognition of revenue from operating leases is described in note 3.10 below.

3. Significant accounting policies (Continued)

3.8 Revenue recognition (Continued)

3.8.6 Rental income (Continued)

The Group receives short-term rental advances from its customers. The Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised lease to the customer and when the customer pays for that good or service will be one year or less.

3.8.7 Premium on foreign exchange deals

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

3.9 Other income

TOther income is generally recognised on the date all risks and rewards associated with the sale are transferred to the purchaser. Income on other services is recognised upon the performance of the contractual obligation. Profit from the sale of equity financial instruments is recognised when control is transferred to the purchaser. Details of composition of other income is included on note 39.

3.10 Leases

3.10.1 The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee at the lease commencement date, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments);
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position and is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

3. Significant accounting policies (Continued)

3.10 Leases – (Continued)

3.10.1 The Group as lessee (Continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses (in accordance with IAS 36), if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Administrative expenses" in profit or loss.

3.10.2 The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

3.11 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

3.12 Employee benefits

3.12.1 Defined contribution plans

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

3.12.1 Defined contribution plans (Continued)

The Group contributes to a number of defined contribution pension schemes on behalf of its employees, the assets of which are kept separate from the Group. Contributions to the Fund are based on a percentage of the payroll and are recognised as an expense in the profit or loss when employees have rendered service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

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

3. Significant accounting policies (Continued)

3.12 Employee benefits (Continued)

3.12.2 Termination benefits

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

3.12.3 Short-term benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, sick leave and non-monetary benefits in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.13 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.13.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated and separate statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Income taxes that arise from dividend income are recognised at the same time as the dividend income is recognised.

3.13.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated and separate financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The directors of the Company reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to IAS 12 is not rebutted. As a result, the Group has recognised any

3. Significant accounting policies (Continued)

3.13 Taxation (Continued)

3.13.2 Deferred tax (Continued)

deferred taxes on changes in fair value of the investment properties as the Group is subject to any income taxes on the fair value changes of the investment properties on disposal.

3.13.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.14 Property, plant and equipment

3.14.1 Recognition and measurement

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed by independent valuers with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. The basis of valuation used is current market value.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of those assets.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property's revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

Motor vehicles, plant, furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.14.2 Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

3.14.3 Depreciation

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

3.14.4 Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified accordingly. Any gain arising on this re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve. Any loss is recognised in profit and loss.

3. Significant accounting policies (Continued)

3.15 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.16 Intangible assets

3.16.1 Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life (five years – current and comparative years) and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

3.16.2 Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally- generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3.16.3 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3.16.4 Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

3. Significant accounting policies (Continued)

3.16 Intangible assets (Continued)

3.16.5 De-recognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

3.17 Impairment of tangible and intangible assets other than goodwill and financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.18 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.

I3.19 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.

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3.20 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party,

3. Significant accounting policies (Continued)

3.20 Provisions (Continued)

a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.20.1 Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

3.20.2 Restructuring

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity. Future operating losses are not provided for.

3.20.3 Contingent liabilities acquired in a business combination

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 and the amount initially recognised less cumulative amortisation recognised in accordance with IFRS 15 Revenue.

3.21 Discontinued operations

A discontinued operation is a component of the Group’s business, the operations and cash flows of which can be clearly distinguished from the rest if the Group and which:

- represents a separate major line of business or geographical area of operations;
- is a part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is represented as if the operations had been discontinued from the start of the comparative year.

3.22 Share capital and dividends

i) Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12 – Income taxes.

ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the directors.

iii) Dividend per share

The calculation of dividend per share is based on the ordinary dividends recognised during the period divided by the number of ordinary shareholders on the register of shareholders on the date of payment.

iv) Earnings per share

The calculation of basic earnings per share is based on the profit or loss attributable to ordinary shareholders for the year and the weighted average number of shares in issue throughout the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees. Where new equity shares have been issued by way of capitalisation or subdivision, the profit is apportioned over the shares in issue after the capitalisation or subdivision and the corresponding figures for all earlier periods are adjusted accordingly.

iv) Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3. Significant accounting policies (Continued)

3.21 Discontinued operations (Continued)

3.23 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised in the Group's and company's statement of financial position when the Group / Company becomes a party to the contractual provisions of the instrument.

3.24 Financial assets

3.24.1 Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss). Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets, are classified into the following categories:

- Amortised cost;
- Fair value through profit or loss (FVTPL); and
- Fair value through other comprehensive income (FVTOCI).

3.24.1 Classification and initial measurement of financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group applies the following business models:-

(i) Holding financial instruments for trading to maximize income and reduce losses,
(ii) Holding financial instruments to maturity. Thus the Group receives only principal and interest from the financial instruments, and
(iii) Holding financial instruments for liquidity management.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Debt and loan instruments that are held by the Group whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are measured at amortised cost. For an asset to be classified and measured at amortised cost, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g., if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with the basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to the basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

The Group recognises loss allowances for expected credit losses on the financial instruments that are not measured at FVTPL but are carried at amortised cost: No impairment loss is recognised on equity investments. IFRS 9 eliminates impairment assessment requirements for investments in equity instruments as they are only measured at FVPL or FVTOCI without recycling of fair value changes to profit and loss.

3. Significant accounting policies (Continued)

3.24 Financial assets (Continued)

3.24.2 Subsequent measurement of financial assets

Subsequently, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

(i) Financial assets at amortised cost (debt instruments)
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows.
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments

Amortised cost and effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

(ii) Financial assets at fair value through OCI (debt instruments)
The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and

(ii) Financial assets at fair value through OCI (debt instruments)

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income calculated using the effective interest method, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

3. Significant accounting policies (Continued)

3.24 Financial assets (Continued)

(iii) Financial assets designated at fair value through OCI (equity instruments)
On initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking.

Gains and losses arising from changes in fair value of these financial assets are recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9 except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

(iv) Financial assets at fair value through profit or loss
Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL.
- In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial.

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Foreign exchange gains and losses
The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Foreign exchange gains and losses are recognised as follows:

- on financial assets at FVTPL and at amortised cost, are recognised in profit or loss
- on equity instruments at FVTOCI are recognised in other comprehensive income.
- on debt instruments held at FVTOCI are recognised in profit or loss, with the foreign currency element not based on the amortised cost being recognised in other comprehensive income.

3.24.3 Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables, loans and advances and contract assets, as well as on banking business financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime ECL for its financial instruments unless there has been no significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. Both Lifetime ECL and 12-month ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The collective assessment is based on the Group's customer classification per industrial sectors as disclosed in note 6.4.5.

Expected credit losses on trade receivables, finance lease receivables and contract assets are determined using the simplified approach. Under this approach expected credit losses are estimated using a provision matrix based on the Group's historical

3. Significant accounting policies (Continued)

3.24 Financial assets (Continued)

3.24.3 Impairment of financial assets (Continued)

credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

(i) Significant increase in credit risk (SICR)

The Group performs an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g., a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk where the borrower has a strong capacity to meet their contractual cashflow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. It also considers assets in the investment grade category to be low credit risk assets.

For banking business financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

3. Significant accounting policies (Continued)

3.24 Financial assets (Continued)

3.24.3 Impairment of financial assets (Continued)

(ii) Definition of default (Continued)

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) Significant financial difficulty of the issuer or the borrower;
(b) A breach of contract, such as a default or past due event;
(c) The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) The disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses for loans and advances

The measurement of expected credit losses for loans and advances is based on a probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

- PD – The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The 12–month and lifetime PDs of a financial instrument represent the probability of a default occurring over the next 12 months and over its expected lifetime respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk.

  Internal risk rating grades are inputs to the IFRS 9 PD models and historic default rates are used to generate the PD term structure covering the lifetime of financial assets.

- EAD – The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. As for financial assets, this is represented by the assets' gross carrying amount at the reporting date. For banking business financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

  The Group's modelling approach for EAD reflects current contractual terms of principal and interest payments, contractual maturity date and expected utilisation of undrawn limits on revolving facilities and irrevocable off–balance sheet commitments.

- LGD – The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. LGD estimates are based on historical loss data.

When estimating the ECL, the Group considers the stages in which an asset is and also whether there has been a SICR. Each of the stages and the specific conditions of the assets is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure. The stages considered are as described below;

- Stage 1: Stage 1 financial instruments are those whose credit risk is low or has improved hence reclassified from Stage 2. Reclassifications from Stage 2 are however subject to 'cooling off' period of 3 months. The Group calculates 12-months ECL for this stage based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR;

3. Significant accounting policies (Continued)

3.24 Financial assets (Continued)

3.24.3 Impairment of financial assets (Continued)

(v) Measurement and recognition of expected credit losses for loans and advances (Continued)

- Stage 2: When financial instruments have shown a significant increase in credit risk since origination, the Group records an allowance for the Lifetime ECL. The calculation is done as explained under stage 1 above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR. Stage 2 financial instruments also include those whose credit risk has improved hence has been reclassified from Stage 3. Reclassifications from stage 3 are however subject to a 'cooling off" period of 3 months;

- Stage 3: financial instruments under this stage are considered credit impaired. The Group records an allowance for the Lifetime ECLs.

- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) de-recognition of the financial asset.

Loan commitments and letters of credit: When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For overdrafts, revolving facilities that include both a loan and an undrawn commitment and loans commitments, ECLs are calculated and presented together with the loans and advances.

For a banking business financial guarantee contract, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Group estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The ECLs related to financial guarantee contracts are recognised together with loans and advances.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve and does not reduce the carrying amount of the financial asset in the statement of financial position.

(vi) Forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group uses multiple scenarios to model the non-linear impact of assumptions about macroeconomic factors on ECL. The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Group has not made changes in the estimation techniques or significant assumptions made during the reporting period.

Macroeconomic model

The Group elected to develop a macro-economic model to predict the overall Group loan loss allowance rate and determined the correlation of the loan loss allowance rate to the overall provisions. The macro-economic model is used

to predict the loan loss allowance rate, after which a forward-looking scalar is derived and applied to existing loan loss allowance ratio to estimate the forward-looking loan loss allowance ratio. The predicated relationships between the key macro-economic indicators, the loan loss allowance rates, and the overall provisions on the portfolio of financial assets was based on analysing historical data over the past five years.

The prime rate proved to be statistically significant in the macro-economic model. As such, the Group forecasted the future prime rates and calibrated NPL ratio accordingly which was incorporated in the calculation of the ECLs.

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.24 Financial assets (Continued)

3.24.3 Impairment of financial assets (Continued)
(vi) Forward-looking informatio (Continued)

Sensitivity Analysis
The purpose of sensitivity analysis is to provide management with an outlook on possible macro-economic scenarios. The scenarios that were created in the analysis include both stressed and favorable scenarios.

Sensitivity analysis as at 31 December 2022

The FLI model base scaler of 1.0469 that was applied to the December 2022 results, is derived using the Weighted Average of the Expected Economic PD scenarios. The weights of the headline results apply 60% probability for realisation of the Baseline Scenario, 20% probability of realisation of the Optimistic scenario and 20% probability for the Pessimistic scenario. The scenarios and their probability of realisation are informed by the positive outlook post the covid19 pandemic, when compared to the previous year's realisations.

The impact of the 2 economic factors underlying the Economic PD predictions is determined by the impact coefficients in the Economic PD model, i.e., -0.202 for Changes in Gross Monetary Claims and +0.734 for Changes in Net lending Rate. The impact of interest rate is stronger with variations determining 78% of changes in Economic PD. As expected by economic theory, interest rates move by small increments, but have large impact on the financial variables and real economy. On the opposite, changes in monetary claims (loans) have relatively smaller absolute impact of about 28% on Economic PDs.

- 0.020* Gross monetary claims on private sector (t-9) + 0.734* Lending Interest Rate (t-2)

Variables	Estimate	Std. error	t-stat	p-value
Δ Gross monetary claims on private sector (t-9)	-0.202	0.044	-4.611	0.00
Δ Lending Interest Rate (t-2)	0.734	0.048	15.197	0.00
RMSE	3.46	*(Root Mean Square Error)*		
R^2	0.64	R^2 Adj	0.87	
F-stats	180.2	p-value	0.00	
Obs.	50	Df	48	

Economic forecasts are probabilistic and surrounded by uncertainty. Therefore, the ECL value can be affected by underestimation or overestimation of the probability of upside and downside forecast errors, i.e., probabilistic assessment of scenarios. To test the sensitivity of the change in the economic outlook, the Group evaluated 2 additional alternatives:

- More optimistic scenario sets – Optimistic 30% probability, Pessimistic 10% probability, and Baseline 60% probability.
- More pessimistic scenario set – Optimistic 10% probability, Pessimistic 30% probability, and Baseline 60% probability.

Impact on Provisions as at 31 December 2022

	Probability Scenarios	FLI Scaler	ECL%	Provision (K'm)	Absolute Change (K'm)
Optimistic Probability Scenario	O=30% B=60% P=10%	0.9170	1.81%	4 921	(301)
Pessimistic Probability Scenario	O=10% B=60% P=30%	1.1768	2.03%	5 522	301
Baseline Probability Scenario	O=20% B=60% P=20%	1.0469	1.92%	5 221	-

Sensitivity analysis as at 31 December 2021
Each different macro-economic scenario was derived from the historical bank rate (prime rate), that are sourced from the Reserve Bank of Malawi. The table below outlines these different scenarios.

Macro-economic Scenarios derived from historical performance of the Bank Rate (Prime Rate) in Malawi. The Economic Scenarios were derived based on historical information.

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.24 Financial assets (Continued)

3.24.3 Impairment of financial assets (Continued)

(vi) Forward-looking information (Continued)
Sensitivity analysis as at 31 December 2022 (Continued)

Upturn Economic Scenario			Downturn Economic Scenario		
Scenario	**Value of Prime**	**Change in Prime (decrease in current Prime)**	**Scenario**	**Value of Prime**	**Change in Prime (increase in prime)**
Best economic outlook of Prime in History	8.00	(6.50)	Worst economic outlook in History	75.33	60.83
Best economic outlook of Prime in last 20 years	13.00	(1.50)	Worst economic outlook in last 20 years	75.33	60.83
Best economic outlook of Prime in last 10 years	13.00	(1.50)	Worst economic outlook in last 10 years	27.00	12.50
Best economic outlook of Prime in last 5 years	13.50	(1.00)	Worst economic outlook in last 5 years	27.00	12.50
Best economic outlook of Prime in last 2 years	13.50	(1.00)	Worst economic outlook in last 2 years	16.00	1.50

Three Economic Scenarios were chosen under either a favorable outcome or stressed outcome. The minimum bank rate over a certain period of time were considered in the different favorable economic scenarios. The maximum bank rate over a certain period of time were considered in the different stressed economic scenarios.

After a thorough evaluation of the most stressed scenarios that have occurred in the past, the following scenario weights were accordingly applied to get to a FLI Overlay. A weighting of 50% were applied to the baseline scenario (prime remains constant) and a weighting of 50% were applied to the first stressed scenario (prime went up by 2%). No favorable economic scenarios were given a weighting, due to the uncertainty associated with the pandemic. The other stressed economic scenarios are very unrealistic and were therefore also assigned with a 0% weighting.

The impact of the various economic scenarios on the impairment number are presented in the table below. The table displays the expected results of the positive correlation which the bank rate has with the PD estimates. In a favourable economic scenario, customers are expected to default less and perform better and therefore the bank will expect to see a decline in the impairment number. In a stressed economic scenario, customers are expected to default and roll quicker into worse arrears buckets and will perform worse and therefore the Group will expect to see an increase in the respective impairment number.

Impact on provisions as at 31 December 2021						
	Scaler	**Change in Prime Rate%**	**Prime Rate%**	**ECL%**	**Provision (K'm)**	**Absolute Change (K'm)**
Favorable scenario	0.970	(1.50)	12.00	2.93	6,370	(222)
Stressed scenario	1.014	1.50	15.00	3.07	6,659	67
Baseline	1.010	-	13.50	3.03	6,592	-

Low risk assets
In applying the IFRS 9 model, the Group identified the following as assets having a low credit risk:
1. Malawi Government Securities;
2. Interbank Placements; and
3. Other trading and non-trading receivables.

The Group evaluated both internal and external factors related to the assets and concluded that as at the reporting date the risk of default for these assets was low, the borrowers had a strong capacity to meet their contractual cash flow

3. Significant accounting policies (Continued)

3.24 Financial assets (Continued)

3.24.3 Impairment of financial assets (Continued)

(vi) Forward-looking information (Continued)

Sensitivity analysis as at 31 December 2021 (Continued)
obligations in the near term and adverse changes in economic and business conditions in the longer term may, but would not necessarily, reduce the ability of the borrowers to fulfil their contractual cash flow obligations. The above factors coupled with extensive evaluation of credit histories resulted in classifying these assets in the investment grade. Based on the assessment per each classification of assets, Probabilities of Default were assigned to these assets and an Expected Credit Loss was computed.

3.24.4 Reclassifications of financial assets
If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current financial year and previous accounting period there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

3.24.5 Modification of financial assets
A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g., a change to the increase in the interest rate that arises when covenants are breached).

The Group renegotiates loans to customers in financial difficulty to maximise collection and minimize the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Group has an established forbearance policy which applies for corporate and retail lending.

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer solely payments of Principal and Interest (SPPI), change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then; and
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10% the Group deems the arrangement is substantially different leading to derecognition.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- The remaining lifetime PD estimated based on data at initial recognition and the original contractual
- terms; with
- The remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Group's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

3. Significant accounting policies (Continued)

3.24 Financial assets (Continued)

3.24.5 Modification of financial assets (Continued)

Where a modification does not lead to derecognition the Group calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

3.24.6 De-recognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying

amount and the sum of the consideration received, and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings

On de-recognition due to modifications, the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

3.25 Financial liabilities and equity

3.25.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.25.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3.25.3 Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and banking business financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

3. Significant accounting policies (Continued)

3.25 Financial liabilities and equity (Continued)

3.25.3 Financial liabilities (Continued)

(ii) Subsequent measurement

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together;
- And has a recent actual pattern of short-term profit-taking; or
- It is a derivative, except for a derivative that is a financial guarantee contract.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item (note 38) in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on banking business financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

The group assesses financial guarantees on a contract by contract basis to ascertain the nature of contract in order to elect whether the group applies IFRS 9 or IFRS 4 to such financial guarantee contracts.

The group applies IFRS 9 to financial guarantee contracts for the banking business, are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9; and
- The amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

For Financial guarantee contracts issued to third parties that meet the definition of an insurance contract, other than an

3. Significant accounting policies (Continued)

3.25 Financial liabilities and equity (Continued)

3.25.3 Financial liabilities (Continued)

(ii) Subsequent measurement (Continued)

Financial guarantee contract liabilities (Continued)
issuer's rights and obligations arising under an insurance contract, the group made an irrevocable election to measure these financial guarantee contracts in line with IFRS 4 Insurance Contracts. These financial guarantee contracts are disclosed as contingent liabilities until cristalising into a liability at the point of default by the counterparty. Such contracts include:

- Where a supplier of goods or service would claim from the group if the receiving company of the goods or service defaults on payment;
- Where an issuer of a loan would claim from the group if the borrowing company of the loan defaults on payment; and
- Where an issuer of a debt instrument would claim from the group if the borrowing company of the loan defaults on payment.

Foreign exchange gains and losses
For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the profit or loss for financial liabilities.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities.

(iii) De-recognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.26 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liability simultaneously.

3.27 Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

3.28 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method. Securities lent to counterparties are also retained in the financial statements.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying accounting policies

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

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

4.1 Critical judgements in applying accounting policies (Continued)

4.1.1 Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

4.1.2 Significant increase in credit risk

As explained in note 3, Expected Credit Losses (ECL) are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information – refer to note 3.25.3.

4.1.3 Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

4.1.4 Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk – refer to note 3.25.1 and fair value valuation models – refer to note 6.7.1.

4.1.5 Control over Telekom Networks Malawi plc (TNM)

The directors of the Company assessed whether or not the Group has control over TNM based on whether the Group has the practical ability to direct the relevant activities of TNM unilaterally. In making their judgement, the directors considered the Group's right to appoint a majority of directors on the board which gives them the power to direct the affairs of the company. After assessment, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of TNM plc and therefore the Group has control over TNM.

4.1.6 Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has recognised any deferred taxes on changes in fair value of investment properties as the Group is subject to income taxes on the fair value changes of the investment properties on disposal.

4.1.7 Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

4.1 Critical judgements in applying accounting policies (Continued)

4.1.7 Determining the lease term of contracts with renewal and termination options – Group as lessee (Continued)
The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 Residual values and useful lives of tangible assets
The estimated residual values and useful lives of property, plant and equipment are reviewed and adjusted, if appropriate, at each reporting date to reflect current thinking on their remaining lives in the light of technological change, prospective economic utilisation and physical conditions of the assets concerned as described in note 3.15.

4.2.2 Fair value measurements and valuation processes
Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data (level 1 inputs) to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs into the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities and related fair values are disclosed in note 6.7.2 and 10.

4.2.3 Loss allowance for trade and other receivables
The Group uses a provision matrix to calculate ECLs for trade receivables, finance lease receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type, customer type). The provision matrix is initially based on the Group's historical observed default rates adjusted with forward-looking information and factors that are specific to the debtors.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

4.2.4 Loss allowance for loans and advances
The Group applies three-stage approach to measuring ECL on loans and advances. In doing so, the Group applies significant estimates in the following areas;

(i) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario. When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other – refer 3.25.3.

(ii) Incorporating collateral and applying haircuts to market values of securities
Group includes collateral in calculation of LGD for an exposure. The Group applies different haircuts on various types of collateral depending on the asset's liquidity and price volatility. The collateral values are based on open market valuations. According to the Group's policy collateral is revalued every five years. However, the Group inspects the assets offered as collateral every year. Customers are required to carry out professional desk-top valuations every 3 years.

(iii) Probability of Default (PD)
PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

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

4.2 Key sources of estimation uncertainty (Continued)

4.2.4 Loss allowance for loans and advances

(iv) Loss Given Default (LGD)
LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive.

(v) Determination of life of revolving credit facilities
The Group measures ECL considering the risk of default over the maximum contractual period. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. For such financial instruments the Group measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period.

5. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the returns to stakeholders through optimisation of the debt and equity balance. The overall Group strategy remains unchanged from 2021.

The capital structure of the Group consists of equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed in notes 28 and 29).

The banking business of the Group is subjected to the following capital requirements:

5.1 Regulatory capital

The Reserve Bank of Malawi sets and monitors capital requirements for the Group's banking business as a whole. Regulatory capital requirement is the minim/um amount of capital required by the Reserve Bank of Malawi, which if not maintained will usually permit or require supervisory intervention.

In implementing current capital requirements, The Reserve Bank of Malawi requires the Group's banking business to maintain a prescribed ratio of total capital to total risk-weighted assets. The minimum capital ratios under the implemented Basel II are as follows:

- A core capital (Tier 1) of not less than 11.5% of total risk-weighted on statement of financial position assets plus risk-weighted off-statement of financial position items; and
- A total capital (Tier 2) of not less than 15% of its total risk-weighted on statement of financial position assets plus risk-weighted off-statement of financial position items.
- Core capital (Tier 1) which consists of ordinary share capital, share premium, retained profits, 60% of after-tax profits in the current year (or less 100% of current year loss), less any unconsolidated investment in financial companies.
- Total capital (Tier 2), which consists of revaluation reserves and general provisions, when such general provisions have received prior approval of the Reserve Bank of Malawi plus tier 1 capital. Supplementary capital must not exceed core capital i.e., shall be limited to 100% of total core capital.

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

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

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

In millions of Malawi Kwacha

5. Capital management (Continued)

5.1 Regulatory capital (Continued)

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

	2022	2021
Tier 1 capital		
Ordinary share capital	467	467
Share premium	613	613
Retained earnings	131,342	107,291
Unconsolidated investments	(8,410)	(6,560)
	124,012	101,811
Tier 2 capital		
Supplementary capital		
Deferred tax	(9,348)	31 387
Revaluation reserve	36,809	(8 902)
Unconsolidated investments	(8,410)	(6 560)
Total tier 2 capital (total regulatory capital)	143,063	117 736
Risk-weighted assets		
Retail bank, corporate bank and treasury	532,728	435 793
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	27%	27%
Total tier 1 capital expressed as a percentage of risk-weighted assets	23%	23%

The Reserve Bank of Malawi, in 2015, revised the minimum capital requirements for Banks from USD5m to USD10m effective 01 January 2020. The Group's banking business is in full compliance with the revised minimum capital requirement.

5.2 Sub-subsidiary (Akiba Commercial Bank) Capital management

The Bank's objectives when managing capital, which is a broader concept than the "equity" on the face of the statement of financial positions, are:

- To comply with the capital requirements set by are Bank of Tanzania (BoT).
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the Bank of Tanzania (BoT) for supervisory purposes. The required information is filed with the BoT monthly.

The Bank of Tanzania required each bank of banking group to:

(a) Hold a minimum level of core capital of TZS15 billion
(b) Maintain of ratio of core capital to the risk-weighted assets plus risk-weighted off-balance sheet assets or above the required minimum of 12.5%; and
(c) Maintain total capital of not less than 14.5% of risk-weighted assets plus risk-weighted off-balance sheet items

(d) Maintain a capital conservation buffer of 2.5% of risk-weighted assets and off-balance sheet exposures. The capital conservation buffer is be made up of items that qualify as tier 1 capital

When a bank is holding capital conversation buffer of less than 2.5% of risk-weighted assets and off-balance sheet but is meeting minimum capital requirements the bank:

- Shall not distribute dividends to shareholders or bonuses to senior management and other staff members until the buffer is restored to at least 2.5%
- Shall submit a capital restoration plan to the Bank of Tanzania within a specified period by BoT including how the

In millions of Malawi Kwacha

5. Capital management (Continued)

5.2 Sub-subsidiary (Akiba Commercial Bank) Capital management (Continued)

Bank is going to raise capital to meet its minimum requirement including capital conservation buffer with a specified period; and

- If BoT does not approve the capital restoration plan, it may direct the bank to raise additional capital within a specified time to restore its capital conservation buffer.

The Bank's regulatory capital is divided into two tiers:

Tier 1 capital: means permanent shareholders' equity in the form of issued and fully paid ordinary shares, and perpetual non-cumulative preference shares, capital grants and disclosed reserves less year to date losses, goodwill organization, pre-operating expenses, prepaid expenses, deferred charges, leasehold rights and any other intangible assets.

Tier 2 capital: means general provisions which are held against future, presently unidentified losses and are truly available to meet losses which subsequently materialize, subordinated debts, commutative redeemable preferred stocks and any other form of capital as may be determined and announced from time to time by the Bank.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral guarantees.

A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarizes the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2022 and year ended 31 December 2021. During these two periods, the Bank has not complied with all the externally imposed capital requirements to which they are subject.

	2022	2021
Tier 1 capital	TZS' m	TZS'm
Share capital	27,797	27,797
Share premium	2,432	2,432
Preference shares	5,960	-
Retained earnings	(15,276)	(12,101)
Deferred charges	(6,864)	(7,067)
Prepaid expenses	(817)	(953)
Others (Advance Towards Capital)	-	5,888
Total qualifying Tier 1 capital	13,232	15,996
Tier 2 capital		
Allowance supplementary capital	930	2,370
Total qualifying Tier 2 capital	930	2,370
Total regulatory capital (Tier 1 & Tier 2)	14 162	18,366
Risk-weighted assets		
On-balance sheet	112,389	105 108
Off-balance sheet	523	56
Operational Risk	11 648	13 005
Market Risk	134	342
Total risk-weighted assets, operational and market risk	124 694	118 511
	Bank's ratio 2022 %	**Bank's Rati 2021 %**
Tier 1 capital (BOT minimum 12.5%)	10.61%	13.50%
Tier 1 + Tier 2 capital (BOT minimum 14.5%)	11.36%	15.50%

In February 2023, the Bank received US$ 2.44 million (TZS 5,663 million) from the National Bank of Malawi plc under an agreement where additional Perpetual Non-Cumulative Preference shares with a par value of TZS 1,000 per share will be issued to the National Bank of Malawi in continued efforts by the majority shareholders to ensure that the Bank is adequately capitalised. Following this recapitalisation, the Bank's Tier 1 Capital and Tier 2 Capital were both above the minimum ratios required by BOT.

In millions of Malawi Kwacha

6 Financial instruments

6.1 Classes and categories of financial instruments

The table below sets out the Group's and Company's classification of each class of financial assets and liabilities:

	Notes	Amortised cost	Fair value through P&L	Fair value through OCI	Total carrying amount
Group					
At 31 December 2022					
Financial assets					
Cash and cash equivalents	27	342,062	-	-	342,062
Trade and other receivables	19,24	31,642	-	-	31,642
Contract assets	24	2,244	-	-	2,244
Other investments	20	350,601	6,892	3,612	361,105
Finance lease receivables	18	19,255	-	-	19,255
Loans and advances to customers	17	286,345	-	-	286,345
		1,032,459	6,892	3,612	1,042,963
Financial liabilities					
Bank overdraft	27	14,114	-	-	14,114
Loans and borrowings	30	72,098	-	-	72,098
Trade and other payables	33	96,293	-	-	96,293
Contract liabilities	33	7,236	-	-	7,236
Customer deposits	35	795,560	-	-	795,560
		985,301	-	-	985,301
At 31 December 2021					
Financial assets					
Cash and cash equivalents	27	187,581	-	-	187,581
Trade and other receivables	19,24	24,975	-	-	24,975
Contract assets	24	2,352	-	-	2,352
Other investments	20	303,045	17,482	3,694	324,059
Finance lease receivables	18	14,912	-	-	14,912
Loans and advances to customers	17	222,923	-	-	222,923
		755,788	17,482	3,694	776,802
Financial liabilities					
Bank overdraft	27	11,545	-	-	11,545
Loans and borrowings	30	60,155	-	-	60,155
Trade and other payables	33	103,328	-	-	103,328
Contract liabilities	33	5,159	-	-	5,159
Customer deposits	35	547,083	-	-	547,083
		727,270	-	-	727,270
Company					
At 31 December 2022					
Financial assets					
Cash and cash equivalents	27	7,281	-	-	7,281
Trade and other receivables – Group	23	1,201	-	-	1,201
Trade and other receivables	19,24	4,437	-	-	4,437
Other Investments	20	-	-	3,612	3,612
Asset held for sale	25	-	-	9,548	9,548
Investments in associates	16	-	-	37,411	37,411
Investments in joint ventures	15	-	-	16,016	16,016
Investments in subsidiaries	14	-	-	483,103	483,103
		12,919	-	549,690	562,609
Financial liabilities					
Bank overdraft	27	7,979	-	-	7,979
Loans and borrowings	30	14,744	-	-	14,744
Trade and other payables	33	1,016	-	-	1,016
Trade and other payables to Group companies	34	34	-	-	34
		23,773	-	-	23,773

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.1 Classes and categories of financial instruments (Continued)

	Notes	Amortised cost	Fair value through P&L	Fair value through OCI	Total carrying amount
At 31 December 2021					
Financial assets					
Cash and cash equivalents	27	8,434	-	-	8,434
Trade and other receivables – Group	23	1,833	-	-	1,833
Trade and other receivables	19,24	2,304	-	-	2,304
Other Investments	20	-	-	3,532	3,532
Asset held for sale	25	-	-	7,564	7,564
Investments in associates	16	-	-	45,013	45,013
Investments in joint ventures	15	-	-	18,317	18,317
Investments in subsidiaries	14	-	-	329,981	329,981
		12,571	-	404,407	416,978
Financial liabilities					
Bank overdraft	27	6,457	-	-	6,457
Loans and borrowings	30	4,890	-	-	4,890
Trade and other payables	33	2,493	-	-	2,493
Trade and other payables to Group companies	34	13	-	-	13
		13,853	-	-	13,853

6.2 Financial risk management

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

- Credit risk;
- Liquidity risk; and
- Market risk (Currency risk, interest rate risk and price risk);

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for identification, measurement, monitoring and controlling risk, and the Group's management of capital.

6.3 Risk management framework

The Group's approach to risk management is based on a well-established governance process and relies both on individual responsibility and collective oversight, supported by comprehensive reporting. This approach balances stringent corporate oversight with independent risk management structures within the business units.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board approves the risk appetite and risk tolerance limits appropriate to the Group's strategy and requires that management maintains an appropriate system of internal controls to ensure that these risks are managed within the agreed parameters. The Board delegates risk related responsibilities to the Finance and Audit Committee which is responsible for developing and monitoring Group risk management policies.

The Finance and Audit 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 Finance and Audit Committee is assisted in these functions by the Internal Audit Department which undertakes both regular and ad-hoc reviews of risk management controls, the results of which are reported back to the Committee.

The Internal Audit Department provides a holistic oversight of the risks affecting the Group and the control measures that should be put in place to mitigate the risks and thereby reduce the potential losses.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group strives to maintain a disciplined and constructive control environment, in which all employees understand their roles and obligations.

6 Financial instruments (Continued)

6.3 Risk management framework (Continued)

6.3.1 Current and Emerging Risks

The Group identifies Current and Emerging risks, determines the appropriate response, and monitors the effectiveness of the implemented response. The following are the existing Current and Emerging risks to the Group's strategic ambitions and the mitigations that have been undertaken:-

- Economic and Business Environment Risk – the economic and Business risk remained high for 2022. The economy was negatively impacted by the effects of weather-related shocks related to cyclone Ana and Gombe as well as the delayed and early cessation of rains in most parts of the country. Other factors included the intermittent power supply, spill over effects of the ongoing Russia/Ukraine war, persistent global supply chain disruptions, and the resurgence of new waves of the COVID-19 pandemic. On the foreign exchange front, pressures emanating from demand/supply imbalances persisted despite the devaluation of the Malawi Kwacha by 25%, as the country pursued the securing of an approval for an ECF program with the IMF which is yet to be granted. The economy remained heavily reliant of imports which continues to suffer from huge forex shortage. This continues to put pressure on the Malawi Kwacha which is now unstable and continues to depreciate. The combined effect of the highlighted factors anchored a heightened up inflationary pressure in the economy.

- Technology and Cyber security risk: The Group's banking business as part of integration with third parties connects through Application Programming Interfaces (APIs) to enable its customers access its services. These third-party services offered through Mo626 are directly interfaced with the providers and customers access them through USSD and mobile app services with payments validated and done in real time. Among the institutions connected through APIs are MRA, ESCOM, Universities, Shoprite, Dstv, and Water Boards among others. This has increased the attack surface for cybercriminals.

- The Impact of Covid-19 which was very disruptive to many business models in 2020. However, its impact in 2021 and 2022 was moderate. During the onset months of 2022, the country experienced the 'fourth wave' of the pandemic, however, the economy remained open for business. Still performance of most businesses in some sectors like hospitality subdued. There has been continuous risk and security assessment and improvements in response. On the banking business of the Group, the regulatory guidelines by the Reserve Bank of Malawi (RBM) which allowed for moratorium on interest and principal repayments for loans by borrowers on a case by case basis was extended. As at the reporting date, moratorium directive was still effective. The directives did not have significant impact on the business of the Group as the reduction in the fees for three months was compensated with increased volumes owing to the fact that more customers were recruited on the digital platforms. The deferment of repayments did not also affect the group as interest income was still being recognised as it remained payable by the customers.

- Climate change – Cyclone Ana, Gombe and Freddy destroyed the major hydro power station in the country, which impacted industrial and business productivity in the economy. These cyclones destroyed roads, infrastructure as well as crops in the country. This resulted into an unexpected fiscal outlay by the government which affected its public expenditure plan. As most households fell into the food insecure band since most crops were affected and the respective yield of these fell off the initial projected levels. Clients of the Group's Banking business in the affected sectors saw their business operations affected heavily.

- Investment in new territory – The Group's banking business holds an investment in Akiba Commercial Bank plc of Tanzania since January 2021. The Group is therefore exposed to the risks associated with the investment in Tanzania. The Group has put in place measures to identify, manage and mitigate itself against the impact of such risks on its investment in Akiba. For year ended 31 December 2022 Akiba has made a loss after tax of K4 072m (2021: K1 942m) which was mainly due significant increases in provisions for loans and tax. However, the performance is expected to turn around in 2023

6.4 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its financial assets including trade and other receivables, cash and cash equivalents, investment securities, loans and advances, finance lease receivable and contract assets.

The Group manages its risk by evaluating, measuring and controlling risk exposures through the day-to- day activities of the Group. The Group has an Internal Audit department that is responsible for providing an independent oversight of the risks and provides the assurance.

For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.4 Credit risk (Continued)

6.4.1 Exposure of credit risk

The table below shows the maximum exposure to credit risk by class of financial instrument without taking into account any collateral or other credit enhancements. Financial instruments include financial instruments defined and recognized under IFRS 9 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	
	2022	**2021**	**2022**	**2021**
Gross maximum exposure				
Trade and other receivables	31,642	24,975	4,437	2,304
Contract assets	2,244	2,352	-	-
Trade and other receivables – Group companies	-	-	1,201	1,833
Other investments	361,105	324,059	3,612	3,532
Loans and advances to customers	286,345	222,923	-	-
Finance lease receivables	19,255	14,912	-	-
Cash and cash equivalents	342,062	187,581	7,281	8,434
Total recognised financial instruments	1,042,653	776,802	16,531	16,103
Guarantees and performance bonds	6,717	28,316	6,717	9,504
Letters of credit	23,605	26,937	-	-
Total unrecognised financial instruments	30,322	55,253	6,717	9,504
Total credit exposure*	1,072,975	832,055	23,248	25,607

*Total credit exposure for prior year included unrecognised financial instruments amounting to K122,392m relating to customer funds under management. Following further assessments, it was concluded that these do not pose any credit risk exposure to the group. Therefore, the prior year figure has been revised accordingly.

Gross maximum exposure above is comprised of gross amounts before factoring in expected credit losses. Prepayments have been excluded in the trade and other receivables and contract assets balance.

In respect of certain financial assets, the Group has legally enforceable rights to offset them with financial liabilities. However, in normal circumstances, there would be no intention of settling net, or of realising the financial assets and settling the financial liabilities simultaneously. Consequently, the financial assets are not offset against the respective financial liabilities for financial reporting purposes. As at the end of the year, the Group had financial liabilities in the form of cash deposits amounting to K8,758 million (2021: K12,388 million) held as security for some loans and advances which in the event of default will be offset against such loans and advances.

6.4.2 Trade and other receivables and contract assets

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

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

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

The average credit period on sales of goods and services is 30 days except for international incoming receivables whose credit period is 60 days. No interest is charged on the trade and other receivables settled beyond these periods. There has been a change in the estimation rates for the Telecommunications sector for four debtor portfolios namely dealers, postpaid, enterprise and other trade receivables. The group shifted over 60% of primary sales for the dealers, to electronic using mobile platform and banks. This has resulted in significant reduction of credit facilities offered to dealers and

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.4 Credit risk (Continued)

6.4.2 Trade and other receivables and contract assets (Continued)

therefore a reduction in the resultant credit losses. In the prior periods, the group offered credit terms to individuals and small and medium-sized enterprises (SMEs) on postpaid and enterprise sales which led to significant defaults. The group has stopped recruiting both SMEs and individuals during the year and this has significantly reduced the default rates. Other than the above changes, management, in its judgement, has concluded that there will be no significant changes in the macro-economic conditions which will significantly affect the default rates.

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

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

Impairment of Trade receivables and contracts assets

The Group measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The following table details the risk profile of trade receivables based on the Group's provision matrix.

	2022 trade receivables – days past due						**Total**
	Not past due	**<30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**>120 days**	
Expected credit loss rate – ranges*	0.1% to 0.9%	0.2% to 1.6%	0.2% to 2.1%	0.5% to 2.6%	0.7% to 3.2%	1% to 5.3%	
Estimated total gross carrying amount at default	2,543	1,024	1,242	413	458	846	6,526
Lifetime ECL	4	5	5	6	7	33	60

	2021 trade receivables – days past due						**Total**
	Not past due	**<30 days**	**31-60 days**	**61-90 days**	**91-120 days**	**>120 days**	
Expected credit loss rate – ranges*	0.1% to 1.7%	0.4% to 6%	0.6% to 8.1%	1% to 10%	1.4% to 12.5%	2% to 25.3%	
Estimated total gross carrying amount at default	2,415	1,145	1,399	1,156	1,110	1,468	8,693
Lifetime ECL	5	11	10	21	16	89	152

Movement in the allowance for credit loss

The movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9 was as follows:

	Lifetime ECL – not credit impaired		**Lifetime ECL – credit impaired**	**Total**
	Collectively assessed	**Individually assessed**		
2022				
As of 1 January 2022	152	626	1,485	2,263
Written off	(2,573)	(860)	(143)	(3,576)
Net Remeasurement of loss allowance	2,481	832	679	3,992
Balance at end of the year	60	598	2,021	2,679
2021				
As of 1 January 2021	732	387	474	1,593
Written off	-	-	(344)	(344)
Reclassified to assets held for sale	(550)	(4)	-	(554)
Net Remeasurement of loss allowance	(30)	243	1,355	1,568
Balance at end of the year	152	626	1,485	2,263

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.4 Credit risk (Continued)

6.4.3 Cash and cash equivalents

The Group held cash and cash equivalents comprising of cash and bank balances net of bank overdrafts amounting to K158,671 million as at 31 December 2022 (2021: K80,355 million). The cash and cash equivalents are held with banks and financial institutions counterparties which have high credit ratings.

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

6.4.4 Investments

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

6.4.5 Loans and advances and lease receivables

Loans and advances and lease receivables 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 Group's financial statements.

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.

To manage the level of credit risk, the Group deals with counterparties of sound 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.

Maximum exposure to credit risk for Loans and advances by sector

The Group monitors loans and advances concentration of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

	2022		2021	
		%		%
Agriculture	34,330	12	33,863	15
Finance and insurance	8,858	3	8,222	4
Manufacturing	27,561	9	21,759	9
Personal accounts	71,626	24	54,116	23
Real estate	6,810	2	7,358	3
Transport and communication	14,522	5	13,076	6
Wholesale and retail	87,292	30	56,760	25
Mining and quarrying*	2,192	1	634	-
Restaurants and hotels*	29,075	10	20,170	9
Community and social services*	8,894	3	8,059	3
Others*	2,939	1	7,155	3
	294,099	100	231,172	100

6 Financial instruments (Continued)

6.4 Credit risk (Continued)

6.4.5 Loans and advances and lease receivables (Continued)

*To improve presentation of information, sectors which were categorised as others in prior year have been disaggregated to individual sectors. Others relate to individually insignificant sectors such as construction.

The Group's exposure as at 31 December 2022 was at K294,099 million (2021: K231,172 million) with Non-Performing Loans (NPL) standing at 13.75% (2021: 10.45%).

NPL are loans that are overdue by over 90 days and falls under stage 3.

Extent of utilization of granted limit
The Group closed 2022 with utilized overdrafts of K29,337m (2021: K41,626m) against limits of K58 279m (2021: K71,315m) representing 50.34% (2021: 58.37%) of the total limits.

Forbearances (both requested and granted)
There are significant forbearances in the reporting period. Refer to note 17 for the impact of the forbearances (restructured and modified facilities).

Changes in business, financial and economic conditions
The Economic and Business risk remained high in 2022 as a result of weather-related shocks, intermittent power supply and the 25% devaluation of the Malawi kwacha among several factors. The Group remained resilient to these shocks, and it continues to monitor closely the lending portfolios.

Credit quality analysis of loans and advances
In order to minimise credit risk, the Group has tasked its credit management committee to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The Group's credit risk grading framework comprises ten categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure. The following data are typically used to monitor the Group's exposures:

- Payment record, including payment ratios and ageing analysis;
- Extent of utilisation of granted limit;
- Forbearances (both requested and granted);
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies;
- For retail exposures: internally generated data of customer behaviour, affordability metrics etc.; and
- For corporate exposures: information obtained by periodic review of customer files including audited financial statements review, changes in the financial sector the customer operates etc.

Apart from the macroeconomic factors above, the qualitative factors are considered when estimating the PD. These factors include general customer behaviour and changes in the customer business sector.

Credit rating information supplied by external rating agencies

The Group uses the credit reference Bureau to obtain credit history of all the loan applications it gets before approving the loans. This enhances the credit risk management in that loans are only given out to customers who have the capability to pay.

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.4 Credit risk (Continued)

6.4.5 Loans and advances and lease receivables (Continued)

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

	Group	
	2022	**2021**
Grade 9: individually impaired	11,682	14,103
Grade 8: sub-standard	32,165	11,983
Grade 7: Watch list	20,346	20,230
Grade 4-6 Fair risk	53,090	151,210
Grade 1-3 Low risk	176,816	33,646
Impairment provision	(7,754)	(8,249)
Total carrying amount	286,345	222,923

The Group applies three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost and debt instruments classified as FVTOCI as explained under note 3.25. The table below shows expected credit losses per risk grade and related ECL stage.

	Gross Amount	Loss allowance	ECL stage
2022			
Grade 9: individually impaired	11,682	2,564	3
Grade 8: sub-standard	32,165	2,338	3
Grade 7: Watch list	20,346	700	2
Grade 4-6 Fair risk	53,090	1,390	1
Grade 1-3 Low risk	176,816	762	1
Total gross carrying amount	294,099	7,754	
2021			
Grade 9: individually impaired	14,103	3,163	3
Grade 8: sub-standard	11,983	1,656	3
Grade 7: Watch list	20,230	995	2
Grade 4-6 Fair risk	151,210	1 808	1
Grade 1-3 Low risk	33,646	627	1
Total gross carrying amount	231,172	8,249	

Individually impaired and substandard - Grade 8 and 9
Substandard and 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 8 and 9 in the Group's internal credit risk grading system and are categorised under stage 3 when calculating the ECL.

Watch list – Grade 7
These are loans and advances where contractual interest or principal payments are past due, but the Group believes that individual 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 in the Group's internal credit risk grading system and are categorised under stage 2 when calculating the ECL.

Low and fair risk – Grade 1 to 6
These are performing loans that 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 and are categorised under stage 1 when calculating the ECL.

Write-off policy
The Group writes off a loan balance (and any related allowances for impairment losses) when it has 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.

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.4 Credit risk (Continued)

6.4.5 Loans and advances and lease receivables – (Continued)

During the period under review, the Group wrote off K6.3 billion (2021: K9.6 billion) out of which K3.7 billion (2021: K8.2 billion) has been charged to the statement of comprehensive income and K2.6 billion (2021: K1.4 billion) has been written off against provisions. The amounts written off are subject to enforcement activity by the Group to recover.

Collateral held as security against loans and advances
The Group holds collateral against loans and advances to customers in the form of mortgage interests over property, cash, equities, registered securities over assets, guarantees and other forms of collateral. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are only updated when performing the annual review except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities lending activity.

There were no significant changes in the Group's collateral policies and there were also no significant changes.

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

Group	**2022**	**2021**
Against individually impaired		
Motor vehicles	2,837	5,398
Commercial property	19,612	12,569
Residential property	14,709	13,518
Cash	17	40
Total	37,175	31,525
Against the rest of the loan book		
Motor vehicles	39,398	19,822
Commercial property	91,533	120,526
Residential property	107,362	109,364
Cash	8 741	12,388
Government guarantees	12,600	-
Total	259,634	262,100
Grand total	296 809	293 625

The Group repossess collateral held when the customer misses three repayment instalments.

Collateral repossessed
It is the Group's policy to dispose of repossessed collateral in an orderly fashion. The proceeds are used to reduce or repay the outstanding loan balance.

6.5 Liquidity risk

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

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

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

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

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.5 Liquidity risk (Continued)

6.5.1 Management of liquidity risk (Continued)

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

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

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

6.5.2 Measurement of liquidity risk – Group's banking business

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

	2022	2021
At 31 December	48%	48%
Average for the period	45%	47%
Maximum for the period	49%	52%
Minimum for the period	41%	39%

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.5 Liquidity risk (Continued)

6.5.3 Liquidity risk table

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows but excludes the impact of netting agreements:-

Group	Less than 1 month	1-3 months	3-12 months	2-5 years	Over 5 years	Total	Carrying amount
At 31 December 2022							
Bank overdraft	14,339	-	-	-	-	14,339	14,114
Loans and borrowings	-	4,469	25,023	53,524	69	83,085	72,098
Customer deposits	688,961	90,684	23,848	-	-	803,494	795,560
Trade and other payables	36,209	60,653	-	-	-	96,862	96,293
Contract liabilities	-	7,236	-	-	-	7,236	7,236
Total financial liabilities	739,509	163,043	48,871	53,524	69	1,005,015	985,301
At 31 December 2021							
Bank overdraft	11,699	-	-	-	-	11,699	11,545
Loans and borrowings	-	1,180	21,794	55,808	2,189	80,971	60,155
Customer deposits	465,364	72,626	11,812	-	-	549,802	547,083
Trade and other payables	51,677	51,651	-	-	-	103,328	103,328
Contract liabilities	-	5,159	-	-	-	5,159	5,159
Total financial liabilities	528,740	130,616	33,606	55,808	2,189	750,959	727,270
Company							
At 31 December 2022							
Bank overdraft	8,106	-	-	-	-	8,106	7,979
Loans and borrowings	-	-	5,077	12,047	-	17,124	14,744
Trade and other payables to Group companies	24	-	-	-	-	24	24
Trade and other payables	1,016	-	-	-	-	1,016	1,016
Total financial liabilities	9,516	-	5,077	12,047	-	26,680	23,773
At 31 December 2021							
Bank overdraft	6,543	-	-	-	-	6,543	4,524
Loans and borrowings	-	-	1,826	4,303	-	6,129	6,520
Trade and other payables to Group companies	13	-	-	-	-	13	3,700
Trade and other payables	2,012	480	-	-	-	2,492	884
Total financial liabilities	8,568	480	1,826	4,303	-	15,177	15,628

6.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity and commodity prices will affect the Group's income or the value of holding financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group monitors this risk on a continuing basis. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.6 Market risk (Continued)

6.6.1 Currency risk

The Group undertakes transactions denominated in foreign currencies consequently, exposure to exchange rate fluctuations arise.

The Group is exposed to currency risk mainly on commercial transactions and borrowings that are denominated in a currency other than the functional currencies of Group entities, primarily U.S. Dollars (USD), Great British Pound (GBP), Euro and South African Rand (ZAR) and in foreign exchange deals in the financial services sector.

Management of currency risk

To manage foreign currency risk arising from future commercial transactions and recognized assets and liabilities, some of the Group's goods and services pricing is pegged to the United States dollar. Management monitors the exchange rate exposure on a daily basis.

The Group also mitigates currency risk by utilising borrowing facilities from local banks and minimizing foreign supplier credit.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Currency risk exposure

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows;

	Liabilities		Assets	
	2022	**2021**	**2022**	**2021**
Group				
United States Dollars (USD)	122,245	97,459	130,712	82,897
British Pound (GBP)	4,409	9,724	4,815	9,920
EURO	19,593	8,373	9,869	4,924
South African Rand (ZAR)	1,299	603	1,518	937
Tanzania shillings	71,033	52,662	72,399	52,519
Other currencies	-	-	15	9
Company				
United States Dollars (USD)	-	-	7,600	9,952

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 25% (2021: 10%) increase and decrease in the Malawi Kwacha against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 25% (2021: 10%) change in foreign currency rates. A positive number below indicates an increase in profit before tax where the Malawi Kwacha strengthens 25% (2021: 10%) against the relevant currency. For a 25% (2021: 10%) weakening of the Malawi Kwacha against the relevant currency, there would be a comparable impact on the profit before tax, and the balances below would be negative.

	Group		Company	
	2022	**2021**	**2022**	**2021**
United States Dollars (USD)	2117	1,456	588	995
British Pound (GBP)	102	20	-	-
EURO	2431	345	-	-
South African Rand (ZAR)	55	33	-	-
Tanzania shillings	342	14	-	-

6.6.2 Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates.

Management of interest rate risk

The risk is managed by the Group by maintaining an appropriate mix between fixed and floating interest rates on borrowings

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.6 Market risk– (Continued)

6.6.2 Interest rate risk (Continued)

Management of interest rate risk (Continued)

The Group's banking business principal risk to which non-trading portfolio are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The Asset and Liability Committee is the monitoring body for compliance with these limits and is assisted by Treasury and Financial Institutions Division in its day-to-day monitoring activities.

Exposure to interest rate risk on financial assets and financial liabilities

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

Group	Less than 1 month	1-3 months	3-12 months	Over 1 year	Non-interest sensitive	Total
At 31 December 2022						
Financial assets						
Investments in joint ventures and associates	-	-	-	-	53,666	53,666
Other investment	-	-	195,456	161,875	3,774	361,105
Cash and cash equivalents	252,792	89,270	-	-	-	342,062
Loans and advances to customers	12,265	16,796	66,118	191,166	-	286,345
Finance lease receivables	253	136	1,764	17,102	-	19,255
Trade and other receivables	-	-	-	3,103	28,539	31,642
Contract assets	-	-	-	-	2,244	2,244
Total financial assets	265,310	106,202	263,338	373,246	88,223	1,096,319
Financial liabilities						
Bank overdraft	14,114	-	-	-	-	14,114
Loans and borrowings	-	4,331	22,836	44,931	-	72,098
Customer deposits	683,531	89,266	22,763	-	-	795,560
Trade and other payables	35,640	-	-	-	60,653	96,293
Contract liabilities	-	-	-	-	7,236	7,236
Total financial liabilities	733,285	93,597	45,599	44,931	67,889	985,301
Interest sensitivity gap	(467,975)	12,605	217,739	328,315	20,334	111,018
At 31 December 2021						
Financial assets						
Investments in joint ventures and associates	-	-	-	-	55,624	55,624
Other investment	-	60,645	101,567	152,797	9,050	324,059
Cash and cash equivalents	127,048	53,311	-	-	7,222	187,581
Loans and advances to customers	14,460	13,787	46,439	148,237	-	222,923
Finance lease receivables	128	286	1,216	13,282	-	14,912
Trade and other receivables	-	-	-	1,989	22,986	24,975
Contract assets	-	-	-	-	2,352	2,352
Total financial assets	141,636	128,029	149,222	316,305	97,234	832,426
Financial liabilities						
Bank overdraft	11,545	-	-	-	-	11,545
Loans and borrowings	-	1,150	19,970	38,825	210	60,155
Customer deposits	463,818	71,907	11,358	-	-	547,083
Trade and other payables	51,677	-	-	-	51,651	103,328
Contract liabilities	-	-	-	-	5,159	5,159
Total financial liabilities	527,040	73,057	31,328	38,825	57,020	727,270
Interest sensitivity gap	(385,404)	54,972	117,894	277,480	40,214	105,156

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.6 Market risk (Continued)

6.6.2 Interest rate risk (Continued)

Group	Less than 1 month	1-3 months	3-12 months	Over 1 year	Non-interest sensitive	Total
At 31 December 2022						
Financial assets						
Investments in subsidiaries joint ventures and associates	-	-	-	-	536,530	536,530
Asset held for sale	-	-	-	-	9,548	9,548
Other investment	-	-	-	-	3,612	3,612
Cash and cash equivalents	7,198	9	-	-	-	7,207
Trade and other receivables – Group companies	-	-	-	-	1,201	1,201
Trade and other receivables	-	-	-	3,059	1,378	4,437
Total financial assets	7,198	9	-	3,059	551,219	538,762
Financial liabilities						
Bank overdraft	7,979	-	-	-	-	7,979
Loans and borrowings	-	-	4,633	10,111	-	14,744
Trade and other payables to Group companies	-	-	-	-	34	34
Trade and other payables	-	-	-	-	1,016	1,016
Total financial liabilities	7,979	-	4,633	10,111	1,050	23,773
Interest sensitivity gap	(781)	9	(4,633)	(7,052)	551,219	538,762
At 31 December 2021						
Financial assets						
Investments in subsidiaries joint ventures and associates	-	-	-	-	393,311	393,311
Asset held for sale	-	-	-	-	7,564	7,564
Other investment	-	-	-	-	3,532	3,532
Cash and cash equivalents	8,349	7	-	-	78	8,434
Trade and other receivables – Group companies	-	-	-	-	1,833	1,833
Trade and other receivables	-	-	-	1,926	378	2,304
Total financial assets	8,349	7	-	1,926	406,696	416,978
Financial liabilities						
Bank overdraft	6,457	-	-	-	-	6,457
Loans and borrowings	-	-	1,630	3,260	-	4,890
Trade and other payables to Group companies	-	-	-	-	13	13
Trade and other payables	-	-	-	-	2,492	2,492
Total financial liabilities	6,457	-	1,630	3,260	2,505	13,852
Interest sensitivity gap	1,892	7	(1,630)	(1,334)	404,191	403,126

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.6 Market risk (Continued)

6.6.2 Interest rate risk (Continued)

Interest rate sensitivity analysis
The sensitivity analyses below have been determined based on the exposure to interest rates on the financial assets and liabilities at the reporting date. The interest rate sensitivity is also calculated based on a 5% movement on the interest rates. If the interest rates had gone up or down by 5% the Group's profit for the year ended 31 December 2022 would decrease/increase by K4.5 billion (2021: K3.2 billion) and for the Company by K623 million (2021: K53 million).

6.6.3 Other market price risk
The Group is exposed to equity price risks arising from equity investments listed on the Malawi Stock Exchange. The Group's equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Exposure to equity price risk
As at 31 December 2022, the Group had the following financial assets that exposed it to equity price risk.

	Group		Company	
	2022	**2021**	**2022**	**2021**
Financial asset				
Investment in subsidiaries	-	-	432,228	289,852
Other investment -equity	10,504	8,888	3,612	3,532
	10,504	8,888	435,840	293,384

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

At 31 December 2022, if the equity price had weakened/strengthened by 5% with all other variables held constant, the Group's performance for the year would have been higher/lower as follows:

	Group		Company	
	2022	**2021**	**2022**	**2021**
Financial asset				
Investment in subsidiaries	-	-	21,611	14,493
Other investment - equity	525	444	181	177
	525	444	21,792	14,670

The analysis is performed on the same basis for 2022 and 2021 and assumes that all other variables remain the same.

6.7 Fair values measurements

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

6.7.1 Fair value hierarchy
The table below shows an analysis of financial instruments carried that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable. The different levels have been defined as follows:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) ; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.7 Fair values measurements (Continued)

Group	Notes	Level 1	Level 2	Level 3	Total
At 31 December 2022					
Other investment - equity	20	10,504	-	-	10,504
Investment in KAMA Cooperative	20	-	-	793	793
		10,504	-	793	11,297
At 31 December 2021					
Other investment - equity	20	8,888	-	-	8,888
Government promissory notes	20	-	12,126	-	12,126
		8,888	12,126	-	21,014
Company					
At 31 December 2022					
Other investment - equity	20	3,612	-	-	3,612
Asset held for sale	25	-	-	9,548	9,548
Investments in associates	16	-	-	37,411	37,411
Investments in joint ventures	15	-	-	16,016	16,016
Investments in subsidiaries	14	432,228	-	50,875	483,103
		435,840	-	113,850	549,690
At 31 December 2021					
Other investment - equity	20	3,532	-	-	3,532
Asset held for sale	25	-	-	7,564	7,564
Investments in associates	16	-	-	45,013	45,013
Investments in joint ventures	15	-	-	18,810	18,810
Investments in subsidiaries	14	289,852	-	40,129	329,981
		293,384	-	111,516	404,900

6.7.2 Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Group Financial asset	Fair value as at 2022	 2021	Fair value hierarchy	Valuation technique(s) and key input(s)
Government promissory notes	-	12,126	Level 2	Discounted cash flows using applicable interest rates and agreed repayment plan
Equity investments	10,504	8,888	Level 1	Stock market prices
Investment in KAMA Cooperative	793	-	Level 3	Unadjusted net asset values approach

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.7 Fair values measurements (Continued)

6.7.2 Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

A reconciliation showing opening balance, gains/losses recognized during the year, transfers as well as closing balance is disclosed under related notes 13,14 and 15.

Asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2022	2021				
Investment in Sunbird Malawi Limited, National Bank of Malawi plc plc and Telekom Networks Malawi plc	435,838	293,384	Level 1	Stock market share prices.	N/A	N/A
Investment Puma Malawi Limited	14,975	16,113	Level 3	*The Enterprise value to EBITDA ("EV/EBITDA") ratio:* The approach measures value of a company by looking at how company's Cashflow compares to the assets being used to generate the cash flow. An adjustment was made for cash, long term loans and tax to accommodate third parties with interest in the company This method involves; ● Identifying companies in similar industries to the subject company, in the open market and determining the appropriate multiples. ● Applying discounts/premiums to the quoted multiples to compensate for differences between the reasonably similar companies and the subject being valued.	• The observable multiple was adjusted for size, risk, geography and diversification discount by 15%. • Lack of marketability discounts of 8%-10%. • Minority discount of 4%.	• The higher the discount applied on the multiple the lower the fair value • The higher the marketability discount applied the lower the fair value. • The higher the minority discount applied the lower is the fair value.
Presscane Limited	12,396	12,777	Level 3	*The Market Approach (The Enterprise value to EBITDA("EV/EBITDA") ratio:* The approach measures value based on the current pricing statistics for companies (where publicly available information is present), which can be considered reasonably similar to those being analysed. ● This method involves; ● identifying companies in similar industries to the subject company, in the open market and determining the appropriate multiples. ● applying discounts/premiums to the quoted multiples to compensate for differences between the reasonably similar companies and the subject being valued.	• The observable multiple was adjusted for size, risk, geography and diversification discount by 5%. • Control premium and lack of and lack of marketability discounts of 8%-14% were applied.	• The higher the discount applied on the multiple the lower the fair value • The higher the control premium the higher is the fair value.

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.7 Fair values measurements (Continued)

6.7.2 Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2022	2021				
Press Properties Limited	17,387	14,349	Level 3	*Adjusted Net asset values Approach* The method measures the equity holder's claim on the residual assets after paying off the company's liabilities. Discounts were applied to the net asset value.	• Control premium of 15% - 20% and lack of Marketability discounts of 5%-7% was applied to the NAV.	• The higher the discount applied on the multiple the lower the fair value. • The higher the control premium the higher is the fair value.
Investment in Ethanol Company Limited	15,156	12,099	Level 3	*The Price Earnings Approach* The approach measures value of a company based on its current share price relative to its earnings per share (EPS). This method involves; • Identifying companies in similar industries to the subject company, in the open market and determining the appropriate multiples. • Applying discounts/premiums to the quoted multiples to compensate for differences between the reasonably similar companies and the subject being valued.	• The observable multiple adjusted for size and geography by 8%. • A control premium of 8%-14%	• The higher the discount applied on the multiple the lower the fair value • The higher the control premium the higher is the fair value.
Investment in Limbe Leaf Tobacco Company Limited	35,570	38,065	Level 3	*The Enterprise value to EBITDA ("EV/EBITDA") ratio* The approach measures value based on the current pricing statistics for companies (where publicly available information is present), which can be considered reasonably similar to those being analysed. This method involves; • identifying companies in similar industries to the subject company, in the open market and determining the appropriate multiples. • applying discounts/premiums to the quoted multiples to compensate for differences between the reasonably similar companies and the subject being valued.	• The observable multiple was adjusted for size, risk, geography and diversification discount by 70%. • A minority discount of 15% • Marketability discounts of 10%-15%	• The higher the discount applied on the multiple the lower the fair value • The higher the minority discount applied the lower the fair value. • The higher the marketability discount applied the lower the fair value.
Investment in LifeCo Holdings Limited.	827	827	Level 3	*Adjusted Net asset values:* The method measures the equity holder's claim on the residual assets after paying off the company's liabilities. Discounts were applied to the net asset value.	• Minority and lack of marketability discounts of 10%-15% range was applied to the NAV. • Size, geography & diversification discount (15%).	The higher the discount applied on the multiple the lower the fair value.

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.7 Fair values measurements (Continued)

6.7.2 Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2022	2021				
Open Connect Limited	1,014	6,121	Level 3	*Adjusted Net asset values:* The method measures the equity holder's claim on the residual assets after paying off the company's liabilities. Discounts were applied to the net asset value. Discounting the value to take into account marketability	• Minority and lack of marketability discounts of 8%-17% range was applied to the NAV.	• The higher the minority discount applied the lower the fair value. • The higher the marketability discount applied the lower the fair value.
Macsteel (Malawi) Limited	1,041	2,204	Level 3	*The Price Earnings (PE) Approach* This methodology measures value of a company based on its current share price relative to its earnings per share (EPS). This method involves: • Identifying companies in similar industries to the subject company, in the open market and determining the appropriate multiples. • Applying discounts/premiums to the quoted multiples to compensate for differences between the reasonably similar companies and subject being valued.	• The observable multiple was adjusted for size, risk, geography and diversification discount by 15%. • Minority discount of 2%-5%. • Lack of marketability discounts of 8%-12%.	• The higher the discount applied on the multiple the lower the fair value. • The higher the minority discount applied the lower the fair value. • The higher the marketability discount applied the lower the fair value.
The Foods Company Limited	5,936	904	Level 3	*Income Approach: DCF* This approach entails estimating the expected cash flows attributable to the business unit and converting these cash flows to present value through discounting.	• A control premium of 19.9% • Lack of marketability discounts of 5%-10%	• The higher the control premium the higher is the fair value • The higher the marketability discount applied the lower the fair value.

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.7 Fair values measurements (Continued)

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

At 31 December 2022, if the fair value had weakened/strengthened by 5% with all other variables held constant, the Company's fair value for the year would have been higher/lower as follows:

	Company			
	Fair Value	Equity Risk	Fair Value	Equity Risk
	2022		2021	
Equity investments:				
Puma	14,975	749	16,113	806
Presscane Limited	12,396	620	12,777	639
Press Properties Limited	17,387	869	14,349	717
Ethanol Company Limited	15,156	758	12,099	605
Limbe Leaf Tobacco Company Limited	35,570	1,779	38,065	1,903
Investment in LifeCo Holdings Limited	827	41	827	41
Open Connect Limited	1,014	51	6,121	306
Macsteel (Malawi) Limited	1,041	52	2,204	110
The Foods Company Limited	5,936	297	904	45
Total	**104,302**	**5,216**	**103,459**	**5,172**

The analysis is performed on the same basis for 2022 and 2021 and assumes that all other variables remain the same.

7. Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer ("CEO") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, investment property and intangible assets other than goodwill.

7.1 Basis for segmentation

The Group has four reportable segments which are based on the type of business among its subsidiary, associated companies and joint ventures. These segments are: Financial Services, Telecommunication, Energy, and All Other Reportable Segments. The segments offer different products and services, and are managed separately because they require different technology and marketing strategies. Prior to 28 February 2022, the Group had five reportable segments including the discontinued Consumer Goods segment whose operation was supermarket chain.

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

Reportable segments	Operations
Financial Services segment	Provides retail, corporate and investment banking as well as stockbroking, insurance and pension administration services.
Telecommunications segment	Provides a wide range of Information and Communications Technology (ICT) based products and services.
Energy segment	Ethanol manufacturers.
All other segments	Property investment and development, Holding company, Manufacturer and distributor of fish products.
All other segments	Property investment and development, Holding company, Manufacturer and distributor of fish products.

In millions of Malawi Kwacha

7. Operating segments (Continued)

7.1 Basis for segmentation (Continued)

7.2 Geographical segment presentation

The operations of the Group are in Malawi and Tanzania. However geographical segment presentation has not been made since the Tanzania business segment is insignificant to the total business of the Group.

7.3 Information about major customers

The Group revenues are earned from a range of customers, none of which constitute ten percent or more of the total Group's revenues.

7.4 Information about reportable segments

Information regarding the results of each reportable segment is set out below. Performance is measured based on segment profit after income tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit after income tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income earning assets and revenue, interest bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

	Financial services	Telecommu-nications	Energy	All other segments	Total
2022					
Revenue					
External revenues	153,543	106,227	25,957	2,877	288,604
Inter-segment revenue	1,010	2,261	-	596	3,867
Segment revenue	154,553	108,488	25,957	3,473	292,471
Segment operating profit/(loss)	71,281	7,124	5,224	13,512	97,141
Segment interest income	-	119	1,236	3,039	4,394
Segment interest expense	(1,035)	(11,074)	(1)	(5,099)	(17,209)
Segment income tax expense	(23,684)	96	(2,147)	(1,846)	(27,581)
Segment profit/(loss) for the year	46,562	(3,735)	4,312	9,606	56,745
Depreciation and amortisation	5,850	20,758	688	450	27,746
Segment assets	1,072,672	175,500	40,467	600,316	1,888,955
Segment liabilities	899,525	122,613	6,928	25,931	1,054,997
Capital additions	5,798	24,484	8,923	1,229	40,434
2021					
Revenue					
External revenues	117,842	103,480	24,891	2,860	249,073
Inter-segment revenue	579	3,725	-	809	5,113
Segment revenue	118,421	107,205	24,891	3,669	254,186
Segment operating profit/(loss)	50,564	19,432	5,185	10,278	85,459
Segment interest income	-	572	1,499	959	3,030
Segment interest expense	(1,078)	(7,827)	(9)	(13,876)	(22,790)
Segment income tax expense	(16,113)	(3,897)	(2,030)	(1,197)	(23,237)
Segment profit/(loss) for the year	33,373	8,280	4,645	(3,836)	42,462
Depreciation and amortisation	5,569	17,625	651	431	24,276
Segment assets	803,164	164,169	34,878	438,233	1,440,444
Segment liabilities	657,613	109,553	5,721	102,277	875,164
Capital additions	3,488	29,788	5,277	528	39,081

In millions of Malawi Kwacha

7. Operating segments (Continued)

7.5 Reconciliations of information on reportable segments to IFRS measures

	2022	2021
Revenues		
Total revenues for reportable segments	292,471	254,186
Elimination of inter-segment revenue	(3,867)	(5,113)
Consolidated revenue	288,604	249,073
Depreciation and amortisation		
Total depreciation and amortisation for reportable segments	27,746	24,276
Discontinued operation depreciation	98	-
Elimination of inter-segment depreciation	(1,006)	(1,122)
Consolidated depreciation and amortisation	26,838	23,154
Profit		
Total profit for reportable segments	56,745	42,462
Elimination of dividend income from Group companies	(17,893)	(13,555)
Financial guarantees recognised as liabilities at company level	-	10,231
Additional Profit on disposal of an associate	-	8,473
Share of profit of equity accounted investees	2,387	2,489
Impairment of equity accounted investees	(6,173)	(186)
Loss on derecognition of a disposed of subsidiary	(310)	-
Loss from discontinued operation	1,582	(4,783)
Consolidated profit	36,338	45,131
Assets		
Total assets for reportable segments	1,886,000	1,440,444
Assets for discontinued operations	1,203	5,106
Inter-segment eliminations	(20,352)	(19,025)
Elimination of fair value relating to equity accounted investees	(12,294)	(6,418)
Impairment of equity accounted investees	(6,173)	(186)
Elimination of investment in subsidiaries	(483,103)	(334,222)
Consolidated total assets	1,365,281	1,085,699
Liabilities		
Total liabilities for reportable segments	1,054,997	875,164
Liabilities for discontinued operations	(1,342)	19,439
Inter-segment eliminations	(20,352)	(19,025)
Financial guarantees recognised as liabilities at company level	-	(10,231)
Elimination of deferred tax liabilities arising from fair value measurement of investments in separate financial statements	-	(75,474)
Consolidated total liabilities	1,033,303	789,873

In millions of Malawi Kwacha

8 Property, plant and equipment

Group	Land and buildings	furniture and equipment	Plant and machinery	Motor vehicles	Capital work in progress	Total
Cost or valuation						
Balance at 1 January 2022	54,034	8,855	138,169	7,180	15,725	223,963
Additions	741	606	7,318	2,047	18,129	28,841
Disposals	-	(8)	(506)	(962)	-	(1,476)
Transfers between classes	1,957	106	10,077	-	(12,140)	-
Reclassified from intangibles (note 12)	-		-	-	1	1
Write-off	-	(25)	(285)	(18)	(114)	(442)
Revaluation increase	3,930	-	-	-	-	3,930
Balance at 31 December 2022	60,662	9,534	154,773	8,247	21,601	254,817
Balance at 1 January 2021	56,153	9,598	134,236	7,259	14,775	222,021
Additions	37	885	9,309	1,179	21,226	32,636
Transfer from investment property (note 13)	273	-	-	-	-	273
Disposals	(89)	(77)	(1,918)	(871)	-	(2,955)
Acquired through business combinations (note 14)	301	18	199	5	-	523
Transfers between classes	2,303	-	17,195	-	(19,498)	-
Reclassified from intangibles (note 12)	-	-	-	-	311	311
Re-classified to non-current assets held for sale (note 25)	(11,630)	(1,562)	(20,676)	(392)	(1,089)	(35,349)
Write-off	-	(7)	(176)	-	-	(183)
Revaluation increase	6,686	-	-	-	-	6,686
Balance at 31 December 2021	54,034	8,855	138,169	7,180	15,725	223,963
Accumulated depreciation and impairment						
Balance at 1 January 2022	4,447	5,208	64,300	4,229	-	78,184
Depreciation expense	2,644	667	14,490	764	-	18,565
Eliminated on revaluation	(693)	-	-	-	-	(693)
Write-off	-	(24)	(280)	(18)	-	(322)
Eliminated on disposal of assets	-	(7)	(451)	(828)	-	(1,286)
Balance at 31 December 2022	6,398	5,844	78,059	4,147	-	94,448
Balance at 1 January 2021	5,211	6,124	69,685	4,144	-	85,164
Depreciation expense	1,525	442	13,134	1,178	-	16,279
Re-classified to non-current assets held for sale (note 25)	(337)	(1,301)	(16,478)	(335)	-	(18,451)
Eliminated on revaluation	(1,899)	-	-	-	-	(1,899)
Write-off	-	(7)	(165)	-	-	(172)
Eliminated on disposal of assets	(53)	(50)	(1,876)	(758)	-	(2,737)
Balance at 31 December 2021	4,447	5,208	64,300	4,229	-	78,184
Carrying amounts						
At 31 December 2022	54,264	3,690	76,714	4,100	21,601	160,369
At 31 December 2021	49,587	3,647	73,869	2,951	15,725	145,779

In millions of Malawi Kwacha

8 Property, plant and equipment (Continued)

Company	Land and building	Furniture and equipment	Motor vehicle	Total
Cost or valuation				
Balance at 1 January 2022	1,082	653	58	1,793
Additions	-	4	296	300
Revaluation increase	97	-	-	97
Disposals	-	(27)	(2)	(29)
Balance at 31 December 2022	1,179	630	352	2,161
Balance at 1 January 2021	699	637	58	1,394
Additions	-	24	-	24
Acquired through business combinations	272	-	-	272
Revaluation increase	111	-	-	111
Disposals	-	(8)	-	(8)
Balance at 31 December 2021	1,082	653	58	1,793
Accumulated depreciation				
Balance at 1 January 2022	-	535	13	548
Depreciation expense	-	23	41	64
Eliminated on disposal of assets	-	(20)	(2)	(22)
Balance at 31 December 2022	-	538	52	590
Balance at 1 January 2021	-	501	4	505
Depreciation expense	-	35	9	44
Eliminated on disposal of assets	-	(1)	-	(1)
Balance at 31 December 2021	-	535	13	548
Carrying amounts				
At 31 December 2022	1,179	92	300	1,571
At 31 December 2021	1,082	118	45	1,245

Registers of land and buildings giving details required under the Companies Act 2013 are maintained at the respective registered offices of each company within the Group and are open for inspection by members or their duly authorised agents.

8.1 Useful lives

The following estimated useful lives for the current and comparative periods are used in the calculation of depreciation:

Buildings	40 - 50 years
Plant and machinery	8 - 15 years
Furniture and equipment	2 - 6 years
Motor vehicles	3 - 5 years

8.2 Fair value measurement of the Group's land and buildings

The Group's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent impairment losses. The fair value measurements of the Group's land and buildings were performed by qualified valuers as detailed below. There has been no change in the valuation technique this year.

Land and buildings relating to Malawi Telecommunications Limited were revalued as at 31 December 2022 by Mabvuto Phula (MSc International Real Estate, UK, MSIM) Registered Property Valuation Surveyor of CMC Property Consultants and Valuers. Valuations were carried out on the basis of open market value. Directors consider that the carrying amounts are not materially different from the fair values as determined in the last valuation.

Land and buildings relating to the banking business were fair valued as at 31 December 2022 by Nickson Mwanyali, BSc (Est. Mgmt) of Knight Frank, qualified independent valuer on a current market value basis. Out of the K3 789m (2021:

In millions of Malawi Kwacha

7. Operating segments (Continued)

8.2 Fair value measurement of the Group's land and buildings (Continued)

K4 559m) the Group's gross revaluation surplus, K93m (2021: K105m) 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 K3 696m (2021: K4 454m) was credited to the revaluation reserve through the statement of other comprehensive income.

Revaluation of freehold land and buildings relating to the Foods Company Limited as at 31 December 2021 were performed by Mabvuto Phula, MSIM, MRAC Valuation Surveyor of CMC Property Consultants and Valuers. Valuations were carried out based on the market comparable approach that reflects recent transaction prices for similar properties in similar geographical locations. A gross revaluation surplus of MK722m (2021:MK151m) was credited to the revaluation reserve through the statement of other comprehensive income

Leasehold properties, civil works, relating to Ethanol Company Limited were re-valued on 31 December 2021 by Mr Nickson S.C. Mwanyali, BSc (Est. Man), Dip (Bus Mngt), MSIM Valuation Surveyor of Knight Frank Malawi Limited on an open market value. A gross revaluation surplus of MK957m was credited to the revaluation reserve through the statement of other comprehensive income in 2021.

Land and buildings relating to Telekom Networks Malawi plc were fair valued as at 31 December 2021 by Rhemont Ngwira BSc (Hons) Property Mangt; Dip (Real Estate); Elliot K. Jambo MSc: Real Estate; MBA; BA; MSIM of MPICO plc. Valuations were carried out based on the basis of open market value. A gross revaluation surplus of MK1,402m was credited to the revaluation reserve through the statement of other comprehensive income and MK241depreciation was reversed on revaluation in 2021.

Land and buildings relating to Press Corporation plc were fair valued as at 31 December 2022 by L.A. Nkosi, Msc (RE); Bsc (UEM): BA (Hons); Cert.Prop. Val; MSIM Valuation Surveyor of Prudential Real Estate and Consultancy Services. Valuations were carried out based on sales comparison and investment approach that reflects recent transaction prices for similar properties in similar geographical locations. A gross revaluation surplus of MK97m (2021:MK111m) was credited to the revaluation reserve through the statement of other comprehensive income.

Details of the Group's information about the properties fair value hierarchy as at 31 December 2022 are as follows:

	Fair value as at		Fair value hierarchy
	31/12/2022	**31/12/2021**	
Land and buildings	54,264	49,587	Level 2

There were no transfers between Level 1 and Level 2 and Level 3. The fair value of the lands and buildings was determined using transaction prices of similar properties.

Had the Group's and Company's land and buildings been measured on a historical cost basis, their carrying amount would have been as follows;

	2022	**2021**
Group's land and buildings	16,093	15,639
Company's land and buildings	560	560

8.3 Assets pledged as security

The Group's assets with a carrying amount of approximately K81 billion (2021: K81 billion) have been pledged to secure borrowings. The Group is not allowed to sell these assets to another entity without prior approval of the lenders. The carrying amount of the related borrowings amount to K25 billion (2021: K40 billion) – see note 27 and 30 below.

In millions of Malawi Kwacha

9 Leases (Group as a lessee)

The Group and the company have lease contracts for various items of plant, machinery, vehicles, land and buildings used in its operations. Leases of plant and machinery generally have lease terms between 3 and 5 years, land and buildings between 2 and 13 years (largely with options for renewal) while motor vehicles have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. The Group has options to purchase certain leased assets at the end of the lease term.

9.1 Right of use assets

Group	**Land and buildings**	**Plant and machinery**	**Total**
Cost			
Balance at 1 January 2022	10,862	12,967	23,829
Addition	2,738	3,195	5,933
Disposal	(10)	-	(10)
Effects of foreign exchange movement	(211)	-	(211)
Balance at 31 December 2022	13,379	16,162	29,541
Balance at 1 January 2021	7,358	11,663	19,021
Addition	1,284	1,932	3,216
Disposal	(121)	-	(121)
Acquired through business combinations (note 14)	4,522	-	4,522
Re-classified to non-current assets held for sale (note 25)	(2,181)	(628)	(2,809)
Balance at 31 December 2021	10,862	12,967	23,829
Depreciation			
Balance at 1 January 2022	5,073	1,200	6,273
Charge for the year	1,703	1,254	2,957
Disposal	(151)	-	(151)
Balance at 31 December 2022	6,625	2,454	9,079
Balance at 1 January 2021	2,833	1,514	4,347
Charge for the year	3,743	157	3,900
Disposal	(75)	-	(75)
Re-classified to non-current assets held for sale (note 25)	(1,428)	(471)	(1,899)
Balance at 31 December 2021	5,073	1,200	6,273
Carrying amounts			
At 31 December 2022	6,754	13,708	20,462
At 31 December 2021	5,789	11,767	17,556

Company	**Motor vehicle**	
	2022	**2021**
Cost		
Balance at the beginning of the year	-	125
Disposal	-	(125)
	-	-
Depreciation		
Balance at 1 January	-	112
Charge for the year	-	13
Disposal	-	(125)
	-	-
Carrying amount - At 31 December	-	-

In millions of Malawi Kwacha

9 Leases (Group as a lessee) (Continued)

9.2 Lease liabilities

	Group		Company	
	2022	**2021**	**2022**	**2021**
Non-Current	5,512	5,732	-	-
Current	3,277	3,042	-	-
At 31 December	8,789	8,774	-	-
Movement in lease liabilities during the year was as follows;				
As at 1 January	8,774	6,331	-	33
Addition	1,136	3,145	-	-
Acquired through business combinations (note 14)	-	4,883	-	-
Interest on lease	1,199	1,078	-	14
Lease liability directly associated with assets classified as held for sale	-	(946)	-	-
Interest paid	(1,199)	(1,078)	-	(14)
Principal repayment	(1,121)	(4,639)	-	(33)
At 31 December	8,789	8,774	-	-

Maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

2023	3,913	3,329	-	-
2024	1,478	3,453	-	-
2025	1,389	1,256	-	-
2026	1,250	1,226	-	-
2027	1,822	1,473	-	-
2028 and Onwards	4,576	5,692	-	-
	14,428	16,429	-	-

9.3 Amounts recognised in the statement of profit or loss

Depreciation expense on right-of-use assets	2,957	4,012	-	13
Interest expense on lease liabilities	1,199	1,078	-	14
Expense relating to short-term leases	70	84	-	84

The Group and the company had total payments relating to lease liability amounting to K5.9 billion and nil (2021: K5.7 billion and K33 million) respectively.

10 Biological assets

10.1 Reconciliation of carrying amount of biological assets

	Fish stock	**Growing Cane**	**Total**
Group			
2022			
Balance at 1 January	569	193	762
Increase due to acquisition	137	-	137
Increase due to birth	929	-	929
Decrease due to sales	(1,053)	-	(1,053)
Decrease due to death	(293)	-	(293)
Increase/(decrease) in fair value	(44)	73	29
Balance at 31 December	245	266	511
Non-current biological assets	135	21	156
Current biological assets	110	245	355
Balance at 31 December	245	266	511

In millions of Malawi Kwacha

10 Biological assets (Continued)

10.1 Reconciliation of carrying amount of biological assets – (Continued)

	Fish stock	Growing Cane	Total
2021			
Balance at 1 January	685	162	847
Depreciation	(16)	(7)	(23)
Increase due to acquisition	8	-	8
Increase due to birth	1,404	-	1,404
Decrease due to sales	(1,202)	-	(1,202)
Decrease due to death	(155)	-	(155)
Increase/(decrease) in fair value	(155)	38	(117)
Balance at 31 December	569	193	762
Non-current biological assets	22	28	50
Current biological assets	547	165	712
Balance at 31 December	569	193	762

As at 31 December 2022, fish stock comprised of 0 tons of fish (2021: 81.2 tons) and 32.6 tons of fingerlings (2021: 13.8 tons). During 2022, the Group sold 406 tons of fish (2021: 640 tons).

One of the Group's subsidiaries, Presscane Limited invested in Chisanja Limited which is involved in the growing of sugar cane in order to address its current feed stock challenges by growing its own sugarcane from which juice would be extracted to produce ethanol. As at 31 December 2022, the cane growth was estimated at 40% (2021: 50%) with a harvest area of 89 hectares (2021: 90 hectares) and estimated harvest tonnage of 95 (2021: 101 tonnage).

10.2 Measurement of fair values

The valuation of fish, fingerlings and brood stock is based on the selling value of the projected weight of fish to be harvested on maturity less any estimated costs to be incurred in growing the fish to table size and in selling and distributing the fish after harvest. The valuation takes into account mortality of the fish which is based on past experience and actual mortality experienced during the period to harvest.

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

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

Assumptions

- Average weight per fish – Average harvest weight achieved during the year is used as basis for calculating biomass.
- Mortality is assumed at 25% (2021: 25%) for cages and 30% (2021: 20%) for fingerlings based on experience and history. The Group no longer stocks fish in ponds; and
- Average selling price – Current selling price based on fish categories as per harvest records.

The fair value measurements of both fish and fingerlings have been categorized as Level 3 fair values;

	Fair value as at		Fair value hierarchy
	31/12/2022	**31/12/2021**	
Fish stocks	245	569	Level 3

The fair value of the growing cane is determined using inputs that are unobservable. Using the best information available in the circumstances growing cane falls into the level 3 fair value category. The key assumptions in the valuation of growing cane includes expected area to harvest the following season of 89 hectares (2021: 90 hectares), estimated yield of 95 tons (2021: 101 tons), estimated sucrose content of 13% (2021: 13%) and cane growth percentage of 40% (2021: 50%) at 31 December 2022.

	Fair value as at		Fair value hierarchy
	31/12/2022	**31/12/2021**	
Growing cane	266	193	Level 3

In millions of Malawi Kwacha

10 Biological assets (Continued)

10.3 Financial risk management strategies related to agricultural activities

The Group is exposed to the following risks relating to its biological assets:-

Regulatory and environmental risks
The Group is subject to laws and regulations relating to fish breeding and protection of the environment. The Group has established environmental policies and procedures aimed at compliance with environmental laws relating to effluent disposal, certification of hatchery activities and environmental impact assessments of new fish breeding projects.

In respect of growing cane, the Group complies with the rules and regulations of the South African Sugar Research Institute which we are registered as a member.

Supply, demand and commodity risks
The Group is exposed to risks arising from fluctuations in the prices of fish and fish products which are based on general supply of fish in the country. The bigger the general supply of fish in the country the lower the fish prices. The Group manages this risk by aligning its harvest volumes with the market supply and demand. Management performs regular industry trend analyses for projected harvest volumes and pricing.

Similarly, the Group is exposed to risks arising from fluctuations in the prices of sugar. Sugar is valued at the estimated sucrose content, valued at the estimated sucrose price for the following season as obtained from the foreign and domestic markets.

Climate, weather, diseases and other risks
The Group's fish stocks are exposed to the risk of damage from climatic changes (including annual upwelling of water, temperature variations including stratification of water and low dissolved oxygen levels), diseases, theft of brood stock and breeding fish and predation from birds, otters and others. The Group has extensive processes in place aimed at monitoring and mitigating the risks, including monitoring and prevention of diseases, theft and bird predation prevention, monitoring of water temperatures and dissolved oxygen.

The Group uses water from Shire River for Irrigation. In the event of heavy siltation, such that the Group is unable to pump adequate water for irrigation, the yield of growing cane is likely to be affected which in turn would affect the valuation of the biological asset.

11 Goodwill

	2022	2021
At the beginning and end of the year	4,547	4,547

11.1 Impairment testing for cash generating units containing goodwill

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

TNM Enterprise Business Services Unit	588	588
Corporate banking division	3,959	3,959
	4,547	4,547

TNM Enterprise Business services unit
The group determined the recoverable amount of the cash generating unit (Enterprise Business Services Unit) to be MK56.0 billion (2021: K116.9 billion) based on the value in use model. The value in use was based on discounted future cash flows (using the group's approved budgeted figures for 2023 and projections covering a 4 year period from 2024) discounted at a pre-tax incremental borrowing rate of 19.29% (2021: 14.89%).

All forecasts used in the determination of value in use are extracted from the 2023 budget approved by the Board of Directors.

Cashflow projections during the budget period were based on the same expected gross margins and price inflation through the budget period and average annual growth rate of 14% has been applied. The cash flows beyond that five-year period have been extrapolated using an average of 10% per annum growth rate, which is the projected long-term average growth rate for cash generating unit. The directors believe that any reasonably possible change in the key assumption on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

The carrying amount of the CGUs was MK0.8 billion (2021: MK0.9 billion). As such, in accordance with IAS 36 Impairment of Assets, the group determined that the goodwill was not impaired as at 31 December 2022.

In millions of Malawi Kwacha

11 Goodwill (Continued)

11.1 Impairment testing for cash generating units containing goodwill– (Continued)

Corporate Banking Division (CBD)
The banking business of the Group, National Bank of Malawi plc acquired a 97.05% interest in Indebank Limited on 31 October 2015. In 2016, the Bank acquired an additional 2.95% in Indebank previously held by the Indebank employee share ownership program (ESOP) thus increasing its shareholding to 100%. This brought the purchase consideration to K6,616 million and the goodwill arising on acquisition to K3,959 million.

The carrying amount of this goodwill was allocated to the Corporate Banking Division (CBD) as a cash generating unit.

The recoverable amount of this cash generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a five-year period and discounted at a weighted average pre-tax discount rate of 40.23% (2021: 24.13%). Cashflow projections during the budget period were based on the same expected gross margins and price inflation through the budget period. Cash flow projections during the budget period are based on the assumption that the unit will grow at between 12% to 20% year on year. Cash flows beyond that five-year period have been extrapolated using an average of 10% (2021: 10%) per annum growth rate which is the projected long term average growth rate for Corporate Banking Business. The Directors believe that any reasonably possible change in the key assumption on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

The recoverable amount of the Cash Generating Unit (CBD) is calculated to be K43.8 billion (2021: K77.1 billion) and its carrying amount is K9.8 billion (2021: K10.2 billion) as such the related goodwill is not impaired.

12 Intangible assets

Group	Computer software	Capitalised Development Cost	Work in Progress	Patents and trade marks	Total
Cost					
2022					
Balance at 1 January 2022	34,005	-	1,963	1,648	37,616
Transfer to PPE (note 8)	(1)		-		(1)
Transfer between classes	1,081	-	(1,081)	-	-
Write-off*	(169)	-	-	-	(169)
Additions	3,164	-	1,414	-	4,578
Balance at 31 December 2022	38,080	-	2,296	1,648	42,024
2021					
Balance at 1 January 2021	30,811	219	2,497	1,648	35,175
Transfer to PPE (note 8)	-		(311)		(311)
Transfer between classes	1,012	-	(1,012)	-	-
Write-off*	(258)	(219)	(76)	-	(553)
Acquired through business combinations (note 14)	249	-	-	-	249
Re-classified to non-current assets held for sale (note 25)	(2,101)	-	-	-	(2,101)
Additions	4,292	-	865	-	5,157
Balance at 31 December 2021	34,005	-	1,963	1,648	37,616

In millions of Malawi Kwacha

12 Intangible assets (Continued)

Group

	Computer software	Capitalised Development Cost	Work in Progress	Patents and trade marks	Total
Accumulated amortisation					
2022					
Balance at 1 January 2022	16,824	-	-	1,222	18,046
Write-off	(169)	-	-	-	(169)
Amortisation expense	4,173	-	-	165	4,338
Balance at 31 December 2022	20,828	-	-	1,387	22,215
2021					
Balance at 1 January 2021	15,498	219	-	1,057	16,774
Write-off	(195)	(219)	-	-	(414)
Re-classified to non-current assets held for sale (note 25)	(2,087)	-	-	-	(2,087)
Amortisation expense	3,608	-	-	165	3,773
Balance at 31 December 2021	16,824	-	-	1,222	18,046
Carrying amounts					
At 31 December 2022	17,252	-	2,296	261	19,809
At 31 December 2021	17,181	-	1,963	426	19,570

* The current year write off amounting to K169m relates to FLEXCUBE 10.5 version computer software that was acquired from Indebank in 2016 under the Banking Business Segment. The system is no longer required by the Group and its licence expired. The asset was fully amortised.

Company

	Computer software	
	2022	**2021**
Cost		
Balance at 1 January	362	338
Additions during the year	1	24
Balance at 31 December	363	362
Accumulated amortisation		
Balance at 1 January	139	124
Amortisation charge for the year	14	15
Balance at 31 December	153	139
Carrying amounts	210	223

Intangibles relating to the company are all externally generated and they comprise of costs relating to the SAP ERP and SAP Business Planning and Consolidation software.

12.1 Useful lives

The following estimated useful lives for the current and comparative periods are used in the calculation of depreciation:

Computer software	5 – 15 years
Patents and trademarks	10 years

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 2022	8,172	4,059	404	1	12,636
Additions during the year	45	709	-	-	754
Gain on property revaluation	297	1,217	124	-	1,638
Balance at 31 December 2022	8,514	5,985	528	1	15,028
Balance at 1 January 2021	7,298	3,474	393	1	11,166
Additions during the year	1	-	-	-	1
Transfer to Property, Plant and Equipment (note 8)	(273)	-	-	-	(273)
Re-classified to non-current assets held for sale (note 25)	-	(163)	-	-	(163)
Disposal	(13)	-	-	-	(13)
Gain on property revaluation	1,159	748	11	-	1,918
Balance at 31 December 2021	8,172	4,059	404	1	12,636

Company	Freehold land and buildings	
	2022	**2021**
Valuation		
Balance at 1 January	459	417
Gain on property revaluation	46	42
Balance at 31 December	505	459

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

13.1 Valuation techniques and Fair value hierarchy

Investment properties were professionally and independently revalued by L.A. Nkosi, Msc (RE); Bsc (UEM): BA (Hons); Cert.Prop. Val; MSIM Valuation Surveyor of Prudential Real Estate and Consultancy Services as at 31 December 2022 (also for 2021) on an open market value basis and the resultant gains/losses are recognised in the profit and loss. There has been no change to the valuation technique during the year.

The fair value measurement for investment properties has been categorised as a level 2 fair value based on the inputs to the valuation techniques used.

Details of the Group's information about the investment properties fair value hierarchy as at 31 December 2022 are as follows:

	Fair value as at		Fair value hierarchy
	31/12/2022	**31/12/2021**	
Investment properties	15,028	12,636	Level 2

There were no transfers between Level 1 and Level 2 and Level 3.

13.2 Operating lease arrangements

Operating leases, in which the Group is the lessor, relate to investment property owned by the Group with lease term of one year but with yearly extension option. All operating lease contracts include a clause to enable upward revision of the rental charge in accordance with the prevailing market conditions in the event that the lessee exercises its option to renew. There are no other variable lease payments that depend on an index or rate. The lessee does not have an option to purchase the property at the expiry of the lease period.

Although the risks associated with rights that the Group retains in underlying assets are not considered to be significant, the Group employs strategies to further minimise these risks. For example, by ensuring all contracts include clauses requiring the lessee to maintain the related property to the standard it was before handing over the property to the Group at the expiry of the lease term. The Group also collects a security deposit equivalent to one month rental which is used in circumstances where the lessee fails to maintain the property to the desired level.

Rental income recognised by the Group during the year is K755 million (2021: K699 million). Direct operating expenses which generated rental during period were K157 million (2021: K252 million).

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2022	**2021**
2022	-	769
2023	804	-
	804	769

In millions of Malawi Kwacha

13 Investment properties

13.2 Operating lease arrangements (Continued)

*Disclosure of future minimum rentals receivable under non-cancellable operating leases disclosed in prior year amounting to K3,925 million for the years 2023 to 2026 has been corrected to align with lease term of one year for Group investment property.

14 Investments in subsidiaries

14.1 Details of the Group's subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal Activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 2022	2021
Financial Services segment				
National Bank of Malawi plc (NBM)	Financial Services	NBM Building, Blantyre	51.49	51.49
Telecommunications segment				
Malawi Telecommunications Limited (MTL) – held for sale	Information and Communication	Lunjika House, Blantyre	52.70	52.70
Telekom Networks Malawi plc (TNM)	Information and Communication	Livingstone towers, Blantyre	43.72	41.31
Energy segment				
Ethanol Company Limited	Ethanol manufacturer	Matiki industrial complex, Dwangwa	66.0	66.0
Presscane Limited		Ethanol manufacturer		
The All other segments				
Press Properties Limited	Property investment and development	Top Mandala, Blantyre	100.0	100.0
The Foods Company Limited	Manufacturer and distributor of fish products	Mithechi Village, Mangochi	100.0	100.0
Manzinzi Bay Limited	Investment property	Monkeybay, Mangochi	100.0	100.0
Discontinued Operations				
Malawi Pharmacies Limited	Dormant	Blantyre	100.0	100.0
Peoples Trading Centre Limited – held for sale	Supermarket chain	PTC House, Blantyre	-	100.0

Telekom Networks Malawi plc is listed on the Malawi Stock Exchange. Although the Group has only 43.72% ownership in the company, the Directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Telekom Networks Malawi plc on the basis the Group's right to appoint a majority of directors on the board which gives them the power to direct the affairs of the company.

14.2 Shareholders dispute at Presscane Limited

The shareholders were involved in a dispute over the capital contributions made towards the company. The supreme court pronounced its judgement on the matter on 14th December 2022. The court ruled that the shareholding in the entity be as per the signed joint venture agreement thus 50.1% belonging to Press Corporation plc and 49.9% to Cane Products Limited. This is in line with the way Presscane was accounted for in the consolidated financial statements. Subsequent to the judgement, Presscane is in the process of implementing the supreme court ruling

14.3 Reconciliation of carrying amount

	Company 2022	2021
Balance at 1 January	329,981	284,592
Additions	6,174	4,315
Re-classified to assets held for sale (note 25)	-	(7,564)
Increase in fair value	146,948	48,638
Balance at 31 December	483,103	329,981

In millions of Malawi Kwacha

14 Investments in subsidiaries (Continued)

14.3 Reconciliation of carrying amount (Continued)

During the year, Press Corporation plc made equity injection in its subsidiaries in order to boost working capital. The Foods Company Limited was capitalised with K2.7 billion (2021: K0.5 billion) and Press Properties K0.2 billion (2021: nil). In prior year, Peoples Trading Centre Limited (disposed of) was capitalised with K3.8 billion.

In the current year, Press Corporation plc acquired additional shares in Telekom Networks Malawi amounting to MK3.2 billion (2021: nil) representing shareholding of 2.41%.

14.4 Analysis of carrying amount

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

	2022		2021	
	Fair value (PCL Share)	**Dividend received**	**Fair value (PCL Share)**	**Dividend received**
National Bank of Malawi plc	370,771	13,393	194,787	5,408
Press Properties Limited	17,387	26	14,349	-
Malawi Pharmacies Ltd	-	30	-	-
The Foods Company Limited	5,936	-	904	-
Ethanol Company Limited	15,156	562	12,099	383
Presscane Limited	12,396	-	12,777	-
Telekom Networks Malawi plc	61,457	415	95,065	-
	483,103	14,426	329,981	5,791

Telekom Networks Malawi plc and National Bank of Malawi plc are listed on the Malawi Stock Exchange and are quoted at market values and were valued at stock market prices.

Unquoted investments in subsidiaries were valued by E. Chokani, a registered valuer of Bridgepath Capital on behalf of the directors for the year ended 31 December 2022 (2021 also). The valuation methods used for the unlisted investments were as follows;

Unlisted investment	Valuation method
Ethanol Company Limited	PE multiple
Presscane Limited	EV/EBITDA
Press Properties Limited	Adjusted NAV
The Foods Company Limited	Income Approach: DCF

14.5 Acquisition of a sub-subsidiary

On 1st January 2021 one of the Groups' subsidiary National Bank of Malawi acquired 60.48% interest in Akiba Commercial Bank plc as part of its international growth strategy. The consideration transferred to materialise the acquisition was cash.

Entity	Principal activity	Effective date of acquisition	Interest acquired	Consideration transferred
Akiba Commercial	Commercial banking	1 January 2021	60.48%	5,585

<u>Fair value of assets acquired and liabilities recognised as at the date of acquisition</u>
Fair valuation exercise was carried out by KPMG, Chartered Accountants. The fair value of the assets acquired, and liabilities recognized as at the acquisition date, 1 January 2021 were as follows:

In millions of Malawi Kwacha

14 Investments in subsidiaries (Continued)

14.5 Acquisition of a sub-subsidiary (Continued)

Assets	
Cash and Funds with Central Banks	7,796
Placements with other Banks	5,899
Loans and advances	26,466
Government securities	7,616
Unquoted equity investment	13
Other assets	1,341
Current income tax receivable	841
Property, plant and equipment	523
Right of use asset	4,522
Intangible assets	249
Deferred tax	2,407
Total assets	57,673
Liabilities	
Amounts due to other banks	243
Customer deposits	41,509
Lease liability	4,883
Other liabilities	1,344
Total liabilities	47,979
Net asset fair value	9,694

Goodwill arising on acquisition

Consideration transferred	5,585
Non-controlling interest	3,831
Less: Fair value of identifiable net assets acquired	(9,694)
Negative goodwill arising on acquisition recognised in Statement of Comprehensive income	(278)

The bargain purchase of K278m arose due to the fact that the acquired (Akiba Commercial Bank plc) had liquidity and capital challenges. Consequently, the acquirer (National Bank of Malawi plc) was requested to pay capital in advance pending finalisation of the final price.

Non-Controlling Interest (NCI) fair value

The non-controlling interest of 39.52% recognized at the acquisition date was by reference to the net asset fair value of the NCI amounting to K3,831m

Net cash inflow on acquisition of subsidiary

Cash and cash equivalent balances acquired	13,452
Less: Consideration paid	(5,585)
Net cash inflow	7,867

Impact of acquisition on the results of the Group

Included in the profit for the year 2021 was a loss of K1,942m attributable to the additional business generated by Akiba Commercial Bank plc. Income for the year includes K10,095m in respect of Akiba Commercial Bank plc.

In millions of Malawi Kwacha

14 Investments in subsidiaries (Continued)

14.6 Summarised financial information in respect of Group's subsidiaries that have material non-controlling interest – (Continued)

	NBM		TNM		Ethanol		Presscane	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Non-current assets	442,040	388,696	110,543	104,622	9,915	7,676	16,945	10,685
Current assets	631,310	414,468	43,079	39,103	3,411	4,662	10,195	12,789
Non-current liabilities	11,294	12,035	29,445	26,816	282	323	971	849
Current liabilities	888,231	645,578	76,023	71,053	1,527	2,328	4,148	2,221
Equity attributable to owners of the Company	89,502	74,944	21,053	21,004	7,601	9,687	11,033	10,222
Non-controlling interests	84,323	70,607	27,101	29,852	3,916	6,393	10,988	10,182
Revenue	154,553	118,421	99,835	98,869	14,018	10,090	11,939	14,802
Profit/(loss) for the year	46,563	33,592	(1,697)	9,625	2,673	1,686	1,638	2,960
Other comprehensive income	5,422	4,927	-	1,643	-	621	-	-
Total comprehensive income/(loss)	51,985	38,519	(1,697)	11,268	2,673	2,307	1,638	2,960
Non-controlling interest share	48.51%	48.51%	56.28%	58.70%	34.00%	34.00%	49.90%	49.90%
Profit/(loss) attributable to owners of the Company	23,975	17,297	(742)	3,975	1,764	1,113	821	1,483
Profit/(loss) attributable to non-controlling interests	22,588	16,295	(955)	5,650	909	573	817	1,477
Other comprehensive income attributable to owners of the Company	2,792	2,537	-	679	-	410	-	-
Other comprehensive income attributable to non-controlling interests	2,630	2,390	-	964	-	211	-	-
Total comprehensive income attributable to owners of the Company	26,767	19,833	(742)	4,654	1,764	1,523	821	1,483
Total comprehensive income attributable to non-controlling interests	25,218	18,686	(955)	6,614	909	784	817	1,477
Dividends paid to non-controlling interests	12,616	7,520	565	2,534	287	196	10	-
Net cash inflow from operating activities	223,294	143,409	26,753	22,638	4,814	1,268	1,745	906
Net cash outflow from investing activities	(41,101)	(107,379)	(18,216)	(28,333)	(2,314)	(1,347)	(5,457)	(1,876)
Net cash outflow from financing activities	(27,567)	(20,584)	(5,446)	4,205	(845)	(576)	-	-
Net cash inflow/(outflow)	154,626	15,446	3,091	(1,490)	1,655	(655)	(3,712)	(970)

In millions of Malawi Kwacha

15 Investments in joint ventures

15.1 Details of the Group's joint ventures

Details of the Group's joint ventures at the end of the reporting period is as follows:

Name of joint venture	Principal Activity	Principal place of operation	Proportion of ownership interest and voting power held by the Group 2022	2021
Puma Energy Malawi Limited	Distribution of petroleum products	Standard Bank building, Blantyre	50.0	50.0
Macsteel (Malawi) Limited	Manufacture and sale of steel products	Raynor Avenue, Limbe, Blantyre	50.0	50.0

Telekom Networks Malawi plc is listed on the Malawi Stock Exchange. Although the Group has only 43.72% ownership in the company, the Directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Telekom Networks Malawi plc on the basis the Group's right to appoint a majority of directors on the board which gives them the power to direct the affairs of the company.

Two companies, Puma Energy Malawi Limited and Macsteel (Malawi) Limited are 50% owned by Press Corporation plc and 50% owned by technical partners and they are not publicly listed. These have been equity accounted for in the Group accounts and carried at fair value in the separate financial statements of the Company. This is in compliance with IAS 28 *Investments in Associates and Joint Ventures.*

15.2 Reconciliation of carrying amount

	Group		Company	
	2022	**2021**	**2022**	**2021**
At the beginning of the year	16,148	8,370	18,317	21,774
Decrease in fair value recognised in other comprehensive income	-	-	(2,301)	(3,457)
Impairment	(1,268)	(186)	-	-
Group's share of profits	2,377	1,926	-	-
Group's share of other comprehensive income	(30)	6,438	-	-
Dividend received	(1,740)	(400)	-	-
At end of the year	15,487	16,148	16,016	18,317

15.3 Analysis of carrying amount

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
Puma Energy Malawi Limited	14,446	13,944	14,975	16,113
Macsteel (Malawi) Limited	1,041	2,204	1,041	2,204
Total	15,487	16,148	16,016	18,317

Investments in joint ventures were equity accounted in the consolidated financial statements and were fair valued in the separate financial statements using EV/EBITDA and market multiples method in respect of Puma Energy Malawi Limited and Macsteel (Malawi) Limited respectively.

Investments in joint ventures were valued by E. Chokani, a registered valuer of Bridgepath Capital on behalf of the directors for the year ended 31 December 2022. (2021 also).

In millions of Malawi Kwacha

15 Investments in joint ventures (Continued)

15.4 Summarised financial information of joint venturest

Summarised financial information in respect of the Group's joint ventures in its own financial statements and reconciliation of the summarised financial information to the carrying amount of the Group' interest in joint ventures recognised in the consolidated financial statements:

	Puma		Macsteel	
	2022	**2021**	**2022**	**2021**
Non-current assets	39,295	36,484	4,366	3,677
Current assets	25,227	16,400	9,179	9,097
Non-current liabilities	(6,168)	(6,650)	(1,054)	(1,023)
Current liabilities	(29,463)	(18,347)	(7,544)	(6,972)
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents	14,107	8,980	(1,059)	(9)
Revenue	213,447	116,408	9,969	9,154
Profit for the year	4,486	3,124	247	726
Other comprehensive income for the year	-	11,756	(60)	1,120
Total comprehensive income for the year	4,486	14,880	187	1,846
Dividends received from the joint ventures during the year	1,740	800	-	-
The above profit for the year includes the following:				
Depreciation and amortisation	2,732	1,392	124	82
Interest income	1,008	242	3	-
Interest expenses	-	-	182	90
Foreign exchange loss	904	576	(1,482)	44
Income tax expenses	1,900	1,322	163	339

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	
	2022	**2021**	**2022**	**2021**
Net assets of the joint venture	28,891	27,887	4,947	4,779
Proportion of the Group's ownership interest in the joint venture	50%	50%	50%	50%
Impairment	-	-	(1,433)	(186)
Carrying amount of the Group's interest in the joint venture	14,446	13,944	1,041	2,204

16 Investment in associates

16.1 Details of the Group's associates

Details of the Group's associates at the end of the reporting period are as follows:

Name of associate	Principal Activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2022	**2021**
Limbe Leaf Tobacco Company Limited (LLTC)	Tobacco processors and merchants	Alimaunde industrial area, Lilongwe	41.99	41.99
Open Connect Limited	Wholesale data connectivity services	Old Air Malawi Complex, Blantyre	22.01	22.01
United General Insurance Company Limited	General insurance	National Bank of Malawi plc, Victoria Avenue service centre, Blantyre	47.00	47.00
LifeCo Holdings Limited	Life insurance, pension and asset management	Hannover House, Blantyre	49.50	49.50

In millions of Malawi Kwacha

16 Investment in associates – (Continued)

16.1 Details of the Group's associates – (Continued)

LLTC is an associate company in which the Group has a 41.99% ownership interest. The company is principally engaged in tobacco processing and merchandising. LLTC is not publicly listed.

Open Connect Limited (OCL) nature of business is provision of wholesale data connectivity and services. The Group owns 22.01% shareholding.

The Group through its banking business holds 47% (2021: 47%) of United General Insurance Company Limited's (UGI) share capital. The company is involved in the provision of general insurance services.

LifeCo Holdings Limited is an associate company in which the group owns 49.5% shareholding. The nature of the company's business is life insurance, pension administration and asset management.

In the consolidated financial statements, the associates were equity accounted whereas in separate financial statements, they are measured at fair value.

16.2 Reconciliation of carrying amount

	Group		Company	
	2022	**2021**	**2022**	**2021**
At the beginning of the year	39,290	39,517	45,013	41,534
Share of (loss)/profits	(630)	563	-	-
Group's share of other comprehensive income	6,152	1,446	-	-
Addition	-	766	-	766
Dividend received	(1,727)	(3,002)	-	-
Impairment	(4,906)	-	-	-
Increase in fair value recognised in other comprehensive income	-	-	7,602	2,713
At end of the year	38,179	39,290	37,411	45,013

16.3 Analysis of carrying amount

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
Open Connect Limited (OCL)	1,014	5,241	1,014	6,121
Limbe Leaf Tobacco Company Limited (LLTC)	35,570	31,664	35,570	38,065
United General Insurance Company Limited (UGI)	772	1,558	-	-
LifeCo Holdings Limited (LifeCo)	823	827	827	827
Total	38,179	39,290	37,411	45,013

Investment in associates were equity accounted in the consolidated financial statements and were fair valued using Adjusted NAV for OCL and LifeCo Holdings and EV/revenue multiples for LLTC in the separate financial statements.

Investments in associates OCL and LLTC were valued by E. Chokani, a registered valuer of Bridgepath Capital and in associate LifeCo were valued by EY, on behalf of the directors for the year ended 31 December 2022. (2021 also).

16.4 Summarised financial information of associates

Summarised below is the financial information of the associates in their own financial statements and reconciliation of the summarised financial information to the carrying amount of the Group' interest in associates recognised in the consolidated financial statements:

	LLTC		LifeCo		UGI		OCL	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Non-current assets	53,620	43,322	2,589	901	3,586	2,984	28,176	22,366
Current assets	81,064	64,987	10,372	3,751	9,088	6,674	4,102	8,508
Non-current liabilities	(3,167)	(894)	2,079)	(680)	(21)	(55)	(21,864)	(14,752)
Current liabilities	(42,281)	(32,007)	(9,219)	(2,301)	(11,011)	(6,288)	(4,923)	(5,082)

In millions of Malawi Kwacha

16 Investment in associates (Continued)

16.4 Summarised financial information of associates (Continued)

	LLTC		LifeCo		UGI		OCL	
	2022	2021	2022	2021	2022	2021	2022	2021
Revenue for the year	109,390	103,659	730	231	-	5,646	3,561	2,731
Profit for the year	3,342	3,169	51	79	(1,360)	465	(5,148)	(2,627)
Other comprehensive income for the year	6,140	1,446	-	-	-	-	-	-
Total comprehensive income for the year	9,482	4,615	51	79	(1,360)	465	(5,148)	(2,627)
Dividends received from associates during the year	1,727	3,005	-	-	-	-	3,561	-

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

	LLTC		LifeCo		UGI		OCL	
	2022	2021	2022	2021	2022	2021	2022	2021
Net assets of the associate	89,236	75,408	1,663	1,671	1,642	3,315	5,491	11,040
Group's ownership interest in the associate	41.99%	41.99%	49.50%	49.50%	47.00%	47.00%	22.01%	22.01%
Group's interest	37,470	31,664	823	827	772	1,558	1,209	2,430
Goodwill impairment	-	-	-	-	-	-	2,811	2,811
Impairment	(1,900)	-	-	-	-	-	(3 006)	-
Carrying amount of the Group's interest in Associate	35,570	31,664	823	827	772	1,558	1,014	5,241

17 Loans and advances to customers

	Group	
	2022	2021
Gross loans and advances to customers at amortised cost	294,099	231,172
Allowance for impairment losses	(7,754)	(8,249)
Loans and advances, net	286,345	222,923
Gross loans and advances are due to mature as follows:		
- Within three months	29,061	30,325
- Between three months and one year	66,118	53,448
- After one year	198,920	147,399
	294,099	231,172
Loans, net are split into:		
Long term loans	191,166	148,237
Short term loans	95,179	74,686
	286,345	222,923
Analysis of recoveries		
Interest in suspense	-	406
Expected credit losses	363	338
Debts previously written off	1,783	2,443
Transferred to profit or loss	2,146	3,187
Analysis of gross loans by currency		
Malawi Kwacha denominated	199,068	150,140
Tanzania shillings denominated	43,091	28,229
United States dollar denominated	51,940	52,803
	294,099	231,172

In millions of Malawi Kwacha

17 Loans and advances to customers (Continued)

Movement of allowance for impairment losses

	Stage 1	Stage 2	Stage 3	Total
2022				
At 1 January 2022	3,048	1,004	4,197	8,249
Acquired through business combination				
Transfer to stage 1	126	(41)	(85)	-
Transfer to stage 2	(110)	187	(77)	-
Transfer to stage 3	(480)	(96)	576	-
Changes in loss allowance for off balance sheet items	(96)	7	98	9
New financial assets originated	799	20	207	1,026
Financial assets that have been de-recognised	(336)	(70)	(620)	(1,026)
Charge to income statement	1,206	(415)	1,312	2,103
Write-off	-	-	(2,607)	(2,607)
Closing Balance	**4,157**	**596**	**3,001**	**7,754**
2021				
At 1 January 2021	4,007	4,827	1,026	9,860
Acquired through business combination	643	72	1,645	2,360
Transfer to stage 1	574	(13)	(561)	-
Transfer to stage 2	(10)	383	(373)	-
Transfer to stage 3	(1,908)	(4,626)	6,534	-
Changes in loss allowance for off balance sheet items	(63)	2	45	(16)
New financial assets originated	431	235	482	1,148
Financial assets that have been de-recognised	(399)	(63)	(686)	(1,148)
Charge to income statement	(227)	187	(2,526)	(2,566)
Write-off	-	-	(1,389)	(1,389)
Closing Balance	**3,048**	**1,004**	**4,197**	**8,249**

The Malawi Kwacha average lending rate for the Bank's loans and advances as at 31 December 2022 was 25.44% (2021: 20.18%) per annum and the US Dollar denominated loans carried an average interest rate of 7.98% (2021: 8.14%) per annum and the Tanzanian shilling denominated loans were at an average interest rate of 23.22% (2021: 23.22%).

Interest income is no longer recognised in profit and loss once the loan is classified as sub-standard (grade 8 and 9 as disclosed under note 6.4.5 above).

Restructured loans and modifications relating to COVID-19
During the year, loans with a total carrying amounting of K42 074m (2021: K16 602m) were restructured (modified). Their total fair value after restructuring was K41 496m (2021: K16 418m) resulting into a net fair value loss of K578m (2021: K184m) which was recognised in the statement of comprehensive income. Out of the total restructured facilities, the carrying amount of loans restructured due to COVID-19 was K33 970m (2021: K840m) and their fair value was K33 670m (2021: K859m) resulting in a net modification loss amounting to K300m (2021: net gain of K19m) which has been recognised in the statement of comprehensive income. In accordance with the Reserve Bank of Malawi's measures to mitigate the impact of COVID-19, restructured facilities due to COVID -19 were maintained in the stages they were before restructure.

The Group has also recognised a net gain of K452m (2021: net loss K277m) relating to loans that were modified in 2018, 2019, 2020, 2021 and 2022. The net loss recognised in the statement of income for the year ended 31 December 2022 following these modifications is therefore K126m (2021: K461m).

18 Finance lease receivables

	Group	
	2022	**2021**
Current finance lease receivable	2,153	1,630
Non-current finance lease receivable	17,102	13,282
	19,255	14,912

In millions of Malawi Kwacha

18 Finance lease receivables (Continued)

The finance leases mainly relate to motor vehicle leases. The residual value of the leases in all cases is guaranteed by the lessee and is fully secured. The lease income included in the statement of comprehensive income did not include any contingent rents. The average term of the leases is 3 years (The maximum is 5 years and the minimum 1 year). The average effective interest rate for the reporting period ended 31 December 2022 was 23.1% (2020: 20.22%). All leases are denominated in Malawi kwacha.

18.1 Amounts receivable under finance leases

	Minimum lease payments	
	2022	**2021**
Not later than one year	2,170	1,700
Later than one year and not later than five years	25,249	17,560
	27,419	19,260
Less; unearned finance income	(7,409)	(3,921)
Present value of minimum lease payments receivable	20,010	15,339
Allowance for uncollectible lease payments	(755)	(427)
	19,255	14,912

The net investment in finance leases matures as follows:

	Group	
	2022	**2021**
Within three months	389	414
Between three months and one year	1,764	1,216
After one year and not later than five years	17,102	13,282
	19,255	14,912

18.2 Movement in allowance for uncollectible lease payments

	Group	
	2022	**2021**
At the beginning of the year	427	350
Net Remeasurement of loss allowance	328	77
	755	427

19 Long term receivables

	Group		Company	
	2022	**2021**	**2022**	**2021**
Open Connect Limited (OCL)	3,059	1,926	3,059	1,926
Mibawa Limited	44	63	-	-
	3,103	1,989	3,059	1,926
Movement during the year was as follows:				
Balance at 1 January	1,989	1,740	1,926	1,659
Interest capitalised	616	166	616	166
Effects of movements in foreign exchange	517	102	517	101
Loans repaid	(19)	(19)	-	-
Balance at 31 December	3,103	1,989	3,059	1,926

In 2018, the company entered into a debt swap arrangement with its then subsidiary Open Connect Limited (OCL). The debt swap involved taking over OCL debts with external parties and converting part of the amount into a long-term shareholders receivable. The receivable is denominated in US dollars, is unsecured and attracts interest of 9% pa. The repayment date of the loan is the tenth anniversary of the date of issue of the Shareholders Loan.

In millions of Malawi Kwacha

19 Long term receivables (Continued)

In 2019 the Group's subsidiary Press Properties Limited (PPL), entered into a long-term lease agreement with Mibawa Limited and Peoples Trading Centre (PTC) in respect of property situated at Plot Number LC 360 Limbe. The agreement was that PPL will pay 6 years rentals in advance to Mibawa Limited amounting to K129 million. PPL in turn, sub-leased the property to PTC over the same period of six years. After closure of PTC, the property was sub-leased to Ekhaya Foods, another super chain store.

20 Investment in government securities and equity

20.1 Maturity of other investments

Total other investments are due to mature as follows:

	Group		Company	
	2022	**2021**	**2022**	**2021**
Non-current investment				
Non – maturing investments	3,774	3,694	3,612	3,532
Between one year and five years	161,875	158,153	-	-
	165,649	161,847	3,612	3,532
Current investments				
Between three months and one year	195,456	162,212	-	-
Within three months	169,277	95,681	-	-
	364,733	257,893	-	-
Total other investments	530,382	419,740	3,612	3,532
Comprises the following:				
Government of Malawi Treasury Bills and Notes	327,889	293,406	-	-
Money market deposits	3,523	3,875	-	-
Government securities – Akiba	18,051	5,510	-	-
Government of Malawi promissory note	-	12,126	-	-
Other investments	183	92	-	-
Equity investments	11,459	9,050	3,612	3,532
Total investments in government securities and equity	361,105	324,059	3,612	3,532
Classified as Cash and Equivalent Money market deposits	169,277	95,681	-	-
Total investments	530,382	419,740	3,612	3,532

20.2 Government of Malawi bills, Reserve Bank of Malawi bonds and Government securities -Akiba

	Average interest rate		Group	
	2022	**2021**	**2022**	**2021**
Government of Malawi Treasury Bills	14.51%	12.29%	120,103	125,610
Government of Malawi Treasury Notes	18.15%	19.76%	207,817	167,823
Government securities – bonds	11.62%	11.62%	18,051	5,510
Expected credit loss			(31)	(27)
			345,940	298,916
The bills and notes are due to mature as follows:				
- Within three months			74,433	60,984
- Between three months and one year			114,130	83,730
- Over one year			157,377	154,202
			345,940	298,916

Government of Malawi treasury bills and treasury notes are denominated in Malawi Kwacha. Government bonds are in Tanzanian Shilling. All the securities are held to maturity. The Group assessed the Government securities for impairment. No impairment has been recognised in the financial statements.

In millions of Malawi Kwacha

20 Investment in government securities and equity (Continued)

20.3 Money market deposits

	Average interest rate		Group	
	2022	2021	2022	2021
Money market investments with Reserve Bank of Malawi and other banks	13.00%	13.00%	172,800	99,561
Expected credit loss			-	(5)
			172,800	99,556

Money market investments with Reserve Bank of Malawi, Bank of Tanzania and other banks are held to maturity and mature within one month (2021: one month) after the year-end.

20.4 Government promissory notes

	Group	
	2022	2021
Government of Malawi promissory note	-	12,127
Expected credit loss	-	(1)
	-	12,126

During the year, on 29 June 2021, GoM issued to the Group a promissory note with a face value of K7,794m on maturity. This was in full settlement of Lilongwe Water Board loan balance (principal and interest) as at that date. The promissory note matured on 31 March 2022. The promissory note was discounted at 13.85%. The discount rate was based on the weighted average Treasury Bills rate. The discounted value was K7 057m. The Group recognized a loss of K736m and a discount income amounting to K496m in the statement of comprehensive income for the year ended 31 December 2021.

Additionally, the Group purchased three Promissory note instruments from the secondary market with combined face value of K4,838m. They were discounted at an average rate of 13.34%. The total discounted value was K4,199m. Interest income amounting to K375m was recognized in the statement of comprehensive income for the year ended 31 December 2021. The newest matured on 31 May 2022.

The total of the discounted value of MK7,057m and MK4,199m combined with the interest of MK496m and MK375m from the GoM promissory note and the three purchased Promissory notes from the secondary market, resulted in a total fair value of MK12,127m.

The fair value level has been disclosed under note 6.7.

20.5 Equity investments

	Group		Company	
	2022	2021	2022	2021
Held for capital appreciation				
Sunbird Tourism plc	3,612	3,532	3,612	3,532
National switch Limited	162	162	-	-
Investment in KAMA Cooperative	793	-	-	-
	4,567	3,694	3,612	3,532
Held for trading				
Illovo Sugar (Malawi) plc	1,953	474	-	-
NICO Holdings plc	1,023	1,087	-	-
Malawi Property Investment Company plc	704	706	-	-
National Investment Trust plc	833	633	-	-
NBS Bank Plc	510	458	-	-
Standard Bank of Malawi plc	204	-	-	-
FDH Bank of Malawi plc	87	-		
Sunbird Tourism plc	519	508	-	-
Telekom Networks plc	454	1,039	-	-
FMB Capital Holdings plc	70	41	-	-
Airtel Malawi plc	535	410	-	-
	6,892	5,356	-	-
Total Equity Investments	11,459	9,050	3,612	3,532

Equity investments held for long term capital appreciation are accounted at fair value through other comprehensive income whereas those held for trading are accounted at fair value through profit and loss.

In millions of Malawi Kwacha

21 Deferred tax assets/(liabilities)

	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
Group						
Property, plant and equipment	9,648	7,631	(4,354)	(4,173)	5,294	3,458
Investment properties	412	397	(1,731)	(1,709)	(1,319)	(1,312)
Provisions	2,900	1,466	51	111	2,951	1,577
Un-realised exchange differences	2	-	(36)	(58)	(34)	(58)
Tax value of loss carried forward	2,208	3,760	(2)	47	2,206	3,807
Tax assets/(liabilities)	15,170	13,254	(6,072)	(5,782)	9,098	7,472

Deferred tax balances within each subsidiary are presented on net basis. However, Malawi does not have a group tax registration as such there is no legal right to offset liability from one subsidiary and asset from another.

21.1 Movement in net deferred tax asset/(liabilities)

	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Reclassified	Acquired on business combination	Closing balance
Group						
2022						
Property, plant and equipment	3,458	(511)	2,030	317	-	5,294
Investment properties	(1,312)	77	-	-	-	(1,235)
Provisions	1,577	1,374	-	-	-	2,951
Un-realised exchange differences	(58)	22	2	-	-	(34)
Tax value or loss carried forward	3,807	(1,685)	-	-	-	2,122
Total net asset/(liabilities)	7,472	(723)	2,032	317	-	9,098
2021						
Property, plant and equipment	2,891	(130)	448	-	249	3,458
Investment properties	(1,198)	(114)	-	-	-	(1,312)
Provisions	1,683	(106)	-	-	-	1,577
Un-realised exchange differences	(164)	106	-	-	-	(58)
Tax value or loss carried forward	2,331	(682)	-	-	2,158	3,807
Total net asset/(liabilities)	5,543	(926)	448	-	2,407	7,472
Company						
2021						
Investment in subsidiaries and associates	(292)	-	292	-	-	-
Property	159	(117)	-	-	(42)	-
	(133)	(117)	292	-	(42)	-

21.2 Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the concerned company can utilise the benefits there from.

	Group		Company	
	2022	2021	2022	2021
Tax losses	73,894	42,632	59,817	34,626
Deductible temporary differences;				
Provisions	44	46	15	17
Investment in subsidiaries and associates	-	-	46,344	33,671
Property, plant and equipment	(151)	378	(488)	1,085
Unrealised Exchange losses	9	-	-	-
	73 796	43,056	105,688	69,399
Un-recognised deferred tax asset @30%	22 139	12,917	31,706	20,820

Tax losses shown above expire after 6 years according to the tax laws in Malawi.

These deferred tax assets relate to Press Corporation plc (the Company), Press Properties Limited, and The Foods Company Limited.

In millions of Malawi Kwacha

22. Inventories

	Group		Company	
	2022	**2021**	**2022**	**2021**
Finished goods	2,169	2,162	-	-
Raw materials and consumables	3,258	2,497	7	11
Work in progress	69	54	-	-
Goods in transit	1	16	-	-
	5,497	4,729	7	11

In 2022, inventories of K20 billion (2021: K19 billion) were recognised as an expense during the year and included in 'Direct trading expenses'.

During the year, inventories of K0.06 billion (2021: K0.3 billion) were written off in profit and loss due to stock shrinkages, damages and expiry.

23. Trade and other receivables from Group companies

	Company	
	2022	**2021**
Amounts due from related party companies		
Press Properties Limited	221	244
Malawi Telecommunications Limited	305	483
Telecom Networks Malawi plc	67	622
Presscane Limited	22	22
The Foods Company Limited	842	756
Other	-	8
	1,457	2,135
Loss allowance	(256)	(302)
Trade and other receivables	1,201	1,833

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

24. Trade and other receivables

	Group		Company	
	2022	**2021**	**2022**	**2021**
Trade receivables	12,539	14,640	5	5
Prepayments	5,956	5,886	-	-
Letters of credit	1,332	1,163	-	-
Employee benefit subsidy	1,517	571	-	-
Investment for Phantom Shares	1,010	884	-	-
Malawi government settlements	195	161		
Goods in transit	-	771		
MasterCard accounts	-	2,972	-	-
Dividend receivable	930	-	-	-
Office account**	4,179	-	-	-
Other receivables*	9,516	4,087	1,373	373
	37,174	31,135	1,378	378
Loss allowance	(2,679)	(2,263)	-	-
Trade and other receivables	34,495	28,872	1,378	378
Contract asset – non current (note 37.2)	805	1,187	-	-
Contract asset – current (note 37.2)	1,439	1,165	-	-

In millions of Malawi Kwacha

24. Trade and other receivables (Continued)

*Other receivables consist of several individually insignificant balances in respect of banking business suspense accounts, staff receivables and non-trade receivables among others. Significant balances include; Natswitch settlements K837m (2021: K186m), Puma Smart Cards Settlements K1,722 (2021:K806m) and Aforbes Bancassurance settlements K1,219m (K629m).

**Office account relates customers salaries pool and cash transfer in the banking sector that had not been cleared as at the cut-off date.

The average credit period on sales of goods and services is 30 days except for international incoming receivables in relation to telephony companies whose credit period is 60 days. No interest is charged on the trade and other receivables settled beyond these periods.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Employee benefit subsidy
In accordance with IAS 19 *Employee Benefits*, the fair value adjustment to staff loans is recognised as an asset representing a future employee benefit which is expensed as and when the employees render their services to the Group.

Credit and market risks, and credit losses
Information about the Group's exposure to credit and market risks, and credit losses for trade and other receivables is included in notes 6.4 and 6.6.

25. Assets and liabilities classified as held for sale

In 2021 the Group decided to dispose of its stake in its two subsidiaries namely Peoples Trading Centre Limited (PTC) and Malawi Telecommunications Limited (MTL). PTC sale transaction was completed on 28th February 2022. Accordingly, the related income and expenses have been consolidated up to February 2022.

MTL disposal process is still in progress. MTL disposal was negatively impacted by delayed transaction approval by the telecommunications regulatory body. PCL remains committed to its plan to dispose of MTL. Accordingly, the assets and liabilities of MTL has been classified as held for sale in the consolidated statement of financial position. The proceeds of disposal are expected to exceed the carrying amount of the related acquired net assets and accordingly no impairment losses have been recognised on the classification of this operation as held for sale. At company level, the investment was carried at fair value and no impairment was recognised.

MTL is a subsidiary of the Group with 52.7% shareholding. The principal activity of the company is the provision of a wide range of Information and Communications Technology (ICT) based products and services. Following a strategic review, the Group decided to exit the company so that it can concentrate on other investment operating in the same telecommunication sector. The disposal is expected to be completed in the year 2023.

The summary of assets held for sale is as follows;

	Group		Company	
	2022	**2021**	**2022**	**2021**
Land and buildings	4	4		-
Disposal group – MTL (2021: MTL and PTC)	18,475	23,843	9,548	7,564
Investment property	-	163	-	-
	18,479	24,010	9,548	7,564

In prior year, included in investment property held for sale was an amount of K163 million relating to plots of land that the Group had sold but were held by the Group because Government consent to sale had not been awarded yet. These were disposed of in 2022.

In millions of Malawi Kwacha

25. Assets and liabilities classified as held for sale (Continued)

Reconciliation of carrying amount of assets held for sale

	Group		Company	
	2022	**2021**	**2022**	**2021**
At the beginning of the period	24,010	1,539	7,564	8,473
Disposed during the period	(163)	(56)	-	(8,473)
Relocated to assets of a disposal group*	-	(1,479)	-	-
Assets relating to a disposed of subsidiary**	(4,588)	-	-	-
Reclassified from subsidiaries (note 14)	-	-	-	7,564
Decrease on assets held for sale	(780)	-	-	-
Assets relating to disposal groups (note 25.1)	-	23,843	-	-
Exchange difference on revaluation	-	-	1,984	-
Reclassified from investment property (note 13)	-	163	-	-
	18,479	24,010	9,548	7,564

*In the year 2021 total asset amounting K1,479m relating to Malawi Telecommunications Limited (MTL) were classified as held for sale. These assets were reclassified to the disposal group following the reclassification of Malawi Telecommunications Limited (MTL) as a disposal group. These assets were included in the K23,843m disclosed under Note 25.1.

**Assets relating to a disposal of a subsidiary relate to PTC which was disposed in the current year. The net increase in assets held for sale relating to this disposable group amounted to K675m resulting in a total assets relating to a disposal group disposed of K4,588m.

25.1 Classes and liabilities of operations classified as held for sale

The major classes of assets and liabilities comprising the operations classified as held for sale and reported in the disposal group disclosed under note 25 above are as follows:

	2022 MTL	**2021 PTC**	**2021 MTL**	**2021 Total**
Property, plant and equipment and right of use	15,825	2,368	16,918	19,286
Intangibles	3	9	5	14
Non-maturing investments - long term	328	-	260	260
Inventories	385	886	297	1,183
Trade and other receivables	1,924	138	2,435	2,573
Bank and cash	10	136	13	149
Tax receivable (note 26)	-	378	-	378
Total assets classified as held for sale	18,475	3,915	19,928	23,843
Borrowings	3,376	11,067	3,308	14,375
Lease liability	199	551	395	946
Trade and other payables	11,317	7,059	10,400	17,459
Provisions	219		219	219
Bank overdraft	707	7	535	542
Total liabilities associated with assets classified as held for sale	15,818	18,684	14,857	33,541
Net assets of disposal group	2,657	(14,769)	5,071	(9,698)

26. Income tax recoverable

	Group		Company	
	2022	**2021**	**2022**	**2021**
Opening balance	4,730	2,764	680	526
Tax paid	(499)	1,625	114	154
Reclassified as held for sale (note 25)	-	(378)	-	-
Acquired through business combinations	-	841	-	-
Tax transfer to other taxes	(1,097)	(122)	-	-
Total income tax recoverable	3,134	4,730	794	680

In millions of Malawi Kwacha

27. Cash and cash equivalents

	Group 2022	Group 2021 Restated*	Company 2022	Company 2021
Balances held at Central Banks	27,606	9,744	-	-
Bank balances	18,927	14,638	74	78
Placement with other banks	83,515	31,367	-	-
Call deposits	5,848	9,989	7,207	8,356
Cash on hand	36,889	26,162	-	-
Cash and cash equivalents	172,785	91,900	7,281	8,434
Other Money Market Deposits	169,277	95,681	-	-
	342,062	187,581	-	-
Bank overdrafts	(14,114)	(11,545)	(7,979)	(6,457)
Cash and cash equivalents as shown in the statement of cash flows	327,948	176,036	(698)	1,977

Balances held at central banks which are denominated in Malawi Kwacha, United States Dollars and Tanzanian shilling are non-interest bearing and are regulated as disclosed in Note 5.

Money market placements with other banks are held to maturity and mature within one month (2021: one month) of the year end and are denominated in the following currencies:

	Average interest rates 2022	Average interest rates 2021	Group 2022	Group 2021
US Dollars	0.50%	0.50%	67,865	15,930
GBP	1.75%	1.75%	4,803	4,714
Euro	0.50%	0.50%	9,332	9,829
ZAR	4.00%	4.00%	1,500	885
Other currencies	-	-	15	9
Totals			83,515	31,367

Overdraft facilities

Bank overdrafts forms an integral part of the Group's cash management. These are repayable on demand. As at 31 December 2022, the available overdraft facilities were as follows;

	Group 2022	Group 2021	Company 2022	Company 2021
First Capital Bank plc	4,500	5,400	1,500	3,400
Eco bank Malawi Limited	3,000	3,000	3,000	3,000
CDH Investment Bank Limited	200	200	-	-
Standard Bank plc	4,500	3,500	-	-
National Bank of Malawi plc	-	-	1,400	-
NBS Bank plc	3,400	-	3,400	-
	15,600	12,100	9,300	6,400

The overdraft facilities of the Group are secured as follows;
(i) K0.2 billion (2021: K0.2 billion) is secured by Press Corporation plc guarantee;
(ii) K3 billion by a debenture charge (2021: K5.5 billion) over Group's assets and;
(iii) K12.4 billion (2021: K6.4 billion) is unsecured.

The Company's Bank overdraft facilities are due for renewal on 30 November 2023 and are unsecured except for National Bank of Malawi plc facility which is secured by TNM shares.

28. Trade and other receivables from Group companies

	Company 2022	Company 2021
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

The Group has one class of ordinary shares which carry no right to fixed income.

In millions of Malawi Kwacha

29. Other reserves – excluding non-controlling interests

	Revaluation reserve	Translation reserve	Regulatory reserve	Other	Total
Group					
2022					
Balance at beginning of the year	40,805	21,195	215	3,745	65,960
Revaluation of property	2,722	-	-	-	2,722
Revaluation of financial asset measured at FCTOCI	80	-	-	-	80
Release of revaluation surplus on disposal of revalued property	16	-	-	-	16
Released on disposal of financial asset measured at FCTOCI	(12,946)	-	-	-	(12,946)
Depreciation Transfer land and buildings	(157)	-	-	-	(157)
Transfer – regulatory reserves	-	-	(215)	-	(215)
Share of other comprehensive income of equity accounted investment	2,086	4,036	-	-	6,122
Translation differences	-	1,044	-	-	1,044
Income tax on other comprehensive income	1,046	-	-	-	1,046
Balance at 31 December 2022	33,652	26,275	-	3,745	63,672
2021					
Balance at beginning of the year	30,451	19,471	-	3,745	53,667
Revaluation of property	3,894	-	-	-	3,894
Depreciation Transfer land and buildings	(32)	-	-	-	(32)
Transfer – regulatory reserves	-	-	215	-	215
Transfer to other equity accounts	(135)	-	-	-	(135)
Share of other comprehensive income of equity accounted investment	6,438	1,446	-	-	7,884
Translation differences	-	278	-	-	278
Income tax on other comprehensive income	189	-	-	-	189
Balance at 31 December 2021	40,805	21,195	215	3,745	65,960

Company

	Revaluation reserve	Translation reserve	Total
2022			
Balance at beginning of the year	364,601	111	364,712
Fair value gain on investments	139,109	-	139,109
Revaluation of property	97	-	97
Balance at 31 December 2022	503,807	111	503,918
2021			
Balance at beginning of the year	325,181	111	325,292
Fair value gain on investments	47,307	-	47,307
Release of revaluation surplus on disposal of available for sale financial asset	(8,290)		(8,290)
Revaluation of property	111	-	111
Deferred tax on revaluation	292	-	292
Balance at 31 December 2021	364,601	111	364,712

Revaluation reserve

For Group, the revaluation reserve arises on revaluation of property whereas for Company only, the revaluation reserve relates to revaluation of property and investments in subsidiaries, associates and joint ventures and comprises the cumulative increase in the fair value at the date of valuation. These reserves are not distributable to shareholders until the relevant revalued assets have been disposed of or, in the instance of revalued property, when consumed through use.

In millions of Malawi Kwacha

29. Other reserves – excluding non-controlling interests (Continued)

Translation reserves

Exchange differences relating to translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit and loss on disposal of the foreign operation.

Regulatory reserve

Regulatory reserve represents the surplus of Expected Credit Losses (ECL) computed in accordance with Bank of Tanzania regulations over ECL for loans and advances computed in accordance with International Financial Reporting Standards.

Other reserves

The other reserves for the Group comprise capital redemption reserve.

30. Loans and borrowings

30.1 Loans and borrowings summary

	Secured	Unsecured	Total
Group			
2022			
More than 5 years	58	-	58
Due between 1 and 5 years	29,656	15,217	44,873
	29,714	15,217	44,931
Due within 1 year or less	8,708	18,459	27,167
	38,422	33,676	72,098
2021			
More than 5 years	1,117	-	1,117
Due between 1 and 5 years	27,111	10,597	37,708
	28,228	10,597	38,825
Due within 1 year or less	24,191	-	24,191
Reclassified as held for sale	(2,861)	-	(2,861)
	21,330	-	21,330
	49,558	10,597	60,155
Company			
2022			
Due between 1 and 5 years	10,111	-	10,111
Due within 1 year or less	4,633	-	4,633
	14,744	-	14,744
2021			
Due between 1 and 5 years	3,260	-	3,260
Due within 1 year or less	1,630	-	1,630
	4,890	-	4,890

In millions of Malawi Kwacha

30. Loans and borrowings (Continued)

30.2 Movement in borrowings

Group	At 01/01/22	Draw-downs	Repay-ments	Exchange fluctu-ations	Transfe-rred from held for sale	Interest charged	Interest paid	At 31/12/22
Local borrowings								
Commercial Debt-Old Mutual	17,676	-	(676)	-	-	3,006	(3,006)	17,000
Commercial Debt-Nico Asset Managers	5,186	-	(5,186)	-	-	364	(364)	-
Malawi Government	210	-	-	-	-	-	-	210
Reserve Bank of Malawi Debt	-	3,000	(47)	-	-	49	-	3,002
PTC takeover debt - Corporate bond	-	-	(1,875)	-	7,031	1,181	(1,181)	5,156
PTC takeover debt - FCB Loan	-	-	(400)	-	3,200	892	(892)	2,800
PTC takeover debt - CDH Loan	-	-	(328)	-	656	614	(614)	328
Press Corp Corporate Bond	4,890	-	(1,630)	-	-	76	(76)	3,260
NBS Loan	-	3,200	-		-	95	(95)	3,200
Standard Bank revolving credit facility	14,841	18,892	(11,165)	-	-	3,650	(3,650)	22,568
Syndicated loan - NBM Capital Markets Ltd	4,886	-	(370)	-	-	805	(805)	4,516
EDF loan	2,079	28	(160)	-	-	413	(198)	2,162
Total local borrowings	49,768	25,120	(21,837)	-	10,887	11,145	(10,881)	64,202
Foreign borrowings								
European Investment Bank	10,387	-	(3,721)	1,230	-	355	(355)	7,896
Total foreign borrowings	10,387	-	(3,721)	1,230	-	355	(355)	7,896
Total borrowings	60,155	25,120	(25,558)	1,230	10,887	11,500	(11,236)	72,098
Company								
PTC takeover debt - Corporate bond	-	-	(1,875)	-	7,031	1,181	(1,181)	5,156
PTC takeover debt - FCB Loan	-	-	(400)	-	3,200	614	(614)	2,800
PTC takeover debt - CDH Loan	-	-	(328)	-	656	76	(76)	328
Press Corp Corporate Bond	4,890	-	(1,630)	-	-	95	(95)	3,261
NBS Loan	-	3,200	-	-	-	892	(892)	3,200
	4,890	3,200	(4,233)	-	10,887	2,858	(2,858)	14,744

In millions of Malawi Kwacha

30. Loans and borrowings (Continued)

30.2 Movement in borrowings (Continued)

Group	At 01/01/21	Draw-downs	Repay-ments	Exchange fluctu-ations	Reclass-ified as held for sale	Interest accrual	At 31/12/21
Local borrowings							
Belgium Government	111	-	-	-	(111)	-	-
Commercial Debt-Old Mutual	15,000	2,000	-	-	-	676	17,676
Commercial Debt-Nico Asset Managers	5,000	-	-	-	-	186	5,186
CDH loan	800	100	(66)	-	(836)	2	-
PTC Corporate bond	7,500	-	(469)	-	(7,031)	-	-
DANIDA loan	545	-	-	-	(545)	-	-
FCB Loan	-	3,200	-	-	(3,200)	-	-
Kuwait Development Fund	1,253	-	-	-	(1,253)	-	-
Malawi Government	210	-	-	-	-	-	210
Press Corp Corporate Bond	6,520	-	(1,630)	-	-	-	4,890
Standard Bank Dual Currency Loan	6,400	14,160	(5,740)	-	-	21	14,841
Syndicated loan - NBM Capital Markets Ltd	-	4,700	-	-	-	186	4,886
EDF loan		2,000				79	2,079
NORDIC Development Fund	1,134	-	-	-	(1,134)	-	-
Total local borrowings	44,473	26,160	(7,905)	-	(14,110)	1,150	49,768
Foreign borrowings							
Libyan Government	250	-	-	-	(265)	15	-
European Investment Bank	13,503	159	(3,820)	545	-	-	10,387
Total foreign borrowings	13,753	159	(3,820)	545	(265)	15	10,387
Total borrowings	58,226	26,319	(11,725)	545	(14,375)	1, 165	60,155
Company							
Corporate Bond	6,520	-	(1,630)	-	-	-	4,890

In millions of Malawi Kwacha

30. Loans and borrowings (Continued)

30.3 Terms and debt repayment schedules

Lender's name	Currency	Interest rate	Repayment terms	Security	Agreed date redemption commences	Agreed date redemption finishes	Due in 1 year	Due within 2 -5 year	Over 5 years
Group – 2022									
Commercial Debt-Old Mutual	Malawi Kwacha	364 TB rate + 1.75%	5 Years - Optional bullet payments of MK1billion tranches after 3rd year	Debenture on TNM Assets	2020	2025	-	17,000	-
Malawi Government	Malawi Kwacha	0%	To be mutually agreed	Unsecured	2022	2022	210	-	-
Reserve Bank of Malawi Debt	Malawi Kwacha	3%	Quarterly	Unsecured	2024	2026	-	3,002	-
European Investment Bank	United States dollars	3.4%	Semi-annually	Unsecured	2016	2024	5,118	2,778	-
PTC takeover -Corporate bond	Malawi Kwacha	91 TB rate +5%	Quarterly	TNM Shares	2021	2025	1,875	3,281	-
PTC takeover - FCB Loan	Malawi Kwacha	Reference rate +4.6%	Semi-annually	TNM Shares	2021	2026	800	2,000	-
PTC takeover - CDH Loan	Malawi Kwacha	17.5%	Monthly	PCL guarantee	2020	2023	328	-	-
Press Corp Corporate Bond	Malawi Kwacha	364 TB rate +3%	Annually	TNM Shares	2021	2024	1,630	1,630	-
NBS Loan	Malawi Kwacha	Reference rate +4.8%	Quarterly	TNM Shares	2024	2027	-	3,200	-
Standard Bank revolving credit facility	Malawi Kwacha	Reference rate +1.%	To be mutually agreed	Unsecured	2022	2027	13,131	9,437	
Commercial bond	Malawi Kwacha	91 TB rate +5%	Quarterly	TNM Shares	2022	2028	3,642	816	58
EDF loan	Malawi Kwacha	RBM rate +3.5%	Monthly	NBM shares	2022	2028	433	1,729	-
Total							27,167	44,873	58
Company – 2022									
PTC takeover -Corporate bond	Malawi Kwacha	91 TB rate +5%	Quarterly	TNM Shares	2021	2025	1,875	3,281	-
PTC takeover - FCB Loan	Malawi Kwacha	Reference rate +4.6%	Semi-annually	TNM Shares	2021	2026	800	2,000	-
PTC takeover - CDH Loan	Malawi Kwacha	17.5%	Monthly	PCL guarantee	2020	2023	328	-	-
NBS Loan	Malawi Kwacha	Reference rate +4.8%	Quarterly	TNM Shares	2024	2027	3,200		
Press Corp Corporate Bond	Malawi Kwacha	364 TB rate +3%	Annually	TNM Shares	2021	2024	1,630	1,630	-
							4,633	10,111	-

In millions of Malawi Kwacha

30. Loans and borrowings (Continued)

30.3 Terms and debt repayment schedules – (Continued)

Lender's name	Currency	Interest rate	Repayment terms	Security	Agreed date redemption commences	Agreed date redemption finishes	Due in 1 year	Due within 2 -5 year	Over 5 years
Group – 2021									
Commercial Debt-Old Mutual	Malawi Kwacha	364 TB rate + 2%	5 Years - Option for bullet payments of MK1billion tranches after 3rd year	Debenture on TNM Assets	2020	2025	676	17,000	-
Commercial Debt-Nico Asset Managers tranches after 3rd year	Malawi Kwacha	180 TB rate + 1.8%	5 Years - Option for bullet payments of MK1billion	Debenture on TNM Assets	2020	2022	5,186	-	-
Malawi Government	Malawi Kwacha	0%	To be mutually agreed	Unsecured	2022	2022	210	-	-
Standard Bank Dual Currency Loan	Malawi Kwacha	Preference rate + 1.9%	48 months	Debenture on TNM Assets	2022	2023	8,431	6,410	-
Press Corp corporate bond	Malawi Kwacha	364TB+4%	Quarterly	TNM Shares	2021	2025	1,630	3,260	-
European Investment Bank	Malawi Kwacha	3%	Semi-annually	Unsecured	2016	2022	3,857	6,530	-
EDF loan	Malawi Kwacha	RBM rate +3.5%	Monthly	PCL guarantee	2022	2028	570	1,508	480
Bond – NBM capital market	Malawi Kwacha	91 TB rate +5%	Quarterly	PCL guarantee	2022	2027	770	3,000	637
Total							21,330	37,708	1,117
Company – 2021									
Press Corp corporate bond	Malawi Kwacha	364TB+3%	Quarterly after 2 years	TNM Shares	2018	2025	1,630	3,260	-

In millions of Malawi Kwacha

31 Provisions

	Legal claim	Group bonus	Other	Total
Group				
2022				
Balance at the beginning of the year	-	6,940	452	7,392
Provision made during the year	-	5,342	1,460	6,802
Provision used during the year	-	(5,833)	-	(5,833)
Balance at the end of the year	-	6,449	1,912	8,361
2021				
Balance at the beginning of the year	661	3,881	98	4,640
Provisions associated with assets classified as held for sale	(219)	-		-
(219)				
Provision made during the year	-	6,809	360	7,169
Provision used during the year	(442)	(3,750)	(6)	(4,198)
Balance at the end of the year	-	6,940	452	7,392

All provisions are due within 1 year or less.

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

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

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

32 Income tax payable

	Group		Company	
	2022	**2021**	**2022**	**2021**
Opening balance	7,114	7,473	62	50
Current charge - continuing operations	27,283	22,494	-	-
Current charge - attributable to discontinued operations	7	45	1,791	1,355
Tax transfer/refunds	(486)	-	-	-
Cash paid	(24,956)	(22,898)	(1,758)	(1,343)
Total income tax payables	8,962	7,114	95	62

33 Trade and other payables

	Group		Company	
	2022	**2021**	**2022**	**2021**
Trade payables	40,382	33,554	52	29
Liabilities to other banks	35,640	51,677	-	-
Taxes and levies	5,977	4,194	54	141
Accruals	7,007	7,956	838	2,232
Staff payables	463	465	-	-
Dividend payable	-	884	-	90
MasterCard and Visa accounts	2,003	-	-	-
Other payables*	4,821	4,598	72	-
Trade and other payables	96,293	103,328	1,016	2,492
Contract liabilities – non current (note 37.2)	742	392	-	-
Contract liabilities – current (note 37.2)	6,494	4,767	-	-

*Other payables consist of several individually insignificant payable balances such as suspense accounts, unclaimed balances relating to banking business and sundry creditors balances. It also includes amounts relating to Natswitch K837m (2021:K186m and Aforbes Bancassurance K1,219 (2021:K629m).

In millions of Malawi Kwacha

33 Trade and other payables (Continued)

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

Accruals are in respect of various expenses incurred but whose invoices had not yet been received.

34 Financial guarantees

	Company	
	2022	**2021**
Current	-	2,275
Non-current	-	7,956
	-	10,231

The company provides individual financial guarantees in favour of its Group companies and these are disclosed as contingent liabilities (note 48) as they would only crystallise into a liability in the event of default by the Group companies. In 2021, the company started servicing loans it guaranteed on behalf of its subsidiary that is facing cashflow constraints. Accordingly, the carrying amounts of the loans were recognised in the company's books. In 2022, the subsidiary was disposed and these guaranteed liabilities were transferred to the company.

35 Trade and other payables to Group companies

	Company	
	2022	**2021**
Press Properties Limited	27	7
Malawi Telecommunications Limited	7	6
	34	13

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

36 Customer deposits

	Average interest rates		Group	
	2022	**2021**	**2022**	**2021**
Analysed by account type:				
Current accounts	0.00%	0.00%	258,776	204,339
Deposit accounts	7.5%	3.75%	112,462	87,379
Savings accounts	7.10%	2.80%	148,324	125,646
Foreign currency accounts*	0.50%	0.50%	89,809	72,983
Client funds	14.00%	13.00%	186,189	56,736
			795,560	547,083
Analysed by interest risk type:				
Interest bearing deposits			541,519	342,245
Non-interest bearing deposits			254,041	204,838
			795,560	547,083
Total liabilities to customers are payable as follows:				
Within three months			779,944	535,725
Between three months and one year			15,616	11,358
			795,560	547,083

In millions of Malawi Kwacha

36 Customer deposits (Continued)

Group

Analysis of deposits by sector	**2022**	**2021**
Personal accounts	194,860	283,245
Manufacturing	52,352	24,337
Agriculture	148,874	13,504
Wholesale and retail	91,197	76,224
Finance and insurance	22,912	37,636
Construction	15,895	13,221
Electricity, gas, water and energy	34,573	15,190
Transport, storage and communications	31,653	13,288
Restaurants and hotel	4,515	3,773
Mining and qualifying	18,784	13,799
Real Estate	4,293	3,475
Client funds	172,187	45,574
Others	3,465	3,817
	795,560	547,083
* The foreign currency denominated account balances as at 31 December were as follows:-		
US Dollar denominated	74,958	58,216
GBP denominated	4,409	4,519
Euro denominated	9,338	9,724
ZAR denominated	1,104	524
	89,809	72,983

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

37 Revenue

37.1 Disaggregated revenue information

Revenue from contracts with customers is disaggregated by major products and service lines. Set out below is the disaggregation of the Group's revenue from contracts with customers and a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 7)

Segments	**Financial services**	**Telecommunications**	**Energy**	**All other segments**	**Total Group**
2022					
Sale of goods	-	2,339	25,957	2,121	30,417
Telecommunication Services	-	89,279	-	-	89,279
Interest revenue	110,974	-	-	-	110,974
Fees and commission	29,766	14,609	-	-	44,375
Rental income	-	-	-	755	755
Gain foreign exchange deals	12,804	-	-	-	12,804
	153,544	106,227	25,957	2,876	288,604
2021					
Sale of goods	-	2,945	24,891	2,162	29,998
Telecommunication Services	-	89,058	-	-	89,058
Interest revenue	78,897	-	-	-	78,897
Fees and commission	27,987	11,477	-	-	39,464
Rental income	-	-	-	699	699
Gain foreign exchange deals	10,957	-	-	-	10,957
	117,841	103,480	24,891	2,861	249,073
Company					
2022					
Management fees	-	-	-	580	580
Dividend income	-	-	-	17,912	17,912
	-	-	-	18,492	18,492
2021					
Management fees	-	-	-	693	693
Dividend income	-	-	-	13,555	13,555
	-	-	-	14,248	14,248

In millions of Malawi Kwacha

37 Revenue (Continued)

37.2 Contract balances

	Group		Company	
	2022	2021	2022	2021
Trade receivables (note 24 net of ECL)	9,860	12,377	5	5
Contract assets – non current (note 24)	805	1,187	-	-
Contract assets – current (note 24)	1,439	1,165	-	-
Contract liabilities – non current (note 33)	742	392	-	-
Contract liabilities – current (note 33)	6,494	4,767	-	-

Trade receivables arise as a result of goods and services delivered to contract customers whose consideration is not yet received by the Group. Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Contract assets primarily relate to up-front unbilled revenue recorded for the sale of telecommunication devices. Contract assets are assessed for impairment in terms of IFRS 9: Financial Instruments.

Contract liabilities relates to the value of unused prepaid airtime sold to customers as at year end, sales of properties where government consent has not yet been obtained, fees and commission that relate to banking facilities that have a tenure of more than one year. Management expects that the contract liabilities will be recognised as revenue during the following reporting period:

	Company	
	2022	2021
2022	-	4,767
2023	6,494	52
2024	221	130
2025	152	64
2026	114	61
2027	83	-
2028	37	35
2029	121	-
2030	7	8
2031	-	42

38 Direct trading expenses

	Group		Company	
	2022	2021	2022	2021
Cost of sales	19,659	18,653	-	-
Interest expense	13,111	7,778	-	-
Direct service costs	52,197	46,143	-	-
	84,967	72,574	-	-

39 Other operating income

	Group		Company	
	2022	2021	2022	2021
Net (loss)/gains from trading in foreign currencies	(16)	47	-	-
Fair value adjustment of investment property	1,545	1,295	46	42
Gains and losses from fair value adjustment of biological assets	29	(47)	-	-
Net gain on financial instruments classified as held for trading	769	725	-	-
Profit/(loss) on disposal of property, plant and equipment	783	92	-	(5)
(Loss)/profit on disposal of financial assets	(312)	9,586	(2,165)	1,113
Profit on merger	-	185	-	185
Modification (gain)/loss on restructured loans*	(126)	-	-	-
Sundry income*	2,575	3,253	146	244
	5,247	15,136	(1,973)	1,579

In millions of Malawi Kwacha

39 Other operating income (Continued)

*Sundry income is comprised of income earned from non-core business activities of the Group and they include board members fees and rental income generated by Group companies that are not in property business, among others. Included in 2021 profit on disposal of financial assets for the group is K10.1 billion gain on disposal of Castel Malawi Limited which was concluded in July 2021. Modification (gain)/loss on restructured loans line has been included and K461 from prior year was included in sundry income of K3,253m.

40 Distribution expenses

	Group		Company	
	2022	2021	2022	2021
Marketing and publication	3,457	2,202	-	-
Selling expenses	91	98	-	-
Carriage outwards	424	675	-	-
Other	215	309	-	-
	4,187	3,284	-	-

41 Impairment losses on financial assets

	Group		Company	
	2022	2021	2022	2021
Net Remeasurement of loss allowance				
- Loans and advances (Note 17)	2,103	(2,566)	-	-
- Finance leases (Note 18.2)	328	77	-	-
- trade receivables (Note 6.4.2)	3,992	1,568	(46)	58
Recoveries from impaired loans and advances (Note 17)	(2,146)	(3,187)	-	-
Written off	2 693	8,456	-	-
	6,970	4,348	(46)	58

42 Administrative expenses

		Group		Company	
		2022	2021	2022	2021
Auditors' remuneration	- current year fees	1,181	1,004	165	117
	- other professional services	10	5	-	-
Directors' emoluments	- fees & expenses	1,085	869	193	161
	- executive directors' remuneration	1,194	1,685	49	621
Personnel costs		49,720	47,068	1,016	3,599
Pension contribution costs		3,731	3,265	143	253
Legal and professional fees		3,348	2,051	94	67
Stationery and office expenses		3,070	2,534	142	113
Security services		3,429	3,235	45	58
Motor vehicle expenses		3,005	1,975	31	38
Repairs and maintenance		9,711	8,421	238	153
Depreciation, impairment and amortisation		25,860	22,765	78	71
Travel expenses		1,540	1,167	52	21
Communication		1,121	984	82	78
Stock write off, impairment		46	73	-	-
Card expenses		3,762	2,496	-	-
Impairment of equity investment		6,174	186	-	-
SMS banking expenses		1,078	968	-	-
Impairment of property, plant and equipment		54	-		
Other*		4,530	3,615	297	220
		123,649	104,366	2,625	5,570

* Other relates to several individually insignificant administrative expense balances such as corporate image, corporate subscription, entertainment and sundry expenses.

In millions of Malawi Kwacha

42 Administrative expenses (Continued)

Liability for defined contribution obligations
The principal Group pension scheme is the Press Corporation plc Group Pension and Life Assurance Scheme covering all categories of employees with 3,781 (2021: 3,838) members as at 31 December 2022. 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.

43 Finance income and costs

	Group		Company	
	2022	2021	2022	2021
Finance income				
Interest income on bank deposits	504	1,331	249	408
Net foreign exchange gain	2,515	476	2,482	475
Other	720	407	296	61
	3,739	2,214	3,027	944
Finance costs				
Bank overdrafts	(1,927)	(1,380)	(924)	(1,189)
Loans	(11,500)	(7,481)	(2,858)	(11,367)
Lease liability	(1,147)	(1,196)	-	(12)
Foreign exchange loss	(2,287)	(1,483)	(14)	(129)
	(16,861)	(11,540)	(3,796)	(12,697)
Net finance costs	(13,122)	(9,326)	(769)	(11,753)

44 Share of results from equity accounted investees

	Group		Company	
	2022	2021	2022	2021
Share of profit, net of tax				
Limbe Leaf Tobacco Company Limited	1,394	1,331	-	-
Puma Energy (Malawi) Limited	2,243	1,563	-	-
Macsteel (Malawi) Limited	134	363	-	-
LifeCo Holdings Limited	(4)	(39)	-	-
United General Insurance Company Limited	(798)	219	-	-
Open Connect Limited	(1,222)	(948)	-	-
	1,747	2,489	-	-
Share of other comprehensive income, net of tax				
Limbe Leaf Tobacco Company Limited	6,140	1,446	-	-
United General Insurance Company Limited	12	-	-	-
Macsteel (Malawi) Limited	(30)	560	-	-
Puma Energy (Malawi) Limited	-	5,878	-	-
	6,122	7,884	-	-

45 Income taxes

	Group		Company	
	2022	2021	2022	2021
Current tax expense				
Current year at 30% (2020:30%) based on taxable profits	25,492	21,139	-	-
Final tax on dividend received from associates, subsidiaries and joint ventures	1,791	1,355	1,791	1,355
	27,283	22,494	1,791	1,355
Deferred tax expense				
In respect of the current year	701	742	-	117
Total Income tax expense recognised in the current year	27,984	23,236	1,791	1,472

The Group's tax expense on continuing operations excludes the Group's share of the tax expense of equity accounted investees of K1,371 million (2021: K1,473 million), which has been included in 'share of profit of equity-accounted investees, net of tax

In millions of Malawi Kwacha

45 Income taxes (Continued)

45.1 Tax losses carried forward

The Group has estimated tax losses of K73,894 billion (2021: K42.6 billion). These include capital losses, which can be set off against future capital gains. Where relevant, these tax losses have been set off against deferred tax liabilities, which would arise on the disposal of revalued assets at carrying value. Tax losses are subject to agreement by the Malawi Revenue Authority and are available for utilisation against future taxable income, including capital gains, only in the same company. Under the Malawi Taxation Act it is not possible to transfer tax losses from one subsidiary to another or obtain Group relief.

Tax losses can only be carried forward for six years.

45.2 Reconciliation of effective tax rate

The tax on the Group's and Company's profit before tax differs from theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group and Company.

The income tax expense for the year can be reconciled to the accounting profit as follows;

Group	2022		2021	
Profit before tax from continuing operations		62,703		72,800
Tax using the Group's domestic tax rate	30%	18,811	30%	21,840
Tax effect of:				
Share of profit of equity - accounted investees reported net of tax	(3%)	(1,747)	(1%)	(681)
Expenses not deductible for tax purposes*	26%	15,826	1%	420
Effects of final tax on dividends from associates and subsidiaries	(6%)	(3,582)	2%	1,355
Unrecognised taxable losses	8%	5,216	1%	950
Income not subject to tax**	15%	8,511	(4%)	(3,029)
Other permanent differences	3%	1,971	3%	2,381
Effective tax rate and income tax charge	45%	27,984	32%	23,236
Company				
Profit/(Loss) before tax from continuing operations		13,171		(1,554)
Tax using the Group's domestic tax rate – 30%	30%	3,951	30%	(466)
Effects of final tax on dividends from associates and subsidiaries	(27%)	(3,582)	(130%)	1,355
Tax effect on expenses not deductible for tax purposes	10%	1,422	(295%)	3,069
Unrecognised taxable losses	-	-	253%	(2,486)
Effective tax rate and income tax charge	13%	1,791	(142%)	1,472

*Under the tax laws of Malawi, it is provided that some expenses/income are strictly disallowed. Items included in the tax reconciliation relating to expenses not deductible for tax purposes above include depreciation, taxes such as fringe benefit tax, tax penalties, unralised exchange losses, provisions e.g. bonus provisions, subscriptions and donations to unapproved organisations, etc.

**The tax laws of Malawi also excludes income from tax which has been recognised in the Statement of comprehensive income. The line items above include deferred income for telecommunication business, fair value gains on property and financial assets, unrealised exchange gains, profit on disposal of assets, etc.

46 Discontinued operations

In 2021 the Group decided to dispose of its stake in its subsidiary Peoples Trading Centre Limited (PTC) which carried out all of the Group's Consumer segment operations. The disposal was in line with a strategic decision of getting out of the retail business to give chance to upcoming entrepreneurs to grow their portfolio while it concentrates on capital intensive investments to increase our shareholder value. The disposal was concluded on 28th February 2022 on which date control of PTC passed to the acquirer.

The loss recognised on de-recognition of PTC was as follows:

	Group 2022
Assets previously classified as held for sale	4,588
Liabilities previously classified as held for sale	(7,360)
Equity	
Retained earnings	16,034
Capital Reserves	(12,946)
Issued and Preference Capital	(4)
Loss on disposal	312

In millions of Malawi Kwacha

46 Discontinued operations (Continued)

The results of the discontinued operations, which have been included in the profit for the year, were as follows:

	Group	
	2022	**2021**
Revenue	3,607	11,218
Expenses	(1,959)	(15,478)
Profit/(loss) before tax	1,648	(4,260)
Attributable deferred tax expense	(22)	(183)
Attributable tax expense	(7)	10
Profit/(Loss) for the year net of tax	1,619	(4,433)
Basic and diluted earnings per share (MK)	510	(1,630)

During the year, PTC contributed negative K0.4 billion (2021: K2.5 billion) to the Group's net operating cash flows, paid nil (2021: K49 million) in respect of investing activities and K1.1 billion (2021: K4.3 billion) in respect of financing activities.

47 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 K13,624 million (2021: K21,728 million) and a weighted average number of ordinary shares outstanding during the year of 120.2 million (2021: 120.2 million).

	Group	
	2022	**2021**
Profit attributable to owners of the Company	13,624	21,728
Profit from continuing operations attributable to the ordinary equity holders of the parent Company		
Profit from continuing operations	34,719	49,564
Non-controlling interest	(22,714)	(23,403)
	12,005	26,161
Weighted average number of ordinary shares	120.2	120.2
Basic and diluted earnings per share (K)	113.34	180.77
Earnings per share from continuing operations (K)	99.88	217.65

48 Contingent liabilities

	Group		Company	
	2022	**2021**	**2022**	**2021**
Guarantees	6,717	9,504	6,717	9,504
Legal and other claims	4,544	4,778	-	-
Tax payable	2,921	3,289	-	-
Total contingent liabilities	14,182	17,571	6,717	9,504

(a) Guarantees and performance bonds represent acceptances, guarantees, indemnities and credits issued by The Company to Group companies and to non-Group entities which would crystallise into a liability only in the event of default on the part of the relevant counterparty. For the Company, the guarantees represent 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) 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. The Group is also a defendant of six legal cases whose losses could not be reliably quantified due to the nature and stages of the litigation claims. The outcomes of these cases are uncertain and subject of the court's determination.

(c) Tax payable relates to disputes that the Group's subsidiaries and the Group's associate have with the Malawi Revenue Authority.

In millions of Malawi Kwacha

49. Capital commitments

	Group		Company	
	2022	**2021**	**2022**	**2021**
Authorised and contracted for	19,884	7,692	-	-
Authorised but not yet contracted for	22,488	38,144	515	10
	42,372	45,836	515	10

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

50. Related parties

Balances and transactions between the Company and its subsidiaries, which are related parties, 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.

50.1 Trading transactions

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

	Sales		Purchases	
	2022	**2021**	**2022**	**2021**
Joint ventures of the Group	4,777	5,271	3,522	1,351
Shareholder - Old Mutual Group	-	30	-	-
Associates of the Group	545	778	2,277	1,612
	5,322	6,079	5,799	2,963

	Interest Income		Interest Expense	
	2022	**2021**	**2022**	**2021**
Joint ventures of the Group	65	3	-	-
Shareholder - Old Mutual Group	-	-	-	-
Associates of the Group	801	30	(11)	-
Directors	2	6	-	-
Employees – Key management personnel	1,223	1,125	(848)	(780)
	2,091	1,164	(859)	(780)

50.2 Receivables and payables

	Amounts owed by related parties		Amounts owed to related parties	
	2022	**2021**	**2022**	**2021**
Joint ventures of the Group	1,289	2,392		63
Associates of the Group	-	1,926	3,794	4,577
	1,289	4,318	3,794	4,640

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.

50.3 Loans and deposits

	Group		Company	
	2022	**2021**	**2022**	**2021**
Joint ventures of the Group	910	89	558	338
Shareholder - Old Mutual Group	-	-	3,712	4,926
Associates of the Group	7,129	4,416	1,246	1,124
Shareholder - Press Trust	-	-	53	15
Directors	173	429	54	125
Employees	7,648	6,560	852	655
Related Pension Funds	-	-	201	29
	15,860	11,494	6,676	7,212

Loans are granted and deposits accepted on normal banking terms. Loans are secured.

During the year no amount due from a related party was written off against interest in suspense and provision for loan losses. There were no provisions in respect of loans granted to related parties as at the end of the year (2021: nil).

In millions of Malawi Kwacha

50. Related parties (Continued)

50.3 Loans and deposits (Continued)

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

50.4 Compensation of key management personnel

Directors of the Company and their immediate relatives control 0.04% (2021: 0.04%) of the voting shares of the Company.

Directors' emoluments are included in administrative expenses more fully disclosed in note 39.

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
Salaries and benefits for key management	8,369	7,118	345	762
Directors' remuneration	2,279	2,554	242	782
	10,648	9,672	587	1,544

51 Dividend per share

	Group and Company	
	2022	**2021**
Final dividend	3,487	3,400
Interim dividend	842	722
	4,329	4,122
Number of ordinary shares in issue (million)	120.2	120.2
Dividend per share (K)	36.00	34.00

During the year, the Group declared and paid a total of K4,209 million representing final dividend for 2021 of K3,367 million and interim dividend for 2022 of K842 million. The proposed final dividend for the year 2022 is K3,487 million (2021: K3,400 million) representing K29 per share (2021: K28).

52 Prior year adjustments

52.1 Other investments, interest received and paid, right of use assets (group financial statements)

The Group financial statements (statement of financial position and statement of cash flows) for 2021 have been restated to comply with disclosures of various IFRSs and to improve presentation of financial statements. The restatements are as follows:

i. Statement of financial position has been restated in respect of other investments. The line referred to as other investments in prior year has been renamed to investments in government securities and equity. Further, money market deposits meet the definition of cash and cash equivalents as such these have been classified as cash and cash equivalents and reclassified from other investments. This has resulted in a restatement in both the cash flow statement as well as the statement of financial position to comply with the provisions of IAS 1 Presentation of financial statements and IAS 7 Statement of cash flows.

ii. Statement of cash flows for prior has also been restated to comply with the requirements of IAS 7 Statement of cash flows in respect of the following:

- Items reported as increase in other investments under cash flows from operating activities have been reclassified to cash flows used/(from) investing activities. Following the reclassification, the items have further been split to disclose separately gross receipts and payments of investment in government securities and purchase or proceeds from disposal of equity investments.

- There have also been prior year restatements relating to interest paid and interest received from the banking sector. Interest revenue and similar income and interest expense and similar charges from the banking sector have been adjusted in the profit adjustment under operating activities. These have also been included under interest paid and received from operating activities in line with the provisions of IAS 7 Statement of cash flows.

- Further, upfront payments relating to right of use assets amounting to K1,103 million in prior year have been reclassified from repayment of principal element of leasing liability under cash flows used in financing activities to cash flows from investing activities.

In millions of Malawi Kwacha

52 Prior year adjustments (Continued)

52.1 Other investments, interest received and paid, right of use assets (group financial statements) (Continued)

The financial impact of these restatement made to the statement of financial position and statement of cash flows are detailed in the analysis below:

Statement of Financial Position		**As previously reported**	**Adjustment**	**Restated**
2021				
Current Assets				
Other investments		257,893	(257,893)	-
Investments in government securities and equity		-	162,212	162,212
Cash and cash equivalents		91,900	95,681	187,581
2020				
Current Assets				
Other investments		137,590	(137,590)	-
Investments in government securities and equity		-	115,880	115,880
Cash and cash equivalents		92,196	21,710	113,906
Statement of cash flows				
2021				
Profit before income tax		68,367	-	68,367
Adjustments for:				
Interest revenue and similar income	37	-	(78,897)	(78,897)
Interest expense and similar charges	38	-	7,778	7,778
Operating cash flows before working capital movements		89,034	(71,119)	17,915
Working capital changes:				
(Increase)/Decrease in other investments		(175,933)	200,166	24,233
Cash generated from/(used in) operations		49545	129047	178592
Interest paid		(7,083)	(7,778)	(14,861)
Interest received		1,738	78,897	80,635
Net cash from/ (used in) operating activities		20,028	200,166	220,194
Cash flows from investing activities				
Gross receipts from investments		-	155,454	155,454
Gross payments from investments		-	(281,761)	(281,761)
Purchase of equity investments		-	(404)	(404)
Proceeds from disposal of equity investments		-	516	516
Payments for right of use assets		-	(1,103)	(1,103)
Net cash (used in)/from investing activities		(16,976)	(127,298)	(144,274)
Cash flows used in financing activities				
Repayment of principal element of leasing liability		(5,742)	1,103	(4,639)
Net cash used in in financing activities		(5,167)	1,103	(4,064)
Net increase/(decrease) in cash and cash equivalents		(2,115)	73,971	71,856
Cash and cash equivalents at start of the year		82,254	21,710	103,964
Cash and cash equivalents at end of the year		80,355	95,681	176,036

52.2 Contract assets and contract liabilities - group financial statements

A prior year restatement has been made in respect of contract assets and contract liabilities in the Group financial statements. Contract assets under current liabilities were previously disclosed in the notes under trade and other receivables and contract liabilities under current assets were disclosed under trade and other payables. These items have been reclassified to have their own line in the statement of financial position in compliance with IFRS 15 *Revenue from contracts with customers* disclosure requirements. The impact of these restatements are detailed in the analysis below:

In millions of Malawi Kwacha

52 Prior year adjustments (Continued)

52.1 Other investments, interest received and paid, right of use assets (group financial statements)

Statement of financial position	As previously reported	Adjustment	Restated
2021			
Current Assets			
Trade and other receivables	30,037	(1,165)	28,872
Contract asset	-	1,165	1,165
Current Liabilities			
Trade and other payables	108,095	(4,767)	103,328
Contract liabilities	-	4,767	4,767
2020			
Current Assets			
Trade and other receivables	32,753	(637)	32,116
Contract asset	-	637	637
Current Liabilities			
Trade and other payables	76,554	(5,610)	70,944
Contract liabilities	-	5,610	5,610

52 Subsequent events

The directors have proposed a dividend of K29 per share as disclosed in note 51. This dividend is subject to approval by shareholders at the Annual General Meeting.

Subsequent to the year end, as alluded to in note 14.2 above, following the Supreme Court ruling the Group's subsidiary, Presscane Limited is in the process of implementing the judgement. Furthermore, the entity received a court order requesting the Company to pay damages in form of dividends of K9,699 million to one of the Shareholders, Cane Products Limited in liquidation. The Court order is being contested as Directors of the entity are of the opinion that this course of action does not reflect the spirit of the judgement.

53 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.

Exchange rates as at 31 December.	2022	2021
Kwacha/United States Dollar	1,028.5	817.3
Kwacha/Euro	1,126.5	1,002.6
Kwacha/British Pound	1,274.2	1,199.3
Kwacha/South African Rand	62.3	58.7
Inflation rates as at 31 December (%)	25.4	9.3

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

Kwacha/ US Dollar	1,028.5
Kwacha/Euro	1,130.8
Kwacha/GBP	1,310.5
Kwacha/Rand	53.5
Inflation rates as at May 2023 (%)	29.2

NOTES

In millions of Malawi Kwacha

PROXY/VOTING FORM

I/WE …………..................……………………………................. (name/s in block letters) of……………..........................………….

…………………………............ (address) being a member of the above-named company, hereby appoint (see note 1 below):

the Chairman of the Meeting, or the Company Secretary, or……………………………………. of………………………………………

or, failing him/her……………………………………. of…………………………………………………………………………………

as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the company, to be held at National Bank of Malawi Plc Leadership Centre, Blantyre on Friday, 28th July, 2023 starting from 14:00 hours and at any adjourned meeting thereof.

I/We instruct my/our proxy or proxies to vote in the following way (see note 2 below)

Agenda Item		**Mark with X where applicable**		
Ordinary Business		**In favour**	**Against**	**Abstain**
1.	To note the Minutes of the 38th Annual General Meeting			
2.	To adopt the Directors' and Auditors' Report and Financial Statements of the Company for the Year Ended 31st December 2022			
3.	To declare a final dividend of MK3,487 million for 2022, representing MK29 per share			
4.	To authorise the Directors to appoint Auditors for the ensuing year and to authorise the Directors to determine their remuneration.			
5.	To re-elect Directors who retire by rotation and, being eligible, have offered themselves for re-election.			
	5.1 Mr. Gibson Ngalamila			
	5.2 Mr. Jim Nsomba			
6.	To authorize the Directors to determine the remuneration of Executive Directors			
7.	To fix the fees and sitting allowances of the Chairman and non-Executive Directors with effect from 1st January, 2023 as follows:			
	Directors Fees Chairman: MK14,883,000.00 Non-Executive Directors: MK12,430,000.00			
	Directors Sitting Allowances Board Chairman: MK665,500 Committee Chairperson: MK605,000 Non-Executive Directors: MK572,000			
8.	Other Business: To transact such other business as may be transacted at an Annual General Meeting, for which prior notice should have been given to the Company Secretary not less than 21 days before the date of the forthcoming Annual General Meeting.			

Signed at …………………………on this ………………day of …………………….2023

Signature …………...…………...…………………………...……………………………
Assisted by me (where applicable) (see note 3 below)

Notes to Form of Proxy

1. If you wish to appoint a proxy other than the Chairman of the Meeting or the Company Secretary, please insert that person's name and address and delete (initialling the deletion) "the Chairman of the Meeting or Company Secretary". The completion of the Form of Proxy will not preclude shareholders from attending and voting at the Annual General Meeting.

2. Please indicate, by inserting "X" in the appropriate box, the way in which your proxy is to vote. If you do not do so, your proxy will vote or abstain as he/she thinks fit.

3. This Form of Proxy must be signed by the appointer or his/her attorney duly authorized in writing or, if the appointer is a corporation, it must be under its common seal or be signed by some officer or attorney duly authorized in that behalf.

4. If two or more proxies attend the meeting, then that person attending the meeting whose name appears first on the proxy form, and whose name is not deleted shall be regarded as the valid appointed proxy.

Designed by Graphic Elements
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