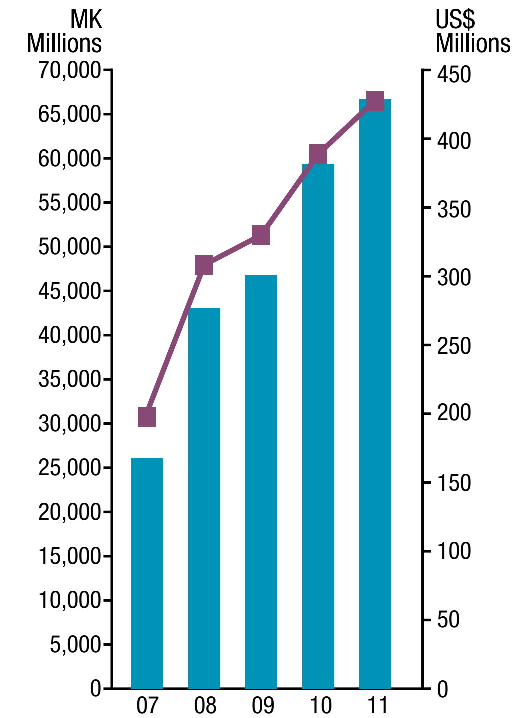
PRESS CORPORATION LIMITED
AND ITS SUBSIDIARIES

ANNUAL REPORT 2011

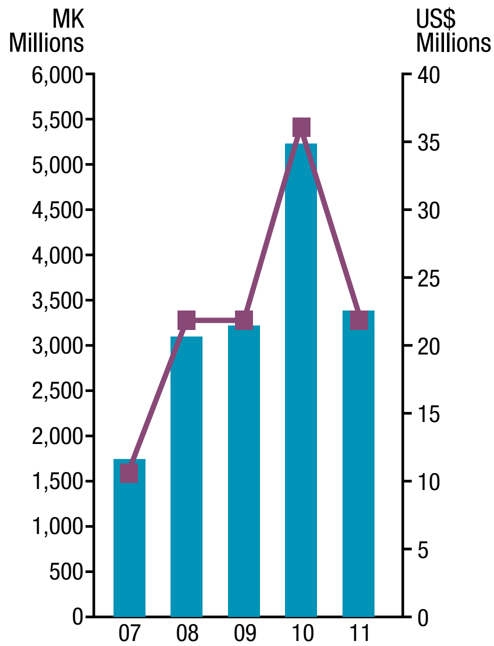
Contents

Turnover



	07	08	09	10	11
MK 'm	27,572	43,614	47,560	59,349	67,157
US$ 'm	197	310	326	398	427

Profit Attributable to Ordinary Shareholders

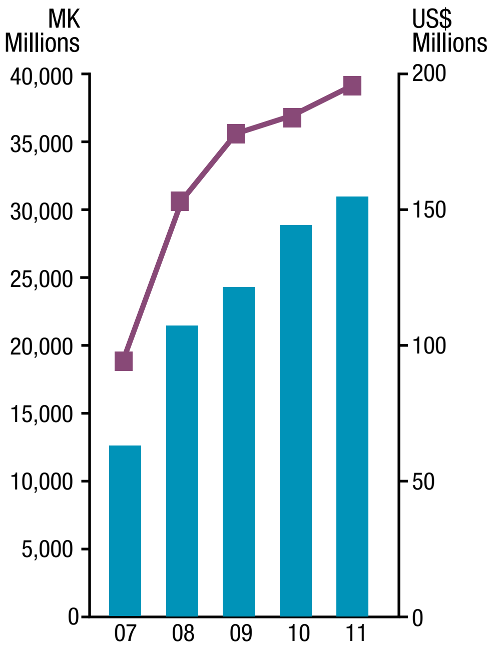


	07	08	09	10	11
MK 'm	1,708	3,140	3,273	5,316	3,469
US$ 'm	12	22	22	36	22

Financial Highlights

	Malawi Kwacha			US Dollars		
	2011	2010	Change %	2011	2010	Change %
Group Summary (in millions)						
Turnover	67,157	59,349	13.16	427	398	7.27
Attributable earnings	3,469	5,316	(34.74)	22	36	(38.14)
Shareholders' equity	47,648	42,544	12.00	291	282	3.11
Share performance						
Basic earnings per share	28.86	44.23	(34.75)	0.18	0.30	(38.14)
Cash retained from operations per share	124.79	70.10	78.02	0.76	0.46	63.89
Net asset value per share (shareholders' equity per share)	396	354	12.00	2.42	2.35	3.11
Dividend per share	4.66	4.66	0.00	0.03	0.03	(7.94)
Market price per share	180	170	5.88	1.10	1.13	(2.52)
Price earnings ratio	6.2	3.8	62.27	5.99	3.80	57.59
Number of shares in issue (in millions)	120.2	120.2	0.00			
Volume of shares traded (in thousands)	851	1,119	(23.92)			
Value of shares trades (in MK miilions)	152	177	(13.96)	0.97	1.18	(18.44)
Financial statistics						
After tax return on equity	12.86	18.20	(29.34)	0.08	0.12	(34.95)
Gearing	22%	18%	(22.25)			

Ordinary Shareholders' Funds



	07	08	09	10	11
MK 'm	13,546	21,522	24,611	28,187	31,771
US$ 'm	97	152	167	187	194

Exchange Rate (MK/US$)	2007	2008	2009	2010	2011
Average monthly exchange rates	139.82	140.59	145.99	149.12	157.30
Year end exchange rates	140.32	141.99	147.44	150.80	163.80

Mission Statement

To be a leading Corporation acting ethically and responsibly in Malawi and the region, generating real growth in shareholder value through diverse goods and services

Corporate Social Responsibilities

Press Corporation Limited is a member of the UN Global Compact Network and by signing up has endorsed the Global Compact Principles in terms of the Group's operations.

INTEGRITY

Press Corporation Limited is committed to a policy of fair dealing and integrity in the conduct of its businesses. The Corporation's commitment is based on the belief that business should be conducted honestly, fairly and legally. As such Press Corporation Limited expects all its employees to share its commitment to high moral, ethical and legal standards.

In an attempt to ensure consistently high standards in the manner in which its operations are managed, Press Corporation Limited embarked on a continuing programme to certify several employees as Ethics Officers. Two employees were certified by the Ethics Institute of South Africa and they will in turn become trainers. The Corporate Head Office shall, through a designated office, monitor ethical standards in its subsidiary and associate companies.

As a way of continuing with upholding high ethical standards in the way we conduct our business, Press Corporation has introduced a procurement manual which is in line with procurement best practice as well as a multi-departmental procurement committee. The aim is to conduct all procurement processes in a transparent, accountable, fair and competitive manner with impeccable standards.

Our suppliers are bound by the rules of this manual which prevents them from conducting corrupt practices, fraudulent practises and collusion. The manual also acts as a guide to staff members in procurement positions to maintain the integrity of the Company by acting fairly when dealing with suppliers. The manual will be adopted and implemented in all our subsidiary companies.

EMPLOYMENT EQUITY AND HIV/AIDS POLICY

Press Corporation Limited's employment policy is based on a system of opportunities for all. Employment equity seeks to identify, develop and reward each employee who demonstrates the qualities of individual initiative, enterprise, hard work and loyalty in their jobs.

Employment is on the basis of merit rather than an individual's race, colour, creed, gender, or other criterion unrelated to their capacity to do the job.

Employees have the right to work in an environment which is free from any form of harassment or unlawful discrimination with respect to race, colour, creed, gender, place of origin, political persuasion, marital or family status or disability.

Furthermore, Press Corporation Limited and its subsidiary companies have an HIV/AIDS Policy whose core objective is to promote the Company's responsibility for providing a healthy and equitable work environment for all employees, including those with HIV/AIDS.

To this end, Press Corporation has a fully equipped clinic to provide free anti-retroviral therapy to employees of the Group and on a nominal fee to the general public. The members of staff at the clinic have been trained to provide the appropriate counselling to employees who are diagnosed with the HIV virus.

ENVIRONMENTAL MANAGEMENT

Press Corporation Limited and its subsidiaries are committed to developing operational policies to address the environmental impact of its business activities by integrating pollution control, waste management and rehabilitation activities into operating procedures.

In a bid to ensure environmental management sustainability by controlling pollution and waste management, Press Corporation in partnership with the Blantyre City Council, rehabilitated the main trunk sewer (600mm diameter) in Blantyre City by laying new sewer pipes, constructing new manholes and gabion baskets in order to direct effluent away from the river system to the designated sewerage treatment plant.

Members of staff are still encouraged to "reduce, re-use and re-cycle" paper. All waste paper is shredded and donated to a local re-cycling organisation.

Bottling and Brewing Group Limited, one of our joint venture companies trading as Carlsberg Malawi, embraces pollution control and waste management by treating and returning waste water to the environment.

The aim is to return 100% of the water used in its processes. The Company has constructed a waste water treatment plant in its new soft drink plant which treats all liquid waste to acceptable limits before being discharged back to the environment.

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

As a way of managing waste, both our ethanol producing subsidiaries, Ethanol Company Limited (Ethco) and Presscane use ponds to withhold effluent from the ethanol production. This by-product, vinnase, is naturally evaporated and the remaining sludge is used as a fertiliser supplement because of its richness in potassium. Part of this supplement is taken back to the sugar-making company (and applied in the sugar cane fields). The byproduct there is molasses which is the raw material in ethanol production.

Ethanol Company has gone a step further in protecting the environment and maximises the use of steam from a renewable source (sugarcane bagasse steam from Dwangwa Sugar Corporation) as opposed to steam from coal which is a fossil fuel.

Deforestation has continued to be catastrophic in Malawi - where the economy depends mainly on agriculture. Effects have been loss of soil fertility, changes in rainfall patterns and floods. The Press Group of companies has in the past year attempted to reverse the trend by planting more than 35,000 tree seedlings countrywide, through TNM, MTL, Carlsberg and Press Cane.

In order to preserve the trees, TNM, our mobile telecommunication company has gone further and introduced the Pompo pompo promotion with the aim of promoting the use of automatic credit recharge as opposed to recharge cards which use paper.

COMMUNITY ENGAGEMENT

As a responsible corporate citizen, Press Corporation Limited and its subsidiaries aim to give back to the communities in which we operate.

Ethanol Company Limited freely delivers dry sludge from the ethanol production process to local small scale farmers in its community within a 20 km radius. This sludge is used as a fertiliser supplement in their gardens hence reducing the communities' fertiliser costs. TNM has partnered with YONECO a non-governmental organisation whose aim is the elimination of child abuse, violence against children and exploitation of children in schools and communities in Malawi through the expansion of the Child Helpline Services in Malawi. TNM provides the Toll Free lines.

SOCIAL INVESTMENTS

Further to its commitment to the community, Press Corporation and its subsidiary, joint venture and associate companies make donations in cash and in kind to organisations involved in serving the less privileged members of society. In the year 2011, donations were made towards education and health.

Press Corporation Limited continued to award a cash prize to the student who completes the final stage of the ACCA programme at the Malawi College of Accountancy with the highest marks in the Strategic Financial Management paper.

Our subsidiaries, MTL, Ethanol Company Limited and Carlsberg Malawi, mindful of educating the nation, have engaged in projects to renovate primary and secondary schools, providing learning materials to rural schools and sponsoring sporting activities.

HEALTH FACILITIES

As part of its corporate social responsibility, and to assist the less privileged in the community, Press Corporation Limited has not limited its clinical services to members of staff only, but has opened these to the general public.

Maldeco Fisheries, a subsidiary of Press Corporation followed suit and operates a fully fledged clinic which offers an array of services to the communities surrounding the company. In the past they had to travel long distances to access medical care.

Malawi is one of the countries in sub-Saharan Africa with a high maternal mortality rate. One of the Millennium Development Goals is to reduce the rate by 75% by the year 2015. In order to complement government efforts, Press Corporation Limited, through its subsidiaries and associates, has made donations towards maternal health. During the year TNM, MTL and Presscane engaged in activities including renovations of maternity wings, donations of hospital equipment, motorcycle and bicycle ambulances to transport expectant mothers to health centres, thereby reducing the number of unsafe home births.

As a bottler for the Coca-Cola Company, Carlsberg Malawi was able to receive medicines worth $1.5 million - from a partnership between the Coca-Cola Africa Foundation and CitiHope. Through this partnership, essential medicines were handed over to the Ministry of Health for distribution in public hospitals across the country.

ANTI-CORRUPTION

Press Corporation Limited and its subsidiary companies continue to support one of the main objectives of the Business Action Against Corruption (BAAC) which is to actively promote business commitment to fighting corruption and foster widespread support for the Business Code of Conduct and to pursue linkages with relevant national and regional business led anti-corruption initiatives.

As an extension of the Group's fraud policy, Press Corporation Limited and its subsidiaries subscribe to Tip Offs Anonymous, a whistle blowing hotline service provided by Deloitte. This can be used by those of the Group's employees who may have reservations about using the internal reporting mechanism provided for in the fraud policy.

The Chairman of PCL, Dean C Lungu

Chairman's Statement

THE GENERAL ECONOMY

The Malawi Economy faced several macro-economic challenges during 2011. The persistent foreign exchange and fuel shortages created an unfavourable environment for business and this, coupled with the reduction of the budget allocation for the fertiliser subsidy programme and the devaluation of the Malawi Kwacha during the year, dampened productivity. Consequently the national Gross Domestic Product (GDP) declined by 21% to 5.3%, from 6.7% in 2010.

Output from agriculture declined significantly following the 12% reduction in the input subsidy programme, as well as the erratic rainfall experienced during the period. Funding for the fertiliser subsidy was reduced from MK19.7 billion in 2010 to MK17.4 billion in 2011. Tobacco earnings declined by 30% to US$293 million in 2011, from US$410.60 million in 2010. This was mainly due to the poor performance of burley tobacco whose average price per kilogram went down to US$1.13 from US$1.89 in 2010. Overall, the contribution from the agricultural sector, which has always been the main driver of the country's economy, declined to 27.8% from 34% in the previous year. The mining sector had the highest GDP growth of 33.1% during the year. This was despite low uranium prices on the world market attributed to the Fukushima nuclear disaster in Japan.

In 2011 inflation increased to an average of 8.9% from 7.4% in 2010, with urban inflation peaking at 10.4%. This was as a result of increase in both food and non- food prices caused by factors like low agricultural harvests and foreign exchange shortages, resulting in increases in the prices of imported commodities.

EXCHANGE RATES AND MARKET DEVELOPMENTS

Due to the persistent foreign exchange shortages occasioned by a decrease in tobacco revenues, suspension of donor aid and balance of payment support, and excess demand for imports; the Malawi Kwacha was depreciated by 10% against the dollar to trade at MK165/

US$ during the year from MK150/US$ in 2010. The British pound also depreciated from MK235.60 / GBP to MK252.44 / GBP. The South African rand however appreciated in value to close at MK20.03/ZAR, from MK23.08/ZAR. These developments resulted in an average increase of 30% in commodity as well as fuel prices.

As at 30th December 2011, the gross foreign currency reserves stood at US$380.0 million representing a 2.94 months' worth of import cover, down from the previous year's US$391 million, an equivalent of 3.03 months import cover.

MONETARY AND FISCAL POLICY

In the year 2011, the Treasury Bill yield increased across all tenors with the 91 day tenor proving most popular, having 54% of the total applications and closed the year at an average yield of 6.84%, from 6.35% in 2010. The 182 day tenor closed at 7.61%, from 7.00% in 2010 whilst the 273 day closed at 8.59%, from 7.46% in 2010. The total Treasury Bill allotments for the year were MK89.95 billion against maturities of MK97.7billion.
The Bank rate remained at 15%.

STOCK MARKET DEVELOPMENT

The Malawi All Share Index (MASI) gained by 8.41% to close at 5,369.42 points in 2011, from 4,953.09 in 2010. This was due to an increase in traded volumes and values resulting from low money market returns. The Domestic Share Index (DSI) gained 8.05% to close at 4,238.39 points 2011 from 3,922.61 points in 2010, while the Foreign Share Index (FSI) gained by 52.14% from 351.92 points in 2010 to 535.42 points in 2011.

One company, Packaging Industries Malawi Limited delisted from the Malawi Stock Exchange during the year, leaving the total number of listed companies on the Malawi Stock Exchange at 14.

OUTLOOK FOR 2012

Following the change in leadership on 7th April 2012, the future direction for the Malawi economy looks positive. A complete turnaround in the macro-economic climate is expected. The new leadership has shown a serious resolve to get

Construction of the new BBGL production plant in Lilongwe was completed and on line in December 2011. The plant effectively doubled the company's production capacity but was largely under-utilised during the period - due to the shortage of raw materials

the ailing economy back on track by among other things, mending the country's soured relationship with the donor community and reviving the currently derailed IMF's Extended Credit Facility programme in its present form or establishing a totally new programme. Likewise, all the country's major donors have pledged their support to the new Government. Going forward into 2012, rapid and positive changes are expected in the economy.

The initial projections were that the economy would slow to 4% from 5.3% in 2011 (Economic Intelligence Unit), but this may now be different depending on how quickly planned economic reforms by the new Government are implemented. The expectation is that the current economic decline will be reversed as the critical macro-economic indicators are corrected to encourage productivity.

Economic growth is expected to be driven by mining, communication, retail and real estate sectors. The World Bank, on the other hand, identified tourism, transport, manufacturing and agriculture as sectors with the potential to drive economic growth given serious investment by Government.

The agriculture sector is expected to decline in 2012 due to the reduction in the production of maize and tobacco. Maize production is expected to fall following the reduction in funds allocated to the fertiliser subsidy programme and the erratic rains during the 2011/2012 growing season. Similarly, tobacco output for 2012 is projected to fall by 36% largely due to the dry spell experienced during the year and the introduction of quotas amid declining global demand. The Tobacco Control Commission indicated that demand from international buyers for 2012 is pegged at 160 million kg, representing an 11% decline on the 180 million kg sold in 2011.

The Malawi Kwacha, which is currently overvalued, is expected to be devalued as one of the conditionalities for the resumption of donor aid. The World Bank has, however, pledged to support the country with packages aimed at protecting the poor from the impact of the IMF reforms to be undertaken. Inflation is expected to be moderated because the parallel market rate of foreign exchange has already been impounded in prices.

GROUP PERFORMANCE

Reported results for 2011 were affected by the impact of the macro-economic challenges faced during the year. Further the Group suffered a one-off fair value loss on the newly constructed National Bank of Malawi Business Centre and Office Complex. Most companies struggled to meet their budgeted revenues because of the acute foreign currency and the attendant fuel shortages experienced during the period. As a result earnings per share declined to 28.86% from 44.23% in 2010. A consolidated profit after tax of MK6.127 billion was achieved compared to MK7.742 billion in 2010.

DIVIDEND

An interim dividend for the year 2011 of MK200 million (2010: MK200 million) representing MK1.66 per share (2010: MK1.66 per share) was paid on 7 October 2011. Directors have proposed a final dividend for the year 2011 of MK360.6 million (2010: MK360.6 million) representing MK3.00 per share (2010: MK3.00 per share). A resolution to approve the final

National Bank of Malawi completed the construction and took occupation of its Business Centre and Office complex in December 2011. The complex is expected to improve efficiency and optimise the deployment of the Bank's corporate staff as they will now be housed in one building


National Bank

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dividend will be tabled at the forthcoming Annual General Meeting.

MAJOR COMPANY HIGHLIGHTS

National Bank of Malawi

National Bank of Malawi completed the construction and took occupation of its Business Centre and Office complex in December 2011. The complex is expected to improve efficiency and optimise the deployment of the Bank's corporate staff as they will now be housed in one building.

Carlsberg Malawi

Construction of the new production plant in Lilongwe was completed and commercialised in December 2011. The plant, which effectively doubled the company's production capacity, was largely under-utilised during the period due to the shortage of raw materials.

PROSPECTS FOR 2012

The Group's prospects for 2012 look bright following positive policy changes in the wake of the change in leadership. It is expected that the new government will implement economic reforms intended to encourage productivity and restore entrepreneurship in the private sector. The diversity of the business portfolio and the strong position of our companies give the Group a strong base from which to drive growth. Growth drivers are expected to come

Subsequent to BPSA selling its 50% stake in BP Malawi, came the name change to Puma Energy Malawi Limited. This entailed the rebranding of all the service stations in the country

from investments in the financial services segment, the manufacturing businesses and telecommunications.

MANAGEMENT OF THE COMPANY

There were no changes in company management.

THE BOARD OF DIRECTORS

Mr J. Regout retired from the Board and in accordance with Article 52.7 of the Company's Memorandum and Articles of Association, Old Mutual nominated Mr C Kapanga to replace Mr Regout. Mr Kapanga was formally appointed by the Board on 26th August 2011.

APPRECIATION

I thank my fellow Directors, management and staff for their continued support, co-operation and dedication during a difficult year and look forward to further improvement in the company's performance and the continued implementation of its strategy.

DEAN C LUNGU
CHAIRMAN

The Group Chief Executive of PCL,
Dr M A P Chikaonda

Group Chief Executive's Report

OVERVIEW

The Press Group achieved a consolidated profit after tax of MK6.127 billion (2010: MK7.742 billion) for the year ended 31 December 2011. This represents a 21% decrease on 2010. Net profit attributable to ordinary shareholders was MK3.469 billion (2010: MK5.316 billion), representing a 35% decrease on prior year.

This was after taking into account a fair value loss on the newly constructed National Bank of Malawi Business Centre and Office Complex. Further, the difficult macro-economic climate, characterised by severe foreign currency shortages and the attendant fuel supply challenges, had a seriously negative impact on the performance of most companies in the Group.

In line with the Group policy on Property, Plant and Equipment (PPE) which requires that PPE is carried at fair value, the new Business Centre and Office Complex which had hitherto been carried at cost as work in progress was valued as at 31st December 2011, resulting in the Bank suffering an impairment loss amounting to MK1.7 billion. Without this loss actual after tax profit for 2011 would have been MK7.317 billion representing a decrease of 5% on 2010.

MALDECO FISHERIES (A DIVISION OF THE FOODS COMPANY LTD)

The company's performance in 2011,was negatively affected by operational challenges stemming from the frequent vessel breakdowns experienced during the period and the unfavourable weather conditions which prevailed for most of the year. Repair works were hampered by the company's inability to import some essential spare parts due to lack of foreign exchange. Consequently the company's fish catches were lower than both budget and prior year.

A new vessel, the m.v. Fish Eagle, was commissioned in the first half of the year but its performance was below plan due to mechanical challenges. As a result of the under-performance the vessel was impaired and the company suffered a loss of MK120.0 million. This reduced the company's profits to MK33.0 million.

Performance for 2012 is likely to be influenced to a large extent, by the weather patterns that will prevail in the year and the available fish stocks in the lake.

ETHANOL COMPANY LIMITED

The company had a very successful year in 2011. Production reached 8.9 million litres of ethanol which was 6% above 2010's production. The quality of ethanol produced during the year was high and production efficiencies were above plan.

The company posted a significant increase in pre-tax profit for the year from MK467 million in 2010, to MK767.0 million.

Given the continuing strong demand for the company's potable alcohol and the increase in the blending ratio for petrol to 20% from 10%, prospects for 2012 look bright.

PRESS PROPERTIES LIMITED

Turnover for 2011 was 4% below that achieved in 2010. This was to be expected because in the previous year, the company had a one-off sale of 32 residential plots in Lilongwe which generated a large portion of revenue, not replicated in 2011. However, property sales were robust generally due to investors choosing to put money in real estate because of the low interest rates offered by the banks. This was also attributable to the fear of an imminent and significant devaluation of the Malawi Kwacha. Owing to the provision of electricity and water at the Chapima Heights Project (after a more than two year delay), there was renewed interest in the purchase of houses and plots. In addition, there was higher than expected rental income as a result of full occupancy in all available lettable units.

Prospects in 2012 appear much better than hitherto envisaged, because the economy is now widely expected to improve significantly, following the favourable change in the macro-economic policy direction accompanying the change of government.

PRESSCANE LIMITED

Sales volumes (litres) were 48% above prior year on account of the petrol blending ratio which was increased from 10% to 20% towards the end of the previous year. In addition, Ethanol Company Limited (the sister company) concentrated on producing potable alcohol in 2011, leaving the fuel market to Presscane for the larger part of the year.

Insufficient supply of molasses remains a key challenge hence the plant continues to operate below capacity. However, initiatives to secure sufficient coal from local and external suppliers worked very well in this year. As a result, there were no production stoppages arising from stock-outs of coal.

Prospects for the future remain bright.

THE PTC GROUP

Trading conditions worsened significantly in 2011 such that turnover was just 2% above the previous year, a figure well below the inflation rate that averaged around 10% in the year. Profit margins eroded slightly as competition remained strong in a shrinking market.

As in the previous year, the major reason for the unfavourable trading conditions was shortage of foreign exchange and fuel, which became more acute in the second half of the year. The recent change of national leadership has created a strong groundswell of optimism that there will be a positive and rapid change in the state of the economy. Consequently, the outlook for 2012 appears quite positive.

MALDECO AQUACULTURE LTD

The company's fish harvest for the year was relatively high during the first half of the year as the company was harvesting from fish stocks which had been in the cages for as long as twenty months due to slow growth during the previous year and a half. The slow growth was mainly the result of a lack, for several months, of an important feed ingredient during the 2009 growing period. In the second half of the year however, fish harvests were often low due to substantial fish theft.

The accelerated harvesting during the first half of the year helped to confirm the high demand for fish in the market.

In 2010 we did not produce sufficient number of fingerlings, due to lack of adequate parent stock (brood stock). This impacted negatively on the cage restocking programme for 2011 so that, by the end of the year, less than fifty per cent of the cages in the lake carried fish stocks.

The company incurred a loss of MK407.0 million due to such operating problems as highlighted above.

Prospects for 2012 look better following improvements being implemented in the management of hatchery as well as cages which include: the acquisition of more brood stock to boost fingerling production for restocking the cages; more attention to proper feeding techniques to ensure that fish are adequately fed and that feed wastage is significantly reduced. These measures are expected to result in a lower Food Conversion Ratio (FCR) and adequate stocking of the cages by the end of the year.

Prospects for Maldeco Aquaculture look better in 2012 with improved management of hatchery and cages, the acquisition of more brood stock to boost fingerling production, greater attention to proper feeding techniques and reduction in feed wastage

PUMA ENERGY MALAWI LIMITED

Sales volumes (litres) for 2011 were 10% below prior year, the result of severe fuel shortages which continued from the previous year but became acute in the second half of 2011. However, turnover was 8% above previous year largely due to a price increase that took place earlier in the year which, however, was lower than the average inflation of 10%.

Pre-tax profit was 41% lower than the previous year due to the low sales volumes and a large provision of bad debts which had to be taken in to comply with International Financial Reporting Standards, although this money is expected to be recovered.

During the year, BPSA sold its 50% stake in the business to PUMA Energy and completely exited the then BP Malawi. Subsequent to this a name change was effected, from BP Malawi to Puma Energy Malawi Limited, resulting in the rebranding of all service stations in the country. BPSA carried out similar transactions in four other countries in southern Africa where they also exited those markets.

NATIONAL BANK OF MALAWI

National Bank recorded strong underlying performance in spite of a very challenging operating environment. Group pre-tax profit at MK5.2 billion was slightly above that attained in 2010 (MK5.1 billion). This outturn is after expensing a one-off fair-value loss of MK1.7 billion on the new Business Centre and Office Complex which was occupied in the last quarter of the year. The completion of the modern state-of-the art building is a major milestone, expected to enhance productivity and efficiency in operations and also promote optimal deployment of corporate resources.

As a result of the difficult general macroeconomic environment that prevailed in 2011, particularly the acute shortages of foreign exchange and fuel, there was a general depression in business activity. Consequently, there was a reduction in new loan applications and overdraft utilisation levels. The Bank's treasury operations also experienced low trading volumes in foreign exchange.

Puma sales in litres were for 2011 10% below the previous year, the result of severe fuel shortages which continued from 2010 but which became acute in the second half of 2011

The acute shortages of foreign exchange and fuel which prevailed in 2012 brought a general depression in business activity. This in turn produced a reduction in new loan applications and overdraft utilisation levels which adversely affected the National Bank's performance

A new unit specialised in the provision of project finance solutions to meet growing needs in the medium and long-term space was commercialised during the year. This new offering has started off on a very encouraging and steady growth path.

Total earning assets and customer deposits grew by 13% and 10% respectively. The Bank's continued growth will depend on its ability to leverage its core strengths and exploit opportunities in the market that focus on maximising value delivery to customers. In this regard the Bank has developed an appropriate strategy and has the necessary human, infrastructural and technological resources to increase its market share and sustain its growth.

MALAWI TELECOMMUNICATIONS LIMITED

Although revenue was 18% above prior year, this achievement was 17% below budget. The under-budget performance was occasioned largely by failure to realise planned revenues due to delays in completing projects to establish last mile connections. The new fibre-optic cable (FOC) backbone needs to be complemented with metro rings and wireless technology to create a new access network. In 2011, a significant portion of revenue was to be generated from internet and IP Data sales, but only 42% of the expected revenue was realised, owing to access network equipment arriving late, or not at all, due to foreign exchange challenges.

The loss before tax incurred in the year was 65% above the loss incurred in the previous year. This was mainly because of increased depreciation arising from the capitalisation of the FOC backbone, impairment costs following the heavy investment in modern infrastructure, which has not only increased the asset base but also rendered some equipment redundant or obsolete, and heavy finance costs arising from borrowings to finance the new infrastructure and equipment.

The FOC backbone project, covering 1,400 km was completed and commercialised in the year. Other attendant projects being overlaid on the FOC backbone are at various stages of completion. The Regulator implemented converged licenses at the end of the year, the result of which is that the company's wireless (CDMA) network is now fully mobile since CDMA phones are no longer restricted to specific geographic locations. Focus is now on the generation of revenue through greater improvement of the access network.

MACSTEEL MALAWI LIMITED

Sales volumes (tons) for 2011 were 31% below prior year due to frequent stock-outs as the company could not import adequate stocks in timely manner - the result of the acute foreign exchange shortages experienced during the year. However, owing to the resultant stock shortage, prices steadily increased such that year-end profits were 19% higher than the previous year due to higher than anticipated profit margins.

A project to computerise all sales outlets and link them to the company's Head Office was commenced during the year and is on-going. It will enable greater efficiencies in stock management and general controls.

TNM LIMITED

Turnover was 24% above the previous year but 11% below budget. The lower-than-budget performance was mainly because of foreign exchange and fuel shortages which negatively affected operations. Most of the company's base stations are heavily dependent on diesel for back-up power supply. In addition, TNM has more than 40 base stations which are not connected to the electricity grid and run entirely on diesel generators while the company also runs diesel back-up generators on most of base stations.

The subscriber base grew by 35%, a sizeable portion being high-end customers.

Pre-tax profit was 15% above the previous year, but 13% below budget mainly on account of the poor macro-economic conditions. In addition, overheads were 6% above budget and 24% above the previous year, chiefly due to a significant increase in depreciation charges for the heavy investments in new network equipment procured in the past three years.

During the year, discussions were held with a couple of potential technical partners with a view to the technical partner taking up a significant shareholding in TNM. However, the discussions were discontinued owing to lack of consensus over some technical matters. Prospects for the future remain bright.

CARLSBERG MALAWI

Sales volumes (hectolitres) for 2011 were 18% above the previous year but 6% below budget. The under-budget performance was occasioned by the erratic availability of imported raw materials due to foreign exchange shortages. This led to frequent stock-outs in sales outlets. Turnover was similarly 13% above the previous year but 5% below budget.

Pre-tax profit was 8% above the previous year but 15% below budget on account of the much lower than anticipated production volumes.

The new combi-line in Lilongwe was successfully installed and commissioned on

TNM is a key player in the Malawi's mobile telecommunications industry. Turnover was 24% above the previous year but 11% below budget. The lower-than budget performance was mainly because of foreign exchange and fuel shortages which negatively affected operations

Sales volumes at Carlsberg as measured in hectolitres were, in 2011, 18% above the previous year but 6% below budget. The under-budget performance was caused by erratic availability of imported raw materials due to the severe foreign exchange shortage

14th December 2011. This effectively eliminates the production capacity constraint which has dogged the entity in recent years.

LIMBE LEAF TOBACCO COMPANY

The national crop size, which was just over 237 million kg was 8% above the previous year. However, the average price dropped to 160 cents from 234 cents the previous year, largely due to quality problems.

Limbe Leaf's share of the market at 93 million kg was nearly 30% above the previous year. Consequently, market share rose to 39% from 32% the previous year.

As in the previous year, power and water supply interruptions continued to affect production negatively. However, management continue to exert effort to reduce costs and increase efficiency gains. In this regard, after-tax profits were nearly two and half times greater than the previous year.

STAFF WELFARE AND DEVELOPMENT

Press Corporation Limited continues to play its part in the fight against HIV/AIDS in the workplace with all related awareness activities being conducted during working hours. The company still sits on the board of the Malawi Business Coalition Against HIV/AIDS (MBCA) and is an active member of this private sector initiative. We continued to hold HIV/AIDS awareness events during the year and on the World AIDS Day, we commemorated the day by holding an event for employees and their spouses, where experts from MBCA and other organisations gave talks in line with the 2011 theme "Getting to Zero."

Training and development of staff continues to play an important role in the Company's overall strategic plan to allow for the efficient delivery of services and also provide for effective succession planning. Training in management and leadership is encouraged at the senior and middle management level. Other employees continue to be sponsored on courses relevant to their individual developmental needs in areas such as accounting, marketing and human resources.

We continue to seek and recruit qualified and young graduates into our Press Group management training programme which has been running for the past eight years. Upon the completion of their training, the recruits are allocated to various subsidiary companies and interests to ensure the Group has a reservoir of future managers.

STRATEGIC DIRECTION

Press Corporation Limited is keen to maintain its leadership role in the private sector. Divestiture of loss-making operations has helped stabilise the Group's earnings and assisted the company being able to focus on the profitable operations to ensure that they grow market share.

Visible investment opportunities will continue to be explored in various sectors (e.g. tourism and energy) to strengthen the Group's portfolio of investments and enhance its income stream.

The Group's policies will continue to be:

- Hold at least a 50% equity in investments so as to influence key decisions and overall strategy;

- Ensure that Group's debt equity ratio remains consistent with the company's risk policy;
- Pay such dividends as take into account cash flows *vis-à-vis* potentially profitable investment opportunities;
- Operate with reputable joint venture partners to take advantage of their management and technical expertise;
- Maintain strict performance criteria for investments and divest underperforming assets in a timely manner; and
- Conduct business in an environmentally responsible manner and work with various stakeholders such as Government and donors, in promoting sustainable development.

In conclusion, I wish to sincerely thank staff, management and the board of directors of Press Corporation Limited for their untiring support during the year and for the entire duration of my tenure of office.

DR M A P CHIKAONDA
GROUP CHIEF EXECUTIVE

Chayamba Building, in the heart of Blantyre's CBD, has been home to Press Corporation since 1998

Directors

Mr D C Lungu
Chairman

Mr S A Itaye
Audit Committee Chairman

Mr J A Regout
Audit Committee member (until 01/07/2011)

Mr C A Kapanga
Audit Committee member (from 26/08/2011)

Mr C S Chilingulo
Appointments and Remuneration Committee Chairman

Mr A G Barron
Appointments and Remuneration Committee Member

Mrs M S Kachingwe
Appointments and Remuneration Committee Member

Dr M A P Chikaonda
Group Chief Executive

Mr P P Mulipa
Group Operations Executive

Management

Dr M A P Chikaonda
Group Chief Executive

Mr P P Mulipa
Group Operations Executive

Mr A G Sesani
Group Executive - Special Assignments

Mrs E Mafeni
Group Financial Controller

Mrs A J Varela
Group Projects Executive

Mr C J Evans
Group Administration Manager / Company Secretary

Profiles of Directors

DEAN C LUNGU
B.Sc., M.Sc. (Eng.)
CHAIRMAN

Age 61,
first appointed to the Board
22 February 1996

Mr Lungu is a registered Mechanical Engineer who has held various senior appointments, including Chief Executive of Maltraco Limited. He runs his own business comprising of Deans Engineering Company Limited (DECO), CNL Engineering Limited and Tapiwa Investments Limited. Mr. Lungu also sits on the Alexander Forbes Malawi Board. Mr Lungu has held other directorships at Malawi Railways Limited (Chairman), Malawi Bureau of Standards, David Whitehead & Sons and Intraco Services Limited (UK).

SIMON A ITAYE
B.Com., FCCA, MBA

Age 54,
appointed to the Board on
5 March 1998

Mr Itaye has extensive experience in audit, financial and strategic general management and is currently the Managing Director of Packaging Industries (Malawi) Limited (PIM). He is non executive Chairman of Investments Alliance Limited.

CHRIS A. KAPANGA

Dip Bus Mgt., ACII, MBA,
Chartered Insurer

Age 52,
appointed to the Board on
26 August 2011

Mr Kapanga is a Chartered Insurer with over thirty years international experience in the insurance industry. He has held senior positions in a number of insurance companies and is currently Group Managing Director of Old Mutual (Malawi) Ltd. He is also a director on the boards of National Bank of Malawi Ltd, MPICO Limited and Old Mutual Unit Trusts Ltd, and he is Chairman of Old Mutual Asset Managers Ltd.

CLEMENT S CHILINGULO

LL.B, FCIS

Age 58,
appointed to the Board on
7 February 2001

Mr Chilingulo has served in legal and company secretarial positions of several companies starting with Press (Holdings) Limited where he rose to the position of Deputy Group Company Secretary and INDEBANK and Standard Bank where he served as Legal Counsel/Company Secretary. Currently, he is Executive Secretary of Press Trust, a public trust which has extensive investments in all sectors of the Malawi economy. By virtue of his position with Press Trust, Mr Chilingulo sits on the Boards of several companies in which the Trust has invested.

ANDREW G BARRON
HND Bus

Age 52,
appointed to the Board
29 August 2000

Mr. Barron is a farmer and the Managing Director of Mbabzi Estates Limited and Lincoln Investments (Pvt) Limited, a position that he has held since 1989. He also has a number of other business interests and is a director at Malawi Property Investments Company Limited, New Capital Properties Limited, Capital Developments Limited, Auction Holdings Limited, Seed-Co Malawi Ltd, Malawi Leaf Company Limited, Tobacco Investments Limited, Agricultural Trading Company Limited and Plantation House Investments Limited.
He is an alternate Councillor at the Tobacco Association of Malawi.

MAUREEN S T KACHINGWE
MBA, LL.B (Hons)

Age 45,
appointed to the Board on
31 August 2007

Mrs Kachingwe is a lawyer currently Director of Legal and Corporate Affairs with Sunbird Tourism Limited a company she has been with from 1994. Prior to this she was a Legal Practitioner for a private legal firm between 1990 and 1993. Mrs Kachingwe has extensive experience in corporate & labour law and has served on a number of corporate and professional boards.

Profiles of Directors and Management

DR MATHEWS A P CHIKAONDA

B.A. (Hons), Dip. Business, MBA, Ph.D. (Finance)

DIRECTOR, GROUP CHIEF EXECUTIVE

Age 56,
appointed to the Board
1 April 2002

Dr Chikaonda joined the Group on 1 April 2002 as Group Chief Executive. Prior to this, he served as an Assistant Professor of Finance and an Associate Professor of Finance (tenured) from 1988 to 1991, and 1992 to 1994, respectively, at Memorial University of Newfoundland in Canada before serving as Deputy Governor of the Reserve Bank of Malawi from August 1994. In January 1995, Dr Chikaonda was appointed Governor of the Reserve Bank of Malawi and served in this post until March 2000 when he was appointed to the Cabinet and served in the Government of Malawi as Minister of Finance and Economic Planning until January 2002. In his own right, Dr Chikaonda is a member of the National Advisory Council on Strategic Planning (Advisory to the Presidency) and a Director of Illovo Sugar (Malawi) Limited.

PIUS P MULIPA

Director, B.A., Dip (Mgt.), M.Sc. (Mgt.)

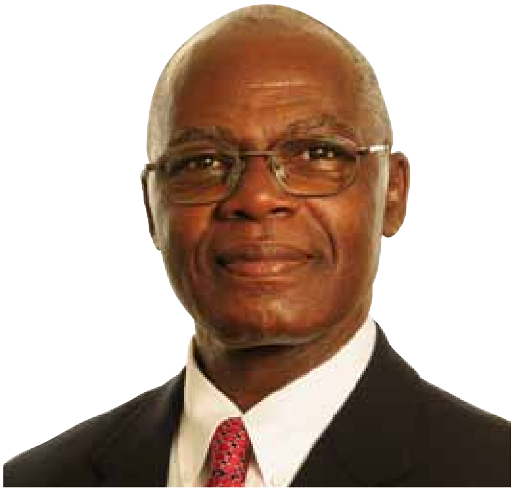
DIRECTOR, GROUP OPERATIONS EXECUTIVE

Age 59,
appointed to the Board on
1 January 2008

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

Profiles of Management

ANDREW G SESANI
FCCA, CPA(M)
GROUP EXECUTIVE (SPECIAL ASSIGNMENTS)



Age 63

Mr Sesani has been with the company since October 2002. Between 1988 and 2000, he held the positions of Group Management Accountant, Deputy Group Financial Controller and finally Group Financial Controller with Press Corporation Limited before leaving the employ of the company when it relocated its head office from Lilongwe to Blantyre. Prior to this, Mr Sesani held senior accounting positions in Capital City Development Corporation, Import and Export Company of Malawi Limited and Trans African Transport. He rejoined Press Corporation Limited on 1st October 2002 as Group Financial Controller and was later appointed Group Executive (Special Assignments) effective from 1st October 2010.

ELIZABETH MAFENI
MBL, FCCA, CPA(M), B.Com.
GROUP FINANCIAL CONTROLLER

Age 44

Mrs Elizabeth Mafeni joined the Group in September 1999 as Chief Accountant at Malawi Pharmacies Limited. In June 2000 she was transferred to the Corporate Head Office initially as Chief Accountant until 2003 when she was promoted to the position of Group Financial Accountant. On 01 October 2010, she was promoted to the position of Group Financial Controller. In her own right, Mrs Mafeni is Chairperson of the Bible Society of Malawi and a board member of St. Andrews International High School.

AGNES J VARELA

B.Soc. Science (MW), M.Sc., (Banking and Money Management (USA))

GROUP PROJECTS EXECUTIVE

Age 60

Mrs Varela has extensive experience in Development Banking and Project Appraisal and Financing attained from her long employment history with INDEBANK where she worked for 26 years before retiring as Chief Executive Officer in 2004. Mrs Varela was appointed Group Projects Executive for the Company effective 1st September 2005.

In her own right she is a Board Member of AFROX Malawi Limited and is the Norsad Agency Country Advisor for Malawi.

CHARLES J EVANS

B.A.

GROUP ADMINISTRATION MANAGER / COMPANY SECRETARY

Age 61

Mr. Evans joined the Group as a Management Trainee in November 1975. He worked in various subsidiary companies before being appointed substantively as a Training Officer in 1977. He was transferred to the People's Trading Centre Group in 1981 where he became Personnel and Training Manager until 1991, when he was promoted to Press Corporation Limited first as deputy, before assuming the position of Manpower Development Manager in 1995. In January 2001 he was appointed Group General Manager - Human Resources. He was appointed Group Administration Manager/ Company Secretary in September 2001.

Five Year Group Financial Review

for the year ended 31 December 2011

In millions of Kwacha

	2011 Mkm	2010 MKm	2009 MKm	2008 MKm	2007 MKm
GROUP STATEMENTS OF COMPREHENSIVE INCOME					
Turnover	61.157	59,349	47,560	43,614	27,572
Profit before income tax	8,474	10,901	7,953	7,369	5,133
Share of profit of equity - accounted investees net of income income tax	873	247	658	568	(119)
Profit before income tax	9,347	11,148	8,611	7,937	5,014
Income tax expense	(3,220)	(3,406)	(2,941)	(2,274)	(1,589)
Profit after income tax	6,127	7,742	5,670	5,663	3,425
Attributable to non-controlling interests	(2,658)	(2,426)	(2,397)	(2,523)	(1,717)
Attributable to equity holders of the company	3,469	5,316	3,273	3,140	1,708
Dividend paid to ordinary shareholders	(560)	(560)	(295)	(473)	(353)
Retained profit	2,909	4,756	2,978	2,667	1,355
Basic earnings per share (MK)	28.86	44.23	27.23	27.67	15.50
Dividend per share (MK)	4.66	4.66	2.45	4.17	3.20
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION					
Property, plant and equipment	53,857	52,573	39,520	32,340	23,818
Investment properties	3,621	3,231	2,782	1,900	1,104
Investment in equity accounted investees	1,448	575	1,989	1,331	1,475
Other non-current assets	19,918	19,149	16,923	12,565	8,020
Net current liabilities	(19,061)	(19,741)	(11,439)	(2,275)	(2,316)
Total employment of capital	59,783	55,787	49,775	45,861	32,101
Ordinary shareholders' funds	31,771	28,187	24,611	21,522	13,546
Non-controlling interest	15,877	14,357	13,795	13,131	9,027
Loans and borrowings	6,837	4,609	5,675	4,774	4,512
Provisions	156	2,934	2,217	2,023	1,874
Deferred tax liabilities	5,142	5,700	3,477	4,411	3,142
Total capital employed	59,783	55,787	49,775	45,861	32,101
CONSOLIDATED STATEMENTS OF CASH FLOWS					
OPERATING ACTIVITIES					
Cash receipts from customers	62,733	55,223	44,346	36,735	28,677
Cash paid to suppliers	(42,129)	(41,172)	(26,280)	(23,689)	(11,168)
Cash generated from/(used in) operations	20,604	14,051	18,066	13,046	17,509
Interest and tax paid	(5,604)	(5,625)	(4,217)	(3,575)	(2,225)
Cashflows from/(used in) operating activities	15,000	8,426	13,849	9,471	15,284
INVESTING ACTIVITIES					
Interest received	257	240	166	225	315
Capital expenditure	(10,817)	(15,093)	(11,576)	(8,179)	(4,997)
Acquisition of subsidiaries net of cash	-	-	-	-	(1,695)
Disposal/(acquisition) of other investments	(3,175)	6,342	1,693	(2,219)	(7,690)
Proceeds from sale of property, plant and equipment and investment properties	901	377	169	123	74
Cashflows (used in)/from investing activities	(12,834)	(8,134)	(9,548)	(10,050)	(13,993)
FINANCING ACTIVITIES					
Proceeds from issue of shares	-	-	-	1,997	-
Dividends paid to non-controlling shareholders	(1,368)	(1,531)	(1,750)	(1,216)	(781)
Dividends paid to shareholders of the company	(560)	(560)	(295)	(473)	(353)
(Decrease)/increase in borrowings	3,291	(905)	536	(247)	480
Cashflows (used in)/from financing activities	1,363	(2,996)	(1,509)	61	(654)
NET (DECREASE)/INCREASE IN CASH & CASH EQUIVALENTS	3,529	(2,704)	2,792	(518)	637

Corporate Governance

BOARD OF DIRECTORS

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

At 31 December 2011 the board consisted of six non-executive directors and two executive directors. The chairman is a non-executive director and has a casting vote.

Press Trust and Old Mutual appoint six of the non-executive directors. These appointments are in accordance with the company's Articles of Association. At 31 December 2011 Press Trust and Old Mutual owned 44.47% and 12.27% respectively of the shares in the company.

Executive directors are appointed by the whole board from members of executive management.

The corporate board is responsible to shareholders, but it proceeds mindful of the interests of the Group's staff, customers, suppliers and the communities in which the Group pursues its interests.

The names of the executive and non-executive directors in office at 31 December 2011 and at the date of this report are set out on page 41.

PRINCIPAL BOARD COMMITTEES ARE:

Audit Committee

The Committee currently comprises two non-executive directors and one non-board member and meets no less than twice in the year. The Group Chief Executive, the Group Financial Controller, and the Group Internal Audit Manager attend the meetings by invitation. The external auditors have access to this committee. It is currently chaired by Mr S A Itaye. In the year ended 31 December 2011 the committee met three times; in March, July and August.

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

Appointments and Remuneration Committee

The Committee comprises three non-executive directors. It is currently chaired by Mr C S Chilingulo.

The principal function of the Committee is to ensure that the Group's human resources are best utilised and that members of staff are remunerated commensurate with their responsibilities and effectiveness. It reviews salary trends in the market place and approves salaries, at executive director and executive management levels, based on these findings.

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

Internal control and risk management

The board of directors is responsible for the Group's systems of internal controls. To fulfil its responsibilities, management maintains accounting records and has developed and continues to maintain appropriate systems of internal control. The directors report that the Group's internal controls and systems of internal control are designed to provide reasonable but not absolute assurance, as to the integrity and reliability of financial statements and to safeguard, verify and maintain accountability of its assets and to detect and minimise fraud, potential liability, loss and material misstatement while complying with applicable laws and regulations.

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

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

A formal "limits of authority" is in place that specifically reserves certain matters for board decision.

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

Directors' interests in contracts

No director has had any material interest directly or indirectly in any contract reviewed or approved by the Board in the year under review.

CODE OF ETHICS

Press Corporation Limited and its subsidiaries are committed to a policy of fair dealing and integrity in the conduct of their businesses. This commitment is based on the fundamental belief that business should be conducted honestly, fairly and legally. The board formally adopted a comprehensive code of ethics that is applied throughout the Group in the conduct of its affairs. This code provides a detailed guideline governing the all-important relationships between the various stakeholders and the communities in which the Group operates.

DIVERSITY

Press Corporation is in the process of implementing a policy on gender diversity which is modeled on the 30% Club. Currently, the female representation is at 13% on the board sitting at head office level and 14% at Group level. The aspiration of the Group is to appoint more women to executive and non-executive directorships in the boards of Press Corporation and its subsidiary companies. Furthermore, the Group is keen to improve the pipeline below board level, to widen the talent pool available to its businesses. The Group strives actively to support and encourage successful women in the work space.

PRESS CORPORATION LIMITED
AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS

for the year ended 31 December 2011

DIRECTORS' REPORT
for the year ended 31 December 2011

The Directors have pleasure in presenting their report together with the audited consolidated and separate financial statements of Press Corporation Limited for the year ended 31 December 2011.

Incorporation and Registered Office
Press Corporation Limited is a company incorporated in Malawi under the Malawi Companies Act, 1984. It was listed on the Malawi Stock Exchange in September 1998 and as a Global Depository Receipt on the London Stock Exchange in July 1998.

The address of its registered office is: 7th Floor, Chayamba Building, P.O. Box 1227, Blantyre

Principal Activities of the Group and the Company
Press Corporation Limited is a diversified group with significant interests in the Malawi economy. Its subsidiary and joint venture companies operate in real estate; energy; food and beverages; retail and consumer products; financial services and telecommunications. Press Corporation Limited also has an associate in the agro-industrial sector.

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 notes to the financial statements.

Shareholding
The shareholding structure at year end was as follows:-

	2011	2010
	%	%
Press Trust	44.47	44.47
Old Mutual	12.27	12.27
Deutsche Bank Trust Company America	22.25	21.46
Others	21.01	21.80
	100.00	100.00

Dividends
The net profit for the year of MK3.47 billion (2010: MK5.32 billion) has been added to retained earnings.
An interim dividend of MK200 million (2010: MK200 million) representing MK1.66 per ordinary share (2010: MK 1.66) was paid during the year. The directors have further proposed a final dividend for the year 2011 of MK360.6 million (2010: MK360.6 million) representing MK3.00 per share (2010: MK3.00) to be tabled at the forthcoming Annual General Meeting.

Directorate and Company Secretary
The names of the Company's directors and secretary as at 31 December 2011 are listed below:-

Mr. D.C. Lungu	-	Chairman	(Throughout the year)
Dr. M.A.P. Chikaonda	-	Director / Group Chief Executive	(Throughout the year)
Mr. S.A. Itaye	-	Director	(Throughout the year)
Mrs. M.S.T. Kachingwe	-	Director	(Throughout the year)
Mr. J.A. Regout	-	Director	(Up to 1 July 2011)
Mr. A.G. Barron	-	Director	(Throughout the year)
Mr. C.S. Chilungulo	-	Director	(Throughout the year)
Mr P.P. Mulipa	-	Director	(Throughout the year)
Mr. C. Kapanga	-	Director	(With effect from 26 August 2011)
Mr. C.J. Evans	-	Company Secretary	(Throughout the year)

As per the requirements of the Articles of Association of the Company, one of the directors is due for retirement at the forthcoming Annual General Meeting, but, being eligible, offers himself for re-election.

Mr D C Lungu
Chairman

Dr M A P Chikaonda
Group Chief Executive

STATEMENT OF DIRECTORS' RESPONSIBILITIES

for the year ended 31 December 2011

The Directors are responsible for the preparation and fair presentation of the financial statements of Press Corporation Limited and its subsidiaries, comprising the statement of financial position at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards, and in the manner required by the Malawi Companies Act, 1984.

The Act also requires the Directors to ensure that the Company keep 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 Malawi Companies Act, 1984.

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

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

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

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

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

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with applicable financial reporting framework.

Approval of the financial statements

The financial statements of the Group and Company, as indicated above, were approved by the board of Directors on 30 March 2012 and are signed on its behalf by:

Mr D C Lungu	**Dr M A P Chikaonda**
Chairman	Group Chief Executive

30 March 2012

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PRESS CORPORATION LIMITED AND ITS SUBSIDIARIES

for the year ended 31 December 2011

KPMG
Public Accountants and Business Advisors
MASM House, Lower Sclater Road
P.O. Box 508
Blantyre, Malawi

Telephone: (265) 01 820 744 / 01 820 391
Telefax: (265) 01 820 575
E-mail: kpmg@kpmgmw.com

Report on the Financial Statements

We have audited the consolidated and separate financial statements of Press Corporation Limited and its subsidiaries ('the Group') which comprise the consolidated and separate statements of financial position as at 31 December 2011, and the consolidated and separate statements of comprehensive income, changes in equity and 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 as set out on pages 44 to 110.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Malawi Companies Act 1984, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control systems relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control systems. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Press Corporation Limited as at 31 December 2011, and the consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the provisions of Malawi Companies Act, 1984, so far as concerns members of the company.

KPMG

Certified Public Accountants and Business Advisors
Blantyre, Malawi

30 March 2012

STATEMENTS OF FINANCIAL POSITION

for the year ended 31 December 2011

In millions of Kwacha

	Notes	Group 2011	Group 2010	Company 2011	Company 2010
Assets					
Non-current assets					
Property, plant and equipment	10	53,857	52,573	356	331
Returnable packaging	11	1,622	1,341	-	-
Intangible assets	12	2,402	1,646	58	49
Investment properties	13	3,621	3,231	-	-
Investments in subsidiaries	14	-	-	32,159	32,601
Investments in joint ventures	15	-	-	14,574	17,528
Investments in associates	16	1,448	575	4,015	3,170
Loans and advances to customers	17	11,334	12,920	-	-
Loans receivable from group companies	18	-	-	4	401
Other investments	20	3,239	2,442	-	-
Deferred tax assets	21	1,321	800	-	-
		78,844	75,528	51,166	54,080
Current assets					
Inventories	22	5,475	4,995	11	8
Biological assets	23	75	281	-	-
Loans and advances to customers	17	33,291	26,657	-	-
Other investments	20	7,736	5,358	-	-
Trade and other receivables from group companies	24	-	-	182	35
Trade and other receivables	25	18,076	19,492	161	141
Assets classified as held for sale	26	468	10	-	-
Income tax recoverable		239	323	-	-
Cash and cash equivalents	27	12,731	8,819	18	106
		78,091	65,935	372	290
Total assets		156,935	141,463	51,538	54,370
Equity and liabilities					
Equity					
Share capital	28	1	1	1	1
Share premium	29	2,097	2,097	2,097	2,097
Other reserves	30	11,323	11,335	36,213	37,698
Retained earnings		18,350	14,754	1,081	1,019
Total equity attributable to equity holders of the company		31,771	28,187	39,392	40,815
Non-controlling interest		15,877	14,357	-	-
Total equity		47,648	42,544	39,392	40,815
Non-current liabilities					
Loans and borrowings	31	6,837	4,609	557	898
Provisions	32	156	2,934	-	327
Long term loans payable to group companies	19	-	-	308	326
Deferred tax liabilities	21	5,142	5,700	9,825	11,034
		12,135	13,243	10,690	12,585
Current liabilities					
Bank overdraft	27	2,928	2,545	362	25
Loans and borrowings	31	3,927	2,349	419	526
Provisions	32	2,216	728	386	176
Income tax payable		2,102	810	55	55
Trade and other payables	33	20,159	22,169	196	167
Trade and other payables to group companies	34	-	-	38	21
Liabilities due to customers	35	65,820	57,075	-	-
		97,152	85,676	1,456	970
Total liabilities		109,287	98,919	12,146	13,555
Total equity and liabilities		156,935	141,463	51,538	54,370

The financial statements of the Group and Company were approved for issue by the Board of Directors on 30 March 2012 and were signed on its behalf by:

Mr D C Lungu
Chairman

Dr M A P Chikaonda
Group Chief Executive

The notes on pages 50 to 110 are an integral part of these consolidated and separate financial statements. Independent auditors' report is on page 43.

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

In millions of Kwacha

	Notes	Group 2011	Group 2010	Company 2011	Company 2010
Continuing operations					
Revenue	37	67,157	59,349	1,880	1,915
Direct trading expenses	38	(33,279)	(30,552)	(16)	(9)
Gross profit		33,878	28,797	1,864	1,906
Other operating income	39	4,627	3,652	397	280
Distribution expenses`	40	(3,866)	(3,424)	-	-
Administrative expenses	41	(24,194)	(18,942)	(969)	(1,118)
Other operating expenses	42	(237)	(282)	(401)	-
Results from operating activities		10,208	9,801	891	1,068
Finance income	43	221	2,297	11	66
Finance costs	43	(1,961)	(1,205)	(271)	(235)
Net finance (costs)/income		(1,740)	1,092	(260)	(169)
Share of profit of equity-accounted investees (net of income tax)	44	873	247	-	-
Profit before income tax		9,341	11,140	631	899
Income tax expense	45	(3,220)	(3,406)	(177)	(183)
Profit from continuing operations		6,121	7,734	454	716
Discontinued operations					
Profit from discontinued operations (net of income tax)	8	6	8	-	-
Profit for the year		6,127	7,742	454	716
Other comprehensive income:					
Net change in fair value of available for sale financial assets		-	-	(2,551)	4,903
Revaluation of property, plant and equipment		910	1,771	25	163
Re-measurement to fair value of pre-existing interest in acquiree	9	-	(2,119)	-	-
Release of revaluation surplus on disposal of revalued property, plant and equipment		-	(21)	-	-
Income tax on other comprehensive income	21	227	(602)	1,209	(3,275)
Other comprehensive income/(loss) for the year (net of tax)		1,137	(971)	(1,317)	1,791
Total comprehensive income/(loss) for the year		7,264	6,771	(863)	2,507
Profit attributable to:					
Owners of the Company		3,469	5,316	454	716
Non-controlling interest		2,658	2,426	-	-
Profit for the year		6,127	7,742	454	716
Total comprehensive income/(loss) attributable to:					
Owners of the Company		4,144	4,136	(863)	2,507
Non- controlling interests		3,120	2,635	-	-
Total comprehensive income/(loss) for the year		7,264	6,771	(863)	2,507
Earnings per share					
Basic earnings per share (MK)	46	28.86	44.23	-	-
Diluted earnings per share (MK)	46	28.86	44.23	-	-
Continuing operations					
Basic earnings per share (MK)	46	28.81	44.16	-	-
Diluted earnings per share (MK)	46	28.81	44.16	-	-

The notes on pages 50 to 110 are an integral part of these consolidated and separate financial statements.
Independent auditors' report is on page 43.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2011

In millions of Kwacha

	Issued capital	Share premium	Other reserves (Note 30)	Retained earnings	Total equity attributable to equity holders of company	Non-controlling interest	Total Equity
GROUP							
2011							
Balance at 1 January 2011	1	2,097	11,335	14,754	28,187	14,357	42,544
Total comprehensive income for the year:							
Profit for the year	-	-	-	3,469	3,469	2,658	6,127
Other comprehensive income:							
Revaluation surplus on property	-	-	567	-	567	343	910
Income tax on other comprehensive income	-	-	108	-	108	119	227
Total other comprehensive income	-	-	675	-	675	462	1,137
Total comprehensive income for the year	-	-	675	3,469	4,144	3,120	7,264
Transactions with owners, recorded directly in equity:							
Revaluation surplus on investment property	-	-	13	(13)	-	-	-
Transfer to loan loss reserve	-	-	55	(55)	-	-	-
Reversal of excess depreciation	-	-	(687)	687	-	-	-
Transfer due to disposal of revalued assets	-	-	(68)	68	-	-	-
Dividends to equity holders	-	-	-	(560)	(560)	(1,600)	(2,160)
Total transactions with owners, recorded directly in equity	-	-	(687)	127	(560)	(1,600)	(2,160)
Balance at 31 December 2011	1	2,097	11,323	18,350	31,771	15,877	47,648

The notes on pages 50 to 110 are an integral part of these consolidated and separate financial statements.
Independent auditors' report is on page 43.

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

for the year ended 31 December 2011

In millions of Kwacha

	Issued capital	Share premium	Other reserves (Note 30)	Retained earnings	Total equity attributable to equity holders of company	Non-controlling interest	Total Equity
GROUP							
2010							
Balance at 1 January 2010	1	2,097	9,982	12,531	24,611	13,795	38,406
Total comprehensive income for the year:							
Profit for the year	-	-	-	5,316	5,316	2,426	7,742
Other comprehensive income:							
Revaluation surplus on property	-	-	1,489	-	1,489	282	1,771
Re-measurement to fair value of pre-existing interest in acquiree	-	-	(2,119)	-	(2,119)	-	(2,119)
Transfer due to disposal of revalued assets	-	-	(100)	79	(21)	-	(21)
Income tax on other comprehensive income	-	-	(529)	-	(529)	(73)	(602)
Total other comprehensive income	-	-	(1,259)	79	(1,180)	209	(971)
Total comprehensive income for the year	-	-	(1,259)	5,395	4,136	2,635	6,771
Transactions with owners, recorded directly in equity:							
Revaluation surplus on investment property	-	-	613	(613)	-		-
Transfer to loan loss reserve	-	-	35	(35)	-	-	-
Reversal of accumulated depreciation	-	-	(104)	104	-	-	-
Pre-acquisition reserves of Bottling and Brewing Group Limited	-	-	2,068	(2,068)	-	-	-
Dividends to equity holders	-	-	-	(560)	(560)	(2,073)	(2,633)
Total transactions with owners, recorded directly in equity	-	-	2,612	(3,172)	(560)	(2,073)	(2,633)
Balance at 31 December 2010	1	2,097	11,335	14,754	28,187	14,357	42,544

The notes on pages 50 to 110 are an integral part of these consolidated and separate financial statements.
Independent auditors' report is on page 43.

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

for the year ended 31 December 2011

In millions of Kwacha

	Issued capital	Share premium	Other reserves (Note 30)	Retained earnings	Total
COMPANY					
2011					
Balance at 1 January 2011	1	2,097	37,698	1,019	40,815
Total comprehensive income for the year:					
Profit for the year	-	-	-	454	454
Other comprehensive income:					
Net change in fair value of available- for-sale financial assets	-	-	(2,551)	-	(2,551)
Surplus on revaluation of property	-	-	25	-	25
Income tax on other comprehensive income	-	-	1,209	-	1,209
Total other comprehensive income	-	-	(1,317)	-	(1,317)
Total comprehensive income for the year	-	-	(1,317)	454	(863)
Transactions with owners, recorded directly in equity:					
Reversal of loan loss reserve on recovery of bad debt	-	-	(168)	168	-
Dividends to equity holders	-	-	-	(560)	(560)
Total transactions with owners, recorded directly in equity:	-	-	(168)	(392)	(560)
Balance at 31 December 2011	1	2,097	36,213	1,081	39,392
Company					
2010					
Balance at 1 January 2010	1	2,097	35,907	863	38,868
Total comprehensive income for the year:					
Profit for the year	-	-	-	716	716
Other comprehensive income:					
Net change in fair value of available- for-sale financial assets	-	-	4,903	-	4,903
Surplus on revaluation of property	-	-	163	-	163
Income tax on other comprehensive income	-	-	(3,275)	-	(3,275)
Total other comprehensive income	-	-	1,791	-	1,791
Total comprehensive income for the year	-	-	1,791	716	2,507
Transactions with owners, recorded directly in equity:					
Dividends to equity holders	-	-	-	(560)	(560)
Balance at 31 December 2010	1	2,097	37,698	1,019	40,815

The notes on pages 50 to 110 are an integral part of these consolidated and separate financial statements.
Independent auditors' report is on page 43.

STATEMENTS OF CASHFLOWS

for the year ended 31 December 2011

In millions of Kwacha

	Notes	Group 2011	Group 2010	Company 2011	Company 2010
Cash flows from/(used in) operating activities					
Cash receipts from customers		62,733	55,223	538	2,164
Cash paid to suppliers		(42,129)	(41,172)	(1,140)	(2,596)
Cash generated by/(used in) operations		20,604	14,051	(602)	(432)
Interest paid		(2,726)	(2,238)	(271)	(233)
Income taxes paid		(2,878)	(3,387)	(177)	(183)
Net cash from/(used in) operating activities		15,000	8,426	(1,050)	(848)
Cash flows (used in)/from investing activities					
Proceeds from sale of property, plant and equipment		618	377	5	1
Proceeds from sale of investment properties		283	-	-	-
Loans granted to subsidiary companies	18	-	-	(4)	(55)
Loans recovered from subsidiary companies	18	-	-	-	55
Interest received		257	240	11	66
Acquisition of shares in subsidiary	14	-	-	-	(198)
Dividends received	37	-	-	1,769	1,826
Acquisition of joint venture, net of cash acquired	9	-	293	-	-
Proceeds from other investments		-	6,049	-	-
Acquisition of property, plant and equipment	10	(9,084)	(13,578)	(53)	(73)
Acquisition of returnable packaging	11	(598)	(577)	-	-
Acquisition of intangible assets	12	(1,045)	(876)	(11)	(49)
Acquisition of investment property	13	(90)	(62)	-	-
Acquisition of other investments	20	(3,175)	-	-	-
Net cash (used in)/from investing activities		(12,834)	(8,134)	1,717	1,573
Cash flows from/(used in) financing activities					
Proceeds from long term borrowings – external	31	4,793	583	-	-
Repayments of long term borrowings – external	31	(1,502)	(1,488)	(532)	(531)
Dividend paid to non-controlling shareholders		(1,368)	(1,531)	-	-
Dividend paid to shareholders of the company	50	(560)	(560)	(560)	(560)
Net cash from/(used in) financing activities		1,363	(2,996)	(1,092)	(1,091)
Net increase /(decrease)/in cash and cash equivalents		3,529	(2,704)	(425)	(366)
Cash and cash equivalents at 1 January		6,274	8,978	81	447
Cash and cash equivalents at 31 December	27	9,803	6,274	(344)	81
ADDITIONAL STATUTORY REQUIREMENT					
Net movement in working capital		(911)	(8,302)	337	(589)

The notes on pages 50 to 110 are an integral part of these consolidated and separate financial statements.
Independent auditors' report is on page 43.

1. REPORTING ENTITY

Press Corporation Limited ('the company') is a company incorporated in Malawi under the Malawi Companies Act, 1984. It was listed on the Malawi Stock Exchange in September 1998 and as a Global Depository Receipt on the London Stock Exchange in July 1998. The consolidated and separate financial statements as at, and for the year ended, 31 December 2011 comprise the company and its subsidiaries (together referred to as 'Group' and individually as 'Group entities') and the Group's interest in associates and joint ventures.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance
The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and provisions of the Malawi Companies Act, 1984, the Banking Act, 2009, and the Financial Services Act, 2009.

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

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

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

2.3 Functional and presentation currency
These consolidated and separate financial statements are presented in Malawi Kwacha, which is the Group's functional currency. Except as indicated, all financial information presented in Malawi Kwacha has been rounded to the nearest million.

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 6 - Valuation of financial instruments
- Note 10 - Valuation of property and computation of depreciation charge
- Note 12 - Computation of amortisation charge
- Note 13 - Valuation of investment property
- Note 14 - Valuation of investments in subsidiaries
- Note 15 - Valuation of investments in joint ventures
- Note 16 - Valuation of investments in associates
- Note 17 - Computation of impairment losses on loans and advances
- Note 23 - Valuation of biological assets
- Note 32 - Provisions
- Note 45 - Utilisation of tax losses
- Note 47 - Contingent liabilities

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

i) Subsidiaries

The consolidated and separate financial statements include all subsidiaries that are controlled by the Company. Under the Malawi Companies Act, 1984 and International Accounting Standards 27, control is presumed to exist where the company has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities directly or indirectly; or the Company can appoint, or prevent the appointment, of not less than half of the directors of the subsidiary company. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated and separate financial statements from the date that control commences until the date that control ceases.

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

ii) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Investments in jointly controlled entities are accounted for using the proportionate consolidation method, whereby the attributable share of assets, liabilities, revenues, expenses and cash flows of the jointly-controlled entities are combined on a line-by-line basis from the date that joint control commences until the date that joint control ceases. Investments in jointly controlled entities are initially recognised at cost which includes transaction costs.

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

iii) Associates

The consolidated and separate financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. Investments in associates are initially recognised at cost which includes transaction costs. Associated companies are those entities in which the Company or a subsidiary has a long-term interest of 20% or more of the voting power of the investee and has significant influence, but not control, over the financial and operating policies. Where associates have different year-ends to the Company, management accounts for the year-end that is coterminous with the group's year are used after review for compliance with year-end procedures and Group accounting policies. The Group's investment includes goodwill identified at acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees. When the Group's share of losses exceeds the carrying amount of the associate including any long-term interests that form part thereof, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations or has made payment on behalf of the associates.

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

iv) Transactions eliminated on consolidation

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

v) Non-controlling interest

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

vi) Loss of control

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

3.2 Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Malawi Kwacha at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Malawi Kwacha at exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit or loss except for differences arising from retranslation of non-monetary available-for-sale instruments which are recognised in other comprehensive income.

ii) Foreign operations

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

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

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

3.3 Property, plant and equipment

i) Recognition and measurements

Land and buildings are measured at revalued amounts less accumulated depreciation and impairment losses. Items of all plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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

Interest and foreign exchange losses on loans which are utilised for the purchase and construction of qualifying assets are capitalised until the commissioning of the related assets after which they are recognised in profit or loss.

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

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

ii) Reclassification to investment properties

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

iii) Subsequent costs

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

iv) Revaluation

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

v) Depreciation

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

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

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

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

3.4 Returnable packaging

Returnable packaging is carried at the higher of cost or deposit value, less depreciation. Depreciation is recognised over their estimated useful lives of the asset, using the straight-line method. The following useful lives are used in the calculation of depreciation:

Crates	- 20 years
Bottles	- 5 years

Returnable packaging in customers' hands are measured at deposit price. This is based on an estimate of the quantities of returnable packaging in circulation at the end of the period. The deposits are recognised in the statement of financial position under trade and other payables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Intangible assets

i) Goodwill

Goodwill arising on an acquisition represents the excess of the fair value of the consideration transferred, the recognised amount of any non-controlling interests in the acquire and, in a business combination achieved in stages, the fair value of existing equity interest in the acquiree over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is measured at cost less impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate and an impairment loss on such an investment is not allocated to the carrying amount of the equity accounted investee as a whole.

ii) Gain from bargain purchase

A gain resulting from a bargain purchase arising on an acquisition represents the excess of the fair value of the net identifiable assets acquired over the fair value of the consideration transferred, the recognised amount of any non-controlling interests in the acquiree and, in a business combination achieved in stages, the fair value of existing equity interest in the acquiree. Goodwill gain from a bargain purchase is recognised immediately in profit or loss.

iii) Computer software

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

iv) Other intangible assets

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

v) 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.

vi) Amortisation

Amortisation is based on the cost of an asset less its residual value. Except for goodwill, amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.6 Biological assets

Biological assets are measured at fair value less costs to sell, with any gain or loss recognised in profit or loss. Costs to sell include all costs that would be necessary to sell the assets including transportation costs.

The fair value of fish held for sale is based on the market price of fish of similar age, breed and genetic merit.

3.7 Investment property

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

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

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

3.8 Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to/from the Group. All other leases are classified as operating leases.

i) The group as a lessor

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

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

ii) The group as a lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability to the lessor is recognised in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are recognised in profit or loss.

Rentals payable under operating leases are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term. Investment property held under an operating lease is recognised on the Group's statement of financial position at its fair value

3.9 Inventories

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

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

3.10 Impairment

i) Financial assets

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

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

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

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

Available-for-sale financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Impairment (continued)

ii) Non-financial assets

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

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

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

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

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

3.11 Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as being met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

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

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

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

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is represented as if the operations had been discontinued from the start of the comparative period.

3.12 Employee benefits

The Group contributes to a number of defined contribution pension schemes on behalf of its employees, the assets of which are kept separate from the Group. Contributions to the Fund are based on a percentage of the payroll and are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the group has no further payment obligations.

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

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

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

iii) Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

iv) Share-based payment transactions
The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

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

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

ii) Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

iii) Warranties
A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

3.14 Revenue
Revenue represents amounts invoiced or sales otherwise made in the normal course of trade of the respective companies after deduction of Value Added Tax (VAT) and credit notes where applicable. Group revenue excludes sales between group companies.

Dividends are recognised when the company is entitled thereto.

i) Goods sold and services rendered
Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Revenue from the sale of goods is recognised in profit or loss when significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue (continued)

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

ii) Fees and commissions

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

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

iii) Dividend income

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

iv) Other revenue

Revenue on other sales is recognised on the date all risks and rewards associated with the sale are transferred to the purchaser.

Revenue on other services is recognised upon the performance of the contractual obligation.

3.15 Finance income and expense

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

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

3.16 Share capital and dividends

i) Share issue costs

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

ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders.

iii) Dividend per share

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

iv) Earnings per share

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

v) Equity instruments

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

3.17 Income tax

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

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

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

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

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

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

3.18 Government grants
Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income when it is reasonable assurance that they will be received and the Group will comply with the conditions associated with it, and credited to the profit or loss on a straight-line basis over the expected lives of the related assets. All other grants of revenue nature are credited to the profit or loss in the year of receipt.

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Financial assets (continued)

Trade and other receivables comprise inter-branch accounts, interest receivables, staff advances and other assets and are measured at their amortised cost less impairment losses (refer accounting policy 3.10).

b) Cash and cash equivalents

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

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

(iii) Available-for-sale

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

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

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

3.20 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.

3.21 Sale and repurchase agreements

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

3.22 Derivative financial instruments

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

Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measure at fair value with changes in fair value recognised in profit or loss.

3.23 Financial liabilities

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

i) Customer deposits and liabilities to other banks

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

ii) Other liabilities

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

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

3.24 Fiduciary activities

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions.

These assets and income arising thereon are excluded from these financial statements, as they are not assets or income of the Group.

3.25 Segment reporting

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

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

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

3.26 Financial guarantee contracts

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

These are initially measured at fair value and subsequently at the higher of the amount initially recognised less amortisation or the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.*

3.27 New standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but not yet effective:

a) IFRS 7 *Financial Instruments: Disclosures* - Amendments enhancing disclosures about transfers of financial assets (effective for annual periods beginning on or after 1 July 2011).
b) IFRS 7 *Financial Instruments: Disclosures* - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2013 and interim periods within those periods).
c) IFRS 7 *Financial Instruments: Disclosures* – Amendments requiring disclosures about the initial application of IFRS 9 (effective for annual periods beginning on or after 1 January 2015 (or otherwise when IFRS 9 is first applied).
d) IFRS 9 *Financial Instruments - Classification and Measurement* (effective for annual periods beginning on or after 1 January 2015 – mandatory application date amended December 2011).
e) IFRS 9 *Financial Instruments – Accounting for financial liabilities and derecognition* (effective for annual periods beginning on or after 1 January 2015 – mandatory application date amended December 2011).
f) IFRS 10 *Consolidated Financial Statements* (effective for annual periods beginning on or after 1 January 2013).
g) IFRS 11 *Joint Arrangements* (effective for annual periods beginning on or after 1 January 2013).
h) IFRS 12 *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2013).
i) IFRS 13 *Fair Value Measurement* (effective for annual periods beginning on or after 1 January 2013).
j) IAS 1 *Presentation of Financial Statements* - Amendments to revise the way other comprehensive income is presented (effective for annual periods beginning on or after 1 July 2012).
k) IAS 12 *Income Taxes* – Limited scope amendment (recovery of underlying assets) (effective for annual periods beginning on or after 1 January 2012).
l) IAS 19 *Employee Benefits* – Amended Standard resulting from Post-Employment Benefits and Termination Benefits projects (effective for annual periods beginning on or after 1 January 2013).
m) IAS 27 *Consolidated and Separate Financial Statements* – Reissued as IAS 27 Separate Financial Statements (as amended in 2011) (effective for annual periods beginning on or after 1 January 2013).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.27 New standards and interpretations not yet adopted (continued)

n) IAS 28 *Investments in Associates* – Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) (effective for annual periods beginning on or after 1 January 2013).

o) IAS 32 *Financial Instruments: Presentation* - Amendments to application guidance on the offsetting of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2014).

p) IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (effective for annual periods beginning on or after 1 January 2013).

The Group is currently in the process of evaluating the potential effect of these standards on the Group's financial statements once they become effective.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 Determination of fair values

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

i) Derivatives

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repacking) or based on a valuation technique whose variables include only data from observable markets.

ii) Property

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

iii) Biological assets

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

iv) Investment property

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

v) Non-derivative financial liabilities

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

4.2 Impairment losses on loans and receivables

The Group reviews its financial assets to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from financial assets before the decrease can be identified with an individual financial asset. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Key assumptions used:

a) Cash flows arising from repayment agreement are aggregated over yearly intervals of 12 months and assumed to arise at the end of the period;
b) Where there is an agreement but no security in place and cash flows in the subsequent years are doubtful total future estimated cash flows are assumed to be nil;
c) Unsupported guarantees are assumed to result in nil cash flows;
d) No cash flows are assumed to arise where there is no repayment agreement and no security and repayments are erratic or unpredictable; and
e) Cash flows arising from security realisation have been assumed to arise at the end of the calendar year in which they are expected.

4.3 Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

5. STATUTORY REQUIREMENTS

In accordance with Section 27 of the Banking Act, 2009, the Reserve Bank of Malawi has established the following requirements as at the reporting date related to the Group's banking business:

5.1 Liquidity reserve requirement

The Group's banking business is required to maintain a liquidity reserve with the Reserve Bank of Malawi equivalent to not less than 15.5% (2010: 15.5%) of total customer deposits. At the end of the year, the liquidity reserve was equivalent to 26% (2010: 31.7%) of total customer deposits.

5.2 Capital adequacy requirement as per Section 15(2) of the Banking Act, 2009

The Bank's available capital is required to be a minimum of 10% (2010: 10%) of its risk bearing assets and contingent liabilities. At the end of the year the Bank's available capital was 20% (2010: 22.3%) of its risk bearing assets and contingent liabilities.

5.3 Prudential aspects of bank liquidity

As a complement to Section 27 of the Banking Act, 2009, the Reserve Bank of Malawi had issued the following guidelines on the management of liquidity as at the reporting date:

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

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

At the end of the year, the Bank's liquidity ratio I was 32% (2010: 31%) and liquidity ratio II was 32% (2010: 32%).

5.4 Regulatory capital

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

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

- A core capital (Tier 1) of not less than 6% of total risk-weighted on statement of financial position assets plus risk-weighted off-statement of financial position items.

- A total capital (Tier 2) of not less than 10% of its total risk-weighted on statement of financial position assets plus risk-weighted off-statement of financial position items.

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

- Core capital (Tier 1) which consists of ordinary share capital, share premium, retained profits, 60% of after-tax profits in the current year (or less 100% of current year loss), less any unconsolidated investment in financial companies.

In millions of Kwacha

5. STATUTORY REQUIREMENTS (CONTINUED)

5.4 Regulatory capital (continued)

- Total capital (Tier 2), which consists of revaluation reserves and general provisions, when such general provisions have received prior approval of the Reserve Bank of Malawi. Supplementary capital must not exceed core capital i.e. shall be limited to 100% of total core capital.

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

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

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

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

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

	2011	2010
Tier 1 capital		
Ordinary share capital	467	467
Share premium	613	597
Retained earnings	10,454	9,048
Unconsolidated investments	(248)	(241)
	11,286	9,871
Tier 2 capital		
Loan loss reserve	466	411
Revaluation reserve	2,291	1,671
Total regulatory capital	14,043	11,953
Risk-weighted assets		
Retail bank, corporate bank and treasury	55,002	53,536
Total risk-weighted assets	55,002	53,536
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	25.5%	22.30%
Total tier 1 capital expressed as a percentage of risk-weighted assets	20.5%	18.30%

6. FINANCIAL RISK MANAGEMENT

Overview

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

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk.

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

Risk management framework

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board develops the risk appetite and risk tolerance limits appropriate to the Group's strategy and requires that management maintains an appropriate system of internal controls to ensure that these risks are managed within the agreed parameters. The Board delegates risk related responsibilities to two Board Committees: the Audit Committee and the Appointments and Remuneration Committee, which are all responsible for developing and monitoring Group risk management policies in their specified areas. All Board Committees have non-executive members and report regularly to the Board of Directors on their activities.

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

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

6.1 Credit risk

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

i) Trade and other receivables

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

i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

However, geographically there is no concentration of credit risk.

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

Most of the Group's customers have been transacting with the Group for over many years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, industry, aging profile, maturity and existence of previous financial difficulties. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment or cash basis.

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

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

(ii) Investments

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

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of investments.

(iii) Loans and advances

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

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

In millions of Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

(iii) Loans and advances (continued)

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

(iv) Cash and cash equivalents

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

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

(v) Guarantees

The Group's policy is not to provide financial guarantees to any of its subsidiaries.

6.1 a) Exposure of credit risk

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

The table below shows the maximum exposure to credit risk by class of financial instrument. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	GROUP		COMPANY	
	2011	2010	2011	2010
Gross maximum exposure				
Long term loans receivable – Group	-	-	4	401
Available-for-sale financial assets	10,975	16,589	50,748	53,299
Trade and other receivables	18,076	19,492	343	176
Loans and advances to customers	44,625	39,577	-	-
Cash and cash equivalents	12,731	8,819	18	106
Total recognised financial instruments	86,407	84,477	51,113	53,982
Gurarantees and performance bonds	4,215	4,262	-	-
Loan commitments and other credit facilities	10,445	7,607	-	-
Total unrecognised financial instruments	14,660	11,869	-	-
Total credit exposure	101,067	96,346	51,113	53,982

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

In respect of certain financial assets, the Group has legally enforceable rights to offset them with financial liabilities. However, in normal circumstances, there would be no intention of settling net, or of realising the financial assets and settling the financial liabilities simultaneously. Consequently, the financial assets are not offset against the respective financial liabilities for financial reporting purposes. However, the exposure to credit risk relating to the respective financial assets is mitigated as follows:

In millions of Kwacha

	Carrying amount	Offset	Net exposure to credit risk
GROUP			
At 31 December 2011			
Available-for-sale financial assets	10,975	-	10,975
Trade and other receivables	18,076	-	18,076
Loans and advances to customers	44,625	-	44,625
Cash and cash equivalents	12,731	-	12,731
	86,407	-	86,407
At 31 December 2010			
Available-for-sale financial assets	16,589	-	16,589
Trade and other receivables	19,492	-	19,492
Loans and advances to customers	39,577	-	39,577
Cash and cash equivalents	8,819	-	8,819
	84,477	-	84,477
Company			
At 31 December 2011			
Long term loans receivable - group	4	-	4
Available-for-sale financial assets	50,748	-	50,748
Trade and other receivables	343	-	343
Cash and cash equivalents	18	-	18
	51,113	-	51,113
At 31 December 2010			
Long term loans receivable - group	401	-	401
Available-for-sale financial assets	53,299	-	53,299
Trade and other receivables	176	-	176
Cash and cash equivalents	106	-	106
	53,982	-	53,982

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

6.1 c) Credit quality of loans and advances

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

	2011	2010
GROUP		
Loans and advances		
Individually impaired		
Grade 8: Impaired	171	451
Grade 9: Impaired	406	483
Gross amount	577	934
Allowance for impairment	(408)	(499)
Carrying amount	169	435
Past due but not impaired		
Grade 7: Watch list	14,549	10,594
Neither past due nor impaired		
Grade 1-3 Low risk	5,582	13,646
Grade 4-6 Fair risk	24,325	14,902
Total carrying amount	44,625	39,577

In millions of Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 c) Credit quality of loans and advances (continued)

Impaired loans and advances

Impaired loans and advances are loans and advances for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan /advances agreement(s). These loans are graded 8 to 9 in the Group's internal credit risk grading system.

Past due but not impaired loans

These are loans and advances where contractual interest of principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group. The 2010 balances have been restated to reflect the corrected analysis as at 31 December 2010.

Allowance for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individual significant exposures.

Write – off policy

The Group writes off a loan balance (and any related allowances for impairment losses) when it is determined that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

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

	Loans and advances to customers		
	Gross	Allowance for Impairment	Net
GROUP			
31 December 2011			
Grade 8: Individually impaired	171	(108)	63
Grade 9: Individually impaired	406	(300)	106
Total	577	(408)	169
31 December 2010			
Grade 8: Individually impaired	451	(241)	210
Grade 9: Individually impaired	483	(258)	225
Total	934	(499)	435

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

In millions of Kwacha

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

GROUP

	2011	2010
Against individually impaired		
Motor vehicles	36	288
Commercial property	235	413
Residential property	164	24
Cash	-	-
Equities	-	5
Government guarantees	-	-
Bank guarantees	-	-
Total	435	730
Against the rest of the loan book		
Motor vehicles	4,042	4, 470
Commercial property	7,564	5,603
Residential property	10,559	7,294
Cash	2,843	3,201
Equities	181	56
Government guarantees	11,463	12,963
Bank guarantees	275	513
Total	36,927	34,095
Grand total	37,362	34,825

Collateral repossessed

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

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

	Loans and advances to customers	
	2011	2010
Concentration by sector		
Agriculture	17,158	2,922
Finance and Insurance	36	32
Manufacturing	10,323	19,782
Other	12,710	3,248
Personal	3,847	10,244
Wholesale and Retail	551	3,349
	44,625	39,577
Concentration by sector percentage	%	%
Agriculture	38.4	7.4
Finance and Insurance	0.1	0.1
Manufacturing	23.1	50.0
Other	28.5	8.2
Personal	8.6	25.9
Wholesale and retail	1.3	8.5
	100	100

Credit quality of investment securities

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

Credit quality of other financial assets

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

In millions of Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Liquidity risk

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

(i) Management of liquidity risk

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

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

TFID monitors compliance of all operating units of the Group with local regulatory limits on a daily basis.

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

(ii) Exposure to liquidity risk

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

	2011	2010
At 31 December	26%	31%
Average for the period	25%	32%
Maximum for the period	27%	36%
Minimum for the period	23%	27%

In millions of Kwacha

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

	Less than 1 month	1-3 months	3-12 months	Over 1 year	Total	Carrying amount
GROUP						
At 31 December 2011						
Bank overdraft	1,176	-	1,752	-	2,928	2,928
Loans and borrowings	2,122	392	1,413	6,837	10,764	10,764
Liabilities to customers	61,988	3,350	104	378	65,820	65,820
Trade and other payables	8,241	5,888	6,030	-	20,159	20,159
Total financial liabilities	73,527	9,630	9,299	7,215	99,671	99,671
At 31 December 2010						
Bank overdraft	2,545	-	-	-	2,545	2,545
Loans and borrowings	-	728	1,621	4,609	6,958	6,958
Liabilities to customers	41,317	13,985	1,773	-	57,075	57,075
Trade and other payables	6,019	4,035	12,115	-	22,169	22,169
Total financial liabilities	49,881	18,748	15,509	4,609	88,747	88,747
COMPANY						
At 31 December 2011						
Bank overdraft	-	-	-	362	362	362
Loans and borrowings	-	49	370	557	976	976
Long-term loans to group companies	-	-	-	308	308	308
Trade and other payables	196	38	-	-	234	234
Total financial liabilities	196	87	370	1,227	1,880	1,880
At 31 December 2010						
Bank overdraft	25	-	-	-	25	25
Loans and borrowings	-	4	522	898	1,424	1,424
Long-term loans to group companies	-	-	-	326	326	326
Trade and other payables	188	-	-	-	188	188
Total financial liabilities	213	4	522	1,224	1,963	1,963

6.3 Market risk

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

6.3 a) Currency risk

The Group is exposed to currency risk on sales, purchases 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).

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

The Group's investments in subsidiaries are not hedged as those currency positions are considered to be long-term in nature.

In millions of Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 a) Currency risk (continued)

The Group had the following significant foreign currency positions:

	MK K'm	USD K'm	GBP K'm	EURO K'm	ZAR K'm	OTHER K'm	TOTAL K'm
GROUP							
At 31 December 2011							
Financial assets							
Available-for-sale financial assets	10,925	45	3	1	1	-	10,975
Cash and cash equivalents	12,442	278	9	1	1	-	12,731
Loans and advances to customers	39,868	4,757	-	-	-	-	44,625
Trade and other receivables	11,992	3,465	1,327	1,150	3	139	18,076
Total financial assets	75,227	8,545	1,339	1,152	5	139	86,407
Financial liabilities							
Bank overdraft	2,928	-	-	-	-	-	2,928
Loans and borrowings	2,301	7,839	-	-	-	624	10,764
Liabilities to customers	57,095	6,230	1,385	1,023	13	74	65,820
Trade and other payables	12,083	7,381	10	329	238	118	20,159
Total financial liabilities	74,407	21,450	1,395	1,352	251	816	99,671
Net balance open position	820	(12,905)	(56)	(200)	(246)	(677)	(13,264)
At 31 December 2010							
Financial assets							
Available-for-sale financial assets	4,485	2,024	479	674	10	128	7,800
Cash and cash equivalents	8,776	21	1	-	17	4	8,819
Loans and advances to customers	35,077	4,500	-	-	-	-	39,577
Trade and other receivables	18,409	712	-	54	186	131	19,492
Total financial assets	66,747	7,257	480	728	213	263	75,688
Financial liabilities							
Bank overdraft	2,545	-	-	-	-	-	2,545
Loans and borrowings	2,437	3,917	-	-	-	604	6,958
Liabilities to customers	50,028	5,721	512	737	34	43	57,075
Trade and other payables	13,313	8,292	46	337	53	128	22,169
Total financial liabilities	68,323	17,930	558	1,074	87	775	88,747
Net balance open position	(1,576)	(10,673)	(78)	(346)	126	(512)	(13,059)
COMPANY							
At 31 December 2011							
Financial assets							
Long term loans receivable – Group	4	-	-	-	-	-	4
Available-for-sale financial assets	50,748	-	-	-	-	-	50,748
Cash and cash equivalents	15	3	-	-	-	-	18
Trade and other receivables	342	1	-	-	-	-	343
Total financial assets	51,109	4	-	-	-	-	51,113
Financial liabilities							
Bank overdraft	362	-	-	-	-	-	362
Loans and borrowings	80	896	-	-	-	-	976
Trade and other payables	494	48	-	-	-	-	542
Total financial liabilities	936	944	-	-	-	-	1,880
Net balance open position	50,173	(940)	-	-	-	-	49,233

In millions of Kwacha

	MK K'm	USD K'm	GBP K'm	EURO K'm	ZAR K'm	OTHER K'm	TOTAL K'm
COMPANY							
At 31 December 2010							
Financial assets							
Long term loans receivable – Group	401	-	-	-	-	-	401
Available-for-sale financial assets	53,299	-	-	-	-	-	53,299
Cash and cash equivalents	106	-	-	-	-	-	106
Trade and other receivables	161	-	-	-	15	-	176
Total financial assets	53,967	-	-	-	15	-	53,982
Financial liabilities							
Bank overdraft	25	-	-	-	-	-	25
Loans and borrowings	268	1,156	-	-	-	-	1,424
Trade and other payables	514	-	-	-	-	-	514
Total financial liabilities	807	1,156	-	-	-	-	1,963
Net balance open position	53,160	(1,156)	-	-	15	-	52,019

Foreign currency sensitivity

At the reporting date, if the Malawi Kwacha had weakened/strengthened by 5% against its major trading currencies, with all other variables held constant, post-tax profit for the year would have been higher/lower as follows, mainly as a result of foreign exchange gains/losses:

	GROUP		COMPANY	
	2011	2010	2011	2010
United States Dollar	534	7,098	58	769
Great British Pound	4	52	-	-
Euro	17	230	-	-
South African Rand	(17)	84	(1)	10
Other currencies	-	340	-	-

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

6.3 b) Interest rate risk

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

Exposure of interest rate risk-non-trading portfolio

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

for the year ended 31 December 2011

In millions of Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Market risk (continued)

	Less than 1 month	1-3 months	3-12 months	Over 1 year	Non interest sensitive	Total	Carrying amount
GROUP							
At 31 December 2011							
Financial assets							
Available-for-sale financial assets	2,049	501	3,482	1,497	3,446	10,975	10,975
Cash and cash equivalents	11,207	-	-	-	1,524	12,731	12,731
Loans and advances to customers	6,553	5,699	21,059	11,314	-	44,625	44,625
Trade and other receivables	7,963	1,021	-	-	9,092	18,076	18,076
Total financial assets	27,772	7,221	24,541	12,811	14,062	86,407	86,407
Financial liabilities							
Bank overdraft	1,350	377	1,000	-	201	2,928	2,928
Loans and borrowings	2,205	3,550	104	4,120	785	10,764	10,764
Liabilities to customers	61,933	2,690	819	378	-	65,820	65,820
Trade and other payables	4,982	3,706	3,852	-	7,619	20,159	20,159
Total financial liabilities	70,470	10,323	5,775	4,498	8,605	99,671	99,671
Interest sensitivity gap	(42,698)	(3,102)	18,766	8,313	5,457	(13,264)	(13,264)
At 31 December 2010							
Financial assets							
Available-for-sale financial assets	596	495	2,944	436	3,329	7,800	7,800
Cash and cash equivalents	3,676	-	-	-	5,143	8,819	8,819
Loans and advances to customers	5,272	2,545	14,710	14,505	2,545	39,577	39,577
Trade and other receivables	9,952	-	-	-	9,540	19,492	19,492
Total financial assets	19,496	3,040	17,654	14,941	20,557	75,688	75,688
Financial liabilities							
Bank overdraft 2,545	-	-	-	-	2,545	2,545	
Loans and borrowings	-	2,349	3,913	696	-	6,958	6,958
Liabilities to customers	40,420	13,985	1,276	497	897	57,075	57,075
Trade and other payables	-	-	-	-	22,169	22,169	22,169
Total financial liabilities	42,965	16,334	5,189	1,193	23,066	88,747	88,747
Interest sensitivity gap	(23,469)	(13,294)	12,465	13,748	(2,509)	(13,059)	(13,059)

	Less than 1 month	1-3 months	3-12 months	Over 1 year	Non interest sensitive	Total	Carrying amount
COMPANY							
At 31 December 2011							
Financial assets							
Long term loans receivable - Group	-	-	-	4	-	4	4
Available-for-sale financial assets	-	-	-	-	50,748	50,748	50,748
Cash and cash equivalents	16	-	-	-	2	18	18
Trade and other receivables	-	-	-	-	343	343	343
Total financial assets	16	-	-	4	51,093	51,113	51,113
Financial liabilities							
Bank overdraft -	-	362	-	-	362	362	
Loans and borrowings	-	-	49	927	-	976	976
Trade and other payables	-	-	-	308	234	542	542
Total financial liabilities	-	-	411	1,235	234	1,880	1,880
Interest sensitivity gap	16	-	(411)	(1,231)	50,859	49,233	49,233

In millions of Kwacha

	Less than 1 month	1-3 months	3-12 months	Over 1 year	Non interest sensitive	Total	Carrying amount
COMPANY							
At 31 December 2010							
Financial assets							
Long term loans receivable - Group	-	-	-	401	-	401	401
Available-for-sale financial assets	-	-	-	-	53,299	53,299	53,299
Cash and cash equivalents	106	-	-	-	-	106	106
Trade and other receivables	-	-	-	-	176	176	176
Total financial assets	106	-	-	401	53,475	53,982	53,982
Financial liabilities							
Bank overdraft 25	-	-	-	-	25	25	
Loans and borrowings	-	268	1,156	-	-	1,424	1,424
Trade and other payables	-	-	-	-	514	514	514
Total financial liabilities	25	268	1,156	-	514	1,963	1,963
Interest sensitivity gap	81	(268)	(1,156)	401	52,961	52,019	52,019

6.3 c) Other market price risk

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

As at 31 December 2011, the Company had the followings financial assets that exposed it to price risk.

	Note	2011	2010
Financial asset			
Investment in National Bank of Malawi	14	12,623	14,102
Investment in Telekom Networks Malawi Limited	14	5,832	5,670
		18,455	19,772

At 31 December 2011, if the share price had weakened/strengthened by 5% with all other variables held constant, the Company's post-tax profit for the year would have been higher/lower as follows:

	2011	2010
Financial asset		
Investment in National Bank of Malawi	442	958
Investment in Telekom Networks Malawi Limited	199	615
	641	1,573

The analysis is performed on the same basis for 2010 and assumes that all other variables remain the same.

6.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objectives is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the Group's Audit Committee by the development of overall Group standards for the management of operational risk in the following areas:

In millions of Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.4 Operational risk (continued)

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Prevention of business disruption and system failures and development of contingency plans;
- Ethical and business standards;
- Risk mitigation, including insurance where this is effective; and
- Safeguarding assets against loss or damage.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by internal audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

6.5 Compliance risk

Compliance is an independent core risk management activity, which also has unrestricted access to the Chief Executive and the Chairman of the Board. The Group is subject to extensive supervisory and regulatory regimes, and the Executive management remains responsible for overseeing the management of the Group's compliance risk.

Money laundering control and occupational health and safety (including aspects of environment risk management) are managed within the compliance function and there are increasingly onerous legislative requirements being imposed in both areas. The Group has adopted anti-money laundering policies including Know Your Customer policies and procedures and adheres to the country's anti-money laundering legislation and Reserve Bank of Malawi regulations and directives.

6.6 Financial assets and liabilities

Accounting classifications and fair values

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

	Note	Loans and receivables	Available for sale	Amortised cost	Total carrying amount	Fair value
GROUP						
At 31 December 2011						
Financial assets						
Cash and cash equivalents	27	12,731	-	-	12,731	12,731
Trade and other receivables	25	18,076	-	-	18,076	18,076
Other investments	20	-	10,975	-	10,975	10,975
Loans and advances to customers	17	44,625	-	-	44,625	44,625
		75,432	10,975	-	86,407	86,407
Financial liabilities						
Bank overdraft	27	-	-	2,928	2,928	2,928
Loans and borrowings	31	-	-	10,764	10,764	10,764
Trade and other payables	33	-	-	20,159	20,159	20,159
Liabilities due to customers	35	-	-	65,820	65,820	65,820
		-	-	99,671	99,671	99,671
At 31 December 2010						
Financial assets						
Cash and cash equivalents	27	8,819	-	-	8,819	8,819
Trade and other receivables	25	19,492	-	-	19,492	19,492
Other investments	20	-	7,800	-	7,800	7,800
Loans and advances to customers	17	39,577	-	-	39,577	39,577
		67,888	7,800	-	75,688	75,688

In millions of Kwacha

	Note	Loans and receivables	Available for sale	Amortised cost	Total carrying amount	Fair value
GROUP						
At 31 December 2010						
Financial liabilities						
Bank overdraft	27	-	-	2,545	2,545	2,545
Loans and borrowings	31	-	-	6,958	6,958	6,958
Trade and other payables	33	-	-	22,169	22,169	22,169
Liabilities due to customers	35	-	-	57,075	57,075	57,075
		-	-	88,747	88,747	88,747
COMPANY						
At 31 December 2011						
Financial assets						
Cash and cash equivalents	27	18	-	-	18	18
Trade and other receivables - Group	24	182	-	-	182	182
Trade and other receivables	25	161	-	-	161	161
Long-term receivables - Group	18	4	-	-	4	4
Investments in associates	16	-	4,015	-	4,015	4,015
Investments in joint venture	15	-	14,574	-	14,574	14,574
Investments in subsidiaries	14	-	32,159	-	32,159	32,159
		365	50,748	-	51,113	51,113
Financial liabilities						
Bank overdraft	27	-	-	362	362	362
Loans and borrowings	31	-	-	976	976	976
Trade and other payables	33	-	-	196	196	196
Trade and other payables to group companies	34	-	-	38	38	38
Long term loans payable to group companies	19	-	-	308	308	308
		-	-	1,880	1,880	1,880
COMPANY						
At 31 December 2010						
Financial assets						
Cash and cash equivalents	27	106	-	-	106	106
Trade and other receivables	25	141	-	-	141	141
Trade and other receivables - Group	24	35	-	-	35	35
Long-term receivables - Group	18	401	-	-	401	401
Investments in associates	16	-	3,170	-	3,170	3,170
Investments in joint venture	15	-	17,528	-	17,528	17,528
Investments in subsidiaries	14	-	32,601	-	32,601	32,601
		683	53,299	-	53,982	53,982
Financial liabilities						
Bank overdraft	27	-	-	25	25	25
Loans and borrowings	31	-	-	1,424	1,424	1,424
Trade and other payables	33	-	-	167	167	167
Trade and other payables to Group companies	34	-	-	21	21	21
Long term loans payable to group companies	19	-	-	326	326	326
		-	-	1,963	1,963	1,963

In millions of Kwacha

6. FINANCIAL RISK MANAGEMENT (CONTINUED)
6.6 Financial assets and liabilities (Continued)

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

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

	Note	Level 1	Level 2	Level 3	Total
GROUP					
At 31 December 2011					
Other investments	20	-	10,975	-	10,975
At 31 December 2010					
Other investments	20	-	7,800	-	7,800
COMPANY					
At 31 December 2011					
Investments in associates	16	-	4,015	-	4,015
Investments in joint ventures	15	-	14,574	-	14,574
Investments in subsidiaries	14	18,294	13,865	-	32,159
		18,294	32,454	-	50,748
At 31 December 2010					
Investments in associates	16	-	3,170	-	3,170
Investments in joint ventures	15	-	17,528	-	17,528
Investments in subsidiaries	14	19,772	12,829	-	32,601
		19,772	33,527	-	53,299

7. OPERATING SEGMENTS

The Group has 6 reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports on at least a quarterly basis.

The group recognises six operating industries based on the type of business among its subsidiary, associated companies and joint ventures. These segments are: Financial Services, Telecommunication, Energy, Food and Beverage, Consumer Goods, and All Other Reportable Segments.

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

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

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

The Company monitors the performance of its investments by allocation to six industries as below. The associated company is included in the All Other Reportable Segment. In addition, a number of dormant subsidiaries are maintained for the protection of trade names or other reasons.

In millions of Kwacha

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

Industry	% shareholding	Nature of business
Financial Services		
National Bank of Malawi Limited	51.49	Financial Services
Telecommunications		
Telecom Holdings Limited	62.63	Holding company for Malawi Telecommunications Limited (MTL)
Telekom Networks Limited	32.27	Mobile Telecommunications
Energy		
BP Malawi Limited	50.0	Fuel & Oil distributor
Ethanol Company Limited	66.0	Ethanol manufacturer
Presscane Limited	50.1	Ethanol manufacturer
Foods & Beverage		
Bottling and Brewing Group Limited	49.6	Beverage manufacturer and distributor
The Foods Company Limited	100.0	Manufacturer and distributor of food products
Maldeco Aquaculture Limited	100.0	Fish farming
Consumer Goods		
People's Trading Centre Limited	50.0	Supermarket chain
Macsteel Malawi Limited	50.0	Steel processors
All other Segments		
Press Properties Limited	100.0	Property investment and development
Press Corporation Limited	-	Holding company
Limbe Leaf Tobacco Company Limited	42.0	Tobacco processors
Discontinued Operations		
Press Trading (Pty) Limited	100.0	Dormant
Press and Shire Clothing Limited	100.0	Dormant
PGI Limited	100.0	Dormant
National Poultry Limited	50.0	Dormant
Malawi Pharmacies Limited	100.0	Dormant
Hardware and General Dealers Limited	100.0	Dormant

Some operations were discontinued as part of re-organisation and restructuring, others were discontinued after they became unprofitable. While a few of the dormant companies will be retained for future use as vehicles for new projects, those that are considered surplus to requirements will be deregistered after the necessary legal processes are completed

Jointly Controlled Entities

Four companies, People's Trading Centre Limited, BP Malawi Limited, Bottling and Brewing Group Limited ("BBGL") and Macsteel (Malawi) Limited are 50% owned by the Company and 50% owned by technical partners except for BBGL which is 49.6% owned by the company and 49.6% by a technical partner. These have been proportionally consolidated as Jointly Controlled Entities in accordance with IAS 31- Investments in Joint Ventures.

Geographical segment presentation

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

In millions of Kwacha

7. OPERATING SEGMENTS (CONTINUED)

	Financial services	Telecomm-unication	Energy	Food and beverage	Consumer goods	All other segments	Total
2011							
Revenue							
Sales	-	-	21,286	10,909	9,473	2,401	44,069
Interest income	11,689	-	-	-	-	-	11,689
Services	-	19,363	-	-	-	-	19,363
Total revenues	11,689	19,363	21,286	10,909	9,473	2,401	75,121
Inter-group revenue	(409)	(1,084)	(1,999)	(2,499)	(70)	(1,903)	(7,964)
Revenue from external customers	11,280	18,279	19,287	8,410	9,403	498	67,157
Segment results							
Operating profits	5,236	1,276	2,289	1,456	319	(368)	10,208
Net finance (costs)/income	-	(1,047)	33	(424)	21	(323)	(1,740)
Share of profit of associates – group	-	-	-	-	-	873	873
Income tax expense	(1,678)	(37)	(804)	(478)	(107)	(116)	(3,220)
Gain on sale of discontinued operations, net of tax	-	-	-	-	-	6	6
Profit for the year	3,558	192	1,518	554	233	72	6,127
Other information							
Capital additions	3,134	5,169	635	1,700	81	98	10,817
Depreciation and amortisation	1,166	3,748	302	707	69	55	6,047
Statement of financial position							
Assets							
Non-current assets	27,765	33,132	5,644	8,071	540	3,692	78,844
Current assets	62,431	5,062	3,541	3,864	2,025	1,168	78,091
Consolidated total assets	90,196	38,194	9,185	11,935	2,565	4,860	156,935
Liabilities							
Non-current liabilities	177	8,124	785	1,308	242	1,500	12,136
Current liabilities	75,311	11,471	3,913	4,136	1,148	1,172	97,151
Consolidated total liabilities	75,488	19,595	4,698	5,444	1,390	2,672	109,287
Cash flows							
Cash flows from /(used in) operating activities	10,937	1,429	1,299	1,463	864	(992)	15,000
Cash flows (used in)/ from investing activities	(6,180)	(4,591)	(561)	(1,658)	(58)	214	(12,834)
Cash flows (used in)/ from financing activities	(996)	4,020	(265)	88	-	(1,484)	1,363

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

In millions of Kwacha

	Financial services	Telecomm-unication	Energy	Food and beverage	Consumer goods	All other segments	Total
2010							
Revenue							
Sales	-	-	18,800	9,700	9,508	2,750	40,758
Interest income	9,874	-	-	-	-	-	9,874
Services	-	15,928	-	-	-	2,323	18,251
Total revenues	9,874	15,928	18,800	9,700	9,508	5,073	68,883
Inter-group revenue	(324)	(456)	(1,286)	(2,660)	(688)	(4,120)	(9,534)
Revenue from external customers	9,550	15,472	17,514	7,040	8,820	953	59,349
Segment results							
Operating profits	5,078	1,458	1,899	1,465	356	(455)	9,801
Net finance (costs)/income	-	(703)	15	(173)	12	1,941	1,092
Share of profit of associates – group	-	-	-	-	-	247	247
Income tax expense	(1,649)	(413)	(604)	(477)	(106)	(157)	(3,406)
Gain on sale of discontinued operations, net of tax	-	-	-	-	-	8	8
Profit for the year	3,429	342	1,310	815	262	1,584	7,742
Other information							
Capital additions	5,026	7,327	624	1,720	138	258	15,093
Depreciation and amortisation	997	2,808	314	529	188	58	4,894
Statement of financial position							
Assets							
Non-current assets	27,774	32,873	5,112	5,617	522	3,630	75,528
Current assets	52,620	3,578	3,030	3,117	1,913	1,677	65,935
Consolidated total assets	80,394	36,451	8,142	8,734	2,435	5,307	141,463
Liabilities							
Non-current liabilities	1,496	6,500	1,050	271	685	3,241	13,243
Current liabilities	64,562	12,179	2,502	2,688	2,225	1,520	85,676
Consolidated total liabilities	66,058	18,679	3,552	2,959	2,910	4,761	98,919
Cash flows							
Cash flows from /(used in) operating activities	1,519	2,541	1,772	1,911	277	406	8,426
Cash flows from /(used in) investing activities	1,298	(7,390)	(485)	(1,296)	(103)	(158)	(8,134)
Cash flows used in financing activities	(910)	(55)	(366)	(19)	(420)	(1,226)	(2,996)

8. DISCONTINUED OPERATION

	GROUP 2011	2010
Results from discontinued operations		
Revenue	22	24
Expenses	(16)	(16)
Profit for the year net of tax	6	8
Basic earnings per share (MK)	0.5	0.7
Diluted earnings per share (MK)	0.5	0.7
Cash flows from discontinued operation		
Net cash from operating activities	6	8

In millions of Kwacha

9. ACQUISITION OF A JOINTLY CONTROLLED ENTITY

9.1 Acquisition

In 2010, the Company together with Carlsberg Breweries AS acquired additional shares totaling 11,308,136 at the cost of MK35 each representing a total of 11.31% of the issued capital of the Bottling and Brewing Group Limited (BBGL) from the minority shareholders. The shares were issued to the two companies in equal proportions.

This resulted in both the Company and Carlsberg Breweries AS having shareholding of 49.57% each as at 31 December 2011.

It is the intention of the two shareholders to acquire the remaining 0.86% currently still being held by the minorities in equal proportions. The acquisition of the additional shares and the intention to acquire the remaining shares in equal proportions effectively resulted in the investment in BBGL being classified as a jointly controlled entity. This classification resulted in the change of method of accounting for the investment by the Company to proportional consolidation under IAS 31 *Interests in Joint Ventures.* The Company previously accounted for the investment as an investment in an associate using equity accounting. This change in ownership effectively resulted in a deemed disposal of the investment in associate and the simultaneous acquisition of an investment in a jointly controlled entity.

The company is in the business of importation, manufacture and distribution of beverages.

In the 12 months to 31 December 2010 BBGL contributed revenue of MK8.8 billion and profit of MK895 million to the Group's results.

9.2 Proportion of fair values of net identifiable assets acquired and liabilities assumed at the date of acquisition:

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	Note	2011	2010
Property, plant and equipment	10	-	3,164
Returnable packaging	11	-	1,041
Intangible assets	12	-	18
Other investments		-	1
Inventories		-	1,309
Receivables		-	447
Related party receivables		-	331
Taxation recoverable		-	2
Cash and cash equivalents	9.3	-	491
Finance lease	31	-	(21)
Borrowings	31	-	(202)
Severance pay	32	-	(165)
Deferred tax	21	-	(797)
Deferred revenue		-	(55)
Payables and accruals	33	-	(1,022)
Provisions	32	-	(10)
Related party payables		-	(339)
Returnable packaging in customers' hands		-	(433)
Income tax payable		-	(124)
Total identifiable net assets acquired		-	3,636

The fair value of intangible assets (patents and trademarks) has been determined provisionally pending an impairment review.

In millions of Kwacha

	Note	2011	2010
9.3 Net cash inflow on acquisition of Bottling and Brewing Group Limited			
Consideration paid in cash	15	-	(198)
Less: cash and cash equivalents acquired	9.2	-	491
Net cash inflow		-	293

9.4 Goodwill

In compliance with its group policy on acquisition of non controlling interests, the Group wrote off the goodwill arising on acquisition of non-controlling interest.

	Note	2011	2010
Total consideration transferred	9.3	-	198
Fair value of existing interest in acquiree	15	-	3,780
Fair value of identifiable net assets	9.2	-	(3,636)
		-	342

9.5 Gain arising from business combination

	Note	2011	2010
Fair value of pre-existing interest in BBGL at acquisition	15	-	3,780
Carrying amount (equity accounted)	16	-	(1,661)
Gain	43	-	2,119

The remeasurement to fair value of the Group's existing 44% interest in the acquiree resulted in a gain of MK2.119 billion (MK3.78 billion less MK1.661 billion carrying value of equity-accounted investee at acquisition date transferred to profit or loss), which has been recognised in these Consolidated and separate financial statements in the statement of comprehensive income (see note 43).

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant, furniture & equipment	Motor vehicles	Capital work in progress	Total
GROUP					
Cost or valuation					
Balance at 1 January 2011	14,262	40,022	4,856	9,346	68,486
Additions	852	1,638	955	5,639	9,084
Disposals	(155)	(1,630)	(193)	(1)	(1,979)
Transfers between classes	6,617	4,655	8	(11,280)	-
Reclassified as held for sale (note 26)	(465)	-	-	-	(465)
Transfer to other reporting categories	(2,002)	2,002	-	-	-
Impairment	(1,491)	(120)	-	-	(1,611)
Surplus on revaluation	856	15	-	-	871
Balance at 31 December 2011	18,474	46,582	5,626	3,704	74,386
Balance at 1 January 2010	9,075	32,190	3,232	7,524	52,021
Acquisition through business combination	1,544	1,293	283	44	3,164
Additions	303	1,478	1,767	10,030	13,578
Disposals	(205)	(493)	(426)	-	(1,124)
Transfers between classes	1,890	5,929	-	(7,819)	-
Reclassified as held for sale (note 26)	-	(4)	-	-	(4)
Transfer to intangible assets (note 12)	-	(371)	-	(433)	(804)
Surplus on revaluation	1,655	-	-	-	1,655
Balance at 31 December 2010	14,262	40,022	4,856	9,346	68,486

In millions of Kwacha

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings	Plant, furniture & equipment	Motor vehicles	Capital work in progress	Total
GROUP (continued)					
Accumulated depreciation and impairment losses					
Balance at 1 January 2011	1,247	12,762	1,839	65	15,913
Depreciation charge for the year	258	4,815	995	-	6,068
Eliminated on revaluation	(26)	(51)	-	-	(77)
Released on disposal	(5)	(1,629)	(18)	-	(1,652)
Transfers between classes	(790)	857	(2)	(65)	-
Reclassified as held for sale (note 26)	(11)	-	-	-	(11)
Impairments losses	-	288	-	-	288
Balance at 31 December 2011	673	17,042	2,814	-	20,529
Balance at 1 January 2010	1,320	9,994	1,128	59	12,501
Depreciation charge for the year	230	3,355	996	-	4,581
Eliminated on revaluation	(292)	-	(285)	-	(577)
Released on disposal	(11)	(388)	-	-	(399)
Transfer to intangible assets (note 12)	-	(210)	-	-	(210)
Impairments losses	-	11	-	6	17
Balance at 31 December 2010	1,247	12,762	1,839	65	15,913
Carrying amounts					
At 31 December 2011	17,801	29,540	2,812	3,704	53,857
At 31 December 2010	13,015	27,260	3,017	9,281	52,573
At 31 December 2009	7,755	22,196	2,104	7,465	39,520
COMPANY					
Cost or valuation					
Balance at 1 January 2011	180	163	134	-	477
Additions	-	27	26	-	53
Disposals	-	(11)	(1)	-	(12)
Surplus on revaluation	25	-	-	-	25
Balance at 31 December 2011	205	179	159	-	543
Balance at 1 January 2010	17	107	133	-	257
Additions	-	64	9	-	73
Disposals	-	(8)	(8)	-	(16)
Surplus on revaluation	163	-	-	-	163
Balance at 31 December 2010	180	163	134	-	477

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2011

In millions of Kwacha

	Land and buildings	Plant, furniture & equipment	Motor vehicles	Total
COMPANY (continued)				
Accumulated depreciation and impairment losses				
Balance at 1 January 2010	-	81	65	146
Depreciation charge for the year	-	25	26	51
Released on disposal	-	(9)	(1)	(10)
Balance at 31 December 2011	-	97	90	187
Balance at 1 January 2010	-	68	37	105
Depreciation charge for the year	-	20	34	54
Released on disposal	-	(7)	(6)	(13)
Balance at 31 December 2010	-	81	65	146
Carrying amounts				
At 31 December 2011	205	82	69	356
At 31 December 2010	180	82	69	331
At 31 December 2009	17	39	96	152

Registers of land and buildings giving details required under the Companies Act 1984, Schedule 3, Section 16, are maintained at the respective registered offices of each company within the Group and are open for inspection by members or their duly authorised agents.

Some land and buildings with a carrying value of MK653 million (2010: MK296 million) were professionally and independently revalued by Griffin R.P. Baloyi, Bsc (Hon), MRICS, MSIM, a chartered valuation surveyor of Griffin Baloyi and Associates as at 31 December 2011 on an open market value basis.

Some land and buildings with carrying value of MK10.3 billion (2010: MK3.8 billion) relating to banking activities were revalued at 31 December 2011 by Chris Mullock, MRICS, MSIM, and Don Whayo, Bsc (Est. Man), Dip (Urb Man), BA, MRICS, MSIM qualified independent valuers on an open market value basis. The valuation of the new Business Centre and Office Complex, arising from the reclassification of the building from capital work in progress to land & buildings, resulted in a decrease in carrying value of MK1.693 billion. The revaluation of the other properties resulted in an increase in fair value of MK907 million. Out of the MK907 million revaluation surplus, MK202 million was credited to the statement of comprehensive income (note 25) to reverse previous decreases in fair values charged to the statement of comprehensive income and the balance of MK705 million was credited to the revaluation surplus through the statement of other comprehensive income.

Land and buildings with carrying value of MK3.3 billion (2010: MK3.3 billion) relating to Malawi Telecommunications Limited were last revalued at 31 December 2010 by CB Richard Ellis, Property Consultants on an open market basis.

land and buildings and civil works in PressCane Limited were valued by Mr. Simeon Banda BSc (Honours), MSIM, ARICS, a qualified valuer and factory buildings and civil works were valued by Mr. T.T. Msowoya, DIP QS, FRICS, MSIM and Mr. W.H. Mkandawire, MBA DIP-Real estates, MSIM, qualified valuers of Turner and Townsend as at 31 December 2008. The fair values were determined by the use of depreciated replacement costs.

Fishing vessels belonging to The Foods Company Limited, included under plant, furniture and equipment were revalued on depreciated replacement cost basis as at 31 December 2011 by O.E. Singini M.Sc. (Shipping Management Tech). The revaluation resulted in a fair value loss of MK120 million relating to the new fish vessel, the *Fish Eagle*, and a fair value gain of MK10 million in respect of the rest of the fleet.

Capital work in progress

Included in the capital work in progress is work presently being carried out on development of telecommunication plant and equipment for Malawi Telecommunications Limited, a subsidiary of Telecom Holdings Limited and Telekom Networks Malawi Limited, buildings, plant and equipment for the new Lilongwe plant for Bottling and Brewing Group Limited and improvement of filling stations in Puma Energy Malawi Limited.

In millions of Kwacha

11. RETURNABLE PACKAGING

	Bottles	Crates	Total
GROUP			
Cost or valuation			
2011			
Balance at 1 January 2011	704	797	1,501
Additions	342	256	598
Disposals	(122)	(6)	(128)
Balance at 31 December 2011	924	1,047	1,971
2010			
Acquisition through business combinations	444	597	1,041
Additions	377	200	577
Disposals	(117)	-	(117)
Balance at 31 December 2010	704	797	1,501
Accumulated depreciation and impairment losses			
2011			
Balance at 1 January 2011	108	52	160
Depreciation charge for the year	228	59	287
Released on disposal	(98)	-	(98)
Balance at 31 December 2011	238	111	349
2010			
Depreciation charge for the year	225	52	277
Released on disposal	(117)	-	(117)
Balance at 31 December 2010	108	52	160
Carrying amounts			
At 31 December 2011	686	936	1,622
At 31 December 2010	596	745	1,341

12. INTANGIBLE ASSETS

	Computer Software	Patents and Trademarks	Development Costs	Work in Progress	Total
GROUP					
Cost					
2011					
Balance at 1 January 2011	2,132	18	326	164	2,640
Acquisition during the year	845	-	-	200	1,045
Transfers between classes	59	-	-	(59)	-
Balance at 31 December 2011	3,036	18	326	305	3,685
2010					
Balance at 1 January 2010	942	-	-	-	942
Acquisition through business combinations	-	18	-	-	18
Acquisition during the year	766	-	-	110	876
Transfers from PPE (Note 10)	424	-	326	54	804
Balance at 31 December 2010	2,132	18	326	164	2,640

In millions of Kwacha

	Computer Software	Patents and Trademarks	Development Costs	Work in Progress	Total
GROUP					
Accumulated amortisation and impairment losses					
2011					
Balance at 1 January 2011	824	1	169	-	994
Amortisation charge for the year	219	1	69	-	289
Balance at 31 December 2011	1,043	2	238	-	1,283
2010					
Balance at 1 January 2010	749	-	-	-	749
Amortisation charge for the year	34	1	-	-	35
Transfers from PPE (Note 10)	41	-	169	-	210
Balance at 31 December 2010	824	1	169	-	994
Carrying amounts					
At 31 December 2011	1,993	16	88	305	2,402
At 31 December 2010	1,308	17	157	164	1,646
At 31 December 2009	193	-	-	-	193

	Computer Software	Work in progress	2011 Total	2010 Total
COMPANY				
Cost				
Balance at 1 January	-	49	49	-
Additions during the year	-	11	11	49
Transfers between classes	59	(59)	-	-
Balance at 31 December	59	1	60	49
Accumulated amortisation and impairment				
Amortisation charge for the year	2	-	2	-
Carrying amounts	57	1	58	49

Work in progress comprises the costs related to the SAP Business Objects Software Project.

13. INVESTMENT PROPERTIES

	Freehold land and buildings	Leasehold land and buildings	Undeveloped freehold land	Undeveloped leasehold land	Total
GROUP					
Balance at 1 January 2011	1,478	1,462	290	1	3,231
Additions during the year	-	90	-	-	90
Disposals	(137)	-	(68)	-	(205)
Surplus on revaluation	198	259	48	-	505
Balance at 31 December 2011	1,539	1,811	270	1	3,621
Balance at 1 January 2010	1,310	1,038	433	1	2,782
Reclassification from PPE	10	52	-	-	62
Additions during the year	(22)	-	(204)	-	(226)
Surplus on revaluation	180	372	61	-	613
Balance at 31 December 2010	1,478	1,462	290	1	3,231

In millions of Kwacha

Certain investment properties with carrying value of MK3.4 billion (2010: MK3.0 billion) were professionally and independently revalued by Don Whayo, Bsc (Est. Man), Dip (Urb Man), BA, MRICS, MSIM, a chartered valuation surveyor with Knight Frank (Malawi) Limited at 31 December 2011 on an open market value basis.

Some investment properties with carrying value of MK0.2 million (2010: MK0.2 million) were professionally revalued by Griffin R.P. Baloyi, Bsc (Hon), Bsc MRICS, MSIM, a chartered valuation surveyor of Griffin Baloyi and Associates at 31 December 2011 on an open market value basis.

Registers of land and buildings giving details required under the Companies Act 1984, Schedule 3, Section 16, are maintained at the respective registered offices of each company within the Group and are open for inspection by members or their duly authorised agents.

14. INVESTMENTS IN SUBSIDIARIES

	COMPANY 2011	COMPANY 2010
Balance at 1 January	32,601	33,287
Decrease in fair value	(442)	(686)
Balance at 31 December	32,159	32,601

The investments are analysed as follows:

	2011 Fair value/cost (PCL Share)	2011 Dividend received	2010 Fair value/cost (PCL Share)	2010 Dividend received
National Bank of Malawi	12,623	1,077	14,102	1,005
Press Properties Limited	2,665	-	2,500	-
Manzinzi Bay Limited	2	-	2	-
The Foods Company Limited	1,036	-	1,280	-
Maldeco Aquaculture Limited	517	-	517	-
Ethanol Company Limited	1,375	157	1,460	93
PressCane Limited	2,419	-	982	-
Telecom Holdings Limited	5,671	-	6,069	-
Telecom Networks Malawi Limited	5,832	84	5,670	42
Press Trading (Proprietary) Limited	19	-	19	-
	32,159	1,318	32,601	1,140

Investments in subsidiaries were independently valued by Ernst and Young, Certified Public Accountants, on behalf of the directors, as at 31 December 2011(2010: Deloitte, Certified Public Accountants) in the company financial statements using discounted cash flow valuation method for the rest of the subsidiaries and net assets valuation method in respect of The Foods Company Limited and Press Properties Limited except for Maldeco Aquaculture Limited which was carried at cost and Telecom Networks Malawi Limited and National Bank of Malawi Limited which are listed on the Malawi Stock Exchange and are at quoted market values. The investment in Maldeco Aquaculture Limited is carried at cost since the directors believe that the company is still in project stage.

In millions of Kwacha

15. INVESTMENTS IN JOINT VENTURES

	COMPANY 2011	COMPANY 2010
Balance at 1 January	17,528	8,940
Acquisition of shares in Bottling and Brewing Group Limited	-	198
Transfer of fair value of existing interest in acquiree	-	3,780
(Decrease)/increase in fair value	(2,954)	4,610
Balance at 31 December	14,574	17,528

	2011 Fair value (PCL Share)	2011 Dividend received	2010 Fair value (PCL Share)	2010 Dividend received
Peoples Trading Centre Limited	935	40	1,940	93
Puma Energy Malawi Limited	5,278	200	5,278	400
Macsteel Limited	769	45	710	118
Bottling and Brewing Group Limited	7,592	166	9,600	75
	14,574	451	17,528	686

Investments in joint ventures were independently valued by Ernst and Young, Certified Public Accountants, on behalf of the directors, as at 31 December 2011 using discounted cash flow valuation method (2010: Deloitte, Certified Public Accountants) in the company financial statements.

16. INVESTMENTS IN ASSOCIATES

	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
a) Investment at the year end				
Limbe Leaf Tobacco Company	1,448	575	4,015	3,170
b) Movement during the year				
At beginning of the year	575	1,989	3,170	5,920
Share of profit	873	247	-	-
Transfer of fair value of existing interest in acquiree (note 9.5)	-	(1,661)	-	(3,780)
Increase in fair value	-	-	845	1,030
At the end of the year	1,448	575	4,015	3,170

The company has a 42% (2010:42%) equity interest in Limbe Leaf Tobacco Company Limited.

Investment in associate was independently valued by Ernst and Young, Certified Public Accountants, on behalf of the directors as at 31 December 2011 (2010: Deloitte, Certified Public Accountants) in the company financial statements.

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

The associates' financial statements include the following:

	GROUP 2011	GROUP 2010
Assets	26,787	23,487
Liabilities	21,685	20,567
Revenue	19,489	19,840
Profit	2,080	1,337

In millions of Kwacha

17. LOANS AND ADVANCES TO CUSTOMERS

	GROUP 2011	GROUP 2010
Gross loans and advances to customers	44,995	39,929
Allowance for impairment losses	(370)	(352)
Net loans and advances	44,625	39,577
Gross loans and advances are due to mature as follows:		
- Within three months	12,252	9,869
- Between three months and one year	19,294	15,795
- After one year	13,449	14,265
	44,995	39,929
Net loans are split into:		
Long term loans	11,334	12,920
Short term loans	33,291	26,657
	44,625	39,577
Movement of allowance for impairment losses		
At the beginning of the year	352	307
Charged during the year	317	206
Written off during the year	(285)	(83)
Recovered during the year	(14)	(78)
Balance at the end of the year	370	352
Analysis of gross loans and advances by sector:		
- Wholesale and retail	551	3,249
- Others	13,225	3,248
- Personal accounts	3,847	10,244
- Agriculture	17,158	2,922
- Manufacturing	10,323	20,480
- Finance and insurance	51	34
	45,155	40,177
Provision for impairment of interest from impaired loans and advances	(160)	(248)
	44,995	39,929
Total loans and advances on which interest is suspended	578	937
Movement of provision for impairment of interest from impaired loans and advances		
At the beginning of the year	248	155
Applied against advances	(497)	(102)
Suspended during the year	438	288
Recovered during the year	(29)	(93)
At the end of the year	160	248
Analysis of recoveries		
Specific allowance for impairment loss		
Interest in suspense	14	78
Debts previously written off	29	93
Transferred to profit or loss	164	155
	207	326
Analysis of gross loans by currency		
Malawi Kwacha denominated		
United States dollar denominated	40,238	35,427
	4,757	4,500
	44,995	39,927

In millions of Kwacha

	GROUP	
	2011	2010
Finance lease receivables		
Loans and advances to customers include the following finance lease receivables:		
Gross investment – finance lease receivables	4,430	4,522
Unearned finance income on finance leases	(816)	(802)
	3,614	3,720
Specific allowance for impairment	(1)	(1)
Net investment in finance leases	3,613	3,719
The net investment in finance leases matures as follows:		
- Within three months	58	81
- Between three months and one year	531	603
- After one year and not later than five years	3,024	3,035
	3,613	3,719

The base lending rate for Group's banking subsidiary as at 31 December 2011 was 17.75% (2010: 17.75% and the US Dollar denominated loans were given at an average interest rate of 8.6% (2010: 8.6%). The finance lease receivables are secured by the leased assets.

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

18. LOANS RECEIVABLES FROM GROUP COMPANIES

	COMPANY	
	2011	2010
Maldeco Aquaculture Limited	-	401
Telecomm Holdings Limited	2	-
MTL Mobile Limited	2	-
	4	401
Summary of inter-company loans		
Movement during the year was as follows:		
Balance at 1 January	401	401
Loans granted during the year	4	55
Provision for impairment	(401)	-
Loans recovered	-	(55)
Balance at 31 December	4	401

The loans are unsecured and payable within five years and do not attract any interest.

In millions of Kwacha

19. LONG TERM LOANS PAYABLE TO GROUP COMPANIES

	COMPANY 2011	COMPANY 2010
Maldeco Fisheries Limited	289	289
The Foods Company Limited	-	8
National Poultry Limited	19	20
Press Poultry - a division of the Foods Group Limited	-	9
	308	326

The loans are unsecured and payable within five years and attract interest is charged at market rates currently at 10% (2010: 10%).

20. OTHER INVESTMENTS

		GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
Total other investments are due to mature as follows:					
i) Long term investments					
- Non – maturing investments		1,742	2,006	-	-
- Between one year and five years		1,497	436	-	-
		3,239	2,442	-	-
ii) Current investments					
- Between three months and one year		3,482	2,926	-	-
- Within three months		4,254	2,432	-	-
		7,736	5,358	-	-
Total other investments		10,975	7,800	-	-
Comprises of the following:					
Government of Malawi and Reserve Bank of Malawi Bills	20(a)	5,969	2,854	-	-
Money market deposits	20(b)	3,446	3,329	-	-
Government of Malawi Local Registered Stock	20(c)	467	543	-	-
Reserve Bank of Malawi Bonds	20(d)	1,093	1,074	-	-
Total investments		10,975	7,800	-	-

In millions of Kwacha

	Average interest rate		GROUP	
	2011	2010	2011	2010
a) Government of Malawi and Reserve Bank of Malawi bills				
Government of Malawi Treasury Bills	6.6 %	10.10%	5,969	2,854
The bills are due to mature as follows:				
- Within three months			2,550	1,002
- Between three months and one year			3,419	1,852
			5,969	2,854

Government of Malawi and Reserve Bank of Malawi bills are denominated in Malawi Kwacha

	Average interest rate		GROUP	
	2011	2010	2011	2010
b) Money market deposits				
Money Market deposits with other banks	11.8%	10.5%	2,437	2,892
Balances with discount houses	6.3%	5.4%	1,009	437
			3,446	3,329

Money market deposits are denominated in Malawi Kwacha

	Average interest rate		GROUP	
	2011	2010	2011	2010
c) Government of Malawi Local Registered Stocks				
Government of Malawi Local Registered Stocks	15.5%	15.5%	467	543
The stocks are due to mature as follows:				
- Within three months			-	107
- Between three months and one year			63	-
- Between one and five years			404	436
			467	543

Governments of Malawi Local Registered Stocks are denominated in Malawi Kwacha.

	Average interest rate		GROUP	
	2011	2010	2011	2010
(d) Reserve Bank of Malawi Bonds				
Reserve Bank of Malawi Bonds	9.1%	10.0%	1,093	1,074
The stocks are due to mature as follows:				
- Between three months and one year			-	1,074
- Between one and five years			1,093	-
			1,093	1,074

Reserve Bank of Malawi Bonds are denominated in Malawi Kwacha.

21. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
GROUP						
Property, plant and equipment	-	-	(3,283)	(3,852)	(3,283)	(3,852)
Investment properties	-	-	(708)	(630)	(708)	(630)
Provisions	908	188	(3)	-	905	188
Other items	93	491	(1,148)	(1,218)	(1,055)	(727)
Tax value of loss carried forward	320	121	-	-	320	121
Tax assets/(liabilities)	1,321	800	(5,142)	(5,700)	(3,821)	(4,900)
COMPANY						
Property and investments in subsidiaries and associates	-	-	(9,825)	(11,034)	(9,825)	(11,034)

In millions of Kwacha

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

Movement of net deferred tax liabilities is as follows:-

	Opening balance	Acquisition through business combinations	Recognised in profit and loss	Recognised in other comprehensive income	Closing balance
GROUP					
2011					
Property, plant and equipment	(3,852)	-	683	(114)	(3,283)
Investment properties	(630)	-	(51)	(27)	(708)
Provisions	188	-	87	630	905
Other items	(727)	-	25	(353)	(1,055)
Tax value or loss carried forward	121	-	108	91	320
Total liabilities	(4,900)	-	852	227	(3,821)
2010					
Property, plant and equipment	(1,826)	(290)	(1,134)	(602)	(3,852)
Investment properties	(371)	-	(259)	-	(630)
Provisions	366	-	(178)	-	188
Other items	(889)	(696)	858	-	(727)
Tax value or loss carried forward	13	189	(81)	-	121
Total liabilities	(2,707)	(797)	(794)	(602)	(4,900)
COMPANY					
2011					
Investment in subsidiaries and associates	(10,989)	-	-	1,216	(9,773)
Property	(45)	-	-	(7)	(52)
	(11,034)	-	-	1,209	(9,825)
2010					
Investment in subsidiaries and associates	(7,759)	-	-	(3,230)	(10,989)
Property	-	-	-	(45)	(45)
	(7,759)	-	-	(3,275)	(11,034)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following:

	COMPANY 2011	COMPANY 2010
Tax losses	4,317	3,648

Deferred tax assets have not been recognised in respect of these tax losses because it is not probable that future taxable profit will be available against which the company can utilise the benefits there from. Tax losses expire after 6 years.

In millions of Kwacha

	GROUP		COMPANY	
	2011	2010	2011	2010

22. INVENTORIES

	2011	2010	2011	2010
Finished goods	2,955	1,641	9	6
Raw materials and consumables	2,341	2,027	2	2
Work in progress	20	1,164		-
Goods in transit	159	163	-	-
	5,475	4,995	11	8

23. BIOLOGICAL ASSETS

	2011	2010	2011	2010
Balance at 1 January	281	199	-	-
Increase due to birth	153	299	-	-
Decrease due to sales	(140)	(219)	-	-
Changes in fair value less costs to sell	(219)	2	-	-
Balance at 31 December	75	281	-	-

As at 31 December 2011 and 2010, biological assets held for sale comprised of fish and fingerlings.

24. TRADE AND OTHER RECEIVABLES FROM GROUP COMPANIES

Amounts due from related party companies	2011	2010	2011	2010
Bottling and Brewing Group Limited	-	-	149	-
Maldeco Aquaculture Limited	-	-	8	-
Manzinzi Bay Limited	-	-	-	1
Press Properties Limited	-	-	13	27
Telecom Holdings Limited	-	-	1	4
The Foods Company Limited	-	-	10	-
Other	-	-	1	3
	-	-	182	35

25. TRADE AND OTHER RECEIVABLES (EXTERNAL)

	2011	2010	2011	2010
Trade receivables	3,299	3,024	-	-
Balances due from other banks	8,753	9,515	-	-
Prepayments	1,614	1,050	57	41
Letters of credit	1,198	3,531	-	-
Other receivables	5,327	3,618	104	100
	20,191	20,738	161	141
Provision for potential loss on other receivables	(1,222)	(412)	-	-
Allowance for impairment losses	(893)	(834)	-	-
	18,076	19,492	161	141

26. ASSETS CLASSIFIED AS HELD FOR SALE

	2011	2010	2011	2010
Inventories (Note 22)	14	6	-	-
Property, plant and equipment (Note 10)	454	4	-	-
	468	10	-	-

The property, plant and equipment assets held for sale relate to property for National Bank of Malawi known as the Old Henderson Street and Churchill Road Service centres, that the bank intends to sell. The property has become surplus to the Bank's requirements following the opening of the new office complex and business centre. The inventories held for sale relate to a discontinued division of The Foods Company Limited.

In millions of Kwacha

27. CASH AND CASH EQUIVALENTS

	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
Reserve Bank of Malawi	4,757	2,603	-	-
Bank balances	1,869	2,120	4	5
Call deposits	2,646	1,545	12	101
Cash on hand	3,459	2,551	2	-
Cash and cash equivalents	12,731	8,819	18	106
Bank overdrafts	(2,928)	(2,545)	(362)	(25)
Cash and cash equivalents as shown in the statement of cash flows	9,803	6,274	(344)	81

Balances held at Reserve Bank of Malawi are non-interest bearing and are regulated as disclosed in Note 5.

The Company has banking facilities of MK400 million (2010: MK228 million) due for renewal on 30 November 2012. This was secured by Board Resolution and Letter of Agreement to borrow.

28. SHARE CAPITAL

	GROUP AND COMPANY 2011	GROUP AND COMPANY 2010
Authorised ordinary share capital		
- Number (millions)	2,500	2,500
- Nominal value per share (MK)	0.01	0.01
- Nominal value (MK million)	25	25
Issued and fully paid		
- Number (millions)	1	1
- Nominal value (MK million)	1	1

29.SHARE PREMIUM

	2011	2010
At the end of the year	2,097	2,097

30. OTHER RESERVES

	Revaluation reserve	Translation reserve	Loan loss reserve	Other	Total
GROUP					
2011					
Balance at the beginning of the year	8,693	112	441	2,089	11,335
Revaluation of property	567	-	-	-	567
Fair value gains and losses on investment properties	13	-	-	-	13
Transfer to loan loss reserve	-	-	55	-	55
Reversal of accumulated depreciation	(687)	-	-	-	(687)
Transfer to due to disposal of revalued assets	(68)	-	-	-	(68)
Income tax on other comprehensive income	108	-	-	-	108
Balance at 31 December 2011	8,626	112	496	2,089	11,323

for the year ended 31 December 2011

In millions of Kwacha

	Revaluation reserve	Translation reserve	Loan loss reserve	Other	Total
GROUP					
2010					
Balance at the beginning of the year	9,443	112	406	21	9,982
Revaluation of property	1,489	-	-	-	1,489
Fair value gains and losses on investment properties	613	-		-	613
Transfer to loan loss reserve	-	-	35	-	35
Reversal of accumulated depreciation	(104)	-	-	-	(104)
Pre-acquisition reserves for BBGL	-	-	-	2,068	2,068
Remeasurement to fair value of pre-existing interest in acquiree	(2,119)	-	-	-	(2,119)
Transfer due to disposal of revalued assets	(100)	-	-	-	(100)
Income tax on other comprehensive income	(529)	-	-	-	(529)
Balance at 31 December 2010	8,693	112	441	2,089	11,335
COMPANY					
2011					
Balance at 1 January 2011	37,420	110	-	168	37,698
Fair value loss on investments	(2,551)	-	-	-	(2,551)
Revaluation surplus on property	25	-	-	-	25
Transfer to profit and loss	-	-	-	(168)	(168)
Deferred tax on revaluation	1,209	-	-	-	1,209
Balance at 31 December 2011	36,103	110	-	-	36,213
2010					
Balance at 1 January 2010	35,629	110	-	168	35,907
Revaluation surplus on investments	4,903	-	-	-	4,903
Revaluation surplus on property	163	-	-	-	163
Deferred tax on revaluation	(3,275)	-	-	-	(3,275)
Balance at 31 December 2010	37,420	110	-	168	37,698

Revaluation reserve

For group, the revaluation reserve relates to revaluation of property whereas for company only, the revaluation reserve relates to revaluation of property and investments in subsidiaries, associates and joint ventures and comprises cumulative increase in the fair value at the date of valuation. These reserves are not distributable to shareholders until the relevant revalued assets have been disposed of or, in the instance of revalued property, when consumed through use.

Translation reserves

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Loan loss reserve

This relates to excess of provisions for impairment losses as required by the Reserve Bank of Malawi which are above those impairment loss allowed by IAS 39 requirements.

Other reserves

The other reserves for the group comprise capital redemption reserve and capital profits.

In millions of Kwacha

31. LOANS AND BORROWINGS

	Secured	Unsecured	Total
GROUP			
2011			
Terms and debt repayment schedules			
More than 5 years	-	286	286
Due between 1 and 5 years	5,682	869	6,551
	5,682	1,155	6,837
Due within 1 year or less	3,049	878	3,927
	8,731	2,033	10,764
2010			
Terms and debt repayment schedules			
More than 5 years	260	436	696
Due between 1 and 5 years	2,964	949	3,913
	3,224	1,385	4,609
Due within 1 year or less	1,649	700	2,349
	4,873	2,085	6,958
COMPANY			
2011			
Terms and debt repayment schedules			
Due between 1 and 5 years	557	-	557
Due within 1 year or less	419	-	419
	976	-	976
2010			
Terms and debt repayment schedules			
Due between 1 and 5 years	898	-	898
Due within 1 year or less	526	-	526
	1,424	-	1,424

Movement in borrowings	At 01/01/11	Draw-downs	Re-payments	Exchange fluctuations	Interest accrual	At 31/12/11
GROUP						
Local borrowings						
Belgium Government	76	-	-	-	6	82
Continental Discount House	-	200	-	-	2	202
DANIDA loan	604	-	-	-	20	624
FDH Bank Limited	-	28	-	-	-	28
FMB – MK Loan	88	-	(20)	-	-	68
FMB – USD Loan	984	115	(293)	75	8	889
Kuwait Development Fund	740	-	-	-	77	817
Malawi Government	4	-	(1)	-	-	3
NBS Bank	400	-	(270)	-	-	130
NORDIC Development Fund	716	-	-	-	62	778
Standard Bank – USD Loan	-	3,670	(26)	1	-	3,645
Standard Bank – MK Loan	413	26	(294)	-	-	145
Total local borrowings	4,025	4,039	(904)	76	175	7,411
Foreign borrowings						
Development Bank of South Africa	1,156	-	(343)	84	-	897
Libyan Government	46	-	-	-	-	46
NORSAD	27	-	(28)	1	-	-
PTA Bank	1,704	754	(227)	179	-	2,410
Total foreign borrowings	2,933	754	(598)	264	-	3,353
Total borrowings	6,958	4,793	(1,502)	340	175	10,764

In millions of Kwacha

Movement in borrowings	At 01/01/11	Draw-downs	Re-payments	Exchange fluctuations	Interest accrual	At 31/12/11
COMPANY						
NBS Bank Limited	41	-	(11)	-	-	30
Standard Bank Limited	227	-	(178)	-	-	49
Total local borrowings	268	-	(189)	-	-	79
Foreign borrowings						
Development Bank of South Africa	1,156	-	(343)	84	-	897
Total borrowings	1,424	-	(532)	84	-	976

Movement in borrowings	At 01/01/10	Acquisition through business combinations	Draw-downs	Repayments	Exchange fluctuations	Interest accrual	At 31/12/10
GROUP							
Local borrowings							
DANIDA loan	584	-	-	-	-	20	604
NORDIC Development Fund	653	-	-	-	-	63	716
Kuwait Development Fund	663	-	-	-	-	77	740
Belgium Government	71	-	-	-	-	5	76
FMB – MK Loan	100	-	-	(12)	-	-	88
FMB – USD Loan	560	-	-	(28)	-	18	550
National Bank of Malawi	246	-	-	(246)	-	-	-
Malawi Government	8	-	-	(4)	-	-	4
NBS Bank	763	18	-	(381)	-	-	400
Standard Bank	601	177	28	(393)	-	-	413
Total local borrowings	4,249	195	28	(1,064)	-	183	3,591
Foreign borrowings							
PTA Bank	1,472	-	364	(225)	47	46	1,704
Libyan Government	46	-	-	-	-	-	46
Development Bank of South Africa	1,201	-	-	(106)	61	-	1,156
NORSAD	-	-	95	(70)	(3)	5	27
EIB Bank	345	-	97	(23)	15	-	434
Total foreign borrowings	3,064	-	556	(424)	120	51	3,367
Total borrowings	7,313	195	584	(1,488)	120	234	6,958
COMPANY							
Local borrowings							
NBS Bank Limited	194	-	-	(153)	-	-	41
Standard Bank Limited	499	-	-	(272)	-	-	227
Total local borrowings	693	-	-	(425)	-	-	268
Foreign borrowings							
Development Bank of South Africa	1,201	-	-	(106)	61	-	1,156
Total borrowings	1,894	-	-	(531)	61	-	1,424

In millions of Kwacha

31. LOANS AND BORROWINGS (CONTINUED)

Loans analysis
GROUP 2011

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
Belgium Government	Malawi Kwacha	7.5%	½ Yearly	Government	2005	2020	40	22	20
Continental Discount House	Malawi Kwacha	14.75%	Monthly	-	2012	2013	136	67	-
DANIDA	Danish Kroner	3.5%	½ Yearly	Government	2004	2018	267	184	173
Development Bank of South Africa	US Dollars	LIBOR + 4	½ Yearly	NBM shares	2008	2015	359	538	-
FDH Bank Limited	Malawi Kwacha	17.5%	Monthly	Debenture	2012	2013	14	14	-
FMB Limited	US Dollars	8.5%	½ Yearly	TNM Shares	2010	2015	154	346	-
FMB Limited	US Dollars	9.50%	Monthly	None	2010	2015	120	269	-
FMB Limited	Malawi Kwacha	17.75%	Monthly	Debenture	2010	2015	20	48	-
Kuwait Development Fund	Malawi Kwacha	15.0%	½ Yearly	Government	2003	2017	560	216	41
Libyan Government	Malawi Kwacha	-	Dividends offset	-	-	-	46	-	-
Malawi Government	Malawi Kwacha	8.5%	½ Yearly	-	1999	2014	2	1	-
NBS Bank Limited	Malawi Kwacha	17.5%	Monthly	Buildings	2008	2014	48	52	-
NBS Bank Limited	Malawi Kwacha	17.5%	Monthly	Buildings	2010	2015	11	19	-
NORDIC Development Fund	Malawi Kwacha	7.5%	½ Yearly	Government	2003	2018	559	167	52
Standard Bank Malawi Limited	Malawi Kwacha	17.50%	Quarterly	Related assets	2010	2013	10	9	-
Standard Bank Malawi Limited	Malawi Kwacha	17.50%	Quarterly	Debenture	2010	2013	58	20	-
Standard Bank Malawi Limited	Malawi Kwacha	15.75%	Quarterly	PCL Guarantee	2006	2012	49	-	-
Standard Bank Malawi Limited	US Dollars	15.75%	Quarterly	Related assets	2012	2017	628	2,252	-
Standard Bank Malawi Limited	US Dollars	17.75%	Quarterly	TNM Shares	2012	2016	158	606	-
PTA Bank	US Dollars	6.25%	Quarterly	Debenture	2009	2015	688	1,721	-
							3,927	6,551	286

COMPANY 2011

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
Standard Bank of Malawi Limited	Malawi Kwacha	15.75%	Quarterly	PCL Guarantee	2006	2012	49	-	-
NBS Bank Limited	Malawi Kwacha	17.5%	Monthly	Buildings	2010	2014	11	19	-
Development Bank of South Africa	US Dollars	LIBOR + 4	½ Yearly	NBM shares	2008	2015	359	538	-
							419	557	-

In millions of Kwacha

31. LOANS AND BORROWINGS (CONTINUED)

Loans analysis
GROUP 2010

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
Belgium Government	Malawi Kwacha	7.5%	½ Yearly	Government	2005	2020	28	22	26
DANIDA	Danish Kroner	3.5%	½ Yearly	Government	2004	2018	201	184	219
Development Bank of South Africa	US Dollars	LIBOR	½ Yearly	NBM shares	2008	2015	338	674	144
FMB Limited	US Dollars	9%	Monthly	TNM Shares	2010	2015	116	434	-
FMB Limited	US Dollars	9.50%	½ Yearly	None	2010	2015	91	343	-
FMB Limited	Malawi Kwacha	17.50%	Monthly	Debenture	2010	2015	20	68	-
Kuwait Development Fund	Malawi Kwacha	15%	½ Yearly	Government	2003	2017	426	219	95
Libyan Government	Malawi Kwacha	-	Dividends offset	-	-	-	46	-	-
Malawi Government	Malawi Kwacha	8.5%	½ Yearly	-	1999	2014	2	2	-
NBS Bank Limited	Malawi Kwacha	15.75%	Monthly	Debenture	2007	2016	1	15	-
NBS Bank Limited	Malawi Kwacha	17.50%	Monthly	Buildings	2008	2014	37	298	8
NBS Bank Limited	Malawi Kwacha	21.00%	Monthly	Buildings	2010	2015	12	22	7
NORSAD	US Dollars	7.5%	½ Yearly	Debenture	2007	2011	27	-	-
NORDIC Development Fund	Malawi Kwacha	7.5%	½ Yearly	Government	2003	2018	455	167	94
Standard Bank Malawi Limited	Malawi Kwacha	17.50%	Monthly	Related assets	-	-	4	-	-
Standard Bank Malawi Limited	Malawi Kwacha	17.50%	Quarterly	Related assets	2010	2013	12	14	-
Standard Bank Malawi Limited	Malawi Kwacha	17.50%	Quarterly	Debenture	2010	2013	98	58	-
Standard Bank Malawi Limited	Malawi Kwacha	17.75%	Quarterly	PCL Guarantee	2008	2015	176	51	-
PTA Bank	US Dollars	7.0%	Quarterly	Debenture	2009	2015	259	1,342	103
							2,349	3,913	696

COMPANY 2010

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
Development Bank of South Africa	US Dollars	LIBOR	½ Yearly	NBM shares	2008	2015	338	674	144
NBS Bank Limited	Malawi Kwacha	17.5%	Monthly	Buildings	2010	2014	12	22	7
Standard Bank of Malawi Limited	Malawi Kwacha	17.75%	Quarterly	PCL Guarantee	2008	2015	176	51	-
							526	747	151

31. LOANS AND BORROWINGS (CONTINUED)

a) Government of Malawi Guaranteed Loans

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

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

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

Government of Malawi/ Kingdom of Denmark

The Government of the Kingdom of Denmark made available to the Government of Malawi a grant of Danish Krones (DKK) 79,000,000 to support the implementation of the preparatory programme to support the Telecommunications sector. Under Article 13 of the Bilateral Agreement, the Government made available to Malawi Telecommunications Limited (then Malawi Posts and Telecommunications Corporation) a loan amounting to DKK53, 200,000. The loan bears interest at 3.5% per annum and is payable half-yearly in arrears. The loan is unsecured, but ranks pari passu with future loan facilities and it is repayable over 20 years from the date of receipt of all equipment.

In the addendum signed in June 2006 between the Company and the Government of Malawi, the loan was fixed at MK920, 947,960.94 and interest was maintained at 3.5% per annum.

Nordic Development Fund

The loan bears interest at 15% per annum and is repayable half-yearly in arrears. The loan is unsecured, but ranks pari passu with future loan facilities and it is repayable over 17 years from the date of receipt of all equipment.

It was agreed in the addendum signed in June 2006 between the Company and Government of Malawi to fix the loan at MK627,159,500 and the interest was set at 7.5% per annum.

Kuwait Fund for Arab Economic Development

The loan bears interest at 7% per annum and is repayable half-yearly in arrears. The loan is unsecured, but ranks pari passu with future loan facilities and is repayable over 16 years including a 4-year grace period.

It was agreed in the addendum signed in June 2006 between the Company and Government of Malawi to fix the loan at MK918,457,716.39 and the interest was put at 15% per annum.

Government of Belgium

The loan bears interest at 7.5% per annum and is repayable half-yearly in arrears starting from 31 March 2005. The loan is unsecured, but ranks pari pasu with future loan facilities and it is repayable over 15 years.

It was agreed in the addendum signed in June 2006 between the Company and Government of Malawi to fix the loan at MK88,701,816.63 with interest rate maintained at 7.5% per annum.

Libyan Government

The loan is interest free and unsecured. There are no repayment terms.

In millions of Kwacha

32. PROVISIONS

	Legal claims	Severance pay /pension arrears	Group bonus	Other	Total
GROUP					
2011					
Balance at the beginning of the year	12	2,774	191	685	3,662
Charge/(reversal) for the year	28	(1,408)	885	85	(410)
Provision used in the year	(6)	(219)	(295)	(360)	(880)
Balance at the end of the year	34	1,147	781	410	2 ,372
Due between 2 and 5 years					156
Due within 1 year or less					2,216
Balance as at the end of the year					2,372
2010					
Balance at the beginning of the year	11	1,970	592	185	2,758
Acquisition through business combinations	-	165	69	143	377
Provision for the year	6	671	269	390	1,336
Provision used in the year	(5)	(32)	(739)	(33)	(809)
Balance at the end of the year	12	2,774	191	685	3,662
Due between 2 and 5 years					2,934
Due within 1 year or less					728
Balance as at the end of the year					3,662
COMPANY					
2011					
Balance at the beginning of the year	-	327	176	-	503
Paid out during the year	-	-	(171)	-	(171)
Provision made during the year	-	(177)	231	-	54
Balance at the end of the year	-	150	236	-	386
Due within 1 year or less					386
2010					
Balance at the beginning of the year	-	300	117	-	417
Paid out during the year	-	(4)	(117)	-	(121)
Provision made during the year	-	31	176	-	207
Balance at the end of the year	-	327	176	-	503
Due between 2 and 5 years					327
Due within 1 year or less					176
Balance at the end of the year					503

In millions of Kwacha

32. PROVISIONS (CONTINUED)

The legislation giving rise to the requirement to provide for severance pay, the Pensions Act 2010 and the Employment (Amendment) Act 2010 were enacted by Parliament and became effective on 1 June 2011.

The principal change in the legislation is the removal of the provision requiring employers to accrue for severance pay relating to future retirement costs. In addition, the legislation has introduced an obligation on the part of employers to ensure that employees are covered by registered pension arrangements.

The amendments in legislation have given rise to changes in accounting for post retirement benefits for all employers. The Group has adopted the provisions of the new legislation as at 31 December 2011.

The balance on the severance provision account as computed based on total emoluments and the number of completed years served less the accumulated employer pension contributions (including bonuses thereon) and gratuity paid, cystallised into pension arrears on 1 June 2011.

The amount is payable to a pension fund over an eight year period but has been treated as a current liability in line with the provisions of the new Pension Act, 2010.

	GROUP		COMPANY	
	2011	2010	2011	2010

33. TRADE AND OTHER PAYABLES

Trade payables	8,010	11,086	-	-
Accruals	4,202	4,012	-	-
Liabilities to other banks	2,874	1,813	-	-
Letters of credit	875	3,531	-	-
Others	4,198	1,727	196	167
	20,159	22,169	196	167

34. TRADE AND OTHER PAYABLES TO GROUP COMPANIES

Amounts due to related party companies				
Press Properties Limited	-	-	12	18
Telecom Holdings Limited	-	-	6	2
The Foods Company Limited	-	-	7	-
Other	-	-	13	1
	-	-	38	21

In millions of Kwacha

35. LIABILITIES DUE TO CUSTOMERS

	GROUP	
	2011	2010
Current accounts	29,266	24,416
Deposit accounts	16,664	15,764
Savings accounts	11,165	9,848
Foreign currency accounts*	8,725	7,047
	65,820	57,075
Analysed by interest risk type:		
Interest bearing deposits	65,034	56,165
Non-interest bearing deposits	786	910
	65,820	57,075
Total liabilities to customers are payable as follows:		
- Within three months	64,947	55,302
- Between three months and one year	873	1,773
	65,820	57,075
Analysis of deposits by sector		
- Personal accounts	52,693	36,033
- Manufacturing	2,999	3,898
- Agriculture	2,444	3,806
- Wholesale and retail	2,036	6,516
- Finance and insurance	1,768	2,656
- Others	3,880	4,166
	65,820	57,075
* The foreign currency accounts balances as at 31 December were as follows:-		
US Dollar denominated	6,230	5,721
GBP denominated	1,385	512
Euro denominated	1,023	737
ZAR denominated	13	34
Other currencies	74	43
	8,725	7,047

The interest rate on foreign currency accounts ranged from 0.1% to 4% (2010:0.50% to 4%)

36. EMPLOYEE BENEFITS

	GROUP		COMPANY	
	2011	2010	2011	2010
Contributions to a defined contribution plan	536	367	24	13

The expense is recognised in the operating expense line item in the profit or loss.

Liability for defined contribution obligations

The principal group pension scheme is the Press Corporation Limited Group Pension and Life Assurance Scheme covering all categories of employees with 2,361 (2010: 2,183) members as at 31 December 2011. The Fund is a defined contribution fund and is independently administered by NICO Life Insurance Company Limited. Under this arrangement employer's liability is limited to the pension contributions.

In millions of Kwacha

	GROUP		COMPANY	
	2011	2010	2011	2010

37. REVENUE

Sales	37,511	33,827	46	48
Services	18,366	15,972	65	41
Interest	11,280	9,550	-	-
Investment income – dividend	-	-	1,769	1,826
	67,157	59,349	1,880	1,915

38. DIRECT TRADING EXPENSES

Cost of sales	25,450	27,596	16	9
Direct service costs	6,873	1,803	-	-
Interest expense	956	1,153	-	-
	33,279	30,552	16	9

39. OTHER OPERATING INCOME

Net gains from trading in foreign currencies	996	1,504	-	-
Recoveries from impaired loans and advances	207	326	-	-
Fair value adjustment of investment property	500	613	-	-
Fair value adjustment of other assets	(103)	(41)	-	-
Profit/(loss) on disposal of property, plant and equipment	204	212	(1)	(1)
Bad debts recovered	-	206	361	213
Property rental income	-	170	-	-
Operating lease income	79	120	-	-
Sundry income	1,331	400	37	68
Premium on foreign currency option contracts	1,041	101	-	-
Discount received on telecommunication equipment	371	-	-	-
Share of profits from associates in NBM Ltd	1	41	-	-
	4,627	3,652	397	280

40. DISTRIBUTION COSTS

Marketing and publication	1,062	974	-	-
Selling expenses	1,104	819	-	-
Carriage outwards	1,492	1,512	-	-
Other	208	119	-	-
	3,866	3,424	-	-

In millions of Kwacha

	GROUP		COMPANY	
	2011	2010	2011	2010

41. ADMINISTRATIVE EXPENSES

Auditors' remuneration - current year fees	152	130	35	22
- prior year fees	2	3	-	2
- other professional services	5	6	-	-
Directors' emoluments - fees & expenses	32	40	20	18
- executive directors' remuneration	116	106	-	-
Royalty fees	230	202	-	-
Management fees	307	636	-	-
Personnel costs	6,391	6,707	575	469
Pension contribution costs	536	367	24	13
Legal and professional fees	413	254	31	32
Stationery and office expenses	486	460	74	51
Security services	724	591	11	15
Motor vehicle expenses	988	880	22	21
Bad debts	491	307	4	86
Repairs and maintenance	1,723	1,372	11	16
Depreciation and amortisation	6,047	4,131	53	54
Fair value loss /(gain) on revaluation of property, plant and equipment	1,611	(42)	-	-
Increase in potential loss on other receivables	810	412	-	-
Other	3,130	2,380	109	319
	24,194	18,942	969	1,118

42. OTHER OPERATING EXPENSES

Provision for impairment of group loans	-	-	401	-
Traveling costs	5	-	-	-
Staff training	69	91	-	-
Other	163	191	-	-
	237	282	401	-

43. FINANCE INCOME AND COSTS

Interest income				
IInterest income on bank deposits	137	139	5	21
Remeasurement to fair value of pre-existing interest in acquiree (note 9)	-	2,119	-	-
Other	84	39	6	45
	221	2,297	11	66
Interest expense				
Bank overdrafts	(446)	(424)	(29)	(12)
Loans	(453)	(486)	(146)	(157)
Other	(1,062)	(295)	(96)	(66)
	(1,961)	(1,205)	(271)	(235)
Net finance (costs)/income	(1,740)	1,092	(260)	(169)

44. SHARE OF RESULTS FROM ASSOCIATES

Limbe Leaf Tobacco Company Limited	873	247	-	-

In millions of Kwacha

	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010

45. INCOME TAX EXPENSE

	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
Current tax expense				
Current year at 30% (2010:30%) based on taxable profits	4,022	2,582	-	-
Under-provisions for prior years	50	30	-	-
Final tax on dividend received from associates, subsidiaries and joint ventures	-	-	177	183
	4,072	2,612	177	183
Deferred tax expense				
Utilisation of tax losses	121	81	-	-
Origination and reversal of temporary differences	(973)	713	-	-
	(852)	794	-	-
Income tax expense	3,220	3,406	177	183

Reconciliation of effective tax rate

The tax on the Group's and Company's profit before tax differs from theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group and Company as follows:

	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010
Profit before income tax	9,341	11,140	631	899
Current tax at 30% (2010:30%) based on profit before tax	2,802	3,342	189	270
Income not subject to tax	(43)	(72)	(12)	(87)
Non deductible expenses	411	25	-	-
Underprovisions in previous periods	50	30	-	-
Unutilised taxable losses	-	81	-	-
	3,220	3,406	177	183

The Company is estimated to have tax losses of approximately MK4.1 billion (2010: MK3.3 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.

46. EARNINGS PER SHARE

Calculation of basic earnings per share and diluted earnings per share is based on the profit attributable to ordinary shareholders of MK3,469 million (2010: MK5,316 million) and a weighted average number of ordinary shares outstanding during the year of 120.2 million (2010: 120.2 million).

	GROUP 2011	GROUP 2010
Profit attributable to owners of the company	3,469	5,316
Weighted average number of ordinary shares	120.2	120.2
Basic earnings per share (MK)	28.86	44.23
Number of shares in issue	120.2	120.2
Diluted earnings per share (MK)	28.86	44.23
Profit from continuing operations	6,121	7,734
Non-controlling interest	(2,658)	(2,426)
	3,463	5,308
Basic earnings per share (from continuing operations) (MK)	28.81	44.16
Diluted earnings per share (from continued operations) (MK)	28.81	44.16

In millions of Kwacha

	GROUP 2011	GROUP 2010	COMPANY 2011	COMPANY 2010

47. CONTINGENT LIABILITIES

Foreign guarantees	972	1,322	-	-
Local guarantees and performance bonds	3,243	1,176	-	-
	4,215	2,498	-	-
Sundry legal claims	797	925	101	80
Total contingent liabilities	5,012	3,423	101	80

(a) Guarantees and performance bonds represent acceptances, guarantees, indemnities and credits issued by National Bank of Malawi to non-group entities which would crystallise into a liability only in the event of default on the part of the relevant counterparty.

(b) Sundry legal claims represent legal 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.

48. CAPITAL COMMITMENTS

Authorised and contracted for	7,536	7,596	-	-
Authorised but not yet contracted for	9,503	10,206	265	118
	17,039	17,802	265	118

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

49. RELATED PARTIES

The Group has a related party relationship with its subsidiaries, associates, joint ventures and with its Directors and Executive Officers.

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

Transactions with Directors and Executive Officers
Directors of the Company and their immediate relatives control 0.22% of the voting shares of the Company.

Executive officers are also eligible to participate in the Group's share option programme (refer note 36).
Total remuneration is included in administrative expenses more fully disclosed in note 41.

Details of transactions between the Group and other related parties are disclosed below.

As at 31 December		
Loans granted to group companies	-	55
Sales within group companies	1,515	2,099
Interest income	446	324
Corporate expenses	46	40

Other related party transactions

Associates

Associates purchased goods from the Group at an arm's length basis and at the reporting date associates did not owe the Group any significant balance (2010: MK nil)

Joint ventures

Joint ventures purchased goods from the Group at an arm's length basis and at the reporting date joint ventures owed the Group MK73 million (2010: MK893 million).

In millions of Kwacha

	GROUP AND COMPANY 2011	2010

50. DIVIDEND PER SHARE

	2011	2010
Second interim dividend (prior)	-	120
Final dividend (prior)	360	240
Interim dividend (current)	200	200
	560	560
Number of ordinary shares in issue (million)	120.2	120.2
Dividend per share (MK)	4.66	4.66

The proposed final dividend for the year is MK360.6 million (2010: MK360.6 million) representing MK3.00 per share (2010: MK3.00).

51. INFLATION AND EXCHANGE RATES

The average of the year-end buying and selling rates of the major foreign currencies affecting the performance of the company and group are stated below, together with the increase in the National Consumers Price Index which represents an official measure of inflation.

Exchange rates as at 31 December.	2011 MK	2010 MK
United States Dollar (USD)	163.8	150.8
Euro	212.2	202.8
British Pound (GBP)	252.4	235.4
South African Rand (ZAR)	20.0	23.7
Inflation rates as at 31 December (%)	9.8	6.3

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

Kwacha/United States Dollar	166.90
Kwacha/Euro	222.00
Kwacha/British Pound	266.30
Kwacha/South Africa Rand	21.60

52. SUBSEQUENT EVENTS

Subsequent to the reporting date, no significant events have occurred necessitating adjustments to or disclosures in these consolidated and separate financial statements.

PERFORMANCE OF PRESS CORPORATION LIMITED ON THE MALAWI STOCK EXCHANGE

for the year ended 31 December 2011

In millions of Kwacha

Shareholdings	% of total shares in issue	Number of shares	Shareholding range	Number of shareholders	%
Press Trust	44.47%	53,475,249	1,000,000 +	10	0.59%
Deutsche Bank Trust Company America	22.25%	26,760,500	10,001 - 1,000,000	110	6.45%
Old Mutual Life assurance (Malawi) Limited	12.27%	14,749,855	1,001 - 10,000	548	32.12%
Others	21.01%	25,270,109	1 - 1,000	1,038	60.84%
Total		120,255,713		1,706	100.00%

Share Market	2011	2010	2009	2008	2007
Total number of shares in issue	120,255,713	120,255,713	120,255,713	120,255,713	110,234,502
Malawi Stock Exchange (MSE) Market statistics					
Market capitalization at 31 December (MKm)	21,646	20,443	19,602	24,652	10,638
Market capitalization at 31 December (US$'m)	132.15	135.57	147.44	175.34	161.05
Subscription price at listing MK14.89					
Last traded price 31 December (MK per share)	180.00	170.00	163.00	205.00	96.50
Highest (MK per share)	180.00	170.00	205.00	225.00	210.00
Lowest (MK per share)	176.00	153.00	120.00	195.00	99
Net asset value (NAV) per share	396.41	353.94	319.52	319.52	205.21
Value of shares traded (MKm)	152.00	176.67	475.00	2,067.42	894.09
Earnings per share %	28.86	44.23	27.23	27.23	7.58
Dividend yield %	2.59	2.74	1.51	1.92	1.56

ANNUAL GENERAL MEETING - JUNE

REPORTS

Announcement of result, for half-year to June	- September
Preliminary announcement of annual results, for the year	- March
Annual Financial Statements	- June

In accordance with the company code on ethics, restraints on trading in PCL's shares by employees and directors operate for two-month periods prior to release of interim and preliminary results announcements.

DIVIDENDS:	Declared	Paid
Interim	September	October
Final	June	August

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Location of Listing
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Global Depositary Receipt

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