



37TH
ANNUAL
GENERAL
MEETING

37TH ANNUAL GENERAL MEETING

Notice of the 37th Annual General Meeting	4 - 5
Minutes of the 36th Annual General Meeting	6 - 9
Consolidated and separate Financial Statements for the year ended 31st December 2020	
Directors' Report	12
Statement of Directors' Responsibilities	19
Independent Auditor's Report	20
Statements of Financial Position	26
Statements of Comprehensive Income	28
Statements of Changes in Equity	29
Statements of Cash Flows	31
Notes to the Consolidated and Separate Financial Statements	32 - 137
Proxy Form	141



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE THIRTY-SEVENTH ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD AT SUNBIRD CAPITAL HOTEL, LILONGWE ON FRIDAY 9TH JULY 2021 STARTING FROM 14:00 HOURS.

CONSIDERING the continuing health impact of COVID-19, the Guideline from Malawi Stock Exchange, related governmental orders and guidance; and

MINDFUL of the need to maintain close interaction with its shareholders,

The BOARD has determined that the 2021 Annual General Meeting be held in a hybrid manner, by providing an opportunity for a limited number of shareholders to attend the meeting physically and for those shareholders who may not be able to attend physically, to participate virtually, through a link that will be provided to all shareholders and in accordance with the procedures set out below.

PROCEDURES FOR HOLDING THE MEETING:

1. A limited number of shareholders will be permitted to attend the meeting physically. Shareholders who wish to attend physically must register their interest by contacting the Company Secretary by **Friday, 25th June 2021**. The list of attendees will be determined on a first-come-first-served basis. At the meeting, COVID-19 preventive measures will be strictly adhered to.
2. The AGM Pack consisting of the Notice, Agenda, Minutes, a Proxy Form and Annual Report will be made available on the PCL website (www.presscorp.com) from **14th June 2021** onwards. A few hard copies will be available at the venue of the meeting.
3. Shareholders who wish to attend the meeting or to have copies of the AGM Pack sent to them by email or WhatsApp must provide their contact details and indicate their preference by contacting the Company Secretary as follows:
By email: shareholders@presscorp.com
By WhatsApp: +265 888 557 888
4. Shareholders can raise any questions on any agenda item by addressing them to the Company Secretary (through the contacts listed above) by email or WhatsApp starting from **18th June to 30th June 2021**.
5. The Company will collate all questions (and their answers) and publish these anonymously on its website on 2nd July 2021.
6. Selected questions and answers will be commented upon by the Chairperson during the online meeting.
7. To facilitate the process, the Company requests shareholders who may wish to attend the meeting either physically in person (or by proxy) or virtually to register their email addresses or WhatsApp numbers by **25th June, 2021**. Further, **shareholders are strongly encouraged to vote in advance** of the Annual General Meeting, even if they are planning to log-in and attend virtually.

BUSINESS TO BE TRANSACTED AT THE MEETING:

1. MINUTES OF LAST ANNUAL GENERAL MEETING

To confirm the minutes of the last Annual General Meeting held on 24th July 2020.

2. FINANCIAL STATEMENTS

To receive the audited Financial Statements of the Company for the year ended 31st December 2020, together with the reports of the Directors and Auditors thereon.

3. DIVIDEND

To declare a final dividend of MK3.0 billion representing MK25.00 per share in respect of 2020 profits as recommended by the Directors. An interim dividend amounting to MK721.20 million representing MK6.00 per share was paid on 26th October 2020 bringing the total dividend for the year to MK3.72 billion representing MK31.00 per share.



4. APPOINTMENT OF AUDITORS

To re-appoint Deloitte, Certified Public Accountants, as auditors for the ensuing year and to authorise the Directors to determine their remuneration.

5. DIRECTOR'S RE-ELECTION

To re-elect Mr Stewart Malata who retires by rotation and, being eligible, offers himself for re-election.

6. EXECUTIVE DIRECTORS' REMUNERATION

To authorise Directors to determine the remuneration of Executive Directors.

7. NON-EXECUTIVE DIRECTORS FEES AND SITTING ALLOWANCES

To fix the Fees and Sitting Allowances of the Chairman and other Non-Executive Directors with effect from 1st January 2021 as follows:

Directors Fees:

- Chairman - MK13,530,000.00 per annum payable quarterly in arrears (up from MK12,296,928.00)
- Non-Executive Directors - MK11,300,000.00 per annum payable quarterly in arrears (up from MK10,281,600.00)

Sitting Allowances:

- Board Chairman - MK605,000.00 per sitting (up from MK550,000.00 per sitting)
- Committee Chairperson - MK550,000.00 per sitting (up from MK500,000.00 per sitting)
- Non-Executive Directors - MK520,000.00 per sitting (up from MK470,000.00 per sitting)

8. OTHER BUSINESS

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

Dated the 4th day of June 2021

BY ORDER OF THE BOARD

**BENARD M W NDAU
COMPANY SECRETARY**

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

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy (or proxies) to attend and vote on its/his/her behalf. A proxy need not be a member of the Company.
2. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or notarially certified copy of that power of attorney or authority shall be deposited at the Company Secretary's office not less than forty-eight (48) hours before the time appointed for holding the meeting and in default the instrument of proxy shall not be treated as valid. The instrument appointing a proxy shall be in the form attached hereto or forms as near thereto as circumstances admit.
3. At the above meeting it will be proposed that a final dividend amounting to MK3.0 billion (2019:MK2.40 billion) representing MK25.00 per share (2019: MK20 per share), be paid on Friday, 27th August 2021 to members whose names appear on the register as at the close of business on 20th August 2021.



MINUTES OF THE THIRTY- SIXTH ANNUAL GENERAL MEETING OF THE COMPANY HELD VIRTUALLY AND COORDINATED FROM PCL HOUSE, KAOHSIUNG ROAD, TOP MANDALA IN BLANTYRE ON FRIDAY 24TH JULY 2020 STARTING FROM 1400 HOURS

PRESENT

BOARD AND COMPANY SECRETARY

Mr. P Khembo	Chairman
Mrs. E Nuka	Director
Mr. B Chidyonga	Director
Mr. G Ngalamila	Director
Mr. J Somba	Director
Mr S. Malata	Director
Dr. G Partridge	Executive Director
Mr. B Ndau	Company Secretary

PROXIES RECEIVED/MEMBERS IN ATTENDANCE

SHAREHOLDER / MEMBER	PROXY APPOINTED	IN ATTENDANCE
Press Trust	Linda Phiri	Mrs Audrey Mwala
Mbadzi Estate Ltd	Company Secretary	Mr S Malata
Lincoln Investments Ltd	Company Secretary	Mr S Malata
J & J Nsamala Trust	Terence & Natasha Nsamala	
Standard Bank ITF Old Mutual Unit Trust		
Balanced Fund	Mark Mikwamba	Cuthbert Mnyenyembe
Aviation Pension Fund	Mark Mikwamba	Cuthbert Mnyenyembe
Old Mutual Life Assurance	Mark Mikwamba	Cuthbert Mnyenyembe
MPC Pension Fund	Mark Mikwamba	Cuthbert Mnyenyembe
RBM Pension Fund	Mark Mikwamba	Cuthbert Mnyenyembe
RBM Pension Fund	Mark Mikwamba	Cuthbert Mnyenyembe
Madzi Pension Fund	Mark Mikwamba	Cuthbert Mnyenyembe
Public Services Pension Fund	Mark Mikwamba	Cuthbert Mnyenyembe
CHAM Pension Fund	Mark Mikwamba	Cuthbert Mnyenyembe
Magetsi Pension Fund	Mark Mikwamba	Cuthbert Mnyenyembe
Standard Bank	Gresham Nkhonjera	
Nico General Insurance Company	Job Mwatikana	Rupert Nkhono
Nico Life Insurance Company Limited	Job Mwatikana	Rupert Nkhono
Sucoma Group Pension Scheme	Job Mwatikana	Rupert Nkhono
Toyota Pension Fund	Job Mwatikana	Rupert Nkhono
National Investment Trust Limited	Job Mwatikana	Rupert Nkhono
Associated Pensions Trust	Job Mwatikana	Rupert Nkhono
Standard Bank Pension Fund	Job Mwatikana	Rupert Nkhono
Public Service Pension Trust Fund	Job Mwatikana	Rupert Nkhono
Limbe Leaf Pension Trust	Job Mwatikana	Rupert Nkhono
Press Corporation Pension Fund	Job Mwatikana	Rupert Nkhono

IN ATTENDANCE

Mrs E. Mafeni	Group Financial Controller
Mr K Msimuko	Deloitte



WELCOME REMARKS

Mr Patrick Khembo, the Chairman of the Board, took the Chair of the meeting. He welcomed all members to the 36th Annual General Meeting of the Company. He briefed the members on the justification behind the Board's decision to hold the meeting virtually. He explained that the country was in the midst of the Covid-19 pandemic caused by the corona virus and that the Government had issued guidance on measures that should be taken to avoid the spread of the virus. In addition, the Malawi Stock Exchange had also issued a guideline on how annual general meetings should be conducted.

In compliance with the recommended measures, and having obtained approval from the Malawi Stock Exchange, the Board had determined that it would be safe, healthy and prudent to hold the 2020 Annual General Meeting virtually, thereby ensuring that the health and wellbeing of the Company's employees, shareholders and all stakeholders are taken care of whilst ensuring business continuity.

The Chairman then re-iterated the procedures that were to be followed for the meeting. In particular he confirmed that the voting on proposed resolutions would be based on votes that had been received from the members as indicated in the voting and proxy forms received.

The Chairman also reported that all members were given the opportunity to raise questions prior to the meeting and that, at the expiry of the deadline for the company to receive questions, no questions were infact received from the shareholders on any items on the Notice and Agenda.

281. QUORUM

The Chairman announced that a quorum was present and that twenty six (26) proxies had been received.

282. NOTICE

The notice convening the meeting was taken as read.

283. MINUTES OF THE THIRTY FIFTH ANNUAL GENERAL MEETING

The minutes of the Thirty-Fifth Annual General Meeting of the Company held on 18th July 2019 were taken as read and duly noted.

284. RECEIPT AND CONSIDERATION OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2019 TOGETHER WITH THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON

The Chairman informed members that the Directors' Report appeared on page 42 of the Annual Report and proposed that it be taken as read. Thereafter, Mr Msimuko, the partner at Deloitte, presented the Auditors' Report. At the conclusion of the auditor's presentation, the resolution was put to the members for their approval.

On the confirmation by the Company Secretary that all the proxy forms and votes that were received were in favour of the motion, it was resolved:

THAT the audited financial statements for the year ended 31st December 2019 together with the Reports of the Directors and the Auditors thereon as presented at the meeting be and they are hereby received.

285. DECLARATION OF DIVIDEND

The Board recommended a final dividend for the year ended 31st December 2019 of MK2, 403 billion representing MK20.00 per share. It was reported that an interim dividend amounting to MK721.20 million representing MK6.00 per share was already paid on 25th October, 2019. The total dividend for the year therefore amounted to MK3.122 billion, representing MK26 per share.



On the confirmation by the Company Secretary that all the proxy forms and votes that were received were in favour of the motion, it was resolved:

THAT upon the recommendation of the Directors, and the members having noted that an interim dividend amounting to MK721.20 million representing MK6.00 per share was paid on 25th October, 2019, a final dividend of MK3.122 billion representing MK26.00 per share in respect of the year ended 31st December 2019 be and is hereby declared as the final dividend payable on Friday, 28th August 2020 to those shareholders registered in the books of the Company as at the close of business on Friday, 21st August 2020.

286. APPOINTMENT OF AUDITORS

- (i) The Chairman informed members that Messrs Deloitte had during the financial year ending 31st December 2019 indicated their willingness to continue to act as auditors to the Company.

On the confirmation by the Company Secretary that all the proxy forms and votes that were received were in favour of the motion, it was resolved:

THAT having agreed to continue in office as auditors, Messrs Deloitte, Certified Public Accountants, be and they are hereby re-appointed auditors of the Company to hold office until the conclusion of the next Annual General Meeting.

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

On the confirmation by the Company Secretary that all the proxy forms and votes that were received were in favour of the motion, it was resolved:

THAT the Directors be and are hereby authorized to fix the remuneration of the auditors.

287. DIRECTORS RE-ELECTION

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

On the confirmation by the Company Secretary that all the proxy forms and votes that were received were in favour of the motion, it was resolved:

THAT Mr. Stewart Malata a Director who retires by rotation and being eligible offers himself for re-election, be and is hereby re-elected as Director.

288. EXECUTIVE DIRECTORS' REMUNERATION

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

On the confirmation by the Company Secretary that all the proxy forms and votes that were received were in favour of the motion, it was resolved:

THAT the Directors be and they are hereby authorized to determine the remuneration of the Executive Directors.



289. APPROVAL OF DIRECTORS' FEES AND SITTING ALLOWANCES

The Chairman informed members of a recommendation from Directors that Directors fees and sitting allowances be increased as follows:

Directors Fees:

Chairman	-	MK12,296,928.00 per annum
Non-Executive Directors	-	MK10, 281,600.00 per annum

Sitting Allowances:

Board Chairman	-	MK550,000.00 per sitting
Committee Chairperson	-	MK500,000.00 per sitting
Non-Executive Directors	-	MK470,000.00 per sitting

On the confirmation by the Company Secretary that all the proxy forms and votes that were received were in favour of the motion, it was resolved:

THAT the fees and sitting allowances for the Board of Directors, Chairpersons of the Board Committees and other Non-Executive Directors as set out above be and are hereby fixed with effect from 1st January 2020 as follows:

280. CLOSURE OF MEETING

Before closing the meeting, the Chairman informed the members that the Company had successfully applied to be deregistered from the London Stock Exchange. It was explained that the Board took the decision following a careful and thorough assessment of various factors including the extremely low trading volumes for the past years; huge regulatory, compliance and administrative costs the Company was incurring annually; and the likely liquidity benefits that a cancellation could trigger on the local market. The delisting was with effect from 10th July 2020.

There being no other business to transact, the Chairman declared the meeting closed at 14: 25 hours.

.....
CHAIRMAN

.....
DATE





Consolidated and Separate Financial Statements

Directors' Report	12 - 18
Statement of Directors' Responsibilities	19
Independent Auditor's Report	20 - 25
Statements of Financial Position	26 - 27
Statements of Comprehensive Income	28
Statements of Changes in Equity	29 - 30
Statements of Cash Flows	31
Notes to the Consolidated and Separate Financial Statements	32 - 137



The Directors have pleasure in presenting their report together with the audited consolidated and separate financial statements of Press Corporation plc for the year ended 31 December 2020.

1. INCORPORATION AND REGISTERED OFFICE

Press Corporation plc is a Company incorporated in Malawi under the Companies Act, 2013. It was listed on the Malawi Stock Exchange in September 1998 and on the London Stock Exchange in July 1998 as a Global Depository Receipt. Following the Board's decision, on 10th July, 2020, the Company was de-listed from the London Stock Exchange. The Board observed that the listing did not afford the Company a significant advantage in terms of liquidity or additional sources of funding compared to the ongoing costs of maintaining the listing.

The address of its registered office is:

3rd Floor
PCL House
Kaohsiung Road
PO. Box 1227
BLANTYRE
MALAWI

2. PRINCIPAL ACTIVITIES OF THE GROUP

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

3. FINANCIAL PERFORMANCE

The results and state of affairs of the Group and the Company are set out in the accompanying consolidated and separate financial statements which comprise of the statements of: financial position; comprehensive income; changes in equity and cash flows and related notes to the financial statements.

4. SHARE CAPITAL AND SHAREHOLDING

The authorised share capital of the Group is K25 million (2019: K25 million) divided into 2,500,000,000 Ordinary Shares of K0.01 each. The issued and fully paid capital is K1.2 million (2019: K1.2 million) divided into 120,255,713 (2019: 120,255,713) fully paid Ordinary Shares of K0.01 each.

The shareholding structure at year end was as follows:-

	2020	2019
	%	%
Press Trust	46.65	46.23
Old Mutual Life Assurance Company Limited	16.29	16.71
Standard bank of South Africa nominees ITF northern trust global services	2.94	6.60
Deutsche Bank Trust Company America	-	1.06
Others	34.12	29.40
	100.00	100.00

5. DIVIDENDS

The net profit attributable to owners of the Company for the year of K3.6 billion (2019: K7.4 billion) has been added to retained earnings. The directors have proposed a final dividend for the year 2020 of K3.0 billion (2019: K2.4 billion) representing K25.00 per share (2019: K20.00) to be tabled at the forthcoming Annual General Meeting.

The Dividend Policy of the Company provides for 35% of the Company's profits after tax to be paid out to shareholders as dividends, after due consideration of the Company's future commitments and subject to the Directors' being of the opinion that, upon payment, the Company would satisfy the solvency test.



6. DIRECTORATE AND COMPANY SECRETARY

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

Mr. R Mwadiwa	Chairman	From August 2020	Non-executive
Mr. P Khembo	Chairman	Up to August 2020	Non-executive
Mr. J Nsomba	Director	Throughout the year	Non-executive
Mr. G Ngalamila	Director	Throughout the year	Non-executive
Mr. S Malata	Director	Throughout the year	Independent non-executive
Mr. B Chidyaonga	Director	Up to August 2020	Non-executive
Mrs. E Nuka	Director	Up to August 2020	Non-executive
Mr. D Mawindo	Director	From August 2020	Non-executive
Mrs. B Mahuka	Director	From August 2020	Non-executive
Dr. G Partridge	Director / Group Chief Executive	Throughout the year	Executive
Mr J Biziwick	Director / Group Operations Executive	Up to July 2020	Executive
Mr. B Ndau	Company Secretary	Throughout the year	Executive

DIRECTORS' REMUNERATION

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

Entity	Non-executive Directors fees and expenses K' million	Executive Directors remuneration K' million	Total K' million
<u>For the year ended 31 December 2020</u>			
Press Corporation plc	124	1,032	1,156
Telekom Networks Malawi plc	106	297	403
National Bank of Malawi plc	241	764	1,005
The Foods Company Limited	23	-	23
Malawi Telecommunications Limited	26	119	145
Presscane Limited	57	-	57
Press Properties Limited	17	-	17
Ethanol Company Limited	27	122	149
Peoples Trading Centre Limited	24	109	133
	645	2,443	3,088
<u>For the year ended 31 December 2019</u>			
Press Corporation plc	130	962	1,092
Telekom Networks Malawi plc	118	203	321
National Bank of Malawi plc	286	720	1,006
The Foods Company Limited	28	-	28
Malawi Telecommunications Limited	27	109	136
Presscane Limited	43	-	43
Press Properties Limited	23	-	23
Ethanol Company Limited	30	-	30
Peoples Trading Centre Limited	34	109	143
	719	2,103	2,822



8. DIRECTORS' TENURE POLICY

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

Unless a Director resigns, non-executive Directors appointed by the major shareholders serve on the Board up until they are recalled by the particular appointing major shareholder whereas an independent non-executive Director serves a one year term renewable at the Annual General Meeting. Mr. S. Malata shall therefore retire by rotation as Director at the ensuing Annual General Meeting and is eligible for re- appointment, should he offer himself.

Executive Directors serve on the Board by virtue of their offices and their tenure is as per the terms of their contract of employment. Accordingly, the current contract of employment for Executive Director Dr. G Partridge expires on 22nd May 2023 and that of Mr. J Bizwick ended in July 2020 following his resignation.

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

9. DIRECTORS' INTERESTS

The interests of the Directors in office in the shares of the Group and its subsidiaries as at 31 December 2020 is as follows;

Director	Company	Number of shares held (ordinary shares)	
		2020	2019
Dr. G Partridge	Telekom Networks Malawi Plc	1,000,000	1,000,000
Dr. G Partridge	National Bank of Malawi Plc	846,507	846,507
Dr. G Partridge	Press Corporation Plc	45,000	45,000
Mr. J Nsomba	National Bank of Malawi Plc	758	758
Mr. R Mwadiwa	Telekom Networks Malawi Plc	18,800	n/a
Mr. R Mwadiwa	Press Corporation Plc	1,000	n/a
Mr. J Bizwick	National Bank of Malawi Plc	n/a	2,546
Mrs. E Nuka	Telekom Networks Malawi Plc	n/a	3,000,365

None of the Directors had, during the year ended 31 December 2020 (2019: Nil), an interest in any material contract relating to the business of the Company or of any of its subsidiary undertakings.

10. DONATIONS

As part of its corporate social responsibility, the Group and its subsidiaries made charitable donations of K105 million (2019: K204 million) as shown below;

	2020 K' million	2019 K' million
Malawi Telecommunications Limited	5	-
Telekom Networks Malawi plc	16	105
National Bank of Malawi plc	35	80
Ethanol Company Limited	7	7
Presscane Company Limited	4	10
The Foods Company Limited	1	-
Press Corporation plc	37	2
	105	204



11. AUDITORS

The Group's auditors, Deloitte, Chartered Accountants, P O Box 187, Blantyre, have indicated their willingness to continue their role as the Group's auditors. Resolutions concerning the reappointment of Deloitte as auditors of the Group for the year ending 31 December 2021 and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

12. AUDITORS REMUNERATION

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

Entity	Financial Audit	Half year results review	Tip-offs anonymous	IT system review	Tax services	Total
	K' million	K' million	K' million	K' million	K' million	K' million
For the year ended 31 December 2020						
Press Corporation plc	82	36	2	-	-	120
Telekom Networks Malawi plc	172	18	5	-	-	195
National Bank of Malawi plc	267	17	4	-	-	288
The Foods Company Limited	21	4	-	-	-	25
Malawi Telecommunications Limited	62	6	3	-	-	71
Presscane Limited	31	6	3	-	-	40
Press Properties Limited	17	2	2	-	-	21
Ethanol Company Limited	18	7	2	-	-	27
Peoples Trading Centre Limited	42	6	5	16	-	69
	712	102	26	16	-	856
For the year ended 31 December 2019						
Press Corporation plc	92	33	2	-	64	191
Telekom Networks Malawi plc	164	17	5	-	-	186
National Bank of Malawi plc	210	15	4	-	-	229
The Foods Company Limited	22	4	3	-	-	29
Malawi Telecommunications Limited	59	8	3	-	-	70
Presscane Limited	29	6	3	-	-	38
Press Properties Limited	17	-	2	-	-	19
Ethanol Company Limited	18	6	2	-	-	26
Peoples Trading Centre Limited	35	5	5	-	-	45
	646	94	29	-	64	833

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



13. CORPORATE GOVERNANCE

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

14. OVERVIEW OF SUBSIDIARIES

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

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

14.1 Subsidiaries corporate governance

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

14.2 Subsidiaries board of directors

During the year ended 31 December 2020, none of the subsidiary company directors had an interest in any material contract relating to the businesses of the subsidiaries.

Information about subsidiaries board of directors and their interest in shares, if any, in the respective subsidiary is shown below;

Subsidiary	Directors	Tenure	Directors Interest in shares of the subsidiary
National Bank of Malawi plc	Dr. G Partridge Mr. M Nkhoma Mr. M Kawawa Mrs. E Mafeni Mrs. M Kachingwe Mr. J Mhura Mrs. B Nyirenda Mr. J Bizwick Mr. H Jiya Mr. R Banda Mr. J Nsomba Mrs. D Ngwira Mr. C Mzengereza Mrs. Z Mitole	All year – Chairman From 7th March 2020 All year All year All year All year All year Up to 9th July 2020 All year All year All year All year All year All year All year – Company secretary	846,507 (2019: 846,507) None 113,255 (2019: 113,255) None 1,935 (2019: 1,935) None None 2,546 (2019: 2,546) 2,306 (2019: 2,306) None 758 (2019: 758) None None None
Malawi Telecommunications Limited	Mr. J Bizwick Mrs. E Mafeni Mr. F Mvalo Mr. C. Kapanga Mr. Katsala Secretary to the Treasury Principal Secretary for Information Mr. L Katandula Mr. M Msungama Dr. H Gombachika Mrs. C Tirigu	Up to June 2020 – Chairman Chairperson from July 2020, full year on board All year All year From July 2020 All year All year Up to May 2020 Up to September 2020 All year All year – Company secretary	None of the Directors had interest in shares of Malawi Telecommunications Limited



14. OVERVIEW OF SUBSIDIARIES – continued**14.2 Subsidiaries board of directors** – continued

Subsidiary	Directors	Tenure	Directors Interest in shares of the subsidiary
Telekom Networks Malawi plc	Dr. G Partridge Mr. H Anadkat Mr. D Lungu Mr. J O'Neill Mrs. E Mafeni Mr. J Biziwick Mr. K Phiri Dr. I Nzyoka Mr. L Katandula Mr. M Buitelaar Mrs. C Mwansa	All year – chairman All year – vice chairman All year Up to 2 April 2020 All year Up to 9 July 2020 All year All year From 2 July 2020 Up to 4 November 2020 All year – Company secretary	None of the Directors had interest in shares of Telekom Networks Malawi plc except for Dr. G Partridge and Mrs. E Mafeni who held 1,000,000 and 319,601 shares respectively. Mr. H Anadkat and Mr. J O'Neill had interest in shares of the company through their other business interest. Total shares held indirectly amounts to 398,000,000 and 38,000,000 respectively.
Ethanol Company Limited	Mr. J Biziwick Mrs. E Mafeni Mr. W Mabulekesi Mr. L. Mandala Mr. L Katandula Mr. B W Jere Mr. G Kambale Mr. J. Ngolombe Ms L. Chakaniza Mr. T Chavura	Up to July 2020 – Chairman Chairperson from August 2020, full year on board All year All year Up to May 2020 All year All year From June 2020 All year All year – Company secretary	None of the Directors had interest in shares of Ethanol Company Limited
Presscane Limited	Mr. P Mulipa Mr. R R Patel Mr. J Korea-Mpatsa Mrs. R. Chitera Mr. B Ndau Mr. K Tembo Mr R.L. Patel Mrs. C Chihana	All year – chairman All year All year All year All year All year All year All year – Company secretary	None of the Directors had interest in shares of Presscane Limited except for Mr. R R Patel who had 49.9% indirect interest in shares of the company through his other business interest – Cane Products Limited.
Peoples Trading Centre Limited	Dr. G Partridge Mr. J Biziwick Mrs. E Mafeni Mr. J Evans Mr. J Madondo Prof. J Khomba Mr. P Mulipa Mr. J Kamsesa Dr. Mrs. R Bakuwa Dr. D Saeluzika Mr. R Kunjawa	Chairman – all year Up to August 2020 All year All year All year All year All year All year All year All year – Company secretary	None of the Directors had interest in shares of Peoples Trading Centre Limited



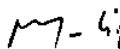
14. OVERVIEW OF SUBSIDIARIES – continued

14.2 Subsidiaries board of directors – continued

Subsidiary	Directors	Tenure	Directors Interest in shares of the subsidiary
Press Properties Limited	Mr. J Biziwick Mr. B Ndau Mr. G Chipungu Dr. C. Silungwe Mr. F Tukula Mrs. B. Mahuka Dr. L Chithambo Ms. M Mbeye Mr. A Mando Mr. R Kwatiwani	Chairman up to July 2020 Chairperson from July 2020 All year Up to 29 th June 2020 All year Up to 19 th August 2020 From 9 th August 2020 All year Company secretary - up to August 2020 Company secretary - from September 2020	None of the Directors had interest in shares of Press Properties Limited
The Foods Company Limited.	Mr. J Biziwick Mr. B Ndau Dr. B Zingano Prof. J Khomba Prof. J Kang'ombe Dr. V Msiska Ms. M Mbeye Mr. A Sesani Mr. B Ndau Mr. A Mando Mr. Stephen Luwanda	Chairman up to August 2020 Chairperson from September 2020, full year on board All year All year All year All year All year All year All year Company secretary – up to August 2020 Company secretary – September 2020	None of the Directors had interest in shares of The Foods Company Limited



Chairman



Group Chief Executive



The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Press Corporation plc and its subsidiaries, comprising the statements of financial position at 31 December 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2013.

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

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

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

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

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

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

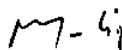
The auditor is responsible for reporting on whether the annual financial statements show a true and fair view in accordance with the applicable financial reporting framework.

Approval of the financial statements

The financial statements of the Group and Company, as indicated above, were approved by the board of Directors on 13 May 2021 and are signed on its behalf by



Chairman



Group Chief Executive





P.O. Box 187
Blantyre
Malawi

Deloitte Chartered Accountants
Registered Auditors
First Floor
PCL House, Top Mandala
Blantyre
Malawi

Tel : +265 (0) 1 822 277
: +265 (0) 1 820 506
Fax : +265 (0) 1 821 229
Email : btdeoitte@deloitte.co.mw
www.deloitte.com

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

Opinion

We have audited the consolidated and separate financial statements of Press Corporation plc and its subsidiaries ("the Group"), set out on pages 26 to 137, which comprise the consolidated and separate statements of financial position as at 31 December 2020, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group as at 31 December 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2013.

Basis for Opinion

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

Emphasis of Matter – Restatement of current year comparatives

We draw attention to note 50 to the financial statements which indicates that the consolidated financial statements for the year ended 31 December 2019 have been restated as a result of a prior year error. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Partners: N.T. Uka V.W. Beza C.A Kapenda M.C Mwenelupembe (Mrs.) KCD Msimuko
Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited



Key Audit Matters (Continued)

Key Audit Matter (Separate financial statements)	How the matter was addressed in the audit
Valuation of unlisted equity investments	
<p>Unlisted equity investments are carried at fair value in the separate financial statements. Revaluation of these investments is done at the end of every financial year. The valuation methods adopted as well as the valuations are disclosed in note 14, 15 and 16. The total value of these unlisted investments is K109 billion (2019:K112 billion).</p> <p>Determination of fair values for the investments involves significant judgement and assumptions and is complex in nature. We consider this as a key audit matter.</p>	<p>We obtained valuation reports, which were independently done by E. Chokani, a registered valuer of Bridgepath Capital Limited and assessed the professional competence of the valuer by examining the valuer's qualification and experience.</p> <p>Assessed that the information provided by the company to the valuer is accurate and complete for valuation purposes based on our understanding of the investee companies and by agreeing the information to relevant supporting documents</p> <p>Involved a specialist to assist in the review of the valuations on a sample basis.</p> <p>Assessed the reasonableness of assumptions used in the valuation reports in comparison to market data.</p> <p>Considered the relevance and appropriateness of the valuation methods used.</p> <p>We found that the assumptions used in determining the valuations were reasonable and that the valuations were appropriate. We further concluded that details of the valuations have been disclosed appropriately in the financial statements.</p>
Key Audit Matter (Consolidated financial statements)	How the matter was addressed in the audit
Determination of Expected Credit Losses(ECL) for loans and advances	
<p>The Group exercises significant judgement using subjective assumptions over both when and how much to record expected credit losses, and estimation of the amount of the impairment provision for loans and advances.</p> <p>Key areas of judgment included:</p> <ul style="list-style-type: none"> The identification of exposures with a significant deterioration in credit quality; The significance of the judgements used in classifying loans and advances into various stages stipulated in IFRS 9 as well as staging impact arising from COVID-19; and Assumptions used in the expected credit loss model such as, expected future cash flows arising from collateral values, haircuts applied on collateral and forward-looking macroeconomic factors (e.g. unemployment rates, interest rates, gross domestic product growth, property prices). <p>As at 31 December 2020, the gross loans and advances to customers were K187.1 billion (2019: K175.8 billion) against which Expected Credit Losses of K9.9 billion (2019: K11.1 billion) were recorded. This is disclosed in note 17 (Loans and advances) to the financial statements. The Expected Credit Losses policy is presented in accounting policies in note 3 to the financial statements. Loans and advances are stated at amortised cost net of identified impairments.</p> <p>We therefore consider this as a key audit matter.</p>	<p>With respect to staging of loans and advances, our audit procedures comprised the following:</p> <ul style="list-style-type: none"> We checked the design and implementation of controls around ECLs; We obtained an understanding of the Group's staging criteria; We assessed management's criteria for appropriateness and completeness against the requirements of IFRS 9 and other relevant regulatory guidance; We checked accuracy and completeness of data used in staging; We selected a sample of loans and advances including but not limited to large exposure loans and advances, customers that are in the industries that have been affected by COVID-19 and checked if they have been correctly staged based on the Group's accounting policy and IFRS 9 requirements; and For the selected loans and advances that were restructured including those restructured due to COVID-19, we obtained the restructure facility letters to confirm the restructure and assessed if staging is in line with the requirements of IFRS 9. <p>For expected future cash flows arising from collateral and haircuts applied on collateral, we performed the following procedures:</p> <ul style="list-style-type: none"> We obtained an understanding of how the Group incorporates collateral in its ECL model; For selected loans, we checked if the collateral values that have been used reflect the current market conditions and whether these were based on recent valuations. For collateral values that were based on outdated valuations, we performed alternative procedures including inquiries with property valuation experts to assess whether the market values of the assets could be significantly different from the values that the Group used in the model; We checked whether the Group had a valid charge over the collateral that was used and also whether the collaterals were recently inspected, where necessary; We obtained management calculation of the haircuts that were applied on the collateral and checked the calculation for accuracy;



Key Audit Matters (Continued)

Key Audit Matter (Consolidated financial statements)	How the matter was addressed in the audit
Determination of Expected Credit Losses(ECL) for loans and advances (Continued)	
<p>The Group's billing systems for voice and data operate on dedicated computer platforms. These systems process millions of pieces of data to electronic records which enables the Group to charge their customers, in real time, based on service usage.</p> <p>The operations of these systems are fairly complex with dynamic and intelligent tariffs regimes which provide for various promotions and discounts that are dependent on demand and individual usage profiles. Income is determined taking into account the profile and usage of each individual customer.</p> <p>In addition prepaid phone units are used over periods that can straddle more than one accounting period. The determination of the correct cut off between what has been used and can be included in income and what has not been used and should be deferred income (creditor) is also a key audit consideration.</p> <p>The nature of the systems and billing profiles make this a complex audit area in relation to the auditor assessing completeness of income. Accordingly, we consider this a key audit matter.</p> <p>The revenue recognition policy of the Group has been disclosed in note 3.9 and the revenue streams analysis is in note 36 to the financial statements</p>	<p>and</p> <ul style="list-style-type: none"> We further checked if the information that was used in the haircut calculation was complete and accurate by reference to transactions data on recent enforcements. <p>With respect to incorporation of forward-looking macroeconomic factors, we performed the following:</p> <ul style="list-style-type: none"> With the help of our credit specialists, we read and understood the Group's method for incorporating forward looking macroeconomic factors and Covid-19 and compared it with the requirements of IFRS 9; With the involvement of our credit specialists, we checked the calculations that were performed in the forward-looking information model; We checked and understood the key data sources and assumptions for data used in the model used by the Group; and We held discussions with management and corroborated the assumptions used to publicly available information. <p>We found that the modelling approach and methods applied in determining expected credit losses against loans and advances were appropriate and that the amount impaired and recognised in the consolidated and separate financial statements was reasonable and complied with IFRS 9 Financial Instruments. We further concluded that the <i>financial statements</i> disclosures in relation to impairment of loans and advances were appropriate.</p> <p>Revenue recognition in the telecommunication segment</p> <p>We involved our Information Technology (IT) risk specialists in the engagement and carried out the following procedures:</p> <ul style="list-style-type: none"> Assessed the general computer controls around the significant revenue and billing systems; Evaluated the process for capturing the tariff plans, combined with testing of a sample of related transactions. A key aspect of this exercise was to ensure that tariffs are properly approved; We obtained downloads of information recorded in the group's billing system and by using advanced data analytics mirror the dynamic, intelligent tariff regimes to independently compute the income for the selected months of the year and thus assess the completeness and accuracy of the figures in the revenue reports. Assessed whether revenue was recorded in the correct period; Obtained a reconciliation for the expected contract liabilities as at period end and tested the accuracy and completeness of the reconciling items; Re-computed contract liabilities from Intelligent Network data using Computer Assisted Audit Techniques (CAATS); and Checked that contract liabilities in the billing system are being reconciled to the records. <p>Based on the work performed, we concluded that revenue was properly recorded. We have also found revenue recognition policy to be in line with International Financial Reporting Standards. In addition, the contract liabilities disclosed in note 33 to the financial statements have been assessed to be in accordance with the revenue recognition policy.</p>



Key Audit Matters (Continued)

Key Audit Matter (Consolidated financial statements)	How the matter was addressed in the audit
<p>Goodwill impairment assessment</p> <p>As disclosed in note 11, the carrying value of goodwill was K4.5 billion as at 31 December 2020. Significant judgement is required by the Directors in assessing the impairment of goodwill, which is determined with reference to the value in use, based on the cash flow forecast for each cash-generating unit.</p> <p>The assumptions with the most significant impact on the cash flow forecast were:</p> <ul style="list-style-type: none"> • The growth rate, which is highly subjective since it is based on the Directors' experience and expectations. • Cash flow projections based on expected future performance. • The discount rate is subjective and the calculation is complex. <p>Accordingly, for the purposes of our audit, we identified the impairment of goodwill as a key audit matter due to significant assumptions used in the determination of impairment for goodwill and the complexity of the value in use calculation.</p>	<p>In evaluating the impairment of goodwill, we reviewed the value in use calculations prepared by the Directors, with a particular focus on the growth rate and discount rate. We performed various procedures, including the following:</p> <ul style="list-style-type: none"> • Tested inputs into the cash flow forecast against performance and in comparison to the Directors' strategic plans in respect of each cash-generating unit; • Compared the growth rates used for the cash generating units to available forecast economic growth rates; and • Involved a specialist to assist with the testing of the accuracy of the value in use calculation as well as the discount factor used. <p>The results of our assessment indicated that goodwill recognised as at 31 December 2020 is not impaired. We further concluded that disclosures made in the financial statements in relation to goodwill impairment are appropriate.</p>
<p>Going Concern</p> <p>Subsidiaries of the Group, The Foods Company Limited, Peoples Trading Centre Limited and Malawi Telecommunications Limited have been making losses for a number of years and have net current liability positions as at 31 December 2020.</p> <p>The continued losses and net current liability positions raises questions about the ability of these companies to continue as going concerns and the impact of this on the Group's valuation of assets and liabilities using the going concern basis of accounting.</p> <p>The Directors believe that these subsidiaries will continue as going concerns based on strategic plans that they have put in place. These plans involve making significant judgements and assumptions. We therefore consider the going concern of these subsidiaries and valuation of the respective assets and liabilities as a key audit matter.</p>	<p>In assessing the going concern of these subsidiaries we performed the following procedures:</p> <ul style="list-style-type: none"> • Evaluated management strategic plans for future actions and assess whether the outcome of those plans is likely to improve the situation and whether management's plans are feasible in the circumstances; • Assessed if assumptions used in the management plans were based on reasonable data; • Examined the financing structures for these companies and assessed whether adequate funds are available to sustain operations; • Assessed the impact of COVID-19 on going concern for these companies; and • Assessed if any going concern uncertainties affecting these companies has a material impact on the Group as a whole. <p>We concluded that despite the existence of uncertainties in the specific subsidiaries, the going concern assumption used for those subsidiaries was appropriate. As a consequence, we also consider the valuation of the assets appropriate.</p>



Other Information

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

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

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

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

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

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



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

the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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



Chartered Accountants

Nkondola Uka

Partner

13 May 2021



CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

In millions of Malawi Kwacha

			Group		Company	
Assets	Notes	31/12/2020	31/12/2019	1/01/2019	31/12/2020	31/12/2019
			Restated	Restated		
Non-current assets						
Property, plant and equipment	8	136,857	123,460	113,574	889	758
Right-of-use assets	9	14,674	8,942	-	13	55
Biological assets	10	65	69	76	-	-
Goodwill	11	4,547	4,974	4,974	-	-
Intangible assets	12	18,401	18,573	17,716	214	210
Investment properties	13	11,166	9,592	7,810	417	390
Investments in subsidiaries	14	-	-	-	284,592	265,662
Investments in joint ventures	15	8,370	7,639	7,049	21,774	22,922
Investments in associates	16	38,178	41,055	42,063	41,534	57,956
Loans and advances to customers	17	131,634	84,554	57,538	-	-
Finance lease receivables	18	15,752	15,494	16,179	-	-
Contract asset	24	601	559	303	-	-
Long term receivable - other	19	1,740	1,573	1,403	1,659	1,473
Other investments	20	99,927	52,362	19,315	4,120	3,963
Deferred tax assets	21	10,554	10,084	9,412	-	-
Total non-current assets		492,466	378,930	297,412	355,212	353,389
Current assets						
Inventories	22	6,063	8,532	10,337	12	12
Biological assets	10	782	591	684	-	-
Loans and advances to customers	17	45,589	80,154	85,308	-	-
Finance lease receivables	18	1,733	1,636	1,635	-	-
Other investments	20	137,590	127,574	131,578	-	-
Trade and other receivables – Group companies	23	-	-	-	4,911	2,007
Trade and other receivables – other	24	32,241	27,895	28,900	611	1,000
Assets classified as held for sale	25	1,539	1,574	414	8,473	-
Income tax recoverable	26	2,764	1,585	1,524	526	299
Cash and cash equivalents	27	92,196	58,934	64,581	82	2,432
Total current assets		320,497	308,475	324,961	14,615	5,750
Total assets		812,963	687,405	622,373	369,827	359,139
Equity and liabilities						
Equity						
Share capital	28	1	1	1	1	1
Share premium		2,097	2,097	2,097	2,097	2,097
Other reserves	29	53,667	52,163	51,036	257,161	249,257
Retained earnings		102,177	101,407	96,826	26,593	25,920
Total equity attributable to equity holders of the company		157,942	155,668	149,960	285,852	277,275
Non-controlling interest		85,687	75,601	66,810	-	-
Total equity		243,629	231,269	216,770	285,852	277,275
Non-current liabilities						
Loans and borrowings	30	46,867	37,946	47,386	4,890	8,150
Lease liabilities	9	2,964	6,176	-	-	23
Contract liabilities	33	297	119	141	-	-
Deferred tax liabilities	21	5,011	5,521	4,560	68,264	67,916
Total non-current liabilities		55,139	49,762	52,087	73,154	76,089
Current liabilities						
Bank overdraft	27	9,942	7,986	6,212	4,524	4,251
Loans and borrowings	30	11,359	16,152	4,232	1,630	-
Lease liabilities	9	3,367	3,316	-	33	58
Provisions	31	4,640	4,049	4,568	-	262
Income tax payable	32	7,473	6,448	3,477	50	130
Trade and other payables	33	76,554	52,944	41,971	884	1,007
Trade and other payables – Group companies	34	-	-	-	3,700	67
Customer deposits	35	400,860	315,479	293,056	-	-
Total current liabilities		514,195	406,374	353,516	10,821	5,775
Total liabilities		569,334	456,136	405,603	83,975	81,864
Total equity and liabilities		812,963	687,405	622,373	369,827	359,139

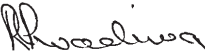


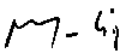
CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2020

In millions of Malawi Kwacha

The financial statements of the Group and Company were approved for issue by the Board of Directors on 13 May 2021 and were signed on its behalf by:


.....
Mr. R Mwadiwa


.....
Dr. G.B Patridge

The notes on pages 70 to 175 are an integral part of these consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

In millions of Malawi Kwacha

		Group		Company	
	Notes	2020	2019	2020	2019
			Restated		
Continuing operations					
Revenue	36	219,508	220,066	10,654	10,885
Direct trading expenses	37	(79,113)	(82,440)	-	-
Gross profit		140,395	137,626	10,654	10,885
Other operating income	38	5,174	5,830	198	414
Distribution expenses	39	(2,459)	(2,295)	-	-
Administrative expenses	40	(97,877)	(97,005)	(4,583)	(4,523)
Results from operating activities		45,233	44,156	6,269	6,776
Finance income	41	2,136	1,614	279	373
Finance costs	41	(9,501)	(8,877)	(1,879)	(1,799)
Net finance costs		(7,365)	(7,263)	(1,600)	(1,426)
Share of results of equity-accounted investees	42	349	3,415	-	-
Profit before income tax		38,217	40,308	4,669	5,350
Income tax expense	43	(18,350)	(17,510)	(869)	(994)
Profit from continuing operations		19,867	22,798	3,800	4,356
Discontinued operations					
Profit from discontinued operations (net of income tax)		28	71	-	-
Profit for the year		19,895	22,869	3,800	4,356
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss:					
Gain on property revaluation		2,200	3,597	63	174
Share of other comprehensive income of equity accounted investments		246	(369)	-	-
Fair value gain on investments in equity instruments designated as at fair value through other comprehensive income (FVTOCI)		-	-	8,316	37,319
Income tax relating to items that may not be reclassified subsequently to profit or loss	21	761	(166)	(475)	(14,260)
Other comprehensive income for the year (net of tax)		3,207	3,062	7,904	23,233
Total comprehensive income for the year		23,102	25,931	11,704	27,589
Profit attributable to:					
Owners of the Company		3,590	7,377	3,800	4,356
Non-controlling interest		16,305	15,492	-	-
Profit for the year		19,895	22,869	3,800	4,356
Total comprehensive income attributable to:					
Owners of the Company		5,401	8,937	11,704	27,589
Non- controlling interest		17,701	16,994	-	-
Total comprehensive income for the year		23,102	25,931	11,704	27,589
Earnings per share					
Basic and diluted earnings per share (K)	44	29.87	61.37		
Continuing operations					
Basic and diluted earnings per share (K)	44	29.63	60.78		



STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2020

In millions of Malawi Kwacha

Group	Issued capital	Share premium	Other reserves	Retained earnings	Total equity attributable to equity holders of company	Non-controlling interest	Total Equity
2020							
Balance at 1st January 2020 as previously stated	1	2,097	52,163	103,139	157,400	78,063	235,463
Prior year adjustment	-	-	-	(1,732)	(1,732)	(2,462)	(4,194)
Balance at 1 January 2020 as restated	1	2,097	52,163	101,407	155,668	75,601	231,269
Profit for the year	-	-	-	3,590	3,590	16,305	19,895
Other comprehensive income	-	-	1,811	-	1,811	1,396	3,207
Total comprehensive income for the year	-	-	1,811	3,590	5,401	17,701	23,102
Depreciation transfer land and buildings	-	-	(307)	307	-	-	-
Dividends to equity holders	-	-	-	(3,127)	(3,127)	(7,615)	(10,742)
Balance at 31 December 2020	1	2,097	53,667	102,177	157,942	85,687	243,629
2019 - Restated							
Balance at 1 January 2019 as previously stated	1	2,097	51,036	97,778	150,912	68,163	219,075
Prior year adjustment	-	-	-	(952)	(952)	(1,353)	(2,305)
Balance at 1 January 2019 as restated	1	2,097	51,036	96,826	149,960	66,810	216,770
Adjustment in respect of adoption of IFRS 16	-	-	-	(102)	(102)	(92)	(194)
Adjusted balance as at 1 st , January 2019	1	2,097	51,036	96,724	149,858	66,718	216,576
Profit for the year - restated	-	-	-	7,377	7,377	15,492	22,869
Other comprehensive income	-	-	1,560	-	1,560	1,502	3,062
Total comprehensive income for the year	-	-	1,560	7,377	8,937	16,994	25,931
Depreciation transfer land and buildings	-	-	(433)	433	-	-	-
Dividends to equity holders	-	-	-	(3,127)	(3,127)	(8,111)	(11,238)
Balance at 31 December 2019	1	2,097	52,163	101,407	155,668	75,601	231,269



STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

	Issued capital	Share premium	Other reserves	Retained earnings	Total Equity
Company					
2020					
Balance at 1 January 2020	1	2,097	249,257	25,920	277,275
Profit for the year	-	-	-	3,800	3,800
Other comprehensive income	-	-	7,904	-	7,904
Total comprehensive income for the year	-	-	7,904	3,800	11,704
Dividends to equity holders	-	-	-	(3,127)	(3,127)
Balance at 31 December 2020	1	2,097	257,161	26,593	285,852
2019					
Balance at 1 January 2019	1	2,097	226,024	24,691	252,813
Profit for the year	-	-	-	4,356	4,356
Other comprehensive income	-	-	23,233	-	23,233
Total comprehensive income for the year	-	-	23,233	4,356	27,589
Dividends to equity holders	-	-	-	(3,127)	(3,127)
Balance at 31 December 2019	1	2,097	249,257	25,920	277,275



CONSOLIDATED AND SEPARATE STATEMENTS OF CASHFLOWS

For the year ended 31 December 2020

In millions of Malawi Kwacha

		Group		Company	
	Notes	2020	2019	2020	2019
			<i>Restated</i>		
Cash generated by/(used in) operations	48	101,872	47,398	(3,076)	(5,150)
Interest paid		(9,067)	(7,963)	(1,879)	(1,799)
Income tax refunds	26, 32	-	425	-	139
Income taxes paid	26, 32	(18,883)	(14,640)	(1,303)	(1,104)
		73,922	25,220	(6,258)	(7,914)
Net cash from/ (used in) operating activities					
Cash flows from investing activities					
Purchase of property, plant and equipment		(28,235)	(22,621)	(112)	(50)
Purchase of intangible assets		(929)	(5,355)	(17)	(4)
Purchase of investment property		(156)	(3)	-	-
Purchase / additions of other investments		(100)		(100)	-
Proceeds from sale of investment property and property, plant and equipment		557	2,117	1	-
Investment in subsidiaries	14		-	(1,574)	(2,493)
Dividend received		2,841	3,464	9,963	10,454
Interest received		2,136	1,614	279	373
Net cash (used in)/from investing activities		(23,886)	(20,784)	8,440	8,280
Cash flows used in financing activities					
Proceeds from long term borrowings		10,930	11,615	-	-
Repayments of long term borrowings		(7,236)	(10,049)	(1,630)	(288)
Repayment of principal element of leasing liability		(11,682)	(2,185)	(48)	(44)
Dividend paid to non-controlling interest		(7,615)	(8,111)	-	-
Dividend paid		(3,127)	(3,127)	(3,127)	(3,127)
Net cash (used in)/ from in financing activities		(18,730)	(11,857)	(4,805)	(3,459)
Net decrease in cash and cash equivalents		31,306	(7,421)	(2,623)	(3,093)
Cash and cash equivalents at beginning of the year		50,948	58,369	(1,819)	1,274
Cash and cash equivalents at end of the year	27	82,254	50,948	(4,442)	(1,819)



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2020

In millions of Malawi Kwacha

1 General Information

1.1 Reporting entity

Press Corporation plc ('the Company') is a company incorporated in Malawi under the Companies Act, 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. Following the Board's decision, on 10th July, 2020, the Company was de-listed from the London Stock Exchange. The Board observed that the listing did not afford the Company a significant advantage in terms of liquidity or additional sources of funding compared to the ongoing costs of maintaining the listing.

The Company and its subsidiaries operate in financial services; telecommunications; energy; retail; consumer products and real estate. The Company has two joint venture companies in the energy and consumer goods sectors. It also has three associates in the telecommunications; agro-industrial and food and beverages sectors.

The consolidated financial statements as at, and for the year ended, 31 December 2020 comprise the company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in associates and joint ventures.

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

1.2 Going concern

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

1.3 Functional and presentation currency

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

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

2.1 New and amended IFRSs that are effective for the current year with material impact

In the current year, there were no new and amended IFRSs whose adoption by the Group had a material impact on its results.

2.2 New and amended IFRSs that are effective for the current year but with no material impact

In the current year, the Group has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2020 and are relevant to its operation. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 3 -
Definition of a business

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.



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

2.2 New and amended IFRSs that are effective for the current year but with no material impact – (Continued)

Amendments to IAS 1 and IAS 8 - <i>Definition of material</i>	The amendments are intended to make the definition of material in IAS 1 easier to understand and are intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and Conceptual Framework that contain a definition of material or refer to the term 'material to ensure consistency.
Conceptual Framework - <i>Amendments to References to the Conceptual Framework in IFRS Standards</i>	Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

2.3 New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory. The directors anticipate that these Standards and Interpretations in future periods will have no significant impact on the financial statements of the Group.

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2023	<p>IFRS 17 Insurance Contracts</p> <p>IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.</p> <p>IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.</p> <p>The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.</p>
Annual reporting periods beginning on or after 1 January 2022	<p>Reference to the Conceptual Framework (Amendments to IFRS 3)</p> <p>The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.</p>
Annual reporting periods beginning on or after 1 January 2023	<p>Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)</p> <p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p>
Annual reporting periods beginning on or after 1 January 2022	<p>Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)</p> <p>The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.</p>



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

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

2.3 New and revised IFRSs in issue but not yet effective – (Continued)

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2022	<p>Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)</p> <p>The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract)</p>
Annual reporting periods beginning on or after 1 January 2022	<p>Annual Improvements to IFRS Standards 2018–2020</p> <p>Makes amendments to the following standards:</p> <ul style="list-style-type: none"> IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique

3. Significant accounting policies

3.1 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 Companies Act, 2013.

3.2 Basis of accounting

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

- Financial instruments at fair value through profit or loss are measured at fair value.
- 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.
- Land and buildings is measured at fair value.

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

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



3. Significant accounting policies – (Continued)

3.2 Basis of accounting – (Continued)

These different levels have been defined in note 6.7.

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

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities that are controlled by the Company and its subsidiaries. Under the Companies Act, 2013 and International Financial Reporting Standard 10, *Consolidated Financial Statements*, control is achieved when the company:

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

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

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

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

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

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

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

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

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

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

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

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

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



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

3. Significant accounting policies – (Continued)

3.3 Basis of consolidation – (Continued)

3.3.1 Changes in the Group's ownership interests in existing subsidiaries – (Continued)

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

3.4 Business combinations

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

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

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

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is re-measured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate with the corresponding gain or loss being recognized in profit or loss.

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



3. Significant accounting policies – (Continued)

3.4 Business combinations – (Continued)

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

3.5 Goodwill

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

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

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

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

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

3.6 Investments in associates and Joint Ventures

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

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

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

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

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

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



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.6 Investments in associates and Joint Ventures (Continued)

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

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

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

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

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

3.7 Interests in joint operations

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

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a Group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

3.8 Non-current assets held for sale

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

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



3. Significant accounting policies (Continued)

3.8 Non-current assets held for sale (Continued)

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

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

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

3.9 Revenue recognition

The Group's revenue arises mainly from provision of telecommunication services, Sale of goods – retail and other, Interest income and Fees and commission. The Company's main revenue is dividend income.

To determine whether to recognise revenue, the Group follows a 5-step process:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. Revenue is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services and excludes any amounts collected on behalf of third parties.

3.9.1 Provision of telecommunication services

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

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties such as taxes. The Group recognises revenue when it transfers control of a product or as services are rendered to a customer.

Bundled packages

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

Mobile telecommunications services

These are considered to represent a single performance obligation as all are provided over the Group's network and transmitted as data representing a digital signal on the network.

The transmission of voice, data and SMS all consume network bandwidth and therefore, irrespective of the nature of the communication, the subscriber ultimately receives access to the network and the right to consume network bandwidth. Network services are, therefore viewed as a single performance obligation represented by capacity on the Group's network.

Enterprise business services and mobile money

Customers either pay in advance for these services or pay monthly in equal instalments over the contractual period. The Group recognises revenue from these services as they are provided. Revenue is recognised based on actual units of network services/mobile money services provided during the reporting period.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.9 Revenue recognition (Continued)

3.9.1 Provision of telecommunication services (Continued)

Devices

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

The Group assesses postpaid contracts including handsets to determine if they contain a significant financing component. The company has elected to apply the practical expedient that allows the Group not to adjust the transaction price for the significant financing component for contracts where the time difference between customer payment and transfer of goods or services is expected to be one year or less. Much as the contracts are for a period of two years, the Group does not charge for financing component hence does not separately account for a financing component.

Interconnect and roaming

The Group recognises interconnect and roaming revenue as the service is provided unless it is not probable (based on historical information) on transaction date that the interconnect revenue will be received, in which case interconnect revenue is recognised only when the cash is received or where a right of set-off exists with interconnect parties. Payments for interconnect and roaming are generally received on a monthly basis.

Some interconnect and roaming debtors have a historical pattern of late payments due to sanctions imposed. The Group has continued to provide services to these debtors (due to regulatory requirements) where the recovery of principal is significantly delayed beyond the contractual terms. The Group has considered historical payment patterns (i.e. customary business practice) in assessing whether the contract contains a significant financing component. For contracts containing a significant financing component, the Group reduces interconnect and roaming revenue and recognises interest revenue over the period between satisfying the related performance obligation and payment.

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

3.9.2 Sale of goods

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

3.9.3 Interest income

Interest income for all interest-bearing financial instruments except for those classified as held for trading or designated at fair value through profit and loss are recognised within "revenues" in the statement of comprehensive income using the effective interest rate method.

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

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

3.9.4 Fees and commissions

Fees and commission income that are integral to the effective interest rate on a financial asset are included in the effective interest rate. Other fees and commission are generally recognised on an accrual basis when the services have been provided, specifically:



3. Significant accounting policies (Continued)

3.9 Revenue recognition (Continued)

3.9.4 Fees and commissions (Continued)

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

3.9.5 Dividend income

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

3.9.6 Rental income

Rental income from investment property is recognized in the profit or loss on a straight line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income to be received. Rental income from other property is recognised as other income. The Group's policy for recognition of revenue from operating leases is described in note 3.10 below.

The Group receives short-term rental advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised lease to the customer and when the customer pays for that good or service will be one year or less.

3.9.7 Premium on foreign exchange deals

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

3.9.8 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.

3.10 Leases

3.10.1 The Group as lessee

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

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

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



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.10 Leases (Continued)

3.10.1 The Group as lessee (Continued)

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

- Fixed lease payments (including in-substance fixed payments);
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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

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

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

The Group did make such adjustments during the current period following changes in the projects future lease payments. Accordingly an amount of K606 million was adjusted against the right of use assets

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

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

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

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

3.10.2 The Group as lessor

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

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

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



3. Significant accounting policies (Continued)

3.10 Leases (Continued)

3.10.2 The Group as lessor (Continued)

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

3.11 Foreign currencies

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

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

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

3.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.13 Employee benefits

3.13.1 Defined contribution plans

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

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

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

3.13.2 Termination benefits

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

3.13.3 Short-term benefits

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



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.13 Employee benefits (Continued)

3.13.3 Short-term benefits (Continued)

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

3.14 Taxation

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

3.14.1 Current tax

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

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.

3.14.2 Deferred tax

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

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

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

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

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

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



3. Significant accounting policies (Continued)

3.13 Employee benefits (Continued)

3.14.3 Current and deferred tax for the year

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

3.15 Property, plant and equipment

3.15.1 Recognition and measurement

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

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

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

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

Freehold land is not depreciated.

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

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

3.15.2 Subsequent expenditure

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

3.15.3 Depreciation

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

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

3.15.4 Reclassification to investment property

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



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.16 Investment property

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

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

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

3.17 Intangible assets

3.17.1 Intangible assets acquired separately

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

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

3.17.2 Internally-generated intangible assets – research and development expenditure

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

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

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

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

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

3.17.3 Intangible assets acquired in a business combination

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

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

3.17.4 Subsequent expenditure

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



3. Significant accounting policies (Continued)

3.17 Intangible assets (Continued)

3.17.5 De-recognition of intangible assets

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

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

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

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

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

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

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

3.19 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.

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.21 Provisions

3.21.1 Onerous contracts

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

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

3.21.2 Restructuring

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

3.21.3 Contingent liabilities acquired in a business combination

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

3.22 Discontinued operations

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

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

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

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

3.23 Share capital and dividends

i) Ordinary shares

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

ii) Dividends on ordinary shares

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

iii) Dividend per share

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

iv) Earnings per share

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



3. Significant accounting policies (Continued)

3.23 Share capital and dividends (Continued)

v) Equity instruments

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

3.24 Financial instruments

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

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

3.25 Financial assets

3.25.1 Classification and initial measurement of financial assets

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

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

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

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

The Group applies the following business models:

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

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

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

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

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



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.25 Financial assets (Continued)

3.25.1 Classification and initial measurement of financial assets (Continued)

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

3.25.2 Subsequent measurement of financial assets

Subsequently, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

(i) Financial assets at amortised cost (debt instruments)

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

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

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

Amortised cost and effective interest method

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

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

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

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



3. Significant accounting policies (Continued)

3.25 Financial assets (Continued)

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

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

(iii) Financial assets designated at fair value through OCI (equity instruments)

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

A financial asset is held for trading if:

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

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

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

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

(iv) Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Specifically:

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial.

Foreign exchange gains and losses

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

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



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.25 Financial assets (Continued)

3.25.3 Impairment of financial assets

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

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

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

Expected credit losses on trade receivables, finance lease receivables and contract assets are determined using the simplified approach. Under this approach expected credit losses are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

(i) Significant increase in credit risk

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

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

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

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

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

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



3. Significant accounting policies (Continued)

3.25 Financial assets (Continued)

3.25.3 Impairment of financial assets (Continued)

(i) Significant increase in credit risk – continued

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

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

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

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

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

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

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



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.25 Financial assets (Continued)

3.25.3 Impairment of financial assets (Continued)

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

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

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

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

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

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

- **Stage 1:** Stage 1 financial instruments are those whose credit risk is low or has improved hence reclassified from Stage 2. Reclassifications from Stage 2 are however subject to 'cooling off' period of 3 months. The Group calculates 12-months ECL for this stage based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR;
- **Stage 2:** When financial instruments have shown a significant increase in credit risk since origination, the Group records an allowance for the Lifetime ECL. The calculation is done as explained under stage 1 above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR. Stage 2 financial instruments also include those whose credit risk has improved hence has been reclassified from Stage 3. Reclassifications from stage 3 are however subject to a 'cooling off' period of 3 months;
- **Stage 3:** financial instruments under this stage are considered credit-impaired. The Group records an allowance for the Lifetime ECLs.
- **POCI:** Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

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

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

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

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



3. Significant accounting policies (Continued)

3.25 Financial assets (Continued)

3.25.3 Impairment of financial assets (Continued)

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

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

(vi) Forward-looking information

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

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

Macroeconomic model

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

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

The Malawi Food Consumer Price Index (CPI) proved to be statistically significant in the macro-economic model. As such, the Group forecasted the future Food CPIs and calibrated loan loss allowance ratio accordingly which was incorporated in the calculation of the ECLs.

Sensitivity Analysis

In addition to the base case scenario the Group uses 1 upside and 1 downside scenarios, with associated probability weightings. The probability weighting is such that the base scenario has the highest weighting, since it is the most likely outcome and the weighting of the upside and downside scenarios depend on the probability of the scenario.

The base case scenario was assumed at 95% confidence interval while the 1 upside and 1 downside scenarios were assumed at +2.5% and -2.5% above or below 95% confidence level respectively.

Low risk assets

In applying the IFRS 9 model, the Group identified the following as assets having a low credit risk;

1. Malawi Government Securities
2. Interbank Placements
3. Other trading and non trading receivables

The Group evaluated both internal and external factors related to the assets and concluded that as at the reporting date the risk of default for these assets was low, the borrowers had a strong capacity to meet their contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but would not necessarily, reduce the ability of the borrowers to fulfil their contractual cash flow obligations.

The above factors coupled with extensive evaluation of credit histories resulted in classifying these assets in the investment grade.

Based on the assessment per each classification of assets, Probabilities of Default were assigned to these assets and an Expected Credit Loss was computed.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.25 Financial assets (Continued)

3.25.4 Reclassifications of financial assets

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

3.25.5 Modification of financial assets

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

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

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

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

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

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

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

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



3. Significant accounting policies (Continued)

3.25 Financial assets (Continued)

3.25.6 De-recognition of financial assets

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

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

On de-recognition due to modifications explained under 3.25.7 above, the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

3.26 Financial liabilities and equity

3.26.1 Classification as debt or equity

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

3.26.2 Equity instruments

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

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

3.26.3 Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

3. Significant accounting policies (Continued)

3.26 Financial liabilities and equity (Continued)

3.26.3 Financial liabilities (continued)

(ii) Subsequent measurement

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

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

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

Financial liabilities measured subsequently at amortised cost

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

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

Financial guarantee contract liabilities

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

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:



3. Significant accounting policies (Continued)

3.26 Financial liabilities and equity (Continued)

3.26.3 Financial liabilities (continued)

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

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'finance costs' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

(iii) De-recognition of financial liabilities

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

3.27 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.

3.28 Fiduciary activities

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

3.29 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.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

4 Critical accounting judgements and key sources of estimation uncertainty

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

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

4.1 Critical judgements in applying accounting policies

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

4.1.1 Business model assessment

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

4.1.2 Going concern

In order to assess whether it is appropriate for the Group to be reported as a going concern, the Directors apply judgement, having undertaken appropriate enquiries and having considered the business activities and the Group's principal risks and uncertainties. In arriving at this judgement there are a large number of assumptions involved in calculating future cash flow projections. This includes management's expectations of revenue, earnings before interest, tax and depreciation, timing and quantum of future capital expenditure and cost of future funding.

4.1.3 Significant increase in credit risk

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

4.1.4 Establishing groups of assets with similar credit risk characteristics

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

4.1.5 Models and assumptions used

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



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

4.1 Critical judgements in applying accounting policies (Continued)

4.1.6 Control over Telekom Networks Malawi plc (TNM)

The directors of the Company assessed whether or not the Group has control over TNM based on whether the Group has the practical ability to direct the relevant activities of TNM unilaterally. In making their judgement, the directors considered the Group's absolute size of holding in TNM of 41.31% (2017: 41.31%) and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of TNM plc and therefore the Group has control over TNM.

4.1.7 Deferred taxation on investment properties

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

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

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

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

4.2 Key sources of estimation uncertainty

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

4.2.1 Residual values and useful lives of tangible assets

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

4.2.2 Fair value measurements and valuation processes

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

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities and related fair values are disclosed in note 6.8.2 and 10.

4.2.3 Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in leases, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

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

4.2 Key sources of estimation uncertainty (Continued)

4.2.4 Loss allowance for trade and other receivables

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

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

4.2.5 Loss allowance for loans and advances

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

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

(ii) Probability of Default (PD)

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

(iii) Loss Given Default (LGD)

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

(iv) Determination of life of revolving credit facilities

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

5. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the returns to stakeholders through optimisation of the debt and equity balance. The overall Group strategy remains unchanged from 2019.

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

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

5.1 Regulatory capital

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



5. Capital management (Continued)

5.1 Regulatory capital (Continued)

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

- A core capital (Tier 1) of not less than 11.5% of total risk-weighted on statement of financial position assets plus risk-weighted off-statement of financial position items; and
- A total capital (Tier 2) of not less than 15% of its total risk-weighted on statement of financial position assets plus risk-weighted off-statement of financial position items.

The Group's banking business regulatory capital is analysed into two tiers as follows:

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

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

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

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

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

	2020	2019
Tier 1 capital		
Ordinary share capital	467	467
Share premium	613	613
Retained earnings	87,923	73,683
Unconsolidated investments	(3,767)	(3,763)
	85,236	71,000
Tier 2 capital		
Supplementary capital		
Deferred tax	(8,617)	(7,816)
Revaluation reserve	26,461	23,706
Unconsolidated investments	(3,767)	(3,763)
Total tier 2 capital (total regulatory capital)	99,313	83,127
Risk-weighted assets		
Retail bank, corporate bank and treasury	392,417	367,013
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	25%	23%
Total tier 1 capital expressed as a percentage of risk-weighted assets	22%	19%



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

5. Capital management (Continued)

5.1 Regulatory capital (Continued)

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

6 Financial instruments

6.1 Classes and categories of financial instruments

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

	Notes	Amortised cost	Fair value through P&L	Fair value through OCI	Total carrying amount
Group					
At 31 December 2020					
Financial assets					
Cash and cash equivalents	27	81,969	10,227	-	92,196
Trade and other receivables	19,24	30,066	-	-	30,066
Other investments	20	223,456	9,941	4,120	237,517
Finance lease receivables	18	17,485	-	-	17,485
Loans and advances to customers	17	177,223	-	-	177,223
		530,199	20,168	4,120	554,487
Financial liabilities					
Bank overdraft	27	9,942	-	-	9,942
Loans and borrowings	30	58,226	-	-	58,226
Trade and other payables	33	76,851	-	-	76,851
Customer deposits	35	400,860	-	-	400,860
		545,879	-	-	545,879
At 31 December 2019 – restated					
Financial assets					
Cash and cash equivalents	27	57,422	1,512	-	58,934
Trade and other receivables	19,24	25,834	-	-	25,834
Other investments	20	171,871	4,102	3,963	179,936
Finance lease receivables	18	17,130	-	-	17,130
Loans and advances to customers	17	164,708	-	-	164,708
		436,965	5,614	3,963	446,542
Financial liabilities					
Bank overdraft	27	7,986	-	-	7,986
Loans and borrowings	30	54,098	-	-	54,098
Trade and other payables	33	53,063	-	-	53,063
Customer deposits	35	315,479	-	-	315,479
		430,626	-	-	430,626



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.1 Categories of financial instruments (Continued)

	Notes	Amortised cost	Fair value through P&L	Fair value through OCI	Total carrying amount
Company					
At 31 December 2020					
Financial assets					
Cash and cash equivalents	27	82	-	-	82
Trade and other receivables – Group	23	4,911	-	-	4,911
Trade and other receivables	19,24	2,270	-	-	2,270
Other Investments	20	-	-	4,120	4,120
Asset held for sale	25	-	-	8,473	8,473
Investments in associates	16	-	-	41,534	41,534
Investments in joint ventures	15	-	-	21,774	21,774
Investments in subsidiaries	14	-	-	284,592	284,592
		7,263	-	360,493	367,756
Financial liabilities					
Bank overdraft	27	4,524	-	-	4,524
Loans and borrowings	30	6,520	-	-	6,520
Trade and other payables	33	884	-	-	884
Trade and other payables to Group companies	34	3,700	-	-	3,700
		15,628	-	-	15,628
At 31 December 2019					
Financial assets					
Cash and cash equivalents	27	2,432	-	-	2,432
Trade and other receivables – Group	23	2,007	-	-	2,007
Trade and other receivables	24	2,473	-	-	2,473
Other Investments	20	-	-	3,963	3,963
Investments in associates	16	-	-	57,956	57,956
Investments in joint ventures	15	-	-	22,922	22,922
Investments in subsidiaries	14	-	-	265,662	265,662
		6,912	-	350,503	357,415
Financial liabilities					
Bank overdraft	27	4,251	-	-	4,251
Loans and borrowings	30	8,150	-	-	8,150
Trade and other payables	33	1,007	-	-	1,007
Trade and other payables to Group companies	34	67	-	-	67
		13,475	-	-	13,475



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.2 Financial risk management

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

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

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

6.3 Risk management framework

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

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

The Finance, Audit and Investment Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Finance, Audit and Investment Committee is assisted in these functions by the Internal Audit Department which undertakes both regular and ad-hoc reviews of risk management controls, the results of which are reported back to the Committee.

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

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

6.4 Credit risk

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

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

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



6. Financial instruments (Continued)

6.4 Credit risk (Continued)

6.4.1 Exposure of credit risk

The table below shows the maximum exposure to credit risk by class of financial instrument without taking into account any collateral or other credit enhancements. Financial instruments include financial instruments defined and recognized under IFRS 9 Financial instruments: recognition and measurement as well as other financial instruments not recognised. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Group		Company	
	2020	2019	2020	2019
Gross maximum exposure				
Trade and other receivables	30,066	25,834	4,911	2,473
Trade and other receivables – Group companies	-	-	2,270	2,007
Other investments	237,517	179,936	4,120	3,963
Loans and advances to customers	177,223	164,708	-	-
Finance lease receivables	17,485	17,130	-	-
Cash and cash equivalents	92,196	58,934	82	2,432
Total recognised financial instruments	554,487	446,542	11,383	10,875
Guarantees and performance bonds	20,449	19,566	17,100	17,500
Customers fund management	98,193	95,343	-	-
Letters of credit	22,708	16,784	-	-
Total unrecognised financial instruments	141,350	131,693	17,100	17,500
Total credit exposure	695,837	578,235	28,483	28,375

In respect of certain financial assets, the Group has legally enforceable rights to offset them with financial liabilities. However, in normal circumstances, there would be no intention of settling net, or of realising the financial assets and settling the financial liabilities simultaneously. Consequently, the financial assets are not offset against the respective financial liabilities for financial reporting purposes. As at the end of the year, the Group had financial liabilities in the form of cash deposits amounting to K5,612 million (2019: K4,863 million) held as security for some loans and advances which in the event of default will be offset against such loans and advances.

6.4.2 Trade and other receivables

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

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

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



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

6. Financial instruments (Continued)

6.4 Credit risk (Continued)

6.4.2 Trade and other receivables (Continued)

The average credit period on sales of goods and services is 30 days except for international incoming receivables whose credit period is 60 days. No interest is charged on the trade and other receivables settled beyond these periods. The Group has provided fully for all receivables over 120 days, except those deemed recoverable based on past payments pattern or settlement agreements in place. Trade and other receivables between 30 days and 120 days are provided for based on the estimated recoverable amounts determined by reference to past default experience and prevailing economic conditions.

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

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

Impairment of Trade receivables

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

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

	2020 trade receivables – days past due						Total
	Not past due	<30 days	31-60 days	61-90 days	91-120 days	>120 days	
Expected credit loss rate – ranges*	0.2% to 17%	0.9% to 18%	1.4% to 19%	1.8% to 20%	2.8% to 18%	4.7% to 100%	
Estimated total gross carrying amount at default	2,342	1,028	507	678	727	1,369	6,651
Lifetime ECL	19	61	39	50	135	407	711
	2019 trade receivables – days past due						Total
	Not past due	<30 days	31-60 days	61-90 days	91-120 days	>120 days	
Expected credit loss rate – ranges*	0% to 25.64%	0.1% to 26.97%	0.1% to 28.43%	0.4% to 30.27%	0.5% to 31%	2% to 31%	
Estimated total gross carrying amount at default	4,394	1,062	1,037	462	1,084	2,558	10,597
Lifetime ECL	174	68	42	28	334	139	785

The expected credit loss rate ranges are wide due to different segments in which the Group operates, since receivables per segment have different risks.



6. Financial instruments (Continued)

6.4 Credit risk (Continued)

6.4.2 Trade and other receivables (Continued)

Movement in the allowance for credit loss

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

	Lifetime ECL – not credit impaired		Lifetime ECL – credit impaired	Total
	Collectively assessed	Individually assessed		
2020				
As of 1 January 2020	732	168	358	1,258
Written off	(62)	-	-	(62)
Net Remeasurement of loss allowance	62	219	116	397
Balance at end of the year	732	387	474	1,593
2019				
As of 1 January 2019	708	204	449	1,361
Written off	(473)	(40)	-	(513)
Recoveries	-	-	(91)	(91)
Net Remeasurement of loss allowance	497	4	-	501
Balance at end of the year	732	168	358	1,258

6.4.3 Cash and cash equivalents

The Group held cash and cash equivalents comprising of cash and bank balances net of bank overdrafts amounting to K82,254 million as at 31 December 2020 (2019: K50,948 million). The cash and cash equivalents are held with banks and financial institutions counterparties which have high credit ratings.

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

6.4.4 Investments

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

6.4.5 Loans and advances

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.

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

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



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

6. Financial instruments (Continued)

6.4 Credit risk (Continued)

6.4.5 Loans and advances (Continued)

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

Maximum exposure to credit risk for Loans and advances by sector

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

	2020		2019	
		%		%
Wholesale and retail	42,414	22	62,436	35
Other	36,032	20	17,106	10
Personal	42,894	23	31,762	18
Agriculture	38,408	21	36,202	21
Manufacturing	22,970	12	20,573	11
Finance and insurance	4,365	2	7,718	5
	187,083	100	175,797	100

The Group's exposure as at 31 December 2020 was at K187,083 million (2019: K175,797 million) with Non Performing Loans (NPL) standing at 11.57% (2019 : 11.29%). With default rate increasing from the previous reporting period, the Group will enhance its recoveries efforts and credit risk management to ensure the ratio goes down.

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

Extent of utilization of granted limit

The bank closed 2020 with utilized overdrafts of K33.1 billion (2019: K47.9 billion) against limits of K55.5 billion (2019: K66.1 billion) representing 59.6% (2019: 72.5%) of the total limits. The decrease in limits utilization is as a result of liquidity improvement in the market after the Reserve Bank of Malawi changed, during the year, the liquidity reserve requirement for Banks.

Forbearances (both requested and granted)

There are no significant forbearances in the reporting period.

Changes in business, financial and economic conditions

The business condition was stable but tough due to COVID-19 pandemic. In the reporting period, the local currency depreciated against major foreign currencies, however inflation rate remained stable. The inflation rate is expected to remain stable in 2021 and this is a cost driver for many commodities.

Credit quality analysis of loans and advances

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



6. Financial instruments (Continued)

6.4 Credit risk (Continued)

6.4.5 Loans and advances (Continued)

Credit quality analysis of loans and advances (Continued)

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

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

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

Credit rating information supplied by external rating agencies

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

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

	Group	
	2020	2019
Grade 9: individually impaired	18,435	7,940
Grade 8: sub-standard	5,375	11,908
Grade 7: Watch list	11,098	12,046
Grade 1-3 Low risk	13,854	13,881
Grade 4-6 Fair risk	138,321	130,022
Impairment provision	(9,860)	(11,089)
Total carrying amount	177,223	164,708



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

6. Financial instruments (Continued)

6.4 Credit risk (Continued)

6.4.5 Loans and advances (Continued)

Credit quality analysis of loans and advances (Continued)

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

	Gross Amount	Loss allowance	ECL stage
2020			
Grade 9: individually impaired	18,435	5,811	3
Grade 8: sub-standard	5,375	1,029	3
Grade 7: Watch list	11,098	668	2
Grade 1-3 Low risk	13,854	86	1
Grade 4-6 Fair risk	138,321	2,266	1
Total gross carrying amount	187,083	9,860	
2019			
Grade 9: individually impaired	7,940	3,976	3
Grade 8: sub-standard	11,908	2,304	3
Grade 7: Watch list	12,046	1,523	2
Grade 1-3 Low risk	13,881	213	1
Grade 4-6 Fair risk	130,022	3,073	1
Total gross carrying amount	175,797	11,089	

Individually impaired and substandard - Grade 8 and 9

Substandard and impaired loans and advances are loans and advances for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan /advances agreement(s). These loans are graded 8 and 9 in the Group's internal credit risk grading system and are categorised under stage 3 when calculating the ECL.

Watch list – Grade 7

These are loans and advances where contractual interest or principal payments are past due but the Group believes that individual impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group. These are graded 7 in the Group's internal credit risk grading system and are categorised under stage 2 when calculating the ECL.

Low and fair risk – Grade 1 to 6

These are performing loans that the Group expects to fully recover the estimated future cash flows. These are graded 1 to 6 in the Group's internal credit risk grading system and are categorised under stage 1 when calculating the ECL.

Write-off policy

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

During the period under review, the Group wrote off K4.6 billion (2019: K755 million). The amounts written off are subject to enforcement activity by the Group to recover.

Collateral held as security against loans and advances

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



6. Financial instruments (Continued)

6.4 Credit risk (Continued)

6.4.5 Loans and advances (Continued)

Collateral held as security against loans and advances (Continued)

There were no significant changes in the Group's collateral policies and there were also no significant changes in the quality and values of the collateral during the period under review.

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

Group	2020	2019
Against individually impaired		
Motor vehicles	1,205	737
Commercial property	12,286	2,328
Residential property	849	355
Government guarantees	12,523	9,597
Total	26,863	13,017
Against the rest of the loan book		
Motor vehicles	19,634	27,456
Commercial property	115,429	96,225
Residential property	27,126	32,224
Cash	5,612	4,863
Equities	-	2,101
Mortgages	-	5,297
Debentures	-	1,191
Government guarantees	-	2,926
Total	167,801	172,283
Grand total	194,664	185,300

Collateral repossessed

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

6.5 Liquidity risk

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

6.5.1 Management of liquidity risk

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

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

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



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

6. Financial instruments (Continued)

6.5 Liquidity risk (Continued)

6.5.1 Management of liquidity risk (Continued)

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

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

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

6.5.2 Measurement of liquidity risk – Group's banking business

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

	2020	2019
At 31 December	41%	38%
Average for the period	36%	44%
Maximum for the period	41%	51%
Minimum for the period	25%	36%



6. Financial instruments (Continued)

6.5 Liquidity risk (Continued)

6.5.3 Liquidity risk table

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

Group	Less than 1 month	1-3 months	3-12 months	2-5 years	Over 5 years	Total	Carrying amount
At 31 December 2020							
Bank overdraft	10,066	-	-	-	-	10,066	9,942
Loans and borrowings	-	2,930	9,426	58,651	1,751	72,758	58,226
Customer deposits	363,304	37,304	3,145	-	-	403,753	400,860
Trade and other payables	12,557	64,294	-	-	-	76,851	76,851
Total financial liabilities	385,927	104,528	12,571	58,651	1,751	563,428	545,879

At 31 December 2019 – restated

Bank overdraft	8,085	-	-	-	-	8,085	7,986
Loans and borrowings	-	992	16,310	49,842	5,179	72,323	54,098
Customer deposits	276,774	37,001	3,599	-	-	317,374	315,479
Trade and other payables	52,529	146	269	119	-	53,063	53,063
Total financial liabilities	337,388	38,139	20,178	49,961	5,179	450,845	430,626

Company

At 31 December 2020

Bank overdraft	4,581	-	-	-	-	4,581	4,524
Loans and borrowings	-	-	1,813	7,091	-	8,904	6,520
Trade and other payables to Group companies	79	-	3,893	-	-	3,972	3,700
Trade and other payables	884	-	-	-	-	884	884
Total financial liabilities	5,544	-	5,706	7,091	-	18,341	15,628

At 31 December 2019

Bank overdraft	4,300	-	-	-	-	4,300	4,251
Loans and borrowings	-	-	-	8,623	2,460	11,083	8,150
Trade and other payables to Group companies	67	-	-	-	-	67	67
Trade and other payables	1,007	-	-	-	-	1,007	1,007
Total financial liabilities	5,374	-	-	8,623	2,460	16,457	13,475



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

6. Financial instruments (Continued)

6.6 Market risk

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

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

6.6.1 Currency risk

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

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

Management of currency risk

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

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

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

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

Currency risk exposure

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

	Liabilities		Assets	
	2020	2019	2020	2019
Group				
United States Dollars (USD)	96,230	85,611	99,262	78,153
British Pound (GBP)	3,318	3,245	3,549	3,363
EURO	10,277	4,788	8,242	4,994
South African Rand (ZAR)	515	889	586	1,021
Other currencies	267	267	16	28
Company				
United States Dollars (USD)	-	-	2,231	1,518



6. Financial instruments (Continued)

6.6 Market risk (Continued)

6.6.1 Currency risk (Continued)

Foreign currency sensitivity analysis

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

	Group		Company	
	2020	2019	2020	2019
United States Dollars (USD)	303	746	223	152
British Pound (GBP)	23	12	-	-
EURO	204	21	-	-
South African Rand (ZAR)	7	13	-	-

6.6.2 Interest rate risk

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

Management of interest rate risk

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

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



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

6. Financial instruments (Continued)

6.6 Market risk (Continued)

6.6.2 Interest rate risk (Continued)

Exposure to interest rate risk on financial assets and financial liabilities

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

Group	Less than 1 month	1-3 months	3-12 months	Over 1 year	Non-interest sensitive	Total
At 31 December 2020						
Financial assets						
Investments in joint ventures and associates	-	-	-	-	46,548	46,548
Other investment	41,279	22,851	73,460	89,397	10,530	237,517
Cash and cash equivalents	44,231	37,738	-	-	10,227	92,196
Loans and advances to customers	6,976	4,874	33,739	131,634	-	177,223
Finance lease receivables	-	-	1,733	15,752	-	17,485
Trade and other receivables	-	-	-	1,740	28,326	30,066
Total financial assets	92,486	65,463	108,932	238,523	95,631	601,035
Financial liabilities						
Bank overdraft	9,942	-	-	-	-	9,942
Loans and borrowings	-	2,824	8,473	46,679	250	58,226
Customer deposits	210,466	36,394	2,926	-	151,074	400,860
Trade and other payables	12,557	-	-	-	64,294	76,851
Total financial liabilities	232,965	39,218	11,399	46,679	215,618	545,879
Interest sensitivity gap	(140,479)	26,245	97,533	191,844	(119,987)	55,156
At 31 December 2019 – restated						
Financial assets						
Investments in joint ventures and associates	-	-	-	-	48,694	48,694
Other investment	24,036	36,098	53,839	52,362	13,601	179,936
Cash and cash equivalents	17,826	22,369	-	-	18,739	58,934
Loans and advances to customers	10,062	15,006	55,086	84,554	-	164,708
Finance lease receivables	-	-	1,636	15,494	-	17,130
Trade and other receivables	-	-	-	1,573	24,261	25,834
Total financial assets	51,924	73,473	110,561	153,983	105,295	495,236
Financial liabilities						
Bank overdraft	7,986	-	-	-	-	7,986
Loans and borrowings	-	980	15,172	37,707	239	54,098
Customer deposits	133,996	36,394	3,428	-	141,661	315,479
Trade and other payables	-	-	-	-	53,063	53,063
Total financial liabilities	141,982	37,374	18,600	37,707	194,963	430,626
Interest sensitivity gap	(90,058)	36,099	91,961	116,276	(89,668)	64,610



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

6. Financial instruments (Continued)

6.6 Market risk (Continued)

6.6.2 Interest rate risk (Continued)

	Less than 1 month	1-3 months	3-12 months	Over 1 year	Non- interest sensitive	Total
Company						
At 31 December 2020						
Financial assets						
Investments in subsidiaries joint ventures and associates	-	-	-	-	347,900	347,900
Asset held for sale	-	-	-	-	8,473	8,473
Other investment	-	-	-	-	4,120	4,120
Cash and cash equivalents	-	7	-	-	75	82
Trade and other receivables – Group companies	-	-	3,123	-	1,788	4,911
Trade and other receivables	-	-	-	1,659	611	2,270
Total financial assets	-	7	3,123	1,659	362,967	367,756
Financial liabilities						
Bank overdraft	4,524	-	-	-	-	4,524
Loans and borrowings	-	-	1,630	4,890	-	6,520
Trade and other payables to Group companies	-	-	3,621	-	79	3,700
Trade and other payables	-	-	-	-	885	885
Total financial liabilities	4,524	-	5,251	4,890	964	15,629
Interest sensitivity gap	(4,524)	7	(2,128)	(3,231)	362,003	352,127
At 31 December 2019						
Financial assets						
Investments in subsidiaries joint ventures and associates	-	-	-	-	346,540	346,540
Other investment	-	-	-	-	3,963	3,963
Cash and cash equivalents	-	2,366	-	-	66	2,432
Trade and other receivables – Group companies	-	-	-	-	2,007	2,007
Trade and other receivables	-	-	-	1,473	1,000	2,473
Total financial assets	-	2,366	-	1,473	353,576	357,415
Financial liabilities						
Bank overdraft	4,251	-	-	-	-	4,251
Loans and borrowings	-	-	-	8,150	-	8,150
Trade and other payables to Group companies	-	-	-	-	67	67
Trade and other payables	-	-	-	-	1,007	1,007
Total financial liabilities	4,251	-	-	8,150	1,074	13,475
Interest sensitivity gap	(4,251)	2,366	-	(6,677)	352,502	343,940



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

6. Financial instruments (Continued)

6.6 Market risk (Continued)

6.6.2 Interest rate risk (Continued)

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates on the financial assets and liabilities at the reporting date. The interest rate sensitivity is also calculated based on a 5% movement on the carrying amounts. If the interest rates had gone up or down by 5% the Group's profit for the year ended 31 December 2020 would decrease/increase by K8.1 billion (2019: K7.7 billion).

6.6.3 Other market price risk

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

Exposure to equity price risk

As at 31 December 2020, the Group had the following financial assets that exposed it to equity price risk.

	Group		Company	
	2020	2019	2020	2019
<i>Financial asset</i>				
Investment in subsidiaries	-	-	247,535	234,071
Other investment	8,865	8,083	4,120	3,963
	8,865	8,083	251,655	238,034

Equity price sensitivity analysis

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

At 31 December 2020, if the equity price had weakened/strengthened by 5% with all other variables held constant, the Group's performance for the year would have been higher/lower as follows:

	Group		Company	
	2020	2019	2020	2019
<i>Financial asset</i>				
Investment in subsidiaries	-	-	12,377	11,704
Other investment	443	404	206	198
	443	404	12,583	11,902

The analysis is performed on the same basis for 2020 and 2019 and assumes that all other variables remain the same.



6 Financial instruments (Continued)

6.7 Fair values measurements

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

6.7.1 Fair value hierarchy

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

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

Group

	Notes	Level 1	Level 2	Level 3	Total
At 31 December 2020					
Other investment - equity	20	8,865	-	-	8,865
Government promissory notes	20	-	5,196	-	5,196
		8,865	5,196	-	14,061

At 31 December 2019

Other investment - equity	20	8,083	-	-	8,083
---------------------------	----	-------	---	---	-------

Company

At 31 December 2020

Other investment	20	4,120	-	-	4,120
Asset held for sale	25	-	-	8,473	8,473
Investments in associates	16	-	-	41,534	41,534
Investments in joint ventures	15	-	-	21,774	21,774
Investments in subsidiaries	14	247,535	-	37,057	284,592
		251,655	-	108,838	360,493

At 31 December 2019

Other investment		3,963	-	-	3,963
Investments in associates	16	-	-	57,956	57,956
Investments in joint ventures	15	-	-	22,922	22,922
Investments in subsidiaries	14	234,071	-	31,591	265,662
		238,034	-	112,469	350,503



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.7 Fair values measurements

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

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

Group

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	2020	2019		
Government promissory notes	5,196	-	Level 2	Discounted cash flows using applicable interest rates and agreed repayment plan



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.7 Fair values measurements (Continued)

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

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

Company

Asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2020	2019				
Investment in Sunbird Malawi plc, National Bank of Malawi plc and Telekom Networks Malawi plc	251,655	238,034	Level 1	Stock market share prices.	N/A	N/A
Investment in Macsteel (Malawi) Limited, Open Connect Limited, and Presscane Limited	18,503	15,897	Level 3	<p>The income approach (Discounted Cash Flow): The methodology is based on the Capital Asset Pricing Model and the concept that the value of an Enterprise should equal the present value of its future free cashflows.</p> <p>This approach entails:</p> <ul style="list-style-type: none"> Estimating the expected free cashflows. Free Cashflow is calculated as tax-adjusted earnings and other non-cash operating expenses, further adjusted by capex projections. Discounting the cashflows to present value using Weighted Average Cost of Capital ('WACC'). Discounting the value to take into account marketability 	<ul style="list-style-type: none"> Deriving the projected free cashflows based on management's experience, knowledge of the market conditions of the specific industries, and any strategic considerations. Weighted average cost of capital ranging from 21% to 32% (2019: 19% to 26%) determined using a capital asset pricing model. The perpetuity value - used a long-term forecast growth rate of 5%. Marketability discount rate ranging from 5% to 15%. 	<p>The more favourable the accounting policies used in a particular economic environment, the higher the fair value.</p> <p>The higher the weighted average cost of capital and the discount rate the lower the fair value.</p> <p>The higher the discount applied on the multiple the lower the fair value.</p>



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

6 Financial instruments (Continued)

6.7 Fair values measurements (Continued)

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

Company

Asset	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2020	2019				
Investment in Ethanol Company Limited, Castel Malawi Limited, Press Properties Limited, Limbe Leaf Tobacco Company Limited, Puma Malawi Limited, Peoples Trading Centre Limited and The Foods Company Limited	87,730	92,526	Level 3	<p>The Market Approach The approach measures value based on the current pricing statistics for companies (where publicly available information is present), which can be considered reasonably similar to those being analysed. This method involves:</p> <ul style="list-style-type: none"> identifying companies in similar industries to the subject company, in the open market and determining the appropriate multiples. applying discounts/premiums to the quoted multiples to compensate for differences between the reasonably similar companies and the subject being valued. <p>Malawi Stock Exchange, Thomson Reuters Eikon and Capital IQ was used for data on comparable and precedent transactions.</p>	<ul style="list-style-type: none"> Marketability discount rate ranging from 10% to 18%. Size/geographical discount of 10% to 40% Minority discount ranging from 10% to 15% Control premium ranging from 7% to 8% Market multiples ranging from 1.1 to 10.7 	<ul style="list-style-type: none"> The higher the discount applied on the multiple the lower the fair value The higher the revenue growth rate and pre-tax operating margin the higher the fair value. The more favourable the accounting policies used in a particular economic environment, the higher the fair value. The higher the discount applied on the multiple the lower the fair value.
Investment in Malawi Telecommunications Limited, LifeCo Holdings Limited and Malawi Pharmacies Limited.	2,605	4,046	Level 3	<p>Net asset values: The method measure the equity holders' claim on the residual assets after paying off the company's liabilities.</p>	Accounting policies, judgements and assumptions for recognition and measurement of asset and liabilities	The more favourable the judgements and estimates used in a particular economic environment, the higher the fair value.



6 Financial instruments (Continued)

6.7 Fair values measurements (Continued)

- 6.7.3 Fair value hierarchy of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements to approximate their fair values. The fair values were derived using the income approach method and are level 3.

Group	Notes	2020		2019	
		Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets					
Other investments	20	237,517	237,517	179,936	179,936
Finance lease receivables	18	17,485	19,234	17,130	21,598
Loans and advances to customers	17	177,223	196,416	166,281	191,223
		432,225	453,167	363,347	392,757
Financial liabilities					
Loans and borrowings	30	58,226	72,758	54,098	72,323
		58,226	72,758	54,098	72,323
Company					
Financial liabilities					
Loans and borrowings	30	6,520	7,172	8,150	11,818
		6,520	7,172	8,150	11,818

7. Operating segments

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

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

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

7.1 Basis for segmentation

The Group has five reportable segments which are based on the type of business among its subsidiary, associated companies and joint ventures. These segments are: Financial Services, Telecommunication, Energy, Consumer Goods, and All Other Reportable Segments. The segments offer different products and services, and are managed separately because they require different technology and marketing strategies.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

7 Operating segments (Continued)

7.1 Basis for segmentation (Continued)

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

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

7.2 Geographical segment presentation

All operations of the Group are in Malawi and therefore geographical segment presentation has not been made.

7.3 Information about major customers

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

7.4 Information about reportable segments

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

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

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

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



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

7 Operating segments (Continued)

7.4 Information about reportable segments (Continued)

	Reportable segments					
	Financial services	Tele-communications	Energy	Consumer goods	All other segments	Total
2020						
Revenue						
External revenues	80,936	96,233	23,042	16,610	2,687	219,508
Inter-segment revenue	736	2,999	-	3	1,010	4,748
Segment revenue	81,672	99,232	23,042	16,613	3,697	224,256
Segment operating profit/(loss)	33,476	15,592	4,859	(4,094)	6,814	56,647
Segment interest income	-	395	1,411	1	293	2,100
Segment interest expense	(576)	(5,415)	(7)	(1,794)	(2,698)	(10,490)
Segment income tax expense	(10,392)	(5,208)	(1,624)	-	(1,125)	(18,349)
Segment profit for the year	22,508	5,364	4,639	(5,887)	3,284	29,908
Depreciation and amortization	4,291	15,295	674	989	527	21,776
Segment assets	572,693	140,957	31,235	4,259	399,448	1,148,592
Segment liabilities	454,776	92,942	5,866	17,742	87,196	658,522
Capital additions	4,101	21,242	3,264	118	597	29,322
2019 – restated						
Revenue						
External revenues	71,726	103,243	19,459	22,853	2,785	220,066
Inter-segment revenue	1,309	3,078	-	6	720	5,113
Segment revenue	73,035	106,321	19,459	22,859	3,505	225,179
Segment operating profit/(loss)	25,975	21,703	2,727	(2,425)	7,898	55,878
Segment interest income	-	82	964	1	383	1,430
Segment interest expense	(716)	(5,122)	(1)	(1,543)	(2,578)	(9,960)
Segment income tax expense	(8,163)	(6,750)	(1,546)	-	(1,052)	(17,511)
Segment profit for the year	17,096	9,913	2,144	(3,967)	4,651	29,837
Depreciation and amortization	4,351	14,678	623	1,013	491	21,156
Segment assets	460,217	125,714	26,551	7,776	387,711	1,007,969
Segment liabilities	359,295	77,541	5,000	16,396	85,653	543,885
Capital additions	6,013	19,600	1,058	277	1,031	27,979



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

7 Operating segments (Continued)

7.5 Reconciliations of information on reportable segments to IFRS measures

	2020	2019
Revenues		
Total revenues for reportable segments	224,256	225,179
Elimination of inter-segment revenue	(4,748)	(5,113)
Consolidated revenue	219,508	220,066
Depreciation and amortisation		
Total depreciation and amortisation for reportable segments	21,776	21,156
Elimination of inter-segment depreciation	(1,258)	(1,259)
Consolidated depreciation and amortisation	20,518	19,897
Profit – restated		
Total profit for reportable segments	29,908	29,837
Elimination of dividend income from Group companies	(9,963)	(10,454)
Impairment of Goodwill attributable to Group reporting	(427)	-
Share of profit of equity accounted investees	349	3,415
Profit for discontinued operation	28	71
Consolidated profit	19,895	22,869
Assets		
Total assets for reportable segments	1,148,592	1,007,969
Assets for discontinued operations	362	325
Inter-segment eliminations	(19,675)	(15,898)
Elimination of fair value relating to equity accounted investees	(31,724)	(39,329)
Elimination of investment in subsidiaries	(284,592)	(265,662)
Consolidated total assets	812,963	687,405
Liabilities – restated		
Total liabilities for reportable segments	658,522	543,885
Liabilities for discontinued operations	132	122
Inter-segment eliminations	(18,997)	(15,221)
Elimination of deferred tax liabilities arising from fair value measurement of investments in separate financial statements	(70,323)	(72,650)
Consolidated total liabilities	569,334	456,136



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

8 Property, plant and equipment

Group	Land and buildings	Plant, furniture and equipment	Motor vehicles	Capital work in progress	Total
<i>Cost or valuation</i>					
Balance at 1 January 2020	53,491	129,450	7,144	6,897	196,982
Additions	205	11,947	1,336	14,747	28,235
Disposals	(4)	(1,697)	(1,271)	-	(2,972)
Transfers between classes	812	4,170	50	(5,032)	-
Transfer to intangibles (note 12)	-	-	-	(1,785)	(1,785)
Transfer to investment property (note 13)	-	-	-	(52)	(52)
Write-off	-	(36)	-	-	(36)
Impairment	(137)	-	-	-	(137)
Revaluation increase	1,786	-	-	-	1,786
Balance at 31 December 2020	56,153	143,834	7,259	14,775	222,021
Balance at 1 January 2019	51,625	112,558	7,950	5,228	177,361
Additions	682	13,882	1,142	6,915	22,621
Disposals	(696)	(1,049)	(1,948)	-	(3,693)
Transfers between classes	575	4,671	-	(5,246)	-
Reclassified as held for sale (note 25)	(1,160)	-	-	-	(1,160)
Transfer to intangibles (note 12)	-	(416)	-	-	(416)
Transfer to investment property (note 13)	(106)	-	-	-	(106)
Write-off	(310)	(196)	-	-	(506)
Revaluation increase	2,881	-	-	-	2,881
Balance at 31 December 2019	53,491	129,450	7,144	6,897	196,982
<i>Accumulated depreciation and impairment</i>					
Balance at 1 January 2020	4,178	64,645	4,696	3	73,522
Depreciation expense	1,598	12,147	1,080	-	14,825
Transfer to intangible (note 12)	-	-	-	(3)	(3)
Reclassification	-	516	(516)	-	-
Eliminated on revaluation	(564)	-	-	-	(564)
Write-off	-	(35)	-	-	(35)
Eliminated on disposal of assets	(1)	(1,464)	(1,116)	-	(2,581)
Balance at 31 December 2020	5,211	75,809	4,144	-	85,164
Balance at 1 January 2019	3,292	55,819	4,673	3	63,787
Depreciation expense	1,383	9,699	1,513	-	12,595
Impairment	-	(112)	-	-	(112)
Eliminated on revaluation	(492)	-	-	-	(492)
Write-off	-	(69)	-	-	(69)
Eliminated on disposal of assets	(5)	(692)	(1,490)	-	(2,187)
Balance at 31 December 2019	4,178	64,645	4,696	3	73,522
Carrying amounts					
At 31 December 2020	50,942	68,025	3,115	14,775	136,857
At 31 December 2019	49,313	64,805	2,448	6,894	123,460



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

8 Property, plant and equipment (Continued)

Company	Land and building	Plant, furniture and equipment	Motor vehicle	Total
<i>Cost or valuation</i>				
Balance at 1 January 2020	636	594	3	1,233
Additions	-	57	55	112
Revaluation increase	63	-	-	63
Disposals	-	(14)	-	(14)
Balance at 31 December 2020	699	637	58	1,394
Balance at 1 January 2019	461	544	5	1,010
Additions	-	50	-	50
Revaluation increase	175	-	-	175
Disposals	-	-	(2)	(2)
Balance at 31 December 2019	636	594	3	1,233
<i>Accumulated depreciation</i>				
Balance at 1 January 2020	-	472	3	475
Depreciation expense	-	40	1	41
Eliminated on disposal of assets	-	(11)	-	(11)
Balance at 31 December 2020	-	501	4	505
Balance at 1 January 2019	-	434	4	438
Depreciation expense	-	38	1	39
Eliminated on disposal of assets	-	-	(2)	(2)
Balance at 31 December 2019	-	472	3	475
Carrying amounts				
At 31 December 2020	699	136	54	889
At 31 December 2019	636	122	-	758

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

8.1 Useful lives

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

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

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

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



8 Property, plant and equipment (Continued)

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

Land and buildings relating to Malawi Telecommunications Limited were revalued as at 31 December 2018 by Simeon D. Banda BSc (Hons) MSIM MRICS Chartered Quantity Surveyor of SFS Property Consultants in association with Sam M. Nhlane (Hons) Lond, MSIM Registered Valuation Surveyor of SMN Property Professionals. Valuations were carried out on the basis of open market value. Directors consider that the carrying amounts are not materially different from the fair values as determined in the last valuation.

Land and buildings relating to the banking business were fair valued as at 31 December 2020 by Bernard J Mughogho, BSc (Est. Mgmt), (2019 by Don Whayo, BSc (Est. Man), Dip (Urb Man), BA, MRICS, MSIM), qualified independent valuers with Knight Frank (Malawi). Valuations were carried out based on a current market value basis. Out of the K2,287m (2019: K3,045m) the Group's gross revaluation surplus, K48m (2019: K60m) was credited to the statement of comprehensive income to reverse decreases in fair values previously charged to the statement of comprehensive income and the balance of K2,239m (2018: K2,985m) was credited to the revaluation reserve through the statement of other comprehensive income.

Revaluation of freehold land and buildings relating to the Foods Company Limited as at 31 December 2018 were performed by Mabvuto Phula, MSIM, MRAC Valuation Surveyor of CMC Property Consultants and Valuers. Valuations were carried out based on the market comparable approach that reflects recent transaction prices for similar properties in similar geographical locations. Directors consider that the carrying amounts are not materially different from the fair values as determined in the last valuation.

Leasehold properties, civil works, relating to Ethanol Company Limited were re-valued on 31 December 2017 by Nickson S. C. Mwanyali BSc (Est. Man), Dip (Bus Mngt), MSIM and Don Whayo, BSc (Est. Man), Dip (Urb Man), BA, MRICS, MSIM, chartered valuation surveyors with Knight Frank (Malawi) on an Open Market Value. Directors consider that the carrying amounts are not materially different from the fair values as determined in the last valuation.

Land and buildings relating to Press Corporation plc were fair valued as at 31 December 2020 by Mabvuto Phula, MSIM, MRAC Valuation Surveyor of CMC Property Consultants and Valuers. Valuations were carried out based on the market comparable approach that reflects recent transaction prices for similar properties in similar geographical locations.

Details of the Group's information about the properties fair value hierarchy as at 31 December 2020 are as follows:

	Fair value as at		Fair value hierarchy
	31/12/2020	31/12/2019	
Land and buildings	50,942	49,313	Level 2

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

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

	2020	2019
Group's land and buildings	13,013	13,346
Company's land and buildings	287	287

8.3 Assets pledged as security

The Group's assets with a carrying amount of approximately K67 billion (2019: K59 billion) have been pledged to secure borrowings. The Group is not allowed to sell these assets to another entity without prior approval of the lenders. The carrying amount of the related borrowings amount to K26 billion (2019: K18 billion) – see note 27 and 30 below.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

9 Leases (Group as a lessee)

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

9.1 Right of use assets

Group	Land and buildings	Plant and machinery	Total
<i>Cost</i>			
Balance at 1 January 2020	7,726	4,145	11,871
Addition	436	10,428	10,864
Disposal	(804)	(2,910)	(3,714)
Balance at 31 December 2020	7,358	11,663	19,021
2019			
Recognition of right-of-use asset on initial application of IFRS 16 – at 1 January 2019	7,120	4,145	11,265
Effect of modification to lease terms	606	-	606
Balance at 31 December 2019	7,726	4,145	11,871
<i>Depreciation</i>			
Balance at 1 January 2020	1,643	1,286	2,929
Charge for the year	1,282	1,507	2,789
Disposal	(92)	(1,279)	(1,371)
Balance at 31 December 2020	2,833	1,514	4,347
2019			
Charge for the year/ Balance at 31 December 2019	1,643	1,286	2,929
<i>Carrying amounts</i>			
At 31 December 2020	4,525	10,149	14,674
At 31 December 2019	6,083	2,859	8,942
Company	Motor vehicle		
	2020	2019	
<i>Cost</i>			
Balance at the beginning of the year	125	-	
Recognition of right-of-use asset on initial application of IFRS 16	-	125	
	125	125	
<i>Depreciation</i>			
Balance at 1 January	70	-	
Charge for the year	42	70	
	112	70	
Carrying amount - At 31 December	13	55	

In 2019, the Group re-assessed the lease liability following modification of some of its lease terms. The difference between the initial carrying amount and the re-assessed amount of K606 million was adjusted against the Right of Use assets.



9 Leases (Group as a lessee)

9.2 Lease liabilities

	2020	2019	2020	2019
	Group		Company	
Non-Current	2,964	6,176	-	23
Current	3,367	3,316	33	58
At 31 December	6,331	9,492	33	81

Movement in lease liabilities during the year was as follows;

As at 1 January	9,492	11,071	81	125
Addition	436	-	-	-
Interest on lease	956	1,010	14	26
Lease liability adjustment	-	606	-	-
Repayment	(4,553)	(3,195)	(62)	(70)
At 31 December	6,331	9,492	33	81

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

Year 1	2,824	4,094	36	64
Year 2	3,653	4,250	-	36
Year 3	2,668	3,663	-	-
Year 4	371	2,686	-	-
Year 5	263	415	-	-
Onwards	748	935	-	-
	10,527	16,043	36	100

9.3 Amounts recognised in the statement of profit or loss

Depreciation expense on right-of-use assets	2,789	2,929	42	70
Interest expense on lease liabilities	956	1,010	14	26
Expense relating to short-term leases	139	284	58	73
Expense relating to leases of low value assets	75	66	-	-
Expense relating to variable lease payments not included in the measurement of the lease liability	33	48	-	-
Income from sub-leasing right-of-use assets	11	15	-	-

Some of the property leases in which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased store. Lease payments for such stores are therefore 100% variable since they are linked to store cash flows.

The Group and the company had total cash outflows for leases of K11.7 billion and K48 million (2019:K3.2 billion and K70 million) respectively.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

10 Biological assets

10.1 Reconciliation of carrying amount of biological assets

	Fish stock	Growing Cane	Total
Group			
2020			
Balance at 1 January	478	182	660
Depreciation	(14)	(7)	(21)
Increase due to acquisition	114	-	114
Increase due to birth	1,116	-	1,116
Decrease due to sales	(959)	-	(959)
Decrease due to death	(172)	-	(172)
Increase/(decrease) in fair value	122	(13)	109
Balance at 31 December	685	162	847
Non-current biological assets	30	35	65
Current biological assets	655	127	782
Balance at 31 December	685	162	847
2019			
Balance at 1 January	534	226	760
Depreciation	(15)	(7)	(22)
Increase due to acquisition	106	2	108
Increase due to birth	836	-	836
Decrease due to sales	(806)	-	(806)
Decrease due to death	(193)	-	(193)
Increase/(decrease) in fair value	16	(39)	(23)
Balance at 31 December	478	182	660
Non-current biological assets	27	42	69
Current biological assets	451	140	591
Balance at 31 December	478	182	660

One of the Group's subsidiaries, Presscane Limited invested in Chisanja Limited which is involved in the growing of sugar cane in order to address its current feed stock challenges by growing its own sugarcane from which juice would be extracted to produce ethanol. As at 31 December 2020, the cane growth was estimated at 40% (2019:40%) with a harvest area of 89 hectares (2019: 89 hectares) and estimated harvest tonnage of 105 (2019: 105 tonnage).

As at 31 December 2020, fish stock comprised of 139 tons of fish (2019: 103 tons) and 1.2 tons of fingerlings (2019: 8.9 tons). During 2020, the Group sold 608 tons of fish (2019: 571 tons) and nil of fingerlings (2019: nil tons).



10. Biological assets (Continued)

10.2 Measurement of fair values

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

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

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

Assumptions

- Average weight per fish – Average harvest weight achieved during the year is used as basis for calculating biomass.
- Mortality is assumed at 15% (2019: 25%) for cages and 20% (2019: 20%) for fingerlings based on experience and history. The Group no longer stocks fish in ponds; and
- Average selling price – Current selling price based on fish categories as per harvest records.

The fair value measurements of both fish and fingerlings have been categorized as Level 2 fair values based on observable market sales data;

	Fair value as at		Fair value hierarchy
	31/12/2020	31/12/2019	
Fish stocks	685	478	Level 2

There were no transfers between Level 1 and Level 2 during the year.

The fair value of the growing cane is determined using inputs that are unobservable. Using the best information available in the circumstances growing cane falls into the level 3 fair value category. The key assumptions in the valuation of growing cane includes expected area to harvest the following season of 89 hectares (2019: 89 hectares), estimated yield of 105 tons (2019: 105 tons), estimated sucrose content of 12.3% (2019: 12.3%) and cane growth percentage of 40% (2019: 40%) at 31 December 2020.

	Fair value as at		Fair value hierarchy
	31/12/2020	31/12/2019	
Growing cane	162	182	Level 3

10.3 Financial risk management strategies related to agricultural activities

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

Regulatory and environmental risks

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

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

Supply, demand and commodity risks

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

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



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

10 Biological assets (Continued)

10.3 Financial risk management strategies related to agricultural activities (Continued)

Climate, weather, diseases and other risks

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

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

11 Goodwill

	2020	2019
At the beginning of the year	4,974	4,974
Impairment losses for the year	(427)	-
At the end of the year	4,547	4,974

11.1 Impairment testing for cash generating units containing goodwill

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

Consumer goods segment	-	427
TNM Enterprise Business Services Unit	588	588
Wholesale banking division	3,959	3,959
	4,547	4,974

Consumer goods segment

The goodwill associated with consumer goods segment arose when the company (Press Corporation plc) acquired 50% shareholding in Peoples Trading Centre Limited in 2012 from Metcash Investment Holdings Limited to become a wholly owned subsidiary.

The business has continued to operate unsatisfactory thus losing its market share. The directors have consequently determined to write off the goodwill directly related to the consumer goods segment amounting to K427 million. The impairment loss has been included in profit or loss in the administrative expenses line item.

TNM Enterprise Business services unit

The goodwill associated with TNM enterprise business services unit arose when the Group's subsidiary, Telekom Networks Malawi plc acquired Burco Electronics Systems Limited on 31 December 2014.

The recoverable amount of this cash generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a five-year period, and a discount rate of 34% (2019: 15%) per annum.

Cash flow projections during the budget period are based on the assumption that the unit will grow at an average of 5% (2019: 8%) year on year. The growth was estimated by directors of the unit based on past performance of the cash generating unit and their expectations of market developments. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

The recoverable amount of the Cash Generating Unit is calculated to be K14.3 billion (2019: K16.9 billion) and its carrying amount is K0.9 billion (2019: K1 billion) as such the related goodwill is not impaired.



11 Goodwill (Continued)

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

Whole Banking Division

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

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

The recoverable amount of this cash generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a five-year period, and discounted at a weighted average cost of capital of 26.45% (2019: 26%). Cash flows beyond that five-year period have been extrapolated using an average of 10% (2019: 12%) per annum growth rate which is the projected long term average growth rate for Wholesale Banking Business. The Directors believe that any reasonably possible change in the key assumption on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

The recoverable amount of the Cash Generating Unit (WBD) is calculated to be K46.6 billion (2019: K63.6 billion) and its carrying amount is K9.3 billion (2019: K4 billion) as such the related goodwill is not impaired.

12 Intangible assets

Group	Computer software	Capitalised Development costs	Work in Progress	Patents and trade marks	Total
Cost					
2020					
Balance at 1 January 2020	28,701	265	2,059	1,648	32,673
Transfer from PPE (note 8)	1,785	-	-	-	1,785
Transfer between classes	476	-	(476)	-	-
Write-off*	(166)	(46)	-	-	(212)
Additions	15	-	914	-	929
Balance at 31 December 2020	30,811	219	2,497	1,648	35,175
2019					
Balance at 1 January 2019	24,709	265	1,442	1,648	28,064
Transfer between classes	668	-	(668)	-	-
Transfer from PPE (note 8)	416	-	-	-	416
Disposal	(868)	-	-	-	(868)
Write-off*	(294)	-	-	-	(294)
Additions	4,070	-	1,285	-	5,355
Balance at 31 December 2019	28,701	265	2,059	1,648	32,673
Accumulated amortisation					
2020					
Balance at 1 January 2020	12,942	265	-	893	14,100
Transfer from PPE (note 8)	3	-	-	-	3
Write-off	(166)	(46)	-	-	(212)
Amortisation expense	2,719	-	-	164	2,883
Balance at 31 December 2020	15,498	219	-	1,057	16,774
2019					
Balance at 1 January 2019	9,355	265	-	728	10,348
Disposal	(403)	-	-	-	(403)
Write-off	(198)	-	-	-	(198)
Amortisation expense	4,188	-	-	165	4,353
Balance at 31 December 2019	12,942	265	-	893	14,100
Carrying amounts					
At 31 December 2020	15,313	-	2,497	591	18,401
At 31 December 2019	15,759	-	2,059	755	18,573

* write off relates to computer software and systems which are not being fully utilised by the banking business of the Group due to operability limitations.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

12 Intangible assets (Continued)

Company

	Computer software	
	2020	2019
Cost		
Balance at 1 January	321	317
Additions during the year	17	4
Balance at 31 December	338	321
Accumulated amortisation		
Balance at 1 January	111	99
Amortisation charge for the year	13	12
Balance at 31 December	124	111
Carrying amounts	214	210

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

12.1 Useful lives

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

Computer software	5 – 15 years
Patents and trademarks	10 years

13 Investment properties

	Freehold land and buildings	Leasehold land and buildings	Undeveloped freehold land	Undeveloped leasehold land	Total
Group					
Balance at 1 January 2020	6,259	2,973	359	1	9,592
Additions during the year	19	137	-	-	156
Transferred from Property, Plant and Equipment (note 8)	52	-	-	-	52
Gain on property revaluation	968	364	34	-	1,366
Balance at 31 December 2020	7,298	3,474	393	1	11,166
Balance at 1 January 2019	4,970	2,515	324	1	7,810
Additions during the year	3	-	-	-	3
Transferred from Property, Plant and Equipment (note 8)	106	-	-	-	106
Gain on property revaluation	1,180	458	35	-	1,673
Balance at 31 December 2019	6,259	2,973	359	1	9,592



13 Investment properties (Continued)

Company	Freehold land and buildings	
	2020	2019
Valuation		
Balance at 1 January	390	231
Gain on property revaluation	27	159
Balance at 31 December	417	390

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

13.1 Valuation techniques and Fair value hierarchy

Investment properties were professionally and independently revalued by Mabvuto Phula, BSc (Edu), Cert (P/Mgmt), MSC (Real Estates), and a chartered valuation surveyor with CMC Property Consultants & Valuers at 31 December 2020 (also for 2019) on an open market value basis and the resultant gains/losses are recognised in the profit and loss. There has been no change to the valuation technique during the year.

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

Details of the Group's information about the investment properties fair value hierarchy as at 31 December 2020 are as follows:

	Fair value as at		Fair value hierarchy
	31/12/2020	31/12/2019	
Investment properties	11,166	9,592	Level 2

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

13.2 Operating lease arrangements

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

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

Rental income recognised by the Group during the year is K620 million (2019: K665 million). Direct operating expenses which generated rental during period were K226 million (2019: K303 million)

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

	2020	2019
year 1	682	765
year 2	750	545
year 3	825	627
year 4	908	721
year 5	999	829



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

14 Investments in subsidiaries

14.1 Details of the Group's subsidiaries

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

Name of subsidiary	Principal Activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2020	2019
Financial Services segment				
National Bank of Malawi plc (NBM)	Financial Services	NBM Building, Blantyre	51.49	51.49
Telecommunications segment				
Malawi Telecommunications Limited (MTL)	Information and Communication	Lunjika House, Blantyre	52.70	52.70
Telekom Networks Malawi plc (TNM)	Information and Communication	Livingstone towers, Blantyre	41.31	41.31
Energy segment				
Ethanol Company Limited	Ethanol manufacturer	Matiki industrial complex, Dwangwa	66.0	66.0
Presscane Limited	Ethanol manufacturer	Mwitha Village, Chikwawa	50.1	50.1
Consumer Goods segment				
Peoples Trading Centre Limited	Supermarket chain	PTC House, Blantyre	100.0	100.0
The All other segments				
Press Properties Limited	Property investment and development	Top Mandala, Blantyre	100.0	100.0
The Foods Company Limited	Manufacturer and distributor of fish products	Mithechi Village, Mangochi	100.0	100.0
Manzinzi Bay Limited	Investment property	Monkeybay, Mangochi	100.0	100.0
Discontinued Operations				
Malawi Pharmacies Limited	Dormant	Blantyre	100.0	100.0

Telekom Networks Malawi plc is listed on the Malawi Stock Exchange. Although the Group has only 41.31% ownership in the company, the Directors concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Telekom Networks Malawi plc on the basis of the Group's absolute size of shareholding and the relative size of and dispersion of the shareholdings owned by the other shareholders. Another shareholder owns 21.01% with the balance of 37.68 % ownership interests being owned by thousands of shareholders that are unrelated to the Group, none individually holding more than 4.88%.

14.2 Shareholders dispute at Presscane Limited

The shareholders are involved in a dispute over the capital contributions made towards the company. The dispute remains unresolved. Efforts to settle the matter out of court have been unsuccessful and the parties await the completion of the litigation process. An independent consultant's verification of the respective contributions undertaken in 2005 has not been adopted by the shareholders. The Directors are convinced that the outcome of the case will not result in loss of control. Accordingly, Presscane Limited is recognised as a subsidiary in the Group's financial statements in accordance with the Group's 50.1% shareholding.



14 Investments in subsidiaries (Continued)

14.3 Reconciliation of carrying amount

	Company	
	2020	2019
Balance at 1 January	265,662	226,896
Additions	1,574	2,493
Increase in fair value	17,356	36,273
Balance at 31 December	284,592	265,662

During the year, Press Corporation plc made equity injection to its subsidiaries The Foods Company Limited and Peoples Trading Centre Limited amounting to K0.5 billion (2019: K1.8 billion) and K1.0 billion (2019: K0.4 billion) respectively in order to boost working capital. In 2019, K0.3 billion was also injected in Press Properties Limited.

14.4 Analysis of carrying amount

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

	2020		2019	
	Fair value / cost (PCL Share)	Dividend received	Fair value / cost (PCL Share)	Dividend received
National Bank of Malawi plc	156,286	4,306	126,231	3,861
Press Properties Limited	9,734	-	6,334	-
Manzinzi Bay Limited	2	-	2	-
The Foods Company Limited	930	-	976	-
Ethanol Company Limited	9,656	528	8,029	-
Presscane Limited	12,212	-	9,025	-
Malawi Telecommunications Limited	2,503	-	4,044	-
Telecom Networks Malawi plc	91,249	2,281	107,840	3,111
Peoples Trading Centre Limited	2,020	-	3,181	-
	284,592	7,115	265,662	6,972

During the year ended 31 December 2019, the company received dividend amounting to K18 million from its discontinued operation, Malawi Pharmacies Limited.

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

Unquoted investments in subsidiaries were valued by E. Chokani, a registered valuer of Bridgepath Capital on behalf of the directors for the year ended 31 December 2020. (2019: D. Moyo, registered valuer of Nico Asset Managers). The valuation methods used for the unlisted investments were as follows;

Unlisted investment	Valuation method
Press Properties Limited, Peoples Trading Centre Limited, The Foods Company Limited, Ethanol Company Limited, Manzinzi Bay Limited	Market multiples
Presscane Limited	Discounted cash flow
Malawi Telecommunications Limited	Net asset Value



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

14 Investments in subsidiaries (Continued)

14.5 Summarised financial information in respect of Group's subsidiaries that have material non-controlling interest

Summarised below is financial information of subsidiaries with material non-controlling interest before elimination of intercompany transactions:

	NBM		TNM		MTL		Ethanol		Presscane	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Non-current assets	303,100	205,698	89,188	74,026	15,474	16,503	5,566	2,831	10,968	7,514
Current assets	269,593	254,519	32,825	31,134	3,471	4,051	5,153	5,696	9,548	10,510
Non-current liabilities	12,070	15,522	24,519	20,782	3,408	5,261	146	510	813	916
Current liabilities	442,706	343,773	53,586	42,742	11,239	8,756	2,664	1,552	2,243	2,022
Equity attributable to owners of the Company	60,715	51,965	18,134	17,196	2,265	3,445	5,220	4,267	8,747	7,558
Non-controlling interests	57,202	48,957	25,774	24,440	2,033	3,092	2,689	2,198	8,713	7,528
Revenue	81,672	73,035	90,556	96,531	8,633	9,790	10,175	8,181	12,867	11,278
Profit (loss) for the year	22,506	17,096	7,792	13,166	(2,241)	(3,253)	2,236	422	2,403	1,722
Other comprehensive income	2,118	3,106	-	-	-	154	-	-	-	-
Total comprehensive income / (loss)	24,624	20,202	7,792	13,166	(2,241)	(3,099)	2,236	422	2,403	1,722
Non-controlling interest share	48.51%	48.51%	58.70%	58.70%	47.30%	47.30%	34.00%	34.00%	49.90%	49.90%
Profit (loss) attributable to owners of the Company	11,588	8,803	3,218	5,438	(1,181)	(1,714)	1,476	279	1,204	863
Profit (loss) attributable to non-controlling interests	10,918	8,293	4,574	7,728	(1,060)	(1,539)	760	143	1,199	859
Other comprehensive income attributable to owners of the Company	1,091	1,599	-	-	-	81	-	-	-	-
Other comprehensive income attributable to non-controlling interests	1,027	1,507	-	-	-	73	-	-	-	-
Total comprehensive income attributable to owners of the Company	12,679	10,402	3,218	5,438	(1,181)	(1,633)	1,476	279	1,204	863
Total comprehensive income attributable to non-controlling interests	11,945	9,800	4,574	7,728	(1,060)	(1,466)	760	143	1,199	859
Dividends paid to non-controlling interests	4,057	3,638	3,241	4,420	-	-	270	-	-	-
Net cash inflow/(outflow) from operating activities	101,364	(33,880)	34,939	37,399	991	(392)	3,673	989	2,207	1,007
Net cash outflow from investing activities	(62,166)	(41,006)	(20,593)	(19,265)	(135)	(119)	(2,722)	(113)	(2,728)	(1,888)
Net cash outflow from financing activities	(12,021)	(10,641)	(12,602)	(11,569)	(304)	(434)	(793)	-	-	-
Net cash inflow/(outflow)	27,177	(85,527)	1,744	6,565	552	(945)	158	876	(521)	(881)



15 Investments in joint ventures

15.1 Details of the Group's joint ventures

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

Name of joint venture	Principal Activity	Principal place of operation	Proportion of ownership interest and voting power held by the Group	
			2020	2019
Puma Energy Malawi Limited	Distribution of petroleum products	Standard bank building, Blantyre	50.0	50.0
Macsteel (Malawi) Limited	Manufacture and sale of steel products	Raynor Avenue, Limbe, Blantyre	50.0	50.0

Two companies, Puma Energy Malawi Limited and Macsteel (Malawi) Limited are 50% owned by Press Corporation plc and 50% owned by technical partners and they are not publicly listed. These have been equity accounted for in the Group accounts and carried at fair value in the separate financial statements of the Company. This is in compliance with IFRS 11 Joint arrangements.

15.2 Reconciliation of carrying amount

	Group		Company	
	2020	2019	2020	2019
At the beginning of the year	7,639	7,049	22,922	21,160
(Decrease)/Increase in fair value recognised in other comprehensive income	-	-	(1,148)	1,762
Group's share of profits	680	1,615	-	-
Group's share of other comprehensive income	154	(16)	-	-
Dividend received	(103)	(1,009)	-	-
At end of the year	8,370	7,639	21,774	22,922

15.3 Analysis of carrying amount

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

	Group		Company	
	2020	2019	2020	2019
Puma Energy Malawi Limited	6,902	6,104	19,527	21,273
Macsteel (Malawi) Limited	1,468	1,535	2,247	1,649
Total	8,370	7,639	21,774	22,922

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

Investments in joint ventures were valued by E. Chokani, a registered valuer of Bridgepath Capital on behalf of the directors for the year ended 31 December 2020. (2019: D. Moyo, registered valuer of Nico Asset Managers).



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

15 Investments in joint ventures (Continued)

15.4 Summarised financial information of joint ventures

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

	Puma		Macsteel	
	2020	2019	2020	2019
Non-current assets	15,026	12,986	1,913	1,914
Current assets	10,976	14,755	3,093	3,272
Non-current liabilities	(1,199)	(1,738)	(956)	(492)
Current liabilities	(10,999)	(13,795)	(1,115)	(1,625)

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	4,078	5,340	306	(218)
Revenue	89,788	106,440	4,606	6,618
Profit for the year	1,289	2,853	42	380
Other comprehensive income for the year	308	(32)	-	-
Total comprehensive income for the year	1,597	2,821	42	380
Dividends received from the joint ventures during the year	-	750	203	259

The above profit for the year include the following:

Depreciation and amortisation	1,205	1,569	73	75
Interest income	255	332	-	-
Interest expenses	-	-	22	112
Foreign exchange loss	146	255	92	29
Income tax expenses	1,164	1,427	42	175

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

	Puma		Macsteel	
	2020	2019	2020	2019
Net assets of the joint venture	13,804	12,208	2,935	3,069
Proportion of the Group's ownership interest in the joint venture	50%	50%	50%	50%
Carrying amount of the Group's interest in the joint venture	6,902	6,104	1,468	1,535



16 Investment in associates

16.1 Details of the Group's associates

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

Name of associate	Principal Activity	Principal place of operation	Proportion of ownership interest and voting power held by the Group	
			2020	2019
Castel Malawi Limited	Beverage manufacturer and distributor	Makata, Blantyre	-	20.00
Limbe Leaf Tobacco Company Limited (LLTC)	Tobacco processors and merchants	Alimaunde industrial area, Lilongwe	41.99	41.99
Open Connect Limited	Wholesale data connectivity services	Old Air Malawi Complex, Blantyre	22.01	22.01
LifeCo Holdings Limited	life insurance, pension and asset management	Hangover House, Blantyre	49.50	-

The main business of Castel Malawi Limited is the brewing and distribution of beer, the production and distribution of soft drinks, and the importation, manufacture and distribution of spirits and wines. The company is not publicly listed. As at year end, the Group has a 20% ownership interest in Castel Malawi Limited, however, the related carrying amount was reclassified and reported under assets held for sale following a decision by the Group to sell off its stake in the company. The sale transaction is expected to be concluded before the second half of 2021. As at the time of reclassification, the carrying amount of Castel Malawi Limited was NIL and K8.5 billion in the consolidated and separate financial statements respectively.

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

Open Connect Limited (OCL) was previously a subsidiary of the Group and with effect from 1 July 2018, it became an associate following loss of control as a result of shareholding dilution. The Group retained 22.01% of the shareholding.

During the year, the Group invested K100m in a newly established company, LifeCo Holdings Limited thus acquiring 49.5% of its stake. The company is expected to be fully operational in 2021 where more capital will be invested. The nature of the company's business is life insurance, pension administration and asset management.

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

16.2 Reconciliation of carrying amount

	Group		Company	
	2020	2019	2020	2019
At the beginning of the year	41,055	42,063	57,956	56,566
Group's share of profit	(331)	1,800	-	-
Group's share of other comprehensive income	92	(353)	-	-
Addition	100	-	100	-
Dividend received	(2,738)	(2,455)	-	-
Reclassified as held for sale	-	-	(8,473)	-
Increase in fair value recognised in other comprehensive income	-	-	(8,049)	1,390
At end of the year	38,178	41,055	41,534	57,956



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

16 Investment in associates (Continued)

16.3 Analysis of carrying amount

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

	Group		Company	
	2020	2019	2020	2019
Open Connect Limited	6,189	6,302	4,044	5,223
Limbe Leaf Tobacco Company Limited	31,889	32,810	37,390	41,422
Castel Malawi Limited	-	1,943	-	11,311
LifeCo Holdings Limited	100	-	100	-
Total	38,178	41,055	41,534	57,956

Investments in associates were equity accounted in the consolidated financial statements and were fair valued using price multiples method in the separate financial statements.

Investments in associates were valued by E. Chokani, a registered valuer of Bridgepath Capital on behalf of the directors for the year ended 31 December 2020. (2019: D. Moyo, registered valuer of Nico Asset Managers on behalf of the Directors as at 31st December 2019).

16.4 Summarised financial information of associates

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

	LLTC		Castel		OCL	
	2020	2019	2020	2019	2020	2019
Non-current assets	42,194	40,500	-	50,817	21,218	20,255
Current assets	64,314	77,112	-	29,031	8,534	9,247
Non-current liabilities	(986)	(960)	-	(3,367)	(12,437)	(12,599)
Current liabilities	(29,578)	(38,514)	-	(66,766)	(1,966)	(1,043)
Revenue for the year	82,440	100,482	-	51,119	4,594	6,086
Profit for the year	4,107	6,629	-	(6,245)	(513)	1,163
Other comprehensive income for the year	92	(353)	-	-	-	-
Total comprehensive income for the year	4,199	6,276	-	(6,245)	(513)	1,163
Dividends received from the associate during the year	2,455	2,455	-	-	-	-

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

	LLTC		Castel		OCL	
	2020	2019	2020	2019	2020	2019
Net assets of the associate	75,944	78,138	-	9,715	15,349	15,860
Proportion of the Group's ownership interest in the associate	41.99%	41.99%	-	20.00%	22.01%	22.01%
Group's interest	31,889	32,810	-	1,943	3,378	3,491
Goodwill	-	-	-	-	2,811	2,811
Carrying amount of the Group's interest in Associate	31,889	32,810	-	1,943	6,189	6,302



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

17 Loans and advances to customers

	Group	
	2020	2019
Gross loans and advances to customers at amortised cost	187,083	175,797
Allowance for impairment losses	(9,860)	(11,089)
Loans and advances, net	177,223	164,708
Gross loans and advances are due to mature as follows:		
- Within three months	21,686	31,443
- Between three months and one year	33,739	59,800
- After one year	131,658	84,554
	187,083	175,797
Loans, net are split into:		
Long term loans	131,634	84,554
Short term loans	45,589	80,154
	177,223	164,708
Analysis of recoveries		
Interest in suspense	-	379
Debts previously written off	709	1,034
Transferred to profit or loss	709	1,413
Analysis of gross loans by currency		
Malawi Kwacha denominated	130,100	110,377
United States dollar denominated	56,983	65,420
	187,083	175,797

Movement of allowance for impairment losses

	Stage 1	Stage 2	Stage 3	Total
2020				
At 1 January 2020	3,572	3,289	4,228	11,089
Transfer to stage 1	1,233	(296)	(937)	-
Transfer to stage 2	(7)	4,330	(4,323)	-
Transfer to stage 3	-	(7)	7	-
Charge to income statement	(909)	(2,466)	2,076	(1,299)
Changes in loss allowance for off balance sheet assets	118	(23)	(25)	70
Closing Balance	4,007	4,827	1,026	9,860
2019				
At 1 January 2019	3,464	939	1,902	6,305
Transfer from stage 1	(527)	75	452	-
Transfer from stage 2	189	(255)	66	-
Transfer from stage 3	25	1,715	(1,740)	-
Charge to income statement	511	828	3,548	4,887
Changes in loss allowance for off balance sheet assets	(90)	(13)	-	(103)
Closing Balance	3,572	3,289	4,228	11,089

The Malawi Kwacha base lending rate for the bank as at 31 December 2020 was 20.85% (2019: 21%) per annum and US Dollar denominated loans carried an average interest rate of 8.26% (2019: 8.30%) per annum.

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



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

17 Loans and advances to customers (Continued)

Restructured loans and modifications relating to COVID-19

The Group has introduced a number of support measures for customers impacted by COVID-19, which include loan repayment deferrals. During the year, loans with a total carrying amounting of K32.9 billion were restructured (modified). Their total fair value after restructuring was K33 billion resulting into a net fair value gain of K124 million which was recognised in the statement of comprehensive income.

The Group has also recognized a loss of K144m on loans that were modified in 2018 and 2019. These were normal restructures. The total carrying amount of the loans at the time of restructure was K18.5 billion. The net loss reconized in the statement of income for the year ended 31 December 2020 is therefore K20 million.

18 Finance lease receivables

	Group	
	2020	2019
Current finance lease receivable	1,733	1,636
Non-current finance lease receivable	15,752	15,494
	17,485	17,130

18.1 Amounts receivable under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2020	2019	2020	2019
Not later than one year	1,852	1,776	1,733	1,636
Later than one year and not later than five years	20,357	20,785	15,752	15,494
	22,209	22,561	17,485	17,130
Less; unearned finance income	(4,374)	(4,776)	-	-
Present value of minimum lease payments receivable	17,835	17,785	17,485	17,130
Allowance for uncollectible lease payments	(350)	(655)	-	-
	17,485	17,130	17,485	17,130

The finance leases mainly relate to motor vehicle leases. The residual value of the leases in all cases is guaranteed by the lessee and is fully secured. The lease income included in the statement of comprehensive income did not include any contingent rents. The average term of the leases is 3 years (The maximum is 5 years and the minimum 1 year). The average effective interest rate for the reporting period ended 31 December 2020 was 19.36% (2019: 21%). All leases are denominated in Malawi kwacha.

19 Long term receivables

	Group		Company	
	2020	2019	2020	2019
Open Connect Limited (OCL)	1,659	1,473	1,659	1,473
Mibawa Limited	81	100	-	-
	1,740	1,573	1,659	1,473
Movement during the year was as follows:				
Balance at 1 January	1,573	1,403	1,473	1,403
Advance made during the year	-	129	-	-
Interest capitalised	140	70	140	70
Effects of movements in foreign exchange	79	-	79	-
Loans repaid	(52)	(29)	(33)	-
Balance at 31 December	1,740	1,573	1,659	1,473



19 Long term receivables (Continued)

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

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

20 Other investments

20.1 Maturity of other investments

Total other investments are due to mature as follows:

	Group		Company	
	2020	2019	2020	2019
<i>Non-current investments</i>				
Non – maturing investments	5,854	5,649	4,120	3,963
Between one year and five years	94,073	46,713	-	-
	99,927	52,362	4,120	3,963
<i>Current investments</i>				
Between three months and one year	115,880	91,476	-	-
Within three months	21,710	36,098	-	-
	137,590	127,574	-	-
Total other investments	237,517	179,936	4,120	3,963
<i>Comprises of the following:</i>				
Government of Malawi Treasury Bills and Notes	180,435	133,279	-	-
Money market deposits	41,279	36,838	-	-
Government of Malawi promissory note	5,196	-	-	-
Other investments	77	68	-	-
Equity investments	10,530	9,751	4,120	3,963
Total investments	237,517	179,936	4,120	3,963



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

20 Other investments (Continued)

20.2 Government of Malawi bills and Reserve Bank of Malawi bonds

	Average interest rate		Group	
	2020	2019	2020	2019
Government of Malawi Treasury Bills	11.70%	10.54%	79,104	83,063
Government of Malawi Treasury Notes	10.40%	10.30%	101,348	50,228
Expected credit loss			(17)	(12)
			180,435	133,279
The bills and notes are due to mature as follows:				
- Within three months			21,710	36,098
- Between three months and one year			62,991	53,839
- Over one year			95,734	43,342
			180,435	133,279

Government of Malawi treasury bills and treasury notes are denominated in Malawi Kwacha and are held to maturity.

20.3 Money market deposits

	Average interest rate		Group	
	2020	2019	2020	2019
Money market investments with Reserve Bank of Malawi and other banks	11.5%	10%	41,279	36,838

Money market deposits are denominated in Malawi Kwacha and are held to maturity and mature within one month after the reporting date.

20.4 Government promissory notes

	Maturity date	Carrying amount
2020		
Acquired in 2020	17 December 2021	5,196
2019		
Acquired in 2019	None	-

In 2018, the Group's subsidiary National Bank of Malawi plc extended a K12.9 billion loan facility to Lilongwe Water Board. This was in respect of Salima Lilongwe Water Project. The Government of Malawi (GoM) is the guarantor for the loan. During the year, on 18 December 2020, GoM issued to the Group a promissory note with a face value of K5.9 billion on maturity. This was in settlement of loan arrears (principal and interest) as at that date. The promissory note matures on 17 December 2021. The promissory note was discounted at 13.56%. The discount rate was based on the weighted average Treasury Bills rate. The discounted value was K5.2 billion. The Group has recognized a loss of K0.7 billion and a discount income amounting to K0.27 billion in the statement of income for the year ended 31 December 2020.

The Group assessed the expected credit losses on promissory notes and noted that they were insignificant. As such they have not been reported in the financial statements.

The fair value level has been disclosed under note 6.7.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

20 Other investments (Continued)

20.5 Equity investments

	Group		Company	
	2020	2019	2020	2019
Held for capital appreciation				
Sunbird Tourism plc	4,120	3,963	4,120	3,963
United General Insurance Limited	1,339	1,371	-	-
Rascom Project	245	234	-	-
National switch Limited	81	81	-	-
	5,785	5,649	4,120	3,963
Held for trading				
Illovo Sugar (Malawi) Plc	125	238	-	-
NICO Holdings Plc	1,028	861	-	-
Malawi Property Investment Company Plc	716	666	-	-
National Investment Trust Plc	633	533	-	-
NBS Bank Plc	297	316	-	-
Standard Bank of Malawi Plc	105	73	-	-
Sunbird Tourism plc	592	547	-	-
Telekom Networks Plc	670	868	-	-
Airtel Malawi plc	579	-	-	-
	4,745	4,102	-	-
Total Equity Investments	10,530	9,751	4,120	3,963

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

21 Deferred tax assets/(liabilities)

	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
Group						
Property, plant and equipment	6,456	5,725	(3,565)	(3,920)	2,891	1,805
Investment properties	326	328	(1,524)	(1,367)	(1,198)	(1,039)
Provisions	1,516	3,090	167	(14)	1,683	3,076
Un-realised exchange differences	-	-	(164)	(325)	(164)	(325)
Tax value of loss carried forward	2,256	941	75	105	2,331	1,046
Tax assets/(liabilities)	10,554	10,084	(5,011)	(5,521)	5,543	4,563
Company						
Property and investments in subsidiaries and associates	-	-	(68,264)	(67,916)	(68,264)	(67,916)

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



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

21 Deferred tax assets/(liabilities) (Continued)

21.1 Movement in net deferred tax asset/(liabilities)

	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Reclassified	Closing balance
Group					
2020					
Property, plant and equipment	1,805	435	761	(110)	2,891
Investment properties	(1,039)	(159)	-	-	(1,198)
Provisions	3,076	(162)	-	(1,231)	1,683
Un-realised exchange differences	(325)	161	-	-	(164)
Tax value or loss carried forward	1,046	104	-	1,181	2,331
Total net asset/(liabilities)	4,563	379	761	(160)	5,543
2019					
Property, plant and equipment	1,498	(650)	(166)	1,123	1,805
Investment properties	(183)	31	-	(887)	(1,039)
Other investments	352	-	-	(352)	-
Provisions	1,097	174	-	1,805	3,076
Un-realised exchange differences	1,124	(188)	-	(1,261)	(325)
Tax value or loss carried forward	964	236	-	(154)	1,046
Total net asset/(liabilities)	4,852	(397)	(166)	274	4,563

Company

	Opening balance	Recognised in other comprehensive income	Recognised in profit or loss	Closing balance
2020				
Investment in subsidiaries and associates	(67,948)	(475)	0	(68,423)
Property	32	-	127	159
	(67,916)	(475)	127	(68,264)
2019				
Investment in subsidiaries and associates	(53,688)	(14,260)	0	(67,948)
Property	(23)	-	55	32
	(53,711)	(14,260)	55	(67,916)

21.2 Unrecognised deferred tax liabilities

As at 31 December 2020, there was a deferred tax liability of K68 billion (2019: K68 billion) in the separate financial statements. The liability originates from temporary differences of K228 billion (2019: K226 billion) relating to revaluation gains of investments in subsidiaries, associates and joint ventures. Due to the elimination of these revaluation gains on consolidation, the associated deferred tax was derecognised at Group level.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

21 Deferred tax assets/(liabilities) (Continued)

21.3 Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the concerned company can utilise the benefits there from.

	Group		Company	
	2020	2019	2020	2019
Tax losses	51,123	39,854	22,982	23,446
Deductible temporary differences;				
Provisions	4	1,852	17	280
Property, plant and equipment	(7,480)	(8,199)	-	-
Unrealised Exchange losses	735	-	-	-
	44,382	33,507	22,999	23,726
Un-recognised deferred tax asset @30%	13,315	10,052	6,900	7,118

Tax losses shown above expire after 6 years according to the tax laws in Malawi.

These deferred tax assets relates to Press Corporation Plc (the Company), Press Properties Limited, Malawi Telecommunications Limited, Peoples Trading Centre Limited and The Foods Company Limited.

22. Inventories

	Group		Company	
	2020	2019	2020	2019
Finished goods	2,762	5,175	-	-
Raw materials and consumables	3,086	3,269	12	12
Work in progress	190	29	-	-
Goods in transit	25	59	-	-
	6,063	8,532	12	12

In 2020, inventories of K29 billion (2019: K33 billion) were recognised as an expense during the year and included in 'Direct trading expenses'.

During the year, inventories of K0.9 billion (2019: K1.3 billion) were written off in profit and loss due to stock shrinkages, damages and expiry.

In addition, during the year, inventories have been reduced by K5 million (2019: K28 million) as a result of the write-down to net realisable value. Such write-downs were recognised as an expense and included in 'Administrative expenses'. There were no reversals of such write-downs and all inventories are expected to be recovered within twelve months. The carrying amount of inventory carried at net realisable value as at 31 December 2020 was Nil (2019: Nil).

23. Trade and other receivables from Group companies

	Group		Company	
	2020	2019	2020	2019
Amounts due from related party companies				
Press Properties Limited	-	-	188	62
Malawi Telecommunications Limited	-	-	427	388
Telecom Networks Malawi plc	-	-	498	1,049
Peoples Trading Centre Limited	-	-	349	199
Ethanol Company Limited	-	-	-	2
Presscane Limited	-	-	23	7
The Foods Company Limited	-	-	3,592	255
Other	-	-	51	45
	-	-	5,128	2,007
Loss allowance	-	-	(217)	-
Trade and other receivables	-	-	4,911	2,007

The amounts due from related party companies are denominated in Malawi Kwacha, are payable within 30 days and are interest free.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

24. Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
Trade receivables	12,227	16,576	6	18
Contract asset	637	568	-	-
Prepayments	4,516	4,193	-	-
Letters of credit	2,425	719	-	-
Employee benefit subsidy	616	755	-	-
Investment for Phantom Shares	625	314	-	-
ESCROW Account	5,585	-	-	-
Malawi Government Settlements	794	102	-	-
Goods in Transit	847	53	-	-
MasterCard accounts	1,093	1,378	-	-
Other receivables	4,469	4,495	605	982
	33,834	29,153	611	1,000
Loss allowance	(1,593)	(1,258)	-	-
Trade and other receivables	32,241	27,895	611	1,000
Contract asset – non current (note 36.2)	601	559	-	-

The average credit period on sales of goods and services is 30 days except for international incoming receivables in relation to telephony companies whose credit period is 60 days. No interest is charged on the trade and other receivables settled beyond these periods.

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

Employee benefit subsidy

In accordance with IAS 19 Employee Benefits, the fair value adjustment to staff loans is recognised as an asset representing a future employee benefit which is expensed as and when the employees render their services to the Group.

Credit and market risks, and credit losses

Information about the Group's exposure to credit and market risks, and credit losses for trade and other receivables is included in notes 6.4 and 6.6.

25. Assets classified as held for sale

	Group		Company	
	2020	2019	2020	2019
Land and buildings	1,538	1,573	-	-
Investment in associate (note 16)	-	-	8,473	-
Investment property	1	1	-	-
	1,539	1,574	8,473	-

The Group intends to dispose some of its excess properties as shown above within the next 12 months. A search is underway for potential buyers.



25. Assets classified as held for sale (Continued)

Included in land and buildings held for sale is an amount of K0.9 million (2019: K0.9 million) relating to plots of land that the Group has sold but are held by the Group because Government consent to sale has not been awarded yet.

As at year end, the Group has decided to sell off its stake in Castel Malawi Limited. The sale transaction is expected to be concluded before the second half of 2021.

25.1 Reconciliation of carrying amount

	Group		Company	
	2020	2019	2020	2019
At the beginning of the period	1,574	414	-	-
Disposed during the period	(35)	-	-	-
Reclassified from associates (note 16)	-	-	8,473	-
Reclassified from PPE (note 8)	-	1,160	-	-
	1,539	1,574	8,473	-

26. Income tax recoverable

	Group		Company	
	2020	2019	2020	2019
Opening balance	1,585	1,524	299	357
Tax paid	1,179	258	227	81
Tax transfer to other taxes	-	(197)	-	(139)
Total income tax recoverable	2,764	1,585	526	299

27. Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
Reserve Bank of Malawi	10,227	1,512	-	-
Bank balances	12,983	10,445	75	66
Money market placements	6,227	9,020	7	2,366
Placement with other banks	44,231	17,826	-	-
Call deposits	2,125	2,904	-	-
Cash on hand	16,403	17,227	-	-
Cash and cash equivalents	92,196	58,934	82	2,432
Bank overdrafts	(9,942)	(7,986)	(4,524)	(4,251)
Cash and cash equivalents as shown in the statement of cash flows	82,254	50,948	(4,442)	(1,819)

Balances held at Reserve Bank of Malawi which are denominated in Malawi Kwacha and United States Dollars are non-interest bearing and are regulated as disclosed in Note 5.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

27. Cash and cash equivalents (Continued)

Money market placements with other banks are held to maturity and mature within one month (2019: one month) of the year end and are denominated in the following currencies:

	Average interest rates		Group	
	2020	2019	2020	2019
US Dollars	0.50%	0.50%	32,192	11,067
GBP	1.75%	1.75%	3,350	1,954
Euro	0.50%	0.50%	8,203	4,426
ZAR	4.00%	4.00%	470	370
Other currencies	-	-	16	9
Totals			44,231	17,826

Overdraft facilities

Bank overdrafts forms an integral part of the Group's cash management. These are repayable on demand. As at 31 December 2020, the available overdraft facilities were as follows;

	Group		Company	
	2020	2019	2020	2019
First Capital Bank plc	6,700	5,200	2,400	2,400
Eco bank Malawi Limited	3,000	3,000	3,000	3,000
CDH Investment Bank Limited	650	650	-	-
Standard Bank plc	3,500	3,500	-	-
	13,850	12,350	5,400	5,400

The overdraft facilities of the Group are secured as follows;

- (i) K3.1 billion (2019: K1.7 Billion) is secured by Press Corporation plc guarantee;
- (ii) K1.8 billion by a debenture (2019: K1.8 billion) and;
- (iii) K8.9 billion (2019: K8.8 billion) is unsecured.

The Company's Eco bank Malawi Limited and First Capital Bank overdraft facilities are due for renewal on 1 July 2021 and 30 November 2021 respectively and are unsecured.

28. Share capital

Authorised ordinary share capital	Group and Company	
	2020	2019
- Number (millions)	2,500	2,500
- Nominal value per share (K)	0.01	0.01
- Nominal value (K million)	25	25
Issued and fully paid		
- Number (millions)	1	1
- Nominal value (K million)	1	1

The Group has one class of ordinary shares which carry no right to fixed income.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

29. Other reserves – excluding non-controlling interests

Group	Revaluation reserve	Translation reserve	Loan loss reserve	Other	Total
2020					
Balance at beginning of the year	29,039	19,379	-	3,745	52,163
Revaluation of property	1,173	-	-	-	1,173
Depreciation Transfer land and buildings	(307)	-	-	-	(307)
Share of other comprehensive income of equity accounted investment	154	92	-	-	246
Income tax on other comprehensive income	392	-	-	-	392
Balance at 31 December 2020	30,451	19,471	-	3,745	53,667
2019					
Balance at beginning of the year	27,559	19,732	-	3,745	51,036
Revaluation of property	2,017	-	-	-	2,017
Depreciation Transfer land and buildings	(433)	-	-	-	(433)
Share of other comprehensive income of equity accounted investment	(16)	(353)	-	-	(369)
Income tax on other comprehensive income	(88)	-	-	-	(88)
Balance at 31 December 2019	29,039	19,379	-	3,745	52,163

Company	Revaluation reserve	Translation reserve	Total
2020			
Balance at beginning of the year	249,146	111	249,257
Fair value gain on investments	8,316	-	8,316
Revaluation of property	63	-	63
Deferred tax on revaluation	(475)	-	(475)
Balance at 31 December 2020	257,050	111	257,161
2019			
Balance at beginning of the year	225,913	111	226,024
Fair value gain on investments	37,319	-	37,319
Revaluation of property	174	-	174
Deferred tax on revaluation	(14,260)	-	(14,260)
Balance at 31 December 2019	249,146	111	249,257



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

29 Other reserves – excluding non-controlling interests (Continued)

Revaluation reserve

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

Translation reserves

Exchange differences relating to translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit and loss on disposal of the foreign operation.

Other reserves

The other reserves for the Group comprise capital redemption reserve.

30 Loans and borrowings

30.1 Loans and borrowings summary

Group	Secured	Unsecured	Total
2020			
More than 5 years	-	1,751	1,751
Due between 1 and 5 years	34,491	10,625	45,116
	34,491	12,376	46,867
Due within 1 year or less	11,359	-	11,359
	45,850	12,376	58,226
2019			
More than 5 years	1,630	1,942	3,572
Due between 1 and 5 years	20,560	13,814	34,374
	22,190	15,756	37,946
Due within 1 year or less	12,377	3,775	16,152
	34,567	19,531	54,098
Company			
2020			
Due between 1 and 5 years	4,890	-	4,890
Due within 1 year or less	1,630	-	1,630
	6,520	-	6,520
2019			
More than 5 years	1,630	-	1,630
Due between 1 and 5 years	6,520	-	6,520
	8,150	-	8,150
Due within 1 year or less	-	-	-
	8,150	-	8,150



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

30 Loans and borrowings (Continued)

30.2 Movement in borrowings

Group	At 01/01/20	Drawdowns	Repayments	Exchange fluctuations	Reclassified	Interest accrual	At 31/12/20
Local borrowings							
Belgium Government	106	-	-	-	5	-	111
Commercial Debt-Old Mutual	5,000	10,000	-	-	-	-	15,000
Commercial Debt-Nico Asset Managers	5,000	-	-	-	-	-	5,000
CDH loan	-	800	-	-	-	-	800
PTC Corporate bond	7,500	-	-	-	-	-	7,500
DANIDA loan	693	-	-	-	(148)	-	545
FCB Loan	679	130	(809)	-	-	-	-
Kuwait Development Fund	1,178	-	-	-	75	-	1,253
Malawi Government	210	-	-	-	-	-	210
Press Corp Corporate Bond	8,150	-	(1,630)	-	-	-	6,520
Standard Bank Dual Currency Loan	7,988	-	(1,726)	-	-	138	6,400
Syndicated loan - NBM Capital Markets Ltd	63	-	(63)	-	-	-	-
NORDIC Development Fund	1,066	-	-	-	68	-	1,134
Total local borrowings	37,633	10,930	(4,228)	-	-	138	44,473
Group							
Foreign borrowings							
Huawei long term payable	100	-	(100)	-	-	-	-
Libyan Government	239	-	-	11	-	-	250
European Investment Bank	16,126	-	(2,908)	285	-	-	13,503
Total foreign borrowings	16,465	-	(3,008)	296	-	-	13,753
Total borrowings	54,098	10,930	(7,236)	296	-	138	58,226
Company							
Corporate Bond	8,150	-	(1,630)	-	-	-	



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

30 Loans and borrowings (Continued)

30.2 Movement in borrowings (Continued)

Group	At 01/01/19	Drawdowns	Repayments	Exchange fluctuations	Interest accrual	At 31/12/19
Local borrowings						
Belgium Government	112	-	(6)	-	-	106
Commercial Debt-Old Mutual	5,000	-	-	-	-	5,000
Commercial Debt-Nico Asset Managers	5,000	-	-	-	-	5,000
PTC Corporate bond	-	7,500	-	-	-	7,500
DANIDA loan	738	-	(45)	-	-	693
FCB Loan	43	636	-	-	-	679
Kuwait Development Fund	1,253	-	(75)	-	-	1,178
Malawi Government	210	-	-	-	-	210
Press Corp MTN coupon loan	221	-	(221)	-	-	-
Press Corp Corporate Bond	8,217	-	(67)	-	-	8,150
Standard Bank Dual Currency Loan	9,357	3,066	(4,435)	-	-	7,988
Syndicated loan - NBM Capital Markets Ltd	147	-	(84)	-	-	63
NORDIC Development Fund	1,104	-	(67)	-	29	1,066
Total local borrowings	31,402	11,202	(5,000)	-	29	37,633
Foreign borrowings						
Huawei long term payable	760	92	(752)	-	-	100
Libyan Government	237	-	-	2	-	239
European Investment Bank	19,219	321	(4,297)	883	-	16,126
Total foreign borrowings	20,216	413	(5,049)	885	-	16,465
Total borrowings	51,618	11,615	(10,049)	885	29	54,098
Company						
MTN coupon	221	-	(221)	-	-	-
Corporate Bond	8,217	-	(67)	-	-	8,150
Total local borrowings	8,438	-	(288)	-	-	8,150



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

30 Loans and borrowings (Continued)

30.3 Terms and debt repayment schedules

Lender's name	Currency	Interest rate	Repayment terms	Security	Agreed date redemption commences	Agreed date redemption finishes	Due in 1 year	Due within 2-5 year	Over 5 years
Group – 2020									
Belgium Government	Malawi Kwacha	0%	1/2 yearly	Government	2018	2028	24	28	59
Commercial Debt-Old Mutual	Malawi Kwacha	364 TB rate + 2%	5 Years - Option for bullet payments of MK1million tranches after 3rd year	Debenture on TNM Assets	2020	2025	-	15,000	-
Commercial Debt-Nico Asset Managers	Malawi Kwacha	180 TB rate + 1.8%	5 Years - Option for bullet payments of MK1million tranches after 3rd year	Debenture on TNM Assets	2017	2022	-	5,000	-
CDH loan	Malawi Kwacha	17%	Monthly	PCL Guarantee	2020	2023	230	570	-
PTC commercial paper	Malawi Kwacha	91TB + 5%	5 years	PCL Guarantee	2020	2025	375	7,125	-
DANIDA loan	Malawi Kwacha	0%	1/2 yearly	Government	2018	2028	118	136	291
Kuwait Development Fund	Malawi Kwacha	0%	1/2 yearly	Government	2018	2028	272	313	668
Malawi Government	Malawi Kwacha	3%	0%	Unsecured	2034	2043	-	210	-
Standard Bank Dual Currency Loan	Malawi Kwacha	Libor + 6%	48 months	Debenture on TNM Assets	2018	2022	4,494	1,906	-
Press Corp corporate bond	Malawi Kwacha	364TB + 4%	Quarterly	TNM Shares	2021	2025	1,630	4,890	-
NORDIC Development Fund	Malawi Kwacha	0%	1/2 yearly	Government	2018	2028	246	283	605
European Investment Bank	Malawi Kwacha	3%	Semi-annually	Unsecured	2016	2022	3,908	9,595	-
Libyan Government	US Dollars	0%	Dividend offset	None	n/a	n/a	62	60	128
Total							11,359	45,116	1,751
Company - 2020									
Press Corp corporate bond	Malawi Kwacha	364TB + 3%	Quarterly after 2 years	TNM Shares	2018	2025	1,630	4,890	-



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

30 Loans and borrowings (Continued)

3.3 Terms and debt repayment schedules (Continued)

Lender's name	Currency	Interest rate	Repayment terms	Security	Agreed date redemption commences	Agreed date redemption finishes	Due in 1 year	Due within 2-5 year	Over 5 years
Group – 2019									
Belgium Government	Malawi Kwacha	0%	1/2 yearly	Government	2018	2028	9	30	67
Commercial Debt-Old Mutual	Malawi Kwacha	364 TB rate + 2%	5 Years - Option for bullet payments of MK1million tranches after 3rd year	Debenture on TNM Assets	2017	2020	5,000	-	-
Commercial Debt-Nico Asset Managers	Malawi Kwacha	180 TB rate + 1.8%	5 Years - Option for bullet payments of MK1million tranches after 3rd year	Debenture on TNM Assets	2020	2022	-	5,000	-
PTC commercial paper	Malawi Kwacha	91TB + 5%	5 years	PCL Guarantee	2020	2025	375	7,125	-
DANIDA loan	Malawi Kwacha	0%	1/2 yearly	Government	2018	2028	53	197	443
FMB Loan	Malawi Kwacha	23%	6 years	PCL Guarantee	2016	2022	134	545	-
Kuwait Development Fund	Malawi Kwacha	0%	1/2 yearly	Government	2018	2028	92	334	752
Malawi Government	Malawi Kwacha	3%	0%	Unsecured	2034	2043	-	210	-
Standard Bank Dual Currency Loan	Malawi Kwacha	Libor + 6%	48 months	Debenture on TNM Assets	2018	2021	6,618	1,370	-
Press Corp corporate bond	Malawi Kwacha	364TB + 4%	Quarterly	TNM Shares	2021	2025	-	6,520	1,630
Syndicated loan - NBM capital Market	Malawi Kwacha	22%	5 years	PCL guarantee	2015	2020	63	-	-
NORDIC Development Fund	Malawi Kwacha	0%	1/2 yearly	Government	2018	2028	84	302	680
European Investment Bank	Malawi Kwacha	3%	Semi-annually	Unsecured	2016	2022	3,624	12,502	-
Libyan Government	US Dollars	0%	Dividend offset	None	n/a	n/a	-	239	-
Huawei deferred payment	US Dollars	1/2 yr Libor + 6.5%	Within 2 Years	Unsecured	270 Days after Invoice	Rolling-Within 2 Years	100	-	-
Total							16,152	34,374	3,572
Company - 2019									
Press Corp corporate bond	Malawi Kwacha	364TB + 3%	Quarterly after 2 years	TNM Shares	2018	2025	-	6,520	1,630



31 Provisions

	Legal claim	Group bonus	Other	Total
Group				
2020				
Balance at the beginning of the year	219	3,747	83	4,049
Provision made during the year	442	3,825	54	4,321
Provision used during the year	-	(3,691)	(39)	(3,730)
Balance at the end of the year	661	3,881	98	4,640
2019				
Balance at the beginning of the year	219	3,583	766	4,568
Provision made during the year	-	3,746	20	3,766
Provision used during the year	-	(3,582)	(703)	(4,285)
Balance at the end of the year	219	3,747	83	4,049
Company				
2020				
Balance at the beginning of the year	-	262	-	262
Provision used during the year	-	(262)	-	(262)
Balance at the end of the year	-	-	-	-
2019				
Balance at the beginning of the year	-	970	-	970
Provision made during the year	-	262	-	262
Provision used during the year	-	(970)	-	(970)
Balance at the end of the year	-	262	-	262

All provisions are due within 1 year or less.

Legal Claims

The provision for legal claims represents estimated amounts which may be required to settle legal and other related claims made against the Group in the ordinary course of business. The provision is based on legal advice from the Group's attorneys on the outcome of claims which the Group is facing.

Group bonus

The provision for Group bonus represents incentive pay to eligible employees. The estimate has been made on the basis of rules governing Group's performance incentive policies and may vary as a result of final operating results of the Group.

Other Provisions

Other provisions includes employees' related accrued benefits and Levy provision. Employees' benefits provided amount was derived from expected liability based on existing legal and company conditions of service. Levy provision was based on existing legal framework governing respective levies.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

32 Income tax payable

	Group		Company	
	2020	2019	2020	2019
Opening balance	6,448	3,477	130	104
Current charge	18,729	17,125	996	1,049
Cash paid	(17,704)	(14,382)	(1,076)	(1,023)
Other tax transfer	-	228	-	-
Total income tax payables	7,473	6,448	50	130

33 Trade and other payables

	Group			Company	
	31/12/20	31/12/19	01/01/19	2020	2019
		Restated	Restated		
Trade payables	37,387	24,896	17,454	24	26
Liabilities to other banks	12,557	652	1,414	-	-
Taxes and levies	10,221	4,514	4,308	86	121
Contract liabilities (note 36.2)	5,610	6,505	6,020	-	-
Accruals	6,539	7,073	5,572	649	794
Other payables	2,746	3,154	2,741	125	66
Staff payables	787	483	684	-	-
Dividend payable	707	1,473	1,473	-	-
Trade and other payables as previously stated	76,554	48,750	39,666	884	1,007
Prior year adjustment – note 50	-	4,194	2,305	-	-
Trade and other payables as restated	76,554	52,944	41,971	884	1,007
Contract liabilities – non current (note 36.2)	297	119	141	-	-

The average credit period on purchases of certain goods is 30 days. No interest is charged on the trade payables that are overdue. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

Accruals are in respect of various expenses incurred but whose invoices had not yet been received.

34 Trade and other payables to Group companies

	Company	
	2020	2019
Manzinzi Bay Limited	19	19
Press Properties Limited	54	41
Malawi Telecommunications Limited	6	6
Presscane Limited	3,621	-
Ethanol company Limited	-	1
	3,700	67

Amounts due to Presscane Limited represent treasury deposits with Press Corporation plc treasury. Interest on deposits is charged at market deposit interest rate plus 1% margin and is calculated quarterly on the outstanding balance. Any overdue interest thereafter is capitalized. The treasury deposit is payable on demand but not later than 15th June 2021.

Other trade and other payables to Group companies are interest free and are payable on demand.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

35 Customer deposits

	Average interest rates		Group	
	2020	2019	2020	2019
Analysed by account type:				
Current accounts	0.00%	0.10%	153,426	114,147
Deposit accounts	3.90%	7.16%	39,264	35,233
Savings accounts	3.80%	6.10%	91,582	78,340
Foreign currency accounts*	0.50%	0.50%	80,606	63,741
Client funds	10.00%	10.00%	35,982	24,018
			400,860	315,479
Analysed by interest risk type:				
Interest bearing deposits			247,434	173,818
Non-interest bearing deposits			153,426	141,661
			400,860	315,479
Total liabilities to customers are payable as follows:				
Within three months			397,934	312,051
Between three months and one year			2,926	3,428
			400,860	315,479
Analysis of deposits by sector				
Personal accounts			218,760	166,176
Manufacturing			17,456	22,921
Agriculture			11,657	9,750
Wholesale and retail			40,847	34,009
Finance and insurance			29,340	18,884
Construction			12,760	10,802
Electricity, gas, water and energy			12,161	12,628
Transport, storage and communications			5,884	8,073
Restaurants and hotel			5,126	3,177
Mining and qualifying			3,464	-
Real Estate			2,478	-
Client funds			35,982	24,018
Others			4,945	5,041
			400,860	315,479
* The foreign currency denominated account balances as at 31 December were as follows:-				
US Dollar denominated			68,950	57,363
GBP denominated			3,318	1,756
Euro denominated			8,100	4,406
ZAR denominated			238	216
			80,606	63,741

All interest bearing accounts, excluding deposit accounts are at floating rates that are adjusted at the Group's banking business discretion.



For the year ended 31 December 2020

36 Revenue

Revenue from contracts with customers is disaggregated by major products and service lines. Set out below is the disaggregation of the Group's revenue from contracts with customers and a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 7).

[illegible]

	Group		Company	
	2020	2019	2020	2019
Trade receivables (note 24 net of ECL)	10,634	16,445	6	18
Contract assets – non current (note 24)	601	559	-	-
Contract assets – current (note 24)	637	568	-	-
Contract liabilities – non current (note 33)	297	119	-	-
Contract liabilities – current (note 33)	5,610	6,505	-	-

Contract assets primarily relate to up-front unbilled revenue recorded for the sale of telecommunication devices. Contract assets are assessed for impairment in terms of IAS 36 Impairment of Assets when there is an indication of impairment.

36. Revenue (Continued)

36.3 Contract balances (Continued)

Contract liabilities relates to the value of unused prepaid airline sold to customers as at year end, sales of properties where government consent has not yet been obtained, fees and commission that relate to banking facilities that have a tenure of more than one year. Management expects that the contract liabilities will be recognised as revenue during the following reporting period;

	Group	
	2020	2019
2020	-	6,505
2021	5,610	2
2022	19	10
2023	75	14
2024	104	89
2025	84	4
2026	4	-
2027	2	-
2030	9	-

	Group		Company	
	2020	2019	2020	2019
37 Direct trading expenses				
Cost of sales	29,158	33,183	-	-
Interest expense	5,314	5,207	-	-
Direct service costs	44,641	44,050	-	-
	79,113	82,440	-	-

38 Other operating income

	Group		Company	
	2020	2019	2020	2019
Net gains/(loss) from trading in foreign currencies	17	(19)	-	-
Recoveries from impaired loans and advances	615	1,506	-	-
Fair value adjustment of investment property	1,332	1,673	27	159
Gains and losses from fair value adjustment of biological assets	109	(23)	-	-
Net gain on financial instruments classified as held for trading	343	149	-	-
Profit/(loss) on disposal of property, plant and equipment	131	146	(2)	-
Sundry income	2,627	2,398	173	255
	5,174	5,830	198	414

Sundry income is comprised of income earned from non-core business activities of the Group and they include board members fees and rental income generated by Group companies that are not in property business, among others.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

39 Distribution expenses

	Group		Company	
	2020	2019	2020	2019
Marketing and publication	1,449	1,251	-	-
Selling expenses	62	136	-	-
Carriage outwards	706	720	-	-
Other	242	188	-	-
	2,459	2,295	-	-

40 Administrative expenses

	Group		Company	
	2020	2019	2020	2019
		<i>Restated</i>		
Auditors' remuneration - current year fees	898	740	111	125
- other professional services	12	93	7	66
Directors' emoluments - fees & expenses	645	719	124	130
- executive directors' remuneration	2,443	2,103	1,032	962
Personnel costs	37,231	37,330	1,941	1,832
Pension contribution costs	2,783	2,612	251	242
Legal and professional fees	1,574	1,939	111	166
Stationery and office expenses	2,129	2,088	110	107
Security services	2,605	2,374	59	52
Motor vehicle expenses	1,671	1,779	36	45
Bad debts	3,780	6,555	217	-
Repairs and maintenance	6,385	6,421	181	304
Depreciation, impairment and amortisation	19,977	19,799	97	121
Travel expenses	578	840	13	58
Communication	821	891	98	80
Stock write off, impairment	1,374	1,260	-	-
Service charges / Royalties	57	105	-	-
Other	12,914	9,357	195	233
	97,877	97,005	4,583	4,523

Prior year administrative expenses were restated – refer note 50 for details of the restatement

Liability for defined contribution obligations

The principal Group pension scheme is the Press Corporation plc Group Pension and Life Assurance Scheme covering all categories of employees with 3,864 (2019: 3,679) members as at 31 December 2020. The Fund is a defined contribution fund and is independently self-administered by its Trustees. Under this arrangement employer's liability is limited to the pension contributions.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

41 Finance income and costs

	Group		Company	
	2020	2019	2020	2019
Finance income				
Interest income on bank deposits	1,735	1,398	191	365
Net foreign exchange gain	81	1	81	1
Other	320	215	7	7
	2,136	1,614	279	373
Finance costs				
Bank overdrafts	(1,385)	(1,100)	(642)	(607)
Loans	(6,543)	(6,664)	(1,223)	(1,166)
Lease liability	(956)	(1,010)	(14)	(26)
Foreign exchange loss	(617)	(103)	-	-
	(9,501)	(8,877)	(1,879)	(1,799)
Net finance costs	(7,365)	(7,263)	(1,600)	(1,426)

During the year, nil borrowing costs were capitalised (2019: Nil).

42 Share of results from equity accounted investees

	Group		Company	
	2020	2019	2020	2019
Share of profit, net of tax				
Limbe Leaf Tobacco Company Limited	1,725	2,783	-	-
Castel Malawi Limited	(1,943)	(1,249)	-	-
Puma Energy (Malawi) Limited	645	1,427	-	-
Macsteel (Malawi) Limited	35	188	-	-
Open Connect Limited	(113)	266	-	-
	349	3,415	-	-
Share of other comprehensive income, net of tax				
Limbe Leaf Tobacco Company Limited	92	(353)	-	-
Puma Energy (Malawi) Limited	154	(16)	-	-
	246	(369)	-	-

43. Income taxes

	Group		Company	
	2020	2019	2020	2019
Current tax expense				
Current year at 30% (2019:30%) based on taxable profits	17,733	16,076	-	-
Final tax on dividend received from associates, subsidiaries and joint ventures	996	1,049	996	1,049
	18,729	17,125	996	1,049
Deferred tax (credit)/expense				
In respect of the current year	(379)	385	(127)	(55)
Total income tax expense recognised in the current year	18,350	17,510	869	994



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

43. Income taxes (Continued)

The Group's tax expense on continuing operations excludes the Group's share of the tax expense of equity accounted investees of K1,308 million (2019: K2,180 million), which has been included in 'share of profit of equity-accounted investees, net of tax'.

43.1 Tax losses carried forward

The Group has estimated tax losses of K51.1 billion (2019: K39.9 billion). These include capital losses, which can be set off against future capital gains. Where relevant, these tax losses have been set off against deferred tax liabilities, which would arise on the disposal of revalued assets at carrying value. Tax losses are subject to agreement by the Malawi Revenue Authority and are available for utilisation against future taxable income, including capital gains, only in the same company. Under the Malawi Taxation Act it is not possible to transfer tax losses from one subsidiary to another or obtain Group relief.

Tax losses can only be carried forward for six years.

43.2 Reconciliation of effective tax rate

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

The income tax expense for the year can be reconciled to the accounting profit as follows;

	2020		2019	
			Restated	
Group				
Profit before tax from continuing operations		38,217		40,308
Tax using the Group's domestic tax rate	30%	11,465	30%	12,092
Tax effect of:				
Share of profit of equity-accounted investees reported net of tax	0%	(105)	(2%)	(1,024)
Expenses not deductible for tax purposes	1%	317	0%	288
Effects of final tax on dividends from associates and subsidiaries	2%	996	2%	1,049
Unrecognised taxable losses	11%	4,574	11%	4,488
Income not subject to tax	(1%)	(480)	(1%)	(457)
Other permanent differences	5%	1,583	3%	1,074
Effective tax rate and income tax charge	48%	18,350	43%	17,510
Company				
Profit before tax from continuing operations		4,669		5,350
Tax using the Group's domestic tax rate – 30%	30%	1,401	30%	1,605
Effects of final tax on dividends from associates and subsidiaries	21%	996	20%	41,049
Unrecognised taxable losses	(33%)	(1,528)	(31%)	(1,660)
Effective tax rate and income tax charge	19%	869	19%	994

44. Basic earnings per share and diluted earnings per share

Calculation of basic earnings per share and diluted earnings per share is based on the profit attributable to ordinary shareholders of K3,590 million (2019: K7,377 million) and a weighted average number of ordinary shares outstanding during the year of 120.2 million (2019:120.2 million).



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

44 Basic earnings per share and diluted earnings per share (Continued)

	Group	
	2020	2019
		Restated
Profit attributable to owners of the Company	3,590	7,377
Weighted average number of ordinary shares	120.2	120.2
Basic earnings per share (K)	29.87	61.37
Number of shares in issue	120.2	120.2
Diluted earnings per share (K)	29.63	60.78
Profit from continuing operations	19,867	22,798
Non-controlling interest	(16,305)	(15,492)
Profit from continuing operations attributable to the ordinary equity holders of the parent Company	3,562	7,306
Basic earnings per share (from continuing operations) (K)	29.63	60.78
Diluted earnings per share (from continued operations) (K)	29.63	60.78

45 Contingent liabilities

	Group		Company	
	2020	2019	2020	2019
Foreign guarantees	1,967	1,609	-	-
Local guarantees and performance bonds	18,482	17,957	17,100	17,500
Letters of credit	22,708	16,784	-	-
	43,157	36,350	17,100	17,500
Legal and other claims	4,241	2,949	-	-
Tax payable	6,402	2,888	-	-
Total contingent liabilities	53,800	42,187	17,100	17,500

- (a) Guarantees and performance bonds represent acceptances, guarantees, indemnities and credits issued by National Bank of Malawi plc to non-Group entities which would crystallize into a liability only in the event of default on the part of the relevant counterparty. For the Company, the guarantees represents guarantees made by the parent Company for bank loans taken by The Foods Company Limited, Malawi Telecommunication Limited, Press Properties Limited and Peoples Trading Centre Limited.
- (b) Letters of credit (LCs) relate to standby LCs issued by National Bank of Malawi plc on behalf of selected customers. By issuing these LCs, the Bank is guaranteeing payment to the third party in the event that the customer defaults on their contractual obligations on the transaction. These are non-cash upfront LCs and are therefore memoranda items only.
- (c) Legal and other claims represent legal and other claims made against the Group in the ordinary course of business, the outcome of which is uncertain. The amount disclosed represents an estimate of the cost to the Group in the event that legal proceedings find the Group to be in the wrong. In the opinion of the directors the claims are not expected to give rise to a significant cost to the Group.
- (d) Tax payable relates to disputes that the Group's subsidiaries and the Group's associate have with the Malawi Revenue Authority.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

46 Capital commitments

	Group		Company	
	2020	2019	2020	2019
Authorised and contracted for	15,068	6,654	-	-
Authorised but not yet contracted for	45,243	30,346	256	151
	60,311	37,000	256	151

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

47 Related parties

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

47.1 Trading transactions

During the year, the Group entered into the following trading transactions with related parties that are not members of the Group;

	Sales		Purchases	
	2020	2019	2020	2019
Joint ventures of the Group	2,402	4,333	2,658	2,436
Shareholder - Old Mutual Group	28	74	-	24
Associates of the Group	712	1,192	7,029	5,401
	3,142	5,599	9,687	7,861

	Interest Income		Interest Expense	
	2020	2019	2020	2019
Joint ventures of the Group	3	3	(9)	(93)
Shareholder - Old Mutual Group	143	128	(1,329)	(561)
Associates of the Group	140	35	-	(4)
Directors	-	3	-	-
Employees	1,107	1,123	(765)	(785)
	1,393	1,292	(2,103)	(1,443)

Sale of goods and services to related parties were made at the Group's usual list prices. Purchases were made at market price.

47.2 Receivables and payables

	Amounts owed by related parties		Amounts owed to related parties	
	2020	2019	2020	2019
Joint ventures of the Group	686	1,003	14	19
Shareholder - Old Mutual Group	2	-	-	23
Associates of the Group	1,716	222	2,371	1,339
Directors	-	-	-	32
Employees	18	27	-	-
	2,422	1,252	2,385	1,413

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior years for doubtful debts in respect of the amounts owed by related parties.



47 Related parties (Continued)

47.3 Loans and deposits

	Loans		Deposits	
	2020	2019	2020	2019
Joint ventures of the Group	2	-	511	1,394
Shareholder - Old Mutual Group	19,698	4,698	4,953	7,642
Associates of the Group	2	1,473	2,728	2,284
Shareholder - Press Trust	-	-	66	204
Directors	406	576	102	72
Employees	5,680	6,141	446	678
Related Pension Funds	-	-	86	53
	25,788	12,888	8,892	12,327

Loans are granted and deposits accepted on normal banking terms. Loans are secured.

During the year no amount due from a related party was written off against interest in suspense and provision for loan losses. There were no provisions in respect of loans granted to related parties as at the end of the year (2019: nil).

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

47.4 Compensation of key management personnel

Directors of the Company and their immediate relatives control 0.04% (2019: 0.04%) of the voting shares of the Company.

Directors' emoluments are included in administrative expenses more fully disclosed in note 39.

The remuneration of directors and other members of key management personnel during the year was as follows:

	Group		Company	
	2020	2019	2020	2019
Salaries and benefits for key management	8,131	7,134	716	596
Directors remuneration	3,088	2,567	1,156	1,092
	11,219	9,701	1,872	1,688



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

48 Cash flows from operating activities

	Group		Company	
	2020	2019 <i>Restated</i>	2020	2019
Profit before income tax	38,245	40,391	4,669	5,350
Adjustments for:				
Depreciation, amortization and impairment	20,497	20,198	96	121
Finance costs	9,501	8,877	1,879	1,799
Finance income	(2,136)	(1,614)	(279)	(373)
Share of results from equity accounted investments	(349)	(3,415)	-	-
(Profit)/loss on sale of investment property and property, plant and equipment	(131)	(146)	2	-
Fair value adjustments and unrealised foreign exchange losses	(978)	(1,523)	(27)	(160)
Investment income (dividends)	-	-	(9,963)	(10,454)
(Decrease)/Increase in provisions	591	(519)	(262)	(708)
Working capital changes:				
Decrease/(Increase) in inventories	2,469	1,805	-	7
Increase in Loans and advances to customers	(12,515)	(21,862)	-	-
Retained earnings adjustment following IFRS 16 adoption	-	(194)	-	-
Decrease/(Increase) in Finance lease receivables	(355)	684	-	-
Decrease/(Increase) in trade and other receivables	(4,555)	385	203	(827)
(Increase)/Decrease in trade and other receivables –Group	-	-	(2,904)	(37)
Increase in other investments	(57,581)	(29,043)	-	-
(Decrease)/Increase in trade and other payables	23,788	10,951	(123)	112
Increase in trade and other payables- Group	-	-	3,633	20
Increase in customer deposits	85,381	22,423	-	-
Cash generated from/(used in) operations	101,872	47,398	(3,076)	(5,150)

49 Dividend per share

	Group and Company	
	2020	2019
Final dividend	3,000	2,405
Interim dividend	722	722
	3,722	3,127
Number of ordinary shares in issue (million)	120.2	120.2
Dividend per share (K)	31.00	26.00

During the year, the Group declared and paid a total of K3,127 million representing final dividend for 2019 of K2,405 million and interim dividend for 2020 of K722 million. The proposed final dividend for the year 2020 is K3,000 million (2019: K2,405 million) representing K25 per share (2019: K20).



50 Prior year restatement

Prior year adjustment relate to value added tax (VAT) treatment in respect of the Group's telecommunication business products – Mpamba and Pasavute for the financial years 2015 to 2019. The restatement arose from a tax audit report from Malawi revenue Authority (MRA). The Group has appealed for the final determination to the Special Arbitrator. Notwithstanding the appeal, the group has accrued for the additional taxes arising based on the final determination by MRA and this has been treated as a correction of a prior period error.

50.1 Restatement impact on comparatives

The financial statements have accordingly been restated in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and related disclosures made in accordance with IAS 1 Presentation of Financial Statements.

The impact of these restatements is detailed in the analysis below.

	As previously reported in 2019	Adjustment	Restated
31/12/2019			
Statement of financial position			
Opening retained earnings	97,778	(952)	96,826
Opening minority interest	68,163	(1,353)	66,810
Trade and other payables (note 33)	48,750	4,194	52,944
Statement of comprehensive income			
Administrative expenses (note 40)	95,116	1,889	97,005
Profit for the year	24,758	(1,889)	22,869
1/01/2019			
Statement of financial position			
Opening retained earnings	97,778	(952)	96,826
Opening minority interest	68,163	(1,353)	66,810
Trade and other payables (note 33)	39,666	2,305	41,971

The adjustment to trade and other payables resulted in an increase in taxes and levies liability line while the administrative expenses has resulted in an increase in 'other' expense line.

51 Impact of COVID-19

During the financial year, we have seen the spread of the Covid-19 pandemic throughout the country resulting in disruption of business activities and adversely impacting on economic conditions of the country. The depth and duration of the economic down turn arising from the pandemic is dependent on the effectiveness of the containment measures put up by the Government, prudential and industry response and support measures.

The Group is involved in diverse sectors that have been impacted differently. Notable effects are as follows;

- The Group's banking business has reported an additional credit losses provision of K78 million for the potential longer-term impacts of Covid-19. The business has also written off loans amounting to K4.6 billion during the period under review. While the write downs were not directly due to the pandemic, the economic downturn exacerbated the customers default position.
- As a way of supporting its customers impacted Covid-19, the Group's banking business implemented loan repayment deferrals which include loan repayment deferrals. During the year, loans with a total carrying amounting of K32.9 billion were restructured (modified). Their total fair value after restructuring was K33.0 billion resulting into a net fair value gain of K124 million which was recognised in the statement of comprehensive income.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

In millions of Malawi Kwacha

51 Impact of COVID-19 (Continued)

- Energy sector particularly manufacturing of Alcohol Ethanol experienced an increase in the demand for its products since the alternative source, importation, was difficult. The sector also introduced a new product 'Hand sanitizer' hence increasing its revenue base. The additional demand resulted in estimated incremental revenues of K770 million while the Hand sanitizer revenues amounted to K216 million.
- The All Other segment particularly the fishing business experienced logistical challenges especially with the importation of feed. This resulted in inadequate feed hence underfeeding the fish. Consequently, the sector experienced loss of biomass of about 311 tons which is an equivalent of K700 million sales revenue.

The Group continues to monitor the developments around Covid-19 and is constantly engaging key stakeholders such as regulatory bodies and the Government. The Group is confident in its short to midterm prospects because of actions taken to date and the diversity of its portfolio which includes some companies in essential services. Given the unprecedented set of circumstances which are still evolving, a definite assessment of the longer term outcomes of the Covid-19 pandemic and the consequent economic and societal impacts is difficult at this stage.

52 Subsequent events

The directors have proposed a dividend of K20 per share as disclosed in note 48. This dividend is subject to approval by shareholders at the Annual General Meeting.

Covid-19 confirmed cases in the country and related deaths skyrocketed during the month of January 2021 to mid February 2021. There has been downward trend in both the rate of infections and deaths from mid February 2021. There remains significant uncertainty regarding how the Covid-19 pandemic will evolve, including duration of the pandemic, the severity of the down turn and the speed of economic recovery. In accordance with IAS 10 Events after the reporting period, the Group considered whether events after the reporting period confirmed conditions existing before reporting the date. Consideration was given to the macro-economic impact of lockdowns implemented in neighboring and critical economies (like China), the closure of state borders, and the extension of further government support measures. The Group did not identify any subsequent events precipitated by Covid-19 related developments, which would require adjustments to the amounts or disclosures in the financial statements. Further, no other material non-adjusting subsequent events relating to Covid-19 were identified requiring disclosure in the financial statements. Given the fluid nature of the current situation, the Group will continue to regularly review forward looking assumptions and forecast economic scenarios.

Subsequent to the reporting period, the Group's banking business finalized the acquisition of 51% of Akiba Commercial Bank of Tanzania. As at the reporting date, the Group is pursuing the acquisition of additional 24% of Akiba Commercial Bank of Tanzania to take the Group's shareholding in Akiba to 75%. The Board and Management continue to work tirelessly to ensure a successful completion of the additional share acquisition transaction within the 2021 year.

As at balance sheet date, the Group was in a discussion with the majority shareholder of Castel Malawi Limited, Castel Group (a French beverage company), to dispose off its 20% shareholding in the company. Subsequent to the reporting period, an agreement was reached and sale agreement was signed. Regulatory approvals have been obtained and finalisation of the sale awaits payment by the buyer.

53 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.

	2020	2019
Kwacha/United States Dollar	771.7	736.7
Kwacha/Euro	987.6	826.9
Kwacha/British Pound	1,087.7	967.4
Kwacha/South African Rand	56.2	52.5
Inflation rates as at 31 December (%)	7.6	11.5



53 Inflation and exchange rates (Continued)

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

Kwacha/GBP	1152.4
Kwacha/Rand	59.0
Kwacha/US Dollar	793.5
Kwacha/Euro	1001.9
Inflation rate as at March 2021	9.4%



NOTES

[illegible]

This image shows a full page of blank handwriting practice paper. It features a series of evenly spaced, horizontal blue lines across the entire width of the page. The background is white, and there are no margins, text, or other markings present.



PROXY/VOTING FORM

I/WE (name/s in block letters)

of (address)

being a member of the above named company, hereby appoint, the Chairman of the Meeting the Company

Secretary or of.....

orfailing him of.....

as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the company, to be held at Sunbird Capital Hotel, Lilongwe on Friday, 9th July 2021 starting from 14:00 hours and at any adjourned meeting thereof.

I/We instruct my/our proxy or proxies to vote in the following way

Agenda Item	Mark with X where applicable		
	For	Against	Abstain
Ordinary Business			
1. Noting of Minutes of the 36th Annual General Meeting (For noting only)			
2. Adoption of 2020 Directors' and Auditors' Report and Financial Statements of the Company for the Year Ended 31st December 2020			
3. To declaration of a final dividend of MK3.0 billion representing MK25.00 per share			
4. To re-appoint Deloitte Certified Accountants as Auditors as Auditors for the ensuing year and to authorize the Directors to determine their remuneration			
5. To re-elect Mr Stewart Malata who retires by rotation and, being eligible, has offered himself for re-election			
6. To authorize Directors to determine the remuneration of Executive Directors			
7. To approve an increase in the fees and sitting allowances of the Chairman and non-Executive Directors as follows:			
Directors Fees Chairman: MK13,530,000.00 per annum (2020:MK12,296,928.00) Non-Executive Directors: MK11,300,000.00 per annum (2020:K10,281,600.00)			



<p>Directors Sitting Allowances</p> <p>Board Chairman: MK605,000.00 per sitting (2020: MK550,000.00)</p> <p>Committee Chairperson: MK550,000.00 per sitting (2020: MK500,000.00)</p> <p>Non-Executive Directors MK520,000.00 per sitting (2020: MK470,000.00)</p>			
<p>Other Business:</p> <p>To transact such other business as may be transacted at an Annual General Meeting of which prior notice should have been given to the Company Secretary not less than 21 days before the date of the forthcoming Annual General Meeting.</p>			

Signed aton thisday of2021

Signature

Assisted by me (where applicable) (see note 3)

Notes to Form of Proxy

1. If you wish to appoint a proxy other than the Chairman of the Meeting or the Company Secretary, please insert that person's name and address and delete (initialling the deletion) "the Chairman of the Meeting or Company Secretary". The completion of the Form of Proxy will not preclude shareholders from attending and voting at the Annual General Meeting
2. Please indicate, by inserting "X" in the appropriate box, the way in which your proxy is to vote. If you do not do so, your proxy will vote or abstain as he/she thinks fit
3. This Form of Proxy must be signed by the appointer or his/her attorney duly authorized in writing or, if the appointer is a corporation, it must be under its common seal or be signed by some officer or attorney duly authorized in that behalf
4. If two or more proxies attend the meeting, then that person attending the meeting whose name appears first on the proxy form, and whose name is not deleted shall be regarded as the valid appointed proxy.
5. To be valid, this Form of Proxy and the power of attorney or other authority (if any) under which it is signed, must be lodged at the office of the Company Secretary at least 48 (forty-eight) hours before the time appointed for the holding of the meeting.
6. This form should be filled by members of the Company member entitled to attend and vote at the meeting irrespective of whether they will attend the virtual meeting or not.
7. In order to be effective, the proxy form must reach the registered office of the company at 7 Henderson Street, Blantyre or the Transfer Secretaries, National Bank of Malawi plc, P.O. Box 945, Blantyre or at 7 Henderson Street, Blantyre not later than 48 hours before the meeting.
8. The voting form can be submitted via email on shareholder@presscorp.com or WhatsApp Number (+265) 888 557 888



