



# PRESS CORPORATION LIMITED

EXTRACTS FROM THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

In millions of Malawi Kwacha

| Statements of Comprehensive Income                                | GROUP          |                      |                      | COMPANY       |               |               |
|---|----------------|----------------------|----------------------|---------------|---------------|---------------|
|   | 31/12/12       | 31/12/11<br>Restated | 01/01/11<br>Restated | 31/12/12      | 31/12/11      | 01/01/11      |
| <b>Continuing operations</b>                                      |                |                      |                      |               |               |               |
| Revenue   | 74,544         | 35,305               | -                    | 3,515         | 1,880         | -             |
| Operating profit  | 16,986         | 7,612                | -                    | 2,819         | 891           | -             |
| Net interest (paid)/Received                                      | (1,048)        | (771)                | -                    | (87)          | (70)          | -             |
| Exchange losses   | (6,120)        | (687)                | -                    | (905)         | (190)         | -             |
| Net finance (cost)/income   | (7,168)        | (1,458)              | -                    | (992)         | (260)         | -             |
| Share of profit of equity-accounted                               | 3,421          | 2,439                | -                    | -             | -             | -             |
| Profit before income tax  | 13,239         | 8,593                | -                    | 1,827         | 631           | -             |
| Income tax expense  | (3,738)        | (2,471)              | -                    | (340)         | (177)         | -             |
| Profit for the year from continued                                | 9,501          | 6,122                | -                    | 1,487         | 454           | -             |
| <b>Discontinued operations</b>                                    |                |                      |                      |               |               |               |
| Profit from discontinued operations                               | 12             | 6                    | -                    | -             | -             | -             |
| Profit for the year   | 9,513          | 6,128                | -                    | 1,487         | 454           | -             |
| Total other comprehensive income net of tax                       | 4,275          | 1,053                | -                    | 17,702        | (1,427)       | -             |
| <b>Total comprehensive income for the year</b>                    | <b>13,788</b>  | <b>7,181</b>         | -                    | <b>19,189</b> | <b>(973)</b>  | -             |
| <b>Profit attributable to:</b>                                    |                |                      |                      |               |               |               |
| Equity holders of the company                                     | 6,340          | 3,469                | -                    | 1,487         | 454           | -             |
| Non-controlling interest  | 3,173          | 2,659                | -                    | -             | -             | -             |
|   | 9,513          | 6,128                | -                    | 1,487         | 454           | -             |
| <b>Total comprehensive income attributable to:</b>                |                |                      |                      |               |               |               |
| Equity holders of the company                                     | 10,615         | 4,059                | -                    | 19,189        | (973)         | -             |
| Non-controlling interest  | 3,173          | 3,122                | -                    | -             | -             | -             |
|   | 13,788         | 7,181                | -                    | 19,189        | (973)         | -             |
| <b>Earnings per share</b>   |                |                      |                      |               |               |               |
| Basic and diluted earnings per share (MK)                         | 52.75          | 28.86                | -                    | -             | -             | -             |
| Basic and diluted earnings per share (MK) (continuing operations) | 52.64          | 28.81                | -                    | -             | -             | -             |
| <b>Statements of Financial Position</b>                           |                |                      |                      |               |               |               |
| <b>ASSETS</b>   |                |                      |                      |               |               |               |
| <b>Non-current assets</b>   |                |                      |                      |               |               |               |
| Property, plant and equipment                                     | 67,836         | 50,814               | 49,600               | 1,096         | 414           | 380           |
| Investment properties   | 3,591          | 2,869                | 2,667                | -             | -             | -             |
| Other investments   | 12,467         | 10,690               | 7,917                | 64,566        | 46,806        | 49,467        |
| Loans and advances  | 23,500         | 11,334               | 12,920               | 207           | 4             | 401           |
| Deferred tax assets   | 1,272          | 853                  | 710                  | -             | -             | -             |
|   | 108,666        | 76,560               | 73,814               | 65,869        | 47,224        | 50,248        |
| <b>Current assets</b>   |                |                      |                      |               |               |               |
| Inventories   | 5,715          | 2,147                | 2,319                | 13            | 11            | 8             |
| Loans and advances  | 29,805         | 33,291               | 26,658               | -             | -             | -             |
| Other investments   | 7,802          | 7,737                | 5,358                | -             | -             | -             |
| Trade and other receivables                                       | 37,659         | 17,577               | 18,225               | 263           | 343           | 176           |
| Cash and cash equivalents   | 14,474         | 11,047               | 6,606                | 474           | 18            | 106           |
|   | 95,455         | 71,799               | 59,166               | 750           | 372           | 290           |
| <b>Total assets</b>   | <b>204,121</b> | <b>148,359</b>       | <b>132,980</b>       | <b>66,619</b> | <b>47,596</b> | <b>50,538</b> |
| <b>EQUITY AND LIABILITIES</b>                                     |                |                      |                      |               |               |               |
| <b>Equity</b>   |                |                      |                      |               |               |               |
| Issued capital  | 1              | 1                    | 1                    | 1             | 1             | 1             |
| Share premium   | 2,097          | 2,097                | 2,097                | 2,097         | 2,097         | 2,097         |
| Reserves and retained earnings attributable to equity             | 39,879         | 29,434               | 25,935               | 52,285        | 33,352        | 34,885        |
|   | 41,977         | 31,532               | 28,033               | 54,383        | 35,450        | 36,983        |
| <b>Minority interest</b>  | <b>17,148</b>  | <b>16,384</b>        | <b>14,877</b>        | -             | -             | -             |
| <b>Total equity</b>   | <b>59,125</b>  | <b>47,916</b>        | <b>42,910</b>        | <b>54,383</b> | <b>35,450</b> | <b>36,983</b> |
| <b>Non-current liabilities</b>                                    | <b>19,937</b>  | <b>11,619</b>        | <b>11,760</b>        | <b>10,437</b> | <b>10,690</b> | <b>12,585</b> |
| <b>Current liabilities</b>  |                |                      |                      |               |               |               |
| Bank overdraft  | 2,270          | 2,693                | 2,485                | 109           | 362           | 25            |
| Interest bearing loans and borrowings                             | 90,898         | 69,736               | 59,343               | 753           | 419           | 526           |
| Provisions  | 3,206          | 844                  | 319                  | 384           | 386           | 176           |
| Trade and other payables  | 28,685         | 15,551               | 16,163               | 553           | 289           | 243           |
|   | 125,059        | 88,824               | 78,310               | 1,799         | 1,456         | 970           |
| <b>Total liabilities</b>  | <b>144,996</b> | <b>100,443</b>       | <b>90,070</b>        | <b>12,236</b> | <b>12,146</b> | <b>13,555</b> |
| <b>Total equity and liabilities</b>                               | <b>204,121</b> | <b>148,359</b>       | <b>132,979</b>       | <b>66,619</b> | <b>47,596</b> | <b>50,538</b> |

| Statements of Cash Flows                                | GROUP    |          | COMPANY  |          |
|---|----------|----------|----------|----------|
|   | 31/12/12 | 31/12/11 | 31/12/12 | 31/12/11 |
| <b>Cash flows from/(used in) operating activities</b>   |          |          |          |          |
| Cash generated from/(used in) operations                | 25,148   | 18,174   | (459)    | (599)    |
| Interest and tax paid                                   | (10,853) | (4,509)  | (574)    | (448)    |
| Net cash from/(used in) operating activities            | 14,295   | 13,665   | (1,033)  | (1,047)  |
| <b>Investing activities</b>                             |          |          |          |          |
| Proceeds from sale of property, plant and investments   | 2,964    | 759      | (49)     | 2        |
| Interest received                                       | 1,099    | 186      | 103      | 11       |
| Dividends received                                      | 737      | 182      | 3,391    | 1,769    |
| Additions to property, plant and equipment              | (17,515) | (9,016)  | (759)    | (68)     |
| Acquisition of subsidiary company                       | (1,058)  | -        | -        | -        |
| Net investments and loans                               | (380)    | (3,154)  | -        | -        |
| Net cash (used in)/from investing activities            | (14,243) | (11,043) | 2,686    | 1,714    |
| <b>Financing activities</b>                             |          |          |          |          |
| Proceeds from/(repayment of) long term borrowings       | 5,972    | 3,184    | (383)    | (532)    |
| Dividends paid to shareholders of the Company           | (560)    | (560)    | -        | -        |
| Dividends paid to non-controlling interest shareholders | (1,615)  | (1,012)  | (560)    | (560)    |
| Net cash from/(used in) financing activities            | 3,797    | 1,612    | (943)    | (1,092)  |
| Net increase/(decrease) in cash and cash equivalents    | 3,849    | 4,234    | -        | (425)    |
| Cash and cash equivalents at 1 January                  | 8,355    | 4,121    | (344)    | 81       |
| Closing cash and cash equivalents                       | 12,204   | 8,355    | (344)    | (344)    |

| Statements of Changes in Equity         | GROUP                  |                          |         | GROUP                  |                          |         | COMPANY     |             |
|---|------------------------|--------------------------|---------|------------------------|--------------------------|---------|-------------|-------------|
|   | AS AT 31 DECEMBER 2012 | Non Controlling Interest | Total   | AS AT 31 DECEMBER 2011 | Non Controlling Interest | Total   | 31 DEC 2012 | 31 DEC 2011 |
| Owner's Equity                          | 31,532                 | 16,384                   | 47,916  | 28,033                 | 14,877                   | 42,910  | 35,450      | 36,983      |
| Balance as at 1 January                 | 6,340                  | 3,173                    | 9,513   | 3,469                  | 2,659                    | 6,128   | 1,487       | 454         |
| Comprehensive income for the year       | 4,514                  | 518                      | 5,032   | 507                    | 344                      | 851     | 17,784      | (2,636)     |
| Profit for the year                     | 151                    | (163)                    | (12)    | 83                     | 119                      | 202     | 222         | 1,209       |
| Fair value gains and losses             | -                      | -                        | -       | -                      | -                        | -       | -           | -           |
| Tax on other comprehensive income       | -                      | -                        | -       | -                      | -                        | -       | -           | -           |
| Total comprehensive income for the year | 11,005                 | 3,528                    | 14,533  | 4,059                  | 3,122                    | 7,181   | 19,493      | (973)       |
| Dividend from/(to) equity holders       | (560)                  | (2,764)                  | (3,324) | (560)                  | (1,615)                  | (2,175) | (560)       | (560)       |
| Balance as at 30 June/31 December       | 41,977                 | 17,148                   | 59,125  | 31,532                 | 16,384                   | 47,916  | 54,383      | 35,450      |

| Segmental Performance                  | GROUP              |                    |        |                |                    | Total   |
|--|--------------------|--------------------|--------|----------------|--------------------|---------|
|  | Financial Services | Telecommunications | Energy | Consumer Goods | All other segments |         |
| <b>December 2012</b>                   |                    |                    |        |                |                    |         |
| Revenue                                | 22,151             | 24,852             | 7,075  | 18,848         | 1,618              | 74,544  |
| Operating profit                       | 11,005             | 2,193              | 3,338  | 511            | (61)               | 16,986  |
| Net finance charges                    | -                  | (6,781)            | 223    | 35             | (645)              | (7,168) |
| Income tax                             | (3,418)            | 941                | (929)  | (150)          | (182)              | (3,738) |
| Profit from equity accounted companies | -                  | -                  | -      | -              | 3,421              | 3,421   |
| Profit/(loss) for the year             | 7,587              | (3,647)            | 2,632  | 396            | 2,533              | 9,501   |
| Capital additions                      | 2,968              | 11,246             | 368    | 93             | 1,222              | 15,897  |
| Total assets                           | 125,590            | 49,226             | 7,443  | 4,347          | 17,515             | 204,121 |
| <b>December 2011</b>                   |                    |                    |        |                |                    |         |
| Revenue                                | 11,268             | 18,406             | 4,166  | -              | 1,465              | 35,305  |
| Operating profit                       | 5,236              | 1,692              | 1,729  | -              | (1,045)            | 7,612   |
| Finance charges                        | -                  | (1,062)            | 6      | -              | (402)              | (1,458) |
| Income tax                             | (1,678)            | (37)               | (634)  | -              | (122)              | (2,471) |
| Profit from equity accounted companies | -                  | -                  | -      | -              | 2,439              | 2,439   |
| Profit/(loss) for the year             | 3,558              | 593                | 1,101  | -              | 870                | 6,122   |
| Capital additions                      | 3,134              | 4,156              | 357    | -              | 356                | 8,003   |
| Total assets                           | 90,196             | 38,252             | 5,235  | -              | 14,676             | 148,359 |

**Performance Highlights**  
The Board is pleased to report a consolidated profit after tax of MK9,513 billion (2011: MK6,128 billion) for the year ended 31 December 2012. This represents a 55% increase on prior year. Net profit attributable to ordinary shareholders was MK6,340 billion (2011: MK3,469 billion), representing an 83% increase on prior year. This performance was achieved notwithstanding the challenging business environment that prevailed during the period, characterised by an unstable exchange rate following the adoption of a flexible exchange rate regime, high inflation and high interest rates. As a result the Group suffered an exchange loss amounting to MK6,120 billion. This performance demonstrates the potency of a widely diversified group of companies.

Exceptional results were delivered by companies in the Financial Services, the Agro Industrial, and the Energy Segments, whose earnings more than doubled during the year. The Financial Services Segment registered 133% growth in earnings as a result of improved operating efficiencies and growth in international trade and treasury. Likewise, earnings from the tobacco processing business were 180% up on last year, largely due to increased volumes of tobacco processed occasioned by high carry over stock from the previous period and the effect of exchange gains as tobacco prices are denominated in US Dollars. Similarly the energy segment achieved exceptional results with earnings from ethanol manufacturing increasing significantly above last year. Peoples Trading Centre embarked on a rebranding exercise aimed at rejuvenating the brand to achieve a dominant position in the market. The exercise, which is ongoing, saw the company's earnings increase by 64% over last year.

The Telecommunications Segment was hit the hardest by the devaluation of the Malawi Kwacha consequently the two telephony companies together incurred MK5.71 billion in exchange losses on foreign currency denominated loans relating to their capacity expansion projects. A decision was taken to recapitalize the fixed telephone company and shareholders will be investing \$13 million in the company to optimize its revenue generation.

The fisheries business, which is now disclosed under All Other Segments, continued to make losses mainly due to the decline in fish catches due to changing weather patterns and the inability to produce enough fish from the cages. It is clear that the future for fish business lies in aquaculture and the company has embarked on a project to start growing fish in ponds to complement the existing Cage Culture. During the year, 30 one-hectare ponds were constructed and stocked with fish. The plan is to construct more ponds and to eventually set up integrated aquaculture as the main fish production facility.

**New developments**  
Press Corporation Limited (PCL) exercised its pre-emption rights and bought Metcash Holdings' 50% shareholding in Peoples Trading Centre (PTC). PTC was therefore treated as a wholly owned subsidiary during the period under review.  
Similarly, PCL sold 10% of its shareholding in the Bottling and Brewing Group Limited (BBGL) to its joint venture partner, Carlsberg Denmark A/S. The transaction effectively reduced PCL's shareholding to 39.65% from 49.57%. BBGL is therefore now an associated company and was accounted for as such during the period.

**Changes in accounting standards**  
During the year under review, the International Accounting Standards Board (IASB) issued International Financial Reporting Standard (IFRS) 11, *Joint Arrangements* to replace International Accounting Standard (IAS) 31, *Interest in Joint Ventures*. IFRS 11 effectively abolished proportional consolidation and provides that jointly owned companies now be equity accounted. The IFRS was effective from 1st January 2013 but PCL opted for early adoption. Thus during the period, jointly owned companies were equity accounted with PCL only accounting for its share of profits. Comparatives for 2011 were restated accordingly. The application of IFRS 11 has necessitated changes to PCL's reporting segments with the Food and Beverages Segment being dropped all together as companies in that segment are now equity accounted. Prior year comparatives were restated accordingly.

**Dividends**  
An interim dividend for the year 2012 of MK200 million (2011: MK200 million) representing MK1.66 per share (2011: MK1.66 per share) was paid on 24 October 2012 and the directors have proposed a final dividend for the year 2012 of MK420.7 million (2011: MK360.6 million) representing MK3.50 per share (2011: MK3.00 per share). A resolution to approve the final dividend will be tabled at the forthcoming Annual General Meeting.

**Future Prospects**  
Prospects for 2013 look bright. The Group is well positioned for growth and expansion in new profitable business areas. Projections are that the Malawi Economy will begin to stabilize in the second half of 2013 after tobacco sales. Going forward, we see a great business opportunity in power generation. Investment in the Energy Sector is a potential key growth area for the Group.

**Mr. Clement Chilingulo**  
Chairman  
28th March 2013

**Dr. M. A. P. Chikonda**  
Group Chief Executive

**AUDITOR'S REPORT TO THE MEMBERS OF PRESS CORPORATION LIMITED**  
The accompanying summarised consolidated and separate financial statements, which comprise the summarised statements of financial position as at 31 December 2012 and the summarised statements of comprehensive income, the summarised statements of changes in equity and the summarised statements of cash flows for the year then ended, are derived from the audited financial statements of Press Corporation Limited for the year ended 31 December 2012. We expressed an unmodified opinion on those financial statements in our report dated 28 March 2013. These financial statements, and the summarised financial statements, do not reflect the effect of events that occurred subsequent to the date of our report on those financial statements.

The summarised financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summarised financial statements, therefore, is not a substitute for reading the audited financial statements of Press Corporation Limited.

**Directors' Responsibility for the summarised Financial Statements**  
The directors are responsible for the preparation of the summarised financial statements in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the Companies Act, 1984.

**Auditors' Responsibility**  
Our responsibility is to express an opinion on the summarised financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, 'Engagements to Report on Summary Financial Statements.'

**Opinion**  
In our opinion, the summarised consolidated and separate financial statements derived from the audited financial statements of Press Corporation Limited for the year ended 31 December 2012 are consistent, in all material respects, with those financial statements, in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), and the Companies Act, 1984.

**Deloitte.**  
Public Accountants  
28 March 2013  
Blantyre, Malawi