



# PRESS CORPORATION LIMITED

## EXTRACTS FROM THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

### FINANCIAL STATEMENTS

In millions of Malawi Kwacha

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		Restated December 2008
		2009
<b>Continuing operations</b>		
Revenue	47,560	43,614
Operating profit	8,349	7,927
Net financing costs	(449)	(535)
Share of associated companies profit after tax	658	568
Profit before tax	8,578	7,960
Income tax expense	(2,941)	(2,274)
Profit for the year from continuing operations	5,637	5,686
Loss for the year from discontinued operations	33	(23)
<b>Profit for the year</b>	<b>5,670</b>	<b>5,663</b>
<b>Total other comprehensive income:</b>	<b>128</b>	<b>1,455</b>
<b>Total comprehensive income for the year</b>	<b>5,798</b>	<b>7,118</b>
<b>Profit attributable to:</b>		
Equity holders of the company	3,273	3,140
Non-controlling interest	2,527	2,523
<b>Total comprehensive income attributable to:</b>	<b>5,670</b>	<b>5,663</b>
Equity holders of the company	3,384	4,270
Non-controlling interest	2,414	2,848
<b>Profit for the year</b>	<b>5,798</b>	<b>7,118</b>
<b>Earnings per share</b>		
Basic earnings per share (MK)	27.23	27.67
Diluted earnings per share (MK)	27.23	26.12
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	42,495	34,458
Investments	5,287	6,955
Loans and advances	12,662	6,571
Deferred tax assets	770	1,052
<b>Current assets</b>	<b>61,234</b>	<b>48,136</b>
Inventories	3,746	3,892
Loans and advances	23,076	18,236
Other investments	11,279	12,737
Trade and other receivables	12,971	16,084
Cash and cash equivalent	11,095	6,916
<b>Total assets</b>	<b>123,681</b>	<b>106,011</b>
<b>EQUITY AND LIABILITIES</b>		
Equity		
Issued capital	1	1
Share premium	2,097	2,097
Reserves	22,513	19,424
Equity attributable to equity holders of the parent	24,611	21,522
Minority interest	13,795	13,131
<b>Total equity</b>	<b>38,406</b>	<b>34,653</b>
<b>Non-current liabilities</b>	<b>11,369</b>	<b>11,208</b>
<b>Current liabilities-</b>		
Bank overdraft	2,117	730
Interest bearing loans and borrowings	53,724	46,164
Provisions	541	534
Trade and other payables	17,524	12,722
<b>Total liabilities</b>	<b>73,906</b>	<b>60,150</b>
<b>Total equity and liabilities</b>	<b>123,681</b>	<b>106,011</b>
<b>CONSOLIDATED STATEMENT OF CASH FLOWS</b>		
<b>Cash flows from operating activities</b>		
Cash (utilised)/generated from operations	17,261	13,046
Interest and tax paid	(4,217)	(3,575)
Net cash from operating activities	13,044	9,471
<b>Investing activities</b>		
Proceeds from sale of property, plant & investments	169	123
Interest received	166	225
Additions to property, plant & equipment	(11,576)	(8,179)
Disposal/(acquisition) of subsidiary net of cash	37	-
Net investments and loans	1,656	(2,129)
Net cash from/(to) investing activities	(9,548)	(10,050)
<b>Financing activities</b>		
Proceeds from issue of share capital	-	1,997
Proceeds from/(payment of) long term borrowing	1,341	(247)
Dividend paid to shareholders	(295)	(473)
Dividends paid to minorities	(1,750)	(1,216)
Net cash inflow/(outflow) from financing activities	(704)	61
Net (decrease)/increase in cash and cash equivalents	2,792	(517)
Opening cash and cash equivalents	6,186	6,703
Closing cash and cash equivalents	8,978	6,186
<b>SHARE PERFORMANCE</b>		
Average weighted number of shares in issue(M)	120.20	113.40
Basic earnings per share	27.23	27.67
Diluted earnings per share	27.23	26.12
Dividend per share (MK)	2.45	4.17
Net asset value per share (MK)	319.52	305.58

### SEGMENTAL REPORT

CONSOLIDATED SEGMENTAL REVENUE	Real Property & Investment	Food and beverages	Retail and consumer products	Financial services	Telecommunications	Discontinued operations	Total
Total sales	308	862	46,860	7,893	15,582	0	71,505
Less - Inter Group & 50% Joint Venture	(102)	-	(23,350)	(158)	(335)	0	(23,945)
<b>Sales to external customers</b>	<b>206</b>	<b>862</b>	<b>23,510</b>	<b>7,735</b>	<b>15,247</b>	<b>-</b>	<b>47,560</b>
<b>Operating income</b>							
Operating profits	(355)	50	1,915	5,693	1,066	-	8,369
Net financing costs	(58)	(23)	(69)	-	(299)	-	(449)
Share of profit of associates	658	-	-	-	-	-	658
Income tax expense	(171)	(42)	(616)	(1,821)	(291)	-	(2,941)
Profit from discontinued operations	-	-	-	-	-	33	33
<b>Profit for the year</b>	<b>74</b>	<b>(15)</b>	<b>1,230</b>	<b>3,872</b>	<b>476</b>	<b>33</b>	<b>5,670</b>
<b>Assets</b>							
Total assets	45,974	2,101	16,442	76,229	31,413	161	172,320
Less - Inter Group & 50% Joint Venture	(36,522)	(419)	(6,382)	(4,921)	(363)	(32)	(48,639)
<b>Consolidated total assets</b>	<b>9,452</b>	<b>1,682</b>	<b>10,060</b>	<b>71,308</b>	<b>31,050</b>	<b>129</b>	<b>123,681</b>
<b>Liabilities</b>							
Total liabilities	4,657	1,071	10,440	64,283	14,269	239	94,959
Less - Inter Group & 50% Joint Venture	(170)	(460)	(3,406)	(4,123)	(185)	(140)	(9,684)
<b>Consolidated total liabilities</b>	<b>4,287</b>	<b>611</b>	<b>6,034</b>	<b>60,160</b>	<b>14,084</b>	<b>99</b>	<b>85,275</b>
<b>Consolidated segmental cash flow statements</b>							
Cash flows from operating activities	(1,600)	(9)	1,734	8,202	2,788	(27)	11,087
Cash flows from investing activities	957	(187)	(2,000)	(1,794)	(6,887)	45	(9,467)
Cash flows from financing activities	(776)	(64)	2,130	(1,645)	(1,384)	17	1,047
<b>Capital additions</b>	<b>329</b>	<b>226</b>	<b>677</b>	<b>3,575</b>	<b>6,680</b>	<b>-</b>	<b>11,487</b>

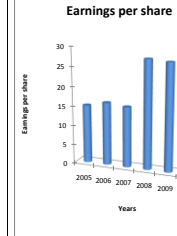
### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued capital	Share premium	Other reserves	Retained earnings	Equity and reserves	Non-Controlling interest	Total
Balance as at 1 January 2009	1	2,097	10,055	9,399	21,522	13,131	56,655
<b>Total comprehensive income for the year</b>							
Profit for the year	-	-	-	3,273	3,273	2,397	5,670
<b>Comprehensive income for the year</b>							
Foreign exchange translation difference	-	-	6	-	6	-	6
Fair value gains and losses	-	-	109	(9)	100	(49)	51
Transfer on reserves	-	-	120	(120)	-	-	-
Reversal of accumulated depreciation	-	-	(253)	253	-	-	-
Depreciation transfer	-	-	(30)	30	-	-	-
Assets disposal	-	-	(24)	-	(24)	-	(24)
Income tax on other comprehensive income	-	-	20	-	20	66	95
<b>Total comprehensive income for the year</b>							
Dividend to equity holders	-	-	(43)	154	111	17	128
<b>Transactions with owners, recorded directly to equity</b>							
Dividend to equity holders	-	-	(295)	(295)	-	(1,750)	(2,045)
<b>Balance as at 31 December 2009</b>	<b>1</b>	<b>2,097</b>	<b>9,982</b>	<b>12,531</b>	<b>24,611</b>	<b>13,795</b>	<b>38,406</b>

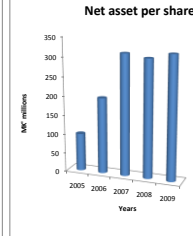
### Annual Financial Highlights



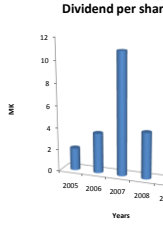
### Earnings per share



### Net asset per share



### Dividend per share



### RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

The board is pleased to report consolidated profit after tax of MK6.67 billion (2008: MK5.663 billion) for the year ended 31 December 2009. This performance was achieved against difficult macro-economic conditions. Persistent forex shortages and erratic fuel supply, coupled with the generally low discretionary spending power among the rural masses had a huge negative impact on most of our businesses.

The **Financial Services Segment** earned MK3.87 billion (2008: MK3.15 billion), an increase of 22%. This was mainly due to greater operating efficiencies arising from the major restructuring exercise, which has placed greater emphasis on better client relationship management, effective cost control, and new product development.

The **Food and Beverage segment** (this excludes the Bottling and Brewing Group Limited which is covered below under "Investment in Associated Companies") made a loss of MK15m (2008: MK147 million profit), a decrease of about 111%. Maledico fisheries' operations were brought to a halt in the last quarter due to fuel shortage that hit the nation during the period, while the fish farming division incurred huge losses due to shortage of a major ingredient of fish feed as a result of persistent forex shortages.

The **Retail and Consumer Goods segment** registered earnings of MK1.23 billion (2008: MK1.87 billion), a decrease of 35%. The oil distribution business lost sales volumes due to fuel supply shortages. The Ethanol manufacturing business had a good year after successfully revamping the Dwaangwa plant. Profits before tax were well above planned performance but lower than prior year because 2008 profits included a one-off impairment reversal amounting to K224 million. The steel processing and distribution business suffered from falling global steel prices that created pressure on margins.

The **Telecommunication segment** earned MK476 million (2008: MK627 million), an increase of about 15%. Telkom Networks Malawi Limited (TNM), previously treated as an associated company, has been consolidated for the first time following determination of PCL's effective control of the company. Last year's comparatives have been restated accordingly.

Results of both the fixed line and the Mobile telephone operations were below plan due to capacity constraints. Planned investments to expand the networks were significantly delayed due to forex shortages. Equipment importation had to be scheduled according to Reserve Bank of Malawi approvals and this caused undue delays in the implementation of projects. Going forward, prospects to grow revenues in both companies look good. The fixed line company successfully implemented CDMA network expansion and also completed the first phase of Fibre Optic Cable (FOC). TNM is in the process of implementing its network expansion project. The project is expected to be completed during 2010.

**Investments in associated companies** earned MK658 million (2008: MK568 million), an increase of about 16%. The Bottling and Brewing Group Limited continued to experience strong growth in sales and earnings resulting in product shortages during peak periods. Significant investment is planned for the year 2010 to increase capacity and efficiencies.

Limbe Leaf Tobacco Company Limited remained profitable during the year having fully recovered from the restructuring losses it suffered in the previous years.

### Other developments

PGI was divested during the year, in line with PCL corporate strategy, of creating value by investing in businesses that are significant.

### DIVIDENDS

A final dividend for the year 2009 of K120.2 million (K1 per share) was paid during the year.

An interim dividend for the year 2009 of MK175 million representing MK1.45 per share was paid on 27 October 2009. Directors have approved payment of a second interim dividend for the year 2009 of MK120.2 representing K1.00 per share to be paid on 30th April 2010.

Directors have proposed a final dividend for the year 2009 of MK240.4 million representing K2.00 per share (2008: MK1.00 per share). A resolution to approve the final dividend will be tabled at the forth coming Annual General Meeting.

Mr. Dean Lungu  
Chairman

Blantyre: 26 March 2010

Dr. M. A. P. Chikaonda  
Group Chief Executive



### AUDITOR'S REPORT TO THE MEMBERS OF PRESS CORPORATION LIMITED AND ITS SUBSIDIARIES

We have audited the consolidated financial statements of Press Corporation Limited and its subsidiaries (the Group) for the year ended 31 December 2009 from which the accompanying summarised financial statements were derived, in accordance with International Standards on Auditing. In our report dated 24th March 2010 we expressed an unqualified opinion on the financial statements from which the summarised financial statements were derived.

In our opinion, the summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the Group's financial position and the results of its operations for the year and of the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which they were derived and our full audit report thereon.

KPMG  
Certified Public Accountants and Business Advisors  
Blantyre, Malawi  
26 March 2010