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THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Shareholders are referred to page 2 of this circular, which sets out the action required of them with regard to the rights offer, full details of which are set out in this circular. If you are in any doubt as to the action that you should take, please consult your stockbroker, banker, legal advisor, accountant or other professional advisor immediately.

If you have disposed of all of your Press Corporation shares, this circular and the form of instruction should be forwarded to the purchaser to whom, or the broker or agent through whom you disposed of your Press Corporation shares except that this circular and form of instruction should not be forwarded or transmitted by you to any person in any territory other than Malawi unless the rights offer can lawfully be made to such person or in such territory.

The shares issued in terms of the rights offer will not be registered for purposes of the rights offer with the Securities and Exchange Commission, Washington, D.C., the Canadian Provincial Securities Commission, or the Australian Securities Commission under the Australian Corporation Law, as amended. Accordingly, the rights offer will not be made to or be open for acceptance by persons with registered addresses in the United States of America or any of its territories, dependencies, possessions or commonwealths or in the District of Columbia or in the Dominion of Canada or in the Commonwealth of Australia, its states, territories or possessions.

Only whole numbers of Press Corporation shares will be issued in terms of the rights offer and shareholders will be entitled to rounded numbers of shares once the ratio of entitlement has been applied.

The form of instruction enclosed with this is negotiable and may be traded on the MSE.



PRESS CORPORATION LIMITED

(Incorporated in the Republic of Malawi)

(Registration number 2395)

(Share code: PCL)

("Press Corporation" or "the Company")

CIRCULAR TO SHAREHOLDERS OF PRESS CORPORATION

relating to:

- a renounceable rights offer of 10 021 318 Press Corporation shares at an issue price of MK209.00 per share, in the ratio of 1 rights offer share for every 11 Press Corporation shares held at the close of business on 25 June 2008; and
- enclosing a form of instruction in respect of a letter of allocation.

Rights offer opens at 9.00 am on
Rights offer closes at 3.00 pm on

30 June 2008
25 July 2008

The directors of Press Corporation whose names appear on page 38 of this circular, collectively and individually accept full responsibility for the accuracy of the information given in this circular and certify that, to the best of their knowledge and belief, there are no facts the omission of which would make any statement in this circular false or misleading and that they have made all reasonable inquiries to ascertain such facts and that this circular contains all information required in law and by the Listings Requirements.

The Standard Bank of Malawi Limited is acting for Press Corporation and no one else in relation to the preparation of this circular and will not be responsible to anyone other than Press Corporation in relation to the preparation of this circular.

This circular is available in English only.

Additional copies of the Circular can be obtained from the registered office of Press Corporation, the transaction sponsor and the transfer secretaries whose addresses are set out in the "Corporate information and advisors," section of this Circular as well as in electronic form from the Company's website (www.presscorp.com) from 4 July 2008 up to and including 25 July 2008.

**Financial advisor to
Press Corporation**



**Legal advisor to Press
Corporation**



Savjani & Co.

**Independent reporting
accountants to
Press Corporation**



**Sponsor to
Press Corporation**



CORPORATE INFORMATION AND ADVISORS

Company secretary and registered office

CJ Evans
7th Floor, Chayamba Building
Victoria Avenue
PO Box 1227
Blantyre, Malawi

Date of incorporation

3 October 1983

Place of incorporation

Malawi

Financial advisor

The Standard Bank Limited
Corner Victoria Avenue and Glyn Jones Road
Kaomba Centre
PO Box 1111
Blantyre, Malawi

Auditors

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

Underwriters

Standard Bank Limited
Kaomba Centre
Corner Sir Glyn Jones Road and Victoria Avenue
PO Box 1111
Blantyre

Nedbank Malawi Limited
1st Floor, Development House
Victoria Avenue
PO Box 750
Blantyre

INDEBank Limited
Top Mandala
Kaohsiung Road
PO Box 358
Blantyre

Receiving Bank

Standard Bank Limited
Kaomba Centre
Corner Sir Glyn Jones Road and Victoria Avenue
PO Box 1111
Blantyre

Transfer Secretaries

Financial Management Services Department
National Bank of Malawi Limited
Corner Victoria Avenue and Henderson Street
PO Box 1438
Blantyre, Malawi

Sponsor

Stockbrokers Malawi Limited
Ground Floor
Able House
Corner Hannover Avenue and Chilembwe Road
PO Box 31180
Blantyre, Malawi

Legal advisor

Savjani & Co
Hannover House
PO Box 2790
Blantyre, Malawi

Depository

Deutsche Bank Trust Company
60 Wall Street
New York, NY 10005
United States

Underwriters

NICO Holdings Limited
NICO House
3 Stewart Street
PO Box 501
Blantyre

ECObank Limited
Victoria Avenue
Private Bag 389
Blantyre 3

Mpatsa Trust
Mpatsa House
Chilembwe Road
PO Box 3055
Blantyre

Receiving Bank

National Bank of Malawi Limited
19 Victoria Avenue
PO Box 945
Blantyre

TABLE OF CONTENTS

	Page
CORPORATE INFORMATION AND ADVISORS	Inside front cover
ACTION REQUIRED BY PRESS CORPORATION SHAREHOLDERS	2
IMPORTANT DATES AND TIMES	3
DEFINITIONS	4
CIRCULAR TO PRESS CORPORATION SHAREHOLDERS	
1. Introduction	6
2. Rationale for the rights offer	6
3. Press Corporation profile	6
4. Staff	13
5. Directors	14
6. Financial information	17
7. Share capital	24
8. Particulars of the rights offer	25
9. General	29
ANNEXURE 1 Table of entitlement	31
ANNEXURE 2 Information on the underwriters	32
ANNEXURE 3 Trading history of Press Corporation shares on the MSE	34
ANNEXURE 4 Reporting Accountants' Report	36
ANNEXURE 5 Extracts from memorandum and Articles of Association	86

SALIENT FEATURES OF THE RIGHTS ISSUE

1. ACTION REQUIRED BY PRESS CORPORATION SHAREHOLDERS

If you are in any doubt as to what action you should take, you should consult your broker, banker, legal advisor, accountant or other professional advisor immediately.

If you have disposed of all your Press Corporation shares, please forward this document, together with the enclosed form of instruction, to the purchaser of such shares or the broker or other agent through whom you disposed of such shares.

Action required by holders of certificated shares

If you are a qualifying shareholder, a form of instruction for completion by such Press Corporation shareholders is enclosed with this circular and the relevant procedure for participation in the rights offer is set out below.

If you do not wish to subscribe for all of the rights allocated to you as reflected in the form of instruction, you may either dispose of or renounce all or part of your entitlement as follows:

- if you wish to sell all or part of your entitlement, you must complete Form A in the enclosed form of instruction and return it to your broker or the transfer secretaries to be received by no later than 3:00 pm on 23 July 2008. Note that your broker or the transfer secretaries will endeavour to procure the sale of rights on the MSE on your behalf and to remit the net proceeds thereof in accordance with your instructions. In this regard, none of your broker, the transfer secretaries and Press Corporation will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising from the timing of such sales, the price obtained, or the failure to dispose of such entitlements; and
- if you wish to renounce your entitlement in favour of any named renounee, you must complete Form B in the enclosed form of instruction, and the renounee must complete Form C in the enclosed form of instruction and return it to the transfer secretaries, to be received by no later than 3:00 pm on 23 July 2008, together with a cheque or bank draft for the appropriate amount.

If you are a qualifying shareholder and wish to subscribe for all or part of your entitlement in terms of the enclosed form of instruction, you must complete the enclosed form of instruction in accordance with the instructions contained therein and lodge it, together with the amount due in kwacha, with the transfer secretaries as follows:

By hand to:

Press Corporation Limited – Rights offer
Financial Management Services Department
National Bank of Malawi Limited
Corner Victoria Avenue and Henderson Street
Blantyre, Malawi

By post to:

Press Corporation Limited – Rights offer
Financial Management Services Department
National Bank of Malawi Limited
PO Box 1438
Blantyre, Malawi

so as to be received by the transfer secretaries by no later than 3:00 pm on 25 July 2008.

If the required documentation and payment has not been received in accordance with the instructions contained in the enclosed form of instruction (either from the qualifying shareholders or from any person in whose favour the rights have been renounced) by 3:00 pm on 25 July 2008, then the rights to those unsubscribed shares will be deemed to have been declined and the rights offer entitlement will lapse.

2. **IMPORTANT DATES AND TIMES**

Last day to trade in Press Corporation Shares in order to participate in the rights offer (Record date for the rights issue)	25 June 2008
Rights Offer opens at 9:00 am; Listing of and trading in Letters of Allocation on the MSE commences; Securities listed ex-rights	30 June 2008
Last day for trading Letters of Allocation on the MSE	23 July 2008
Rights offer closes at 3:00 pm	25 July 2008
Listing of rights offer shares and trading therein on the MSE commences	28 July 2008
Rights offer shares issued and posted to holders of certificated shares on or about	8 August 2008
Results of the rights offer published in the press	8 August 2008

Times are Malawi times.

3. **PURPOSE OF THE RIGHTS ISSUE**

The Board of Press Corporation Limited has resolved to proceed with the rights offer in order to raise an amount of approximately MK2 billion in order to recapitalise the company subsequent to investments made during the past six years and to enable the Company to enable certain of its subsidiaries or operations to undertake capital expenditure programmes.

4. **TERMS OF THE RIGHTS ISSUE**

Press Corporation hereby offers a total of 10 021 318 Press Corporation shares for subscription, upon the terms and conditions set out in this circular, as set out in the form of instruction, by way of renounceable rights offer, at a subscription price of MK209.00 per Press Corporation share on the basis of 1 rights offer shares for every 11 Press Corporation shares held by shareholders at the close of trade on the record date for the rights offer. The rights offer will raise approximately MK2 billion.

Qualifying shareholders recorded in the register of Press Corporation at the close of business on 25 June 2008 will be entitled to participate in the rights offer.

Shareholders who wish to apply for rights offer shares in addition to those allocated to them in terms of the rights offer are referred to paragraph 8.9 of this Circular which sets out the procedure to be followed in applying for additional rights offer shares as provision has been made for excess applications in terms of the rights offer.

The subscription price is payable in full, in Malawi Kwacha, by qualifying shareholders holding shares on acceptance of the rights offer.

The rights offer shares will, upon allotment and issue, rank *pari passu* with all other existing ordinary shares in terms of both voting rights and dividends.

The rights offer is fully underwritten as detailed in paragraph 8.6 of this Circular

SHARE CAPITAL STRUCTURE OF PRESS CORPORATION LIMITED BEFORE AND AFTER THE RIGHTS ISSUE

Share Capital before the Rights Offer

Authorised share capital (nominal value)	MK25.0748 million
Authorise share capital (number of ordinary shares)	2 507 480 000
Nominal value of each ordinary share	MK0.01
Current issued and fully paid ordinary share capital (number of shares)	110 234 502
Current issued and fully paid ordinary share capital (nominal value)	MK1.102 million

Share Capital after the Rights Offer

Authorised share capital (nominal value)	MK25.0748 million
Authorise share capital (number of ordinary shares)	2 507 480 000
Number of ordinary shares to be issued in terms of the rights offer	10 021 318
Nominal value of each ordinary share	MK0.01
Current issued and fully paid ordinary share capital (number of shares)	120 255 820
Current issued and fully paid ordinary share capital (nominal value)	MK1.203 million

DEFINITIONS

Throughout this circular and the annexures hereto, unless the context indicates otherwise, the words in the column on the left below shall have the meaning stated opposite them in the column on the right below, reference to the singular shall include the plural and *vice versa*, words denoting one gender include the other and words, and expressions denoting natural persons include juristic persons and associations of persons:

“the Act”	the Companies Act (Cap.46:03) of the Laws of Malawi;
“Articles”	the Articles of Association of the Company;
“the board” or “the directors”	the board of directors of Press Corporation;
“business day”	any day of the week, excluding Saturdays, Sundays and all official Malawi public holidays;
“this circular” or “this document”	this bound document, dated 27 June 2008, and incorporating a form of instruction, where applicable;
“documents of title”	share certificates, certified transfer deeds, balanced receipts, or any other documents of title as the case may be;
“form of instruction”	a form of instruction in respect of the letter of allocation;
“kwacha” or “MK”	kwacha, the legal tender of Malawi;
“last practicable date”	the last practicable date prior to the finalisation of this circular;
“letter of allocation”	a renounceable (nil paid) letter of allocation in physical form relating to the rights offer;
“Listings Requirements”	the Listings Requirements of the MSE, as amended from time to time by the MSE;
“the MSE”	the Malawi Stock Exchange, a company limited by guarantee operating under the Capital Market Development Act (Cap 46.06) of the Laws of Malawi, and the Act;
“Press Corporation” or “the Company”	Press Corporation Limited, registration number 2395, a company incorporated in Malawi under the Act and listed on the MSE and as a Global Depositary Receipt on the London Stock Exchange plc;

“the Press Corporation Group”	Press Corporation and its subsidiaries;
“qualifying shareholder”	a registered holder of Press Corporation shares on the register of shareholders of Press Corporation as at the record date for the rights offer and which does not have its registered address in any jurisdiction in which it would be unlawful to make the rights offer;
“the ratio of entitlement”	the number of rights offer shares to which shareholders are entitled in terms of the rights offer, being 1 rights offer share for every 11 Press Corporation shares held on the record date for the rights offer and/or such proportionate lower number of shares in respect of a holding of less than 100 Press Corporation shares held on the record date for the rights offer;
“the record date for the rights offer”	the last day for shareholders to be recorded in the register in order to participate in the rights offer, being close of business on 25 June 2008;
“rights”	the entitlement to subscribe for Press Corporation shares pursuant to the rights offer;
“the rights offer”	the rights offer of 10 021 318 shares in Press Corporation at the rights offer share price in the ratio of 1 rights offer share for every 11 Press Corporation shares held on the record date for the rights offer;
“the rights offer share price”	the price per new Press Corporation share to be offered to Press Corporation shareholders in terms of the rights offer, being MK209.00 per Press Corporation share;
“the rights offer shares”	the 10 021 318 Press Corporation shares, which are the subject of the rights offer;
“shareholders” or “Press Corporation shareholders”	registered holders of Press Corporation shares;
“shares” or “Press Corporation shares”	ordinary shares of par value of MK0.01 each in the issued share capital of the Company;
“Malawi”	the Republic of Malawi;
“Standard Bank”	the Standard Bank of Malawi Limited (Registration number 1246), a public company incorporated in Malawi and listed on the MSE;
“transfer secretaries”	National Bank of Malawi, a financial services company incorporated in Malawi and listed on the MSE, registration number 1248;
“the underwriters”	NICO Holdings Limited, Standard Bank Limited, Nedbank Malawi Limited, ECObank Limited, INDEBank Limited and Mpatsa Trust; and
“the underwriting agreement”	the agreement entered into between Press Corporation and the underwriters, dated 20 June 2008, in terms of which the underwriters agree, subject to certain limitations, to subscribe for the rights offer shares that are not taken up by shareholders in terms of the proposed rights offer, by the underwriters in their designated proportions which are set out in paragraph 8.6 of this circular.



PRESS CORPORATION LIMITED

(Incorporated in the Republic of Malawi)
(Registration number 2395)

Directors

Mr Dean C Lungu (*Chairman*)
Dr Mathews A P Chikaonda (*Group Chief Executive*)
Mr Andrew G Barron
Mr Clement S Chilingulo
Mr Simon A Itaye
Mrs Maureen Kachingwe
Mr Pius P Mulipa
Mr James A Regout

CIRCULAR TO PRESS CORPORATION SHAREHOLDERS

1. INTRODUCTION

Press Corporation plans to undertake a recapitalisation by way of a fully underwritten rights offer for an amount of approximately MK2 billion. In terms of the rights offer, Press Corporation shareholders recorded in the register at the close of trade on 25 June 2008 will receive rights to subscribe for rights offer shares on the basis of 1 right for every 11 Press Corporation shares held, for subscription at MK209.00 per rights offer share. Only whole numbers of shares will be issued and Press Corporation shareholders will be entitled to rounded numbers of shares once the ratio has been applied.

2. RATIONALE FOR THE RIGHTS OFFER

The board has resolved to proceed with the rights offer in order to raise an amount of approximately MK2 billion for the recapitalisation of the company following major investments which have been made during the past six years. These investments include the acquisition of 80% of Malawi Telecommunications Limited (MTL) through Telecom Holdings Limited, a consortium in which Press Corporation has a 62.63% stake, increased stake in TNM Limited, establishment of the second Ethanol production plant, and the fish farming project. These investments were financed to a large extent from internal sources supplemented by external borrowings.

Currently MTL requires substantial capital expenditure to modernise and expand its infrastructure. As the company is currently applying its cash resources towards the capital expenditure it is not expected to provide cash flow returns to the Holding company for the time being. Further capital expenditure is also required to complete the infrastructure in the fish-farming project under Maldeco Aquaculture Limited. These entities together with the second Ethanol distilling complex which has now turned-around and the increased stake in TNM are expected to start making significant contributions to the Group's earnings and cash flow within two years.

3. PRESS CORPORATION PROFILE

3.1 Background and history

The predecessor to the company was established in 1961 by the late Dr H Kamuzu Banda, the former Head of State of the Republic of Malawi, when he established Malawi Press Limited which printed The Malawi News Newspaper. After Malawi gained its independence in 1966, Malawi Press Limited was re-incorporated as Malawi Press (1966) Limited and became an investment company.

In 1969 the Company invested in its first venture, Press Farming, and later that year all Press investments were incorporated under a new holding company, Press (Holdings) Limited ("Press Holdings"). By 1979, Press Holdings had interests in 17 subsidiary companies and 23 associated companies, with its rapid expansion having been fuelled by heavy short-term borrowing. By July 1980, the company's obligations amounted to MK100 million. A loss of MK12 million in 1980 brought the company to the brink of collapse.

After negotiations with bilateral donors, the World Bank and the International Monetary Fund, a new company, Press Group Limited, was incorporated on 27 February 1984 in Blantyre as a holding company. Press Corporation Limited, a wholly owned subsidiary of Press Group Limited, was incorporated on 27 February 1984. Majority ownership of the company was vested in Press Group Limited, which was owned in turn by Press Trust, a charitable organisation incorporated on 5 March 1982 under the Press Trust Deed.

A period of double-digit growth ensued: between 1983 and 1993, the company's performance improved from a loss of MK12 million in 1983 to pre-tax profits of MK177 million in 1993, and shareholders' funds increased from MK4 million to MK567 million over the same period. In 1993, the company repaid the debt it had assumed from Press Holdings. After disposing of its agricultural operations, Press Corporation Limited listed on the MSE in 1998 and global depositary receipts are traded on the London Stock Exchange plc.

Over the last ten years, Press Corporation has maintained its leadership role in the private sector through divestiture of loss-making operations, focus on the profitable operations to ensure maintenance and growth of market share and continued exploration of viable investment opportunities in such sectors as telecommunications and fishing to strengthen the Group's portfolio of investments and enhance its revenues streams.

Press Corporation invested in a second Ethanol distilling complex in Chikwawa under PressCane Limited, which began operation in June 2005.

The beverage companies comprising: Carlsberg Malawi Brewery Limited, Southern Bottlers Limited and Malawi Distilleries Limited were re-organised under one holding company called The Bottling and Brewing Group Limited during 2003. In 2006 Malawi Distilleries Limited was brought under the Bottling and Brewing Group to complete the re-organisation of the Beverages segment of the Group.

A fish-farming project was initiated under Maldeco Aquaculture Limited and was launched on 23 February 2006 by the State President of the Republic of Malawi, His Excellency Dr Bingu wa Mutharika in line with Government's Presidential Initiative on Aquaculture development. Phase one of the project involved the construction of ponds, pipelines and floating cages. This is the first large scale fish breeding project in Malawi and after completion, more than 3,000 metric tonnes of chambo (tilapia) are expected to be harvested yearly.

The acquisition of Malawi Telecommunications Limited (MTL), the current sole fixed line telephone operator in the country, was concluded through a consortium called Telecom Holdings Limited (THL) in which Press Corporation has the majority shareholding of 62.63%. The acquisition of 80% of shares in Malawi Telecommunications Limited (MTL) by THL effectively gave Press Corporation a 50.1% indirect shareholding in MTL, making it a subsidiary of the Group. MTL had a 40% stake in the mobile telephone operator – Telekom Networks Malawi Limited (now called TNM Limited). In 2007, the acquisition of the remaining 60% of Telekom Networks Malawi Limited by MTL Mobile Limited gave Press Corporation Limited an effective 37.6% shareholding in TNM.

Other restructuring moves during the last ten years include the divestiture from Commercial Bank of Malawi now Standard Bank Limited, disposal of Malawi Pharmacies Limited, Enterprise Containers, Press Bakeries and Press Corporation's interest in National Insurance Company Limited. Following the disposal of its stake in Commercial Bank of Malawi, Press Corporation Ltd increased its shareholding in National Bank of Malawi resulting in the bank becoming a subsidiary of PCL in 2002.

The operations of Malawi Pharmacies Limited and Tambala Food Products (Part of The Foods company Limited) was sold to consortia of Malawian businessmen in 2005. Press Clothing and Textiles (Pty) Limited was liquidated in 2005 in a members' voluntary liquidation after the company had been dormant for several years.

3.2 Underlying investments

Press Corporation holds investments in a range of companies, which operate in a variety of industries.

Company	Sector	Press Corporation's interest percentage
Bottling & Brewing Group Limited	Food and beverage	44.0
BP Malawi Limited	Retail and consumer products	50.0
Ethanol Company Limited	Retail and consumer products	66.0
Hardware and General Dealers Limited	Retail and consumer products	100.0
Limbe Leaf Tobacco Company Limited	Food and beverage	42.0
MacSteel Malawi Limited	Retail and consumer products	50.0
Malawi Telecommunications Limited	Communications	50.1
Maldeco Aquaculture Limited	Food and beverage	100.0
National Bank of Malawi Limited	Financial services	51.8
People's Trading Centre Limited	Retail and consumer products	50.0
PressCane Limited	Retail and consumer products	50.1
Press Management Services Limited	Real property and investment	100.0
Telecom Holdings Limited	Communications	62.6
The Foods Company Limited	Food and beverage	100.0
TNM Limited	Communications	37.6

Bottling & Brewing Group Limited

The Bottling & Brewing Group Limited, a beverages company, was established in 2003. It comprises three companies: Carlsberg Malawi Brewery Limited, Southern Bottlers Limited and Malawi Distilleries Limited.

Southern Bottlers Malawi Limited, more commonly known as SOBO, is a leading non-alcoholic beverage manufacturing company in Malawi and the only Malawian bottler franchised to produce Coca-Cola's range of soft drinks. SOBO produces its own portfolio of brands – carbonated soft drinks, squashes and water under its own brand names Cocopina, Cherry Plum, Ginger Ale, Tonic Water, Soda Water, Orange Squash and Quench Water.

Established in 1968, Carlsberg Malawi Brewery Limited is the only state-of-the-art brewing and packaging beer line in Malawi.

Malawi Distilleries Limited is a leading producer, distributor and marketer of quality spirits and wines in Malawi. Established in 1965, Malawi Distilleries Limited produces various leading brands including Malawi Gin, Premier Brandy, Three Barrels Brandy, Powers and Kadansana. It also distributes world-class brands of whiskies and wines such as Johnny Walker, J&B, Grants and the KVV range of wines.

BP Malawi Limited

BP Malawi Limited leads in petroleum fuels marketing in Malawi. The company supplies fuel and BP and Castrol branded lubricants through 46 roadside service stations, and is the sole supplier of aviation fuel in Malawi.

Ethanol Company Limited

Commissioned in 1982, Ethanol Company Limited purchases molasses from Dwangwa Sugar Corporation to produce ethanol 99.9% v/v alcohol, rectified (industrial) alcohol 99.6% v/v alcohol and potable (ENA) alcohol 99.6% v/v alcohol. Effluent resulting from distillation is used by local farmers as fertiliser in their maize gardens. Ethanol Company Limited supplies Malawi's main fuel companies with ethanol while industrial and potable alcohols are sold locally and are exported to Tanzania, Kenya, Uganda, Mozambique and Zambia. Currently, the company has embarked on a three-year project to revamp its distillery plant, which will increase the production of the highly demanded extra neutral alcohol.

Limbe Leaf Tobacco Company Limited

Limbe Leaf Tobacco Company Limited is an associate company in which Press Corporation owns 42% of the shares. The company processes and exports tobacco and is a very significant player in Malawi's tobacco industry.

Macsteel Malawi Limited

Macsteel Malawi Limited supplies quality steel, wire and roofing products to the construction industry, and is the largest and leading manufacturer and distributor of steel, wire and roofing products in Malawi. Macsteel Malawi Limited's main factory is in Limbe and another factory and a regional office is in Lilongwe. It also has retail outlets in Karonga, Kasungu, Mzuzu, Lilongwe, Mangochi, Luchenza and Zomba.

Maldeco Aquaculture Limited

Maldeco Aquaculture Limited farms and sells chambo (*oreochromis karongae*) using both pond and cage culture. The company was established in 2003 and commercial chambo production commenced in 2006. This is the first large scale fish breeding project in Malawi and after completion, more than 3,000 metric tonnes of chambo are expected to be yielded yearly. The Company has also installed a fish food processing plant at a cost of approximately MK83 million.

National Bank of Malawi Limited

National Bank of Malawi Limited is Malawi's leading bank and has a network of twelve branches and ten agencies. Established in 1971, it listed on the Malawi Stock Exchange in 2000. The company became a subsidiary of Press Corporation in January 2002.

PressCane Limited

PressCane Limited, an ethanol distillery, commenced operations in June 2004 and was expanded in June 2005. The plant is located in Chikwawa on the west bank of the Shire River about 55km south of Blantyre. The main products of the distillery are fuel ethanol (anhydrous alcohol 99.8% v/v) and industrial alcohol (rectified spirit 96.5% v/v). Sugar cane molasses, a waste material in the sugar production process, is procured from Illovo's sugar mill in Nchalo and is fermented into ethanol. Fuel ethanol is blended with petrol in the ratio 10% ethanol to 90% petrol by the country's petroleum companies.

Press Management Services Limited

Established in 1969, Press Management Services Limited has a property portfolio comprising residential, commercial and industrial properties for letting. Other activities include property development, property management, property valuation, property sales and maintenance services. Press Management Services Limited is currently implementing a major property development project on a 120-hectare site at Chapima Heights, located about 6km from the centre of Blantyre. The project creates and offers for sale to the public approximately 550-serviced freehold high, medium and low density plots as well as commercial plots. Provision has also been made for a recreation area and a school. In addition, Press Management Services Limited is to construct about 260 three-bedroom medium density houses for sale.

The Foods Company Limited

Chombe Tea, a division of The Foods Company Limited, was formed in 2004. Chombe Tea is Malawi's leading tea producer and reaches all segments of Malawi's population through a range of products namely: Chombe Export Quality (targeting the high income group), Chombe Economy (for middle income earners) and Leopard teas (for the low income/rural market).

Maldeco Fisheries is the main division of the Foods Company Limited and is involved in large scale fishing in Lake Malawi.

TNM Limited

The acquisition of a 60% stake in Telekom Networks Malawi Limited by MTL Mobile Limited gives Press Corporation an effective shareholding in TNM Limited of 37.6%.

3.3 Immovable property

The table below details the situation, area, tenure of principal immovable property held or occupied by the Press Corporation and its subsidiaries.

Company	Area	Situation	Tenure
Bottling and Brewing Group Limited	Blantyre	Owned	Not applicable
	Lilongwe	Owned	Not applicable
BP Malawi Limited	Blantyre	Owned	Not applicable
	Lilongwe	Owned	Not applicable
Chombe Tea	Blantyre	Rented	3 years lease
	Lilongwe	Rented	1 year lease
Ethanol Company Limited	Dwangwa	Owned	Not applicable
Macsteel Malawi Limited	Blantyre	Owned	Not applicable
	Lilongwe	Owned	Not applicable
Malawi Telecommunications Limited	Blantyre	Owned	Not applicable
	Lilongwe	Owned	Not applicable
Maldeco Aquaculture Limited	Mangochi	Owned	Not applicable
Maldeco Fisheries	Mangochi	Owned	Not applicable
National Bank of Malawi Limited	Blantyre	Owned	Not applicable
	Lilongwe	Owned	Not applicable
	Mzuzu	Owned	Not applicable
	Zomba	Owned	Not applicable
People's Trading Centre Limited	Blantyre	Rented	20 years lease
PGI Limited	Blantyre	Rented	3 years lease
	Lilongwe	Rented	3 years lease
Press Corporation Limited	Blantyre	Rented	3 years lease
Press Properties Limited	Blantyre	Rented	3 years lease
PressCane Limited	Chikwawa	Owned	Not applicable

3.4 Acquisitions and disposals during past three years

Asset	Type of transaction	Year	Buyer/Seller	Consideration	Amount outstanding
Malawi Pharmacies Limited	Disposal	2005	Mwenelupembe Mhango & Co.	MK56.0m	MK21.0m
50.1% shareholding in Malawi Telecommunications Limited	Acquisition	2006	Malawi Government	US\$19.25m	–
Tambala Food Products Limited	Disposal	2005	Chalo Ng'ambi Investments	MK30.0m	–
Telecom Networks Malawi Limited	Acquisition	2007	Telekom Malaysia Berhad	US\$3.2m	–

Aside from Press Management Services Limited, a Press Corporation subsidiary that trades in property, there were no property acquisitions and disposals within the past three years by Press Corporation Limited

3.5 Major shareholders

As at the last practicable date, shareholders with an interest of more than 5% are as shown in the table below:

Shareholder	Percentage interest
Press Trust	48.51
Old Mutual Life Assurance Company (Malawi) Limited	14.70
Deutsche Bank Trust Company Americas	9.15
Bankers Trust Company	6.58

Press Trust will not be participating in the rights offer as part of the desire to broaden Press Corporation's shareholders.

Subsequent to the offer and listing, the shareholders set out below will have a beneficial interest in 5% or more of Press Corporation's issued shares.

Shareholder	With all rights taken up percentage interest	With no rights taken up percentage interest
Press Trust	48.51	44.10
Old Mutual Life Assurance Company (Malawi) Limited	14.70	13.36
Deutsche Bank Trust Company Americas	9.15	8.32
Bankers Trust Company	6.58	5.98

3.6 Government involvement

Press Corporation has interests in certain Government-regulated industries, namely, banking, fish farming, and telecommunications. Press Corporation has a good relationship with the Government of Malawi and the various Malawian industry regulators.

The conditions of Press Corporation's licenses in various sectors are detailed below:

3.6.1 **Banking licenses and conditions**

In accordance with section 27 of the Banking Act, 1989, the Reserve of Malawi has established the following requirements, among others, at the balance sheet date:

Liquidity requirement – the group's banking business is required to maintain a liquidity reserve with the Reserve Bank of Malawi equivalent to no less than 15.5% of the total customer deposits.

Capital adequacy requirement – the group's banking business capital is required to be a minimum of 10% of its risk bearing assets and contingent liabilities.

3.6.2 **Fishing licenses**

Maldeco Fisheries, a division of The Foods Company Limited operates fishing Vessels on Lake Malawi with annual fishing licenses for each vessel. All vessels have valid fishing licenses, which are renewable annually.

3.6.3 **Telecommunications licenses**

Operating licences for Malawi Telecommunications Limited and Telecom Networks Malawi Limited are valid up to the years 2021 and 2014, respectively. The Malawi Communications Regulatory Authority has set targets for the roll out of both Malawi Telecommunications Limited and Telecom Networks Malawi Limited networks during the period of the licences.

3.7 Material contracts

3.7.1 Malawi Telecommunications Limited entered into a Management and Technical Support Agreement with Detecon International GmbH of Germany in 2006 in terms of which Detecon International GmbH will manage Malawi Telecommunications Limited and provide all the necessary technical support over a period of four years.

3.7.2 Telecom Holdings Limited entered into a Purchase and Investment Agreement with the Government of Malawi in 2005 for the acquisition of an 80% stake in Malawi Telecommunications Limited. The agreement specifically provided for only 80% being available to Telecom Holdings Limited under the privatisation of the company.

3.8 Royalties

The Bottling and Brewing Group Limited pays royalties to Carlsberg Denmark in respect of the right to produce Carlsberg beer and this has been in effect since August 1966 but subject to amendments being effected from time to time.

3.9 Material real and moveable property leases

The table below summarises all of Press Corporation Group's material property lease commitments showing location, occupant, landlord, lease tenure and renewal dates:

Location	Occupant	Landlord	Lease period (years)	Renewal
Blantyre	Press Corporation Limited	Chayamba Trust	3	30 September 2009
Blantyre	Press Properties Limited	MKP Real Estate Agents & Auctioneers Limited	3	1 June 2010
Chichiri	PTC Head office	NICO Corporate	20	1 May 2011
City Centre Lilongwe 19/35	Peoples Super Market	NICO Corporate	20	7 November 2011
Mzuzu	Metro Cash & Carry	NICO Corporate	20	1 May 2011
Old Town LL4/279	Kwikfood Centre	NICO Corporate	25	1 December 2019
Old Town LL4/279	Peoples Supermarket	NICO Corporate	25	1 December 2019

3.10 Litigation statement

A dispute between the shareholders of PressCane Limited is currently in court. The other shareholder alleges a condition precedent regarding Press Corporation's participation in PressCane Limited, and asks for change in the composition of the board and management of PressCane Limited. The joint venture agreement between the shareholders and PressCane Limited does not contain such condition precedent and provides for management of PressCane Limited by Press Corporation. The company's lawyers, Savjani & Co believe that the outcome will be favourable to Press Corporation. The Board and Management of the Company are in agreement with this view. In the unlikely event of the other shareholder's claim succeeding, it would negatively affect Press Corporation's control on the operations of PressCane Limited. It is expected that resolution of the matter will be reached by June 2009.

3.11 Prospects and future growth

Over the past decade, Press Corporation has shed small and non-performing assets while making significant investments in new projects and acquisitions such as the second ethanol distillery, fish farming under Maldeco Aquaculture Limited, has acquired major stakes in telecommunications companies and re-organised the beverages group. These measures have greatly strengthened the Press Corporation's portfolio of investments.

The performance of key subsidiaries and joint venture operations such as National Bank of Malawi, BP Malawi Limited, Maldeco Fisheries, People's Trading Centre Limited, mobile phone operator, TNM Limited, and Malawi Telecommunications Limited provides a solid foundation on which Press Corporation will build sustainable growth in value for the shareholder.

National Bank of Malawi has over the years delivered consistently above average returns for its shareholders. Continuing improvement in its infrastructure and service delivery mean that the bank will continue to grow.

Both Malawi Telecommunications Limited and TNM Limited are investing large amounts of money to improve and expand their networks and improve service delivery to their customers.

The subscriber bases for both companies continue to grow and Malawi's economic growth should result in higher demand for telecommunications services in tandem with increased disposable incomes.

Maldeco Fisheries is expanding its operations by developing a new fishing site north of Salima and has ordered a fishing vessel, which is expected to be delivered towards the end of the year 2008. The establishment of the new site is expected to increase Maldeco Fisheries' catch by a third of the current volumes and so further improve the division's earnings. This is to be complemented by the supply of fish by Maldeco Aquaculture Limited, which has commenced harvesting fish.

The retail and distribution segment, to which People's Trading Centre Limited and BP Malawi Limited belong, is expected to continue to grow. BP Malawi is already enjoying growth in its business through the current developments in the mining sector as a supplier of petroleum products.

The Group's ethanol producing companies are making a positive contribution to the Group's results following the turn-around of PressCane Limited. Ethanol Company of Malawi Limited is currently revamping its plant at an estimated cost of US\$3 million. The plant when completed in late 2008 will be more efficient and will enable the company to produce high quality potable alcohol for which there is great demand on the export market.

Bottling and Brewing Group Limited is experiencing positive growth following the commissioning of a new PET plant in Blantyre in 2007, which has ensured improved availability of squashes and other soft drinks on the market. Further, the re-organisation of Bottling and Brewing Group Limited, in terms of which Malawi Distilleries Limited became a wholly-owned subsidiary of Bottling and Brewing Group Limited, has led to the realisation of better distribution of Malawi Distilleries Limited's products and the elimination of duplicated costs, resulting in improved profitability of Bottling and Brewing Group Limited.

The strong foundation as outlined above coupled with the prevailing favourable macro-economic conditions bodes well for the future of Press Corporation Group.

4. STAFF

4.1 Profile

The current skills and capabilities of staff in Press Corporation are high with many staff members holding degree level qualifications and being members of professional institutions.

The Press Corporation Group has a staff complement of 2,783 people. The table below shows staff according to different categories.

Category	Number
Executive Management Team	5
Senior staff	51
General staff	2 727

4.2 Senior management

Dr Mathew AP Chikaonda, Group Chief Executive, Dip. Bus, MBA, PhD

Refer to 5.1 below.

Charles James Evans, Group Administration Manager, BA

Mr Evans has been with the company since 1975 and has worked in various subsidiary companies. In January 2001, he was appointed Group General Manager: Human Resources. He was appointed Group Administration Manager/Company Secretary on 25 September 2001. He has a Bachelor of Arts degree.

Pius Mulipa, Group Operations Executive Trade, BA, Dip (MGT), MSc (MGT)

Refer to 5.1 below.

Andrew Sesani, Group Financial Controller, FCCA, CPA(M)

Mr Sesani rejoined Press Corporation Limited in October 2002 as Group Financial controller. Between 1988 and 2000, he held the position of Group Management Accountant, Deputy Group Financial Controller before leaving the employment of the company when it relocated its head office from Lilongwe to Blantyre. Prior to this, Mr Sesani held senior accounting positions in the Capital City Development Corporation, Import and Export Company of Malawi Limited and Trans African Transport. He is a fellow of Chartered Association of Certified Accountants.

Agness Varela, Group Projects Executive, BSocSci, MSC

Mrs Valera has extensive experience in Development Banking and Project Appraisal and Financing attained from her long employment history with INDEbank where she worked for 26 years before retiring as Chief Executive Officer in 2004. Mrs Valera was appointed Group Projects Executive for the Company from September 2005. She holds a Bachelor of Social Science degree from University of Malawi and a Masters of Science degree in Banking and Money Management from the United States of America.

4.3 Health and safety

Press Corporation is committed to managing health and safety risks effectively in all of the Company's operations and ensuring that Press Corporation's products or services do not harm employees, suppliers or members of the public. Press Corporation continues to play its part in the fight against HIV/AIDS in the work place. It has a seat on the board of the Malawi Business Coalition Against HIV/AIDS and is an active member of this private sector initiative.

The Company and some of its subsidiaries have successfully implemented an HIV/AIDS policy. Awareness programmes facilitated by trained peer educators continue to be provided during working hours with the main focus being on voluntary counselling and testing. The Company's clinic is fully equipped to provide anti-retroviral therapy and some members of staff are currently receiving free anti-retroviral treatment provided by the clinic.

5. DIRECTORS

5.1 Directors

The full names, qualifications, nationalities, addresses and occupations of the directors of Press Corporation are set out below:

Name	Citizen	Residential or business address
Mr Dean C. Lungu	Malawian	Area 9, House No. 9/7 Lilongwe
Dr Mathews A.P Chikaonda	Malawian	2 Leslie Close, BC 347 Blantyre
Mr Andrew G Barron	British	Mbabzi Estate Lilongwe
Mr Clement S. Chilingulo	Malawian	Area 9, House No. 9/242, Lilongwe
Mr Simon A Itaye	Malawian	Naperi BC 484 Blantyre
Mrs Maureen Samantha Thandie Kachingwe	Malawian	BC 443/44, Nancholi Blantyre
Mr Pius Percy Mulipa	Malawian	BC 312, Mandala Blantyre
James A Regout	Dutch	40 Bakkerskloof Road Somerset West Cape Town, 8001 South Africa

Dean C Lungu, Chairman, BSc, MSc (Eng)

Age 57, appointed to the Board 22 February 1996

Mr Lungu is a registered Mechanical Engineer who has held various senior appointments, including Chief Executive of Maltraco Limited. He runs his own businesses comprising Deans Engineering Company Limited (DECO), CNL Engineering Limited and Tapiwa Investments Limited. Mr. Lungu also sits on the board of Alexander Forbes Malawi.

Dr Mathews A P Chikaonda, Group Chief Executive , Dip. Bus, MBA, PhD

Age 53, appointed to the board 1 April 2002

Dr Chikaonda joined the Group on 1 April 2002 as Group Chief Executive. Prior to this, he served as a Professor of Finance between 1988 and 1994 at Memorial University of Newfoundland in Canada before serving as Deputy Governor of the Reserve Bank of Malawi from August 1994. In January 1995, Dr Chikaonda was appointed Governor of the Reserve Bank of Malawi and served in this post until March 2000 when he was appointed to the Cabinet and served in the Government of Malawi as Minister of Finance and Economic Planning until January 2002.

Andrew G Barron, Non-executive Director, H N D Bus.

Age 48, appointed to the Board 29 August 2000

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

Clement S Chilingulo, Non-executive Director, LLB, FCIS

Age 55, appointed to the Board on 7 February 2001

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

Simon A Itaye, Non-executive Director, BCom, FCCA, MBA

Age 50, appointed to the Board on 5 March 1998

Mr Itaye has extensive experience in audit, financial and strategic general management and is currently the Managing Director of Packaging Industries (Malawi) Limited (PIM). He is a director in Investments Alliance Limited and in Old Mutual Life Assurance Company (Malawi) Limited.

Mrs Maureen Samantha Thandie Kachingwe, Non-executive Director, MBA, LLB (Hons)

Age 41, appointed to the Board on 31 August 2007

Mrs Kachingwe is currently Director of Legal and Corporate Affairs with Sunbird Tourism Limited a company she has been with from 1994. Prior to this she was a Legal Practitioner for a private legal firm between 1990 and 1993. Mrs Kachingwe is on the board of the Associated Pensions Trust and is an Assessor at the Malawi Industrial Relations Court.

Pius P Mulipa, Executive Director, BA, Dip (Mgt.), MSc (Mgt.)

Age 55, appointed to the Board on 1 January 2008

Mr Mulipa joined the Group as a Management Trainee in 1977 initially at Peoples Trading Centre Limited. Thereafter he worked at Hardware and General Dealers and Tambala where he was appointed General Manager. In 1996 he was promoted to a position of Assistant Group General Manager – Foods at Press Corporation. In 2000 he became responsible for the Industrial Division.

In 2001, he was appointed as Group General Manager – Business Development for the Company and then Group Operations Executive. Mr Mulipa is a director of Royal Insurance Company.

James A Regout, Non-executive Director, MEcon,

Age 58, appointed to the Board on 1 June 1994

Mr Regout is a fund manager of wide experience and is presently the External Investments Manager of Old Mutual Investment Group (South Africa). He is responsible for investments in Africa (excluding South Africa) and global private equity funds. In Malawi, Mr Regout holds directorships of, among others, Malawi Property Investment Company Limited, National Bank of Malawi, FDH Financial Holdings Limited, Malawi Telecommunications Limited and Telekom Networks Malawi Limited

5.1.1 Principal Board Committees

5.1.1.1 Audit Committee

The Committee’s principal functions are to review the annual and interim financial statements and accounting policies, the effectiveness of internal controls over management information and other systems of internal control, the preliminary reported financial information, and to discuss the auditor’s findings and recommendations. The external auditors are appointed each year based on recommendations of the audit committee, which is also responsible for fixing their remuneration. In addition, the audit committee reviews the corporation’s procedures and policies. The committee currently comprises two non-executive directors and one non board member and meets no less than twice a year. The composition of the Committee is as follows:

- Mr Simon A Itaye – Chairman.
- Mr James A Regout – Member.
- Mr Don Kambalometore – Member (not a director).

5.1.1.2 Appointments and Remuneration Committee

The principal function of the Committee is to ensure that the Group’s human resources are best utilised and that members of staff are remunerated commensurate with their responsibilities and effectiveness by reviewing salary trends in the market place and approving salaries at the executive directors’ and executive management level based on these findings. The Committee comprises three non – executive directors whose names appear below:

- Mr Clement S Chilingulo – Chairman.
- Mr Andrew G Barron – Member.
- Mrs Maureen S T Kachingwe – Member.

5.2 Qualification, borrowing powers, appointment and remuneration of directors

5.2.1 The relevant provisions of the articles of association of Press Corporation concerning the qualification, remuneration, power of directors to vote themselves remuneration, borrowing powers and appointment of the directors are set out in Annexure 5 to this circular.

5.2.2 The remuneration paid to directors of Press Corporation in the financial year ended 31 December 2007 is shown below:

	Executive directors MK’000	Non-executive directors MK’000	Total MK’000
Salary and benefits	54 014	–	54 014
Directors’ fees	–	4 361	4 361
Bonus	23 404	–	23 404
	77 418	4 361	81 779

There will be no variation in the remuneration receivable by any of the directors of Press Corporation as a consequence of the rights issue.

5.3 Interests of directors

5.3.1 At the last practicable date and at the date of the circular, none of the directors of Press Corporation had an interest in the Company, except as shown below:

Director	Shares beneficially held		Shares non-beneficially held	
	Directly	Indirectly	Directly	Indirectly
Dean Lungu	1 000	–	–	–
Mathews Chikaonda	–	–	–	–
Andrew Barron	–	226 074	–	–
Clement Chilingulo	–	–	–	–
Simon Itaye	–	2 500	–	–
Maureen Kachingwe	–	–	–	–
Pius Percy Mulipa	9 820	–	–	–
James Regout	–	–	–	–

5.3.2 None of the Press Corporation directors held share options at the last practicable date.

5.3.3 No director of Press Corporation, other than as specified below, has or has had a direct or indirect material beneficial interest in any transactions effected by Press Corporation during the current or immediately preceding financial year, including in the rights offer, or in any earlier year which remains in any respect outstanding or unperformed.

5.3.4 Mathews Chikaonda, Pius Mulipa and James Regout are also directors of National Bank of Malawi, which is the Company's transfer secretaries and is a shareholder of Stockbrokers Malawi.

5.3.5 None of the Directors are employed on a fixed term contract basis other than the Group Chief Executive and the Group Operations Executive, each of whom are employed on a three-year contract basis, which is renewable by the board of the Company upon expiry.

5.3.6 Other than the Group Chief Executive and the Group Operations Executive's employment contracts, there is no existing or proposed contract between any of the Directors and the Press Corporation. No director currently has entered into or has had any direct or indirect beneficial interest in material contracts entered into for the last two preceding years.

5.3.7 There have been no interests in transactions by directors, which are unusual in their nature or conditions within the preceding two financial years and the current period.

5.3.8 No payment has been made to any director in the three years preceding the date of issue of this prospectus as an inducement to become a director.

6. FINANCIAL INFORMATION

6.1 Extracts from the Reporting Accountants' Report

6.1.1 The following extracts of information are shown for general illustrative purposes only and should be read in conjunction with the Reporting Accountants' Report in Annexure 4.

6.2 Company financial review

	Year ended 30 September 2003 MK'm	15 months to 31 December 2004 MK'm	Year ended 31 December 2005 MK'm	Year ended 31 December 2006 MK'm	Year ended 31 December 2007 MK'm
Revenue	10 978	17 112	15 692	24 572	27 572
Direct trading costs	(8 751)	(13 906)	(11 922)	(13 348)	(14 470)
Gross profit	2 227	3 206	3 770	11 224	13 102
Other operating income	3 367	5 109	4 407	4 884	6 305
Distribution costs	–	–	–	(308)	(387)
Administrative expenses	(3 137)	(4 603)	(4 722)	(10 588)	(13 032)
Other operating expenses	(672)	(1 086)	(900)	(570)	(271)
Profit from operations	1 785	2 626	2 555	4 642	5 717
Finance income	55	–	94	302	203
Finance expenses	–	(9)	–	(429)	(771)
Net finance income/ (costs)	55	(9)	94	(127)	(568)
Share of (loss)/profit from associates	499	390	742	(16)	(119)
Profit before tax	2 339	3 007	3 391	4 499	5 030
Income tax expense	(729)	(1 110)	(1 148)	(1 364)	(1 589)
Profit for the year after tax from continuing operations	1 610	1 897	2 243	3 135	3 441
Loss from discontinued operations	–	–	–	(3)	(16)
Profit for the year	1 610	1 897	2 243	3 132	3 425
Attributable to:					
Equity holders of the Company	1 149	1 142	1 657	1 608	1 708
Minority interest	461	755	586	1 524	1 717
Basic earnings per share	10.43	10.93	15.06	14.62	15.53
Diluted earnings per share	10.43	10.36	14.53	14.10	14.98

6.3 Group financial review

	(15 months)				
	2003	2004	2005	2006	2007
	MK'm	MK'm	MK'm	MK'm	MK'm
GROUP INCOME STATEMENTS					
Turnover	10 978	17 112	15 692	24 572	27 572
Profit of the company and its subsidiaries before taxation	1 840	2 617	2 649	4 512	5 133
Share of associated companies profit/loss after taxation	499	390	742	(16)	(119)
Profit before taxation	2 339	3 007	3 391	4 496	5 014
Income tax expense	(729)	(1 110)	(1 148)	(1 364)	(1 589)
Profit after taxation	1 610	1 897	2 243	3 132	3 425
Attributable to minorities	(461)	(755)	(586)	(1 524)	(1 717)
Attributable to equity holders of the Company	1 149	1 142	1 657	1 608	1 708
Dividend to ordinary shareholders	(149)	(286)	(223)	(400)	(353)
Retained profit	1 000	856	1 434	1 208	1 355
Basic earnings per share	10.43	10.93	15.06	14.61	15.53
Dividend per share	1.35	2.60	2.03	3.64	3.20
GROUP BALANCE SHEETS					
Property, plant and equipment	4 871	5 426	6 328	22 822	23 818
Investment properties	720	652	885	1 012	1 104
Investment in associated companies	1 158	1 232	1 620	1 254	1 475
Other investments	578	2 872	3 100	6 075	8 020
Net current assets	2 210	451	364	(1 473)	(2 316)
Total employment of capital	9 537	10 633	12 297	29 690	32 101
Ordinary shareholders' funds	5 770	6 651	8 366	12 722	13 546
Minority interests	2 041	2 093	2 492	7 973	9 027
Loans	1 062	1 091	940	4 378	4 512
Provisions	–	–	–	1 434	1 874
Deferred tax	664	798	499	3 183	3 142
Total capital employed	9 537	10 633	12 297	29 690	32 101
GROUP CASH FLOW STATEMENTS					
OPERATING ACTIVITIES					
Cash receipts from customers and Group companies	13 835	16 819	16 042	23 919	27 896
Cash paid to suppliers and Group companies	(10 126)	(13 855)	(14 430)	(27 865)	(11 168)
Cash generated from operations	3 709	2 964	1 612	(3 946)	16 728
Interest and tax paid	(1 029)	(1 302)	(1 032)	(1 558)	(2 225)
Cash flows from/(to) operating activities	2 680	1 662	580	(5 504)	14 503

	(15 months)				
	2003	2004	2005	2006	2007
	MK'm	MK'm	MK'm	MK'm	MK'm
INVESTING ACTIVITIES					
Interest and dividend received	393	594	546	624	315
Capital expenditure	(1 244)	(1 419)	(1 194)	(3 501)	(4 997)
Investments in shares and loans	(86 940)	(349)	(33)	(4 101)	(1 695)
Disposal of investments in shares and loans	78	–	1 205	7 521	(7 690)
Sale of property, plant and equipment and investment properties	85 843	377	116	61	74
Cash flows from/(to) investing activities	(1 870)	(797)	640	604	(13 993)
FINANCING ACTIVITIES					
Dividends paid	(152)	(289)	(223)	(400)	(353)
Increase/(decrease) in borrowings	1 396	131	(171)	4 521	480
Cash flows from financing activities	1 244	(158)	(394)	4 121	127
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2 054	707	826	(779)	637

SEGMENTAL REPORTING
31 December 2007

Business segments	Real property and invest- ment	Food and beverages	Retail and consumer products	Financial services	Tele- com- muni- cation	Elimi- nations	Total
Revenue from external customers							
Sales	75	559	30 851	–	–	(14 802)	16 683
Interest income	48	–	–	–	5 673	–	5 721
Services	–	–	–	5 168	–	–	5 168
Total revenues from external customers	123	559	30 851	5 168	5 673	(14 802)	27 572
Segmental analysis of sales – Inter–group	481	99	1 118	106	181	(1 985)	–
Total segment revenues	604	658	31 969	5 274	5 854	(16 787)	27 572
Segment results							
Operating profits	711	(26)	1 750	3 568	1 501	(2 512)	5 717
Net finance costs	(237)	–	(108)	–	(205)	(18)	(568)
Share of profit of associates	–	–	–	–	–	(119)	(119)
Income tax expense	34	(33)	(383)	(1 174)	(350)	317	(1 589)
Gain on sale of discounted operations net of tax	–	(18)	–	–	–	2	(16)
Profit for the year	508	(77)	1 259	2 394	946	(1 605)	3 425
Other information							
Capital additions	643	258	1 065	1 345	2 905	(1 116)	5 100
Depreciation and amortisation	45	52	305	355	1 093	(76)	1 774
BALANCE SHEET							
ASSETS							
Segment assets	22 310	1 642	12 357	46 897	22 150	(23 794)	81 562
Investment in associates	467	–	–	–	–	–	467
Total assets	22 777	1 642	12 357	46 897	22 150	(23 794)	82 029
LIABILITIES							
Segment liabilities	5 588	795	8 859	40 116	10 674	(7 618)	58 414
BALANCE SHEET							
ASSETS							
Cash flows from operating activities	(1 335)	223	2 488	10 198	2 793	(993)	13 374
Cash flows from investing activities	353	(210)	(894)	(8 343)	(1 909)	1 252	(9 751)
Cash flows from financing activities	600	(69)	(791)	(1 569)	(445)	2 400	126
Capital expenditure	641	258	1 060	1 345	2 040	(353)	4 991

SEGMENTAL REPORTING

31 December 2006

<i>Business segments</i>	Real property and investment MK'm	Food and beverages MK'm	Retail and consumer products MK'm	Financial services MK'm	Communications MK'm	Discontinued operations MK'm	Associates MK'm	Total MK'm
Revenue from external customers								
Sales	22	396	26 828					27 246
Services	46				4 990			5 036
Interest income				5 109				5 109
Total revenues from external customers	68	396	26 828	5 109	4 990			37 391
Segmental analysis of sales – Inter-group	438	68	856		213			1 575
Sub-total revenues	506	464	27 684	5 109	5 203			38 966
Eliminations			(12 819)					(12 819)
Eliminations inter-group	(438)	(68)	(856)		(213)			(1 575)
Total revenues	68	396	14 009	5 109	4 990			24 572
Segment results								
Operating profits	(453)	(224)	660	2 933	1 727	(3)		4 640
Net financing costs	(47)	53	(88)		(45)			(127)
Share of profit of associates							(16)	(16)
Income tax expense	(95)	(21)	(149)	(959)	(141)			(1 365)
Profit after tax	(595)	(192)	423	1 974	1 541	(3)	(16)	3 132
Minority interest								1 608
Attributable earnings								1 524

6.4 Profit forecasts for the years ending 31 December 2008 and 2009

The profit forecast of Press Corporation for the years ending 31 December 2008 and 2009 is set out below, based on management's best estimates of performance for the years ending 31 December 2008 and 2009. The forecast should be read in conjunction with the reporting accountants' report contained in Annexure 4 to this prospectus.

Consolidated Forecast Income Statement for the year ending 31 December

	2008 MK'm	2009 MK'm
Revenue	33 513	36 442
Operating profit before interest	5 759	6 571
Net financing income	(683)	(779)
Exceptional items	–	
Share of profit from associates	1 330	1 574
Profit before taxation	6 405	7 366
Taxation	(1 897)	(2 104)
Profit after taxation	4 507	5 261
Net profit for the year	4 507	5 261
Attributable to:		
Equity holders of the company	2 583	3 118
Minority interest	1 924	2 142

6.5 Assumptions underlying the profit forecasts

- 6.5.1 The exchange rate of the kwacha against major foreign currencies will remain stable throughout the forecast period. This is due to the existing positive economic growth as reflected in the increasing GDP over the last two years
- 6.5.2 The economy will continue to grow at between 6% to 7% per annum due to among other things the continuing favourable rains and the continued Government support for the Agricultural sector, which remains the mainstay of the country's economy.
- 6.5.3 The major operating entities within Press Group will remain competitive and grow their earnings at above the inflation rate, with growth in market share.
- 6.5.4 The growth of the telecommunication sector as a result of modernisation and growing customer base. This will be compounded by government action of reducing taxes on electronic equipment and an increase in disposable income due to tax cuts in 2008/2009 budget.
- 6.5.5 That the political environment will remain stable after the forthcoming General Elections scheduled for May 2009.

6.6 Dividends

- 6.6.1 Historically, the company has adopted a progressive policy of distributing 35% of attributable profit by way of dividends subject to future expansion plans and cash flow requirements. The interim dividend with respect for the half year results is declared in September and paid in October, while the final dividend in respect of the financial year is declared at the company's Annual General Meeting in June and payable in August.
- 6.6.2 In line with the provisions of the articles, all dividends unclaimed for one year after having been declared may be invested or otherwise made use of by the directors for the benefit of the company until claimed.

6.7 Adequacy of capital and cash flow

The directors of Press Corporation are of the opinion that:

- Press Corporation's issued share capital will be adequate for the purposes of the company's business for the foreseeable future;
- Press Corporation's working capital resources will be adequate for its current and foreseeable future requirements and the amount to be raised through the rights issue will positively improve the working capital resources of the company; and
- Press Corporation's cash flow will be adequate for its current and foreseeable future requirements.

6.8 Borrowings and loans

- 6.8.1 The Company's directors confirm that over the preceding three years, there have been no the circumstances where the borrowing powers of the company have been exceeded.
- 6.8.2 The directors confirm that other than as disclosed in the extracts of the Reporting Accountants' Report in Annexure 4, there are no outstanding capital loans, which may have a material effect on the company's financial position. The directors also confirm that other than as disclosed in the extracts of the Reporting Accountants' Report in Annexure 4 there are no material loans including debentures, overdraft and creditors to the company.

6.9 Inter-company Finance and off-balance sheet funding

- 6.9.1 All inter-company financial transactions are conducted on an arm's length basis. The following table summarises the inter-group balances as at 31 December 2007.

Amounts owed by Press Corporation to:	MK'million	Interest	Description
Maldeco Aquaculture Limited	12	7.5%	Treasury deposits
Maldeco Fisheries Limited	281	7.5%	Treasury deposits
MTL Mobile Limited	1	7.5%	Treasury deposits
National Poultry Limited	23	7.5%	Treasury deposits
Press Bakeries Division	1	–	Treasury deposits

Amounts owed by Press Corporation to:	MK'million	Interest	Description
Press Bakeries Limited	20	–	Treasury deposits
Press Poultry Limited	9	–	Treasury deposits
Press Produce Limited	1	–	Treasury deposits
Press Properties Limited	98	7.5%	Treasury deposits
Telecom Holdings Limited	7	7.5%	Treasury deposits
The Foods Company Limited	26	–	Treasury deposits
Total balances with subsidiaries	479		
Amounts owed to PCL by:			
Presscane Limited	520	19.5%	Loan
Off balance sheet funding			
Malawi Telecommunications Limited	37	19.5	Operating lease
Loans to directors and managers			
Managers Directors	0	0	Housing scheme under Press
	5.8	6%	Management Services Limited

6.10 Capital commitments, lease payments and contingent liabilities

6.10.1 At 31 December 2007, the approved and contracted capital commitments totalled MK5 386 million, which was in respect of, projects as summarised in the table below. The authorised but not yet contracted commitments totalled MK1 701 million. These commitments are to be funded partially out of internal resources and partially out of the capital raised in terms of the rights offer.

The following table summarises the inter-group balances at 31 December 2007:

Capital commitments	Contracted (MK'm)	Approved but not contracted (MK'm)
Aquaculture Limited	–	131
Ethanol Company Limited	216	79
Maldeco Fisheries Limited	–	100
National Bank of Malawi Limited	1 862	1 212
PGI Limited	2	61
Press Management Services	44	39
PressCane Limited	8	–
People's Trading Centre Limited	–	79
Telecoms Holdings Limited	3 234	–
	5 386	1 701

6.10.2 At 31 December 2007, the Company had operating lease payments totalling MK256 million of which MK21 million was due within 12 months from period-end, MK136 million within 13 to 60 months from period-end and MK99 million within 60 months from period-end.

6.10.3 Other than as disclosed in the extracts of the Reporting Accountants' Report in Annexure 4, there are no outstanding contingent liabilities.

6.11 Material changes

There have been no material changes in the financial or trading position of Press Corporation since 31 December 2007, other than set out in this circular.

7. SHARE CAPITAL

7.1 Alterations to share capital

There have been no consolidations or subdivisions of shares during the preceding three years.

7.2 Authorised and issued share capital

The authorised and issued share capital of Press Corporation, before and after the rights offer, will be:

	MK'm
Before the rights offer	
Authorised	
2 507 480 000 ordinary shares of MK0.01 each	25 0748
Issued	
110 234 502 ordinary shares of MK0.01 each	1 102
After the rights offer	
Authorised	
2 507 480 000 ordinary shares of MK0.01 each	25 0748
Issued	
120 255 820 ordinary shares of MK0.01 each	1 203

7.2.1 The authorised and unissued shares will be under the control of the directors, subject to the provisions of the Act and the requirements the MSE.

7.2.2 All of the authorised and issued shares rank *pari passu* in every respect.

7.2.3 Any variation of rights attaching to shares will require the consent of shareholders in a general meeting in accordance with the articles of association of Press Corporation.

7.2.4 The shares of the Company are listed on the MSE and trade as global depositary receipts on the London Stock Exchange plc.

7.3 Voting rights

In accordance with the articles of association of Press Corporation, at any general meeting every member present in person or by authorised representative shall have one vote on a show of hands and on a poll, every member present in person, by authorised representative or by proxy shall have that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by that member bears to the aggregate of the nominal value of all the shares issued by the Company.

7.4 Options or preferential rights in respect of shares

Following the rights offer, there will be no contract or arrangement, either actual or proposed, whereby any option or preferential right of any kind has been given to any person to subscribe for shares in Press Corporation.

7.5 Offers to the public

No offer has been made to the public for the subscription or the sale of shares during the five-year period preceding the date of issue of this circular.

7.6 Share trading history

A table setting out the history of the performance of Press Corporation shares on the MSE has been included as Annexure 3 to this circular.

8. PARTICULARS OF THE RIGHTS OFFER

8.1 Terms of the rights offer

Press Corporation hereby offers a total of 10 021 318 Press Corporation shares for subscription, upon the terms and conditions set out in this circular, as set out in the form of instruction, by way of renounceable rights offer, at a subscription price of MK209.00 per Press Corporation share

on the basis of 1 rights offer share for every 11 Press Corporation shares held by shareholders at the close of trade on the record date for the rights offer. The rights offer will raise approximately MK2 billion.

Qualifying shareholders recorded in the register of Press Corporation at the close of business on 25 June 2008 will be entitled to participate in the rights offer.

The enclosed form of instruction contains details of the rights to which holders of shares are entitled, as well as the procedure for acceptance and/or sale and/or renunciation of all or part of those rights.

Shareholders who wish to apply for rights offer shares in addition to those allocated to them in terms of the rights offer are referred to paragraphs 8.9 and 8.10 of this circular which sets out the procedure to be followed in applying for additional rights offer shares as provision has been made for excess applications in terms of the rights offer.

The subscription price is payable in full, in kwacha, by qualifying shareholders holding shares on acceptance of the rights offer.

The rights offer shares will, upon allotment and issue, rank *pari passu* with all other existing ordinary shares in terms of both voting rights and dividends

The rights offer is underwritten as detailed in paragraph 8.6 of this circular.

8.2 Opening and closing dates of the rights offer

The rights offer will open at 9:00 am on 30 June 2008 and will close at 3.00 pm on 25 July 2008.

8.3 Entitlement

The number of rights offer shares to which qualifying shareholders will be entitled is set out in Annexure 1 to this circular. The entitlement of each qualifying shareholder holding shares is reflected in the appropriate block in the form of instruction, which is enclosed with this circular.

8.4 Holdings of odd-lots and multiples other than 100 shares

Shareholders holding less than 100 Press Corporation shares, or not a whole multiple of 100 Press Corporation shares, will be entitled, in respect of such holdings, to participate in the rights offer in accordance with Annexure 1 to this circular.

8.5 Fractional entitlement

The whole number of rights to subscribe for rights offer shares to which shareholders will become entitled will be determined by the ratio of entitlement. Only whole numbers of shares will be issued and shareholders will be entitled to subscribe for rounded numbers of Press Corporation shares once the ratio of entitlement has been applied. Fractional entitlements of 500 tambala or greater will be rounded up and less than 500 tambala will be rounded down.

8.6 Underwriting and undertaking to follow rights

Details of the individual underwriting commitments of the underwriters are disclosed below. Further particulars of the underwriters are set out in Annexure 2 to this circular.

Underwriter	Amount underwritten (MK'million)	Number of shares	Percentage of rights offer shares
Eco Bank Limited	200	956 938	10
Indebank	130	622 010	5
Nedbank	500	2 392 344	24
NICO Holdings Limited	200	956 938	10
Mpatsa Trust	400	1 913 876	19
Standard Bank Limited	664	3 179 213	32
	2 094	10 021 318	100

An underwriting fee equal to 1.5% of the underwritten amount, being MK30 million, is payable by the Company to the underwriters. The underwriting commission is only payable upon fulfilment of the underwriting commitments by the underwriters. Other than the underwriting fee outlined above, no other commissions or fees were paid within the past three years in respect of the issue of Press Corporation shares.

As the rights offer is underwritten, it is therefore not conditional on a minimum subscription.

8.7 **Procedures for acceptance**

8.7.1 If you are a qualifying shareholder and/or have had rights renounced in your favour, and wish to subscribe for all or part of your entitlement in terms of the enclosed form of instruction, you must complete the enclosed form of instruction in accordance with the instructions contained therein and lodge it with the transfer secretaries at the addresses set out in paragraph 8.10 of this circular, so as to be received by the transfer secretaries by no later than 3.00 pm on 23 July 2008. Once received by the transfer secretaries, the acceptance is irrevocable and may not be withdrawn.

If payment is not received on or before 3.00 pm on 25 July 2008, the day of the closing of the rights offer, the qualifying shareholder or renounee concerned will be deemed to have declined the offer to acquire rights offer shares pursuant to the rights offer.

Qualifying shareholders are advised to take into consideration postal delivery times when posting their forms of instruction, as no late postal deliveries will be accepted.

Press Corporation does not take responsibility and will not be held liable for any failure on the part of any broker to notify you of the rights offer and/or to obtain instructions from you to subscribe for the rights offer shares and/or to sell the rights allocated.

8.8 **Procedures for sale and renunciation**

If you are a qualifying shareholder and do not wish to subscribe for all of the rights allocated to you as reflected in the form of instruction, you may either dispose of or renounce all or part of your entitlement as follows:

- if you wish to sell all or part of your entitlement, you must complete Form A in the enclosed form of instruction and return it to your broker or to the transfer secretaries to be received by no later than 3.00 pm on 23 July 2008. Your broker or the transfer secretaries will endeavour to procure the sale of rights on the MSE on your behalf and to remit the net proceeds thereof in accordance with your instructions. In this regard, none of your broker, the transfer secretaries or Press Corporation will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising from the timing of such sales, the price obtained, or the failure to dispose of such entitlements; and
- if you wish to renounce your entitlement in favour of any named renounee, you must complete Form B in the enclosed form of instruction, and the renounee must complete Form C in the enclosed form of instruction and return it to the transfer secretaries, to be received by no later than 3.00 pm on 23 July 2008, together with a cheque or bank draft for the appropriate amount.

8.9 **Excess applications**

All rights offer shares not taken up in terms of the rights offer will be available for allocation to holders of letters of allocation who wish to apply for a greater number of rights offer shares than those offered to them in terms of the rights offer. Accordingly, in addition to the rights offer shares allocated to you in terms of the rights offer, as a holder of a letter of allocation you may also apply for additional rights offer shares in excess of the rights offer shares allocated to you in terms of the rights offer on the same terms and conditions.

8.9.1 **Excess applications**

If you wish to apply for rights offer shares in addition to those allocated to you, you should complete the attached form of instruction in accordance with the instructions contained therein and remit sufficient funds to cover such applications in accordance with paragraph 8.10 of this circular.

8.9.2 **Allocation of available rights offer shares**

The pool of rights offer shares available to meet excess applications will be dealt with as set out below:

- if all the rights offer shares are taken up in the rights offer no additional rights offer shares will be made available for allocation to applicants; or
- if the rights offer shares taken up in the rights offer and the excess applications together are less than or equal to 100% of the number of rights offer shares available, the directors of Press Corporation will allocate any or all excess applications in an equitable manner; or
- if the rights offer shares taken up in the rights offer and the excess applications together exceed 100% of the number of rights offer shares available, rights offer shares in respect of excess applications will be allocated on an equitable basis and will take cognisance of the number of Press Corporation shares held by each applicant prior to such allocation and the number of rights offer shares for which application is made.

An announcement will be published in the press on 8 August 2008 stating the results of the rights offer and the basis of allocation of any additional rights offer shares for which application is made.

Cheques refunding monies in respect of unsuccessful applications for additional rights offer shares will be posted to the relevant applicants, at their risk, on or about 8 August 2008. No interest will be paid on monies received in respect of unsuccessful applications.

8.10 **Payment**

8.10.1 The amount due on acceptance of the rights offer is payable in kwacha.

8.10.2 A banker's draft drawn on a registered bank or a cheque drawn on a Malawian bank (each of which should be crossed and marked "not transferable" and, in the case of a cheque, with the words "or bearer" deleted) in favour of "**Press Corporation – Rights offer**" in respect of the amount due, together with a properly completed form of instruction should be clearly marked "**Press Corporation – Rights offer**" and delivered to:

Press Corporation – Rights offer

Financial Management Services Department
National Bank of Malawi Limited
Corner Victoria Avenue and Henderson Street
PO Box 1438
Blantyre, Malawi

so as to be received by no later than 3.00 pm on 25 July 2008, or may be posted, at the risk of the shareholder or his renounee, to:

Press Corporation – Rights offer

Financial Management Services Department
National Bank of Malawi Limited
PO Box 1438
Blantyre, Malawi

so as to be received by no later than 3.00 pm on 25 July 2008.

8.10.3 All cheques or bankers' drafts received by the transfer secretaries will be deposited immediately for payment. The payment will constitute an irrevocable acceptance of the rights offer upon the terms and conditions set out in this circular and in the enclosed form of instruction. In the event that any cheque or banker's draft is dishonoured, Press Corporation, in its sole discretion, may treat the relevant acceptance as void or may tender delivery of the relevant rights offer shares to which it relates against payment in cash of the issue price for such shares.

8.11 **MSE listings**

The Board of Directors of the MSE has approved the following:

- the listing of and dealings in the letters of allocation in respect of all of the 10 021 318 rights offer shares with effect from the commencement of trade on 30 June 2008 to the close of trade on 25 July 2008, both days inclusive; and

- the listing of 10 021 318 rights offer shares with effect from the commencement of trade on 28 July 2008.

8.12 Documents of title

New share certificates to be issued to qualifying shareholders holding in respect of those rights offer shares to which they were entitled and for which they have subscribed, will be posted to persons entitled thereto, by registered post, at the risk of the shareholders concerned, on or about 8 August 2008.

8.13 Taxation

Press Corporation shareholders are advised to consult their tax and financial advisers regarding any taxation implications pertaining to them regarding the acceptance of their rights in terms of the rights offer.

9. GENERAL

9.1 Directors' responsibility statement

The directors, whose names are given in paragraph 5.1 commencing on page 14 of this document, collectively and individually, accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no other facts the omission of which would make any statement false or misleading, that they have made all reasonable enquiries to ascertain such facts and (if applicable) that this circular contains all information required by law.

9.2 Preliminary expenses

The expenses related to the offer of Press Corporation shares will be borne out of the proceeds of the offer. Such expenses are estimated at approximately MK98 million and comprise payments relating to the services as set out in the table below:

Nature of expense	Paid/Payable to	MK'million
MSE listing fee	MSE	3.5
Printing, publication, ads and distribution	Ince (Pty) Limited, Alternative Media	6.5
Legal adviser	Savjani & Co.	3.0
Financial adviser	Standard Bank Limited	19.0
Sponsor	Stockbrokers Malawi Limited	3.0
Reporting Accountants	KPMG	3.0
Underwriting commission	Names under Annexure 2	30.0
Receiving Bank commission	National Bank, Standard Bank	30.0
		98.0

9.3 Registration of circular

A copy of this circular has been delivered to the Registrar of Companies and Reserve Bank of Malawi for registration, together with:

- 9.3.1 the written consents of the auditors, attorneys, financial adviser to the offer and the listing, sponsoring broker and transfer agent to act in the capacities stated and to their names being stated in this Circular, none of which consents having been withdrawn prior to registration; and
- 9.3.2 the written consent of the reporting accountants to the inclusion in this circular of their reports in the form and context in which they appear, which consent likewise had not been withdrawn prior to registration.

The Registrar and the Reserve Bank of Malawi accepts no responsibility for the accuracy of any statements made or for the financial soundness of the company or the value of the securities concerned.

9.4 Documents available for inspection

The following documents, or copies thereof, will be available for inspection by shareholders from the date of posting of this circular to the closing date of the rights offer, during normal business hours on business days at the registered office of Press Corporation and the office of the sponsor:

- 9.4.1 the memorandum and articles of association;
- 9.4.2 any trust deed or agreement affecting the governance of the applicant or the interests of the shareholders;
- 9.4.3 copies of any special or notarial contract bearing on the trust deed or memorandum and articles of association within the last five years or intended to be executed;
- 9.4.4 all material contracts being incorporated or registered within two years before the date of application, the latest sworn appraisements or valuations relative to movable and immovable property and items of similar nature;
- 9.4.5 in the case of a material contract not reduced to writing, a memorandum giving full particulars thereof;
- 9.4.6 audited financial statements for the year ended 31 December 2007; and
- 9.4.7 forecast for the years ending 31 December 2008 and 2009 and the auditors' reports thereon.

Signed at Blantyre on 26 June 2008 by and or on behalf of all the directors of Press Corporation Limited.

Mr Dean C Lungu

Mr James A Regout

Mr Simon A Itaye

Mr Andrew G Barron

Mr Clement S Chilingulo

Dr Matthews AP Chikaonda

Mrs Maureen ST Kachingwe

Mr Pius P Mulipa

TABLE OF ENTITLEMENT

The number of rights offer shares to which qualifying shareholders will be entitled is set out below, based on the assumption that Press Corporation shareholders will be entitled to 1 rights offer share for every 11 Press Corporation shares held. Shareholders' entitlements will be rounded up or down, as appropriate with fractions of 0.5 and above being rounded up, and only whole numbers of rights offer shares will be issued, in accordance with the Listings Requirements.

Number of Press Corporation shares held	Number of rights offer shares to which a Press Corporation shareholder is entitled	Number of Press Corporation shares held	Number of rights offer shares to which a Press Corporation shareholder is entitled	Number of Press Corporation shares held	Number of rights offer shares to which a Press Corporation shareholder is entitled
1	–	35	3	69	6
2	–	36	3	70	6
3	–	37	3	71	7
4	–	38	4	72	7
5	–	39	4	73	7
6	1	40	4	74	7
7	1	41	4	75	7
8	1	42	4	76	7
9	1	43	4	77	7
10	1	44	4	78	7
11	1	45	4	79	7
12	1	46	4	80	7
13	1	47	4	81	7
14	1	48	4	82	8
15	1	49	5	83	8
16	2	50	5	84	8
17	2	51	5	85	8
18	2	52	5	86	8
19	2	53	5	87	8
20	2	54	5	88	8
21	2	55	5	89	8
22	2	56	5	90	8
23	2	57	5	91	8
24	2	58	5	92	8
25	2	59	5	93	9
26	2	60	6	94	9
27	3	61	6	95	9
28	3	62	6	96	9
29	3	63	6	97	9
30	3	64	6	98	9
31	3	65	6	99	9
32	3	66	6	100	9
33	3	67	6		
34	3	68	6		

INFORMATION ON THE UNDERWRITERS

The proposed rights offer has been fully underwritten by Standard Bank Limited, Nedbank Malawi Limited, NICO Holdings Limited, ECObank Limited, Mpatsa Trust and INDEBank Limited.

Details pertaining to the underwriters as required by the Listings Requirements are set out below:

Name	Standard Bank Limited
Address	Kaomba Centre PO Box 1111 Blantyre Tel +265 1 820 144 Fax +265 1 820 956
Date and place of incorporation	March 1969, Blantyre
Directors	Alex Chitisime (<i>Chairman</i>) Charles Mudiwa Roger Snelgar Patrick W Khembo Rodrick K. Phiri Rosemary Mkandawire Dr Rex Harawa Andrew Chioko
Auditors	KPMG
Bankers	Reserve Bank of Malawi
Issued share capital	200 000 000 shares of MK1.00 each
Value underwritten	MK664 455 462
Address	3 Stuart Street PO Box 501 Blantyre Tel +265 1 822 699 Fax +265 1 822 364
Name	NICO Holdings Limited
Date and place of incorporation	January 2002, Blantyre, Malawi
Directors	Mr George Jaffu Mr Robert Scharar Mr Harold Bijoux Mr Alaudin Osman Mr Felix Mlusu Mr Vizenge Kumwenda
Auditors	KPMG
Issued share capital	1 043 041 000 ordinary shares of MK0.05 each
Value underwritten	MK200 000 000
Name	Nedbank Limited
Address	1st Floor, Development House Victoria Avenue PO Box 750, Blantyre Tel +265 1 820 477 Fax +265 1 823 908
Date and place of incorporation	8 August 1976, Blantyre
Directors	Dr Naomi Ngwira Mjedo Mkandawire Denys Denya Albert Sorgdrager Maziko Sauti Phiri William Turton Anderson Kulugomba

Auditors	Deloitte
Bankers	Reserve Bank of Malawi
Issued share capital	198 720 000 shares of MK1.00 each
Value underwritten	MK500 000 000
Name	INDEBank Limited
Address	Top Mandala, Kaohsiung Road, PO Box 358, Blantyre Tel +265 1 820 055 Fax +265 1 823 353
Date and place of incorporation	18 December 1972, Blantyre, Malawi
Directors	Dr C Matabwa Mr F Mlumbe Miss E Mwapasa Mr F Kennedy Mr K Sekyere Mr T Kandiero Mr C Chilingulo Mrs E Chioko
Auditors	Deloitte
Bankers	Reserve Bank of Malawi
Issued share capital	80 000 000 ordinary shares of MK1.00 each
Value underwritten	MK130 000 000
Name	Mpatsa Trust
Address	Mpatsa House, Chilembwe Road, PO Box 3055, Blantyre Tel +265 1 820 851 Fax +265 1 824 173
Date and place of incorporation	22 October 2007, Blantyre, Malawi
Trustees	Mr J H Koreaia – Mpatsa Mrs D H Koreaia – Mpatsa Mr S Chafuwa Lonely Deleza Samuel Tembenu Dr Wiston Mukiwa Lesandra Koreaia
Bankers	NBS Bank, National Bank of Malawi
Value underwritten	MK400 000 000
Name	ECOBank Limited
Address	Victoria Avenue Private Bag 389, Blantyre Tel +265 1 822 681 Fax +265 1 824 620
Date and place of incorporation	26 June 1998, Blantyre, Malawi
Directors	Mr Sam Kakhobwe Mr Albert Essien Mr Justin Chinyanta Mr Masauko Msungama Mr Tony Okpanachi
Auditors	Graham Carr
Bankers	Reserve Bank of Malawi
Issued share capital	1 460 177 ordinary shares of MK100.00 each
Value underwritten	MK200 000 000

TRADING HISTORY OF PRESS CORPORATION SHARES ON THE MSE

The trading history of Press Corporation shares on the MSE is set out below.

		(Lowest price)	(Highest price)	Aggregate volumes
Yearly				
2003		750	1 300	10 917 642
2004		1350	2 000	6 730 571
2005		2 000	5 000	12 564 793
2006		5 000	9 650	8 579 199
2007		9 900	20 500	4 948 635
2008		20 500	N/A	N/A
Year 2005				
1st quarter	March 2005	2 000	2 900	3 360 862
2nd quarter	June 2005	2 900	5 500	143 537
3rd quarter	September 2005	5 500	6 300	5 645 214
4th quarter	December 2005	5 000	6 300	3 415 148
Year 2006				
1st quarter	March 2006	5 000	5 600	3 131 260
2nd quarter	June 2006	5 600	7 200	2 629 801
3rd quarter	September 2006	7 200	9 300	1 898 310
4th quarter	December 2006	9 300	9 650	919 828
2007/2008				
June	2007	17 000	19 500	728 085
July	2007	19 500	21 000	362 140
August	2007	19 500	21 000	89 180
September	2007	19 800	21 000	266 670
October	2007	20 000	21 000	57 050
November	2007	20 000	20 000	101 602
December	2007	20 500	20 500	2 039 405
January	2008	20 500	20 500	41 175
February	2008	20 500	20 500	233 527
March	2008	20 500	20 500	135 256
April	2008	19 500	21 500	847 810
May	2008	22 000	22 500	661 870
Daily				
May 2008				
1 May 2008	Public holiday	22 000	22 000	9 790
2 May 2008				
3 May 2008	Saturday			
4 May 2008	Sunday			
5 May 2008		22 000	22 000	1 000
6 May 2008		22 000	22 000	2 630
7 May 2008		22 500	22 500	40 2500
8 May 2008	No trades			
9 May 2008		22 500	22 500	1 000
10 May 2008	Saturday			
11 May 2008	Sunday			
12 May 2008		22 500	22 500	200 000
13 May 2008		22 500	22 500	40 000

		(Lowest price)	(Highest price)	Aggregate volumes
14 May 2008	Public holiday			
15 May 2008	No trades			
16 May 2008	No trades			
17 May 2008	Saturday			
18 May 2008	Sunday			
19 May 2008	No trades			
20 May 2008	No trades			
21 May 2008	No trades			
22 May 2008	No trades			
23 May 2008		22 500	22 500	2 000
24 May 2008	Saturday			
25 May 2008	Sunday			
26 May 2008		22 500	22 500	950
27 May 2008	No trades			
28 May 2008		22 500	22 500	1 650
29 May 2008		22 500	22 500	350
30 May 2008	No trades			
31 May 2008	Saturday			
1 June 2008	Sunday			
2 June 2008		22 500	22 500	no trades
3 June 2008				
4 June 2008				
5 June 2008				
6 June 2008		22 500	22 500	818 000

Please note that these share prices are given in Tambala.

REPORTING ACCOUNTANTS' REPORT

"The Directors
Press Corporation Limited
PO Box 1227
Blantyre

26 June 2008

Members of the Board

ACCOUNTANTS' REPORT ON THE RIGHTS ISSUE TO THE SHAREHOLDERS OF PRESS CORPORATION LIMITED

In terms of sections 46 and 47 of the 5th Schedule of the Companies Act, (Cap46:03) of the Laws of Malawi and the Malawi Stock Exchange (MSE) Listings Requirements, section 5, we report hereunder on the results of Press Corporation Limited in respect of each of the five financial year ended 31 December 2007 and on its assets and liabilities at 31 December 2007 being the date to which the last audited financial statements were drawn.

KPMG have been auditors for Press Corporation Limited and have reported on the annual financial statements of Press Corporation Limited without qualification, throughout the period covered by this report.

1. INTRODUCTION

The financial information set out in this report is compiled in reference to the audited financial statements of Press Corporation Limited, which consolidates the results and state of affairs of its wholly owned subsidiaries and associates for the five years ended 31 December 2007 after making such adjustments as we consider necessary for the purpose of the circular.

2. COUNTRY OF INCORPORATION AND PRINCIPAL ACTIVITIES

Press Corporation Limited is incorporated in Malawi and is a diversified group with significant interests in the Malawi economy. Its subsidiary companies are all incorporated in Malawi except one dormant company which is incorporated in the Republic of South Africa. The Group operates in real property and investments; food and beverages; retail and consumer products; financial services and telecommunication. Press Corporation Limited also has associated companies involved in brewery and soft drinks and agro-industrial sectors.

3. CURRENCY

The financial statements on which the accountant's report is drawn are expressed in Malawi Kwacha.

4. ACCOUNTING POLICIES

The company's financial statements on which the accountants report is drawn are prepared in accordance with the foregoing significant accounting practices.

4.2 Basis of preparation

4.2.1 Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs).

In preparing these financial statements, the Group and Company in 2007 adopted IFRS 7 *Financial Instruments: Disclosures* and the amendments to IAS 1 *Presentation of Financial Statements*. The adoption of IFRS 7 and amendment to IAS 1 impacted the type and amount of disclosures made in these financial statements, but had no impact on the reported profits or financial position of the Group and Company. In accordance with transitional requirements of the standards, the Group and Company have provided full comparative information.

4.2.2 **Basis of measurement**

The consolidated financial statements are prepared on historical cost basis except for the following:

- Financial instruments at fair value through profit or loss are measured at fair value.
- Biological assets are measured at fair value less point of sale costs.
- Investment property is measured at fair value.
- Liabilities for cash-settled share-based payment arrangements are measured at fair value.
- Property and plant are measured at fair value.

The methods used to measure fair values are discussed further in Notes 4.5 to 4.10 below

4.2.3 **Functional and presentation currency**

These consolidated financial statements are presented in Malawi Kwacha, which is the Company's functional currency. All financial information presented in Malawi Kwacha has been rounded to the nearest million.

4.2.4 **Use of estimates and judgments**

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

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 and in any future periods affected.

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

- Note 9 – Business combinations
- Note 22 – Valuation of investment property
- Note 18 – Utilisation of tax losses
- Note 39 – Provisions
- Note 43 – Contingent liabilities
- Note 6 – Valuation of financial instruments

4.3 **Basis of consolidation**

(i) Subsidiaries

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

(ii) Associates

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

(iii) Jointly controlled entities

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

(iv) Transactions eliminated on consolidation

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

(v) Minority interest

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiaries' equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the Group until the minority's share of losses previously absorbed by the Group has been recovered.

(vi) Acquisition

The purchase method of accounting is used to account for all business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

4.4 **Foreign currency**

(i) Foreign currency transactions

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

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Malawi Kwacha at foreign exchange rates ruling at the balance sheet date. The income and expenses of foreign operations are translated to Malawi Kwacha at average rates. Foreign exchange differences arising on retranslation are recognised directly as a separate component of equity in translation reserve.

4.5 **Property, plant and equipment**

(i) Recognition and measurements

Land, buildings and plant are stated at fair value less accumulated depreciation and impairment losses. Items of motor vehicles, furniture and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Interest and exchange losses on loans which are utilised for the purchase of property, plant and equipment are capitalised until the commissioning of the related assets after which they are dealt with in the income statement.

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

(ii) Reclassification to investment properties

Property that is being constructed for future use as investment property is accounted for as property, plant and equipment until construction or development is complete, at which time it is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognised directly in profit or loss.

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognised directly in equity. Any loss is recognised immediately in profit or loss.

(iii) Subsequent costs

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

(iv) Revaluation

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

(v) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land and assets under construction are not depreciated.

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

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

(vi) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance lease are stated at an amount equal to the lower of its fair value and the present value of minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described in accounting policy 3.15.

4.6 Intangible assets

(i) Goodwill

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is stated at cost less impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investments in the associate.

(ii) Negative goodwill

Negative goodwill arising on an acquisition represents the excess of the fair value of the net identifiable assets acquired over the cost of acquisition. Negative goodwill is recognised immediately in the income statement.

(iii) Computer software

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

(iv) Research and development

Expenditure on research activities, undertaken with the prospects of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if development cost can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

(v) Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

(vi) 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.

(vii) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets other than goodwill, from the date that they are available for use.

4.7 Biological assets

Biological assets are stated at fair value less estimated point of sale costs, with any resultant gain or loss recognised in profit or loss. Point of sale costs include all cost that would be necessary to sell the assets, excluding cost necessary to get the asset to market.

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

4.8 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at fair value with any change therein recognised in profit or loss.

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.

4.9 Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(i) The group as a lessor

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant leases. Initial direct costs incurred in negotiating and arranging an operating

lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(ii) The group as a lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged to the income statement.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

(iii) Leased assets

Leased assets are measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and except for investment property, the leased assets are not recognised on the Group's balance sheet. Investment property held under an operating lease is recognised on the Group's balance sheet at its fair value.

4.10 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 point-of-sale costs at the date of transfer.

4.11 Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, investment property, inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amounting is estimated at each reporting date.

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

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value and the risks specific to the asset.

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

4.12 Non-current assets held for sale and discontinued operations

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

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRSs. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent re-measurement.

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

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

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.

4.13 Employee benefits

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

(i) Other long-term employee benefits

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

(ii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(iv) Share-based payment transactions

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

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

4.14 Provision

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

(i) Restructuring

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

(ii) Onerous contracts

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

(iii) Warranties

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

4.15 Revenue

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

Dividends are recognised when the group is entitled thereto.

(i) Goods sold and services rendered

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Revenue from the sale of goods is recognised in the income statement when significant risks and rewards of ownership have been transferred to the buyer recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Fee and commission income

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

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

(iii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iv) Installation fees

Revenue is recognised on the date of installation.

(v) Postpaid air time

Revenue is recognised on the usage basis.

(vi) Prepaid air time

Revenue is recognised at the date of sale.

(vi) 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.

4.16 Interest income and expenses

Interest income and expense are recognised in the income statement for all financial instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense 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.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Net finance costs comprise interest payable on borrowings, interest receivable on funds invested, dividend income from other investments, foreign exchange gains or losses that are recognised in the income statement.

All interests and other costs incurred in connection with borrowings are expensed as incurred with reference to the effective interest rate of the particular instrument. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

4.17 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

4.18 Finance income and expense

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

Finance expenses comprise interest expense on borrowings, unwinding of discount on provisions, foreign currency losses, changes in fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

4.19 Share capital and dividends

(i) Share issue costs

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

(ii) Dividends on ordinary shares

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

Dividends for the year that are declared after the balance sheet date are dealt with in Note 46.

(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.

4.20 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

(i) Current tax

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

(ii) Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

4.21 Government grants

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and credited to the income statement on a straight-line basis over the expected lives of the related assets. All other grants of revenue nature are credited to the income statement in the year of receipt.

4.22 Financial assets

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

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

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

(iv) Available-for-sale

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

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

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

(v) Trade and other receivables

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

Trade and other receivables comprise inter-branch accounts, interest receivables, prepayments, staff advances and other assets and are stated at their amortised cost less impairment losses (refer accounting policy 3.9).

4.23 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

4.24 **Sale and repurchase agreements**

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

4.25 **Derivative financial instruments**

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

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

4.26 **Financial liabilities**

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of the liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below:

(i) *Customer deposits and liabilities to other banks*

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

(ii) *Other liabilities*

Other liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

4.27 **Equity instruments**

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

4.28 **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.

4.29 **Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing products or service (business segment), or in providing products or services within a particular

economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group primary format for segment reporting is based on business segments.

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.

4.30 **Financial guarantee contracts**

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

These are initially measured at fair value and subsequently at the higher of the amount initially recognised less amortisation in accordance with IAS 18 *Revenue* or the amount determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

4.31 **Comparative information**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

4.32 **New Standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007, and have not been applied in preparing these financial statements:

- IFRS 8 *Operating Segments* introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's management in order to assess each segment's performance and to allocate resources to them.
- Revised IAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 which will become mandatory for the Group's 2009 financial statements is not expected to have any impact on the financial statements.
- IFRIC 11 *IFRS 2 – Bank and Treasury Share Transactions* requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Group's 2008 financial statements, with retrospective application required. It is not expected to have any impact on the financial statements.
- IFRIC 12 *Service Concession Arrangements* provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Group's 2008 financial statements, is not expected to have any effect on the financial statements.
- IFRIC 13 *Consumer Loyalty Programmes* addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Group's 2009 financial statements, is not expected to have any impact on the financial statements.
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 which will become mandatory for the Group's 2008 financial statements, with retrospective application required, is not expected to have any impact on the financial statements.

4.33 **Critical accounting judgements, determination of fair values and key sources of estimation uncertainty for both financial and non-financial assets and liabilities.**

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability.

Derivates

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

(i) Property, plant and equipment

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

(ii) Biological assets

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

(iii) Investment property

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

(v) Non-derivative financial liabilities

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

(vi) Impairment losses on loans and advances

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

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

Key assumptions used:

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

(vii) Held to maturity investments

The group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant level of judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances-for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available for sale.

5. STATUTORY REQUIREMENTS

In accordance with section 27 of the Banking Act, 1989, the Reserve Bank of Malawi has established the following requirements as at the reporting date related to the Group's banking business:

Liquidity reserve requirement

The Group's banking business is required to maintain a liquidity reserve with the Reserve Bank of Malawi equivalent to no less than **15.5%** (2006: 27.5%) of total customer deposits. At the end of the year the liquidity reserve was equivalent to **15.5%** (2006: 27.5%) of total customer deposits.

(i) Capital adequacy requirement as per section 15(2) of the Banking Act, 1989

The Bank's available capital is required to be a minimum of **10%** (2006: 10%) of its risk bearing assets and contingent liabilities. At the end of the year the Bank's available capital was **21%** (2006: 39%) of its risk bearing assets and contingent liabilities.

(ii) Prudential aspects of bank liquidity

As a complement to Section 27 of the Banking Act, 1989, the Reserve Bank of Malawi had issued the following guidelines on the management of liquidity as at the balance sheet date:

- Liquidity Ratio I – Net liquidity (total liquid asset less suspense accounts in foreign currency) divided by total deposits must be at least 30%.
- Liquidity Ratio II – Net liquidity (total liquid assets less suspense accounts in foreign currency and cheques in the course of collection) divided by total deposits must be at least 20%.

(iii) Liquidity Ratios

At the end of the year, the Bank's liquidity ratio I was **53%** (2006: 43%) and liquidity ratio II was **53%** (2006: 42%).

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.

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

- A core capital of not less than 10% of total risk-weighted on balance sheet assets plus risk-weighted off-balance sheet items
- A total capital of not less than 15% of its total risk-weighted on balance sheet assets plus risk-weighted off-balance sheet items.
- A total capital of not less than 5% of its total assets.

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

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

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

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

The Group and individually regulated operations have complied with all externally imposed capital requirements throughout the period.

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

6. FINANCIAL INSTRUMENTS – RISK MANAGEMENT POLICIES

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

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

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

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 and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

6.1 Credit risk

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

(i) Trade and other receivables

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

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

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

The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

(ii) Investments

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

(iii) Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At 31 December 2007 no guarantees were outstanding (2006: none).

6.1(a) Exposure of credit risk

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

The table below shows the maximum exposure to credit risk by class of financial instrument. Financial instruments include financial instruments defined and recognised under IAS 39 *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	Notes	2007 MK'm	2006 MK'm
Gross maximum exposure			
Cash and funds with Reserve Bank of Malawi		3 173	2 252
Government of Malawi and Reserve Bank of Malawi bills		9 996	3 796
Government of Malawi local registered stocks		1 877	1 207
Placements with other banks		4 630	5 798
Loans and advances to customers	25	18 339	16 796
Other money market deposits		464	902
Trade and other receivables	32	11 150	11 474
Other assets		1 773	1 562
Total recognised financial instruments		51 402	43 787
Letters of credit and guarantees		1 775	3 642
Loan commitments and other credit facilities		6 904	2 939
Total unrecognised financial instruments		8 679	6 581
Total credit exposure		60 081	50 368

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

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

GROUP	Carrying amount MK'm	Offset MK'm	Net exposure to credit risk MK'm
31 December 2007			
Cash and funds with Reserve Bank of Malawi	3 173	–	3 173
Government of Malawi Treasury and Reserve Bank of Malawi bills	9 996	–	9 996
Government of Malawi local registered stock	1 877	–	1 877
Placements with other banks	4 630	–	4 630
Loans and advances to customers	18 339	(915)	17 424
Other money market deposits	464	–	464
Trade and other receivables	11 150	–	11 150
Other assets	1 773	–	1 773
	51 402	(915)	50 487
31 December 2006			
Cash and funds with Reserve Bank of Malawi	2 252	–	2 252
Government of Malawi Treasury and Reserve Bank of Malawi bills	3 796	–	3 796
Government of Malawi local registered stock	1 207	–	1 207
Placements with other banks	5 798	–	5 798
Loans and advances to customers	16 796	(953)	15 843
Other money market deposits	902	–	902
Trade and other receivables	11 474	–	11 474
Other assets	1 562	–	1 562
	43 787	(953)	42 834

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

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

There is one significant concentration of credit risk, for K2.2 billion (2006: K2.5 billion) which was guaranteed by the Government of Malawi. The rest of the Group's banking book is spread on a large number of counterparties and customers.

6.1(c) Credit quality of loans and advances

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

GROUP	Loans and advances to customers	
	2007 MK'm	2006 MK'm
Individually impaired		
Grade 8: Impaired	298	445
Grade 9: Impaired	467	450
Gross amount	765	895
Allowance for impairment	(575)	(661)
Carrying amount	190	234
Past due but not impaired		
Grade 7: Watch list	10	62
Neither past due nor impaired		
Grade 1-3 Low risk	6 548	6 038
Grade 4-6 Fair risk	11 293	10 047
Total carrying amount	18 041	16 381
Past due comprises:		
30 – 60 days	10	62

Impaired loans and advances

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

Past due but not impaired loans

These are loans and advances where contractual interest of principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security / collateral available and/or the stage of collection of amounts owed to the Group.

Allowance for impairment

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

Write-off policy

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

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

Loans and advances to customers

Allowance for GROUP	Gross MK'm	Impairment MK'm	Net MK'm
31 December 2007			
Grade 8: Individually impaired	298	(170)	128
Grade 9: Individually impaired	467	(405)	62
Total	765	(575)	190
31 December 2006			
Grade 8: individually impaired	445	(327)	118
Grade 9: individually impaired	450	(334)	116
Total	895	(661)	234

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

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

	2007 K'm	2006 K'm
Against individually impaired		
Motor vehicles	2 700	1 329
Commercial property	2 189	1 774
Residual property	1 753	1 280
Cash	915	953
Equities	551	123
Bank guarantees	187	231
Total	8 295	5 690

Collateral repossessed

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

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

Loans and advances to customers

Concentration by sector	2007 MK'm	2006 MK'm
Agriculture	1 445	1 235
Finance and Insurance	4 003	3 895
Manufacturing	1 451	1 268
Other	4 107	3 331
Personal	5 451	4 809
Wholesale and retail	1 964	2 013
	18 421	16 551

Concentration by sector percentage

	2007 %	2006 %
Agriculture	7.9	7.5
Finance and Insurance	21.8	23.5
Manufacturing	7.6	7.7
Other	22.4	20.1
Personal	29.6	29.0
Wholesale and retail	10.7	12.2
Total	100	100

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

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

6.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities as they fall due.

(i) Management of liquidity risk

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

The daily management of liquidity of the Group's banking business is entrusted with the Treasury Division at Head Office. Treasury Division 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. Treasury Division then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The liquidity requirements of business units are funded through deposits from customers. Any short-term fluctuations are funded through treasury activities such as inter-bank facilities, repurchase agreements and others.

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

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

(ii) Exposure to liquidity risk

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

6.3 **Market risk**

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

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Group's Audit Committee.

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currencies of Group entities, primarily US Dollars (USD) and South African Rand. The currencies in which these transactions primarily are denominated are USD and South African Rand.

The principal amounts of the Group's USD bank loans, taken out by Group entities, have been fully hedged using forward contracts that mature on the same dates that the loans are due for repayment.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily USD. This provides an economic hedge and no derivatives are entered into.

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.

Interest rate risk

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

Other market price risk

Equity price risk arises from available-for-sale equity securities held for meeting partially the unfunded portion of the Group's defined benefit pension obligations. Management of the Group monitors the mix of debt and equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board.

The primary goal of the Group's investment strategy is to maximise investment returns in order to meet partially the Group's unfunded defined benefit obligations; management is assisted by external advisors in this regard. In accordance with this strategy certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis.

The Group does not enter into commodity contracts other than to meet the Group's expected usage and sale requirements; such contracts are not settled net.

6.4 **Operational risk**

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

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

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

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- prevention of business disruption and system failures and development of contingency
- ethical and business standards
- risk mitigation, including insurance where this is effective
- safeguarding assets against loss or damage

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

6.5 **Compliance risk**

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

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

7. FIVE YEAR SUMMARY RESULTS

7.1 Consolidated income statement for the year ended 31 December

	Notes	2007 K'm	2006 K'm	2005 K'm	2004 K'm	2003 K'm
Revenue	8.04	27 572	24 572	15 692	17 112	10 978
Operating profit before interest		5 717	4 642	2 555	2 626	1 785
Net financing income	8.10	(568)	(127)	94	(9)	55
Exceptional items			-			
Share of profit/(loss) from associates	8.11	(119)	(16)	742	390	499
Profit before taxation		5 030	4 499	3 391	3 007	2 339
Taxation	8.12	(1,589)	(1 364)	(1 148)	(1 110)	(729)
Profit after taxation		3 441	3 135	2 243	1 897	1 610
Loss from discontinued operations	8.02	(16)	(3)	-	-	-
Net profit for the year		3 425	3 132	2 243	1 897	1 610
Attributable to:						
Equity holders of the company		1 708	1 608	1 657	1 142	1 149
Minority interest		1 717	1 524	586	755	461
Basic earnings per share (tambala)	8.13	15.53	14.62	15.06	10.93	10.43
Diluted earnings per share (tambala)	8.13	14.98	14.10	14.53	10.36	10.43

Highlights

1. TURNOVER:

There has not been steady growth in turnover over the past five years mainly due changes in the composition of the group companies over the period under review. In addition a substantial increase in turnover was recorded in 2006 following the acquisition of majority shareholding in Malawi Telecommunication Limited (MTL). Average growth for the period was at 28.1%, which is well above the average inflation rate for the period and GDP growth for the country.

2. DIRECT COSTS

On average, direct costs have increased by 21.8% over the past five years. The increase is in line with growth in turnover as reported above.

3. ADMINISTRATION COSTS

Over the past five years, administration costs have increased by an average of 44.9% with the highest increase recorded in the year 2006. The consolidation of MTL results coupled with management fees payable to Datacom, under a management contract for MTL, accounted for a more than 100% increase in administration costs.

4. FINANCE COSTS

Notable increase in finance costs were recorded in 2006 and 2007. This was occasioned by increase in borrowing. Long-term borrowings of MK2.1 billion were made to partly finance the acquisition of MTL.

5. EARNINGS

Earnings attributable to the company's shareholders increased by 49% from Mk1.1 billion in 2003 to MK1.7 billion in 2007. Consequently, earnings per share also increased by a similar margin over the past five years. The increase in earnings is a direct reflection of growth in turnover.

7.2 Statements of assets and liabilities of the group as at 31 December 2007

	Notes	2007 K'm	2006 K'm	2005 K'm	2004 K'm	2003 K'm
ASSETS						
Property, plant and equipment	8.14	23 818	22 822	6 328	5 426	4 871
Intangible assets	8.15	266	369	54	–	85
Investment properties	8.16	1 104	1 012	885	652	720
Investment in associated companies	8.17	1 475	1 254	1 620	1 232	1 158
Loans and advances to customers	8.18	3 552	4 193	3 046	2 872	493
Other investments	8.19	3 535	1 422	78	995	–
Deferred tax assets	8.20	667	91	–	–	–
Total non-current assets		34 417	31 163	12 011	11 177	7 327
Biological assets	8.21	55	39	–	–	–
Loans and advances to customers		14 500	12 188	8 506	4 533	4 137
Other investments		11 223	5 646	11 046	7 316	7 943
Inventories	8.22	2 853	1 741	1 309	1 259	1 056
Income Tax recoverable		–	–	–	–	28
Trade and other receivables	8.23	11 150	11 474	2 957	3 565	2 304
Assets held for sale	8.24	15	29	59	52	87
Cash and cash equivalents	8.25	6 840	6 018	6 100	5 287	3 430
Total current assets		46 636	37 135	29 977	22 012	18 985
Total assets		81 053	68 298	41 988	33 189	26 312
EQUITY, MINORITY INTERESTS, AND LIABILITIES						
Equity						
Issued share capital	8.26	1	1	1	1	1
Share premium	8.27	100	100	100	100	100
Other Reserves	8.28	6 388	6 234	1 269	1 000	1 188
Retained earnings		7 057	6 387	6 996	5 550	4 481
Equity attributable to equity holders of the company		13 546	12 722	8 366	6 651	5 770
Minority interests		9 027	7 973	2 492	2 093	2 041
Total equity		22 573	20 695	10 858	8 744	7 811
Non-current liabilities						
Loans and borrowings	8.29	4 512	4 378	940	1 091	1 062
Provisions	8.30	1 874	1 434	–	–	–
Deferred tax liabilities		3 142	3 183	499	798	664
Total non-current liabilities		9 528	8 995	1 439	1 889	1 726
Current liabilities						
Bank overdrafts		968	783	86	99	415
Loans and borrowings		1 454	1 681	210	490	369
Provisions		522	156	410	533	–
Trade and other payables	8.31	10 943	10 307	5 975	4 369	3 430
Liabilities due to customers		33 751	24 479	22 588	16 795	12 236
Income tax payable		1 314	1 202	418	263	314
Dividends payable to Minority interest		–	–	4	7	11
Total current liabilities		48 952	38 608	29 691	22 556	16 775
Total equity and liabilities		81 053	68 298	41 988	33 189	26 312

7.3 Exchange rates and inflation

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

Year ended 31 December

	2007	2006	2005	2004	2003
Kwacha: US Dollar	140.17	139.34	123.78	108.94	97.43
Kwacha: Euro	204.18	187.09	147.98	146.52	85.11
Kwacha: SA Rand	20.51	20.56	19.96	19.06	14.50
Inflation rate	8.0	10.1	16.5	13.7	9.8

8. NOTES TO THE FINANCIAL STATEMENTS

8.1 Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

The group recognises among its subsidiary and associated companies five operating industries, based on the type of business. These segments are Food and beverage, Retail and consumer products, Real property and investments, telecommunication and financial services activities.

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.

The Company monitors the performance of its investments by allocation to five industries as below. The associated companies make up the Investment division. In addition, a number of dormant subsidiaries are maintained for the protection of trade names or other reasons.

Industry	Percentage shareholding	Nature of business
Food and beverage		
The Foods Company Limited	100.0	Manufacturer and distributor of food products
Maldeco Aquaculture Limited	100.0	Fish farming
Limbe Leaf Tobacco Company Limited	42.0	Tobacco processors
Bottling and Brewing Group Limited	44.0	Beverage
Retail and consumer products		
Hardware and General Dealers Limited	100.0	Glass glazing
Ethanol Company Limited	66.0	Ethanol manufacturer
People's Trading Centre Limited	50.0	Supermarket chain
BP Malawi Limited	50.0	Fuel and oil distributor
Macsteel Malawi Limited	50.0	Steel processors
PressCane Limited	50.1	Ethanol manufacturer

Industry	Percentage shareholding	Nature of business
Financial services		
National Bank of Malawi Limited	51.8	Banking activities
Real Property and Investment		
Press Management Services Limited	100.0	Property investment and development and management services provider
Press Bakeries Limited	100.0	Property Holding Company
Press Foods Limited (head office)	100.0	Dormant
Press Corporation Limited		– Holding company
Communications		
Telecom Holdings Limited	62.6	Holding company for Malawi Telecommunications Limited (MTL)
MTL Mobile Limited	22.5	Holding Company for TNM Limited
Discontinued Operations		
Company	Percentage shareholding	Nature of business
Maldeco Fisheries Limited	100.0	Dormant
Enterprise Containers Limited	100.0	Dormant
Press Trading (Pty) Limited	100.0	Dormant
Press and Shire Clothing Limited	100.0	Dormant
PGI Limited	100.0	Dormant
Press (Produce) Limited	100.0	Dormant
Press Foods Limited (Head office)	100.0	Dormant
National Poultry Limited	50.0	Dormant
Metpress Zambia Limited	50.0	Dormant
Press Bakeries (a division of The Foods Company Limited)	100.0	Dormant
Malawi Pharmacies Limited	100.0	Dormant

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

Jointly controlled entities

Three companies, People's Trading Centre Limited, BP Malawi Limited and Macsteel (Malawi) Limited are 50% owned by the Company and 50% owned by technical partners. These have been proportionally consolidated as Jointly Controlled Entities in accordance with IAS 31 – Investments in Joint Ventures.

Geographical segment presentation

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

Segmental revenue

2007	Real property and Investment	Food and beverages	Retail and consumer products	Financial services	Tele- com- muni- cation	Elimina- tions	Total
Revenue from external customers							
Sales	75	559	30 851	–	–	(14 802)	16 683
Interest income	48	–	–	–	5 673	–	5 721
Services	–	–	–	5 168	–	–	5 168
Total revenues from external customers							
	123	559	30 851	5 168	5 673	(14 802)	27 572
Segmental analysis of sales –							
Inter-group	481	99	1 118	106	181	(1 985)	–
Total segment revenues							
	604	658	31 969	5 274	5 854	(16 787)	27 572
Segment results							
Operating profits	711	(26)	1 750	3 568	1 501	(2 512)	5 717
Net finance costs	(237)	–	(108)	–	(205)	(18)	(568)
Share of profit of associates	–	–	–	–	–	(119)	(119)
Income tax expense	34	(33)	(383)	(1 174)	(350)	317	(1 589)
Gain on sale of discounted operations, net of tax	–	(18)	–	–	–	2	(16)
Profit for the year							
	508	(77)	1 259	2 394	946	(1 605)	3 425
Other information							
Capital additions	643	258	1 065	1 345	2 905	(1 116)	5 100
Depreciation and amortisation	45	52	305	355	1 093	(76)	1 774

2007	Real property and Investment	Food and beverages	Retail and consumer products	Financial services	Tele- com- muni- cation	Elimina- tions	Total
Balance sheet							
ASSETS							
Segment assets	22 310	1 642	12 357	46 897	22 150	(23 794)	81 562
Investment in associates	467	–	–	–	–	–	467
Total assets	22 777	1 642	12 357	46 897	22 150	(23 794)	82 029
LIABILITIES							
Segment liabilities	5 588	795	8 859	40 116	10 674	(7 618)	58 414
Balance sheet							
ASSETS							
Cash flows from operating activities	(1 335)	223	2 488	10 198	2 793	(993)	13 374
Cash flows from investing activities	353	(210)	(894)	(8 343)	(1 909)	1 252	(9 751)
Cash flows from financing activities	600	(69)	(791)	(1 569)	(445)	2 400	126
Capital expenditure	641	258	1 060	1 345	2 040	(353)	4 991

8.2 Discontinued operation

On 18 April 2005 the group sold its pharmaceutical business, the business was classified as held for sale as at 31 December 2005 and the income statement has been re-presented below to show the discontinued operations separately from continuing operations.

	Group 2007	2006
Results from discontinued operations		
Revenue	–	–
Expenses	–	–
Results from operating activities, net of income tax	–	–
Loss on sale of discontinued operations	(16)	(3)
Loss for the year	(16)	(3)

8.3 Acquisition of subsidiary/associate

On 2 April 2007 the Group through MTL Mobile Limited acquired 60% of TNM Limited. Press Corporation Limited hold 22.5% of the shareholding in MTL Mobile, which acquired 60% stake in TNM Limited for US\$16 million in cash. The company provides mobile phone services.

In the nine months to 31 December 2007 the associate contributed profit of MK1 billion. If the acquisition had occurred on 1 January 2007, management estimates that associate's revenue would have been MK5.7 billion and its profit for the period would have been MK1.6 billion.

Fair valuation on acquisition of Telekom Networks Limited

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Property, plant and equipment	2 539	(408)	2 131
Inventory	36	–	36
Amount from group companies	172	–	172
Trade and other receivables	778	–	778
Cash and cash equivalents	566	–	566
Deferred tax	(263)	–	(263)
Group creditors	(53)	–	(53)
Income tax payable	(251)	–	(251)
Trade and other payables	(573)	–	(573)
	2 951	(408)	2 543
60% acquired by MTL Mobile Limited			1 526
Consideration			2 261
Less cash acquired			(566)
Net cash out flow			1 695
Goodwill on acquisition			(735)
Gain on fair value adjustment			1 206
Profit on acquisition			471

On 14 February 2006 the Group acquired through Telecom Holdings Limited, 80% stake in Malawi Telecommunications Limited for US\$30 million in cash. The company is in the provision of telecommunication services. In the 11 months to 31 December 2006 the subsidiary contributed profit of MK354 million. If the acquisition had occurred on 1 January 2006, management estimates that consolidated revenue would have been MK5.7 billion and consolidated profit for the period would have been MK400 million.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Notes	Pre-acquisition carrying amounts	Group	
			Fair value adjustments	Recognised values on acquisition
Property, plant and equipment	20	8 342	4 793	13 135
Intangibles	21	429	–	429
Investments		791	(47)	744
Inventories		162	–	162
Trade and other receivables		5 961	(1 072)	4 889
Cash and cash equivalents		(64)	–	(64)
Loans and borrowings		(2 911)	330	(2 581)
Deferred tax liabilities		(1 179)	(1 340)	(2 519)
Trade and other payables		(6 463)	(247)	(6 710)
Net identifiable assets and liabilities		5 068	2 417	7 485
80% Telecom Holding Limited's stake				5 988
Goodwill on acquisition				(1 951)
Consideration paid satisfied in cash				4 037
Cash acquired				64
Net cash outflow				4 101

Pre-acquisition carrying amounts were determined based on applicable IFRSs immediately before acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values (See note 4 for methods used in determining fair values)

8.4 Revenue

	2007	2006	2005	2004	2003
Sales	16 683	14 427	11 824	12 363	7 637
Interest	5 721	5 109	3 868	2 999	1 913
Services	5 168	5 036	–	1 750	1 428
	27 572	24 572	15 692	17 112	10 978

8.5 Direct trading costs

	2007	2006	2005	2004	2003
Cost of sales	12 468	10 894	9 074	9 683	5 725
Interest expense	1 232	1 393	972	1 224	1 113
Direct service costs	770	1 061	1 876	218	1 913
	14 470	13 348	11 922	11 125	8 751

	2007	2006	2005	2004	2003
8.6 Other operating income					
Fees and commission income	1 508	1 351	1 114	–	–
Investment income (dividends)	–	–	–	–	–
	1 508	1 351	1 114		
Release of unused provisions	1 302	–	–	–	–
Gains and losses from dealing in foreign currencies	1 268	1 084	777	–	–
Recoveries from impaired loans and advances	561	195	83	–	–
Fair value adjustment of investment property	93	74	154	–	–
Gain on subsidiary acquisition net of impairment	471	1 296	–	–	–
Profit on disposal of property, plant and equipment	18	14	37	–	–
Sundry	1 084	870	333	–	–
	4 797	3 533	1 384	–	–
	6 305	4 884	2 498	5 109	3 367
8.7 Distribution costs					
Marketing and publication	18	34	85	–	–
Selling expenses	145	121	–	–	–
Carriage outwards	98	98	–	–	–
Sundry	126	55	–	–	–
	387	308	85	–	–
8.8 Administrative expenses					
Auditors' remuneration – current year fees	79	62	52	35	28
– prior year fees	4	14	1	1	1
– other professional services	4	5	2	2	2
Directors' emoluments – fees	13	12	16	10	8
– remuneration	61	12	62	53	31
Management fees	974	524	31	45	44
Personnel costs	4 587	3 976	2 078	2 468	1 716
Pension contribution costs	286	259	149	82	63
Legal and professional fees	190	279	156	22	17
Stationery and office expenses	425	348	143	–	–
Security services	294	216	108	–	–
Motor vehicle expenses	433	444	158	–	–
Bad debts	1 025	475	–	277	494
Repairs and maintenance	1 043	843	–	–	–
Depreciation and amortisation	1 774	2 492	612	–	–
Other	1 841	627	967	1 608	733
	13 033	10 588	4 535	4 603	3 137
8.9 Other operating expenses					
Communication costs	–	233	–	–	–
Traveling costs	–	156	–	–	–
Closure costs	–	14	–	–	–
Staff training	82	–	–	–	–
Other	188	167	–	–	–
	270	570	900	1 086	672

	2007	2006	2005	2004	2003
8.10 Finance income and expense					
Interest income					
Interest income on bank deposits	180	290	185	256	83
Other	23	12	7	19	76
	203	302	192	275	159
Interest expense					
Bank overdrafts	(162)	(44)	(20)	(108)	(57)
Loans	(591)	(247)	(52)	(101)	(4)
Other	(18)	(138)	(26)	(75)	(43)
	(771)	(429)	(98)	(284)	(104)
Net finance (costs)/income	(568)	(127)	94	(9)	55
8.11 Share of results from associates					
First Discount House	–	–	18	29	12
MTL Mobile Limited	356	–	–	–	–
Limbe Leaf Tobacco Company Limited	(626)	(25)	512	149	419
Bottling & Brewing Company Limited	151	9	212	212	68
	(119)	(16)	742	390	499
8.12 Income tax expense					
Current tax expense					
Current year	1 496	1 360	923	992	672
Adjustments for prior years	160	–	116	5	–
Final tax on dividend received from associates, subsidiaries and joint ventures	(93)	(79)	57	99	60
Reversal of prior year over provision	–	–	–	–	–
	1 563	1 281	1 096	1 096	732
Deferred tax expense					
Utilisation of tax losses	(35)	15	–	–	–
Origination and reversal of temporary differences	61	68	52	14	(3)
Income tax expense in income statements	1 589	1 364	1 148	1 110	729

Reconciliation of tax rate

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

	2007	2006	2005	2004	2003
Profit/(Loss) before tax	5 030	4 499	3 391	3 007	2 339
Current tax at 30% (2006: 30%) based on taxable results for the year	1 509	1 350	1 017	921	702
Income not subject to tax	(2)	(351)	–	–	–
Non deductible (exempt income) expenses	195	299	29	90	(33)
Under provisions in previous periods	20	6	50	–	–
Unutilised taxable losses	–	10	–	–	–
Effects of final tax on dividends from associates and subsidiaries	(93)	(79)	54	99	60
Tax incentive	–	(10)	(2)	–	–
Other temporary differences	(6)	96	–	–	–
Differences between depreciation and amortisation and capital allowance	(34)	43	–	–	–
	1 589	1 364	1 148	1 110	729

The Company is estimated to have tax losses of approximately **MK2.9 billion** (2006: MK2.6 billion). Within the subsidiaries the tax losses are approximately **MK5.5 billion** (2006: MK17 million). 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.

	Group	
	2007	2006

8.13 Basic earnings per share and diluted earnings per share

As restated

Calculation of basic earnings per share and diluted earnings per share is based on the net profit attributable to ordinary shareholders of **MK1 708 million** (2006: MK1 608 million) and a weighted average number of ordinary shares outstanding during the year of **110 234 506** (2006: 110 234 502).

Profit for the year	1 708	1 608
Weighted average number of ordinary shares	110	110
Basic earnings per share (MK)	15.53	14.62
Weighted average number of shares in issue	110	110
Effect share options (in millions)	4	4
	114	114
Diluted earnings per share (MK)	14.98	14.10

8.14 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 2006	2 379	4 652	893	1 097	9 021
Acquisition through business combination	2 074	8 896	135	2 030	13 135
Additions	292	356	735	2 096	3 479
Disposals	(36)	(162)	(180)	–	(378)
Transfers between classes	1	2 546	–	(2 547)	–
Balance at 31 December 2006	4 710	16 288	1 583	2 676	25 257
Balance at 1 January 2007	4 710	16 288	1 583	2 676	25 257
Additions	68	906	290	3 728	4 992
Disposals	(2)	(319)	(170)	–	(491)
Transfers between classes	199	2 458	34	(2 691)	–
Reclassified as held for sale	–	–	(11)	–	(11)
Reclassified to other reporting categories	–	–	–	(1 985)	(1 985)
Surplus revaluation	73	–	–	–	73
Balance at 31 December 2007	5 048	19 333	1 726	1 728	27 835
<i>Accumulated depreciation and impairment losses</i>					
Balance at 1 January 2006	401	1 751	541	–	2 693
Depreciation charge for the year	157	2 007	267	–	2 431
Eliminated on revaluation	(105)	(2 577)	–	–	(2 682)
Released on disposal	(2)	(53)	(132)	–	(187)
Impairment loss	172	3	7	–	182
Reclassified to other reporting categories	–	(2)	–	–	(2)
Balance at 31 December 2006	623	1 129	683	–	2 435
Balance at 1 January 2007	623	1 129	683	–	2 435
Depreciation charge for the year	78	1 407	233	–	1 718
Eliminated on revaluation	(2)	–	–	–	(2)
Released on disposal	–	–	(123)	–	(123)
Reclassified as held for sale	–	–	(11)	–	(11)
Balance at 31 December 2007	699	2 536	782	–	4 017
<i>Carrying amounts</i>					
At 31 December 2007	4 349	16 797	944	1 728	23 818
At 31 December 2006	4 087	15 159	900	2 676	22 822

Company	Land and buildings	Plant, furniture and equipment	Motor vehicles	Capital work in progress	Total
Cost or valuation					
Balance at 1 January 2006	15	–	–	–	15
Surplus on revaluation	1	–	–	–	1
Balance at 31 December 2006	16	–	–	–	16
Balance at 1 January 2007	16	–	–	–	16
Surplus on revaluation	1	–	–	–	1
Balance at 31 December 2007	17	–	–	–	17
Carrying amounts					
At 31 December 2007	17	–	–	–	17
At 31 December 2006	16	–	–	–	16

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

Certain land and buildings were professionally and independently revalued by Griffin R P Baloyi, Bsc (Hon), Bsc MRICS, MSIM, a chartered valuation surveyor with Press Properties and were certified by Don Whyo, Bsc (Est. Man), Dip (Urb Man), BA, MRICS, MSIM a chartered valuation surveyor with Knight Frank (Malawi) Limited at 31 December 2005 on an open market value basis while some land and buildings with net book value of **MK4 381million** (2006: MK1 398 million) relating to banking activities were last revalued at 31 December 2005 by Chris Mullock, ARICS, MSIM, a qualified valuer, on a current market value basis.

Land and buildings and civil works in PressCane Limited were valued by Mr. Simeon Banda BSc (Honours), MSIM, ARICS a qualified valuer and factory buildings and civil works were valued by Mr T T Msowoya and Mr M M Nyasulu, qualified valuers of Turner and Townsend as at 31 December 2005.

The fair values were determined by the use of depreciated replacement costs.

Plant and equipment in PressCane Limited were valued at 31 December 2005 by Mr C Chifamba MRICS, TZweIE a qualified valuer of CB Richard Ellis, industrial plant, machinery and equipment specialists based in Botswana to provide the fair values of the plant and equipment. The valuation basis used was the depreciated replacement cost

Telecommunications plant in Malawi Telecommunications Limited (MTL) was revalued as at 30 June 2006 by independent professional valuers. Valuations were made on the basis of depreciated replacement cost of the assets. The revaluation surplus net of applicable deferred income tax was credited to revaluation reserve in shareholders' equity.

Capital work in progress

Included in the capital work in progress is work presently being carried out on renovation of some equipments of Malawi Telecommunications Limited and filling stations in BP Malawi Limited. Capital work in progress includes property being constructed for future use as an investment property of **MK431 million** (2006: MK16 million) stated at cost to be transferred to Investment property when construction is complete.

8.15 Intangible assets

2006	Group				Total
	Brands	Pre-paid billing	Sun blade 2000	New Billing System (SMLS)	
Balance at 1 January 2006	54	–	–	–	54
Acquisition through business combination	–	22	4	404	430
Disposal during the year	(54)	–	–	–	(54)
Amortisation charge for the year	–	(9)	(1)	(51)	(61)
Balance at 31 December 2006	–	13	3	353	369
2007					
Balance at 1 January 2007	–	13	3	353	369
Amortisation charge for the year	–	(13)	(3)	(87)	(103)
Balance at 31 December 2007	–	–	–	266	266

8.16 Investment properties

2006	Group				Total
	Freehold land and buildings	Lease hold land and buildings	Undeveloped freehold land	Under developed leasehold land	
Valuation					
Balance at 1 January 2006	292	526	66	1	885
Transfer between classes	37	(37)	–	–	–
Additions during the year	3	19	–	–	22
Surplus on revaluation	32	55	18	–	105
Balance at 31 December 2006	364	563	84	1	1 012
2007					
Balance at 1 January 2007	364	563	84	1	1 012
Transfer between classes (Note 20)	–	(11)	–	–	(11)
Additions during the year	2	3	–	–	5
Surplus on revaluation	40	74	–	–	114
Disposal	(6)	(2)	(8)	–	(16)
Balance at 31 December 2007	400	627	76	1	1 104

The properties were professionally revalued by G.R.P Baloyi a Chartered Surveyor with Press Properties (A Division of Press Management Services Limited) at 31 December 2007 on an open market value basis.

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

8.17 Investments in Associates (Carrying amount)

	Shareholding percentage	2007	2006	2005	2004	2003
(a) Investment at the year end						
Limbe Leaf Tobacco Co. Limited	42	–	642	916	697	788
Bottling & Brewing Company Limited	44	763	612	646	483	320
First Discount House	30	–	–	58	52	50
MTL Mobile Limited	22.5	712	–	–	–	–
At the end of the year		1 475	1 254	1 620	1 232	1 158
		2007	2006	2005	2004	2003
(b) Movement during the year						
At beginning of the year		1 254	1 620	1 232	1 158	708
Additions		467	–	–	–	–
Transfers to and from subsidiary companies		–	–	–	–	190
Dividend paid		(112)	(308)	388	74	260
Decrease in fair value		(134)	(58)	–	–	–
At the end of the year		1 475	1 254	1 620	1 232	1 158

The associates' financial statements include the following:

Assets	31 810	35 181	35 191	24 784
Liabilities	20 330	25 370	28 309	20 772
Revenue	36 417	33 107	29 642	24 611
Profit	445	1 934	1 084	595

8.18 Loans and advances to customers

Gross loans and advances to customers	18 349	16 796	11 902	7 703	4 816
Allowance for impairment losses	(298)	(415)	(350)	(298)	(186)
Net loans and advances	18 051	16 381	11 552	7 405	4 630
Gross loans and advances are due to mature as follows:					
– Within three months	11 187	10 384	5 808	4 214	4 022
– Between three months and one year	3 613	2 260	3 136	598	301
– After one year	3 549	4 152	2 958	2 891	493
	18 349	16 796	11 902	7 703	4 816
Net loans are split into:					
Long-term loans	3 552	4 193	8 506	4 533	4 137
Short term loans	14 500	12 188	3 046	2 872	493
	18 052	16 381	11 552	7 405	4 630

The base lending rate for Group's banking subsidiary as at 31 December 2007 was **19.5%** (2006: 22.5%) and the US Dollar denominated loans were given at an average interest rate of **9.5%** (2006: 9.5%).

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

	2007	2006	2005	2004	2003
8.19 Other investments					
Total investments are due to mature as follows:					
(i) Long-term investments					
– Non-maturing investments	2 055	1 162	–	2	27
– Between one year and five years	1 480	260	78	995	200
	3 535	1 422	78	997	227
(ii) Current investments					
– Between three months and one year	5 445	2 240	4 376	3 775	3 013
– Within three months	5 778	3 406	6 670	3 539	4 703
	11 223	5 646	11 046	7 314	7 716
Total other investments	14 758	7 068	11 124	8 311	7 943
Comprises of the following:					
Government of Malawi and Reserve Bank of Malawi bills	9 996	3 796	6 815	5 525	5 034
Money market deposits	464	1 052	3 090	1 546	1 661
Government of Malawi local registered stock	1 877	1 207	1 219	1 235	1 235
Other	2 421	1 013	–	5	13
Total investments held to maturity	14 758	7 068	11 124	8 311	7 943
			Average interest rate	Group	
			2007	2007	2006
(a) Government of Malawi and Reserve Bank of Malawi bills					
Government of Malawi					
Treasury Bills		14%	20%	9 499	3 479
Reserve Bank of Malawi Bills		2%	19%	497	317
				9 996	3 796
The bills are due to mature as follows:					
Within three months				4 793	2 062
Between three months and one year				5 203	1 734
				9 996	3 796
				Group	
				2007	2006
(b) Government of Malawi local registered stock					
Government of Malawi local registered stock				1 877	1 207
The stock is due to mature as follows:					
• Within three months				520	474
• Between three months and one year				242	474
• Between one and five years				1 115	259
				1 877	1 207

Government of Malawi local registered stock is denominated in Malawi Kwacha and is held to maturity. The stock earned an average interest rate of 20.4% (2006: 25.1%)

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

Bank overdrafts and bank loans are secured by fixed and floating charges and guarantees over the assets of certain Group companies amounting to MK NIL (2006: MK2 881 million).

	Group and Company				
	2007	2006			
8.26 Share capital					
Authorised ordinary share capital					
– Number (millions)	2 507	2 507			
– Nominal value per share (MK)	0.01	0.01			
– Nominal value (MK million)	25.07	25.07			
Issued and fully paid					
– Number (millions)	1	1			
– Nominal value (MK million)	1	1			
8.27 Share premium					
At the beginning and end of the year	100	100			
8.28 Other reserves					
2006					
Balance at 1 January 2006	1 133	33	61	42	1 269
Arising on business combination	–	–	–	2 010	2 010
Fair value gains and losses					
Land and buildings	89	–	–	–	89
Reversal of general reserve	–	–	216	–	216
Increase in specific provision	(16)	–	–	–	(16)
Depreciation transfer of land and buildings	(27)	–	–	–	(27)
Goodwill on acquisition of a subsidiary	1	–	–	–	1
Deferred tax	(1 586)	–	–	7	(1 579)
Revaluation surplus	5 225	–	–	–	5 225
Minority interest arising on business combinations	–	–	–	(954)	(954)
Balance at 31 December 2006	4 819	33	277	1 105	6 234
2007					
Balance at 1 January 2007	4 819	33	277	1 105	6 234
Fair value gains and losses					
Land and buildings	53	–	–	–	53
Reversal of general reserve	–	–	19	–	19
Depreciation transfer of land and buildings	(32)	–	–	–	(32)
Deferred tax	191	–	–	–	191
Revaluation surplus	(97)	1	–	–	(96)
Asset disposal	19	–	–	–	19
Balance at 31 December 2007	4 953	34	296	1 105	6 388

	Company			
	Revaluation reserve	Translation reserve	Loan loss reserve	Total
2006				
Balance at 1 January 2006	8 291	110	–	8 401
Transfer to loan loss reserve	–	–	168	168
Revaluation surplus *	2 397	–	–	2 397
Balance at 31 December 2006	10 688	110	168	10 966
2007				
Balance at 1 January 2007	10 688	110	168	10 966
Revaluation surplus	6 853	–	–	6 853
Balance at 31 December 2007	17 541	110	168	17 819

Revaluation reserve

The revaluation reserve relates to revaluation of property, plant and equipment and investments in subsidiaries and comprises cumulative increase in the fair value at the date of valuation.

* The revaluation surplus has been restated to adjust for an understatement of K2 647 million.

Translation reserves

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the company, as well as from translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Loan loss reserve

This relates to excess of provisions for impairment losses which are above those impairment loss allowed by IAS 39 requirements.

Other reserves

The other reserves comprise capital redemption reserve and capital profits.

	Secured	Unsecured	Total
8.29 Loans and borrowings			
Group			
2007			
More than 5 years	1 942	16	1 958
Due between 2 and 5 years	2 551	3	2 554
	4 493	19	4 512
Due within 1 year or less	1 453	1	1 454
	5 946	20	5 966
2006			
More than 5 years	2 981	16	2 997
Due between 2 and 5 years	1 377	4	1 381
	4 358	20	4 378
Due within 1 year or less	1 674	7	1 681
	6 032	27	6 059

						Secured	Unsecured	Total	
Company									
2007									
<i>Leases terms and debt repayment schedules</i>									
Due between 2 and 5 years						2 792	–	2 792	
2006									
<i>Leases terms and debt repayment schedules</i>									
More than 5 years						905	–	905	
Due between 2 and 5 years						1 206	–	1 206	
						2 111	–	2 111	
Due within 1 year or less						–	–	–	
						2 111	–	2 111	
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 years	Over 5 years
Loans analysis									
2007									
Danida	Danish Kroner	3.5%	Half Yearly	Government	2004	2018	380	230	311
Nordic Development Fund	Malawi Kwacha	15%	Half Yearly	Government	2003	2018	115	209	178
Kuwait Development Fund	Malawi Kwacha	15%	Half Yearly	Government	2003	2017	149	270	203
Belgium Government	Malawi Kwacha	7.5%	Half Yearly	Government	2005	2020	29	28	32
Libyan Government	Malawi Kwacha	–	Offset against dividends	–	–	–	46	–	–
Standard Bank of Malawi Limited	Malawi Kwacha	19.5% Libor	Quarterly	PCL Guarantee	2008	2012	333	467	–
Malawi Government	Malawi Kwacha	8.5%	Half yearly	–	1999	2014	1	4	2
NORSAD	Malawi Kwacha	7.5%	5 years	PCL Guarantee	2008	2011	35	104	–
National Bank of Malawi	Malawi Kwacha	20%	Monthly	Buildings	2008	2011	23	252	–
Norsad Agency	Malawi Kwacha	9%	5 years	Secured	2007	2009	149	149	–
NBS Bank Limited	Malawi Kwacha	21%	Monthly	Buildings	2006	2016	1	8	10
NBS Bank Limited	Malawi Kwacha	19%	Monthly	PCL Guarantee	2004	2014	9	37	18
Development Bank of South Africa	South African Rand	4% above 6 months Libor	9 years	National Bank shares	2008	2015	149	654	1 190
NBS Bank Limited	Malawi Kwacha	21%	monthly	Buildings	2008	2011	32	140	–
Tiger Brands Industries	South African Rands	–	–	–	–	–	–	–	14
Total							1 451	2 552	1 958
Government Credit	Malawi Kwacha	Released monthly	–	–	–	–	3	2	–
							1 454	2 554	1 958

(a) Government of Malawi Guaranteed Loans

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

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

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

Government of Malawi/Kingdom of Denmark	<p>The Government of the Kingdom of Denmark made available to the Government of Malawi a grant of Danish Kroner (DKK) 79 000 000 to support the implementation of the preparatory programme to support the Telecommunications sector. Under Article 13 of the Bilateral Agreement, the Government made available to MTL (then MPTC) a loan amounting to DKK53 200 000. The loan bears interest at 3.5% per annum and is payable half-yearly in arrears. The loan is unsecured, but ranks <i>pari passu</i> with future loan facilities and it is repayable over 20 years from the date of receipt of all equipment.</p> <p>In the addendum signed in June 2006 between the Company and the Government of Malawi, the loan was fixed at MK920 947 960.94 and interest was maintained at 3.5% per annum.</p>
Nordic Development Fund	<p>The loan bears interest at 15% per annum and is payable half-yearly in arrears. The loan is unsecured, but ranks <i>pari passu</i> with future loan facilities and it is repayable over 17 years from the date of receipt of all equipment.</p> <p>It was agreed in the addendum signed in June 2006 between the company and Government of Malawi to fix the loan at MK627 159 500 and the interest was set at 7.5% per annum.</p>
Kuwait Fund for Arab Economic Development	<p>The loan bears interest at 7% per annum and is payable half-yearly in arrears. The loan is unsecured, but ranks <i>pari passu</i> with future loan facilities and is repayable over 16 years including a 4-year grace period.</p> <p>It was agreed in the addendum signed in June 2006 between the company and Government of Malawi to fix the loan at MK918 457 716.39 and the interest was put at 15% per annum.</p>
Government of Belgium	<p>The loan bears interest at 7.5% per annum and is payable half-yearly in arrears starting from 31 March 2005. The loan is unsecured, but ranks <i>pari pasu</i> with future loan facilities and it is repayable over 15 years.</p> <p>It was agreed in the addendum signed in June 2006 between the company and Government of Malawi to fix the loan at MK88 701 816.63 with interest rate maintained at 7.5% per annum.</p>
Mitsui & Company Limited	<p>The loan bears interest at 1% above the actual rate of the long-term prime lending rate in Japan. The loan is unsecured, but ranks <i>pari passu</i> with future loan facilities and is repayable in monthly installments of 15 million Japanese Yen.</p>
Libyan Government	<p>The loan is interest free and unsecured. There are no repayment terms.</p>

(b) Other loans

KBC Bank	<p>The loans bear interest of libor plus 0.75% and are secured by deposits held by the Bank. The loan will be paid from funds being deposited with the bank. The repayments shall be in two equal installments, the first falling due on 14 May 2007.</p>
MalawiNet Limited	<p>The loan is interest free and unsecured, and is repayable by set-off against future dividends to be declared by Malawinet Limited. A formal loan agreement has not been concluded.</p>

	Legal claim	Group Bonus	Other	Total
8.30 Provisions				
2007				
Balance at beginning	1	284	189	474
Arising from business combination	–	–	–	–
Provision for the year	–	374	1 904	2 278
Provision used in the year	–	(346)	(10)	(356)
Balance at the end of the year	1	312	2 083	2 396

	Group	
	2007	2006
Due between 2 and 5 years	1 874	1 434
Due within 1 year or less	522	156
Balance as at the end of the year	2 396	1 590

	2007	2006	2005	2004	2003
8.31 Trade and other payables					
Trade payables due to related parties	4 977	4 403	1 590	1 277	1 457
Other trade payables	4 840	4 697	2 423	2 073	–
Accruals	916	908	2 197	1 375	328
Other	210	299	175	177	–
	10 943	10 307	6 385	4 902	1 785

8.32 Contingent liabilities

Guarantees and performance bonds	1 775	3 642	2 266	1 742	1 376
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Guarantees and performance bonds represent acceptances, guarantees, indemnities and credits which will crystallise into an asset and a liability only in the event of default on the part of the relevant counterparty.

8.33 Capital commitments (Group)

	2007	2006	2005	2004	2003
Authorised and contracted for	5 386	1 527	208	956	82
Authorised but not yet contracted for	1 701	242	881	789	806
	7 087	1 769	1 089	1 745	888

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

8.34 Dividend per share (Group)

Dividend per share is calculated by dividing the total dividends recognised in the year by the weighted average number of ordinary shares in issue during the year.

	2007	2006	2005	2004	2003
Final dividend (prior)	353	345	168	253	66
Interim dividend (current)	–	55	55	33	83
Total Dividends	353	400	223	286	149
Weighted average number of ordinary shares in issue (million)	110	110	110	110	110
Dividend per share	3.21	3.64	2.03	2.60	1.35

The proposed current year final dividend is MK3.20 (2006: MK3.21) per share.

8.35 Prior year adjustments

Prior period adjustments made in 2007, arose on application of guidance issued by the Society of Accountants in Malawi (SOCAM) in January 2008, on the treatment of severance pay provision, following the courts interpretation of section 35 of the Employment Act (2000). The Employment Act (2000) requires employers to pay severance pay where employment is terminated by mutual agreement or as a result of death, or retirement. The interpretation effectively requires companies to provide for both pension and severance pay when the contract is mutually terminated as well as upon retirement. The interpretation also defines pay on which the severance allowance is based to include all other emoluments receivable by the employee by virtue of being employed. The severance pay provision was computed using the full liability method; this reduced current year profit before tax by K299 million.

Below is the analysis of prior adjustment arising from severance pay:-

	Income statement	Opening equity	Total adjustment
2005 accumulated severance pay	–	1 297	1 297
2006 figures restated	290	–	290
	290	1 297	1 587

A restatement of K817 million has been made by accruing for provision for severance pay following interpretations by the courts on when severance pay is payable in line with the Employment Act.

The key assumptions underlying the computation of severance pay are as follows:-

- Death in service projected at 4%
- Retirement age – 60 years
- Discount rate – 1% (market rate less inflation)
- Resignation – based on history of staff turnover

8.36 Subsequent events

Subsequent to the balance sheet date, no significant events have occurred necessitating adjustments to or disclosure in the financial statements.

We consent to the inclusion of this report which forms part of the Circular dated 26th June 2008 in the form and content in which it appears.

Yours faithfully,

KPMG

*Certified Public Accountants and
Business Advisors*

REPORTING ACCOUNTANTS' OPINION ON THE PROFIT FORECASTS

"The Directors
Press Corporation Limited
PO Box 1227
Blantyre

26 June 2008

Members of the Board

PROFIT FORECASTS FOR THE TWO YEARS 2008-2009

We have reviewed the accounting bases and calculations of the profit forecasts of Press Corporation Limited for the period ending 31 December 2008 and 31 December 2009, for which you as directors are solely responsible as set out in **paragraph 9.1** of this circular.

The forecasts are for the three years ending 31 December 2008 and 2009.

In our opinion, the forecasts, as far as the accounting bases and calculations are concerned, have been properly compiled on the basis of the assumptions made by yourselves and is presented on a basis consistent with the accounting policies normally adopted by Press Corporation Limited.

Since the forecasts are based on assumptions concerning events actual results may vary from the forecasts which have been presented and the variations may be material. Accordingly, we express no opinion on whether or not the forecasts will be achieved.

We consent to the inclusion of this letter which forms part of the Circular dated 26th June 2008 in the form and content in which it appears.

Yours faithfully,

KPMG

*Certified Public Accountants and
Business Advisors*

Consolidated Forecast Income Statement for the year ending 31 December

	2008 K'm	2009 K'm
Revenue	33 513	36 442
Operating profit before interest	5 759	6 571
Net financing income	(683)	(779)
Exceptional items	–	
Share of profit (loss) from associates	1 330	1 574
Profit before taxation	6 405	7 366
Taxation	(1 897)	(2 104)
Profit after taxation	4 507	5 261
Net Profit for the year	4 507	5 261
Attributable to:		
Equity holders of the company	2 583	3 118
Minority interest	1 924	2 142

Assumptions underlying the Profit Forecasts

- That the exchange rate of the Malawi kwacha against major foreign currencies will remain stable throughout the forecast period. This is due to the existing positive economic growth as reflected in the increasing GDP over the last two years.
- That the economy will continue to grow at about 6 to 7% per annum due among other things to continuing favourable rains and the continued government support for the Agriculture which remains the mainstay of the country's economy.
- That major operating units in the Press Group will remain competitive and grow their earnings at above inflation, with growth in market share.
- The growth in the telecommunication sector as a result of modernisation and growth of customer base. This will be compounded by government action of reducing taxes on electronics equipment and increase of disposable income due to tax cuts in 2008/2009 budget.
- That the political environment will remain stable after the forthcoming General Elections scheduled for May 2009.

EXTRACTS FROM MEMORANDUM AND ARTICLES OF ASSOCIATION

Article number and content	Article extract
40. Right to vote	Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member present in person or by proxy shall have one (1) vote, and on a poll every member shall have one (1) vote for each share which he is the holder.
41. Joint holders	In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders: and for this purpose seniority shall be determined by the order in which the names stand in the register of members.
42. Calls on arrears	No member shall be entitled to vote at any general meeting unless all sums presently payable by him in respect of shares in the company have been paid.
44. Voting shares in different ways	On poll, votes may be given either personally or by proxy. A member having more than one (1) share carrying voting rights may appoint separate proxies to represent respectively such number of the shares held by him as may be specified by him in their instruments of appointment.
4.0 Modification of rights	<p>If at any time the share capital is divided into different classes of shares, then provided three-fourths of the holders of the other classes first agree by written resolution, the rights attached to any class (unless otherwise provided by terms of the issue of the shares of that class) may whether or not the company is being wound up, be varied with the consent in writing of the holders of the three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of these articles relating to general meetings shall mutatis mutandis apply, subject to the following provisions:</p> <ul style="list-style-type: none"> • Where a class has only one member, that member shall constitute a meeting; • At any meeting of a class of members, one member of the class present in person or by proxy may demand a poll; • At any meeting of a class of members other than an adjourned meeting, the necessary quorum shall be one member present in person or by proxy, if there are not more than two members of that class, and in any other case shall be two members present in person or by proxy, holding not less than one-third of the total voting rights of that class; and • At any adjourned meeting of a class of members, the necessary quorum shall be one member of that class.
5.0 Rights not varied by issues of shares <i>pari passu</i>	The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further ranking equally therein.
2.3 Power to issue shares of different classes	Without prejudice to any special rights previously conferred on the holders of the existing shares or class of shares, but subject to the Act, shares in the Company may be issued with such preferred, deferred or other special rights, or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the directors, subject to any ordinary resolution of the Company, may from time to time determine.

2.4	Power to issue redeemable preference shares	Subject to the Act, any preference shares may, with sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the company are, liable to be redeemed.
20.	(a) Power to increase	The company may from time to time by ordinary resolution increase the share capital by new shares of such amount, as the resolution shall prescribe.
20.	(b) Consolidation and subdivision	The company may from time to time by ordinary resolution: <ul style="list-style-type: none"> • consolidate and divide all or any of its share capital into shares of larger amount; • subdivide its shares or any of them into shares of smaller amount; • cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.
21	New Shares to be offered to existing members	Unless the company otherwise resolves, all new shares shall first be offered to such persons as at the date of the offer are entitled to receive notices of the general meetings in proportion, as nearly as possible, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to who the offer is made that declines to accept the shares offered, the directors may dispose of these shares in such a manner as they think most beneficial to the company. The directors may likewise so dispose of any odd shares (by reason of the ration which the new shares bear to the shares held by persons entitled to an offer of new shares) cannot, in the opinion of the directors, be conveniently offered under this regulation.
22.	Reduction	The company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any incident authorised and consent required by law.
13.	Transfer of shares	Subject to the regulations any member may transfer all or any of his shares by instrument in writing in the form of the Sixth Schedule to the Act or in any other form which the directors may approve. The instrument shall be executed by or on behalf of the transferor and transferee; and the transferor shall remain the holder of the shares transferred until the transfer is registered and the name of the transferee is entered in the register of the members in respect thereof.
14.	Directors may decline to register any transfer of shares	The directors may decline to register any transfer of a share, which is not fully to aid to a person of whom they do not approve, and may also decline to register any transfer of shares on which the company has a lien. The directors may suspend the registration of transfers for such periods (not exceeding thirty days in any year) as they may determine.
14.	Non recognition of instrument of transfer	The Directors may decline to recognise any instrument of transfer unless: <ol style="list-style-type: none"> (a) The instrument of transfer is duly stamped and accompanied by the certificate of the shares to which it relates, and such other evidence as the directors may reasonably require to show the right of the transfer to make the transfer. (b) It relates only to one class of shares. (c) It is not in favour of more than four joint transferees.
14.	Notice of Refusal	If the directors refuse to register a transfer of any shares they shall within two months after the date on which the transfer was lodged with the company send to the transferee notice of the refusal.

15. Transfer fees No fee shall be charged for registration neither on a transfer nor on registration of any other instrument relating to or affecting the title to any shares.
115. Winding up If the company shall be wound up the liquidator may, with the sanction of a special resolution of the company and any other sanction required by the Act, divide amongst the members in specie or kind the whole or any part of the shares of the company (whether they shall consist of property of the same kind or not) and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members of different classes of members. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator, with the like sanction, shall think fit.
92. Declaration of dividends Only the company in general meeting may declare final dividends, but no dividend shall exceed the amount recommended by the directors.
92. Directors power to declare interim dividends The directors may from time to time pay the members such interim dividends as appear to the directors to be justified by the profits of the company. If an interim dividend is paid prior to the publication of the annual accounts, the dividend notice given to the members will contain a statement of the ascertained or estimated combined net trading profits of the company or group for the year and also particulars of any amounts appropriated from reserves, capital profits, accumulated.
55. Borrowing powers Subject as provided by this regulation, the directors may exercise all the powers of the company to borrow money and to mortgage or charge its undertaking and property or any part thereof and to issue debenture, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the company or any third party: Provided that the aggregate amount of the time being remaining undischarged of moneys borrowed by the company and its subsidiaries (exclusive of inter-party borrowing and apart from temporary loans obtained from the company's bankers in the ordinary course of business) shall not, without the sanction of the company in general meeting by ordinary resolution, exceed a reasonable fixed amount or percentage of the paid up share capital of the company for the time being issued and reserves, and the directors will procure that the aggregate amount at any time owing in respect of monies borrowed by the company (including creditors) will not without such sanction exceed the said limit, but nevertheless, no lender or other person dealing with the company shall be concerned to see or enquire whether this limit is observed.
51. Number of Directors The number of directors (disregarding alternate directors) must not be less than three (3).
- 51 to Entitlement to appoint
52 The number of directors (disregarding alternate directors) must not be less than three. So long as Press Trust shall hold at least forty-nine per cent in nominal value of the issued share capital of the company, it may from time to time appoint any person to be a director but not more than six persons shall at any time hold office by virtue of an appointment by Press Trust under this article; except that when the company is listed on the Malawi stock exchange such number shall not exceed five persons.
- In the event of Press Trust holding of the issued share capital of the company reducing to below forty-nine percent, article 52.2 shall cease to have force and any directors appointed by Press Trust shall automatically cease to hold office; thereupon Press Trust may from time to time appoint one director of the company in respect of its every ten percent holding of the nominal value of the issued share capital of the Company (with no rounding up).

So long as Press Trust continues to be a member of the company, it may from time to time appoint [notwithstanding that Press Trust's holding is less than ten percent in nominal value of the issued share capital of the company] any one person to be a director.

So long as Old Mutual continues to be a member of the company it may from time to time appoint any one person to be a director and the director appointed under this article is designated "Old Mutual director".

63. Retirement by rotation At the annual general meeting of the company in every year one-third of the directors for the time being [but excluding any executive director during his term of appointment to such an office and also excluding any Press Trust director or the Old Mutual director] or, if their number is not three or a multiple of three, then the nearest one-third, shall retire from office.
64. Directors to retire The directors to retire in every year shall be those who have been longest in the office since their last election, but as between persons who became directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.
64. Retiring director eligible A retiring director shall be eligible for re-election.
66. Persons eligible for re-election No person other than the a director retiring at the meeting shall unless recommended by the directors be eligible for election to the office of director at any general meeting unless not less than seven days ending not more than seven days before the date appointed for the meeting there shall have been left at the registered office of the company notice in writing, signed by a member duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by that person of his willingness to be elected.
67. Number of directors may be increased. The company may from time to time by ordinary resolution increase or reduce the number of directors, and may also determine in what rotation the increased or reduced number is to go out of office
68. Casual vacancy The directors shall have power at any time, and from time to time, to appoint any person to be a director, either to fill a casual vacancy or as an addition to the existing directors, but so that the total number of directors shall not at any time exceed the fixed number in accordance with these articles. Any director so appointed shall hold office only until the next following annual general meeting, and shall then be eligible for re-election but shall not be taken into account in determining the directors whom are to retire by rotation at such meeting.
69. Power to remove directors The company may by ordinary resolution, of which notice has been given in accordance with section 146 of the Act, remove any director before the expiration of his period of office notwithstanding anything in these articles or in any agreement between the company and such director. Such removal shall be without prejudice to any claim such director may have for damages for breach of any contract of service between him and the company.
70. Company may appoint additional directors The company may by ordinary resolution appoint another person in place of a director removed from office under the immediately preceding articles, and without prejudice to the powers of the directors under article 68 the company in general meeting may appoint any person to be a director either to fill a causal vacancy or as an additional director. A person appointed in place of a director so removed or to fill such a vacancy shall be subject to retirement at the same time as if he had become a director on the day on which the director in whose place he is appointed was last elected a director.
54. Qualification There shall be no shareholding qualification for directors

55.	Disqualification of directors	<p>The office of the director shall be vacated if the director:</p> <ul style="list-style-type: none"> (a) Ceases to be a director by virtue of section 146 of the Act, or (b) Becomes bankrupt or makes any arrangement or composition with his creditors generally; or (c) Becomes prohibited or disqualified from being a director by reason of any order made by a competent court; or (d) Becomes of unsound mind; or (e) Resigns his office by notice in writing to the company; or (f) Shall for more than six consecutive months have been absent without permission of the directors from the meetings of the directors held during that period and the directors resolve that his office be vacated (g) Is directly or indirectly materially interested in any contract or proposed contract with the company and fails to declare the nature of his interest in the manner required by the Act.
53.	Remuneration	<p>The fees of the directors shall be determined by the company in a general meeting. Such fees shall be deemed to accrue from day to day. The directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the directors or any committee of the directors or general meetings of the company or in connection with the business of the company.</p>
94.	Payment of dividends	<p>No dividend shall be paid otherwise than out of profits.</p>
100.1	Interest on dividends	<p>No dividend shall bear interest against the company.</p>
100.2	Unclaimed dividends	<p>All dividends unclaimed for one year after having been declared may be invested or otherwise made use of by the directors for the benefit of the company until claimed.</p>
100.3	Forfeiture of dividends	<p>All dividends unclaimed for twelve years after having been declared may be forfeited by the directors for the benefit of the company.</p>

