



## NOTES TO THE SUMMARY AUDITED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

### 1 Investment in subsidiary companies

At the end of the reporting year, the Company's portfolio of investments in subsidiary companies comprised:

	Nature of Business	Type of Investment	Holding %		US\$	
			2019	2018	2019	2018
First Capital Bank Plc (Malawi)	Banking	Equity Shares	100.0	100.0	88 034 224	101 073 622
Afcarme Zimbabwe Holdings (Private) Limited	Banking	Equity Shares	81.0	81.0	17 420 080	17 420 080
First Capital Bank Zambia) Limited	Banking Shared	Equity Shares	49.0	49.0	4 634 343	4 634 343
First Capital Shared Services Ltd	Service	Equity Shares	100.0	100.0	105	105
First Capital Bank Ltd (Botswana)	Banking	Equity Shares Preference	38.6	-	3 046 405	-
First Capital Bank Ltd (Botswana)	Banking	Shares	100.0	100.0	2 475 355	1 995 000
First Capital Bank S.A. (Mozambique)	Banking	Equity Shares Subordinated	80.0	-	19 294 363	-
First Capital Bank S.A. (Mozambique)	Banking	Debt	-	100.0	-	817 889
					134 904 875	125 941 039
<b>Movements during the year were as follows</b>					2 019	2 018
Opening balance					125 941 039	123 128 045
Subscription of shares					9 781 725	1 995 105
Issue/(settlement) of subordinated debt					(817 889)	817 889
<b>Closing balance</b>					134 904 875	125 941 039

In 2019, First Capital Bank Plc (FCB Malawi) transferred its investments in First Capital Bank Ltd (FCB Botswana), with a carrying value US\$ 1 239 912, and First Capital Bank S.A (FCB Mozambique), with a carrying value US\$ 11 799 486, through dividends in specie to FMBcapital Holdings PLC (FMBCH). FMBCH accounted for the dividend received by recording their respective original carrying values as an investment in each of the new direct subsidiaries and reducing the carrying value of its investment in FCB Malawi by an equivalent amount. This restructuring has had no impact on the consolidated financial position of the Group.

During the year the company subscribed US\$ 7 494 877 for its pro rata share of a rights issue by FCB Mozambique and US\$ 1,806,493 for its pro rata share of a rights issue by FCB Botswana. The Group's percentage holding in both subsidiaries remains unchanged.

The company invested US\$ 480 355 during the year to acquire preference shares with a par value of BWP 5 132 000 issued by FCB Botswana which earn a preferred dividend at the Bank of Botswana rate plus 300 basis points, currently 7.75% per annum.

### 2 IAS 29 – Financial Reporting in Hyperinflationary Economies

During 2019, the emergence of indicators that the Zimbabwe economy had become hyperinflationary necessitated the application by the Group of the requirements of IAS 29 – *Financial Reporting in Hyperinflationary Economies*. Accordingly, the financial statements of Afcarme Zimbabwe Holdings were restated to reflect the impact of inflation in its functional currency, the Zimbabwe dollar, before being translated on consolidation into the Group's presentation currency, the US dollar. The general price index used for restatement was the Zimbabwe CPI which increased by 522% over the year 2019. In the same period, the US\$/Zimbabwe\$ exchange rate moved from 3.62 to 16.77, an increase of 363%.

A credit to translation reserve through other comprehensive income of the equivalent of US\$ 9 307 931 arose on restatement of the net assets and post-acquisition reserves of Afcarme at 1 January 2019 which was partially offset by netting off an exchange loss of US\$ 3 329 407 on translation at year-end exchange rates.

At 31 December 2019 the carrying value of monetary assets and non-monetary assets carried at fair value were not restated but other non-monetary assets and certain profit and loss lines of Afcarme were restated to reflect the impact of inflation.

Reported profit is therefore impacted for the principal reason that initial restatements of the opening balance sheet are reflected in other comprehensive income, but subsequent adjustments thereto are recorded in profit or loss. In the particular case of the Group, the value of adjustments is increased due to a disconnect between the Zimbabwe inflation rate and the rate of depreciation of its domestic currency against the Group's presentation currency.

The most material inflation-accounting adjustments impacting the Group performance are:

	US\$	
Net monetary loss	(6 056 792)	This represents the loss in value which arose from the Zimbabwean business holding an excess of monetary assets over monetary liabilities in a hyperinflationary scenario.
Impairment loss on investment in joint venture	(5 978 437)	The 1 January 2019 carrying amounts of owner-occupied property, investment in joint venture and investment property were indexed for inflation in accordance with IAS 29, with the gain recorded in other comprehensive income.
Impairment loss on investment property	(1 752 143)	However, the underlying fair value of these properties in US\$ had not changed materially, hence an offsetting impairment loss was recorded in profit and loss.
Impairment loss on owner occupied property	(7 823 115)	

### 3 Property investments

Audited (US\$)	Investment Property		Property and equipment		Investment in JV	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Balance at 1 January 2019	6 545 861	6 343 495	79 673 648	67 462 261	-	-
Additions	-	-	7 703 908	10 288 191	-	-
On acquisition of subsidiary	-	-	59 525	-	-	-
Effect of changes in exchange rate and hyperinflation	1 542 014	(195 134)	(658 910)	(1 311 164)	4 949 315	-
Impairment loss*	(1 752 143)	-	(7 823 115)	-	(5 978 437)	-
Impairment loss on revalued assets	-	-	-	(184 247)	-	-
Revaluation surplus	-	-	-	3 662 019	-	-
Disposals	-	-	(382 507)	(640 792)	-	-
Change in fair value	(1 316 438)	397 500	-	-	-	-
Current year share of profit in joint venture	-	-	-	-	555 811	-
Prior years share of Profit adjustment	-	-	-	-	123 946	-
Dividends received during the year	-	-	-	-	(123 946)	-
Transfers	422 633	-	(3 850 527)	397 380	14 929 959	-
<b>Total cost/valuation</b>	<b>5 441 927</b>	<b>6 545 861</b>	<b>74 722 022</b>	<b>79 673 648</b>	<b>14 456 648</b>	<b>-</b>
Accumulated depreciation/amortisation	-	-	(24 378 925)	(24 724 713)	-	-
<b>Carrying amount at 31 December</b>	<b>5 441 927</b>	<b>6 545 861</b>	<b>50 343 097</b>	<b>54 948 935</b>	<b>14 456 648</b>	<b>-</b>

\*Impairment loss to write down the IAS 29 indexed value to the current realisable value.

### 4 Balances due to other banks

Audited (US\$)	31-Dec-19	31-Dec-18
Inter bank borrowings	63 592 028	12 413 846
Currency swaps	67 071 019	29 969 134
European Investment Bank (EIB)	3 269 579	5 352 622
FMO Line of Credit	10 000 000	-
	143 932 626	47 735 602

Balances due to other banks are stated at amortised cost. Inter bank borrowings are availed to assist in the management of day to day liquidity of Group banks and are short term in nature. Currency swap liabilities arise from contracts which FCB Malawi entered into with the Reserve Bank of Malawi and Standard Bank (South Africa). The corresponding assets to these liabilities are disclosed as repurchase agreements in the Statement of financial position. On the maturity dates of the contracts FCB Malawi and the contract counterparties will settle the liabilities and the corresponding assets. The EIB and FMO facilities were provided to subsidiaries of the Group for the purpose of on lending to banking customers. The EIB facilities bear interest at rates from 3.9% to 5.8% per annum and are repayable in equal bi-annual instalments ending June 2022. The FMO facilities bear interest at LIBOR plus a margin of 3.5% and are repayable in equal quarterly instalments from March 2021 to December 2023.

### 5 Subordinated debt

Audited (US\$)	31-Dec-19	31-Dec-18
Notes issued by FCB Malawi	9 488 993	9 665 870
Notes issued by FCB Botswana	17 110 034	6 378 653
Notes issued by FCB Mozambique	-	814 995
Total notes in issue	26 599 027	16 859 518

The subordinated debt notes constitute direct, subordinated and unsecured obligations of FCB Botswana and FCB Malawi. The FCB Botswana notes are denominated in Botswana Pula, mature on various dates from 2022 to 2029 and carry interest at rates linked to the prevailing Botswana bank rate. The FCB Malawi notes are denominated in Malawi Kwacha, mature in June 2023 and bear interest at rates linked to the prevailing yield on Malawi Government 90-day treasury bills.

### 6 Loans Payable

Audited (US\$)	31-Dec-19	31-Dec-18
Related parties	6 500 000	6 500 000
Other lenders	9 450 009	-
	15 950 009	6 500 000

All loans are unsecured and repayable in full in 2023. Loans from related parties bear interest at 9% per annum payable quarterly. Loans from other lenders bear interest at 8% per annum payable annually.

### 7 Events after the reporting date: COVID-19

Novel Coronavirus (COVID-19) was declared as a global pandemic by the World Health Organisation in March 2020, which has affected the world economy, including countries where the Group has operations. The Group evaluated early the likely impact of Covid19 and put plans in place in advance of lockdowns to ensure that it would continue to operate effectively and efficiently while working remotely. As we manage through this crisis, the executive management team meet regularly to review operations, anticipate and manage any issues, with both Group and country boards being updated on a regular basis. We have in addition conducted an extensive review of our operations to assess any potential impact across our credit book, liquidity and our projected operating results for the year. While some impact is likely, we do not expect this to be material.

No other events have occurred between the date of the statement of financial position and the date of approval of the financial statements, which require adjustment to or disclosure in the financial statements.

## INDEPENDENT AUDITOR'S REPORT TO THE SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF FMBCAPITAL HOLDINGS PLC

The summary consolidated and separate financial statements, which comprise the summary consolidated and separate statements of financial position as at 31 December 2019, the summary consolidated and separate statements of profit or loss and other comprehensive income, summary consolidated and separate statements of changes in equity and summary consolidated and separate statements of cash flows for the year then ended and the notes to the summary consolidated and separate financial statements, are derived from the audited financial statements of FMBcapital Holdings Plc for the year ended 31 December 2019.

In our opinion, the accompanying summary consolidated, and separate financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the International Financial Reporting Standards (IFRSs).

### Summary Consolidated and Separate Financial Statements

The summary consolidated and separate financial statements do not contain all the disclosures required by International Financial Reporting Standards (IFRSs) in the preparation of the audited consolidated and separate financial statements of FMBcapital Holdings Plc. Reading the summary consolidated and separate financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

### The Audited Consolidated and Separate Financial Statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 8th June 2020. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period.

### Directors' Responsibility for the Summary Consolidated and Separate Financial Statements

The Directors are responsible for the preparation of the summary consolidated and separate financial statements in accordance with IFRSs.

### Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated and separate financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

# Summary of audited consolidated and separate financial statements as at 31 December 2019

(continued)

## Review of the year

In 2019 the Group's corporate restructuring was completed and all banking entities are now directly held by FMBcapital Holdings Plc. This was supported by a capital injection of US\$ 9.7m into the Botswana and Mozambique businesses to position them to capture additional growth opportunities in these markets. First Capital Bank Botswana also acquired the business and assets of Bank of India (Botswana) Limited as part of its strategic growth plans. In Zimbabwe we completed the integration and IT migration process for the business, in addition to shifting certain activities to be performed by our Mauritius shared service centre. These changes are part of a continued process to position the Group to leverage skills and resources efficiently and to capitalise on future growth opportunities.

## 2019 Performance

Year on year profit after tax for the Group (excluding Zimbabwe) was US\$ 10.9m, broadly in line with prior year with both Botswana and Mozambique showing strong growth, compensating for relative weakness in Zambia and Malawi.

The environment in Zimbabwe has deteriorated significantly this year, with continuing devaluation of the currency and hyperinflation now impacting results. The adverse impact on the Group's performance of the currency devaluation in Zimbabwe is further exacerbated by the outcome of the classification of the Zimbabwe economy as hyperinflationary for the purposes of IAS 29 – *Financial Reporting in Hyperinflationary Economies*. Group results show an after-tax profit of \$ 10.9m excluding Zimbabwe, a 6% reduction from last year. Including Zimbabwe, the reported Group loss is US\$ 18.6m. Loss of US\$ 29.5m attributable to Zimbabwe includes US\$ 21.6m due to IAS 29 adjustments.

	Profit after tax	
US\$	31-Dec-19	31-Dec-18
Malawi	8 164 146	9 153 832
Botswana	4 476 770	2 795 171
Mozambique	1 094 178	128 723
Zambia	630 362	2 726 734
Mauritius	(3 449 134)	(3 168 995)
<b>Total excluding Zimbabwe</b>	<b>10 916 322</b>	<b>11 635 465</b>
Zimbabwe	(29 525 630)	18 982 286
<b>Total Group</b>	<b>(18 609 308)</b>	<b>30 617 751</b>

Our Malawi operations performed broadly in line with the previous year, with the reduction in profits coming from fair value losses on equity investments of US\$ 0.9m. Botswana's

increase in capital enabled us to drive significant growth in the bank's retail lending business which has been a key contributor to profit growth. The investment of additional capital in Mozambique also helped sustain improved performance across the business, registering significant income growth on the back of higher transactional volumes from both new and existing customers. Zambia's performance is down on last year with lower income, particularly on fees and foreign exchange transactions, against a background of currency devaluation and tight liquidity conditions. In Mauritius, the continued investment in IT infrastructure and shared services for the Group resulted in a loss for the year but this expenditure is expected to result in future cost reductions for the Group's operating entities.

## Outlook

Business sentiment across the Group excluding Zimbabwe remains cautiously optimistic, supported by a resilient balance sheet with over 40% of total assets in liquid form giving the Group the capacity to take advantage of investment opportunities that may arise. Hyperinflation will likely persist in Zimbabwe with the business there being closely monitored and restructured as required to mitigate its impact and that of the overall volatile economic environment in the country.

The potential effects of COVID-19 have been assessed, and we do not, based on current forecasts, anticipate a material impact to the Group, though we will continue to closely review the situation as we move forward.

## Basis of preparation

The directors have prepared the summary financial statements to meet the listings requirements of the Malawi Stock Exchange. The directors have considered the listings requirements of the Malawi Stock Exchange and believe that the summary statements of financial position, comprehensive income, changes in equity and cash flows are sufficient to meet the requirements of the users of the summary financial statements. The amounts in the summary financial statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards. The summary financial statements have been derived from the annual financial statements which were approved by the board of directors on 8 June 2020.

**Dheeraj Dikshit**  
Director

**Mahendra Gursahani**  
Director