



PACKAGING INDUSTRIES (MALAWI) LIMITED

(Registration number 1314)

AUDITOR'S REPORT TO THE MEMBERS OF PACKAGING INDUSTRIES (MALAWI) LIMITED

We have audited the financial statements of Packaging Industries (Malawi) Limited for the year ended 30 September 2010, from which the summarised financial statements were derived, in accordance with International Standards on Auditing. In our report dated 27 October 2010 we expressed an unqualified opinion on the financial statements from which the summarised financial statements were derived. In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which they were derived. For a better understanding of the company's financial position and the results of its operations for the period and of the scope of our audit, the summarised financial statements should be read in conjunction with the financial statements from which the summarised financial statements were derived and our audit report thereon.

Deloitte.
12-Nov-10

EXTRACTS FROM AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2010

FINANCIAL HIGHLIGHTS

Table with 3 columns: Description, 30-Sep-10, 30-Sep-09. Values in K'000.

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

Table with 3 columns: Description, 2010, 2009. Rows include Revenue, Profit before interest, Net interest, Profit before tax, Taxation, Profit for the year, Other comprehensive income, Total comprehensive income for the year, Earnings per share, and Number of ordinary shares in issue ('000).

SUMMARISED STATEMENT OF CASH FLOWS

Table with 3 columns: Description, 2010, 2009. Rows include Cash generated from operating activities, Interest & tax paid, Net cash flow from operating activities, Net cash flow from investing activities, Net cash flow from financing activities, Net movement in cash and cash equivalents, Liquid assets at the beginning of the year, and Liquid assets at the end of the year.

SUMMARISED STATEMENT OF FINANCIAL POSITION

Table with 3 columns: Description, 2010, 2009. Rows include ASSETS (Non-current assets: Property, plant and equipment; Current assets: Inventories, Assets held for sale, Trade and other receivables, Bank balances and cash), TOTAL ASSETS, EQUITY AND LIABILITIES (Share capital, Reserves, Total capital and reserves, Non-current liabilities: Borrowings, Deferred tax, Severance allowance provision; Current liabilities: Bank overdraft, Trade and other payables, Taxation payable), Total liabilities, and TOTAL EQUITY & LIABILITIES.

RESULTS REVIEW

The marginal increase in revenue over prior year is as a result of depressed demand for packaging materials in both the sorghum beer and cement markets. Furthermore, shortages of foreign currency and a global constraint on paper availability affected our ability to source specific materials timeously resulting in lost sales, particularly in the latter part of the financial year. This specifically impacted on the supply of tobacco cases. Good growth was experienced in tea sacks and commercial corrugated cartons. Profit before tax at K171.6 million was, nevertheless, 43.1% higher than prior year on account of productivity improvements and cost containment initiatives.

Other comprehensive income represents a gain on revaluation of properties net of deferred tax.

Reduction in the levels of inventory, increases in trade and other payables and higher cash balances is a reflection of the impact that shortages of foreign currency has had on the operations of the company in the financial year.

DIVIDEND

At the forthcoming Annual General Meeting the Directors will recommend a final dividend of K8.4 million or 12.5 tambala per share. This will bring the total dividend for the year to K15.1 million or 22.5 tambala (2009 : K13.5 million or 20 tambala) per share.

PROSPECTS

Although the paper supply situation is showing signs of improving, the situation has put pressure on our margins, as input material prices have gone up. The company will, in the year ahead, be affected by the anticipated ongoing shortages of foreign currency. We are confident, however, that we have positioned ourselves to manage these factors and to focus on issues that are within our control so as to ensure that growth in our performance is maintained in the 2011 financial year.

On behalf of the Board:

Rob Morris Chairman

Simon Itaye Managing Director

12-Nov-10