Reg. No. 1495

NOTICE OF 47TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Seventh Annual General Meeting (AGM) of the shareholders of MPICO plc will be held **virtually from The Old Mutual Boardroom, Blantyre on 26th June 2020 at 10.00 hours**:

The AGM procedures:

1. The company will hold the AGM online whose link will be provided to shareholders through their registered email addresses or WhatsApp numbers.
2. The AGM notice, agenda, previous minutes, a proxy form and Annual Report will be sent by post and also be available on MPICO website (www.mpicomw.com) from 5th June 2020 onwards.
3. Shareholders can raise their questions during a two-week period by email, WhatsApp or post starting from 5th June to 19th June 2020.
4. The Company will collate all questions and publish these on its website.
5. Questions and answers will be read out and commented upon to give context by the Chairperson during the online meeting.
6. To facilitate this process, all shareholders are requested to send their email addresses and mobile phone numbers to: mpicoshareholders@natbankmw.com or WhatsApp Number **+265 991 141 866** by 5th June 2020.

ORDINARY BUSINESS

1. To approve the minutes of the 46th Annual General Meeting held on 27th June, 2019.

2. FINANCIAL STATEMENTS
To receive and consider the Directors and Auditors' report and Financial Statements of the Company for the year ended 31st December 2019.

3. DIVIDEND
To declare a **final dividend of MK344.7 million** (2018: MK310.2 million) making a total dividend of MK574.5 million representing 25.0 tambala per share (2018: MK517.0 million: 22.5 tambala per share) in respect of 2019 profits having paid an interim dividend of MK229.8 million in October 2019 (2018: MK206.8 million).

4. RE-APPOINTMENT OF AUDITORS
To re-appoint Deloitte – Certified Accountants as Auditors for the ensuing year and authorize the directors to determine the Auditors' remuneration for the period.

5. RETIREMENT OF DIRECTOR
To note the retirement of Mr. Andrew Barron who retires by rotation eligible for re-election as per articles 110 but has not offered himself for re-election.

6. RE-ELECTION OF MR. CHRIS KAPANGA
To re-elect Mr Kapanga as a director of the company who retire by rotation as per article 110 of the company's articles. He is eligible and offers himself for re-election. The Board recommends his re-election.

Mr. Kapanga is a former CEO of Old Mutual West Africa and before that CEO of Old Mutual Ghana and Old Mutual Malawi. He holds an MBA degree from the University of Cape Town. He is one of the earliest Malawians to qualify as a Chartered Insurer and has over 38 years of international experience in the insurance industry.

7. RE-ELECTION OF MS. CHIFUNDO KALAILE
To re-elect Ms. Kalaile as a director of the company who retire by rotation as per article 110 of the company's articles. She is eligible and offers herself for re-election. The Board recommends her re-election.

Ms. C. Kalaile is a holder of an LLM in Commercial Law from Cardiff University and an LLB (Hons) from University of Malawi, Chancellor College. Ms. Kalaile also completed her Management Advancement Programme with the University of Wits in 2013. Ms. Kalaile qualified as a Certified Anti-Money Laundering Specialist in 2019. Ms. Kalaile currently works for Old Mutual as the Corporate Governance Executive and Company Secretary, a position she has held since 2008. She previously worked for Ministry of Justice for 7 years as a State Advocate. Her legal career spans over 19 years.

8. NON-EXECUTIVE DIRECTORS' FEES AND SITTING ALLOWANCES
To approve the increase in directors' fees and sitting allowances of the Chairman and Non-Executive Directors with effect from 1st January 2020 as follows:

i. **Directors' fees**
Chairman – **MK5,068,800** per annum payable in arrears (MK3,920,000 – 2019)
Non-Executive Directors – **MK4,344,500** per annum payable in arrears (MK3, 360 – 2019).

ii. **Sitting Allowances**
Chairman -**MK150,000** per sitting (MK125, 000 – 2019)
Non-Executive Directors – **MK114,950** per sitting (MK95, 000 – 2019).

9. EXECUTIVE DIRECTOR'S REMUNERATION
To authorize the Board to determine the remuneration of the Managing Director.

OTHER BUSINESS

10. To transact such other business as may be transacted at an Annual General Meeting of members and which the Secretary will have been duly notified not less than 21 days before the date of the meeting.

Dated 26 May,2020

BY ORDER OF THE BOARD

COSMAS KATULUKIRA
COMPANY SECRETARY

Registered Office:
MPICO plc
Old Mutual House, P.O. Box 30459, Lilongwe 3

A member entitled to attend and vote at the meeting is entitled to appoint a proxy (or more than one proxy) to attend and vote in his / her stead. A proxy need not to be a member of the company.

The instrument appointing a proxy and the power of attorney or the other authority, if any, under which if it is signed or a notarially certified copy of that power or authority shall be deposited at the Company Secretary's Office not less that forty-eight hours before the time for holding the meeting and in default the instrument of proxy shall not be treated as valid.

The register of members will be closed from close of business on 27th July 2020 to 31st July 2020 inclusive, and no transfer will be registered during that time. Only members whose names shall appear in the register as at 31st July 2020 shall be eligible for the dividend which will be payable on 7th August 2020.

MINUTES OF THE 46TH ANNUAL GENERAL MEETING OF THE COMPANY HELD ON THURSDAY THE 27TH JUNE, 2019 IN VIPHYA ROOM, SUNBIRD CAPITAL HOTEL, LILONGWE.

PRESENT

MRS. E. JIYA	CHAIRPERSON
MRS. V. MASIKINI	DIRECTOR
MS. C. KALAILE	DIRECTOR
MR. M. MIKWAMBA	DIRECTOR
MR. A. BARRON	DIRECTOR
MR. C. KAPANGA	DIRECTOR
MS. E. SALAMBA	DIRECTOR
MR. D. KAFOTEKA	MANAGING DIRECTOR
MR. C. KATULUKIRA	COMPANY SECRETARY

EXECUTIVE MANAGEMENT

Damien Kafoteka	Managing Director
Cosmas Katulukira	Financial Controller & Company Secretary
Elliot Jambo	Operations & Human Resource Manager
Richard Butao	Senior Accountant
Lusayo Mwabutwa	Facilities Manager

SHAREHOLDERS

Mazibayao Kamata Mbenje
Richard Butao
Chrispin Kadongola
Samuel R. Yakobe
Moruti Martin Isyagi
Christopher Kapanga
Leah Dambuleni
B.B. Mbulumbunde
Gloria Maele
C. Makadia
Mjedo L.C. Mkandawire
Bernadette T. Maele
Lovemore Tinto
Madalo Mlambala
Alwyn Zinyemba

Mary Sululu
Dennis Munthali
H.M. Mbale
Joshua M. Mtumodzi
Jelia Kukada
Emmanuel Chionela
Thalia Lydia Sibale

PROXY NAME	SHAREHOLDER
Edith Jiya	Old Mutual Malawi Ltd
Edith Jiya	Old Mutual Life Assurance
Edith Jiya	Standard Bank ITF OMUT
Edith Jiya	CHAM Pension Fund
Edith Jiya	Magetsi Pension Fund
Edith Jiya	TNM Pension Fund
Edith Jiya	Aviation Pension Fund
The Chairperson	Lameck M. Mdina
Joe Maere	Investments Perspective Holdings
Lucy Chigwenembe	Ayanja Maere
Isaac Kadyakale	Augustine Maere
The Company Secretary	Mtisunge Kumbani
Zindaba Mbekeyani	Public Service Pensions
Zindaba Mbekeyani	Standard Bank Pension Fund
Zindaba Mbekeyani	Reserve Bank of Malawi Pension Fund
Zindaba Mbekeyani	FMB Pension Fund
Zindaba Mbekeyani	Toyota Pension Fund
Zindaba Mbekeyani	SUCOMA Group Pension Fund
Zindaba Mbekeyani	Limbe Leaf Pension Fund
Zindaba Mbekeyani	PUMA Energy Pension Fund
Zindaba Mbekeyani	Associated Pension Trust
Zindaba Mbekeyani	NICO Life Insurance Co.
Zindaba Mbekeyani	PCL Pension Fund
Mazibayao Kamata Mbenje	Jahaziel Kamata Mbenje
Mazibayao Kamata Mbenje	Uzziel Kamata Mbenje
Lusayo Mwabutwa	Asayile Mwabutwa
A.G. Barron	Lincoln Investments Ltd
The Chairperson	Cosmas Katulukira
Douglas Masumbu	MISALICO
Luvindo G.D	Mr. F. Harawa

Non-Shareholders

Douglas David Nyirenda	MSE
Susan Kampeni	EKwacha
Eunice Ndhlovu	MBC
Chisomo Mlambala	MBC
Chawanangwa Manda	Palm Holdings
Danna Mtonga	Palm Holdings
Luke Tembo	Zodiak
Kenneth Mmadi	Continental Capital Ltd
Wezi Chikaonda	Deloitte
Vilengo Beza	Deloitte

1. NOTICE AND QUORUM

The notice of the meeting having been previously circulated was taken as read and a quorum having been formed, the Chairperson declared the meeting duly constituted and welcomed all present.

2. CONFIRMATION OF THE MINUTES OF 45TH ANNUAL GENERAL MEETING

2.1 The Minutes of the 45th Annual General Meeting held on Thursday 28th June 2017 were approved as a correct record of the deliberations of that day.

2.2 One shareholder observed that the minutes did not record sufficient details as raised by shareholders. The Meeting resolved that on improving these.

3. RESOLUTIONS

The meeting adopted the following resolutions:

3.1 That the audited financial statements for the year ended 31st December 2018 together with the reports of the Auditors and Directors thereon be approved and adopted.

3.2 That a final dividend of MK310.2 million be declared from the profits of 2018. This amount together with an interim dividend of MK206.8 million that was paid earlier made a total dividend of K517 million for that year.

3.3 That the appointment of Deloitte for the year 2018 be ratified.

3.4 That Deloitte be re-appointed as auditors for the ensuing year and the Board be authorized to determine their remuneration.

3.5 Directorship

3.5.1 The re-election of Mrs. Veronica Masikini as Director of the Company was approved.

3.5.2 The re-election of Ms. Eluphy Salamba as Director of the Company was approved.

3.6 That the remuneration of the Chairman and Non-Executive Directors be fixed as follows with effect from 1st January, 2019:

Directors' fees

Chairman	:	MK3, 920,000.00 per annum
Non-Executive Directors	:	MK3, 360,000.00 per annum

Sitting Allowances

Chairman	MK125, 000.00 per sitting
Non-Executive Directors	MK95, 000.00 per sitting

3.7 That authority be given to the Board to determine the remuneration of the Managing Director.

4. APPENDIX

ISSUES RAISED BY SHAREHOLDERS

4.1 Minority Interest Representation
The Board **reported** that Ms. Eluphy Salamba was the Director representing the minority interest shareholders. One shareholder commended the Board composition for being gender balanced at 50-50 representation.

4.2 The Board **reported** that a dividend policy was in place to ensure a steady dividend payout year after year subject to the requirements of the Companies Act 2013 and cash resources.

4.3 The Board **noted** that in future and in line with the Companies Act, the profiles of Directors' being re-elected would be disclosed in the Annual General Meeting notice.

4.4 Timing and Venue of Annual General Meeting
One shareholder **raised** a concern on time and venue of the Annual General Meeting.

4.4.1 On timing, it was suggested before 11am so that shareholders from afar could return on the same day.

4.4.2 One shareholder made a proposal for the venue to be rotating between Blantyre and Lilongwe as was the case before. The Board advised that it would consider this in future

4.4.3 Location of Properties

One shareholder raised an issue that most properties were in Lilongwe, the Board confirmed this and stated that returns in Lilongwe were higher than the rest of the country however the Board was alert on any opportunities that could arise from any part of the country.

4.5 One shareholder was concerned that the Company had started borrowing again from Standard Bank after repaying of loans in 2016. It **was responded** that this was not a new loan but a conversion of an old foreign loan in MPICO Malls Limited into a local.

SIGNED: ………………………………….. DATE: ……………………

EDITH JIYA
CHAIRPERSON

ANNUAL Report

MPICO

A member of OLDMUTUAL group

2019

CONTENTS

AnnualReport2019

THE CHAIRPERSON'S STATEMENT

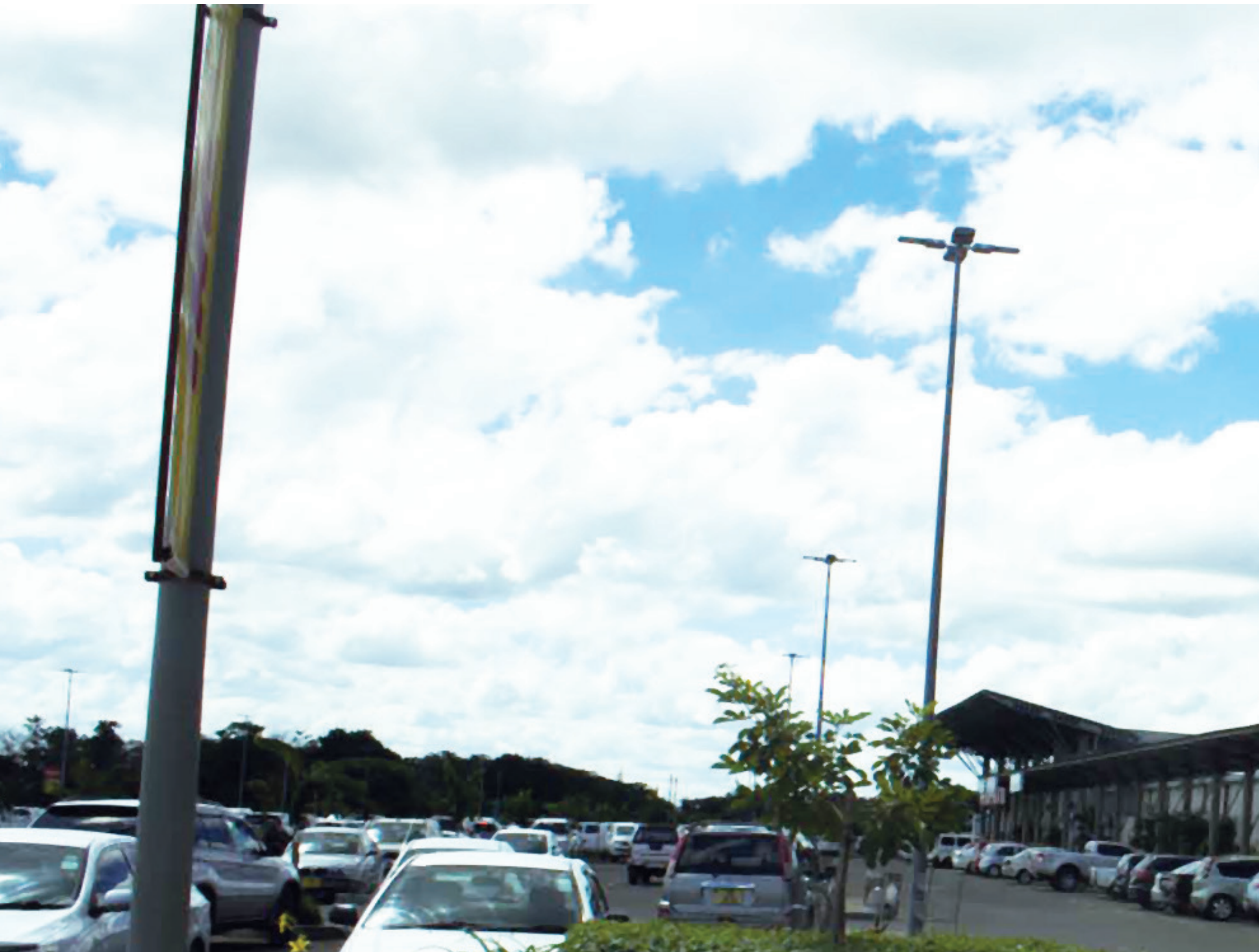
For the year ended 31 December 2019

Economic Environment

The economy in 2019 registered an improved outturn. GDP annual growth rate rose to about 5.0% in 2019 from 4.0% in 2018. This was on account of increased crop production in the agricultural sector following favourable weather. This sector grew by 3.9% in 2019 compared to 0.9% in 2018. Annual headline inflation increased to 9.4% in 2019 from 9.2% in 2018. The main driver to the growth in inflation was an increase in maize prices. Official gross foreign currency reserves were US$819.5 million as at 31st December 2019 compared to US$747.2 million at the end of 2018, representing an improvement to 3.9 months in 2019 from 3.6 months' import cover in 2018. The Policy Rate was maintained at 13.5% for a greater part of 2019 compared to 16% per annum in 2018. Likewise, commercial banks' lending rates were mostly constant in 2019. The Malawi Kwacha was stable against the US Dollar.

According to the Malawi Stock Exchange, the market registered a positive return on index of 4.38% in 2019 compared to 34.19% in 2018. In terms of volume, the market recorded an increase in traded shares but of lower value compared to 2018.

The year was not without its challenges. Mass protests followed the announcement of the results of the presidential elections and some properties were damaged in the process. Electricity blackouts and water shortages affected all sectors of the economy.



THE CHAIRPERSON'S STATEMENT

For the year ended 31 December 2019

Property Market in Malawi

Most businesses were affected by the political impasse after the 2019 general elections. This had a negative impact on the property sector. Consequently, vacancies rose to 8% in 2019 from 7% in 2018. The impact was felt more in the commercial sector. Going forward, we expect increased competition in the commercial sector due to additional space being developed in this sector. In addition, the laxity of development control by local authorities is encouraging both existing and potential tenants to seek office space in residential areas against the authorities' provided By-Laws.

Group Performance

The Group is pleased to announce the results of the Group for the year ended 31 December 2019. Rental income increased by 7% to MK6.6 billion in 2019 from MK6.2 billion in 2018. The increase is mainly attributable to rent reviews. Total expenditure for the year decreased to MK4.0 billion in 2019 from MK4.3 billion in 2018 due to savings on finance costs, discounting costs on promissory notes and impairment on Plant and Equipment.

Profit after tax increased to MK7.6 billion in 2019 from MK6.8 billion in 2018, representing a year-on-year increase of 12%.

THE CHAIRPERSON'S STATEMENT

For the year ended 31 December 2019

Government rent arrears worsened to K5.8 billion from K2.3 billion in 2018 and continued to negatively impact the Group's operations. The Board will continue to engage government officials to ensure that the position is regularised.

Human Resources

The Group maintained a stable and dedicated workforce in 2019. The Group continued with the staff wellness program whose main objective is to assist employees in their total well-being thereby increasing their productivity. The Group also continues to offer support to development needs of employees.

Prospects for 2020

Following the nullification of the May 2019 Presidential elections, the rescheduling of presidential polls and the emergence of Covid-19 pandemic resulting into declaration of national disaster and lockdown by the Authorities, we expect pressure on the economy.

The Group has adaptive strategic plans to ensure that its stakeholders are provided with relevant property solutions and that shareholders continue to enjoy growth in the value of their investment.

BOARD OF DIRECTORS

MRS. EDITH JIYA is a holder of MSc. in Strategic Management from University of Derby and Bachelor of Business Administration from University of Malawi. Edith Jiya is Group CEO of Old Mutual Malawi Limited. Previously, she was the Managing Director of the Old Mutual Life Assurance Company (Malawi) Limited (OMLAC), a position she held for 5 years. She has also held senior managerial positions at OMLAC and BP Malawi Limited. Mrs. Jiya is an associate member of the Chartered Insurance Institute (The CII) UK and associate of the Chartered Institute of Marketing. In addition to serving on the Old Mutual and MPICO Group boards, she also sits on the boards of MUST, Shire BEST and FDH Financial Holdings Limited.

MR. DAMIEN KAFOTEKA is the Managing Director of MPICO Plc and its subsidiaries. He joined the company in August 2016. He was previously the Finance Director at Old Mutual Malawi Limited from 2006 to 2016. His experience in Executive Management spans more than 30 years having worked as Chief Financial Officer for many companies such as Petroleum Importers Limited, Malawi Pharmacies Limited and Peoples Trading Centre/McConnell. He currently also serves on the Board of Stock Brokers Malawi Limited. Other previously served Boards include those of National Bank of Malawi, Telekom Networks Malawi and Press Corporation Limited. Mr. Kafoteka is a Certified Chartered Accountant (FCCA, UK), CPA (Mw) and holds a Bachelors of Commerce in Accounting (Bcom) from the University of Malawi Polytechnic, and a Diploma in Business Studies.

MR. ANDREW 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. Mr Barron holds a Higher National Diploma in Business Studies from the University of West of England and has extensive expertise in real estate. He also has a number of other business interests. He chairs Seed-Co Malawi and sits on the Seed-Co International board as well as Chairing Team Planet Ltd and being a Director of Plantation House Investments Ltd.

MR. CHRIS KAPANGA is a former CEO of Old Mutual West Africa and before that CEO of Old Mutual Ghana and Old Mutual Malawi. He holds an MBA degree from the University of Cape Town. He is one of the earliest Malawians to qualify as a Chartered Insurer and has over 38 years of international experience in the insurance industry. He is a retired professional.

BOARD OF DIRECTORS

MRS. VERONICA MASIKINI is a holder of Chartered Institute of Management (CIMA) certification. She is a Group Finance and Administration Manager of Blantyre Printing and Publishing Company with over 30 years of practical experience.

MS. ELUPHY SALAMBA is a holder of MSc. in Leadership and Change Management from Leeds Metropolitan University and Bachelor of Commerce (Business Administration) from the University of Malawi Polytechnic. Ms. Salamba currently works with National Bank of Malawi and is the Head of Credit Management. She has held different positions within Credit at National Bank of Malawi and has also worked with Standard Bank. Her banking experience spans over 20 years.

MS. CHIFUNDO KALAILE is a holder of an LLM in Commercial Law from Cardiff University and an LLB (Hons) from University of Malawi, Chancellor College. Ms. Kalaile also completed her Management Advancement Programme with the University of Wits in 2013. Ms. Kalaile qualified as a Certified Anti-Money Laundering Specialist in 2019. Ms. Kalaile currently works for Old Mutual as the Corporate Governance Executive and Company Secretary, a position she has held since 2008. She previously worked for Ministry of Justice for 7 years as a State Advocate. Her legal career spans over 19 years.

MR. MARK MIKWAMBA is an investment professional with over 18 years' experience in investment management and capital markets in Malawi. Mr. Mikwamba is a CFA Charter holder, Fellow Certified Chartered Accountant (FCCA, UK) and a holder of Bachelor of Accountancy Degree (BAcc) from the University of Malawi. Mr. Mikwamba also completed his Management Advancement Programme with the University of Wits in 2013 and a strategy course with Harvard Business School. He sits on FDH Group of companies and Open Connect boards. Mr. Mikwamba has held different positions in Old Mutual Malawi Limited and is currently the Managing Director of Old Mutual Investment Group in Malawi.

MANAGEMENT

MR. COSMAS KATULUKIRA is the longest serving individual in both the Management Team and the Company having joined MPICO plc in April 1996 from NICO. He is a Fellow of the Association of Chartered Certified Accountants (FCCA, UK), CPA (Mw) and a holder of Bachelor of Commerce (Accountancy) and a Diploma in Business Studies from the University of Malawi. He is responsible for the Group's Finance & Accounting and Secretarial functions. He has 29 years of experience with 21 years in senior management positions.

MR. ELLIOT JAMBO has an MSc in Real Estate from the University of Pretoria, an MBA from ESAMI and a Bachelors of Arts in Public Administration from the Chancellor College. He is a registered valuation surveyor with 21 years' experience in Real Estate. He is currently responsible for leasing, facilities management, property valuation and human resource management at MPICO.

MR. RICHARD BUTAO is a Fellow of the Association of Chartered Certified Accountants (FCCA, UK), CPA (Mw) and a holder of Bachelor of Accountancy Degree (BAcc) from the University of Malawi. He holds an MBA obtained from the University of Reading (UK) and he also completed Management Advancement Programme with Wits University in 2016. He is responsible for Group's Finance & Accounting, Risk Management and Compliance functions. He has 21 years of experience with 16 years in senior management positions.

MR. LUSAYO MWABUTWA is a Certified Facilities Manager (CIWFM, UK) registered with the Institute of Workplace and Facilities Management. A Certified Project Management professional with a PRINCE2 practitioner's license. He holds a Master of Science in Facilities Management from the University of Reading (UK) and a Bachelor of Science in Civil Engineering from the University of Malawi. He has over 16 years combined experience in procurement, engineering and facilities management. He is currently responsible for the Group's Facilities Management function.

REPORT OF THE DIRECTORS

For the year ended 31 December 2019

The directors have pleasure in presenting the separate and consolidated financial statements of MPICO plc and its subsidiary companies for the year ended 31 December 2019.

INCORPORATION AND REGISTERED OFFICE

MPICO plc is a company incorporated in Malawi under the Companies Act, 2013. It is listed on the Malawi Stock Exchange. The address of its registered office is:

Old Mutual House
Robert Mugabe Crescent
P.O. Box 30459
LILONGWE 3

AREAS OF OPERATION

The group has 28 (2018: 28) investment properties in the country mainly in Lilongwe and Blantyre, which it rents out to the government and the private sector.

SHARE CAPITAL

The authorised share capital of the company is K150 million (2018: K150 million) divided into 3 000 000 000 Ordinary Shares of 5 tambala each (2018: 3 000 000 000 ordinary shares of 5 tambala each). The issued capital is K114.902 million (2018: K114.902 million) divided into 2 298 047 460 ordinary shares of 5 tambala each (2018: 2 298 047 460 ordinary shares of 5 tambala each), fully paid.

The shareholders and their respective shareholding as at year-end were:

	2019	2018
	%	%
Old Mutual Limited	72.0	72.0
General Public	23.0	23.0
Lincoln Investments Limited	5.0	5.0
	100.00	100.00

PROFITS AND DIVIDENDS

The directors report a net profit for the year of K7.6 billion (2018: K6.8 billion) for the Group (Company K3.4 billion (2018:K4.2 billion)}. A final dividend of K310 million in respect of 2018 profits and an interim dividend of K230 million were declared and paid during the year.

FINANCIAL PERFORMANCE

The results and state of affairs of the company and the group are as disclosed in the statements of financial position, profit or loss and other comprehensive income, changes in equity and cash flows and other explanatory information and do not, in our opinion, require any further comment.

CORPORATE GOVERNANCE

The Company embraces the best practices in corporate governance as enshrined under the Companies Act 2013, the Malawi Code II and Malawi Stock Exchange Listing requirements plus other laws applicable to the Real Estate industry.

The Board and its subcommittees have written charters and terms of references respectively which include all material points as required under the corporate governance guidelines. The subcommittees are chaired by non-executive directors.

REPORT OF THE DIRECTORS *(Continued)*

For the year ended 31 December 2019

DIRECTORS

The following directors, appointed in terms of the Articles of Association of the company, served office during the year:

Mrs. E. Jiya	- Chairperson all year
Mr. C. Kapanga	- Member all year
Mr. A. Barron	- Member all year
Mr. M. Mikwamba	- Member all year
Ms. E Salamba	- Member all year
Mrs. V. Masikini	- Member all year
Ms. C. Kalaile	- Member all year
Mr. D. Kafoteka	- Member all year

The following directors served office for the subsidiaries during the year

MPICO MALLS LIMITED

Mr. K. Phiri	- Chairperson all year
Mr. C. Kapanga	- Member all year
Mr. A. Barron	- Member all year
Mr. M. Mikwamba	- Member all year
Mrs. V. Masikini	- Member all year
Mr. D. Kafoteka	- Member all year
Mrs. Z Mitole	- Member up to 09 May 2019
Mr. B. Ndisale	- Member from 09 May 2019
Mr. S. Malenga	- Member from 09 May 2019

CAPITAL INVESTMENTS LIMITED

Mr. D. Kafoteka	- Chairman all year
Mr. B. Jere	- Member all year
Mr. W. Mabulekesi	- Member all year
Mr. K Phiri	- Member all year

FRONTLINE INVESTMENTS LIMITED

Mr. D. Kafoteka	- Chairperson all year
Mr. P. Fitzsimons	- Member all year
Mr. K. Phiri	- Member all year

The directors for the 100% owned companies New Capital Properties Limited and Capital Developments Limited were the same as for the company.

COMPANY SECRETARY

The company secretary for the company is Mr. C. Katulukira

DIRECTORS' INTERESTS

The directors noted below hold the following ordinary shares in the company at the year-end.

Mr. C. Kapanga	: 452 773 shares
Mrs. E. Jiya	: 31 649 shares

REPORT OF THE DIRECTORS *(Continued)*

For the year ended 31 December 2019

NUMBER OF BOARD MEETINGS HELD

The Board maintains a scheduled calendar of meetings and a standing agenda. The meetings are held quarterly and the Board at times also schedule adhoc meetings. Further, where necessary some specific items are added to the agenda in order to allow the Board to focus on key matters at each prevailing time. After each quarterly meeting, the Board schedules informal sessions and interactions, which allows directors, management and other stakeholders to discuss matters affecting the business.

During the year ended, 31 December 2019, four meetings were held and attendance by each director is given below:

NAME OF DIRECTOR	NUMBER OF MEETINGS ELIGIBLE TO ATTEND DURING THE YEAR	NUMBER OF MEETINGS ATTENDED
Edith Jiya	4	4
Andrew Barron	4	3
Veronica Masikini	4	4
Chris Kapanga	4	4
Chifundo Kalaile	4	4
Mark Mikwamba	4	3
Eluphy Salamba	4	4
Damien Kafoteka	4	4

BOARD COMMITTEES

There are two board committees which were established to ensure that the Board discharges its duties effectively in accordance with principles of good corporate governance. All board committees have terms of reference and report to the main Board.

AUDIT, RISK & COMPLIANCE COMMITTEE (ARCC)

The Audit, Risk & Compliance Committee (ARCC) is responsible for reviewing the reports of both internal and external auditors, as well as overseeing the adequacy and effectiveness of internal controls. ARCC comprises four Non-Executive directors and the Managing Director and the management team attends the ARCC meetings. Further, the Company's external auditors attend the meetings when appropriate and necessary.

Responsibilities of ARCC

In addition to the Committee's responsibilities set out hereunder, the Committee will perform any other functions as determined by the Board:

1 .1 General

The Committee reports to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.

1.2 Accounting and Financial Reporting

1.2.1 To review and monitor the integrity of the Group's interim and annual financial statements and any other formal announcements relating to the Company's financial performance;

1.2.2 Consider and satisfy itself on an annual basis of the appropriateness of the expertise and experience of the Financial Controller and confirm this annually to shareholders;

AUDIT, RISK & COMPLIANCE COMMITTEE (ARCC) (Continued)

Responsibilities of ARCC (Continued)

1.2 Accounting and Financial Reporting (Continued)

1.2.3 To report its views to the Board where, following its review, the Committee is not satisfied with any aspect of the proposed financial reporting by the Group;

1.2.4 To receive reports on the status of completion of the Group's annual financial statements and their submission to the tax authorities;

1.2.5 To discuss and resolve any significant problems or reservations arising from the interim and final audits and any matters the independent external auditor wishes to discuss; and

1.2.6 To review measures to enhance the credibility and objectivity of the financial statements.

1.3 Oversee and be responsible for the Company's information technology (IT) as it relates to financial reporting and the going concern of the Company, including considering the use of technology and related techniques to improve audit coverage and audit efficiency.

1.4 External Audit

1.4.1 Promote and maintain an effective relationship with the independent external auditor;

1.4.2 To ensure that adequate policies and processes are in place to ensure the independence of the independent external auditor, which policies and processes shall be reviewed annually;

1.4.3 To review and monitor the independent external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant legislation and professional and regulatory requirements;

1.4.4 To develop and implement policy on the engagement of the independent external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the Independent External Auditors, and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and to make recommendations as to the steps to be taken;

1.4.5 To discuss with the independent external auditors before the audit commences and, as necessary, following the audit, the nature and scope of the audit (including the accounting principles, policies and practices adopted in the preparation of the Group's accounts, planned levels of materiality, and resourcing);

1.4.6 In the event that the independent external auditors resign, the Committee should investigate the issues giving rise to such resignation and consider whether any action is required;

1.4.7 The Committee shall review the appointment of the prospective audit firm and d esignated individual auditor as and when the appointment arises; and

1.4.8 The Committee shall review and consider the outcome of any legal or disciplinary proceedings instituted by a professional body against the independent external auditor.

AUDIT, RISK & COMPLIANCE COMMITTEE (ARCC) (Continued)

Responsibilities of ARCC (Continued)

1.5 Internal Audit

1.5.1 Establish an internal audit function for the Group and (i) ensure that the internal audit function is adequately and appropriately resourced, is equipped to perform in accordance with appropriate professional standards for internal auditors, and has the appropriate authority and status within the Group; and (ii) monitor and assess the role and effectiveness of the internal audit function in the overall context of the Group's risk management system;

1.5.2 Agree to a Combined Assurance Framework, which considers proportionality in the design of the internal control functions and systems;

1.5.3 To review and approve the Internal Audit Terms of Reference annually, making recommendations for changes if required;

1.5.4 To review and approve the annual internal audit plan ensuring that material risk areas are included, that the coverage of business processes is acceptable, and that statutory and financial reporting requirements are met, and review the effect of quarterly plan adjustments;

1.5.5 To review and discuss the scope of work of the internal audit function, the issues identified as a result of its work and management's responsiveness to issues raised and agreed action plans;

1.5.6 To ensure co-ordination and co-operation between internal audit and the risk management and compliance functions;

1.5.7 To ensure that an independent quality review of the internal audit function is conducted, either in line with the Institute of Internal Auditors' (IIA) standards or such other standards as determined by the Committee, when the Committee determines it appropriate, as a measure to ensure the function remains effective and in conformance with the applicable standards;

1.6 Internal Controls

1.6.1 Consider control issues identified from the various reports reviewed by the Committee in the context of the overall effectiveness of internal controls; and

1.6.2 To receive reports relating to management's assessment of the effectiveness of the Company's systems of internal controls, and satisfy itself whether any matters should be raised in the relevant section(s) in the annual financial statements and report on the findings to the Board.

1.7 Risk Responsibilities

1.7.1 Exercise Group risk oversight aimed at ensuring that risks are monitored and managed by the Company and its subsidiaries;

1.7.2 Review, at a minimum at least annually, the Group's risk strategy document. Approve the Group's risk strategy and risk appetite;

AUDIT, RISK & COMPLIANCE COMMITTEE (ARCC) (Continued)

Responsibilities of ARCC (Continued)

1.7 Risk Responsibilities (Continued)

1.7.3 The Committee will ensure that the Group has in place effective systems for risk management and internal control to address key risks and is required to obtain input and assurance from the Company's risk management and compliance functions regarding the operations, efficiency and effectiveness of the components of the systems for risk management and internal controls relevant to their respective areas of responsibility

1.7.4 The Committee will establish and maintain an enterprise risk management framework to, inter alia, enable the identification of intra-group transactions, credit risk and concentration and contagion risks across the Group.

The committee met four times during the year 2019 and the members' attendance is summarised as below:

NAME OF DIRECTOR	NUMBER OF MEETINGS ELIGIBLE TO ATTEND DURING THE YEAR	NUMBER OF MEETINGS ATTENDED
Veronica Masikini	4	4
Andrew Barron	4	3
Chifundo Kalaile	4	4
Mark Mikwamba	4	3

APPOINTMENTS AND REMUNERATION COMMITTEE (A & R COM)

The committee is responsible for reviewing employees Terms and Conditions of Service, approving recommendations for changes to organisational structure and hiring of Executive Management.

The responsibilities of the Appointments and Remunerations Committee include:

2.1 Board Composition Matters

2.1.1 Identify individuals qualified to be elected as members of the Board and Board committees, to recommend such individuals to the Board for appointment in terms of the Company's Articles and Memorandum of Association and to establish procedures to ensure that the selection of individuals for such recommendation is transparent;

2.1.2 Evaluate the effectiveness of management as a whole and report thereon to the Board;

2.1.3 Be responsible for identifying and nominating candidates for the approval of the Board to fill vacancies on the Company's Board and its committees, taking cognisance of best practice and any legislated requirements;

2.1.4 Make recommendations, based on the Board and Committee evaluation results, to the Board for the continuation in service (or not) of any director as an executive or non-executive director;

2.1.5 Assist the Board and the chairperson of the Board in reviewing the independence of non-executive directors and make recommendations to the Board thereon on an annual basis.

2.1.6 Oversee the process for the evaluation of the performance of the Board and its individual directors;

REPORT OF THE DIRECTORS *(Continued)*

For the year ended 31 December 2019

APPOINTMENTS AND REMUNERATION COMMITTEE (A & R COM) (Continued)

2.1 Board Composition Matters (Continued)

2.1.7 Oversee the appointment, dismissal and performance management of roles reserved for appointment by the Board;

2.1.8 Assist the chairperson of the Board to initiate and manage overall performance evaluations of the Managing Director and other Directors;

2.1.9 Be responsible for considering the composition and skills required for the optimal functioning of the Board and motivating proposed changes in this regard to the respective boards for consideration.

2.2 Remuneration and Benefit Matters

2.2.1 Reviewing and approving the Company remuneration and benefit philosophy and overseeing the administration of related remuneration and benefit programs, policies and practices;

2.2.2 Annually reviewing all elements of executive remuneration and benefits of the Company and submitting documentation for approval by the full Board in a manner that is designed to qualify for the presumption of reasonableness under laws and regulations applicable to the Company;

2.2.3 Evaluating the remuneration and benefit competitiveness and reviewing the appropriate competitive positioning of the levels and mix of the Company reward and benefit elements within industry remuneration standards;

2.2.4 Establishing annual and long-term performance goals and objectives for the Managing Director (MD) and reviewing the goals approved by the Managing Director for the members of the Executive Leadership Team;

2.2.5 Reviewing and approving the remuneration and benefits of the members of the Executive Leadership Team as recommended by the MD based on an evaluation of their performance;

2.2.6 Approving or recommending employment agreements, offers of employment and other elements of remuneration provided to the members of the Executive Leadership Team;

2.2.7 The Committee shall re-assess the fitness and propriety of responsible persons annually and recommend the results of the assessment for approval to the Board.

The committee met three times during the year 2019 and the members attendance is summarised as below:

NAME OF DIRECTOR	NUMBER OF MEETINGS ELIGIBLE TO ATTEND DURING THE YEAR	NUMBER OF MEETINGS ATTENDED
Andrew Barron	3	3
Eluphy Salamba	3	2
Mark Mikwamba	3	3

REPORT OF THE DIRECTORS *(Continued)*

For the year ended 31 December 2019

DIRECTORS REMUNERATION

The directors' fees and remuneration for the Group and its subsidiaries was as follows:

Entities	Non-executive Directors fees and expenses K' million	Executive Directors remuneration K' million	Total K' million
For the year ended 31 December 2019			
MPICO plc	24.1	81.7	105.8
MPICO Malls Limited	18.8	-	18.8
Capital Investments Limited	10.5	-	10.5
Capital Developments Limited	12.0	-	12.0
New Capital Properties Limited	12.0	-	12.0
Frontline Investments Limited	8.0	-	8.0
	85.4	81.7	167.1
For the year ended 31 December 2018			
MPICO plc	22.0	69.6	91.6
MPICO Malls Limited	17.4	-	17.4
Capital Investments Limited	9.3	-	9.3
Capital Developments Limited	10.6	-	10.6
New Capital Properties Limited	10.6	-	10.6
Frontline Investments Limited	7.1	-	7.1
	77.0	69.6	146.6

ACTIVITIES

MPICO plc is in the business of development, rental and management of property. It has subsidiary companies as follows:

Subsidiaries of MPICO PLC	Percentage of Control	Nature of operations
Capital Developments Limited	100%	Development and rental of property
New Capital Properties Limited	100%	Development and rental of property
Capital Investments Limited	50.75%	Development and rental of property
Frontline Investments Limited	69.5%	Development and rental of property
MPICO Malls Limited	53.10%	Development and rental of property

DONATIONS

As part of its corporate social responsibility, the Group and its subsidiaries made charitable donations of K2 million (2018: K11.4 million) as shown below;

	2019 K' million	2018 K' million
MPICO plc	2	7.5
MPICO Malls Limited	-	3.9
	2	11.4

REPORT OF THE DIRECTORS *(Continued)*

For the year ended 31 December 2019

AUDITORS REMUNERATION

The agreed fees payable by the Group and its subsidiaries to their external auditors for financial audit services are as follows:

Entity	**Financial Audit K' million**
For the year ended 31 December 2019	
MPICO plc	25.1
MPICO Malls Limited	9.1
Capital Investments Limited	6.4
Capital Developments Limited	5.3
New Capital Properties Limited	6.3
Frontline Investments Limited	5.8
	58.0
For the year ended 31 December 2018	
MPICO plc	20.8
MPICO Malls Limited	7.5
Capital Investments Limited	5.3
Capital Developments Limited	4.4
New Capital Properties Limited	5.2
Frontline Investments Limited	4.8
	48.0

The Directors are satisfied that the provision of non-audit services did not compromise the auditor independence.

AUDITORS

The group auditors, Deloitte, have indicated their willingness to continue in office and a resolution is to be proposed at the forthcoming Annual General Meeting to re-appoint them as auditors in respect of the company's 31 December 2020 financial statements.

BY ORDER OF THE BOARD

COSMAS KATULUKIRA

COMPANY SECRETARY

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 2019

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of MPICO plc and its subsidiaries, comprising the statements of financial position at 31 December 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and in the manner required by the Malawi Companies Act, 2013.

The Malawi Companies Act, 2013 also requires the directors to ensure that the group keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Malawi Companies Act 2013.

In preparing the consolidated and separate financial statements the directors accept responsibility for the following:

- Maintenance of proper accounting records;
- Selection of suitable accounting policies and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards when preparing financial statements; and
- Preparation of financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business in the foreseeable future.

The directors also accept responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to maintain adequate systems of internal controls to prevent and detect fraud and other irregularities.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and the company and of its operating results and cash flows for the year ended 31 December 2019.

....

Managing Director

....

Chairperson

Deloitte.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MPICO PLC

Opinion

We have audited the consolidated and separate financial statements of MPICO plc and its subsidiaries ("the group") set out on pages 22 to 75, which comprise the consolidated and separate statements of financial position as at 31 December 2019, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the financial position of the MPICO plc and its subsidiaries as at 31 December 2019, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Malawi Companies Act, 2013.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the company in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Revised July 2016), parts 1 and 3 of the International Ethics Standards Board for Accountants International Code of Ethics for professional Accountants (including International Independence Standards) (Revised July 2018) and other independence requirements applicable to performing audits of financial statements in Malawi. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Partners: NT Uka VW Beza CA Kapenda MC Mwenelupembe (Mrs) KCD Msimuko
Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MPICO PLC

Key Audit Matter	How the matter was addressed in the audit
Valuation of Investment Property	
See notes 3.5, 4.2.1 and 6 to the financial statements The most significant assets for the group and company are investment properties and had consolidated fair value of K59.9 billion as at 31 December 2019 (2018:K54.0 billion) and K16.0 billion (2018: K14.3 billion) in the company's separate financial statements. The investment properties were revalued as at 31 December 2019 by an independent valuer. Our audit focused on the fair value measurement of investment properties due to its impact on the consolidated and separate financial statements and the significance of the judgments, assumptions and estimation uncertainties involved in the determination of the fair value of the investment properties. The valuation of investment properties was considered to be a key audit matter for the consolidated and separate financial statements.	We used our own valuation specialists to test the appropriateness of the overall valuation methodology and key assumptions including the capitalisation rate and rental forecasts (income capitalisation method), used in the calculation of the fair value estimate by management expert. We evaluated the acceptability of valuation work performed by the management valuation expert by, among other things: • Evaluating the nature and scope of the expert's work; • Assessing the competence and objectivity of the management expert; • Assessing the judgement and assumptions applied; • Evaluating the accuracy and completeness of the input data used in the valuation; and • Evaluating the conclusions reached in light of our understanding of the entity and its business. We found the valuation of the property to be appropriate.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, as required by the Companies Act, and the Statement of Director's Responsibilities, which we obtained prior to the date of this auditor's report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MPICO PLC

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act and for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MPICO PLC

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte.

Chartered Accountants
Vilengo Beza
Partner
27 March 2020

MPICO plc

STATEMENTS OF FINANCIAL POSITION

31 December 2019

	Notes	Group 2019 K'000	Group 2018 K'000	Company 2019 K'000	Company 2018 K'000
ASSETS					
NON-CURRENT ASSETS					
Investment properties	6	59 853 523	54 206 720	16 025 007	14 283 992
Plant and equipment	7	620 803	536 071	361 623	281 242
Investment in subsidiaries	8	-	-	14 640 612	13 814 663
Deferred tax	9	4 161 520	3 981 909	-	-
Secured staff loans		14 163	20 458	14 163	20 458
Total non-current assets		64 650 009	58 745 158	31 041 405	28 400 355
CURRENT ASSETS					
Amounts due from subsidiaries	11	-	-	256 446	825 949
Taxation recoverable		9 957	84 507	54 483	-
Dividends receivable from subsidiaries		-	-	250 000	-
Trade and other receivables	10	8 186 823	4 086 512	1 979 252	767 089
Cash and cash equivalents	14	160 064	2 568 534	11 315	49 560
Total current assets		8 356 844	6 739 553	2 551 496	1 642 598
TOTAL ASSETS		73 006 853	65 484 711	33 592 901	30 042 953
EQUITY AND LIABILITIES					
SHAREHOLDERS' EQUITY					
Share capital		114 902	114 902	114 902	114 902
Share premium		8 626 938	8 626 938	8 626 938	8 626 938
Distributable reserves		4 668 394	3 232 411	7 698 967	6 082 058
Non-distributable reserves		25 628 683	22 072 694	12 186 478	10 927 994
Equity attributable to equity holders of the parent		39 038 917	34 046 945	28 627 285	25 751 892
Non-controlling interests		19 928 782	18 400 848	-	-
Total equity		58 967 699	52 447 793	28 627 285	25 751 892
NON-CURRENT LIABILITIES					
Deferred tax	9	8 038 919	7 447 709	3 857 596	3 395 105
Borrowings	12	4 356 059	4 493 564	-	-
Total non-current liabilities		12 394 978	11 941 273	3 857 596	3 395 105
CURRENT LIABILITIES					
Borrowings	12	221 261	258 769	-	-
Amounts due to subsidiaries	11	-	-	16 796	225 980
Payables	13	838 316	551 218	506 849	303 162
Taxation payable		-	-	-	110 711
Bank overdraft	14	584 599	285 658	584 375	256 103
Total current liabilities		1 644 176	1 095 645	1 108 020	895 956
Total liabilities		14 039 154	13 036 918	4 965 616	4 291 061
TOTAL EQUITY AND LIABILITIES		73 006 853	65 484 711	33 592 901	30 042 95

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2020 and were signed on its behalf by:

....Managing Director

.... Chairperson

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

		Group		Company	
	Notes	2019 K'000	2018 K'000	2019 K'000	2018 K'000
INCOME					
Rental income	5	6 636 356	6 227 202	2 180 838	1 995 562
Interest income on rental arrears		760 906	1 732 570	187 444	145 688
Total income		7 397 262	7 959 772	2 368 282	2 141 250
Increase in fair value of investment Properties	5	5 583 202	5 277 441	1 728 376	1 515 400
Dividend income from subs		-	-	1 811 750	1 516 000
Other income	15	244 187	152 935	623 868	2 438 980
		13 224 651	13 390 148	6 532 276	7 611 630
OPERATING EXPENSES					
Property and administration expenses	16	(3 192 985)	(3 654 406)	(2 158 351)	(1 860 660)
Expected Credit losses	10	(130 895)	(236 532)	(38 841)	(41 812)
Total operating expenses		(3 323 880)	(3 890 938)	(2 197 192)	(1 902 472)
FINANCE COST					
Interest income on bank deposits and staff loans		137 637	67 819	17 254	11 258
Exchange gain on borrowings		-	613 656	-	-
Finance costs on borrowings		(813 516)	(1 112 988)	(82 290)	(181 755)
Net finance cost		(675 879)	(431 513)	(65 036)	(170 497)
PROFIT BEFORE TAXATION	17	9 224 892	9 067 697	4 270 048	5 538 661
TAXATION	18	(1 626 693)	(2 285 348)	(854 613)	(1 320 937)
PROFIT FOR THE YEAR		7 598 199	6 782 349	3 415 435	4 217 724
APPROPRIATION OF PROFIT FOR THE YEAR					
Distributable reserves	20	1 976 026	2 018 142	2 156 951	3 087 460
Non-distributable reserves	20	3 555 989	3 053 689	1 258 484	1 130 264
Amounts attributable to members of the parent		5 532 015	5 071 831	3 415 435	4 217 724
Amounts attributable to minority interests		2 066 184	1 710 518	-	-
		7 598 199	6 782 349	3 415 435	4 217 724
Basic earnings per share (K)		2.41	2.21		
- Distributable (K)		0.86	0.88		
- Non-distributable (K)		1.55	1.33		

The group and company had no other comprehensive income in the current or prior year.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2019

							Attributable
					Non-	to equity	Non
		Share	Share	Distributable	distributable	holders of	controlling
	capital	premiumre	serves	reserves	interests	interests	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Group							
For the year ended 31 December 2019							
At the beginning of the year	114 902	8 626 938	3 232 411	22 072 694	34 046 945	18 400 848	52 447 793
Distributable profit for the year	-	-	1 976 026	-	1 976 026	525 470	2 501 496
Non-distributable profit for the year	-	-	-	3 555 989	3 555 989	1 540 714	5 096 703
Dividends declared - Final 2018	-	-	(310 238)	-	(310 238)	(261 500)	(571 738)
Dividends declared - Interim 2019	-	-	(229 805)	-	(229 805)	(276 750)	(506 555)
At the end of the year	114 902	8 626 938	4 668 394	25 628 683	39 038 917	19 928 782	58 967 699
Group							
For the year ended 31 December 2018							
At the beginning of the year as restated	114 902	8 626 938	1 811 650	19 019 005	29 572 495	17 274 329	46 846 824
IFRS 9 Impairment	-	-	(160 752)	-	(160 752)	-	(160 752)
Subtotal	114 902	8 626 938	1 650 898	19 019 005	29 411 743	17 274 329	46 686 072
Distributable profit for the year	-	-	2 018 142	-	2 018 142	221 211	2 239 353
Non-distributable profit for the year	-	-	-	3 053 689	3 053 689	1 489 308	4 542 997
Dividends declared - Final 2017	-	-	(229 805)	-	(229 805)	-	(229 805)
Dividends declared - Interim 2018	-	-	(206 824)	-	(206 824)	(584 000)	(790 824)
At the end of the year	114 902	8 626 938	3 232 411	22 072 694	34 046 945	18 400 848	52 447 793

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital K'000	Share premium K'000	Distributable reserves K'000	Non-distributable reserves K'000	Total K'000
Company					
For the year ended 31 December 2019					
At the beginning of the year	114 902	8 626 938	6 082 058	10 927 994	25 751 892
Distributable profit for the year	-	-	2 156 951	-	2 156 951
Non-distributable profit for the year	-	-	-	1 258 484	1 258 484
Interim dividend declared-Final 2018	-	-	(310 238)	-	(310 238)
Interim dividend declared-Interim 2019	-	-	(229 806)	-	(229 806)
At the end of the year	114 902	8 626 938	7 698 965	12 186 478	28 627 285
For the year ended 31 December 2018					
At the beginning of the year	114 902	8 626 938	3 383 910	9 797 730	21 923 480
IFRS 9 adjustment	-	-	47 317	-	47 317
Subtotal	-	-	3 431 227	9 797 730	21 970 797
Distributable profit for the year	-	-	3 087 460	-	3 087 460
Non-distributable profit for the year	-	-	-	1 130 264	1 130 264
Interim dividend declared-Final 2017	-	-	(229 805)	-	(229 805)
Interim dividend declared-Interim 2018	-	-	(206 824)	-	(206 824)
At the end of the year	114 902	8 626 938	6 082 058	10 927 994	25 751 892

The distributable reserve is available for distribution to shareholders as dividends subject to a 10% withholding tax. The non-distributable reserve relates to unrealised capital profits (net of related deferred tax) on valuation of investment properties and is not available for distribution in terms of the Malawi Companies Act, 2013.

	Group		Company	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
SHARE CAPITAL				
Authorised:				
3 000 000 000 Ordinary shares of 5t each (2018: 3 000 000 000 Ordinary Shares of 5t each)	150 000	150 000	150 000	150 000
Issued and fully paid:				
2 298 047 460 Ordinary shares of 5t each (2018: 2 298 047 460 Ordinary Shares of 5t each)	114 902	114 902	114 902	114 902

MPICO plc

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2019

	Notes	Group 2019 K'000	Group 2018 K'000	Company 2019 K'000	Company 2018 K'000
Cash flows from operating activities					
Net cash (used in)/generated by operations	22	(120 195)	9 055 717	38 044	2 149 963
Returns on investments and servicing of finance					
Dividends received		-	-	1 561 750	1 585 500
Interest received		898 543	1 800 389	204 698	156 946
Interest paid		(813 516)	(1 112 988)	(82 290)	(181 755)
Dividends paid to shareholders		(540 044)	(436 629)	(540 044)	(436 629)
Dividends paid to minority shareholders		(538 250)	(584 000)	-	-
Net cash flow (used in)/ from returns on investments and servicing of finance		(1 113 462)	8 722 489	1 182 158	3 274 025
Taxation paid		(1 140 544)	(2 499 509)	(557 316)	(217 367)
Net cash used in/(generated by) operating activities		(2 254 006)	6 222 980	624 842	3 056 658
Cash flows to investing activities					
Additions to investment properties	6	(64 386)	(332 112)	(13 424)	(2 100)
Additions to plant and equipment	7	(227 561)	(434 153)	(165 542)	(234 228)
Proceeds on disposal of plant and equipment		7 260	2 456	7 260	2 456
Investment in subsidiary company		-	-	(825 948)	-
Staff long-term loans granted		6 295	13 750	6 295	13 750
Net cash generated used in operating activities		(278 392)	(750 059)	(991 359)	(220 122)
Cash flows from financing activities					
Proceeds from borrowings	12	-	4 752 333	-	-
Repayment of borrowings	12	(175 013)	(7 078 913)	-	(2 713 607)
Exchange loss related to borrowings		-	(613 932)	-	-
Net cash used in financing activities		(175 013)	(2 940 512)	-	(2 713 607)
Net decrease in cash and cash equivalents		(2 707 411)	2 532 409	(366 517)	122 929
Cash and cash equivalents at the beginning of the year		2 282 876	(249 533)	(206 543)	(329 472)
Cash and cash equivalents at the end of the year	14	(424 535)	2 282 876	(573 060)	(206 543)

1. General information

MPICO plc, the holding company of the Group, is domiciled in Malawi. The registered office is at Old Mutual House, Robert Mugabe Crescent, P.O. Box 30459, Lilongwe. These consolidated financial statements comprise MPICO plc and its subsidiaries (together referred to as Group). The Group is primarily in the business of development, rentals and management of properties.

2. Adoption of new and revised International Financial Reporting Standards

2.1 Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements

General impact of application of IFRS 16 Leases

In the current year, the Group has adopted those new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2019.

The adoption of these new and revised Standards and Interpretations did not have a significant impact on the financial statements of the Group.

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 3.16.

a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Group carried out an assessment project. The assessment has shown that the new definition in IFRS 16 does not significantly change the scope of contracts that meet the definition of a lease for the Group.

2. Adoption of new and revised International Financial Reporting Standards (Continued)

2.1 Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements (Continued)

(b) Impact on Lessee Accounting

Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's financial statements.

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17). This change did not have a material effect on the Group's financial statements.

If this change had material impact on the Group's financial statements, the Group would have reclassified certain of its sub-lease agreements as finance leases. As required by IFRS 9, an allowance for expected credit losses would have been recognised on the finance lease receivables.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2020, and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

2.2 Standards and Interpretations in issue, not yet effective

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2021	IFRS 17 *Insurance Contracts* IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

2. Adoption of new and revised International Financial Reporting Standards (Continued)

2.2 Standards and Interpretations in issue, not yet effective (Continued)

Effective date	Standard, Amendment or Interpretation (Continued)
	The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.
Annual periods beginning on or after 1 January 2020	Amendments to References to the Conceptual Framework in IFRS Standards Together with the revised *Conceptual Framework,* which became effective upon publication on 29 March 2018, the IASB has also issued *Amendments to References to the Conceptual Framework in IFRS Standards.* The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC *Framework* adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised *Framework* of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.
Annual reporting periods beginning on or after 1 January 2020	Definition of a Business (Amendments to IFRS 3) The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They: • clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; • narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; • add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; • remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and • add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

2. Adoption of new and revised International Financial Reporting Standards (Continued)

2.2 Standards and Interpretations in issue, not yet effective (Continued)

Effective date	Standard, Amendment or Interpretation (Continued)
Annual reporting periods beginning on or after 1 January 2020	Definition of Material (Amendments to IAS 1 and IAS 8) The amendments in Definition of Material (Amendments to IAS 1 and IAS 8)clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.
Annual reporting periods beginning on or after 1 January 2020	Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

The directors anticipate that these Standards and Interpretations in future periods will have no significant impact on the financial statements of the group.

3. Significant accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

3.2 Basis of preparation

The financial statements are prepared in terms of the historical cost basis with the exception of investment properties, which are included at valuation. Historical cost is generally based on the fair value of the consideration given in exchange for assets as explained in the accounting policies below.

The principal accounting policies are set out below.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of MPICO plc and entities controlled by MPICO plc. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. *Significant accounting policies*

3.3 *Basis of consolidation (Continued)*

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3.4 *Plant and equipment*

Plant and equipment are shown at cost, less related accumulated depreciation and impairment losses.

Plant and equipment are depreciated on the straight line basis at rates that will reduce book amounts to estimated residual values over the anticipated useful lives of the assets as follows:

Fixtures, equipment and computers	5 years
Generators and Lifts	10 years
Motor vehicles	4 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at every year-end. An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

3.5 *Investment properties*

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise.

The increase in the fair value of investment properties, net of the related deferred tax, is appropriated to a non-distributable reserve in compliance with profit distribution restrictions included in the Companies Act, 2013. In the event of disposal of the property held at fair value, the related portion of the reserve is transferred to the distributable reserve. The statement of comprehensive income will then report a profit or loss on disposal based on the difference between proceeds and the carrying value. A property is deemed to have been sold when formal Government consent to the sale is received and that investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal.

3.6 *Non-current assets held for sale*

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. 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. Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell except where the measurement is specifically covered by another standard.

3.7 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

3. Significant accounting policies (Continued)

3.7 Taxation (Continued)

Deferred tax (Continued)

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity respectively. Where current and deferred tax arise from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.8 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the group's companies are measured using Malawi Kwacha, the functional currency of the primary economic environment in which the entire group operates. The consolidated financial statements are presented in Malawi Kwacha, which is the group's functional and presentation currency.

(b) Transactions and balances

Transactions in currencies other than Malawi Kwacha are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

3.9 Pension fund

MPICO plc contributes to a defined contribution pension scheme administered by Old Mutual Malawi who are also a shareholder of the company. All payments made to the scheme are charged as an expense as they fall due.

3.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. Significant accounting policies (Continued)

3.11 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates and other similar allowances.

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease. Such rental income recognition commences when an occupancy agreement with a tenant is formalised.

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3.12 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- the group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

3. Significant accounting policies (Continued)

3.12 Financial assets (Continued)

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the “finance income – interest income” line item.

3. Significant accounting policies (Continued)

3.12 Financial assets (Continued)

(ii) Debt instruments classified as at FVTOCI

The corporate bonds held by the group are classified as at FVTOCI. The corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

On initial recognition, the group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL

3. Significant accounting policies (Continued)

3.12 Financial assets (Continued)

iv) Financial assets at FVTPL (Continued)

Upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

The group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

3. Significant accounting policies (Continued)

3.12 Financial assets (Continued)

iv) Financial assets at FVTPL (Continued)

Impairment of financial assets (Continued)

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Forward-looking information considered includes the future prospects of the industries in which the group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the group has reasonable and supportable information that demonstrates otherwise.

3. **Significant accounting policies** (Continued)

3.12 Financial assets (Continued)

(i) Significant increase in credit risk (Continued)

Despite the foregoing, the group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,

(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counter party has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the group considers the changes in the risk that the specified debtor will default on the contract.

The group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the group, in full (without taking into account any collateral held by the group).

Irrespective of the above analysis, the group considers that default has occurred when a financial asset is more than 90 days past due unless the group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. Significant accounting policies (Continued)

3.12 Financial assets (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Financial assets written off may still be subject to enforcement activities under the group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the group in accordance with the contract and all the cash flows that the group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases.

For a financial guarantee contract, as the group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the group expects to receive from the holder, the debtor or any other party.

3. Significant accounting policies (Continued)

3.12 Financial assets (Continued)

(v) Measurement and recognition of expected credit losses (Continued)

If the group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less any impairment.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short- term deposits with an original maturity period of three months or less. For cash flow statement purposes, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

3. Significant accounting policies (Continued)

3.13 Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments.

Compound instruments

The component parts of convertible loan notes issued by the group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the group's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

3. Significant accounting policies (Continued)

3.13 Financial liabilities and equity (Continued)

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

3. Significant accounting policies (Continued)

3.13 Financial liabilities and equity (Continued)

Financial liabilities at FVTPL (Continued)

Gains or losses on financial guarantee contracts issued by the group that are designated by the group as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

Financial guarantee contract liabilities

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 payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (see financial assets above); and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship

Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. Significant accounting policies (Continued)

Derecognition of financial liabilities (Continued)

When the group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Loans and borrowings

After initial recognition, accounts payables are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statement of comprehensive income.

3.14 Impairment of non-financial assets

At the end of each reporting period, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

3. Significant accounting policies (Continued)

3.14 Impairment of non-financial assets (Continued)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3.15 Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.16 Lease

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements, in conformity with IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the principal accounting policies of the group. Estimates and judgements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical judgments in applying the company's significant accounting policies

In the application of the group's accounting policies which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the +revision affects both current and future periods.
+
No critical judgments were made by the management during the current period which would have a material impact on the financial statements.

4.2 Key sources of estimation uncertainty

The key assumptions that were made concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

4.2.1 Valuation of investment properties

Investment properties are carried at fair value in accordance with IAS 40 Investment Property. Fair values have been determined through valuations carried out by Real Property and Development Consultants, qualified and registered valuers.

4.2.2 Calculation of loss allowance

When measuring Expected Credit Losses (ECL), the group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimation of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

5. Operating segments

5.1 Operating Segments

Operating segments have been identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

5.2 Products and services from which reportable segments derive their revenues

The group has one principal line of business – rental and management of investment property. Information reported to and used by the Managing Director for decision making for the purposes of resource allocation and assessment of segment performance is more specifically focused on each of the group's current 28 (2018: 28) investment properties.

5.3 Geographical information

The group's investment property is situated principally in the two major cities in Malawi. The following analysis shows the rental income, investment property values and property fair value movements by geographical market.

GROUP

	Rental income		Property values		Fair value increase	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Blantyre	420 466	390 024	2 980 475	2 774 075	206 400	357 000
Lilongwe	6 073 172	5 708 842	55 907 370	50 570 767	5 273 002	4 841 411
Other markets	142 718	128 336	965 678	861 878	103 800	79 030
Total	6 636 356	6 227 202	59 853 523	54 206 720	5 583 202	5 277 441

COMPANY

	Rental income		Property values		Fair value increase	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Blantyre	420 466	390 024	2 980 475	2 774 075	206 400	357 000
Lilongwe	1 626 401	1 484 589	12 124 354	10 689 539	1 422 176	1 082 400
Other markets	133 971	120 949	920 178	820 378	99 800	76 000
Total	2 180 838	1 995 562	16 025 007	14 283 992	1 728 376	1 515 400

	Group		Company	
	2019	2018	2019	2018
	K'000	K'000	K'000	K'000

6. Investment properties

	Group 2019 K'000	Group 2018 K'000	Company 2019 K'000	Company 2018 K'000
VALUATION				
Freehold	25 414 845	23 697 842	14 259 429	12 730 614
Leasehold	34 438 678	30 508 878	1 765 578	1 553 378
Total investment properties	59 853 523	54 206 720	16 025 007	14 283 992

Movements in the valuation of investment properties are set out below.

	Group 2019 K'000	Group 2018 K'000	Company 2019 K'000	Company 2018 K'000
VALUATION				
Freehold				
At the beginning of the year	23 697 842	21 215 979	12 730 614	11 363 614
Additions	13 424	3 590	13 424	2 100
Disposal	(785)	-	(785)	-
Fair value adjustment	1 704 364	2 478 273	1 516 176	1 364 900
At the end of the year	25 414 845	23 697 842	14 259 429	12 730 614
Leasehold				
At the beginning of the year	30 508 878	27 381 188	1 553 378	1 402 878
Additions	50 962	328 522	-	-
Fair value adjustment	3 878 838	2 799 168	212 200	150 500
At the end of the year	34 438 678	30 508 878	1 765 578	1 553 378
Total valuation	59 853 323	54 206 720	16 025 007	14 283 992

The registers of land and buildings are open for inspection at the registered offices of the company.

Investment properties were revalued to fair value as at 31 December 2019 on the basis set out in note 3.5 to the consolidated financial statements. The valuations were carried out by independent registered valuer, Real Property and Developments Consultants, headed by Mr. J Kantema Bsc. Land Admin, BSoc (Town Planning), MSIM in accordance with the Appraisal and Valuation Standards laid down by the Royal Institution of Chartered Surveyors and the International Valuation Standards and the resultant fair value increase was taken to profit or loss in line with the IAS 40 Investments Property requirements.

There has been no change to the valuation technique during the year.

6. Investment properties (Continued)

Details of the group's land and buildings and fair value hierarchy as at the end of the year are as follows:

Group

	Level 2 K'000	Fair value K'000
31 December 2019		
Investment properties	59 853 523	59 853 523
31 December 2018		
Investment properties	54 206 720	54 206 720

Company

	Level 2 K'000	Fair value K'000
31 December 2019		
Investment properties	16 025 007	16 025 007
31 December 2018		
Investment properties	14 283 992	14 283 992

There were no transfers amongst any of the levels during the year.

Included in the investment properties balance as at 31 December 2019 were properties encumbered as follows:

1. **Development House in Lilongwe valued at K1 025 million and Tikwere House valued at K2 083 million**
   These properties are the subject of a charge in favour of FDH Bank and National Bank of Malawi Plc respectively to secure overdraft facilities of K300 million each.

2. **The Gateway valued at K29 085 million**
   The property is the subject of a charge in favour of Standard Bank (Malawi) Plc to secure a loan of K4.6 billion. The amount was used to prepay foreign loans of ZAR32 million and ZAR47 million in favour of Shelter Afrique and International Finance Corporation respectively. The original loans were obtained in 2014 in order to finance the construction of the mall (The Gateway).

Details of the cost of the investment properties are as follows:-

	Group		Company	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
At cost	19 549 411	19 296 807	296 506	283 082
Fair values	40 304 112	34 909 913	15 728 501	14 000 910
Total investment properties	59 853 523	54 206 720	16 025 007	14 283 992

7. Plant and equipment

GROUP

	Fixture & Fittings	Generators	Motor vehicles	Furniture & equipment	Total
COST					
At 1 January 2019	183 457	106 017	146 177	443 674	879 325
Additions	28 550	149 453	5 670	43 888	227 561
Disposals	-	-	(33 700)	(808)	(34 508)
At 31 December 2019	212 007	255 470	118 147	486 754	1 072 378
At 1 January 2018	143 557	86 094	49 800	281 787	561 238
Additions	65 218	23 909	96 377	248 649	434 153
Disposals	(25 318)	(3 986)	-	(86 762)	(116 066)
At 31 December 2018	183 457	106 017	146 177	443 674	879 325
ACCUMULATED DEPRECIATION					
At 1 January 2019	75 913	61 295	50 707	155 339	343 254
Charge for the year	27 887	18 221	27 803	68 469	142 380
Disposal	-	-	(33 700)	(359)	(34 059)
At 31 December 2019	103 800	79 516	44 810	223 449	451 575
At 1 January 2018	83 936	58 752	37 880	199 469	380 037
Charge for the year	14 394	6 528	12 827	38 836	72 585
Disposal	(22 417)	(3 985)	-	(82 966)	(109 368)
At 31 December 2018	75 913	61 295	50 707	155 339	343 254
CARRYING AMOUNT					
Carrying amount at 31 December 2019	108 207	175 954	73 337	263 305	620 803
Carrying amount at 31 December 2018	107 544	44 722	95 470	288 335	536 071

7. Plant and equipment (Continued)

Company

	Fixture & Fittings	Generators	Motor vehicles	Furniture & equipment	Total
COST					
At 1 January 2019	58 586	43 336	146 177	254 374	502 473
Additions	9 306	117 774	5 670	32 792	165 542
Disposal	-	-	(33 700)	(807)	(34 507)
At 31 December 2019	67 892	161 110	118 147	286 359	633 508
At 1 January 2018	70 478	44 651	49 800	207 854	372 783
Additions	7 905	-	96 377	129 946	234 228
Disposal	(19 797)	(1 315)	-	(83 426)	(104 538)
At 31 December 2018	58 586	43 336	146 177	254 374	502 473
ACCUMULATED DEPRECIATION					
At 1 January 2019	46 244	35 537	50 707	88 743	221 231
Depreciation	5 056	10 091	27 803	41 763	84 713
Disposal	-	-	(33 700)	(359)	(34 059)
At 31 December 2019	51 300	45 628	44 810	130,147	271,885
At 1 January 2018	59 319	34 081	37 880	136 469	267 749
Depreciation	4 094	2 770	12 827	31 904	51 595
Disposal	(17 169)	(1 314)	-	(79 630)	(98 113)
At 31 December 2018	46 244	35 537	50 707	88 743	221 231
CARRYING AMOUNT					
Carrying amount at 31 December 2019	16 592	115 482	77 337	156 212	361 623
Carrying amount at 31 December 2018	12 342	7 799	95 470	165 631	281 242

8. Subsidiary companies

	2019 %	2018 %	2019 K'000	2018 K'000
Wholly owned subsidiaries				
New Capital Properties Limited	100	100.00	570	570
Capital Developments Limited	100	100.00	68 969	68 969
Other subsidiaries				
Frontline Investments Limited	69.50	69.50	1 870	1 870
MPICO Malls Limited	53.10	50.10	14 567 801	13 741 853
Capital Investments Limited	50.75	50.75	1 401	1 401
Total investment in subsidiary companies			14 640 612	13 814 663

The investments in subsidiary companies comprise ordinary shares and are stated at cost. The subsidiaries have no other forms of shares in issue. MPICO Malls issued 467 930 shares in favour of MPICO plc being conversion of intercompany balance that the company was owing the holding company. The intercompany balance arose because of the funds that were advanced to the company to meet loan repayments of the standard bank loan.

9. Deferred taxation

Group

Deferred tax asset

For the year ended 31 December 2019

	Balance as at 1 January 2019 K'000	Recognised in Profit or loss K'000	Recognised in Equity K'000	Balance as at 31 December 2019 K'000
Deferred tax assets movement in the year				
Revaluation of investment property	686 357	170 550	-	856 907
Excess capital allowances	(21 751)	8 175	-	(13 576)
Tax losses	3 317 303	(86 224)	-	3 231 079
Other temporary differences	-	87 110	-	87 110
Total	3 981 909	179 611	-	4 161 520

For the year ended 31 December 2018

	Balance as at 1 January 2018 K'000	Recognised in Profit or loss K'000	Recognised in Equity K'000	Balance as at 31 December 2018 K'000
Deferred tax assets movement in the year				
Revaluation of investment property	609 713	76 644	-	686 357
Excess capital allowances	(4 158)	(17 593)	-	(21 751)
Tax losses	3 510 982	(193 679)	-	3 317303
Total	4 116 537	(134 628)	-	3 981 909

9. Deferred taxation

Group

Deferred tax liabilities

For the year ended 31 December 2019

	Balance as at 1 January 2019 K'000	Recognised in Profit or loss K'000	Balance as at 31 December 2019 K'000
Deferred tax liabilities movement in the year			
Revaluation of investment property	(7 534 113)	(548 003)	(8 082 116)
Excess capital allowances	(167)	(6 880)	(7 047)
Other temporary differences	86 571	(36 327)	50 244
Total	(7 447 709)	(591 210)	(8 038 919)

For the year ended 31 December 2018

	Balance as at 1 January 2018 K'000	Recognised in Profit or loss K'000	Balance as at 31 December 2018 K'000
Deferred tax liabilities movement in the year			
Revaluation of investment property	(6 682 298)	(851 815)	(7 534 113)
Excess capital allowances	53 769	(53 936)	(167)
Other temporary differences	27 961	58 610	86 571
Total	(6 600 568)	(847 141)	(7 447 709)

Company

For the year ended 31 December 2019

	Balance as at 1 January 2019 K'000	Recognised in Profit or loss K'000	Balance as at 31 December 2019 K'000
Deferred tax liability movement in the year			
Revaluation of investment property	(3 410 197)	(469 892)	(3 880 089)
Excess capital allowances	(3 836)	(4 526)	(8 362)
Other temporary differences	18 928	11 928	30 856
Total	3 395 105	(462 490)	(3 857 596)

For the year ended 31 December 2018

	Balance as at 1 January 2018 K'000	Recognised in Profit or loss K'000	Balance as at 31 December 2018 K'000
Deferred tax liability movement in the year			
Revaluation of investment property	(3 032 343)	(377 854)	(3 410 197)
Excess capital allowances	31 579	(35 415)	(3 836)
Other temporary differences	27 961	(9 033)	18 928
Total	(2 972 803)	(422 302)	(3 395 105)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	K'000	**K'000**	**K'000**	**K'000**
10. Receivables				
Rental and service charges	5 736 646	2 796 091	1 419 398	448 432
Prepaid property expenses	137 884	48 674	54 488	23 031
Accrued interest	1 086 561	276 040	430 750	223383
Staff receivables	122 771	121 732	122 771	121 732
IFRS 16 Receivables	1 081 079	684 864	-	-
Other receivables	676 293	683 851	51 048	10 873
Expected Credit Losses	(654 411)	(524 740)	(99 203)	(60 362)
Total receivables	8 186 823	4 086 512	1 979 252	767 089

Interest is charged on receivables in respect of outstanding rentals at the prevailing commercial bank lending rate. As at year end the amount outstanding from Government was K5 826 million (2018: K2 271 million) for the group {company K1 379 million (2018: K424 million)}. The total interest charged on overdue Government rentals and other tenants amounted to K761 million (2018: K1 800 million) {company K187 million (2018: K146 million)} for the year.

The IFRS 16 receivable of K1 081 million (2018: K684.9 million) relates to a receivable that came about as a result of the entity recognising income from leases that are not renewable annually on a straight line basis over the lease term in line with IFRS 16 *Leases.*

Other receivables includes K600 million receivable from Lilongwe City Council being contribution towards the construction of The Gateway Mall sewer line.

The group has provided for all receivables in line with IFRS 9 on the basis out in note 3 and note 4.2.2.

Rentals and service charges receivables which were outstanding as at year end are analysed below:-

	Group		Company	
	2019	**2018**	**2019**	**2018**
	K'000	**K'000**	**K'000**	**K'000**
0-90 days	1 139 890	1 310 680	397 976	223 582
Over 90 days	4 596 756	1 485 401	1 021 422	224 850
	5 736 646	2 796 081	1 419 398	448 432

Movement in Expected Credit Losses (ECL)

	Group 2019	Group 2018	Company 2019	Company 2018
Balance at beginning of the year	524 740	237 883	60 362	65 867
Amounts written-off during the year	(1 224)	-	-	-
Amounts recovered during the year	-	(110 428)	-	-
IFRS 9 adjustment	-	160 753	-	(47 317)
Increase in ECL recognised in the profit or loss	130 895	236 532	38 841	41 812
Balance at end of the year	654 411	524 740	99 203	60 362

10. Receivables (Continued)

In determining the recoverability of rentals receivable, the group considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. Except for the Government which for the Group accounts for approximately 50% (2018: 44%) {company 38% (2018: 38%)} rental income, the concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the loss allowance for trade receivables..

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtors and an analysis of the debtors' current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which debtors operate and on the assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognized a loss allowance of 100% against all receivables that were handed over to external debt collectors. The Group has recognized a loss allowance for all Government receivables at 1.5%. This was based on the directors' judgment in the determination of the probability of default and loss given default.

The following table details the risk profile of trade receivables other than from Government and those handed over to external collectors based on the Group's provision matrix. As the Group's historical credit loss allowance does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

10. Receivables (Continued)

Group

Trade receivables for Government-days past due

	Current	93 to 184 days	185 to 275 days	276 to 365 days	Over 365 days	Total
	K'000	MK'000	K'000	K'000	K'000	K'000
Estimated total gross carrying amount at default	1 232 848	823 179	1 166 997	1 019 356	2 181 943	6 424 323
Expected loss rate	1.5%	1.5%	1.5%	1.5%	1.5%	-
Lifetime ECL	18 493	12 348	17 505	15 290	32 729	96 365

Trade receivables for private tenants-days past due

	Current	93 to 184 days	185 to 275 days	276 to 365 days	Over 365 days	Total
	K'000	MK'000	K'000	K'000	K'000	K'000
Estimated total gross carrying amount at default	253 648	102 229	74 180	59 960	182 919	672 936
Expected loss rate	2%	1%	2%	5%	5%	-
Lifetime ECL	5 073	1 022	1 484	2 998	9 146	19 723

Trade receivables with external debt collectors

	Current	93 to 184 days	185 to 275 days	276 to 365 days	Over 365 days	Total
	K'000	MK'000	K'000	K'000	K'000	K'000
Estimated total gross carrying amount at default	17	-	1 347	1 876	325 373	328 613
Expected loss rate	100%	100%	100%	100%	100%	-
Lifetime ECL	17	-	1 347	1 876	325 373	328 613

10. Receivables (Continued)

Company

Trade receivables for Governments-days past due

	Current	93 to 184 days	185 to 275 days	276 to 365 days	Over 365 days	Total
	K'000	MK'000	K'000	K'000	K'000	K'000
Estimated total gross carrying amount at default	348 014	314 992	282 975	346 470	84 515	1 376 966
Expected loss rate	1.5%	1.5%	1.5%	1.5%	1.5%	-
Lifetime ECL	5 220	4 725	4 245	5 197	1 268	20 655

Trade receivables for private tenants-days past due

	Current	93 to 184 days	185 to 275 days	276 to 365 days	Over 365 days	Total
	K'000	MK'000	K'000	K'000	K'000	K'000
Estimated total gross carrying amount at default	211 387	66 929	36 781	30 930	75 874	421 901
Expected loss rate	2%	1%	2%	5%	5%	-
Lifetime ECL	4 227	669	736	1 547	3 794	10 973

Trade receivables with external debt collectors

	Current	93 to 184 days	185 to 275 days	276 to 365 days	Over 365 days	Total
	K'000	MK'000	K'000	K'000	K'000	K'000
Estimated total gross carrying amount at default	17	-	1 347	1 876	45 786	49 026
Expected loss rate	100%	100%	100%	100%	100%	-
Lifetime ECL	17	-	1 347	1 876	45 786	49 026

11. Related party transactions

At the year-end, the company had the following balances with subsidiary companies. The company also had staff loans and advances as disclosed in the statement of financial position and in this note below;

	Amounts (due to)/ due from subsidiaries	
	2019	2018
	K'000	K'000
New Capital Properties Limited	(11 406)	(78 966)
Capital Developments Limited	(5 390)	(103 419)
Frontline Investments Limited	3 987	(19 203)
Capital Investments Limited	4 541	(24 392)
MPICO Malls Limited	247 918	825 949
Net amount due from subsidiaries	239 650	599 969
Amounts due to related parties	(16 796)	(225 980)
Amounts due from related parties	256 446	825 949
Net amount due from subsidiaries	239 650	599 969

MPICO group had the following transactions and balances with Old Mutual, the parent company:

	2019	2018
	K'000	K'000
Pension contribution costs for the year	88 381	89 008
Contributions towards Group life cover	18 971	23 344
Rental income and service charges for the year	91 001	130 170
Old Mutual Group internal auditors' remuneration (excluding expenses)	-	-

Rental income and service charges for the year relates to the rentals charged by MPICO plc for the office space that Old Mutual occupies in Old Mutual House, CIL House and The Gateway in Lilongwe. The service charges relate to Old Mutual's share of utilities paid by MPICO plc that are then recovered from the tenants, charged based on office space occupied. These transactions are at arms-length.

During the year, the company entered into the following transactions with its subsidiary companies.

11. Related party transactions (Continued)

	Company	
	2019	2018
	K'000	K'000
Management fees charged to subsidiaries	386 062	2 329 789

Compensation of key management personnel

During the year no loans were advanced to employees (2018: K37 million) in key positions. At 31 December 2019 the total loans balance outstanding from employees in key positions was K39 million (2018: K51 million). These loans were granted on the same interest and repayment terms as loans to other staff members. Furthermore, emoluments paid to the employees in key positions during the year were as follows:

	2019	2018
	K'000	K'000
Salary and pension	339 207	288 702

No loans and advances were advanced to the directors during the year.

12. Borrowings

	Group		Company	
Borrowings summary	**2019**	**2018**	**2019**	**2018**
	K'000	**K'000**	**K'000**	**K'000**
Balance at 1 January	4 752 333	7 692 845	-	2 713 607
Additions during the year	-	4 557 470	-	-
Exchange loss/(gain) on foreign loans	-	(613 932)	-	-
Accrued interest	-	194 863	-	-
Repayments during the year	(175 013)	(7 078 913)	-	(2 713 607)
Balance at 31 December	4 577 320	4 752 333	-	-
Amounts due after 1 year	4 356 059	4 493 564	-	-
Amounts due within 1 year	221 261	258 769	-	-
Total borrowings	4 577 320	4 752 333	-	-

The company borrowed K4.6 billion from Standard Bank Plc in the year 2018. The loan is subject to interest charges at 1.1% above the publicly quoted reference lending rate per annum and as at year end the actual interest rate was 13.6%. The loan is repayable over a period of 5 years with a moratorium of 2 years. The loan is secured by investment property as disclosed in note 6.

	Group		Company	
	2019	2018	2019	2018
	K'000	K'000	K'000	K'000
13. Payables				
Accruals & property expenses	253 323	166 166	158 898	38 410
Prepaid rentals	277 554	181 081	112 328	109 874
Other payables	134 387	60 490	62 571	11 397
Provisions	173 052	143 481	173 052	143 481
Total payables	838 316	551 218	506 849	303 162

Accruals are in respect of various expenses incurred but whose invoices had not yet been received or received but not booked as at year-end.

Property expenses payables relate to unpaid but booked invoices for property maintenance and other directly attributable property management costs. No interest is chargeable on these payables and there is no specific allowed credit period from the date of the invoice but the group's financial risk management policies include ensuring that invoices are paid within 30 days.

	Group		Company	
	2019	2018	2019	2018
	K'000	K'000	K'000	K'000
14. Cash and cash equivalents as stated in the statement of financial position				
Funds at call and on deposit	92 856	2 153 451	-	1 710
Bank balances and cash	67 208	415 083	11 315	47 850
Total funds on deposit and banks	160 064	2 568 534	11 315	49 560
Bank overdraft	(584 599)	(285 658)	(584 375)	(256 103)
Total cash and cash equivalents	(424 535)	2 282 876	(573 060)	(206 543)

The group has an overdraft facility of K300 million (2018: K300 million) with FDH Bank Limited and K300 million (2018: K300 million) with National Bank of Malawi. The FDH facility is secured on Development House and accrues interest at the rate of 4% above the floating base lending rate. The National Bank of Malawi facility is secured as per note 6 and accrues interest at the rate of 4.6% above the Reserve Bank of Malawi Lombard rate. These bank overdrafts are repayable on demand.

The deposits accounts are maintained with National Bank of Malawi Plc and FDH Bank and attract interest at an average 6% (2018: 6.6%) per annum.

15. Other Income

	Group 2019 K'000	Group 2018 K'000	Company 2019 K'000	Company 2018 K'000
Management fees	-	-	386 062	2 329 789
Other income	244 187	152 935	237 806	109 191
Total other income	244 187	152 935	623 868	2 438 980

16. Property and administration expenses

	Group 2019 K'000	Group 2018 K'000	Company 2019 K'000	Company 2018 K'000
Net property expenses	1 210 641	920 955	437 878	266 651
Salaries benefits and administration costs	1 444 617	1 237 474	1 376 573	1 124 344
Discounting costs	-	490 249	-	129 709
Impairment costs	-	487 318	-	-
Other costs	537 727	518 410	343 900	339 956
Total	3 192 985	3 654 406	2 158 351	1 860 660

Other costs include audit fees paid to both internal and external auditors, depreciation charges, listing costs, transfer secretaries expenses and legal and professional fees.

17. Profit before taxation

	Group 2019 K'000	Group 2018 K'000	Company 2019 K'000	Company 2018 K'000
Profit before taxation is arrived at after charging/(crediting):				
Auditors' remuneration	58 000	45 359	25 130	20 800
Group internal auditors' remuneration	-	-	-	-
Donations	2 000	11 354	2 000	7 500
Depreciation of plant and equipment	142 380	72 585	84 712	51 595
Profit/(loss) on disposal of non-current assets	6 025	(4 242)	6 025	(3 969)
Directors' remuneration				
- fees for services as directors	85 406	77 255	24 080	22 058
- for managerial services	81 720	69 633	81 720	69 633
Pension costs	88 381	89 008	88 381	89 008
Staff costs - 32 staff (31 in 2018)	995 876	895 602	995 876	895 602

	Group		Company	
	2019	**2018**	**2019**	**2018**
	K'000	**K'000**	**K'000**	**K'000**
18. Taxation				
Income tax	1 058 919	1 145 029	235 948	740 085
Deferred tax	411 599	981 769	462 490	422 302
Dividend tax	156 175	158 550	156 175	158 550
Total taxation charge	1 626 693	2 285 348	854 613	1 320 937

Reconciliation of effective tax rates to standard tax rate:

Group

Reconciliation of effect tax rates to standard rates		**2019**		**2018**
	Rate	**K'000**	**Rate**	**K'000**
Profit before tax income		9 224 892		9 067 697
Income tax based on tax profits	30%	2 767 468	30%	2 720 309
Non-deductible expense	0%	15 005	3%	273 824
Income not subject to tax at 30%	(6%)	(543 525)	(5.5%)	(477 312)
Other temporary differences	(7%)	(612 255)	(2.5%)	(231 473)
Effective tax rate	17%	1 626 693	25%	2 285 348

Company

Reconciliation of effect tax rates to standard rates		**2019**		**2018**
	Rate	**K'000**	**Rate**	**K'000**
Profit before tax income		4 270 049		5 538 661
Income tax based on tax profits	30%	1 281 015	30%	1 661 598
Non-deductible expense	0%	11 762	1%	32 804
Income not subject to tax at 30%	(13%)	(543 526)	(9%)	(471 015)
Other temporary differences	2%	105 362	2%	97 550
Effective tax rate	20%	854 613	24%	1 320 937

19. Increase in fair value of investment properties

During the year, a fair value adjustment to investment properties has been credited and the associated tax has been charged to the statement of comprehensive income. To ensure compliance with profit distribution rules under company law in Malawi, the net of tax balance has been transferred to a non-distributable reserve. This is analysed as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	K'000	**K'000**	**K'000**	**K'000**
Fair value adjustment credited to statement of comprehensive income	5 583 202	5 277 441	1 728 376	1 515 400
Related deferred tax	(367 172)	(1 137 655)	(469 892)	(385 136)
Minority interests	(1 660 041)	(1 086 097)	-	-
Amount transferred to non-distributable Reserves	3 555 989	3 053 689	1 258 484	1 130 264

20. Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2019	**2018**
	K'000	**K'000**
Distributable profit	1 976 026	2 018 142
Non-distributable profit	3 555 989	3 053 689
Profit for the year attributable to equity holders of the parent	5 532 015	5 071 831
Weighted average number of ordinary shares for the purposes of basic earnings per share	2 298 047	2 298 047
Basic earnings per share	2.41	2.21
Distributable (K)	0.86	0.88
Non-distributable (K)	1.55	1.33

21. Dividends declared

A final dividend of K310 million in respect of 2018 profits and an interim dividend of K230 million were declared and paid during the year.

	Group		Company	
	2019	2018	2019	2018
	K'000	K'000	K'000	K'000
22. Reconciliation of profit before taxation to net cash inflow from operating activities				
Profit before taxation	9 224 892	9 067 697	4 270 048	5 538 661
Increase in fair value of investment properties	(5 583 202)	(5 277 441)	(1 728 376)	(1 515 400)
Interest income	(898 543)	(1 800 389)	(204 698)	(156 946)
Dividends receivable	-	-	(1 811 750)	(1 516 000)
Interest paid	813 516	1 112 988	82 290	181 755
Depreciation	142 380	72 585	84 713	51 595
IFRS 9 impairment-prior year	-	(160 752)	-	47 317
Changes in trade and other receivables	(4 100 311)	6 740 992	(1 212 162)	(104 759)
Changes in trade and other payables	287 098	(704 205)	203 686	(160 752
Profit/loss on disposal of non-current assets	(6 025)	4 242	(6 025)	3 969
Movement on intercompany balances	-	-	360 318	(219 477)
Net cash outflow from operating activities	(120 195)	9 055 717	38 044	2 149 963

23. Financial risk management

Categorization of financial instruments

The analysis below sets out the group's classification of financial assets and liabilities and their fair values including accrued interest.

	Group		Company	
	2019	2018	2019	2018
	K'000	K'000	K'000	K'000
Financial assets held at amortised cost				
Receivables	8 186 823	4 099 731	1 979 252	795 312
Amounts due from related parties	-	-	256 446	825 949
Dividends receivable	-	-	250 000	-
Taxation recoverable	9 957	-	54 483	-
Funds at call and on deposit	92 856	2 153 451	-	1 710
Bank balance and cash	67 208	415 083	11 315	47 850
Total financial assets	8 356 844	6 668 265	2 551 496	1 670 821

23. Financial risk management (Continued)

Categorization of financial instruments (Continued)

	Group		Company	
	2019	2018	2019	2018
	K'000	K'000	K'000	K'000
Financial liabilities held at amortised cost				
Amounts due to related parties	-	-	16 796	225 980
Borrowings	4 577 320	4 752 333	-	-
Payables	838 316	746 081	506 849	303 162
Taxation	-	-	-	110 711
Bank overdraft	584 599	285 658	584 375	256 103
Total financial liabilities	6 000 235	5 784 072	1 108 020	895 956

The group has exposure to the following risks arising from its transactions in financial instruments:

- Capital risk
- Foreign currency risk
- Interest rate risk
- Credit risk
- Liquidity risk

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for identification, measurement, monitoring and controlling risk, and the group's management of capital. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

Below is an analysis of how the group manages the risk associated with the following relevant financial instruments.

(a) Capital risk management

The group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of mainly equity comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

The Board reviews the capital situation on an annual basis and based on each review, the group will balance its overall capital structure through the payment of dividends and raising finance through borrowings or repaying any existing borrowings.

23. Financial risk management (Continued)

Categorization of financial instruments (Continued)

(a) Capital risk management (Continued)

Gearing ratio

The gearing ratio at the year end was as follows:-

	Group		Company	
	2019	**2018**	**2019**	**2018**
	K'000	**K'000**	**K'000**	**K'000**
Trade and other payables	838 316	551 218	506 849	303 162
Amounts due to related parties	-	-	16 796	225 980
Borrowings	4 577 320	4 752 333	-	-
Bank overdraft	584 599	285 658	584 375	256 103
Net debt	6 000 235	5 589 209	1 108 020	785 245
Equity	58 967 699	52 447 793	28 627 285	25 751 892
Net debt to equity ratio	10.2%	10.7%	3.9%	3.0%

(b) Foreign currency risk management

The group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

As at year end, the group did not have any foreign currency exposure.

The Board reviews the foreign currency situation regularly to ensure there is adequate funds to make payments to all payables when they fall due.

(c) Interest rate risk management

The group is exposed to interest rate risk as it has significant borrowings. All borrowings are at commercial rates based on the bank base lending rate. The group also charges interest on overdue rentals from government at the prevailing bank base lending rate. Changes to the base lending rate would have a significant impact on the results for the year.

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy counterparties and ensuring that tenants pay rentals in advance, as a means of mitigating the risk of financial loss from defaults. The group's exposure and the credit worthiness of its tenants is continuously monitored. Excluding Government rentals, receivables are from a large number of tenants, spread across diverse sectors and geographical areas.

23. Financial risk management (Continued)

Categorisation of financial instruments (Continued)

(d) Credit risk management (Continued)

Apart from the exposure to Government, the group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk exposure is managed by proactively engaging Government on amounts due from it and agreeing on a settlement plan for the outstanding balance. The credit risk on liquid funds is limited because the counterparties are financial institutions in a highly regulated industry.

The carrying amount of receivables (note 10) and cash and cash equivalents (note 14) recorded in the financial statements, grossed up for any allowances for losses, represents the group's maximum exposure to credit risk.

(e) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the group's and company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted contractual maturities and cash flows of financial liabilities based on the earliest date on which the company can be required to pay.

23. Financial risk management (Continued)

(e) Liquidity risk management (Continued)

GROUP

2019	Carrying amounts	Gross Nominal inflow/outflow	1 -3 months	3 - 12 months	Over 12 months
Assets					
Cash and bank balances	67 208	67 208	67 208	-	-
Funds at call and on deposit	92 856	92 856	92 856	-	-
Receivables	8 186 823	8 186 823	8 186 823	-	-
Total	8 346 887	8 346 887	8 346 887	-	-
Liabilities					
Trade and other payables	838 316	838 316	838 316	-	-
Borrowings	4 577 320	4 577 320	221 261	-	4 356 059
Bank overdraft	584 599	584 599	584 599	-	-
Total	6 000 235	6 000 235	1 644 176	-	4 356 059

2018	Carrying amounts	Gross Nominal inflow/outflow	1 -3 months	3 - 12 months	Over 12 months
Assets					
Cash and bank balances	415 083	415 083	415 083	-	-
Funds at call and on deposit	2 153 451	2 153 451	2 153 451	-	-
Receivables	4 086 512	4 086 512	4 086 512	-	-
Total	6 655 046	6 655 046	6 655 046	-	-
Liabilities					
Trade and other payables	551 218	551 218	551 218	-	-
Borrowings	4 752 333	4 752 333	258 769	-	4 493 564
Bank overdraft	285 658	285 658	285 658	-	-
Total	5 589 209	5 589 209	1 095 645	-	4 493 564

23. Financial risk management (Continued)

(e) Liquidity risk management (Continued)

COMPANY

2019	Carrying amounts	Gross Nominal inflow/outflow	1 -3 months	3 - 12 months	Over 12 months
Assets					
Cash and bank balances	11 315	11 315	11 315	-	-
Funds at call and on deposit	-	-	-	-	-
Intercompany receivables	256 446	256 446	256 446	-	-
Dividends receivable	250 000	250 000	250 000		
Trade Receivables	1 979 252	1 979 252	1 979 252	-	-
Total	2,497,013	2 497 013	2 497 013	-	-
Liabilities					
Trade and other payables	506 849	506 849	506 849	-	-
Amounts due from related parties	16 796	16 796	16 796	-	-
Bank overdraft	584 375	584 375	584 375	-	-
Total	1 108 020	1 108 020	1 108 020	-	-

2018	Carrying amounts	Gross Nominal inflow/outflow	1 -3 months	3 - 12 months	Over 12 months
Assets					
Cash and bank balances	47 850	47 850	47 850	-	-
Funds at call and on deposit	1 710	1 710	1 710	-	-
Intercompany receivables	825 949	825 949	825 949	-	-
Receivables	767 089	767 089	767 089	-	-
Total	1 642 598	1 642 598	1 642 598	-	-
Liabilities					
Trade and other payables303 162	303 162	303 162	-	-	
Amounts due from related parties	225 980	225 980	225 980	-	-
Bank overdraft	256 103	256 103	256 103 -	-	-
Total	785 245	785 245	785 245	-	-

24. Operating lease arrangements

The group as lessor

Leasing arrangements

Operating leases relate to the investment property owned by the group with lease terms of between 1 and 10 years, with an option to extend the lease term. All operating lease contracts contain market based rental review clauses in the event that the lessee exercises its option to renew. Additionally, the rentals are renegotiated on an annual basis based on prevailing market conditions. The lessees do not have options to purchase the property at the expiry of the lease period.

The property rental income earned by the group from its investment property, all of which is leased out under operating leases, amounts to K6 636 million (2018: K6 227 million).

25. Fair value measurements

IFRS 13 Fair Value Measurement establishes a single source of guidance for fair value measurement and disclosure and this applies to both financial and non-financial instruments items which either IFRS require or permit fair value measurements except for share based payments that are within the scope of IFRS 2 Share-Based Payment, leasing transactions that are within the scope of IFRS 16 Leases and other measurements that have similarities to fair value but are not fair value such as Net Realisable Value (NRV) for measuring of inventories and value in use for impairment assessment purposes.

This note provides information about how the entity determines fair values of various financial assets and financial liabilities.

25.1 Valuation techniques and assumptions applied for the purposes of measuring fair value

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

25.2 Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

25. Fair value measurements (Continued)

25.2 Fair value measurements recognised in the statement of financial position (Continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

25.2 Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

25.3 Fair value of financial assets and financial liabilities that are not measured at fair value on recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

25. Fair value measurements (Continued)

GROUP

	Fair value hierarchy as at 31 December 2019		
	Level 1	**Level 2**	**Total**
	K'000	**K'000**	**K'000**
Financial assets			
Trade and other receivables	-	8 186 823	8 186 823
Taxation recoverable	-	9 957	9 957
Cash and bank balances	160 064	-	160 064
Total financial assets	160 064	8 196 780	8 356 844
Financial liabilities			
Financial liabilities held at amortised cost:			
Trade and other payables	-	838 316	838 316
Borrowings	-	4 577 320	4 577 320
Bank overdraft	-	584 599	584 599
Total financial liabilities	-	6 000 235	6 000 235

	Fair value hierarchy as at 31 December 2018		
	Level 1	**Level 2**	**Total**
	K'000	**K'000**	**K'000**
Financial assets			
Trade and other receivables	-	4 086 512	4 086 512
Taxation recoverable	-	84 507	84 507
Cash and bank balances	2 568 534	-	2 568 534
Total financial assets	2 568 534	4 171 019	6 739 553
Financial liabilities			
Financial liabilities held at amortised cost:			
Trade and other payables	-	746 081	746 081
Borrowings	-	4 752 333	4 752 333
Bank overdraft	-	285 658	285 658
Total financial liabilities	-	5 784 072	5 784 072

25. Fair value measurements (Continued)

COMPANY

	Fair value hierarchy as at 31 December 2019		
	Level 1	**Level 2**	**Total**
	K'000	**K'000**	**K'000**
Financial assets			
Trade and other receivables	-	1 979 252	1 979 252
Amounts due from subsidiaries	-	256 446	256 446
Taxation recoverable	-	54 483	54 483
Dividends receivable	-	250 000	250 000
Cash and bank balances	11 315	-	11 315
Total financial assets	11 315	2 540 181	2 551 496
Financial liabilities			
Financial liabilities held at amortised cost:			
Trade and other payables	-	506 849	506 849
Taxation payable	-	-	-
Amounts due to subsidiaries	-	16 796	16 796
Bank overdraft	-	584 375	584 375
Total financial liabilities	-	1 108 020	1 108 020

	Fair value hierarchy as at 31 December 2018		
	Level 1	**Level 2**	**Total**
	K'000	**K'000**	**K'000**
Financial assets			
Trade and other receivables	-	767 089	767 089
Amounts due from subsidiaries	-	825 949	825 949
Cash and bank balances	49 560	-	49 560
Total financial assets	49 560	1 593 038	1 642 598
Financial liabilities			
Financial liabilities held at amortised cost:			
Trade and other payables	-	303 162	303 162
Taxation payable	-	110 711	110 711
Amounts due to subsidiaries	-	225 980	225 980
Bank overdraft	-	256 103	256 103
Total financial liabilities	-	895 956	895 956

26. Contingent liabilities

The group is currently contesting various civil cases filed by various plaintiffs. K8 million (2018: K14 million) has been provided for in respect of these claims.

27. Capital commitments

	Group		Company	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
Authorised	2 323 400	1 318 300	1 329 900	813 300

Capital expenditure commitments are financed from internal resources, existing facilities as well as external sources.

28. Economic factors

Economic factors relevant to the company's performance are set out below.

	2019	2018
Year-end exchange rate K/US$	736.4	737.3
Inflation rate	11%	9.9%
Bank base rate	13.1%	23 %

At the time of approval of these consolidated financial statements, there had been no significant changes to these statistics.

29. Holding company

The ultimate holding company is Old Mutual Malawi Limited.

30. Events after the reporting period

There were no significant events after the reporting period.

31. Comparative figures

Certain prior year figures were regrouped and reclassified where necessary to conform to the current year presentation.

INSIDE

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MPICO

Reg. No. 1495

PROXY FORM

I/WE ………………………………………………………………………………………………… (name/s in block letters)

of ……(address)

being the member/members of the above-named company and entitled to vote do hereby appoint:

1. ……………………………………………………of ……………………………………………………or failing him/her

2. ……………………………………………………of …………………………………………………… or failing him/her

3. the Chairperson n of the meeting as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the Forty Seventh Annual General Meeting of the company to be held Via online on Friday, 26th June 2020 at 10.00 hours and at any adjourned meeting thereof as follows:

	Agenda Item	**Mark with √ where applicable**		
	Ordinary Business	In favour	Against	Abstain
1.	Approval of Minutes of the 46th AGM.			
2.	Adoption of 2019 Directors' and Auditors' Report and Financial Statements of the Company for the Year Ended 31st December 2019			
3.	Declaration of a Final Dividend.			
4.	To re-appoint Deloitte – Certified Accountants as Auditors for the ensuing year and to authorize the directors to determine the Auditors' remuneration for the period.			
5.	To note the retirement of Mr. Andrew Barron as a Director.			
6.	To re – elect as Director Mr. Chris Kapanga			
7.	To re – elect as Director Ms. Chifundo Kalaile			
8(i)	To approve the increase in the director's fees			
8(ii)	To approve the increase in the sitting allowances			
9.	To authorize Directors to determine the remuneration of the Managing Director.			
10.	Any other Busines			

Signed at ……………………………………….on this ………………………………..……day of ………..…………..…..2020

Signature

……

Assisted by me (where applicable) (see note 3):

……

Full name/s of signatory/ies if signing in a representative capacity (see note 4):

……

NOTE

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the company.
2. If this proxy form is returned without any indication as to how the proxy should vote, the proxy will be entitled to vote or abstain from voting as he/she thinks fit.
3. A minor must be assisted by his or her guardian.
4. In order to be effective, proxy forms must reach the registered office of the company at 7 Henderson Street, Blantyre or the Transfer Secretaries, National Bank of Malawi, P O Box 945, Blantyre or at 7 Henderson Street, Blantyre **OR** deposited at the Company Secretary's office not later than 48 hours before the time for holding the meeting.
5. If two of more proxies attend the meeting, then that person attending the meeting whose name appears first on the proxy form, and whose name is not deleted shall be regarded as the validly appointed proxy.

A proxy need not be a member of the company