MPICO

Reg. No. 1495

NOTICE OF 48TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-eighth Annual General Meeting (AGM) of the shareholders of MPICO plc will be held **virtually on 29th June 2021 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 8th June 2021 onwards.
3. Shareholders can raise their questions during a two-week period by email, WhatsApp or post starting from 8th June to 23rd June 2021.
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 14th June 2021.

SPECIAL BUSINESS

1. **SPECIAL RESOLUTION**
   - I. **To consider and if deemed fit, waive the need to have a physical meeting for this year's Annual General Meeting due to official Covid-19 guidelines.**
   - II. **To consider, and if deemed fit, pass the following Special Resolution:**

"That the Articles of Association of the Company be altered by renumbering the current Article 52 as Article 52.1 and inserting the following new Articles:

"52.2 A person is able to exercise the right to speak at a general meeting, after being recognized by chairperson when that person is in a position to communicate to all those attending the meeting, in person or through technology, during the meeting, any information or opinions which that person has on the business of the meeting.

52.3 A person is able to exercise the right to vote at a general meeting when –

52.3.1 that person is able to vote, during the meeting, on resolutions put to the vote at the meeting; and

52.3.2 that person's vote can be taken into account in determining whether or not such resolutions are passed at the same time as the votes of all the other persons attending the meeting.

1.1.3 The Directors may make whatever arrangements they consider appropriate to enable those attending a general meeting to exercise their rights to speak or vote at the meeting either in person or through technology, where Directors deem it necessary.

1.1.4 In determining attendance at a general meeting, it is immaterial whether any two or more members attending meeting are at the same place.

1.1.5 Two or more persons who are not at the same place attend a general meeting if their circumstances are such that if they have, or were to have, rights to speak and vote at that meeting, they are, or would be able, to exercise them through technology or other means."

ORDINARY BUSINESS

2. To approve the minutes of the 47th Annual General Meeting held on 26th June 2020.

3. **FINANCIAL STATEMENTS**
   To receive and consider the Directors and Auditors' report and Financial Statements of the Company for the year ended 31st December 2020.

4. **DIVIDEND**
   To declare a **final dividend of MK643.5 million** representing 28 tambala per share (2019: MK574.5 million representing 25 tambala per share)

5. **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.

6. **APPOINTMENT OF MR FELIX GREENE MANGANI (63)**
   To appoint Mr. Mangani as a Director to fill a vacant position that was created by the retirement of one of the directors last year. The Board recommends this appointment.
   Mr. Mangani is a former civil servant who retired as a Commissioner for Lands in 2018. He has Bachelor of Science (B.Sc. Hons) Surveying and Mapping Sciences obtained from the University of East London (UK) formerly North East London Polytechnic majoring in Land Surveying with a minor in Land Registration in 1985. He is a practicing licensed Land Surveyor and a Full Member of the Surveyors Institute of Malawi.

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7. **RE-ELECTION OF MRS EDITH JIYA (45)**
   To re-elect Mrs. E. Jiya 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.

   Mrs. Edith Jiya is a holder of MSc. in Strategic Management from University of Derby and Bachelor of Business Administration from University of Malawi. Mrs. 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 MPICO Plc, she is currently serving on the Old Mutual Malawi Limited board and its other subsidiaries.

8. **RE-ELECTION OF MR. MARK MIKWAMBA (44)**
   To re-elect Mr. Mikwamba 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. Mark Mikwamba is an investment professional with over 19 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 has done various leadership programs the latest being a strategy course with Harvard Business School. He sits on other boards and is currently the Managing Director of Old Mutual Investment Group in Malawi.

9. **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 2021 as follows:
   - i. **Directors' fees**
     Chairman – **MK5,626,400** per annum payable in arrears (MK5,068,800 – 2020)
     Non-Executive Directors – **MK5,528,200** per annum payable in arrears (MK4,344,500–2020).
   - ii. **Sitting Allowances**
     Chairman -MK166,500 per sitting (MK150, 000 – 2020)
     Non-Executive Directors – **MK127,600** per sitting (MK114,950 – 2020).

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

11. **OTHER BUSINESS**
    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 3rd June 2021.

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 26th July 2021 to 30th July 2021 inclusive, and no transfer will be registered during that time. Only members whose names shall appear in the register as of 30th July 2021 shall be eligible for the dividend which will be payable on 6th August 2021.

A Member of the OLDMUTUAL Group

MINUTES OF THE 47TH ANNUAL GENERAL MEETING OF THE COMPANY HELD ON FRIDAY THE 26TH JUNE, 2020 VIA MICROSOFT TEAMS.

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

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
Gomezga Mkandawire	Commercial Manager

EXTERNAL AUDITORS

Vilengo Beza	Deloitte

SHAREHOLDERS

CHIFUNDO KALAILE	POXY FOR OLD MUTUAL
COSMAS KATULUKIRA	
RICHARD BUTAO	
MAZIBAYAO KAMATA MBENJE	
UZZIEL KAMATA MBENJE	
JAHAZIEL KAMATA MBENJE	

JOB NEDSON MWATIKANA/RUPERT NKHONO:

PROXY FORPUBLIC SERVICE PENSION TRUST FUND
PROXY FOR RBM PENSION FUND
PROXY FOR STANDARD BANK PENSION FUND
PROXY FOR FMB PENSION FUND
PROXY FOR TOYOTA MALAWI PENSION FUND

	PROXY FOR SUCOMA GROUP PENSION SCHEME
	PROXY FOR LIMBE LEAF PENSION FUND
	PROXY FOR ASSOCIATED PENSION FUND
	PROXY FOR NICO LIFW INSURANCE CO
	PROXY FOR PCL GROUP PENSION FUND
MARK MIKWAMBA/CUTHBERT MUNYENYEMBE:	
	PROXY FOR OMIG
	PROXY FOR ROBERT GEOFFREY EMMOTT
	PROXY FOR IAN DENNIS KWEPU
	PROXY FOR JAMES SANGALA
ANDREW BARRON:	PROXY FOR LINCOLN INVESTMENTS LIMITED
MARSHAL AND ALICE CHILENGA	

IN ATTENDANCE

GERALD MAYAMIKO CHUNGU	
ELIAS AZELE MALION	
GARRI MATHANGA	
BRENDA MWALE	
DOUGLAS DAVID NYIRENDA	MSE
KELLINE KANYANGALA	MSE
EDDA NKHULAMBA	NBM TRANSFER SECRETARIES
FUNGANI PHIRI	NBM TRANSFER SECRETARIES
MADALITSO MITTOCHI	MSE
YANJANANI TAMBALA	
ASFORD CHILUNGA	
TAFIKA NYIRENDA	
WILSON W. KUYOKWA	
CHIKONDI GOMANI	

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 46TH ANNUAL GENERAL MEETING

The Minutes of the 46th Annual General Meeting held on Thursday 27th June 2019 were approved as a correct record of the deliberations of that day.

3. RESOLUTIONS

The meeting adopted the following resolutions:

3.1 That the audited financial statements for the year ended 31st December 2019 together with the reports of the Auditors and Directors thereon be approved and adopted.

3.2 That a final dividend of MK344.7 million be declared from the profits of 2019. This amount together with an interim dividend of MK229.4 million that was paid earlier made a total dividend of K574.1 million for that year.

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

3.4 <u>Directorship</u>

3.4.1 The retirement of Mr. Andrew Barron as director of the company was noted.

3.4.2 The re-election of Mr. Chris Kapanga as Director of the Company was approved.

3.4.3 The re-election of Ms. Chifundo Kalaile as Director of the Company was approved.

3.5 That the remuneration of the Chairman and Non-Executive Directors be fixed as follows with effect from 1st January 2020:

<u>Directors' fees</u>

Chairman	:	MK5, 068,800.00 per annum
Non-Executive Directors	:	MK4,980,000.00 per annum

<u>Sitting Allowances</u>

Chairman	MK150, 000.00 per sitting
Non-Executive Directors	MK114,950.00 per sitting

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

4. <u>OTHER BUSINESS</u>

There was no further business of which due notice was given.

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

EDITH JIYA
CHAIRPERSON

MPICO

2020

2020

Annual Report

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THE CHAIRPERSON'S STATEMENT

For the year ended 31 December 2020

Economic Environment

The economy in 2020 registered a subdued outturn. GDP annual growth rate slowed down to about 1.5% in 2020 from 5% in 2019. This was relatively better than the contraction in the global GDP of 3.5% recorded in 2020. This fall in the national GDP was on account of slowdown in local and cross-border economic activities caused by the COVID-19 pandemic restrictions. The most affected sectors were transport, accommodation, food, wholesale and retail. Annual headline inflation decreased to 7.6% in 2020 from 9.4% in 2019. The main driver to the decline in inflation was the easing of pressure on food inflation. The larger than average maize yield in the 2019/20 crop season helped to counter the effects of increased pump prices during the year. Official gross foreign currency reserves were US$561.1million as at 31st December 2020 compared to US$819.9million as at 31st December 2019, representing a reduction to 2.7 months in 2020 from 3.9 months' import cover in 2019. The Policy Rate was reduced to 12% per annum in November 2020 from 13.5% at the end of 2019. Accordingly, the reference rate used by commercial banks dropped to 12.6% from the previous 13.6%. The Malawi Kwacha depreciated by an average of 4.7% against the US Dollar during the year.

According to the Malawi Stock Exchange, the market registered a positive return on index of 7.08% in 2020 compared to 4.38% in 2019. In terms of volume, the market recorded an increase in traded shares but of lower value compared to 2019. Two new counters were added during 2020, thus bringing the total counters to 16.

The year 2020 also saw some major events of note. There was the fresh Presidential election in the country in June 2020 following the disputed results of 2019. The Covid-19 global pandemic wreaked havoc on the social and economic livelihoods as the government stepped in to manage this through a number of actions which included restrictions. On the utility front, electricity blackouts and water shortages continued to adversely affect all sectors of the economy.

Property Market in Malawi

A difficult economy, weak property fundamentals, and competitive conditions defined our operating environment for most of the year 2020. Letting was impacted by weak market demand due to low business confidence and the restrictive precautionary Covid-19 measures imposed on businesses and individuals.

In a generally difficult environment, vacancy rates on the market crept higher, rental arrears increased, lease renewals declined and rentals came under even more pressure. Consequently, property values on the market showed stunted growth. In general, the market showed property values growth at 6% against the expected 10%.

Group Performance

Rental income decreased by 5% to MK6.3 billion in 2020 from MK6.6 billion in 2019. Fair value gains in current year at K5 billion were lower than the K5.7 billion recorded in 2019. The reduction in both rental income and fair value gains is mainly attributable to the unfavourable economic environment resulting from the impact of Covid-19 pandemic. Total operating expenditure for the year decreased to MK3.8 billion in 2020 from MK4.0 billion in 2019 due to relatively lower property expenses incurred in the year.

THE CHAIRPERSON'S STATEMENT

For the year ended 31 December 2020

Profit before tax of K9.2 billion was almost at par with that of 2019 at K9.3 billion. Profit after tax decreased by 43% to MK4.3 billion in 2020 from MK7.7 billion in 2019. This was mainly on account of a one-off deferred tax adjustment of K2.5 billion following de-recognition of the corresponding asset. It was prudently determined that based on current taxable profits projections in one of the subsidiaries in the Group, the utilization of the tax asset would not materialize before the relevant statutory period expires.

Government outstanding rentals continued to worsen to MK8.7 billion from MK5.8 billion in 2019 and continued to negatively impact the Group's operations. While there has been some notable improvement on government side on payment on the current rentals, the arrears position overshadows the positives.

Human Resources

With the advent of the COVID-19 pandemic, 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 maintained a stable and dedicated workforce in 2020. The Group also continues to offer support to skills development needs of employees.

Prospects for 2021

Global economic activity is expected to rebound in the second half of 2021. This will be supported by fiscal stimulus in advanced economies to counter the effects of Covid-19. Here, on the national front, a bumper crop yield is expected from the 2020/21 crop season. Covid-19 gathering restrictions should be eased as the number of infections decline. This will spur economic activities towards pre-pandemic levels.

The Group has adaptive strategic plans to ensure that its stakeholders are provided with relevant property solutions and that shareholders' investment is protected.

Mrs. Edith Jiya
CHAIRPERSON

BOARD OF DIRECTORS

CHAIRPERSON

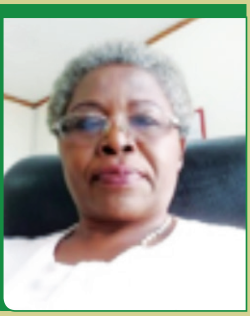
Mrs. Edith Jiya is a holder of MSc. in Strategic Management from University of Derby and Bachelor of Business Administration from University of Malawi. Edith Jiya is Group CEO of Old Mutual Malawi Limited. Previously, she was the Managing Director of the Old Mutual Life Assurance Company (Malawi) Limited (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 MPICO Plc, she is currently serving on the Old Mutual Malawi Ltd board and its other subsidiary.

MANAGING DIRECTOR

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.

DIRECTOR

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.



DIRECTOR

Mrs. Veronica Masikini is a holder of the Chartered Institute of Management Accountants (CIMA) certification. She is the General Manager of Blantyre Printing and Publishing Company Limited with over 30 years of practical experience.

MPICO

BOARD OF DIRECTORS

DIRECTOR

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.

DIRECTOR

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.

DIRECTOR

Mr. Mark Mikwamba is an investment professional with over 19 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 has done various leadership programs the latest by a strategy course with Harvard Business School. He sits on other boards and is currently the Managing Director of Old Mutual Investment Group in Malawi.

MANAGEMENT

FINANCIAL CONTROLLER & COMPANY SECRETARY

Mr. Cosmas Katulukira 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 30 years of experience with 22 years in senior management positions.

OPERATIONS MANAGER

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.

SENIOR ACCOUNTANT

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. He has 22 years of experience with 17 years in senior management positions.

FACILITIES MANAGER

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.

COMMERCIAL MANAGER

Gomezga Mkandawire is a Chartered Surveyor registered with the Royal Institution of Chartered Surveyors. She holds a Master of Science in Estate Management from the London South Bank University and a Bachelor of Arts in Public Administration from the University of Malawi. She has 15 years' experience in property asset management, leasing and valuations. She is currently responsible for the overall management of The Gateway, management of third-party properties and marketing for the MPICO Group.

MPICO

REPORT OF THE DIRECTORS

For the year ended 31 December 2020

The directors have pleasure in presenting the separate and consolidated financial statements of MPICO plc "The Company" and its subsidiary companies for the year ended 31 December 2020.

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 (2019: 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 (2019: K150 million) divided into 3 000 000 000 Ordinary Shares of 5 tambala each (2019: 3 000 000 000 ordinary shares of 5 tambala each). The issued capital is K114.902 million (2019: 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:

	2020	2019
	%	%
Old Mutual Life Assurance Company Limited	43.0	43.0
Old Mutual (Malawi) Limited	29.0	29.0
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 K4.3 billion (2019: K7.7 billion as restated) for the Group (Company K3.6 billion (2019: K3.4 billion as restated). A final dividend of K310 million in respect of 2019 profits 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.

MPICO

REPORT OF THE DIRECTORS *(Continued)*

For the year ended 31 December 2020

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.

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 up to 30 June 2020
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 up to 30 June 2020
Mr. M. Mikwamba	- Member all year
Mrs. V. Masikini	- Member all year
Mr. D. Kafoteka	- Member all year
Mr. B. Ndisale	- Member all year
Mr. S. Malenga	- Member all year

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.

MPICO

REPORT OF THE DIRECTORS *(Continued)*

For the year ended 31 December 2020

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

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 2020, 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	2
Veronica Masikini	4	4
Chris Kapanga	4	4
Chifundo Kalaile	4	3
Mark Mikwamba	4	4
Eluphy Salamba	4	3
Damien Kafoteka	4	4

* The director retired in June 2020.

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.

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

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;

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;

REPORT OF THE DIRECTORS *(Continued)*

For the year ended 31 December 2020

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

Responsibilities of ARCC (Continued)

1.4 External Audit (Continued)

1.4.7 The Committee shall review the appointment of the prospective audit firm and designated 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.

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.

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

Responsibilities of ARCC (Continued)

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;
- 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 2020 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	2
Chifundo Kalaile**	4	3
Mark Mikwamba	4	4

* Director Barron retired in June 2020

**Director Kalaile did not attend the meeting due to other engagements.

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;

REPORT OF THE DIRECTORS *(Continued)*

For the year ended 31 December 2020

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

Responsibilities of A & R (Continued)

2.1 Board Composition Matters (Continued)

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;

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.

REPORT OF THE DIRECTORS *(Continued)*

For the year ended 31 December 2020

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

Responsibilities of A & R (Continued)

2.2 Remuneration and Benefit Matters (Continued)

The committee met four times during the year 2020 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*	4	2
Eluphy Salamba	4	4
Mark Mikwamba	4	4
Chris Kapanga**	4	1

* Director Barron retired in June 2020.

** Director Kapanga joined the Committee in the last quarter of the year.

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 2020			
MPICO plc	28.9	91.9	120.8
MPICO Malls Limited	24.0	-	24.0
Capital Investments Limited	14.0	-	14.0
Capital Developments Limited	12.7	-	12.7
New Capital Properties Limited	12.7	-	12.7
Frontline Investments Limited	10.7	-	10.7
	103.00	91.9	194.9
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

REPORT OF THE DIRECTORS *(Continued)*

For the year ended 31 December 2020

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 K18.2 million (2019: K2 million) as shown below;

	2020 K' million	**2019 K' million**
MPICO plc	18.2	2
	18.2	2

AUDITORS REMUNERATION

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

Entity	**Financial Audit K' million**
For the year ended 31 December 2020	
MPICO plc	28.1
MPICO Malls Limited	10.2
Capital Investments Limited	7.2
Capital Developments Limited	5.9
New Capital Properties Limited	7.1
Frontline Investments Limited	6.5
	65.0
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

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

REPORT OF THE DIRECTORS *(Continued)*

For the year ended 31 December 2020

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 2021 financial statements.

BY ORDER OF THE BOARD

COSMAS KATULUKIRA

COMPANY SECRETARY

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 2020

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 2020, 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 2020.

Mr Damien Kafoteka (Managing Director)

Mrs Edith Jiya (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 2020, 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 2020, 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 Annual Financial Statements section of our report. We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Malawi. We have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – restatement of financial statements

We draw attention to note 6 to the financial statements which indicate that the previously issued consolidated and separate financial statements for the year ended 31 December 2019 and 31 December 2018 have been restated. As explained there in, this is to reflect the effect of the correction of misstatements relating to recognition of the investment property, the related fair value and its related deferred tax. Our opinion is not modified in respect of these matters.

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.

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 K65.7 billion as at 31 December 2020 (2019:K60.70 billion as restated) and K19.8 billion (2019: K16.8 billion as restated) in the Company's separate financial statements. The investment properties were revalued as at 31 December 2020 by an independent management valuation expert. 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, rental forecasts (income method) and the impact of COVID-19 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

Directors' Responsibilities 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
31st March 2021

MPICO

STATEMENTS OF FINANCIAL POSITION

31 December 2020

	Notes	Group 2020 K'000	Group 2019 K'000 Restated	Group 2018 K'000 Restated	Company 2020 K'000	Company 2019 K'000 Restated	Company 2018 K'000 Restated
ASSETS							
NON-CURRENT ASSETS							
Investment properties	6	65 670 247	60 674 923	54 912 220	19 763 207	16 846 407	14 989 492
Plant and equipment	7	524 974	620 803	536 071	318 385	361 623	281 242
Investment in subsidiaries	8	-	-	-	14 640 612	14 640 612	13 814 663
Deferred tax	9	1 695 627	4 161 520	3 981 909	-	-	-
Secured staff loans		71 273	14 163	20 458	71 273	14 163	20 458
Total non-current assets		67 962 121	65 471 409	59 450 658	34 793 477	31 862 805	29 105 855
CURRENT ASSETS							
Amounts due from subsidiaries	11	-	-	-	549 831	239 650	825 949
Taxation recoverable		-	9 957	84 507	147 110	54 483	-
Dividends receivable from subsidiaries		-	-	-	557 750	250 000	-
Trade and other receivables	10	11 581 604	8 186 823	4 086 512	3 062 181	1 979 252	767 089
Cash and cash equivalents	14	194 355	160 064	2 568 534	78 782	11 315	49 560
Assets held for sale		54 000	-	-	54 000	-	-
Total current assets		11 829 959	8 356 844	6 739 553	4 449 654	2 534 700	1 642 598
TOTAL ASSETS		79 792 080	73 828 253	66 190 211	39 243 131	34 397 505	30 748 453
EQUITY AND LIABILITIES							
SHAREHOLDERS' EQUITY							
Share capital		114 902	114 902	114 902	114 902	114 902	114 902
Share premium		8 626 938	8 626 938	8 626 938	8 626 938	8 626 938	8 626 938
Distributable reserves		5 289 825	4 668 394	3 232 411	8 843 809	7 698 965	6 082 058
Non-distributable reserves		29 505 572	26 240 684	22 598 124	14 912 245	12 798 479	11 453 424
Equity attributable to equity holders of the parent		43 537 237	39 650 918	34 572 375	32 497 894	29 239 284	26 277 322
Non-controlling interests		19 976 897	19 928 782	18 400 848	-	-	-
Total equity		63 514 134	59 579 700	52 973 223	32 497 894	29 239 284	26 277 322
NON-CURRENT LIABILITIES							
Deferred tax	9	9 339 497	8 248 318	7 627 779	4 860 736	4 066 994	3 575 175
Borrowings	12	4 038 506	4 356 059	4 493 564	-	-	-
Total non-current liabilities		13 378 003	12 604 377	12 121 343	4 860 736	4 066 994	3 575 175
CURRENT LIABILITIES							
Borrowings	12	284 438	221 261	258 769	-	-	-
Amounts due to subsidiaries	11	-	-	-	-	-	225 980
Payables	13	930 992	838 316	551 218	508 881	506 852	303 162
Taxation payable		305 482	-	-	-	-	110 711
Bank overdraft	14	1 379 031	584 599	285 658	1 375 623	584 375	256 103
Total current liabilities		2 899 943	1 644 176	1 095 645	1 884 504	1 091 227	895 956
Total liabilities		16 277 946	14 248 553	13 216 988	6 768 347	5 158 221	4 471 131
TOTAL EQUITY AND LIABILITIES		79 792 080	73 828 253	66 190 211	39 243 131	34 397 505	30 748 543

The financial statements were approved and authorised for issue by the Board of Directors on 8th March 2021 and were signed on its behalf by:

Mr Damien Kafoteka (Managing Director)

Mrs Edith Jiya (Chairperson)

MPICO

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

		Group		Company	
	Notes	2020 K'000	2019 K'000	2020 K'000	2019 K'000
INCOME					
Rental income	5	6 328 949	6 636 356	2 289 335	2 180 838
Interest income on rental arrears		1 260 900	760 906	312 704	187 444
Total rental and interest income on rent arrears		7 589 849	7 397 262	2 602 039	2 368 282
Increase in fair value of investment properties	5	5 049 324	5 699 102	2 970 800	1 844 276
Dividends income from subsidiaries		-	-	723 250	1 811 750
Other income	15	276 453	244 187	823 276	623 868
Total income		12 915 626	13 340 551	7 119 365	6 648 176
OPERATING EXPENSES					
Property and administration expenses	16	(2 867 173)	(3 192 985)	(2 007 068)	(2 158 351)
Expected credit losses	10	(96 191)	(130 895)	(85 872)	(38 841)
Total operating expenses		(2 963 364)	(3 323 880)	(2 092 940)	(2 197 192)
FINANCE COST					
Interest income on bank deposits and staff loans		15 069	137 637	9 143	17 254
Finance costs on borrowings		(805 979)	(813 516)	(179 061)	(82 290)
Net finance cost		(790 910)	(675 879)	(169 918)	(65 036)
PROFIT BEFORE TAXATION	17	9 161 352	9 340 792	4 856 507	4 385 948
Taxation	18	(4 817 711)	(1 656 022)	(1 253 189)	(883 942)
PROFIT FOR THE YEAR		4 343 641	7 684 770	3 603 318	3 502 006
APPROPRIATION OF PROFIT FOR THE YEAR					
Distributable reserves	20	966 140	1 976 026	1 489 553	2 156 951
Non-distributable reserves	20	3 264 888	3 642 560	2 113 765	1 345 055
Amounts attributable to members of the parent		4 231 028	5 618 586	3 603 318	3 502 006
Amounts attributable to non-controlling interests		112 613	2 066 184	-	-
		4 343 641	7 684 770	3 603 318	3 502 006
Basic earnings per share (K)	20	1.84	2.44		
Analysed as:					
Distributable (K)		0.42	0.86		
Non-distributable (K)		1.42	1.58		

The Group and Company had no other comprehensive income in the current or prior year.

MPICO

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2020

Group	Share capital K'000	Share premium K'000	Distributable reserves K'000	Non-distributable reserves K'000	Attributable to equity holders of interests K'000	Non controlling interests K'000	Total K'000
For the year ended 31 December 2020							
At the beginning of the year as restated	114 902	8 626 938	4 668 394	26 240 684	39 650 918	19 928 782	59 579 700
Distributable profit for the year	-	-	966 140	-	966 140	(711 085)	255 053
Non-distributable profit for the year	-	-	-	3 264 888	3 264 888	823 702	4 088 590
Dividends declared – Final 2019	-	-	(344 709)	-	(344 709)	(15 250)	(359 959)
Dividends declared – Interim 2020	-	-	-	-	-	(49 250)	(49 250)
At the end of the year	114 902	8 626 938	5 289 825	29 505 572	43 537 237	19 976 897	63 514 134
For the year ended 31 December 2019							
At the beginning of the year as restated	114 902	8 626 938	3 232 411	22 598 124	34 572 375	18 400 848	52 973 223
Distributable profit for the year	-	-	1 976 026	-	1 976 026	525 470	2 501 496
Non-distributable profit for the year	-	-	-	3 642 560	3 642 560	1 540 714	5 183 274
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 as restated	114 902	8 626 938	4 668 394	26 240 684	39 650 918	19 928 782	59 579 700
For the year ended 31 December 2018							
At the beginning of the year	114 902	8 626 938	1 811 650	19 019 005	29 572 495	17 274 329	46 846 824
IFRS 9 Impairment -prior year	-	-	(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	-	-	-	3 579 119	3 579 119	1 489 308	5 068 427
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 as restated	114 902	8 626 938	3 232 411	22 598 124	34 572 375	18 400 848	52 973 223

MPICO

STATEMENTS OF CHANGES IN EQUITY *(Continued)*

For the year ended 31 December 2020

Company	Share capital K'000	Share premium K'000	Distributable reserves K'000	Non-distributable reserves K'000	Total K'000
For the year ended 31 December 2020					
At the beginning of the year as restated	114 902	8 626 938	7 698 965	12 798 479	29 239 284
Distributable profit for the year	-	-	1 489 553	-	1 489 553
Non-distributable profit for the year	-	-	-	2 113 765	2 090 657
Interim dividend declared-Final 2019	-	-	(344 709)	-	(344 709)
At the end of the year	114 902	8 626 938	8 843 809	14 912245	32 497 894
For the year ended 31 December 2019					
At the beginning of the year as restated	114 902	8 626 938	6 082 058	11 453 424	26 277 322
Distributable profit for the year	-	-	2 156 951	-	2 156 951
Non-distributable profit for the year	-	-	-	1 345 055	1 345 055
Interim dividend declared-Final 2018	-	-	(310 238)	-	(310 238)
Interim dividend declared-Interim 2019	-	-	(229 806)	-	(229 806)
At the end of the year as restated	114 902	8 626 938	7 698 965	12 798 479	29 239 284
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	114 902	8 626 938	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	-	-	-	1 655 694	1 655 694
Interim dividend declared-Final 2017	-	-	(229 805)	-	(229 805)
Interim dividend declared-Interim 2018	-	-	(206 824)	-	(206 824)
At the end of the year as restated	114 902	8 626 938	6 082 058	11 453 424	26 277 322

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.

The financial statements for the year ended 31 December 2019 and 31 December 2018 have been restated to recognise two properties valued at K821.4 million. These were not on MPICO portfolio in the prior years. As a result, investment properties and the related fair value gain, deferred tax liability and distributable reserves were understated. This has been disclosed in note 6 and 9.

	Group		Company	
	2020 K'000	2019 K'000	2020 K'000	2019 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

STATEMENTS OF CHANGES IN EQUITY *(Continued)*

For the year ended 31 December 2020

Prior year adjustments (Continued)

The impact of these restatements on the consolidated and separate financial statements is as follows:

Group

Year ended 31 December 2019

	As previously reported K'000	Adjustment K'000	Restated K'000
Investment Property	59 853 523	821 400	60 674 923
Increase in fair value of investments properties	5 583 202	115 900	5 699 102
Non-Distributable reserves	3 555 989	86 571	3 642 560
Tax Charge	1 626 693	29 329	1 656 022
Deferred tax liability	8 038 919	209 399	8 248 318

Year ended 31 December 2018

	As previously reported K'000	Adjustment K'000	Restated K'000
Investment Property	54 206 720	705 500	54 912 220
Increase in fair value of investments properties	5 277 441	705 500	5 982 941
Non-Distributable reserves	3 053 689	525 430	3 579 119
Tax Charge	2 289 348	180 070	2 469 418
Deferred tax liability	7 447 709	180 070	7 627 779

Year ended 31 December 2019

	As previously reported K'000	Adjustment K'000	Restated K'000
Investment Property	16 025 007	821 400	16 846 407
Increase in fair value of investments properties	1 728 376	115 900	1 844 276
Non-Distributable reserves	1 258 484	86 571	1 345 055
Tax Charge	854 613	29 329	883 942
Deferred tax liability	3 857 596	209398	4 066 994

Company

Year ended 31 December 2018

	As previously reported K'000	Adjustment K'000	Restated K'000
Investment Property	14 283 992	705 500	14 989 492
Increase in fair value of investments properties	1 515 400	705 500	2 220 900
Non-Distributable reserves	1 130 264	525 430	1 655 694
Tax Charge	1 320 937	180 070	1 501 007
Deferred tax liability	3 395 105	180 070	3 575 175

MPICO

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2020

		Group		Company	
	Notes	2020 K'000	2019 K'000	2020 K'000	2019 K'000
Cash flows from operating activities					
Net cash generated/(used in) from operations	22	500 598	(120 195)	(275 985)	38 044
Returns on investments and servicing of finance					
Dividends received		-	-	415 500	1 561 750
Interest received		1 275 969	898 543	321 847	204 698
Interest paid		(805 979)	(813 516)	(179 061)	(82 290)
Dividends paid		(344 709)	(540 044)	(344 709)	(540 044)
Dividends paid to non-controlling shareholders		(64 500)	(538 250)	-	-
Net cash flow (used in)/ from returns on investments and servicing of finance		561 379	(1 113 462)	(62 408)	1 182 158
Taxation paid		(945 200)	(1 140 544)	(552 075)	(557 316)
Net cash (used in)/generated by operating activities		(383 821)	(2 254 006)	(614 481)	624 842
Cash flows to investing activities					
Additions to investment properties	6	-	(64 386)	-	(13 424)
Additions to plant and equipment	7	(65 204)	(227 561)	(52 560)	(165 542)
Proceeds on disposal of plant and equipment		372	7 260	372	7 260
Investment in subsidiary Company		-	-	-	(825 948)
Staff long-term loans granted		(57 110)	6 295	(57110)	6 295
Net cash used in investing activities		(121 944)	(278 392)	(109 298)	(991 359)
Cash flows from financing activities					
Repayment of borrowings	12	(254 376)	(175 013)	-	-
Net cash used in financing activities		(254 376)	(175 013)	-	-
Net decrease in cash and cash equivalents		(760 411)	(2 707 411)	(723 781)	(366 517)
Cash and cash equivalents at the beginning of the year		(424 535)	2 282 876	(573 060)	(206 543)
Cash and cash equivalents at the end of the year	14	(1 184 676)	(424 535)	(1 296 841)	(573 060)

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

In the current year, the entity 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 2020.

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

2.2 Standards and Interpretations in issue, not yet effective

A number of new standards, amendments to standards and interpretations are issued and effective for annual periods beginning on or after 1 January 2021 and have not been applied in preparing these financial statements. Those which may be relevant to the entity are set out below. The entity does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective date	**Standard, Amendment or Interpretation**
Annual reporting periods beginning on or after 1 January 2023	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. 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 reporting periods beginning on or after 1 January 2023	Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

2. Adoption of new and revised International Financial Reporting Standards

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 2022	Reference to the Conceptual Framework (Amendments to IFRS 3) The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.
Annual reporting periods beginning on or after 1 January 2022	Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16) The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
Annual reporting periods beginning on or after 1 January 2022	Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
Annual reporting periods beginning on or after 1 January 2022	Annual Improvements to IFRS Standards 2018–2020 Makes amendments to the following standards: • **IFRS 1 –** The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. • **IFRS 9 –** The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

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
	• **IFRS 16 –** The amendment to Illustrative Example 13 acCompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. • IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

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.

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. Significant accounting policies *(continued)*

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 and equipment	5 years
Computers	3 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. Significant accounting policies *(continued)*

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.

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. Significant accounting policies *(continued)*

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 Pension Services Company who are also a subsidiary of Old Mutual (Malawi) Limited. 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.

3.11 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. Significant accounting policies (Continued)

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).

(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.

3. Significant accounting policies (Continued)

3.12 Financial assets (Continued)

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.

(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.

3. Significant accounting policies (Continued)

3.12 Financial assets (Continued)

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) <u>Financial assets at FVTPL</u>

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 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..

3. Significant accounting policies (Continued)

3.12 Financial assets (Continued)

iv) Financial assets at FVTPL (Continued)

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.

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.

3. Significant accounting policies (Continued)

3.12 Financial assets (Continued)

iv) Financial assets at FVTPL (Continued)

Impairment of financial assets (Continued)

(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 fulfil 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 counterparty 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.

3. Significant accounting policies (Continued)

3.13 Financial liabilities and equity (Continued)

Financial liabilities at FVTPL (Continued)

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.

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.

<u>Financial liabilities measured subsequently at amortised cost</u>

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.

<u>Financial guarantee contract liabilities</u>

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.

<u>Foreign exchange gains and losses</u>

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

3. Significant accounting policies (Continued)

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.

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. Critical accounting judgements and key sources of estimation uncertainty (continued)

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 <u>Valuation of investment properties</u>

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

4.2.2 <u>Calculation of impairment loss allowance</u>

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. Operating segments (continued)

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 (2019: 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	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000 *Restated*	2020 K'000	2019 K'000
Blantyre	459 580	420 466	4 902 129	3 801 877	1 099 700	322 300
Lilongwe	5 716 732	6 073 172	59 761 241	55 907 370	3 908 424	5 273 002
Other markets	152 637	142 718	1 006 877	965 678	41 200	103 800
Total	6 328 949	6 636 356	65 670 247	60 674 925	5 049 324	5 699 102

COMPANY

	Rental income		Property values		Fair value increase	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000 *Restated*	2020 K'000	2019 K'000
Blantyre	459 580	420 466	4 902 129	3 801 877	1 099 700	322 300
Lilongwe	1 685 267	1 626 401	13 901 200	12 124 352	1 831 600	1 422 176
Other markets	144 488	133 971	959 878	920 178	39 500	99 800
Total	2 289 335	2 180 838	19 763 207	16 846 407	2 970 800	1 844 276

6. Investment properties

	Group			Company		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
			Restated	**Restated**	**Restated**	**Restated**
VALUATION						
Freehold	29 554 369	26 224 845	24 403 342	17 871 329	15 069 429	13 436 114
Leasehold	36 115 878	34 450 078	30 508 878	1 891 878	1 776 978	1 553 378
Total investment properties	65 670 247	60 674 923	54 912 220	19 763 207	16 846 407	14 989 492

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

VALUATION

	2020	2019	2018	2020	2019	2018
Freehold						
At the beginning of the year	26 224 845	24 403 342	21 215 979	15 069 429	13 436 114	11 363 614
Additions	-	13 424	3 857	-	13 424	2 367
Disposal	-	(785)	-	-	(785)	-
Asset reclassified for held for sale	(54 000)	-	-	(54 000)	-	-
Fair value adjustment	3 383 524	1 808 864	3 183 506	2 855 900	1 620 676	2 070 133
At the end of the year	29 554 369	26 224 845	24 403 342	17 871 329	15 069 429	13 436 114
Leasehold						
At the beginning of the year	34 450 078	30 508 878	27 381 188	1 776 978	1 553 378	1 402 878
Additions	-	62 362	328 522	-	11 400	-
Fair value adjustment	1 665 800	3 878 838	2 799 168	114 900	212 200	150 500
At the end of the year	36 115 878	34 450 078	30 508 878	1 891 878	1 776 978	1 553 378
Total valuation	65 670 247	60 674 923	54 912 220	19 763 207	16 846 407	14 989 492

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

Investment properties were revalued at fair value as at 31 December 2020 on the basis set out in note 3.5 to the consolidated financial statements. The valuations were carried out by independent registered valuer, Knight Frank, headed by Mr. Don Whayo Bsc. Dip (Urb Man) BA, MSIM, MRICS, Chartered Valuation Surveyor 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)

Restatements of the financial statements

The financial statements have been restated to recognize two new investment properties and the related fair value, deferred tax and non-distributable reserves for the years ended 31 December 2018 and 31 December 2019. These properties were previously not recognized in favour of MPICO Plc. In the current year MPICO Plc embarked on a search exercise for its properties at the Ministry of Lands Registry. This exercise unveiled that MPICO Plc has property Likabula 2159 registered in favour of the Company. According to the Land Registry file records, the plot was registered for the first time on 17th October 1911 in favour of AJF Menzies. It was then later transferred to MDC and Namiwawa Estates in 1966 and 1968, respectively. The plot was then transferred to MPICO from Namiwawa Estates on 10th August 1986. The plot was finally registered in favour of MPICO under the new Government Land Adjudication process in1992. MPICO holds the plot on freehold basis.

Since the investment properties were not recorded in the books of MPICO plc in prior years, this has been considered as an error in those years hence the restatements in the consolidated and separate financial statements.

The restatements have been done in line with International Accounting Standard (IAS) 8, Accounting Policies, Changes in Accounting Estimates and Errors.

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	Fair value
	K'000	K'000
31 December 2020		
Investment properties	65 670 247	65 670 247
31 December 2019 - Restated		
Investment properties	60 674 923	60 674 923

Company

	Level 2	Fair value
	K'000	K'000
31 December 2020		
Investment properties	19 763 207	19 763 207
31 December 2019 - Restated		
Investment properties	16 846 407	16 846 407

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

Included in the investment properties balance as at 31 December 2020 were properties encumbered as follows:

1. **Development House in Lilongwe valued at K1.08 billion and Tikwere House valued at K2.187 billion**
   These properties are the subject of a charge in favour of FDH Bank and National Bank of Malawi Plc to secure overdraft facilities of K900 million and K500 million respectively.

6. Investment properties (Continued)

Restatements of the financial statements

2. The Gateway valued at K30.10 billion

The property is the subject of a charge in favour of Standard Bank (Malawi) Plc to secure a loan of K4.6 billion.

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

	Group		Company	
	2020 K'000	2019 K'000 Restated	2020 K'000	2019 K'000 Restated
At cost	19 574 498	19 574 498	308 169	308 169
Fair values	46 095 749	41 100 425	19 455 038	16 538 238
Total investment properties	65 670 247	60 674 923	19 763 207	16 846 407

7. Plant and equipment

GROUP

	Fixture & Fittings	Generators	Motor vehicles	Furniture & equipment	Total
COST					
At 1 January 2020	212 007	255 470	118 147	486 754	1 072 378
Additions	21 370	18 027	-	28 147	67 544
Disposals	(8 805)	(15 113)	-	(32 583)	(56 501)
At 31 December 2020	224 572	258 384	118 147	482 318	1 083 421
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
ACCUMULATED DEPRECIATION					
At 1 January 2020	103 800	79 516	44 810	223 449	451 575
Charge for the year	33 426	25 066	25 512	75 605	159 609
Disposal	(8 076)	(14 919)	-	(29 742)	(52 737)
At 31 December 2020	129 150	89 663	70 322	269 312	558 447
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
CARRYING AMOUNT					
Carrying amount at 31 December 2020	95 422	168 721	47 825	213 006	524 974
Carrying amount at 31 December 2019	108 207	175 954	73 337	263 305	620 803

7. Plant and equipment (Continued)

Company

	Fixture & Fittings	Generators	Motor vehicles	Furniture & equipment	Total
COST					
At 1 January 2020	67 892	161 110	118 147	286 359	633 508
Additions	12 335	18 027	-	24 537	54 899
Disposal	(5 370)	(15 113)	-	(27 989)	(48 472)
At 31 December 2020	74 857	164 024	118 147	282 907	639 935
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
ACCUMULATED DEPRECIATION					
At 1 January 2020	51 300	45 628	44 810	130 147	271 885
Depreciation	7 210	15 749	25 512	47 383	95 854
Disposal	(4 651)	(14 918)	-	(26 620)	(46 189)
At 31 December 2020	53 859	46 459	70 322	150 910	321 550
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
CARRYING AMOUNT					
Carrying amount at 31 December 2020	20 998	117 565	47 825	131 997	318 385
Carrying amount at 31 December 2019	16 592	115 482	73 337	156 212	361 623

8. Subsidiary companies

	2020 %	2019 %	2020 K'000	2019 K'000
Wholly owned subsidiaries				
New Capital Properties Limited	100	100.00	571	571
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	53.10	14 567 801	14 567 801
Capital Investments Limited	50.75	50.75	1 401	1 401
Total investment in subsidiary companies			14 640 612	14 640 612

The investments in subsidiary companies comprise ordinary shares and are stated at cost. The subsidiaries have no other forms of shares in issue.

9. Deferred taxation

Group

Deferred tax asset

For the year ended 31 December 2020	Balance as at 1 January 2020 K'000	Recognised in Profit or loss K'000	Balance as at 31 December 2020 K'000
Deferred tax assets movement in the year			
Revaluation of investment property	856 907	208 959	1 065 866
Excess capital allowances	(13 576)	10 993	(2 583)
Tax losses	3 231 079	(2 673 783)	557 296
Other temporary differences	87 110	(12 062)	75 048
Total	4 161 520	(2 465 893)	1 695 626

Recognised Balance as at

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 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

9. Deferred taxation

Group

Deferred tax liabilities

For the year ended 31 December 2020	Balance as at 1 January 2020 K'000 *Restated*	Recognised in Profit or loss K'000	Balance as at 31 December 2020 K'000
Deferred tax liabilities movement in the year			
Revaluation of investment property	(8 291 515)	(1 169 693)	(9 461 208)
Excess capital allowances	(7 047)	10 942	3 895
Other temporary differences	50 244	67 572	117 816
Total	(8 248 318)	(1 091 179)	(9 339 497)

For the year ended 31 December 2019	Balance as at 1 January 2019 K'000 *Restated*	Recognised in Profit or loss K'000	Balance as at 31 December 2019 K'000 *Restated*
Deferred tax liabilities movement in the year			
Revaluation of investment property	(7 714 183)	(577 332)	(8 291 515)
Excess capital allowances	(167)	(6 880)	(7 047)
Other temporary differences	86 571	(36 327)	50 244
Total	(7 627 779)	(620 339)	(8 248 318)

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 *Restated*
Deferred tax liability movement in the year			
Revaluation of investment property	(6 682 298)	(1 031 885)	(7 714 183)
Excess capital allowances	53 769	(53 936)	(167)
Other temporary differences	27 961	58 610	86 571
Total	(6 600 568)	(1 027 211)	(7 627 779)

Deferred tax liabilities for the years ended 31 December 2018 and 31 December 2019 have been restated to include an adjustment in respect of investment properties following restatements as disclosed in note 6 to the financial statements.

9. Deferred taxation (Continued)

Company

For the year ended 31 December 2020	**Balance as at 1 January 2020 K'000** ***Restated***	**Recognised in Profit or loss K'000**	**Balance as at 31 December 2020 K'000**
Deferred tax liabilities movement in the year			
Revaluation of investment property	(4 089 488)	(857 035)	(4 946 523)
Excess capital allowances	(8 362)	10 317	1 955
Other temporary differences	30 856	52 977	83 833
Total	(4 066 994)	(793 741)	(4 860 735)

For the year ended 31 December 2019	**Balance as at 1 January 2019 K'000** ***Restated***	**Recognised in Profit or loss K'000**	**Balance as at 31 December 2019 K'000** ***Restated***
Deferred tax liabilities movement in the year			
Revaluation of investment property	(3 590 267)	(499 221)	(4 089 488)
Excess capital allowances	(3 836)	(4 526)	(8 362)
Other temporary differences	18 928	11 928	30 856
Total	(3 575 175)	(491 819)	(4 066 994)

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** ***Restated***
Deferred tax liabilities movement in the year			
Revaluation of investment property	(3 032 343)	(557 924)	(3 590 267)
Excess capital allowances	31 579	(35 415)	(3 836)
Other temporary differences	27 961	(9 033)	18 928
Total	(2 972 803)	(602 372)	(3 575 175)

Deferred tax liabilities for the years ended 31 December 2018 and 31 December 2019 have been restated to include an adjustment in respect of investment properties following restatements as disclosed in note 6 to the financial statements.

9. Deferred taxation (Continued)

10. Receivables

	Group 2020 K'000	Group 2019 K'000	Company 2020 K'000	Company 2019 K'000
Rental and service charges	7 851 845	5 736 646	2 374 042	1 419 398
Prepaid property expenses	183 611	137 884	47 381	54 488
Accrued interest	2 170 209	1 086 561	566 388	430 750
Staff receivables	186 679	122 771	186 679	122 771
IFRS 16 Receivables	1 234 884	1 081 079	-	-
Other receivables	703 112	676 293	72 766	51 048
Expected Credit Losses	(748 736)	(654 411)	(185 075)	(99 203)
Total receivables	11 581 604	8 186 823	3 062 181	1 979 252

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 K8 668 million (2019: K5 826 million) for the Group {Company K2 186 million (2019: K1 379 million)}. The total interest charged on overdue Government rentals and other tenants amounted to K1 261 million (2019: K761 million) {Company K313 million (2019: K187 million)} for the year.

The IFRS 16 receivable of K1 235 million (2019: K1 081 million) relates to a receivable that arose as a result of the entity recognising income on a straight line basis over the lease term in line with IFRS 16 Leases. This is applicable to leases that are not renewable on an annual basis.

Other receivables include 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 2020 K'000	Group 2019 K'000	Company 2020 K'000	Company 2019 K'000
0-90 days	1 829 360	1 139 890	749 472	397 976
Over 90 days	8 792 578	4 596 756	2 187 778	1 021 422
	10 621 938	5 736 646	2 937 250	1 419 398
Movement in Expected Credit Losses (ECL)				
Balance at beginning of the year	654 411	524 740	99 203	60 362
Amounts written-off during the year	(1 866)	(1 224)	-	-
Increase in ECL recognised in the profit or loss	96 191	130 895	85 872	38 841
Balance at end of the year	748 736	654 411	185 075	99 203

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 46 % (2019: 50%) {Company 38% (2019: 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 31 December 2020

10. Receivables (Continued)

Group

Trade receivables for Government-days past due

	Current K'000	93 to 184 days MK'000	185 to 275 days K'000	276 to 365 days K'000	Over 365 days K'000
Estimated total gross carrying amount at default	1 386 681	1 021 814	1 053 791	995 610	4 808 832
Expected loss rate	1.5%	1.5%	1.5%	1.5%	1.5%
Lifetime ECL	20 800	15 327	15 807	14 934	72 132

Trade receivables for private tenants-days past due

	Current K'000	93 to 184 days MK'000	185 to 275 days K'000	276 to 365 days K'000	Over 365 days K'000
Estimated total gross carrying amount at default	442 679	121 300	51 123	52 591	315 098
Expected loss rate	2%	1%	2%	5%	5%
Lifetime ECL	8 854	1 213	1 022	2 630	15 755

Trade receivables with external debt collectors

	Current K'000	93 to 184 days MK'000	185 to 275 days K'000	276 to 365 days K'000	Over 365 days K'000
Estimated total gross carrying amount at default	-	-	-	441	371 977
Expected loss rate	100%	100%	100%	100%	100%
Lifetime ECL	-	-	-	441	371 977

10. Receivables (Continued)

Company

Trade receivables for Governments-days past due

	Current K'000	93 to 184 days MK'000	185 to 275 days K'000	276 to 365 days K'000	Over 365 days K'000
Estimated total gross carrying amount at default	401 756	169 429	237 587	261 603	1 101 149
Expected loss rate	1.5%	1.5%	1.5%	1.5%	1.5%
Lifetime ECL	6 026	2 541	3 564	3 924	16 517

Trade receivables for private tenants-days past due

	Current K'000	93 to 184 days MK'000	185 to 275 days K'000	276 to 365 days K'000	Over 365 days K'000
Estimated total gross carrying amount at default	347 716	84 675	51 152	35 588	129 732
Expected loss rate	2%	1%	2%	5%	5%
Lifetime ECL	6 954	847	1 023	1 779	6 487

Trade receivables with external debt collectors

	Current K'000	93 to 184 days MK'000	185 to 275 days K'000	276 to 365 days K'000	Over 365 days K'000
Estimated total gross carrying amount at default	-	-	-	135	116 727
Expected loss rate	100%	100%	100%	100%	100%
Lifetime ECL	-	-	-	135	116 727

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	
	2020	**2019**
	K'000	**K'000**
New Capital Properties Limited	15 780	(11 406)
Capital Developments Limited	104 465	(5 390)
Frontline Investments Limited	9 471	3 987
Capital Investments Limited	(14 758)	4 541
MPICO Malls Limited	434 873	247 918
Net amount due from subsidiaries	549 831	239 650
Amounts due to related parties	(14 758)	(16 796)
Amounts due from related parties	564 589	256 446
Net amount due from subsidiaries	549 831	239 650

MPICO Group had the following transactions with Old Mutual Pension Services Company and Old Mutual Life Assurance Company both of which are also subsidiaries of Old Mutual (Malawi) Limited, the parent company:

	2020	**2019**
	K'000	**K'000**
Pension contribution costs for the year	97 752	88 381
Contributions towards Group life cover	15 528	18 971
Rental income and service charges for the year	111 901	91 001

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 and CIL House 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	
	2020	**2019**
	K'000	**K'000**
Management fees charged to subsidiaries	559 956	386 062

Compensation of key management personnel

During the year loans amounting to K126 million (2019: K37 million) were advanced to employees in key positions. At 31 December 2020 the total loans balance outstanding from employees in key positions was K93 million (2019: K39 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:

	2020	**2019**
	K'000	**K'000**
Salary and pension	380 747	339 207

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

12. Borrowings

	Group		Company	
Borrowings summary	**2020**	**2019**	**2020**	**2019**
	K'000	**K'000**	**K'000**	**K'000**
Balance at 1 January	4 577 320	4 752 333	-	-
Repayments during the year	(254 376)	(175 013)	-	-
Balance at 31 December	4 322 944	4 577 320	-	-
Amounts due after 1 year	4 038 506	4 356 059	-	-
Amounts due within 1 year	284 438	221 261	-	-
Total borrowings	4 322 944	4 577 320	-	-

MPICO Malls Limited (the subsidiary Company of MPICO PLC) 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 13.2%. The loan is repayable over a period of 5 years. The loan is secured by investment property as disclosed in note 6.

13. Payables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	K'000	**K'000**	**K'000**	**K'000**
Accruals & property expenses	212 075	253 323	131 529	158 898
Prepaid rentals	374 959	277 554	156 296	112 328
Other payables	129 075	134 387	82 346	62 574
Provisions	214 883	173 052	138 710	173 052
Total payables	930 992	838 316	508 881	506 852

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.

The directors consider that the carrying amount of trade payables approximates to their fair value.

14. Cash and cash equivalents as stated in the statement of financial position

	Group		Company	
	2020	**2019**	**2020**	**2019**
	K'000	**K'000**	**K'000**	**K'000**
Funds at call and on deposit	-	92 856	-	-
Bank balances and cash	194 355	67 208	78 782	11 315
Total funds on deposit and banks	194 355	160 064	78 782	11 315
Bank overdraft	(1 379 031)	(584 599)	(1 375 623)	(584 375)
Total cash and cash equivalents	(1 184 676)	(424 535)	(1 296 841)	(573 060)

The Group has an overdraft facility of K900 million (2019: K300 million) with FDH Bank Plc and K500 million (2019: K300 million) with National Bank of Malawi Plc. The FDH facility is secured on Development House and accrues interest at the rate of 4.4% above the floating base lending rate. The National Bank of Malawi Plc facility is secured as per note 6 and accrues interest at the rate of 4.6% above the floating base lending rate. These bank overdrafts are repayable on demand.

The deposits accounts are maintained with National Bank of Malawi Plc and FDH Bank Plc and attract interest at an average 4% (2019: 6%) per annum.

15. Other Income

	Group		Company	
	2020	**2019**	**2020**	**2019**
	K'000	**K'000**	**K'000**	**K'000**
Management fees	-	-	559 956	386 062
Other income	276 453	244 187	263 320	237 806
Total other income	276 453	244 187	823 276	623 868

16. Property and administration expenses

	Group		Company	
	2020	**2019**	**2020**	**2019**
	K'000	**K'000**	**K'000**	**K'000**
Net property expenses	967 351	1 210 641	368 316	437 878
Salaries benefits and				
administration costs	1 389 573	1 444 617	1 327 712	1 376 573
Other costs	510 249	537 727	311 040	343 900
Total	2 867 173	3 192 985	2 007 068	2 158 351

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		Company	
	2020	**2019**	**2020**	**2019**
	K'000	**K'000**	**K'000**	**K'000**
Profit before taxation is arrived at after charging/(crediting):-				
Auditors' remuneration	64 960	58 000	28 112	25 130
Donations	18 234	2 000	18 234	2 000
Depreciation of plant and equipment	159 609	142 380	95 854	84 712
(Profit)/loss on disposal of				
non-current assets	(1 056)	6 025	(428)	6 025
Directors' remuneration				
- fees for services as directors	103 085	85 406	28 964	24 080
- for managerial services	91 932	81 720	91 932	81 720
Pension costs	97 752	88 381	97 752	88 381
Staff costs -33 staff (32 in 2019)	963 030	995 876	963 030	995 876

18. Taxation

	Group		Company	
	2020	2019	2020	2019
	K'000	K'000	K'000	K'000
Income tax	1 219 088	878 508	417 898	235 948
Deferred tax	3557 073	620 339	793 741	491 819
Dividend tax	41 550	156 175	41 550	156 175
Total taxation charge	4 817 711	1 655 022	1 276 297	883 942

Group

Reconciliation of effect tax rates to standard rates

		2020		2019
	Rate	K'000	Rate	K'000
Profit before tax income		9 161 352		9 340 792
Income tax based on tax profits	30%	2 748 406	30%	2 802 238
Non-deductible expense	5%	421 713	0%	15 005
Income not subject to tax at 30%	(2%)	(216 975)	(6%)	(543 525)
Other temporary differences	(20%)	(1 864 711)	(7%)	(617 696)
Effective tax rate	53 %	4 817 711	17%	1 656 022

Company

Reconciliation of effect tax rates to standard rates

		2020		2019
	Rate	K'000	Rate	K'000
Profit before tax income		4 856 507		4 385 948
Income tax based on tax profits	30%	1 456 952	30%	1 315 784
Non-deductible expense	6%	298 086	1%	11 762
Income not subject to tax at 30%	(4%)	(216 975)	(9%)	(543 526)
Other temporary differences	(6%)	(284 874)	2%	99 922
Effective tax rate	26%	1 253 189	24%	883 942

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	
	2020	2019	2020	2019
	K'000	K'000	K'000	K'000
Fair value adjustment credited to statement of comprehensive income	5 049 324	5 699 102	2 970 800	1 844 276
Related deferred tax	(960 734)	(857 035)	(880 143)	(585 792)
Non-controlling interests	(823 702)	(1 660 041)	-	-
Amount transferred to non-distributable Reserves	3 264 888	3 642 560	2 113 765	1 258 484

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:

	2020	2019
	K'000	K'000
Distributable profit	966 140	1 976 026
Non-distributable profit	3 264 888	3 642 560
Profit for the year attributable to equity holders of the parent	4 343 641	5 618 586
Weighted average number of ordinary shares for the purposes of basic earnings per share	2 298 047	2 298 047
Basic earnings per share	1.84	2.44
Distributable (K)	0.42	0.86
Non-distributable (K)	1.42	1.58

21. Dividends declared

A final dividend of K345 million in respect of 2019 profits was declared and paid during the year.

22. Reconciliation of profit before taxation to net cash inflow from operating activities

	Group		Company	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
Profit before taxation	9 161 352	9 340 792	4 856 507	4 385 948
Increase in fair value of investment properties	(5 049 324)	(5 699 102)	(2 970 800)	(1 844 276)
Interest income	(1 275 969)	(898 543)	(321 847)	(204 698)
Dividends receivable	-	-	(723 250)	(1 811 750)
Interest paid	805 979	813 516	179 061	82 290
Depreciation	159 609	142 380	95 854	84 713
Changes in trade and other receivables	(3 394 781)	(4 100 311)	(1 082 929)	(1 212 162)
Changes in trade and other payables	92 676	287 098	2 029	203 686
Profit/loss on disposal of non-current assets	1 056	(6 025)	(428)	(6 025)
Movement on interCompany balances	-	-	(310 182)	360 318
Net cash outflow from operating activities	500 598	(120 195)	(275 985)	38 044

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	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
Financial assets held at amortised cost				
Trade and other receivables	11 581 604	8 186 823	3 062 181	1 979 252
Amounts due from related parties	-	-	549 831	239 650
Dividends receivable	-	-	557 750	250 000
Funds at call and on deposit	-	92 856	-	-
Bank balance and cash	194 355	67 208	78 782	11 315
Total financial assets	11 775 959	8 346 887	4 248 544	2 480 217
Financial liabilities held at amortised cost				
Borrowings	4 322 944	4 577 320	-	-
Trade and other payables	930 992	838 316	508 881	506 852
Bank overdraft	1 379 031	584 599	1 375 623	584 375
Total financial liabilities	6 632 967	6 000 235	1 884 504	1 091 227

23. Financial risk management (Continued)

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.

Gearing ratio

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

	Group		Company	
	2020	2019	2020	2019
	K'000	K'000	K'000	K'000
Trade and other payables	930 992	838 316	508 881	506 852
Borrowings	4 322 944	4 577 320	-	-
Bank overdraft	1 379 031	584 599	1 375 623	584 375
Net debt	6 632 967	6 000 235	1 884 504	1 091 227
Equity	65 514 134	59 979 700	32 497 894	29 239 284
Net debt to equity ratio	10.12%	10.00%	5.80%	3.73%

23. Financial risk management (Continued)

Categorization of financial instruments (Continued)

(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.

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

2020	Carrying amounts	Gross Nominal inflow/outflow	1 -3 months	3 - 12 months	Over 12 months
Assets					
Cash and bank balances	194 355	194 355	194 355	-	-
Trade and other receivables	11 581 604	11 581 604	10 346 720	1 234 884	-
Total	11 775 959	11 775 959	10 541 075	1 234 884	-
Liabilities					
Trade and other payables	930 992	930 992	-	-	-
Borrowings	4 322 944	4 322 944	62 098	222 340	4 38 506
Bank overdraft	1 379 031	1 379 031	-	-	-
Total	6 632 967	6 632 967	62 098	222 340	4 038 506

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	66 378	154 883	4 356 059
Bank overdraft	584 599	584 599	584 599	-	-
Total	6 000 235	6 000 235	1 489 293	154 883	4 356 059

23. Financial risk management (Continued)

(e) Liquidity risk management (Continued)

COMPANY	Carrying amounts	Gross Nominal inflow/outflow	1 -3 months	3 - 12 months	Over 12 months
2020					
Assets					
Cash and bank balances	78 782	78 782	78 782	-	-
Funds at call and on deposit	-	-	-	-	-
InterCompany receivables	549 831	549 831	549 831	-	-
Dividends receivable	557 750	557 750	557 750	-	-
Trade and other receivables	3 062 181	3 062 181	3 062 181	-	-
Total	4 248 544	4 248 544	4 248 544	-	-
Liabilities	**-**	**-**	**-**	**-**	**-**
Trade and other payables	508 881	508 881	508 881	-	-
Bank overdraft	1 375 623	1 375 623	1 375 623	-	-
Total	1 884 504	1 884 504	1 884 504	-	-

	Carrying amounts	Gross Nominal inflow/outflow	1 -3 months	3 - 12 months	Over 12 months
2019					
Assets					
Cash and bank balances	11 315	11 315	11 315	-	-
Funds at call and on deposit	-	-	-	-	-
InterCompany receivables	239 650	239 650	239 650	-	-
Dividends receivable	250 000	250 000	250 000	-	-
Trade and other receivables	1 979 252	1 979 252	1 979 252	-	-
Total	2 480 217	2 480 217	2 480 217	-	-
Liabilities					
Trade and other payables	506 849	506 849	506 849	-	-
Bank overdraft	584 375	584 375	584 375	-	-
Total	1 091 224	1 091 224	1 091 224	-	-

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 329 million (2019: K6 636 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.

GROUP

	Fair value hierarchy as at 31 December 2020		
	Level 1	**Level 2**	**Total**
	K'000	**K'000**	**K'000**
Financial assets			
Trade and other receivables	-	11 581 604	11 581 604
Cash and bank balances	194 355	-	194 355
Total financial assets	194 355	11 581 604	11 775 959
Financial liabilities			
Financial liabilities held at amortised cost:			
Trade and other payables	-	930 992	930 992
Borrowings	-	4 322 944	4 322 944
Bank overdraft	-	1 379 031	1 379 031
Total financial liabilities	-	6 632 967	6 632 967

25. Fair value measurements (Continued)

	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
Cash and bank balances	160 064	-	160 064
Total financial assets	160 064	8 186 823	8 346 887
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 2020		
	Level 1	Level 2	Total
	K'000	K'000	K'000
Financial assets			
Trade and other receivables	-	3 062 181	3 062 181
Amounts due from subsidiaries	-	549 831	549 831
Dividends receivable	-	557 750	557 750
Cash and bank balances	78 782	-	78 782
Total financial assets	78 782	4 169 762	4 248 544
Financial liabilities			
Financial liabilities held at amortised cost:			
Trade and other payables	-	508 881	508 881
Bank overdraft	-	1 375 623	1 375 623
Total financial liabilities	-	1 884 504	1 884 504

25. Fair value measurements (Continued)

	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	-	239 650	239 650
Dividends receivable	-	250 000	250 000
Cash and bank balances	11 315	-	11 315
Total financial assets	11 315	2 468 902	2 480 217
Financial liabilities			
Financial liabilities held at amortised cost:			
Trade and other payables	-	506 852	506 852
Bank overdraft	-	584 375	584 375
Total financial liabilities	-	1 091 227	1 091 227

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	
	2020	2019	2020	2019
	K'000	K'000	K'000	K'000
Authorised	1 601 600	2 323 400	388 600	1 329 900

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.

	2020	2019
Year-end exchange rate K/US$	771.7	736.4
Inflation rate	7.6%	11%
Bank base rate	12.1%	13.1%

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.

32. COVID-19 Consideration

There is an outbreak of Corona Virus Disease (COVID-19) that was declared a pandemic by the World Health Organisation (WHO) in March 2020. Malawi recorded its first COVID-19 case in the first quarter of 2020. The Authorities declared a state of disaster on 20 March 2020. The Government of Malawi, among other measures, implemented restrictions in both international and local travel and the conduct of doing business in the country in order to curb further spread of the virus. This was also in line with the measures that the other Southern African countries took in preventing further spread of the virus.

The virus slowed down in the last quarter of 2020 going by the reduced number of active cases. The reduction in cases was expected to ease the pressure that was being exerted on the economy by the pandemic. The second wave of COVID-19 pandemic was expected in the first half of 2021.

The global economy is forecasted to recover in the second half of 2021 with a projected GDP growth of 5.4% from the -4.9% in 2020. The Malawi 2020 GDP growth was 1.9% down from the initial projections of 5.1%. The 2021 forecasts indicate that the local economy GDP would grow by 4.5%.

The following were the key factors for consideration in the MPICO plc and its subsidiaries:

I. Impact of COVID-19 on rental income

The COVID-19 pandemic restrictions had a minor impact on the Group except for one of the subsidiary companies (MPICO Malls Limited) where the impact was relatively significant as, among others, travel and hospitality industries were hit hard. Accordingly, MPICO Malls Limited gave rent concessions on a case-by-case basis to the most affected tenants in proportion to the severity of the impact. The Group vacancy rate at year end was at 8.6% from 8.0 in the prior year.

II. Impact of COVID-19 on credit risk

MPICO Group was projecting that Expected Credit Loss (ECL) would increase during the year due to the impact of COVID-19 pandemic on the economy. However, due to having primarily low risk assets, the Group was not significantly affected by the credit risk increase.

III. Impact of COVID-19 on property values

Changes in the macro-economic factors due to the advent of COVID-19 was expected to affect the stability of the real estate market in form of reduced occupancy rates, which in turn was expected to have an impact on the property market values. The 2020 valuation, therefore, was performed with a material uncertainty regarding the future impact that COVID-19 may have on the real estate market. The 2020 property valuations were therefore relatively subdued when compared to previous years.

Note

2020

Annual Report

Designed & Printed by Kris Offset & Screen Printers Ltd

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 Tuesday, 29th June 2021 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.(i)	To waive the requirement to hold a physical AGM			
1.(ii)	To consider, and if though fit pass the special resolution to alter the articles 52 by inserting some clauses			
2.	Approval of Minutes of the 47th AGM.			
3.	Adoption of 2020 Directors' and Auditors' Report and Financial Statements of the Company for the Year Ended 31st December 2020			
4.	Declaration of a Final Dividend of MK643.5 million.			
5.	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.			
6.	To note the appointment of Director Felix Mangani			
7.	To re – elect as Director Mrs. Edith Jiya			
8.	To re – elect as Director Mr. Mark Mikwamba			
9(i)	To approve the increase in the director's fees			
9(ii)	To approve the increase in the sitting allowances			
10.	To authorize Directors to determine the remuneration of the Managing Director.			
11.	Any other Business			

Signed at ……………………………………….on this …………………………….....……day of ………..…………..…..2021

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.