

Annual Report 2016



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A member of  **OLDMUTUAL** Group

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The Chairperson's statement

Economic Environment

The year 2016 has proved to be another challenging one for the economy exacerbated by, among other issues, country-wide interruptions in utility provisions. Electricity blackouts and water shortages affected us greatly and as a result most of our properties had to run on electricity generators for lengthy periods which turned out to be costly for the business. In addition, installed water tanks could not cope with the unprecedented intermittent water supply.

Implementation of the fiscal budget was a challenge due to limited support from the country's development partners as they continued to withhold budgetary support.

The economic environment is forecast to improve margin-ally in the ensuing year because of the expected good agricultural production following good rains. The Malawi Kwacha currency stabilized in the second half of the year after depreciation at the beginning of the year. Inflation was on the downward trend and the Authorities reduced the interest policy rate.

Property Market in Malawi

The office, retail and residential letting market in Malawi continues to perform well. Retail sector has outperformed office sector due to poor policing by local authorities as offices are being illegally allowed to mushroom in residential areas. The property sales market has slowed down considerably as cost of finance has remained high there-by suppressing demand. There has been a huge number of repossessions of properties as buyers have had problems in servicing mortgages due to prevailing high interest rates.

The MPICO Group, excluding The Gateway, has continued to maintain its vacancy rate at less than two percent and will continue to strive for this level in 2017.

The average rental increase achieved during 2016 was 29% across the commercial and residential portfolio. Government rent payments remain a challenge. Once again the stagnation of the economy coupled with high interest rates are having a dampening effect on our tenants' ability to pay rent timeously.

The Gateway has continued to grow. We are pleased with progress being made and the continued interest by prospective tenants as well as the growth in foot traffic. The Gateway occupancy was at 58% at the start of the year but increased to 74% by the end of 2016. Food Lovers' Market opened its operations in December 2016 as the second anchor tenant alongside Shoprite. The increased foot traffic at the mall has resulted in good businesses for most of our tenants.

Rights Issue

During the year MPICO Limited offered a total of 1, 149, 023, 730 shares by a way of renounceable rights offer, at a subscription price of K7.83 per MPICO share on the basis of 1 (one) rights offer shares for every 1 (one) MPICO share held by shareholders. The number of shares increased to 2,298,047,460 from 1,149,023,730.

As anticipated, the Rights Issue was a success and K9.0 billion was raised making it the largest Rights Issue in Malawi and indeed the Malawi Stock Exchange history. Following the Rights Issue exercise, the shareholding changed as follows:

	2016	2015
Old Mutual Malawi	72%	57%
General Public	23%	33%
Lincoln Investments Limited	5%	10%
Total	100%	100%

Total market capitalisation of the company increased to K18 billion as at 31 December 2016 from K9.4 billion as at 31 December 2015.

Group Performance

Overall Group results were satisfactory. Total income increased to MK11.5 billion in 2016 from MK6.1 billion in 2015. This represents an increase of 90% and is attributed to the growth in rental income of 29% and fair value adjustment of 98%.

Total operating expenses went up to MK1.8 billion from MK1.3 billion in 2015. Finance costs went up to MK6.7 billion from MK4.2 billion in 2015. The increase in operating expenses is mostly due to backlog maintenance expenses.

The profit after tax increased to MK2.0 billion from MK0.8 billion, representing a year-on-year increase of 156%.

Human Resources

The MPICO Group has remained the employer of first choice in Real Estate industry. Consequently, MPICO was able to keep and recruit suitable employees. Staff participated in Employee Assistance Programme which aims at keeping the employees aware of their health status thereby increasing their productivity. Employees also participated in an Old Mutual sponsored Culture Survey which helped management to gauge the company's progress in terms of human resources management.

MPICO continues to support training needs of employees.

Prospects for 2017

The economy is expected to pick up following expected good crop harvest and reduced inflation rate. High interest rates, water and electricity challenges are the main downside risks to the growth prospects.

The Group's future looks bright especially after the capital restructuring of MPICO Limited in 2016. This will soon be followed by MPICO Malls restructuring. This will result in reduced finance charges. The Group will continue to grow the 3rd Party consultancy business.



DIRECTORS



Mrs. E. Jiya, Chairperson.

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



Mr. D. Kafoteka, Managing Director, MPICO Limited.

Mr. Kafoteka is the Managing Director for MPICO Limited and its subsidiaries. He was previously the Finance Director of Old Mutual Malawi Limited. His experience in executive management spans more than 20 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 serves on the Boards of National Bank of Malawi, Telekom Networks Malawi and Press Corporation Limited. Mr. Kafoteka is a Certified Chartered Accountant (FCCA, UK), CPA (Mw) and holds a Bachelors of Commerce in Accounting (Bcom) from the University of Malawi Polytechnic, and a Diploma in Business Studies.



Mr. A. G. Barron, non-executive director.

Mr. Barron is a farmer and the Managing Director of Mbabzi Estates Limited and Lincoln Investments (Pvt) Limited, a position that he has held since 1989. Mr Barron holds a Higher National Diploma in Business Studies from the University of West England and has extensive expertise in real estate. He also has a number of other business interests and is a director at Press Corporation Limited, Auction Holdings Limited, Seed-Co Limited, Plantation House Investments Limited and he is Chairman of the Board of Malawi Leaf Limited. He is an alternate councillor at the Tobacco Association of Malawi.



Mr. C. Kapanga, non-executive director.

Mr. Kapanga is a Chartered Insurer (UK.) He also holds an MBA degree (University of Cape Town 2005.) He is one of the earliest Malawians to qualify as an Associate of the Chartered Insurance Institute (ACII UK 1985) and has over 35 years of international experience in the insurance industry.



DIRECTORS (continued)



Mrs. V. Masikini, independent non-executive director.

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



Ms. E. Salamba, non-executive director.

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



Ms. C. Kalaile, non-executive director.

Ms. C. Kalaile is a holder of an LLM in Commercial Law from Cardiff University and an LLB (Hons) from University of Malawi, Chancellor College. Ms. Kalaile also completed her Management Advancement Programme with the University of Wits in 2013. Ms. Kalaile currently works for Old Mutual as the Corporate Governance Manager 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 15 years.



Ms. F. Jacobs (RSA), non-executive director.

Faieda Jacobs has over 30 years of experience in property, ranging from valuations to property management and asset management. She holds a BA LLB from the University of Cape Town and works on strategic projects for Old Mutual Property, based in Pinelands, South Africa. Prior to this role she led the property management team. Her previous positions included key account management at Drake & Scull facilities management and property management at Allan Gray. She serves on several boards, including the Board of the Cape Town Central City Improvement District and is currently Deputy Chair of the Green Building Council of South Africa.



Mr. M. Mikwamba, non-executive director.

Mr. Mikwamba is an investment professional with over 15 years' experience in investment management and capital markets in Malawi. Mr. Mikwamba is a CFA Charter holder, Fellow Certified Chartered Accountant (FCCA, UK) and a holder of Bachelor of Accountancy Degree (Bacc) from the University of Malawi. Mr. Mikwamba also completed his Management Advance Program with the University of Wits in 2013. He sits on FDH Group of companies' boards and is currently Chairman of FDH Financial Holdings Limited. Mr. Mikwamba has held different positions in Old Mutual Malawi Limited and is currently the Managing Director of Old Mutual Investment Group in Malawi. His previous employments include Chief Executive Officer of Stockbrokers Malawi Ltd and Head of Investments and Projects for NICO Holdings Ltd.



SENIOR MANAGEMENT



Mr. C. Katulukira, Financial Controller/Company Secretary

Mr 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 25 years of experience with 17 years in senior management positions.



Mr. E. Jambo, Operations Manager

Mr 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 20 years' experience in Real Estate. He is currently responsible for leasing, facilities management, property valuation and human resource management at MPICO.



Mrs. E. Nyasulu, Operations & Marketing Manager.

Mrs. Chapinduka Nyasulu is a holder of an MBA obtained from the University of Reading (UK). She has an MSc Real Estate (University of Pretoria) and a Bachelor Business Administration (BBA) from the University of Malawi. Mrs. Nyasulu completed Management Advancement Programme with Wits University in 2015. She is a registered & an experienced real estate practitioner with 19 years' work experience and at present she is an Operations and Marketing Manager responsible for the overall management of the Gateway Mall, marketing and management of 3rd party properties for the MPICO Group. She is currently serving the second term as the President of the Surveyors Institute of Malawi. She also chairs the Ethics & Disciplinary Committee of the National Construction Industry (NCIC) Board and sits on National Urban Planning Board.



Mr. R. Butao, Senior Accountant.

Mr. 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 completed Management Advancement Programme with Wits University in 2016. He is responsible for Group's Finance & Accounting, Risk Management and Compliance functions. He has 18 years of experience with 13 years in senior management positions.



DIRECTORS' REPORT

For the year ended 31 December 2016

The directors have pleasure in submitting the consolidated financial statements of MPICO Limited for the year ended 31 December 2016.

Incorporation and registered office

MPICO Limited, which is the holding company of the Group, is a company incorporated in Malawi under the Companies Act, 2013 of Malawi. 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** (2015: 28) investment properties in the country mainly in Lilongwe, Mzuzu and Blantyre, which it lets out to the Government and the Private Sector.

Share capital

The authorized share capital of the holding company is **K150 million** (2015: K60 million) divided into **3,000,000,000** ordinary Shares of 5 tambala each (2015: 1,200,000,000 ordinary shares of 5 tambala each). The issued share capital is **K114.902 million** (2015: K57.451 million) divided into **2,298,047,460** ordinary shares of 5 tambala each (2015: 1,149,023,730 ordinary shares of 5 tambala each), fully paid.

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

	2016	2015
	%	%
Old Mutual Limited	72.0	57.0
General Public	23.0	33.0
Lincoln Investments Limited	5.0	10.0
	<u>100.00</u>	<u>100.00</u>

Profits and dividends

The directors report a net profit for the year of **K1.99 billion** (2015: K0.77 billion). No dividend was declared in respect of 2016 profits for the company.

Financial performance

The results and state of affairs of the Group are set out in the accompanying consolidated statement 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.



DIRECTORS' REPORT (continued)

For the year ended 31 December 2016

Directors

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

Mrs. E. Jiya	-	Chairperson	All year
Mr. D. Mawindo	-	Member	01 January to 20 May 2016
Mr. C. Kapanga	-	Member	All year
Mr. A. Barron	-	Member	All year
Mr. M. Mikwamba	-	Member	All year
Mrs. V. Masikini	-	Member	All year
Mr. P. du Plessis	-	Member	01 January to 19 August 2016
Ms. E. Salamba	-	Member	23 May to 31 December 2016
Mr. D. Kafoteka	-	Member	17 August to 31 December 2016
Ms. Faieda Jacobs	-	Member	17 August to 31 December 2016
Ms. Chifundo Kalaile	-	Member	17 August to 31 December 2016
Mr. S. Malata	-	Member	01 January to 30 June 2016
Mr. C. Katulukira	-	Company Secretary	All year

Directors' interests

The directors noted below hold the following ordinary shares in MPICO Limited (the holding company) at the year-end.

Mr. D. Mawindo	:	43,471 shares	(2015: 43,471 shares)
Mr. S. Malata	:	85,689 shares	(2015: 85,689 shares)
Mr. C. Kapanga	:	252,773 shares	(2015: 252,773 shares)
Mrs. E. Jiya	:	31,649 shares	(2015: 31649 shares)

Activities

MPICO Group is in the business of development, rental and management of property. The Group consists of the following companies:

Company	Nature of operations
MPICO Limited	Development and rental of property
Capital Developments Limited	Development and rental of property
New Capital Properties Limited	Development and rental of property
Capital Investments Limited	Development and rental of property
Frontline Investments Limited	Development and rental of property
MPICO Malls Limited	Development and rental of property

Auditors

The Group's independent auditors, Messrs KPMG, Chartered Accountants and Business Advisors, have indicated their willingness to continue in office subject to the terms of the contract as auditors in respect of Group's **31 December 2017** consolidated financial statements.

BY ORDER OF THE BOARD

CHAIRPERSON

MANAGING DIRECTOR

Date 16 February 2017



STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 2016

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements of MPICO Limited, comprising the statements of financial position as at 31 December 2016 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2013 of Malawi. In addition, the directors are responsible for preparing the directors' report.

The Act also requires the directors to ensure that the Group and individual companies within the Group keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and ensure the consolidated financial statements comply with the Companies Act, 2013 of Malawi.

In preparing the consolidated financial statements, the directors accept responsibility for the following:-

- Maintenance of proper accounting records;
- Selection of suitable accounting policies and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards, when preparing the consolidated financial statements, subject to any material departures being disclosed and explained in the consolidated financial statements; and
- Preparation of the consolidated financial statements on a going concern basis unless it is inappropriate to presume the Group will continue in business.

The directors are also responsible for maintaining adequate accounting records and an effective system of risk management.

The Directors' responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Directors have made an assessment of the Group respective abilities to continue as going concerns and have no reason to believe that these businesses will not be going concerns in the year ahead from the date of this statement.

The auditor is responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with the International Financial Reporting Standards and in the manner required by Malawi Companies Act, 2013.

Approval of the consolidated financial statements

The consolidated financial statements as indicated above, were approved by the Board of Directors on 16 February 2017 and are signed on its behalf by:

CHAIRPERSON:

MANAGING DIRECTOR:



KPMG
Chartered Accountants and Business Advisors
Nurses Council Building
New Capital City Centre
P.O.Box 30463
Lilongwe 3, Malawi

Telephone:(265) 01 773 855/ 01 773 371
Fax: (265) 01 771 070
Email: mw-fminformation@kpmg.com
Website: www.kpmg.cpm/mw

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MPICO LIMITED

Opinion

We have audited the consolidated financial statements of MPICO Limited (the Group) set out on pages 12 to 47, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of MPICO Limited as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2013 of Malawi.

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 *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standard Board for Accountants' *Code for Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our ethical responsibilities in accordance with the IESBA code. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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



Key audit matter

How our audit addressed the key audit matter

Valuation of Investment properties

See Notes 4.3, 6 and 7 to the financial statements

The Group's investment properties comprise various developed properties for office and residential tenancy. The investment properties are measured at fair value, which amounted to **MK 43.5 billion** at year end. The fair value adjustment recorded in net profit for the year in respect of investment properties was **MK5.1 billion**.

The Group uses independent valuers to determine the fair values for all of the properties annually. Significant judgement is required by the valuer in determining the fair value of investment properties.

Due to the significance of the balance to the financial statements as a whole, combined with the judgement associated with determining the fair value, this matter was determined to be a matter of the most significance in the audit of the consolidated financial statements in the current year.

In order to ensure that that all of the Group's properties had been valued, our audit included:

- Obtaining a schedule of the investment properties held by the Group and selecting some items for testing, taking into consideration newly acquired assets, and
- Inspecting title deeds to the properties included on the assets, and
- schedule to ensure that they are in the name of a Company within the Group, as well as checking if there were any encumbrances over the properties and whether these have been properly disclosed.

In terms of the valuation of these properties, we assessed the competence, capabilities and objectivity of the independent valuer, and verified their qualifications. In addition, we reviewed the scope of their work and their terms of engagement to determine that there were no matters that affected their independence and objectivity or imposed scope limitations upon them.

We made use of our experience and knowledge of the market to evaluate the independent valuer's judgements, in particular:

- The models used and their respective inputs; and
- The significant assumptions made in the valuation.

Furthermore, we tested a selection of data inputs underpinning the investment property valuations, including rental income, tenancy schedules, capital expenditure details, and square meter details, against appropriate supporting documentation.

We assessed the accounting treatment and related disclosure of the investment properties from an International Financial Reporting Standards perspective.

Other information

The directors are responsible for the other information. The other information comprises a the Directors' Report and the Statement of Directors' responsibilities, which we obtained prior to the date of this auditors' report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated 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 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 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 auditors' 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.

Responsibilities of directors for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2013 of Malawi, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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 auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

KPMG

Joel Mwenelupembe
Chartered Accountant
(Malawi) Partner

Lilongwe, Malawi

Date 31 March 2017



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

In thousands of Malawi Kwacha

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
ASSETS			
Non-current assets			
Investment properties	6 & 7	43,510,442	37,628,828
Plant and equipment	8	721,600	744,936
Secured staff loans	10	39,497	45,475
Deferred tax assets	11	2,217,274	1,166,590
Total non-current assets		46,488,813	39,585,829
Current assets			
Trade and other receivables	12	7,734,461	2,231,962
Income tax recoverable	22	784,097	426,443
Cash and cash equivalents	14	854,322	260,103
Total current assets		9,372,880	2,918,508
TOTAL ASSETS		55,861,693	42,504,337
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	114,902	57,451
Share premium	16	11,369,361	2,742,423
Distributable reserves		187,130	1,071,806
Non-distributable reserves		14,827,141	11,984,309
Equity attributable to equity holders of the parent		26,498,534	15,855,989
Non-controlling interests	26	1,460,181	1,434,274
Total equity		27,958,715	17,290,263
LIABILITIES			
Non-current liabilities			
Borrowings- long term portion	18	11,208,943	11,774,326
Redeemable preference shares	17	3,904,378	3,904,378
Deferred tax liabilities	11	6,281,436	5,296,060
Total non-current liabilities		21,394,757	20,974,764
Current liabilities			
Borrowings – short term portion	18	1,220,866	688,109
Trade and other payables	19	783,160	1,204,031
Income tax payable		1,564,451	424,739
Dividend payable to non – controlling interest :			
Preference shares	17	2,779,076	1,301,308
Bank overdraft	14	160,668	621,123
Total current liabilities		6,508,221	4,239,310
Total liabilities		27,902,978	25,214,074
TOTAL EQUITY AND LIABILITIES		55,861,693	42,504,337

The consolidated financial statements were approved and authorized for issue by the Board of Directors on

16 February 2017 and were signed on its behalf by:

CHAIRPERSON

MANAGING DIRECTOR

The notes on page 16 to 47 are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

In thousands of Malawi Kwacha

	Notes	2016	2015
Operating revenue			
Rental income	6	3,782,253	2,922,651
Increase in fair value of investment properties	6	5,087,099	2,573,983
Interest income	13	2,579,588	399,334
Other income		87,993	179,544
Total income		11,536,933	6,075,512
Operating expenses			
Property and administration expenses	23	(1,744,681)	(1,230,129)
Allowance for doubtful receivables	12	(28,516)	(31,862)
Total operating expense		(1,773,197)	(1,261,991)
Exchange loss on borrowings		(1,099,775)	(339,189)
Interest on redeemable preference shares	17	(1,477,768)	(1,301,308)
Finance costs on borrowings		(4,110,941)	(2,513,082)
Net finance cost		(6,688,484)	(4,153,579)
Operating profit before income tax		3,075,252	659,942
Income tax (expense) /credit	22	(1,086,613)	116,565
Profit for the year		1,988,639	776,507
APPROPRIATION OF PROFIT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Distributable reserves	24	(884,676)	(694,913)
Non-distributable reserves	24	2,842,832	1,628,054
Amounts attributable to members of the parent		1,958,156	933,141
Amounts attributable to non - controlling interests		30,482	(156,634)
		1,988,638	776,507
Basic earnings per share (K)	24	1.46	0.81
Analyzed as:			
Distributable (K)		(0.66)	(0.61)
Non-distributable (K)		2.12	1.42

The notes on page 16 to 47 are an integral part of the consolidated financial statements.