NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16. Share premium
See accounting policy Note 4.12

	2016	2015
At the beginning of the year	2,742,423	2,742,423
Shares issued	8,626,938	-
At the end of the year	11,369,361	2,742,423

During the year the company made a rights offer at a subscription price of K7.83 per MPICO share on the basis of 1 (one) rights offer shares of every 1 (one) MPICO share held by shareholders. Nominal value of each ordinary being K0.05, the transaction gave rise to a share premium of K8,939 billion which was credited to share premium account less associated transaction costs of K312 million in accordance with IAS 32 and Companies Act (2013) Malawi.

17(a) Premium on redeemable shares
See accounting policy Note 4.12

	2016	2015
Premium on redeemable preference shares	3,904,378	3,904,378

The redeemable preference shares do not carry the right to vote. Holders of redeemable preference shares participate in the company's residual assets only to the extent of the face value of the shares.

17(b) Dividend payable to non – controlling interest - preference shares

	2016	2015
At the beginning of the year	1,301,308	-
Interest on redeemable preference shares	1,477,768	1,301,308
	2,779,076	1,301,308

The redeemable preference shares have a maturity of 7 years. The company is obliged to pay to the holder of the shares a guaranteed annual cumulative dividend at the rate of the 365 day Treasury Bills yield plus 9% until maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. Borrowings
See accounting policy Note 4.8

	National Bank of Malawi	Old Mutual (Malawi) Limited	International Finance Corporation (IFC)	Shelter Afrique	Total
2016					
At 1 January 2016	1,746,467	5,960,024	2,702,498	2,053,446	12,462,435
Additions during the year	985,936	1,401,200	-	-	2,387,136
Accrued interest	191,993	2,418,161	-	-	2,610,154
Exchange loss	-	-	674,348	425,427	1,099,775
Repayments during the year	(2,182,370)	(3,335,701)	(347,948)	(263,672)	(6,129,691)
At December 2016	742,026	6,443,684	3,028,898	2,215,201	12,429,809
Amounts due after 1 year	740,545	5,879,997	2,689,263	1,899,138	11,208,943
Amounts due within 1 year	1,481	563,687	339,635	316,063	1,220,866
Total borrowings	742,026	6,443,684	3,028,898	2,215,201	12,429,809
2015					
At 1 January 2015	1,673,705	4,059,017	2,681,100	2,025,000	10,438,822
Additions during the year	-	496,000	-	-	496,000
Accrued interest	137,523	1,505,007	-	-	1,642,530
Exchange loss	-	-	184,121	144,851	328,972
Repayments during the year	(64,761)	(100,000)	(162,723)	(116,405)	(443,889)
At December 2015	1,746,467	5,960,024	2,702,498	2,053,446	12,462,435
Amounts due after 1 year	1,575,572	5,960,024	2,448,214	1,790,516	11,774,326
Amounts due within 1 year	170,895	-	254,284	262,930	688,109
Total borrowings	1,746,467	5,960,024	2,702,498	2,053,446	12,462,435

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For the year ended 31 December 2016

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18. Borrowings (continued)

Borrowings summary

	2016	2015
Balance at 1 January	12,462,435	10,438,822
Additions during the year	2,387,136	496,000
Exchange loss/gain on foreign loans	1,099,775	339,189
Accrued interest	2,610,154	1,632,313
Repayments during the year	(6,129,691)	(443,889)
Balance at 31 December	12,429,809	12,462,435
Amounts due after 1 year	11,208,943	11,774,326
Amounts due within 1 year	1,220,866	688,109
Total borrowings	12,429,809	12,462,435

18.1 K1.5 billion was borrowed from National Bank of Malawi. The amount is subject to interest charges at 1.5% below the bank's base lending rate and is repayable over a period of 10 years with a moratorium of 2 years. The loan has since been repaid.

18.2 K986 million was borrowed from National Bank of Malawi and in turn advanced to MPICO Malls Limited for the latter to pay final invoices of the main contractor and also to carry out fittings at the Gateway Mall.

18.3 K1.583 billion was borrowed from Old Mutual Malawi (related party). The amount is subject to interest charges at 1% above the National Bank of Malawi base lending rate. The transaction is at arm's length. The facility was entered to finance the construction of the Gateway Mall.

18.4 Included in the borrowings figure is an amount of K1.4 million obtained from National Bank of Malawi to finance the purchase of the Managing Director's car. The amount is subject to interest at the bank's base lending rate. The last instalment is due for repayment in January 2017.

18.5 K1.4 billion from Old Mutual Malawi (related party). The amount is subject to interest charges at 1% above National Bank of Malawi base lending rate. The transaction is at arm's length.

18.6 ZAR66.2 million and ZAR50 million from International Finance Corporation (IFC) and Shelter Afrique respectively. The facilities are subject to interest charges at 3 months JIBAR plus 5.5% per annum.

18.7 Securities for these borrowings have been outlined under note 7 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

In thousands of Malawi Kwacha

		2016	2015
19.	**Trade and other payables**		
	See accounting policy Note 4.13		
	Accruals	114,817	817,000
	Prepaid rentals	210,371	145,090
	Other payables	288,501	68,648
	Property expenses payables	169,471	173,293
		783,160	1,204,031

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

Property expenses payables relate to unpaid but recognised 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.

20. **Changes in fair value of investment properties**

See accounting policy Note 4.3

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

Fair value adjustment credited to:

	2016	2015
Profit or loss	5,087,099	2,573,983
Related deferred tax	(1,525,602)	(667,553)
Non- controlling interests	(718,665)	(278,376)
Amount transferred to non-distributable reserves	2,842,832	1,628,054

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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21. Operating profit before income tax

	2016	2015
Profit before taxation is arrived at after charging/(crediting):-		
Auditors' remuneration	37,310	16,695
Group internal auditors' remuneration	1,296	13,000
Depreciation of plant and equipment	70,512	48,832
Profit on disposal of non-current assets	90	127,119
Directors' remuneration - fees for services as	32,005	7,612
- for managerial services	113,547	58,788
Bad debts	28,516	31,862
Pension costs	58,565	51,388
Staff costs	633,004	508,474

22(a) Income tax credit /

	2016	2015
Income tax based on taxable profits at **30%** (2015:30%)	1,151,920	346,528
Deferred tax liability movement	(65,307)	(544,609)
Dividend tax	-	81,516
Total income expense / (credit)	1,086,613	(116,565)

Reconciliation of effect tax rates to standard rates

		2016		2015
Profit before tax income		3,075,252		659,942
Income tax based on tax profits	30%	922,576	30%	197,983
Non-deductible expense	14%	417,402	69%	456,671
Income not subject to tax	(8%)	(235,739)	16%	102,910
Other temporary differences	(1%)	(17,626)	(132%)	(874,129)
Effective tax rate	35%	1,086,613	(18%)	(116,565)

22(b) Income tax recoverable

	2016	2015
As at 1 January	426,443	215,344
Charge for the year	727,515	990,341
Paid during the year	(369,861)	(779,242)
As at 31 December	784,097	426,443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

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23. Property and administration expenses	2016	2015
Net property expenses	513,607	357,408
Salaries, benefits and administration costs	796,264	619,930
Other costs	434,810	252,791
Total property and administration expenses	1,744,681	1,230,129

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

24. Earnings per share

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

Distributable profit	(884,676)	(694,913)
Non-distributable profit	2,842,832	1,628,054
Profit for the year attributable to equity holders of the parent	1,958,156	933,141
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,340,527	1,149,024
Earnings per share (K)	1.46	0.81
Analysed as		
- Distributable (K)	(0.66)	(0.61)
- Non- distributable (K)	2.12	1.42

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

Profit before taxation	3,075,252	659,942
Increase in fair value of investment properties	(5,087,099)	(2,573,983)
Interest receivable	(2,579,588)	(399,334)
Interest payable	4,110,941	2,513,082
Interest on redeemable preference shares	1,477,766	1,301,308
Depreciation	70,513	48,832
Changes in trade and other receivables	(5,502,499)	362,053
Changes in trade and other payables	(420,873)	34,293
Profit on disposal of non-current assets	(90)	(127,119)
Net cash (outflow)/inflow from operating activities	(4,855,677)	1,819,074

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26. Group subsidiaries

See accounting policy Note 4.1

26.(a) NCI in subsidiaries

The following table summarises the information relating to the Group's subsidiaries that have material non- controlling interest (NCI) before any intra-Consolidated eliminations.

2016	Capital Investments Limited	Frontline Investments Limited	MPICO Malls Limited	Total
NCI percentage	49.25%	30.5%	34.20%	-
Non-current assets	5,261,652	1,876,310	23,127,764	30,262,726
Current assets	2,620,527	993,140	1,515,996	5,129,663
Non-current liabilities	(1,534,405)	(545,579)	(19,434,984)	(21,514,968)
Current liabilities	(825,765)	(346,945)	(5,096,084)	(6,268,794)
Net assets	5,522,009	1,976,926	112,692	7,608,627
Revenue	2,720,423	1,162,281	1,828,217	5,710,921
Profit / (loss)	1,819,279	770,509	(3,218,829)	114,858
Total comprehensive income	1,819,279	770,509	(3,218,829)	(570,673)
Profit allocated to NCI	895,995	235,005	(1,100,518)	30,482
Net increase (decrease) in cash and cash equivalents	(11,436)	(1,261)	(206,074)	(218,771)
2015				
NCI percentage				
Non-current assets	4,367,548	1,395,899	20,028,471	25,791,918
Current assets	896,952	357,973	410,581	1,665,506
Non-current liabilities	(1,265,514)	(401,267)	(14,072,477)	(15,739,258)
Current liabilities	(296,256)	(131,188)	(3,035,053)	(3,462,497)
Net assets	3,702,730	1,221,417	3,331,522	8,255,669
Revenue	1,161,875	421,325	1,054,567	2,637,767
Profit/ (loss)	762,637	262,072	(1,759,877)	(735,168)
Total comprehensive income	762,637	262,072	(1,759,877)	(735,168)
Profit allocated to NCI	375,599	79,932	(612,165)	(156,634)
Net increase (decrease) in cash and cash equivalents	33,808	(633)	(547,774)	447,3696

26.(b) Non-controlling interest

Movement for the year	2016	2015
At 01 January	1,434,274	1,753,796
Profit allocated to NCI	30,382	(156,634)
Dividend paid to NCI	(4,575)	(162,888
	1,460,181	1,434,274

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27. 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.

	2016	2015
Financial assets		
Trade and other receivables	7,734,461	2,231,962
Secured staff loans	39,497	45,475
Funds at call and on deposit	726,625	1,842
Bank balance and cash	127,697	258,261
Total financial assets	8,628,280	2,537,540
Financial liabilities		
Borrowings	12,429,809	12,462,435
Premium on redeemable preference shares	3,904,378	3,904,378
Dividend payable to minority share - preference	2,779,074	1,301,308
Trade and other payables	783,160	1,204,031
Bank overdraft	160,668	621,123
Total financial liabilities	20,135,825	19,493,275

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

- Capital risk
- Market 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 4 to the consolidated 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 consolidated statement of changes in equity.

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27. Financial risk management (continued)

(a) Capital risk management (continued)

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. There are no externally imposed capital requirement and during the year the Group raised additional capital through rights issue.

(b) Market risk

(i) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies hence it is exposed to exchange rate fluctuations. The Group is exposed to foreign currency loans obtained from IFC and Shelter Afrique for ZAR56.4 million and ZAR41.3 million respectively. The amounts were used for the construction of the Mall.

As at year end, the Group had the following foreign currency exposure.

Liabilities

	2016	2015
South African Rand	ZAR97,703	ZAR109,625

(ii) 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.

(c) 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 in good time 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 indusry.

The carrying amount of receivables (note 12) and cash equivalents (note 14) recorded in the consolidated financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. Financial risk management (continued)

(d) 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 remaining contractual, undiscounted 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 Group can be required to pay.

	Carrying amounts	Gross Nominal inflow/outflow	1 -3 months	3 - 12 months	Over 12 months
2016					
Liabilities					
Trade and other payables	783,160	783,160	783,160	-	-
Borrowings	12,429,809	12,429,809	565,168	655,698	11,208,943
Dividend payable minority preference shares	2,779,076	2,779,076	-	-	2,779,076
Premium on redeemable preference shares	3,904,378	3,904,378	-	-	3,904,378
Bank overdraft	160,668	160,668	160,668	-	-
Total	20,057,091	20,057,091	1,508,996	655,698	17,892,397
2015					
Liabilities					
Trade and other payables	1,204,031	1,204,031	1,204,031	-	-
Borrowings	12,462,435	12,462,435	243,055	445,054	11,774,326
Premium on preference shares	3,904,378	3,904,378	-	-	3,904,378
Dividend payable to minority preference shares	1,301,308	1,301,308	-	-	1,301,308
Bank overdraft	621,123	621,123	121,123	500,000	621,123
Total	19,493,275	19,493,275	1,568,209	945,054	16,493,275

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2016

27. **Financial risk management** (Continued)

(e) Accounting classifications and fair values of financial instruments

(i) Valuation models
The group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- **Level 1**: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- **Level 2**: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- **Level 3**: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets

If the Group measures portfolios of financial assets and financial liabilities on the basis of net exposures to market risks, then it applies judgement in determining appropriate portfolio-level adjustments such as bid-ask spreads. Such adjustments are derived from observable bid-ask spreads for similar instruments and adjusted for factors specific to the portfolio. Similarly, when the Group measures portfolios of financial assets and financial liabilities on the basis of net exposure to the credit risk of a particular counterparty, then it takes into account any existing arrangements that mitigate the credit risk exposure (e.g. master netting agreements with the counterparty).

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27. **Financial risk management** (Continued)

(ii) Fair value of financial instruments– fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statements of financial position.

31 December 2016		Carrying amount				Fair value			
	Note	Loans and receivables	Fair value	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Assets									
Other assets measured fair value									
Investment properties	6&7	-	43,510,442	-	43,520,442	-	-	43,510,442	43,510,442
		-	43,510,442	-	43,520,442	-	-	43,510,442	43,510,442
Financial assets not measured at fair value									
Cash and cash equivalents	14	854,322	-	-	854,322	-	-	-	-
Secured staff loans	10	39,497	-	-	39,497	-	-	-	-
Trade and other receivables	12	7,734,457	-	-	7,734,457	-	-	-	-
Total		8,628,276	-	-	8,628,276	-	-	-	-
Financial liabilities not measured at fair value									
Borrowings	18	12,429,809	-	-	12,429,809	-	-	-	-
Trade and other payables	19	-	-	783,160	783,160	-	-	-	-
Redeemable preference shares	17	-	-	3,904,378	3,904,378	-	-	-	-
Dividend payable to minority		-	-	2,779,076	2,779,076	-	-	-	-
Bank over draft	14	160,668	-	-	160,668	-	-	-	-
Total		12,590,477	-	7,466,614	20,057,091	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27. Financial risk management (continued)

f) Categories of financial instruments

	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value
31 December 2016				
Cash and cash equivalents	854,322	-	854,322	854,322
Secured staff loan	39,497	-	39,497	39,497
Trade and other receivables	7,734,461	-	7,734,461	7,734,461
Total	8,628,276	-	8,628,280	8,628,280
Trading liabilities				
Borrowings	-	12,429,809	12,429,809	12,429,809
Premium on redeemable preference shares	-	3,904,378	3,904,378	3,904,378
Dividend payable to minority		2,779,076	2,779,076	2,779,076
Trade and other payables		783,160	783,160	783,160
Bank overdraft	-	160,668	160,668	160,668
Total	-	20,057,09	20,057,09	20,057,091
31 December 2015				
Cash and cash equivalents	260,103	-	260,103	260,103
Secured staff loan	45,475	-	45,475	45,475
Trade and other receivables	2,231,962	-	2,231,962	2,231,962
Total	2,537,540	-	2,537,540	2,537,540
Trading liabilities				
Borrowings	-	12,462,435	12,462,435	12,462,435
Trade and other payables	-	1,204,031	1,204,031	1,204,031
Premium on redeemable preference shares	-	3,904,378	3,904,378	3,904,378
Dividend payable to minority		1,301,308	1,301,308	1,301,308
Bank overdraft	-	621,123	621,123	621,123
Total	-	19,493,275	19,493,275	19,493,275

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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In thousands of Malawi Kwacha

28. **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 **K3.8 billion** (2015: K2.9billion).

29. **Contingent liabilities**

There are a number of proceedings outstanding against the Group as at 31 December 2016. If defence against these actions is unsuccessful, the claims and litigation costs could amount to **K14 million** (2015: K54 million).

	2016	2015
30. Capital commitments		
Authorised	665,600	318,450

Capital expenditure commitments are finanaced from internal sources existing facilities as well as external sources.

31. **Exchange rates and inflation**

The average of the period-end buying and selling rates of the foreign currencies most affecting the performance of the Group are stated below, together with the National Consumer Price Index, which represents an official measure of inflation.

Kwacha/ US	725.4	664.5
Kwacha/Rand	50.4	41.9
Kwacha/ GBP	878.2	973.9
Kwacha/Euro	748.8	717.8
Inflation (%)	19.9%	24.9%

As at signing of these financial statements the above rates had moved as follows:

Kwacha/ US	725.4	686.4
Kwacha/Rand	53.3	44.7
Kwacha/ GBP	891.8	968.9
Kwacha/Euro	760.5	767.4
Inflation (%)	20%	23.5%

32. **Subsequent events**

Subsequent to the reporting date, no events have occurred necessitating adjustments to or disclosure in these consolidated financial statements.

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2016

MPICO LIMITED
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2016

MPICO

A member of OLDMUTUAL Group

DIRECTORS' REPORT
For the year ended 31 December 2016

The directors have pleasure in submitting the separate audited financial statements of MPICO Limted and for the year ended 31 December 2016

Incorporation and registered office

MPICO Limited, 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 company has **15** (2015: 15) 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 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
	100.00	100.00

Profits and dividends

The directors report a net profit for the year of **K1.160 billion** (2015: K1.254 billion). No dividend was declared in respect of 2016 profits for the company.

Financial performance

The results and state of affairs of the company are set out in the acompanying 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	01 January to 20 May 2016
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 the 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 Limited is in the business of development, rental and management of property. It has subsidiary companies as follows:

Subsidiaries of MPICO Limited		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	69.50%	Development and rental of property
MPICO Malls Limited	65.8%	Development and rental of property

Auditors

The Company's independent auditors, Messrs KPMG, Chartered Accountants and Business Advisors, have indicated their willingness to continue in office as auditors in respect of Company's **31 December 2017** 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 separate financial statements of MPICO Limited, comprising the statements of financial position at 31 December 2016 and the statements of separate profit or loss and other comprehensive income, separate changes in equity and consolidated cash flows for the year then ended, and the notes to the separate financial statements, which include a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards 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 Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and ensure the separate financial statements of 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 judgements and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards, when preparing the separate financial statements, subject to any material departures being disclosed and explained in the financial statements; and
- Preparation of separate financial statements on a going concern basis unless it is inappropriate to presume the company 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 separate 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 company to continue as a going concern 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 separate 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 separate 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: ______________________

DIRECTOR: ______________________

KPMG
Chartened Accountants and Business Advisors
Nurses Counsil 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

Opinion

We have audited the separate financial statements of MPICO Limited (the Company) set out on pages 55 to 86 which comprise the separate statement of financial position as at 31 December 2016, and the separate 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 separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the separate financial position of MPICO Limited as at 31 December 2016, and of its separate financial performance and its separate 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 separate financial statements* section of our report. We are independent of the Company 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate 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 Company's investment properties comprise various developed properties for office and residential tenancy. The investment properties are measured at fair value, which amounted to **MK 11.7 billion** at year end. The fair value adjustment recorded in net profit for the year in respect of investment properties was **MK1.8 billion**. The Company uses an independent valuer 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 separate financial statements in the current year.	In order to ensure that that all of the Company's investment properties had been valued, our audit included: • Obtaining a schedule of the investment properties held by the Company and selecting some items for testing, taking into consideration newly acquired assets, and • Inspecting title deeds to the properties included on the schedule to ensure that they are in the name of the Company, 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,

Other information

The directors are responsible for the other information. The other information comprises 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 to be made available to us after that date. The other information does not include the separate financial statements and our auditors' report thereon.

Our opinion on the 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 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 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 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.