MPICO LIMITED

(Incorporated in the Republic of Malawi on 12 August 1972)
(Registration number 1495)
(Share code: MPICO)
("MPICO" or "Company")

PRE-LISTING STATEMENT

This Pre-listing Statement is not an invitation to the public to subscribe for shares, but is issued for the purpose of giving information to the public with regard to MPICO. This Pre-listing Statement is in terms approved by the Registrar of Companies and the Malawi Stock Exchange.

PRE-LISTING STATEMENT
In respect of:
A rights offer by MPICO to existing shareholders of the Company of 1,149,023,730 ordinary shares with a par value of K0.05 each in the ordinary share capital of MPICO ("Rights Shares") at a subscription price of K7.83 per ordinary share ("Rights Offer") in the ratio of (1) one ordinary share for every one ordinary share already held
The listing of 1,149,023,730 shares in MPICO on the MSE ("Listing")

1. MPICO PROFILE

1.1 BACKGROUND AND HISTORY

MPICO (formerly Malawi Property Investment Company) Limited was incorporated on 12 August, 1972 with a nominal capital of K4 million by Capital City Development Corporation ("CCDC"), a parastatal established with the objective of attracting international and Malawian based private sector investment into the development of Malawi's new capital city, Lilongwe, in accordance with the Capital City Development Corporation Act (Cap. 39:02) of the Laws of Malawi.

While CCDC concentrated on fabricating infrastructure for the new capital city primarily in low cost shelter, government offices and housing, MPICO concentrated on building private sector offices, housing, shops, factories, hotels and warehousing with the assistance of private sector capital. MPICO went on to incorporate subsidiary companies to cater for specific development projects. By 1979 the MPICO group comprised of 18 companies with property assets of 400 residential units, 2 hotels, 11 industrial units and a number of other properties.

With CCDC's major objectives having been achieved, the corporation was dissolved in early 1984. Reorganization of the MPICO group took place between 1980 and 1984, and in 1983 MPICO established itself as the largest property and management company, with a focus on industrial and commercial property development. MPICO's investment and development program was further expanded to cover other cities with a focus on the 3 major urban centres in Malawi being Lilongwe, Mzuzu and Blantyre. In 1987 MPICO launched a property consultancy service which included valuation, property advisory and related services.

In the late '80s and '90s many of MPICO's industrial and residential interests were sold or transferred. The current portfolio of properties is worth over MK40 billion.

The privatization trend became common in African developing countries around 1980s to 1990s as part of structural adjustment programs (SAPs). In line with the privatization policy in the 1990's, the Government decided to privatize MPICO and sell its shares to the general public after allowing co-shareholders to exercise their pre-emption rights. On 12 November 2007, the company got listed on the Malawi Stock Exchange and Old Mutual became the majority shareholder with 57% interest. The Malawi Property Investment Company Limited changed its name to the much shorter MPICO Limited on 30th June 2011. With such turn of events the Company became a pure independent developer and investment company.

1.2 UNDERLYING INVESTMENTS

MPICO's clientele base comprises of over 300 large and small businesses with Government being the largest tenant occupying around 50% of total lettable space. Effective 1 July contracts with the Government and related entities have been amended to lease terms of 1 year with rentals due at the end of the month. Contractual terms for other tenants vary but are typically 1 year leases with 1 month notice periods and rental payments due quarterly in advance.

MPICO has the following 5 investment property vehicles in the country, mainly in Lilongwe and Blantyre, whose properties it lets out to Government and the private sector entities.

Company	Par value per share	Authorised share capital	Paid up share capital	MPICO Limited interest
New Properties Capital Limited	K1.00	K1,000,000	K700,000	100.00%
Capital Developments Limited	K1.00	K15,200,000	K15,200,000	100.00%
Frontline Investments Limited	K1.00	K1,000,000	K1,000,000	69.50%
Capital Investments Limited	K1.00	K2,000,000	K2,000,000	50.75%
MPICO Malls	K1.00	K1,000,000	K1,000,000	65.80%

MPICO has the following properties located across the three regions in the country. The values of the properties listed below are as at the most recent valuation of all MPICO properties as at 30 June 2016.

Building	Lettable Area	Value MK (,000)
Gemini House	5 736	2 788 500
Capital House	4 431	2 001 500
Lingadzi House	3 920	1 366 500
Plaza House	3 194	1 341 000
Centre House	4 130	2 666 000
Tikwere House	3 939	1 292 000
Zowe House	2 757	1 201 500
Old Mutual House, LL	2 062	944 500
Chief Kilupula Building	1 972	911 500
Development House, LL	1 795	717 500
Aquarius House	1 098	725 500
Ekistics House	901	529 000
CIL House	1 140	598 500
Deloitte House	720	448 500
Taurus House	750	423 000
KIA Offices/Warehouse	984	124 000
Area 11 Flats	1 332	536 000
Gateway Shopping Mall	17 644	18 424 000
CIL Warehouse	821	216 500
Area 12 PTC	277	96 000
Area 10 PTC	151	61 500
Kanengo Shops	224	33 500
Ntcheu PTC	245	31 500
Total Central Regions	60 223	37 505 000
Development House, BT	3 502	1 237 000
MPICO House, BT	2 065	767 500
LK 222	n/a	78 500
Total Southern Regions	5 567	2 03 000
MPICO House, Mzuzu	2 080	634 000
Total Northern Region	2 080	634 000
Total MPICO Group	67 869	40 222 000

1.3 STAFF

MPICO has highly skilled and capable staff members, many of whom hold degree level qualifications and are members of professional institutes.

The MPICO Group has a staff complement of 27 people. The table below shows staff according to different categories.

Category	Number
Executive Management Team	5
Senior staff	8
General staff	14

1.4 LITIGATION STATEMENT

MPICO is not engaged in any substantial or material litigation and the Directors of the Company have no knowledge of any facts likely to give rise to such lawsuits or arbitration proceedings

2. RIGHTS OFFER

No major contracts or changes in activity are contemplated or intended as a result of the Rights Offer.

The proceeds of the Rights Offer, amounting to approximately K9 billion will be used to repay MPICO's debt. Owing to a weakening currency and a high interest rates environment, MPICO needs to restructure its balance sheet to free up capital for growth prospects in its key interest areas.
The Rights Offer has been fully underwritten by FDH Financial Holdings Limited, NICO Asset Managers Limited and Old Mutual (Malawi) Limited.

3. IMPORTANT DATES

MPICO wishes to offer ordinary shares to its existing shareholders in the form of a Rights Offer of 1,149,023,730 shares in the share capital of the company on the basis of 1 (one) right for every 1 (one) MPICO share held which will subsequently be listed on the MSE.
Application for listing of the Rights Offer Shares has been made to the MSE and is expected to commence on or about Thursday 21 November 2016.
Permission to trade in the Letters of Allocation in relation to the Rights Shares has been granted by the MSE from Monday 17 October 2016 to Wednesday 9 November 2016.

Important dates and times of the Rights Offer and Listing are set out below:

Last date for the first announcement giving the last day for registration for the rights	30 September 2016
Second announcement giving the terms of the rights.	10 October 2016
Third announcement giving the salient dates for the rights offer.	12 October 2016
All documentation described in the MSE listing requirements must have been submitted to and approved by the MSE.	
Last day to register for the rights offer.	14 October 2016
Rights offer opens: Listing of and trading in Letters of Allocation on the MSE commences. Securities listed ex rights.	17 October 2016
Last day for receipt of postal registrations.	19 October 2016
Prospectus/Circular and/or pre-listing statement and letters of allocation posted to shareholders registered for the rights offer.	21 October 2016
Last day for dealing in letters of allocation. Last day for splitting letters of allocation (15h00).	9 November 2016
Rights Offer closes (3:00pm) (earliest date).	11 November 2016
The last date for postal acceptances of the Rights Offer	**16 November 2016**
Fourth announcement giving the results of the rights offer	18 November 2016
The securities that are the subject of the rights offer listed (if granted)	21 November 2016

All references to time are GMT+2 (Malawi time)

Notes:
The above dates are subject to change and any amendments will be published in the press
Existing MPICO share certificates will remain good for delivery regarding shareholdings in MPICO, whilst new share certificates will be distributed for Rights Shares as indicated above.

4. SUMMARISED TRADING AND FINANCIAL INFORMATION

Audited summary income statements of MPICO for the preceding five years ended 31 December and the half year June 2016 income statement are as follows:

Company financial review (amounts in millions of Malawi Kwacha)

	Half Year 30 Jun 2016	Year ended 31 Dec 2015	Year ended 31 Dec 2014	Year ended 31 Dec 2013	Year ended 31 Dec 2012	Year ended 31 Dec 2011
Rental income	1,704	2,923	2,005	1,552	1,279	1,139
Increase in fair value of investment properties	2,355	2,574	1,938	1,501	2,641	2,050
Other income	693	579	553	273	285	229
Total Income	4,751	6,076	4,496	3,326	4,206	3,417
Property and administrative expenses	(1,184)	(1,230)	(856)	(682)	(598)	(429)
Provisions for doubtful receivables	-	(32)	(10)	(13)	(1 446)	(22)
Total operating expenses	(1,184)	(1,262)	(865)	(695)	(2,044)	(450)
Profit from operations	3,567	4,814	3,631	2,631	2,161	2,967
Exchange loss on borrowings	(438)	(339)	(276)	-	-	-
Interest on redeemable preference share-	(651)	(1,301)	-	-	-	-
Finance costs on borrowings	(1,681)	(2,513)	(1,002)	(0)	(3)	(0)
Net finance income/(costs)	(2,769)	(4,154)	(1,278)	(0)	(3)	(0)
	798	660	2,353	2,631	2,159	2,966
Income tax credit / (expense)	(109)	117	(899)	(672)	(683)	(935)
Profit for the year	**689**	**777**	**1 455**	**1,958**	**1,475**	**2,032**
Equity holders of the compan	769	933	1,218	1,658	1,118	1,734
Minority interest	(80)	(157)	236	301	358	298
Basic earnings per share	0.63	0.81	1.06	1.44	0.97	1.51
Analysed as: Distributable	(0.53)	(0.61)	0.07	0.61	(0.44)	0.45
Non-distributable	1.20	1.42	0.99	0.81	1.41	1.06

STATEMENTS OF CASH FLOWS in millions of Malawi Kwacha	2015	2014	2013	2012	2011
Net cash (outflow) /inflow from operating activities	1,819	507	(256)	872	1,252
Return on investments and servicing of finance					
Interest received	399	513	240	221	197
Interest paid	(2,513)	(1,002)	(0)	(3)	(0)
Net cash used in operating activities and servicing of finance	(2,114)	(489)	240	218	197
Taxation paid	(779)	(110)	(78)	(604)	(327)
Net cash used in operating activities	(2,893)	(599)	161	(386)	(131)
Cash flows to investing activities					
Additions to plant and equipment and additions to investment properties	(658)	(82)	(19)	(26)	(148)
Additions to capital work in progress	(958)	(8,877)	(3,543)	(2,446)	(2,677)
Proceeds on disposal of non-current assets	401	1	4	462	38
Staff loan movement	3	3	(25)	2	1
Net cash used in investing activities	(1,211)	(8,955)	(3,583)	(2,008)	(2,786)
Cash flows from financing activities					
Proceeds from borrowings	2,139	7,267	-	2,372	670
Exchange loss related to borrowings	329	302	-	-	-
Repayment to borrowings	(444)	(205)	(666)	-	-
Increase in capital	-	2,218	4,464	-	-
Dividends paid	(46)	(23)	-	-	-
Dividends paid to outside shareholders	(270)	(112)	(32)	(73)	(70)
Net cash generated from financing activities	1,708	9,447	3,766	2,299	599
Net (decrease)/increase in cash and cash equivalents	(578)	(184)	88	777	(1,065)
Cash and cash equivalents at the beginning of the year	217	401	(272)	(1,049)	16
Cash and cash equivalents at the end of the year	(361)	217	(184)	(272)	(1,049)

The directors' consolidated forecasted income statement for the financial year ending 31 December 2016 to 2018 is as follows:

	2016	2017	2018
Rental income	3,781	5,174	6,360
Increase in fair value of investment properties	3,768	4,145	4,559
Other income	1,869	1,083	1,301
Total Income	9,418	10,403	12,220
Total operating expenses	(2,087)	(2,504)	(3,005)
Profit from operations	**7,331**	**7,898**	**9,215**
Provision for doubtful debts	(20)	(24)	(29)
Interest on redeemable preference shares	(1,301)	(1,301)	(1,301)
Finance costs on borrowings	(2,398)	(481)	(415)
Net finance income / (costs)	**(3,719)**	**(1,807)**	**(1,745)**
Profit before income tax	**3,612**	**6,091**	**7,470**
Income tax credit / (expense)	(1,878)	(2,313)	(2,650)
Profit for the year	**1,734**	**3,778**	**4,821**

KPMG, Public Accountants, are registered as public accountants with the Society of Accountants in Malawi and the Malawi Accountants Board. KPMG have been auditors of MPICO, and have reported on the annual financial statements of the Company without qualification, throughout the last five-year period.

5. SHARE CAPITAL

The authorised, issued and fully paid up share capital of MPICO is set out below:

	Millions of kwacha
Before the Rights Offer	
Authorised	
1,200,000,000 ordinary shares of MK0.05 each	60.00
Issued	
1,149,023,730 ordinary shares of MK0.05 each	57.45
After the Rights Offer	
Authorised	
3,000,000,000 ordinary shares of MK0.05 each	150.00
Issued	
2,298,047,460 ordinary shares of MK0.05 each	114.90

As at the last practicable date (before the Rights Offer date), shareholders with an interest of more than 5% are as shown in the table below.

Shareholder	Interest
Old Mutual Limited	57.00%
Lincoln Investments	10.00%

Old Mutual Malawi Limited which owns 57% shareholding in MPICO will be exercising its rights and will underwrite a further 10% of the Rights Offer. Subsequent to the Rights Offer and Listing, the shareholders set out below will have the indicative shareholding if they fully exercise their rights.

	Before rights issue	After rights issue
Shareholder	**Interest**	**Interest**
Old Mutual Limited	57.00%	57.00%
Lincoln Investments	10.00%	10.00%
Public	33.00%	33.00%

The Rights Shares being offered to existing MPICO shareholders will, upon their issue, rank pari passu in all respects with the existing ordinary shares of the Company from the date of their issue. The Rights Shares will be eligible for participation in any dividends declared henceforth.

6. CORPORATE INFORMATION

Sole Financial Advisor
Standard Bank Limited
Standard Bank Centre, African Unity Avenue
P.O. Box 30380
Lilongwe, Malawi

Reporting Accountant
KPMG
MASM House, Lower Sclater Road
P.O. Box 508
Blantyre, Malawi

Transfer Secretaries
National Bank of Malawi Limited
NBM Towers, 7th Henderson Street
P.O. Box 945
Blantyre, Malawi

Receiving Bank
National Bank of Malawi Limited
NBM Towers, 7th Henderson Street
P.O. Box 945
Blantyre, Malawi

Legal Advisor
Savjani & Co
Hannover House
P.O. Box 2790, Blantyre, Malawi

Sponsoring Broker
FDH Stockbrokers Limited
Umoyo House, Victoria Avenue
P.O. Box 512, Blantyre, Malawi

Lead Receiving Bank
Standard Bank Limited
Standard Bank Centre, African Unity Avenue
P.O. Box 30380
Lilongwe, Malawi

Receiving Bank
FDH Bank Limited
Umoyo House, Victoria Avenue
P.O. Box 512
Blantyre, Malawi

Underwriter
NICO Asset Managers Limited
Chibisa House, 19 Glyn Jones Road
P.O. Box 501, Blantyre, Malawi

Underwriter
FDH Financial Holdings Limited
Umoyo House, Victoria Avenue
P.O. Box 512, Blantyre, Malawi

Registrar of Financial Institutions
Reserve Bank of Malawi
P. O. Box 30063
Lilongwe, Malawi

Principal Bankers of the Company
National Bank of Malawi Limited
Underwriter
Old Mutual Malawi Limited
Old Mutual Building,
30 Glyn Jones Road
P.O. Box 393, Blantyre, Malawi

Registered office of the Company
Old Mutual House
Robert Mugabe Crescent
P. O. Box 30459, Lilongwe, Malawi

Auditors
KPMG
Anamwino House, New City Centre
P.O. Box 30453, Lilongwe 3

Joel Mwenelupembe, Partner, FCCA, CA (Malawi)
Alexander Chimimba, Audit Manager, FCCA, CA (Malawi)

7. DIRECTORS AND COMPANY SECRETARY

The following table sets out particulars of the Directors and the Company Secretary of MPICO

Name	Citizen	Residential and business address
Mrs Edith Jiya	Malawian	Old Mutual, Box 393, Namiwawa BW 833, Blantyre
Mr Andrew G. Barron	British	Mbabzi Estates Box 50, Mbabzi Estates, Lilongwe
Mr Christopher Kapanga	Malawian	C/o Old Mutual Box 393 Sunnyside no 7 Skerret Drive, Blantyre
Mr Damien Kafoteka	Malawian	C/O MPICO Box 30459, Lilongwe 3, Area 12/602, Mwambo Street
Mrs Veronica Masikini	Malawian	Blantyre Print & Packaging, P/Bag 39, Blantyre, Plot No. NW/255/3, Blantyre
Mr Mark Mikwamba	Malawian	Old Mutual, Box 393 LL3 Chilomoni SS/01/39 Fargo, Blantyre
Ms Eluphy Salamba	Malawian	National Bank Box 945 Bt BW 434/12 Southend, Blantyre
Mr Cosmas Katulukira – Company Secretary	Malawian	C/O MPICO Box 30459, Lilongwe 3, Area 47 Sector 5/131

8. PROSPECTUS ("CIRCULAR")

8.1 A circular giving detail of the Rights Offer was registered with the Registrar of Companies on 12 October, 2016, and with the Registrar of Financial Institutions on 10 October, 2016.
8.2 The Circular was posted to shareholders registered as such in the MPICO register on Friday 14th October 2016.
8.3 A copy of the circular may also be obtained from:

National Bank of Malawi,
Financial Management Services Department,
NBM Towers, 7th Henderson street, Blantyre or

FDH Stockbrokers Limited,
Umoyo House, Victoria Avenue, Blantyre or

MPICO Limited,
Old Mutual House, Robert Mugabe Crescent, Lilongwe.

Please note that an acceptance of the Rights Offer Shares or their assignment to third parties will only be considered if the original Letter of Allocation is received by National Bank of Malawi, NBM Legal Department in accordance with the requirements as set out in the Letters of Allocation and value is received by the Transfer Secretaries.

The Directors whose names appear on Section 7 above collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief there are no other facts the omission of which make any statement false or misleading, and that the Circular contains all information required by law.

This Pre–listing Statement has been approved by the Board of Directors of MPICO Limited and is hereby signed by or on behalf of all the directors of MPICO.

Mrs Edith Jiya | Mr Andrew Barron | Mr Mark Mikwamba | Mr Damien Kafoteka

Mrs Veronica Masikini | Mr Christopher Kapanga | Ms Eluphy Mikwamba