

**OLD MUTUAL UNIT TRUST MONEY MARKET  
AND BALANCED FUNDS**

Financial Statements for the year ended  
31 December 2018

OLD MUTUAL UNIT TRUST MONEY MARKET AND BALANCED FUNDS  
**FINANCIAL STATEMENTS**  
For the year ended 31 December 2018

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OLD MUTUAL UNIT TRUST MONEY MARKET AND BALANCED FUNDS

**CORPORATE INFORMATION**

For the year ended 31 December 2018

**Fund Manager**

Old Mutual Unit Trust Company (Malawi) Limited

**Portfolio Manager**

Old Mutual Investment Group Limited

P.O. Box 393, Blantyre

**Trustee**

Standard Bank Plc

P.O. Box 30380, Lilongwe

**Custodian**

Standard Bank Plc

P.O. Box 30380, Lilongwe

**Auditor**

Deloitte

P. O Box 187

Blantyre

**Registered office**

Old Mutual Building

P.O. Box 393

Blantyre

## OLD MUTUAL UNIT TRUST MONEY MARKET AND BALANCED FUNDS

### REPORT OF THE TRUSTEE

For the year ended 31 December 2018

The trustee has pleasure in submitting this report together with the annual financial statements for the year ended 31 December 2018.

#### NATURE OF BUSINESS

The business of the Funds is holding third party funds on trust for investment purposes. Old Mutual Unit Trust is an umbrella fund with two sub-funds each of which is described below:

##### Old Mutual Money Market Fund

The objective of the Old Mutual Money Market Fund is to provide an efficient investment medium whereby investors can participate in a diversified portfolio of debt securities, fixed deposit instruments or near cash and cash holdings in the Malawi market while offering maximum security to the unit holders. The securities include Treasury Bills and Government bonds.

The guiding principles for the Old Mutual Money Market Fund are:

- To invest only in first class money market instruments spread between institutions of repute;
- To administer the portfolio according to best practice;
- To minimise losses, while maximising on investment returns, by investing in near cash or cash deposits; and
- To treat the generation of income as a higher priority than capital growth or as the case may be to place equal emphasis on the generation of income and on capital growth.

##### Old Mutual Balanced Fund

The objective of the Old Mutual Balanced Fund is to provide an efficient investment medium whereby investors can participate in a diversified portfolio of securities to achieve steady regular income from the money market portion of the fund as well as capital growth from the equity portion of the fund while carrying only a medium level of risk. The investment options available include equities (e.g. shares listed on the Malawi Stock Exchange) and interest bearing assets (e.g. fixed deposits). This fund has a medium to long term focus.

The guiding principles for the Old Mutual Balanced Fund are:

- To invest only in listed securities spread between institutions of repute;
- A solid spread of high performance shares is selected;
- Selected shares fall into the medium risk category in the medium to long term;
- Selected shares to have proven performance and good prospects for growth;
- To take capital profits when appropriate; and
- To manage the portfolio according to best practice.

#### BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared in conformity with International Financial Reporting Standards.

#### INCORPORATION AND UNIT HOLDING

The Funds are managed by Old Mutual Unit Trust Company (Malawi) Limited, a company which was incorporated on 21 August 2009 and commenced operations in July 2011. The Funds are owned by the unit holders, the investors.

#### REGISTERED OFFICE

The physical address of the Funds' registered office is: -

Old Mutual Building

P.O. Box 393

**BLANTYRE**

OLD MUTUAL UNIT TRUST MONEY MARKET AND BALANCED FUNDS

**REPORT OF THE TRUSTEE** (Continued)

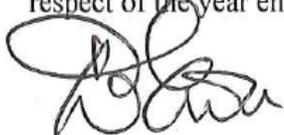
For the year ended 31 December 2018

**FINANCIAL PERFORMANCE**

The results and state of affairs of the funds are set out in the accompanying statements of comprehensive income, statements of financial position, statements of changes in net assets attributable to unit holders, statements of cash flows and accompanying policies and notes to the financial statements.

**AUDITORS**

The auditors, Deloitte, have signified their willingness to continue in office and a resolution is to be proposed at the forthcoming Annual General Meeting in relation to their appointment as auditors in respect of the year ending 31 December 2019.



.....

**W. KUYOKWA**  
**FOR AND ON BEHALF OF**  
**STANDARD BANK PLC**  
**TRUSTEE**

**3 April 2019**



.....

**J. MHURA**  
**FOR AND ON BEHALF OF**  
**OLD MUTUAL UNIT TRUST**  
**COMPANY (MALAWI) LIMITED**  
**FUND MANAGER**

**3 April 2019**

**OLD MUTUAL UNIT TRUST MONEY MARKET AND BALANCED FUNDS**  
**STATEMENT OF TRUSTEE’S RESPONSIBILITIES**  
For the year ended 31 December 2018

We, Standard Bank Plc, in our capacity as Trustee of the Old Mutual Unit Trust Scheme (“the Scheme”) have prepared a report in terms of Paragraph 18(6) (c) of The Financial Services (Establishment and Operation of Collective Investment Schemes) Directive, 2015, issued by the Reserve Bank of Malawi under the Securities Act, 2010 (“the Act”), for the financial year ended 31 December 2018.

In support of our report we have adopted certain processes and procedures that allow us to form a reasonable conclusion on whether the Management Company has administered the Scheme in accordance with the Act and the Scheme Deed.

As Trustee of the Scheme we are also obliged to, in terms of Paragraph 18(6) (h) of the Act, satisfy ourselves that every statement of comprehensive income, statement of financial position or other return prepared by the operator of the collective investment scheme (“the Management Company”) fairly represents the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme.

The Management Company maintains the accounting records and prepares the annual financial statements of the Scheme in conformity with International Financial Reporting Standards on behalf of the trustee. This responsibility also includes appointing an external auditor to the Scheme to ensure that the financial statements are properly drawn up so as to fairly represent the financial position of every portfolio of its collective investment scheme and are in accordance with International Financial Reporting Standards and in the manner required by the Act.

Based on our records, internal processes and procedures we report that nothing has come to our attention that causes us to believe that the accompanying financial statements do not fairly represent the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme administered by the Management Company.

We confirm that according to the records available to us, no losses were suffered in the portfolios and no investor was prejudiced as a result thereof.

We conclude our report by stating that we reasonably believe that the Management Company has administered the Scheme in accordance with the provisions imposed on the investment powers of the Management Company by the provisions of the Act and the Trust Deed.



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**W. KUYOKWA**  
**FOR AND ON BEHALF OF**  
**STANDARD BANK PLC**  
**TRUSTEE**

**3 April 2019**

## INDEPENDENT AUDITOR’S REPORT TO THE UNIT HOLDERS OF OLD MUTUAL UNIT TRUST MONEY MARKET AND BALANCED FUNDS

### Opinion

We have audited the accompanying financial statements of Old Mutual Unit Trust Money Market Fund and Balanced Funds (“Funds”) as set out on pages 8 to 32, which comprise the statements of financial position as at 31 December 2018, and the statements of comprehensive income, the statements of changes in net assets attributable to unit holders and the statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of Old Mutual Unit Trust Money Market and Balanced Funds as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by The Financial Services (Establishment and Operation of Collective Investment Schemes) Directive, 2015 and the Securities Act, 2010.

### 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 Financial Statements section of our report. We are independent of the Money Market and Balanced Funds in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Malawi. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the 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 the matter was addressed in the audit
<p><b><u>Determination of Unit prices</u></b></p> <p>As disclosed on note 13 to the financial statements, management determines the unit prices of the funds based on provisional figures for expenses and liabilities.</p> <p>The estimation of these amounts involves the use of management judgement and, accordingly, we have considered this as a key audit matter.</p>	<p>We performed an independent computation of the unit prices using the final figures for expenses and liabilities as at 31 December 2018 by performing the following procedures:</p> <ul style="list-style-type: none"> <li>• Obtained the valuation of unit participation and agreed to ledger; and</li> <li>• Agreed balances and transactions used in the computation to amounts already tested and verified that the value of unit participation and unit prices have been derived correctly in accordance with company policy and legislation.</li> </ul> <p>We noted that the unit prices computed by management using provisional figures were not materially different from those prices computed using the final figures.</p>

## **Other Information**

The trustee is responsible for the other information. The other information comprises the Trustee's Report as required by the Securities Act, 2010, which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

## **Responsibilities of the trustee for the Financial Statements**

The trustee is responsible for preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Securities Act, 2010 and for such internal control as the trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the Fund'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 trustee either intend to liquidate the Funds or to cease operations, or have no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Fund's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee;

- Conclude on the appropriateness of the trustee's 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 Funds' 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 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 Funds to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the trustee 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 trustee 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 trustee, we determine those matters that were of most significance in the audit of the financial statements of the current year 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.



**Chartered Accountants**  
Madalo Mwenelupembe  
Partner

8 April 2019

OLD MUTUAL UNIT TRUST MONEY MARKET AND BALANCED FUNDS

**STATEMENTS OF COMPREHENSIVE INCOME**

For the year ended 31 December 2018

	<u>Notes</u>	<b>Money Market Fund</b>		<b>Balanced Fund</b>	
		<u>2018</u> K'000	<u>2017</u> K'000	<u>2018</u> K'000	<u>2017</u> K'000
<b>Investment income</b>					
Dividends		-	-	41 397	24 547
Interest	5	2 368 693	2 854 484	712 105	481 918
Fair value gain on quoted share investments		-	-	388 141	362 442
Other income		<u>5 325</u>	<u>7 308</u>	<u>3 082</u>	<u>3 167</u>
Total investment income		<u>2 374 018</u>	<u>2 861 792</u>	<u>1 144 725</u>	<u>872 074</u>
<b>Operating expenses</b>					
Management company's service fees		521 665	437 334	130 501	76 506
Withholding tax expenses		2 135	14 766	40 718	34 936
Trustee fees		9 413	7 875	3 634	1 899
Audit fees		12 910	12 402	4 000	4 000
Bank charges		8 547	10 897	3 705	2 683
Custodian fees		<u>16 160</u>	<u>13 520</u>	<u>5 814</u>	<u>2 807</u>
Total operating expenses		<u>570 830</u>	<u>496 794</u>	<u>188 372</u>	<u>122 831</u>
Profit for the year		<u>1 803 188</u>	<u>2 364 998</u>	<u>956 353</u>	<u>749 243</u>

There was no other comprehensive income for both funds.

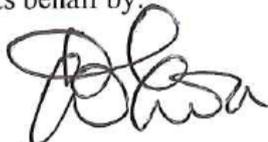
OLD MUTUAL UNIT TRUST MONEY MARKET AND BALANCED FUNDS

**STATEMENTS OF FINANCIAL POSITION**

As at 31 December 2018

	<u>Notes</u>	<b>Money</b>		<b>Balanced Fund</b>	
		<b>Market Fund</b>		<b>2018</b>	<b>2017</b>
		<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
		<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>
<b>ASSETS</b>					
Investments in quoted shares	6	-	-	2 176 017	1 128 678
Investments in fixed deposits	7	5 421 850	7 003 264	1 777 124	1 568 027
Investments in treasury bills	7	6 760 046	10 397 528	2 817 189	1 382 084
Government stocks	7	-	-	360 584	205 199
Loans to public bodies	8	558 732	558 923	403 175	203 245
Bank balances and cash	9	254 885	238 811	55 941	198 901
Accrue interest		-	-	13 857	-
Accrued dividends		-	-	162	-
Total assets		<u>12 995 513</u>	<u>18 198 526</u>	<u>7 604 049</u>	<u>4 686 134</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Unit holders' funds	10	<u>12 809 515</u>	<u>17 917 868</u>	<u>7 487 189</u>	<u>4 563 119</u>
<b>Liabilities</b>					
Accrued expenses		68 119	85 077	27 902	20 069
Distributions payable		<u>117 879</u>	<u>195 581</u>	<u>88 958</u>	<u>102 946</u>
Total liabilities		<u>185 998</u>	<u>280 658</u>	<u>116 860</u>	<u>123 015</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>12 995 513</u>	<u>18 198 526</u>	<u>7 604 049</u>	<u>4 686 134</u>

The financial statements were approved and authorized for issue by the trustee on 3 April 2019 and were signed on its behalf by:



(Trustee)



(Fund Manager)

OLD MUTUAL UNIT TRUST MONEY MARKET AND BALANCED FUNDS  
**STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS**  
For the year ended 31 December 2018

	<u>Notes</u>	<b>Money Market Fund capital attributable to <u>unit holder's</u> K'000</b>	<b>Balanced Fund capital attributable to <u>unit holders</u> K'000</b>
<b><u>2017</u></b>			
Opening balance		8 304 380	2 025 040
Creations during the year	10	16 282 690	2 470 824
Units liquidated	10	(6 651 566)	(507 867)
Profit for the year		2 364 998	749 243
Distributions	10	<u>(2 382 634)</u>	<u>(174 121)</u>
At end of the year		<u>17 917 868</u>	<u>4 563 119</u>
<b><u>2018</u></b>			
Opening balance		17 917 868	4 563 119
Creations during the year	10	7 872 063	3 075 419
Units liquidated	10	(12 975 103)	(957 117)
Profit for the year		1 803 188	956 353
Distributions	10	<u>(1 808 501)</u>	<u>(150 585)</u>
At end of the year		<u>12 809 515</u>	<u>7 487 189</u>

OLD MUTUAL UNIT TRUST MONEY MARKET AND BALANCED FUNDS

**STATEMENTS OF CASH FLOWS**

For the year ended 31 December 2018

	<u>Notes</u>	<b>Money</b>		<b>Balanced Fund</b>	
		<b><u>2018</u></b> <b>K'000</b>	<b><u>2017</u></b> <b>K'000</b>	<b><u>2018</u></b> <b>K'000</b>	<b><u>2017</u></b> <b>K'000</b>
<b>Cash generated from operations</b>					
Profit for the year		1 803 188	2 364 998	956 353	749 243
Adjustment for non-cash and finance items:					
- Dividend income		-	-	(41 397)	(24 547)
- Interest income		(2 374 018)	(2 861 792)	(712 105)	(481 918)
- Fair value gain on quoted share investments		-	-	(388 141)	(362 442)
Cash utilised by operations before changes in working capital		(570 830)	(496 794)	(185 290)	(119 664)
<b>Changes in working capital</b>					
Movement in accrued expenses and distributions payable		(94 660)	(241 711)	(6 155)	86 255
<b>Net cash used in operating activities</b>		<u>(665 490)</u>	<u>(738 505)</u>	<u>(191 445)</u>	<u>(33 409)</u>
<b>Cash flows from investing activities</b>					
Decrease/(increase) in treasury bills and fixed deposits		2 828 364	(3 246 252)	309 907	(1 134 772)
Disinvestment/(investment) in public bodies		191	(553 923)	(199 930)	(203 245)
Investment in Government stock		-	-	(155 385)	(52 140)
Interest received		2 374 018	2 861 792	712 105	481 918
Dividend received		-	-	41 235	24 547
Purchase of shares		-	-	(697 333)	(211 907)
Proceeds from disposal of shares		-	-	38 135	-
<b>Net cash flow generated from/(used in) investing activities</b>		<u>5 202 573</u>	<u>(938 383)</u>	<u>48 734</u>	<u>(1 095 599)</u>
<b>Cash flows from financing activities</b>					
Creation of units		7 872 063	16 282 690	3 075 419	2 470 824
Liquidation of units		(12 975 103)	(6 651 566)	(957 117)	(507 867)
Cash distributed to unit holders		(1 808 501)	(2 382 634)	(150 585)	(174 121)
<b>Net cash flow (used in)/ generated from financing activities</b>		<u>(6 911 541)</u>	<u>7 248 490</u>	<u>1 967 717</u>	<u>1 788 836</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(2 374 458)</u>	<u>5 571 602</u>	<u>1 825 006</u>	<u>659 828</u>
<b>Cash and cash equivalents at beginning of the year</b>		<u>11 291 630</u>	<u>5 720 028</u>	<u>1 636 241</u>	<u>976 413</u>
<b>Cash and cash equivalents at end of the year</b>		<u>8 917 172</u>	<u>11 291 630</u>	<u>3 461 247</u>	<u>1 636 241</u>
<i>Analysed as:</i>					
Bank balances and cash	9	254 885	238 811	55 941	198 901
Treasury bills	7	3 240 437	6 333 748	1 628 182	243 171
Fixed deposits	7	5 421 850	4 719 071	1 777 124	1 194 169
<b>Cash and cash equivalents at end of the year</b>		<u>8 917 172</u>	<u>11 291 630</u>	<u>3 461 247</u>	<u>1 636 241</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2018

**1. General information**

Old Mutual Money Market Fund and Old Mutual Balanced Fund ('the Funds') are Collective Investment Schemes that are open ended, registered under the Securities Act, 2010, and are domiciled in Malawi. The Funds were established under a Trust Deed dated 4 July 2012. Commencement date was 1 July 2011.

The Funds are managed by Old Mutual Unit Trust Company (Malawi) Limited.

**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 2018.

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

IFRS 9 introduces an 'expected credit loss' model for the impairment of financial assets. When adopting IFRS 9, the company has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to impairment are recognized in retained earnings.

*Classification and measurement of the company's financial assets:* Management holds financial assets to hold and collect the associated cash flows. The various investments classified as held to maturity investments under IAS 39 continue to be accounted for at amortised cost as they meet the held to collect business model and contractual cash flow characteristics test in IFRS.

*The impairment of financial assets applying the expected credit loss model:* This affects the company's investment assets measured at amortized cost.

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

**2.2 Standards and Interpretations in issue, not yet effective**

A number of new standards, amendments to standards and interpretations are in issue but not yet effective for annual periods beginning on or after 1 January 2018, and have not been applied in preparing these financial statements. Those which may be relevant to the Old Mutual Unit Trust Limited 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:

<b>Effective date</b>	<b>Standard, Amendment or Interpretation</b>
Annual periods beginning on or after 1 January 2019	<p><b>IFRS 16 Leases</b></p> <p>IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guide including IAS 17 Leases and the related interpretations when it becomes effective.</p> <p>IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.</p> <p>The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion that will be presented as financing and operating cash flows respectively.</p> <p>In contracts to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.</p>
Annual reporting periods beginning on or after 1 January 2019	<p>Furthermore, extensive disclosures are required by IFRS 16.</p> <p><b>IFRIC 23 Uncertainty over Income Tax Treatments</b></p> <p>The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:</p> <ul style="list-style-type: none"> <li>• Whether tax treatments should be considered collectively;</li> <li>• Assumptions for taxation authorities' examinations;</li> <li>• The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and</li> <li>• The effect of changes in facts and circumstances.</li> </ul>

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

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

<b>Effective date</b>	<b>Standard, Amendment or Interpretation</b>
Annual periods beginning on or after 1 January 2019	<p>Prepayment Features with Negative Compensation (Amendments to IFRS 9)</p> <p>Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.</p>
Annual periods beginning on or after 1 January 2019	<p>Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)</p> <p>Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.</p>
Annual periods beginning on or after 1 January 2019	<p>Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)</p> <p>The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:</p> <ul style="list-style-type: none"> <li>• If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the re-measurement are determined using the assumptions used for the re-measurement.</li> <li>• In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.</li> </ul>
Annual periods beginning on or after 1 January 2020	<p>Amendments to References to the Conceptual Framework in IFRS Standards</p> <p>The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.</p>
Annual reporting periods beginning on or after 1 January 2020	<p>Definition of a Business (Amendments to IFRS 3)</p> <p>The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:</p> <ul style="list-style-type: none"> <li>• clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;</li> <li>• narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;</li> <li>• add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;</li> <li>• remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and</li> <li>• add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.</li> </ul>

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

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

<b>Effective date</b>	<b>Standard, Amendment or Interpretation</b>
Annual reporting periods beginning on or after 1 January 2020	<p>Definition of Material (Amendments to IAS 1 and IAS 8)</p> <p>The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards.</p>
Annual reporting periods beginning on or after 1 January 2021	<p>IFRS 17 <i>Insurance Contracts</i></p> <p>IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.</p>

The trustee anticipate that the adoption of 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 Reporting entities**

The financial statements are for the following Funds:

- ***Old Mutual Money Market Fund***  
The investment objective of the portfolio is to provide an efficient investment medium whereby investors can obtain undivided participation in a diversified portfolio of such money market instruments as defined from time to time as stated in the Report of the Trustee.
- ***Old Mutual Balanced Fund***  
The investment objective of the portfolio is to achieve a steady growth of income from the money market portion of the fund as well as long term capital growth from the share portion of the fund, realising a reasonable level of current income and ensuring the maximum stability of the capital invested as stated in the Report of the Trustee.

**3.2 Basis of preparation**

**3.2.1 Statement of compliance**

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and the provisions of Securities Act, 2010 and Securities (Establishment and Operation of Collective Investment Schemes) Directive, 2015.

**3.2.2 Basis of measurement**

The financial statements are prepared on a historical cost basis except for:

- Investments in listed shares that are stated at fair value.
- Held to maturity investments are measured at amortised cost.

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

**3.2 Basis of preparation (Continued)**

**3.2.3 Functional and presentation currency**

These financial statements are presented in Malawi Kwacha which is the Funds' functional currency. Except as indicated, the financial information presented in Malawi Kwacha has been rounded to the nearest thousand.

**3.3 Significant accounting policies**

The principal accounting policies are set out below:

**3.3.1 Revenue recognition**

*i. Dividend income*

Dividend income from investments is recognised when the rights to receive payment have been established.

*ii. Interest income*

Interest is recognised in the statement of comprehensive income, using the effective interest method, taking into account the expected timing and amount of cash flows.

Interest includes the amortisation of any discount or premium or any other difference between an interest bearing instrument's initial carrying amount and its maturity value calculated on an effective interest basis.

Interest income on debt instruments carried at fair value through profit or loss is accrued using the effective interest method and is included in interest income in the statement of comprehensive income.

**3.3.2 Distribution**

All income arising from receipts of investment income is distributed to unit holders after provision for expenses. The unit holders have an option of taking their distributions in cash or having the distribution re-invested to form part of the unit holders' capital balance.

**3.3.3 Unit holder balances**

Unit holder balances are redeemable on demand at an amount equal to a proportionate share of the unit portfolio's net asset value. The balances are carried at the redemption amount that is payable at the financial position date if the holder exercised their right to redeem the balances.

Unit holder balances are classified as equity.

**3.3.4 Cash and cash equivalents**

Cash and cash equivalents are short-term highly liquid instruments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are not held for investing purposes. This comprises deposits and call and current deposits with banks. Given the short duration of instruments held by Money Market Funds, all instruments in these portfolios are classified as cash equivalents. Cash equivalents are measured at amortised cost which approximates fair value, due to the short term nature of these instruments.

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

**3.4 Financial instruments**

*Classification of financial assets and financial liabilities*

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity investments.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

Financial liabilities previously measured at amortised cost under IAS 39 have been classified and measured under IFRS 9 at amortised cost using effective interest rate method. There has been no changes in the classification and measurement of financial liabilities, thus accrued expenses and distributions payable, on the adoption of IFRS 9.

*3.4.1 Initial recognition*

Financial instruments are initially recognised on the trade date measured at their fair value. Except for financial assets and financial liabilities recorded at FVPL, transaction costs are added to this amount.

*3.4.2 Subsequent measurement*

*3.4.2.1 Financial assets at amortised cost*

The company's financial assets relate to investments in fixed deposits, treasury bills, government stock, Loans to the public and cash at the bank. After initial measurement, financial assets are measured at amortised cost. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. ECLs are recognised in the statement of profit or loss when the assets are impaired.

*3.4.3 Reclassification of financial assets and liabilities*

The company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the company acquires, disposes of, or terminates a business line.

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

**3.4 Financial instruments (Continued)**

**3.4.4.1 Significant increase in credit risk**

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the company 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 company 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.

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;
- 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; and
- 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 company 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 company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the company 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:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations.

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

**3.4 Financial instruments** (Continued)

**3.4.4.2 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 assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the company expects to receive, discounted at the original effective interest rate.

If the company 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 company 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 company 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.

**3.4.5 Derecognition of a financial asset**

The company 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 company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

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,

**3.4.6 Forward looking information**

In its ECL models, the company relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth; and
- Monetary policy rate.

**3.4.7 Write-offs of financial assets**

The company 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, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when there are indications that the amounts will not be recovered. Financial assets written off may still be subject to enforcement activities under the company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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

**3.5 Taxation**

*Income and deferred tax*

In 2012, the Malawi Revenue Authority confirmed the funds are tax exempt.

**3.6 Management fees**

Management fees paid to the management company are disclosed in the statement of comprehensive income of each fund and the balance outstanding as part of the accrued expenses line item in the statement of financial position of the Funds.

**4. Critical accounting estimates and judgements**

The preparation of financial statements in conformity with IFRS, require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

**4.1 Key sources of judgements**

The key source of judgements at the reporting date that have a significant risk of causing a material adjustment to the financial statements has been discussed below.

Determination of unit prices

Unit prices are determined using provisional figures for expenses and liabilities. The estimation of these amounts involves use of management judgement.

**5. Interest**

	<b>Money Market Fund</b>		<b>Balanced Fund</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>
Interest on treasury bills	1 731 381	1 442 926	444 816	204 588
Interest on loans to public	86 892	-	48 919	3 245
Interest on coupons	-	346 264	-	-
Interest on Corporate bonds	-	8 922	-	-
Interest on fixed deposits	550 420	529 726	218 370	219 155
Interest on government stocks	-	-	-	16 862
Interest on treasury notes	-	526 646	-	38 068
Total	<u>2 368 693</u>	<u>2 854 484</u>	<u>712 105</u>	<u>481 918</u>

Average yield on treasury bills was 14.35% (2017: 19.67%).

Average return on fixed deposits was 14.87% (2017: 20.57%).

Average yield on treasury notes was 18.86% (2017: 18.88%).

OLD MUTUAL UNIT TRUST MONEY MARKET AND BALANCED FUNDS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2018

6. Investments in quoted shares (Balanced Fund)

	<u>Number of shares</u>	<u>Market price (tambala)</u>	<u>Asset value 31 Dec 2017 K'000</u>	<u>Additions K'000</u>	<u>Disposals K'000</u>	<u>Market gain/loss K'000</u>	<u>Asset value 31 Dec 2018 K'000</u>
<b>2018</b>							
<b>Company</b>							
First Merchant Bank Plc	1 254 800	10 000	84 071	-	-	41 409	125 480
Illovo Sugar Malawi Plc	1 504 059	20 000	95 520	202 332	-	2 960	300 812
National Bank of Malawi Plc	1 292 563	33 202	281 954	83 497	-	63 706	429 157
NBS Bank Plc	1 679 275	1 000	14 274	-	-	2 519	16 793
NICO Holdings Plc	541 000	4 300	8 194	14 569	-	500	23 263
National Investment Trust Plc	6 200	7 500	372	-	-	93	465
Press Corporation Plc	319 430	114 000	100 618	166 713	-	96 819	364 150
Standard Bank of Malawi Plc	421 506	67 000	127 988	142 031	-	12 390	282 409
Telekom Networks Malawi Plc	15 371 608	2 800	196 507	45 113	-	188 785	430 405
Old Mutual Plc	12 797	251 300	21 848	37 612	(38 135)	10 837	32 162
MPICO Plc	12 641 374	1 320	197 332	-	-	(30 466)	166 866
Quilter	3 715	109 160	-	5 466	-	(1 411)	4 055
Total			<u>1 128 678</u>	<u>697 333</u>	<u>(38 135)</u>	<u>388 141</u>	<u>2 176 017</u>
	<u>Number of shares</u>	<u>Market price (tambala)</u>	<u>Asset value 31 Dec 2016 K'000</u>	<u>Additions K'000</u>	<u>Disposals K'000</u>	<u>Market gain/loss K'000</u>	<u>Asset value 31 Dec 2017 K'000</u>
<b>2017</b>							
<b>Company</b>							
First Merchant Bank Plc	1 254 800	6 700	21 332	-	-	62 739	84 071
Illovo Sugar Malawi Plc	397 998	24 000	63 680	-	-	31 840	95 520
National Bank of Malawi Plc	1 043 966	27 008	85 254	185 661	-	11 039	281 954
NBS Bank Plc	1 679 275	850	3 100	6 278	-	4 896	14 274
NICO Holdings Plc	241 000	3 400	4 097	-	-	4 097	8 194
National Investment Trust Plc	6 200	6 006	210	-	-	162	372
Press Corporation Plc	167 696	60 000	74 356	18 211	-	8 051	100 618
Standard Bank of Malawi Plc	209 816	61 000	103 358	1 757	-	22 873	127 988
Telekom Networks Malawi Plc	13 552 196	1 450	81 991	-	-	114 516	196 507
MPICO Plc	12 641 374	1 561	17 969	-	-	3 879	21 848
Old Mutual Plc	11 147	196 000	98 982	-	-	98 350	197 332
Total			<u>554 329</u>	<u>211 907</u>	<u>-</u>	<u>362 442</u>	<u>1 128 678</u>

The fair value of the shares is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

During the year, the Fund acquired additional shares in several companies (totaling K 697 million) including Illovo, NBM, NICO and TNM. There was also a disposal of K38.1 million in Old Mutual in the same period.

OLD MUTUAL UNIT TRUST MONEY MARKET AND BALANCED FUNDS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2018

7. Investments in fixed deposits and treasury bills

	Nominal value K'000	Earned interest as at <u>31 December 2018</u> K'000	Total interest and principle K'000	Up to <u>3 months</u> K'000	Maturity		Total K'000
					<u>3-6 months</u> K'000	<u>6-12 months</u> K'000	
<b>2018</b>							
<b><u>Money Market Fund</u></b>							
<i>Fixed deposits</i>							
CDH Investment Bank Limited	991 000	7 795	998 795	998 795	-	-	998 795
ECO Bank Limited	993 000	4 339	997 339	997 339	-	-	997 339
FDH Bank Limited	60 000	596	60 596	60 596	-	-	60 596
First Discount House Limited	1 489 000	7 780	1 496 780	1 496 780	-	-	1 496 780
FINCA Limited	121 000	199	121 199	121 199	-	-	121 199
First Capital Bank plc	70 000	647	70 647	70 647	-	-	70 647
NBS	24 000	191	24 191	24 191	-	-	24 191
NED Bank	589 000	4 212	593 212	593 212	-	-	593 212
NFB	<u>1 048 000</u>	<u>11 091</u>	<u>1 059 091</u>	<u>1 059 091</u>	-	-	<u>1 059 091</u>
	5 385 000	36 850	5 421 850	5 421 850	-	-	5 421 850
<i>Treasury bills</i>							
Reserve Bank of Malawi	<u>6 275 801</u>	<u>484 245</u>	<u>6 760 046</u>	<u>3 240 437</u>	<u>2 932 274</u>	<u>587 335</u>	<u>6 760 046</u>
<b>Total</b>	<u>11 660 801</u>	<u>521 095</u>	<u>12 181 896</u>	<u>8 662 287</u>	<u>2 932 274</u>	<u>587 335</u>	<u>12 181 896</u>
<b><u>Balanced Fund</u></b>							
<i>Fixed deposits</i>							
CDH Limited	220 000	851	220 851	220 851	-	-	220 851
FDH Bank Limited	278 000	2 771	280 771	280 771	-	-	280 771
First Discount House Limited	278 000	2 312	280 312	280 312	-	-	280 312
FINCA Limited	180 000	296	180 296	180 296	-	-	180 296
First Capital Bank plc	141 000	1 640	142 640	142 460	-	-	142 460
NBS	217 000	1 805	218 805	218 805	-	-	218 805
NED Bank	243 000	1 738	244 738	244 738	-	-	244 738
NFB	197 000	3 687	200 687	200 687	-	-	200 687
Reserve Bank of Malawi	<u>7 000</u>	<u>1 024</u>	<u>8 024</u>	<u>8 024</u>	-	-	<u>8 024</u>
	<u>1 761 000</u>	<u>16 124</u>	<u>1 777 124</u>	<u>1 777 124</u>	-	-	<u>1 777 124</u>
<i>Reserve Bank of Malawi</i>							
Treasury bills	2 567 394	249 795	2 817 189	1 628 182	975 861	213 146	2 817 189
Government Stocks	<u>321 880</u>	<u>38 703</u>	<u>360 584</u>	-	-	<u>360 584</u>	<u>360 584</u>
	<u>2 889 274</u>	<u>288 498</u>	<u>3 177 773</u>	<u>1 628 182</u>	<u>975 861</u>	<u>573 730</u>	<u>3 177 773</u>
<b>Total</b>	<u>4 650 274</u>	<u>304 622</u>	<u>4 954 897</u>	<u>3 405 306</u>	<u>975 861</u>	<u>573 730</u>	<u>4 954 897</u>

OLD MUTUAL UNIT TRUST MONEY MARKET AND BALANCED FUNDS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2018

7. Investments in fixed deposits and treasury bills

	<b>Nominal value K'000</b>	<b>Earned interest as at 31 December 2017 K'000</b>	<b>Total interest and principle K'000</b>	<b>Up to 3 months K'000</b>	<b>Maturity</b>		<b>Total K'000</b>
					<b>3-6 months K'000</b>	<b>6-12 months K'000</b>	
<b>2017</b>							
<b><u>Money Market Fund</u></b>							
<i>Fixed deposits</i>							
First Discount House Limited	208 000	855	208 855	208 855	-	-	208 855
CDH Investment Bank Limited	381 000	1 161	382 161	382 161	-	-	382 161
ECO Bank Limited	637 000	7 230	644 230	644 230	-	-	644 230
NED Bank	700 000	9 809	709 810	-	709 810	-	709 810
NFB	670 000	4 888	674 888	674 888	-	-	674 888
Reserve Bank of Malawi	<u>4 061 000</u>	<u>322 320</u>	<u>4 383 320</u>	<u>2 808 937</u>	<u>908 189</u>	<u>666 194</u>	<u>4 383 320</u>
	<u>6 657 000</u>	<u>346 263</u>	<u>7 003 264</u>	<u>4 719 071</u>	<u>1 617 999</u>	<u>666 194</u>	<u>7 003 264</u>
<i>Treasury bills</i>							
Reserve Bank of Malawi	<u>9 870 882</u>	<u>526 646</u>	<u>10 397 528</u>	<u>6 333 748</u>	<u>2 763 132</u>	<u>1 300 648</u>	<u>10 397 528</u>
Total	<u>16 527 882</u>	<u>872 909</u>	<u>17 400 792</u>	<u>11 052 819</u>	<u>4 381 131</u>	<u>1 966 842</u>	<u>17 400 792</u>
<b><u>Balanced Fund</u></b>							
<i>Fixed deposits</i>							
CDH Limited	90 000	756	90 756	90 756	-	-	90 756
ECO Bank Limited	144 000	1 510	145 510	145 510	-	-	145 510
NBS Bank Plc	113 000	1 248	114 248	114 248	-	-	114 248
NFB	200 000	2 803	202 803	202 803	-	-	202 803
Nedbank Limited	495 000	4 437	499 437	398 036	101 401	-	499 437
Reserve Bank of Malawi	<u>460 000</u>	<u>55 273</u>	<u>515 273</u>	<u>242 816</u>	<u>-</u>	<u>272 457</u>	<u>515 273</u>
	<u>1 502 000</u>	<u>66 027</u>	<u>1 568 027</u>	<u>1 194 169</u>	<u>101 401</u>	<u>272 457</u>	<u>1 568 027</u>
<i>Reserve Bank of Malawi</i>							
Treasury bills	1 255 502	126 582	1 382 084	243 171	368 597	770 316	1 382 084
Government Stocks	<u>181 003</u>	<u>24 196</u>	<u>205 199</u>	<u>-</u>	<u>-</u>	<u>205 199</u>	<u>205 199</u>
Total	<u>2 938 505</u>	<u>216 805</u>	<u>3 155 310</u>	<u>1 437 340</u>	<u>469 998</u>	<u>1 247 972</u>	<u>3 155 310</u>

As at 31 December 2018, interest rates on these fixed deposits ranged from 13.5% to 17.5% p.a. (2017: 16% to 27.5%)

OLD MUTUAL UNIT TRUST MONEY MARKET AND BALANCED FUNDS  
**NOTES TO THE FINANCIAL STATEMENTS** (Continued)  
For the year ended 31 December 2018

	<b>Money Market Fund</b>		<b>Balanced Fund</b>	
	<b><u>2018</u></b> <b>K'000</b>	<b><u>2017</u></b> <b>K'000</b>	<b><u>2018</u></b> <b>K'000</b>	<b><u>2017</u></b> <b>K'000</b>
<b>8. Loans to public bodies</b>				
New Finance Bank	-	-	200 000	-
Illovo Sugar (Malawi) Plc	<u>558 732</u>	<u>558 923</u>	<u>203 175</u>	<u>203 245</u>
	<u>558 732</u>	<u>558 923</u>	<u>403 175</u>	<u>203 245</u>

**Illovo**

This is a private placement to Illovo. The prior year amount was repaid in the year current year and the current year amount is a one year loan from November 2018 with quarterly repayment of interest over the time to maturity. The principal is repayable at the end of the one year. The loan is secured with a charge over Illovo Sugar (Malawi) Plc assets. The coupon rate is average of the 182 day treasury bill yields in the quarter plus 1.25% per annum.

**New Finance Bank**

This is a private placements to New Finance Bank. It is a one year loan from November 2018 with semi-annual repayments of interest over the time to maturity. The principal is repayable at the end of its tenure. The loan is secured with a charge over New Finance Bank assets. The coupon rate is average of the 91 day treasury bill yields in the quarter plus 3%.

**9. Bank balances and cash**

Investment accounts	<u>254 885</u>	<u>238 811</u>	<u>55 941</u>	<u>198 901</u>
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**10. Unit holders' funds**

	<b>Money Market Fund</b>		<b>Balanced Fund</b>	
	<b><u>No. of units</u></b> <b>'000</b>	<b><u>Amount</u></b> <b>K'000</b>	<b><u>No. of units</u></b> <b>'000</b>	<b><u>Amount</u></b> <b>K'000</b>
<b><u>2018</u></b>				
Opening balance	17 935 504	17 917 868	806 500	4 563 119
Creations	7 872 063	7 872 063	512 570	3 075 419
Liquidations	(12 975 103)	(12 975 103)	(159 520)	(957 117)
Income available for distribution	-	1 803 188	-	956 353
Distributions for the year	-	<u>(1 808 501)</u>	-	<u>(150 585)</u>
At end of the year	<u>12 832 464</u>	<u>12 809 515</u>	<u>1 159 550</u>	<u>7 487 189</u>
<b><u>2017</u></b>				
Opening balance	8 304 380	8 304 380	450 278	2 025 040
Creations	16 282 690	16 282 690	448 660	2 470 824
Liquidations	(6 651 566)	(6 651 566)	(92 438)	(507 867)
Income available for distribution	-	2 364 998	-	749 243
Distributions for the year	-	<u>(2 382 634)</u>	-	<u>(174 121)</u>
At end of the year	<u>17 935 504</u>	<u>17 917 868</u>	<u>806 500</u>	<u>4 563 119</u>

OLD MUTUAL UNIT TRUST MONEY MARKET AND BALANCED FUNDS

**NOTES TO THE FINANCIAL STATEMENTS** (Continued)

For the year ended 31 December 2018

**11. Distributions to unit holders**

Income is distributed to unit holders on a monthly basis and semi- annually for the Money Market Fund and Balanced Fund, respectively. The average distribution per unit for the period was 11.09 tambala (2017: 14.89 tambala) for the Balanced Fund.

The Money Market Fund investments are measured at cost and distributions are accrued to investors on a daily basis unlike Balanced Fund investments whose distributions are declared only when they are due as tambala per unit.

Class	Money Market Fund		Distribution in tambalas per unit	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>June</b>				
Class A	N/A	N/A	8.09	14.31
Class B	N/A	N/A	3.87	10.86
Class C	N/A	N/A	2.03	9.35
<b>December</b>				
Class A	N/A	N/A	9.74	14.24
Class B	N/A	N/A	5.11	10.34
Class C	N/A	N/A	3.10	8.68

**12. Repurchase prices of units**

The value of units is based on closing market prices of the underlying securities and will fluctuate in accordance with any changes in those prices.

The fluctuations in the prices of the units and the repurchase prices at the reporting date were as follows:

Unit portfolios	Repurchase Price (tambalas)		
	<u>Maximum</u> <u>2018</u>	<u>Minimum</u> <u>2018</u>	<u>Last price</u> <u>31 December 2018</u>
Old Mutual Money Market Fund A (Monthly)	100	100	100
Old Mutual Money Market Fund B (Monthly)	100	100	100
Old Mutual Money Market Fund C (Monthly)	100	100	100
Old Mutual Money Market Fund M (Monthly)	100	100	100
Old Mutual Balanced Fund A (Semi Annual)	627.87	540.93	627.87
Old Mutual Balanced Fund B (Semi Annual)	623.24	540.84	623.24
Old Mutual Balanced Fund C (Semi Annual)	621.95	540.91	621.23
Unit portfolios	<u>Maximum</u> <u>2017</u>	<u>Minimum</u> <u>2017</u>	<u>Last price</u> <u>31 December 2017</u>
Old Mutual Money Market Fund A (Monthly)	100	100	100
Old Mutual Money Market Fund B (Monthly)	100	100	100
Old Mutual Money Market Fund C (Monthly)	100	100	100
Old Mutual Money Market Fund M (Monthly)	100	100	100
Old Mutual Balanced Fund A (Semi Annual)	554.55	445.18	554.52
Old Mutual Balanced Fund B (Semi Annual)	550.70	445.11	550.65
Old Mutual Balanced Fund C (Semi Annual)	549.06	445.07	549.00

OLD MUTUAL UNIT TRUST MONEY MARKET AND BALANCED FUNDS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2018

**13. Value of unit participation computation**

**Balanced Fund**

The following is the computation of the value of unit participation as at 31 December 2018.

The figures have been rounded to the nearest thousand.

Market value of the assets of the fund Plus Total accrued income Less Liabilities  
Number of units issued

**Value of unit participation computation as at 31 December 2018 using provisional figures of income and liabilities.**

<u>Investment class</u>		A	B	C
Number of units issued (in '000s)	(A)	754 080	59 321	381 961
Market value of fund asset (in K'000s)	(B)	4 678 957	368 080	2 370 011
Less liabilities (in K'000s)	(C)	(17 742)	(1 396)	(8 987)
Total-in Kwacha (B+C)	(D)	4 661 215	366 684	2 361 024
Capital price per unit -in Tambala (D/A*100)	(E)	618.13	618.13	618.13
Accrued income (in K'000s)	(F)	73 482	3 035	11 867
Income price per unit -in Tambala (F/A*100)	(G)	9.74	5.12	3.11
Net assets value (Tambala per unit) (E+G)	(H)	627.87	623.25	621.24

**Reworked value of unit participation computation using final figures as at 31 December 2018.**

<u>Investment class</u>		A	B	C
Number of units issued (in '000s)	(A)	754 080	59 321	381 961
Market value of fund asset (in K'000s)	(B)	4 678 957	368 080	2 370 011
Less liabilities (in K'000s)	(C)	(17 742)	(1 396)	(8 987)
Total-in Kwacha (B+C)	(D)	4 661 215	366 684	2 361 024
Capital price per unit -in Tambala (D/A*100)	(E)	618.13	618.13	618.13
Net income (in K'000s)	(F)	73 482	3 035	11 867
Income price per unit -in Tambala (F/A*100)	(G)	9.74	5.12	3.11
Net assets value (Tambala per unit) (E+G)	(H)	627.87	623.25	621.24

OLD MUTUAL UNIT TRUST MONEY MARKET AND BALANCED FUNDS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2018

**13. Value of unit participation computation (Continued)**

Market value of the fund asset as disclosed in (B) above comprise:

	<u>2018</u> K'000	<u>2017</u> K'000
Class A	4 678 957	2 836 942
Class B	368 080	234 091
Class C	<u>2 370 011</u>	<u>1 407 261</u>
	<u>7 417 048</u>	<u>4 478 294</u>

This is analyzed as:

Fixed deposit	1 761 000	1 502 000
Treasury notes	321 861	180 984
Treasury bills	2 817 695	1 380 716
Cash	(59 714)	85 916
Loans to public body	400 000	200 000
Equity	<u>2 176 206</u>	<u>1 128 678</u>
	<u>7 417 048</u>	<u>4 478 294</u>

In the capital prices, fixed deposit, treasury bills and treasury notes comprise the principal/cost element only also known as the clean market value except for treasury bills which contain amortized income. Equity investments are recognised at market value using MSE's published share price as at 31 December 2018. Cash amount comprises cash that was held by Old Mutual Unit Trust as at 31 December 2018.

**Note:**

The differences are caused by the use of provisions in some of the variables especially expenses involved in calculating the unit prices.

The values used on 31 December 2018 were unaudited preliminary balances unlike the final computations immediately above which are based on final audited balances.

**Money market fund**

Investments on the money market fund are measured at cost such that the unit price is constant at 100 tambala per unit.

**14. Related parties**

Old Mutual Money Market Fund and Balanced Fund are managed by Old Mutual Unit Trust Company (Malawi) Limited which is controlled by Old Mutual Holdings Limited incorporated in Malawi. The management company receives a management fee monthly in arrears based on daily assets under management.

The management company has appointed Old Mutual Investment Group (Malawi) Limited as the unit portfolios investment managers. The administration of the Funds has been outsourced to Old Mutual Investment Administrators (Proprietary) Limited.

Transactions with related parties were made on terms and conditions similar to those offered to other investors.

OLD MUTUAL UNIT TRUST MONEY MARKET AND BALANCED FUNDS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2018

14. Related parties (Continued)

	Money Market Fund		Balanced Fund	
	<u>2018</u> K'000	<u>2017</u> K'000	<u>2018</u> K'000	<u>2017</u> K'000
<b>a. Unit holder balances</b>				
Old Mutual Unit Trust Company (Malawi) Limited	<u>296 730</u>	<u>422 716</u>	<u>170 479</u>	<u>105 374</u>
Old Mutual Good Causes Fund	<u>195 648</u>	<u>178 444</u>	<u>181 823</u>	<u>156 380</u>
<b>b. Management/service fees</b>				
Old Mutual Unit Trust Company (Malawi) Limited	<u>44 734</u>	<u>50 109</u>	<u>16 224</u>	<u>8 258</u>

15. Financial instruments – associated risks and risk management

15.1 Risks and risk management

The Funds invest in financial assets. Each Fund is exposed to a mix of financial risks resulting predominantly from the instruments in which it invests.

Financial risk is limited firstly by the regulatory environment. The Financial Services (Establishment and Operation of Collective Investment Schemes) Directive, 2015 and the Trust Deed have strict and specific regulations as to what instruments may and may not be held.

The Funds are also governed by a Trust Deed, which commits the Funds to a specific investment objective. The Trust Deed investment objective is further refined into an investment mandate which requires the investment manager to manage the Funds in accordance with the specified mandate. As far as possible, compliance limits are built into the daily pricing systems and processes of investment managers and are checked and reported daily.

The trustee gives initial approval for each Fund and continuously monitors the operations of the Fund. They are involved in the daily movement of funds, both inflows and outflows. Regular checks are performed by the compliance function of the Management Company and Investment Managers to ensure compliance with investment mandates and limitations specified in the Trust Deed and the regulations determined under The Financial Services (Establishment and Operation of Collective Investment Schemes) Directive, 2015. The nature of a Fund is determined by the Fund's objective and investment mandate, both of which dictate the nature of the underlying investments the Fund holds and the risk profile of the Fund.

Additionally, investment mandates are taken into account when making investment decisions. While investment mandates/limits are coded in the portfolio administration system, they are not part of the pricing process.

**15. Financial instruments – associated risks & risk management (Continued)**

**15.2 Financial risk management strategy**

The Funds generate revenue for the unit holders by investing in various income generating activities which involve trading on the stock exchange and on the Money Market. The Funds are thus exposed to financial risk through their financial assets and financial liabilities. The most important components of financial risk are interest rate risk, liquidity risk and market risk.

The Funds' overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on their financial performance.

The main financial risks in the Old Mutual Unit Trusts unit portfolios are as follows:

***Market risk***

Market risk is the potential for both loss and gain to the investor resulting from decreases and increases in the unit price of each Fund. The main causes of unit price changes are the price changes in the underlying instruments which are caused by movements in securities prices and changes in the prevailing levels of interest rates. Return is the desired reward for assuming market risk. Market risk is managed daily by the Investment Manager with reference to the Fund's investment mandate. The objective is to produce the highest possible return for a given level of risk.

***Price risk***

Price risk is the risk that the value of the Funds may fluctuate as a result of changes in market prices of instruments held, whether caused by factors specific to the underlying investments of the Funds, their issuers or all factors affecting all instruments traded in the market.

The Balanced Fund is exposed to equity securities price risk because of investments in quoted shares classified or at fair value through income statement. The Fund is not exposed to commodity price risk. Price risk is mitigated primarily by diversification. Diversification being achieved through asset allocation, sector diversification and market diversification. Funds that invest primarily in a specific industry will have an increased exposure to market risk factors specific to that industry sector. The exposure to price fluctuations are governed by the investment mandate of each scheme and investors are able to assess the sensitivity and exposure to the relevant sector and share movements by referring to the investment mandate of each scheme and the portfolio composition of the unit portfolios at any point in time.

At 31 December 2018, if the Malawi All Share Index (MASI) had increased/decreased by 5% with all other variables held constant and all the Fund's equity instruments moved in line with the movement in MASI, the profit and fair value gain/losses allocated to unit holders for the year would have been K108.8 million (2017: K56.4 million) for the Balanced Fund, higher/lower, and the overall equity would have been K108.8 million (2017: K56.4 million) for the Balanced Fund, higher/lower.

Moreover, each asset class is benchmarked against appropriate market indices with the primary objective of outperforming the indices over the medium to longer term.

OLD MUTUAL UNIT TRUST MONEY MARKET AND BALANCED FUNDS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2018

15. Financial instruments – associated risks & risk management (Continued)

15.2 Financial risk management strategy (Continued)

*Interest rate risk*

The fund permits investment in interest-bearing financial instruments. The fair values of fixed rate interest instruments are susceptible to changes in the prevailing level of interest rates. The Funds with significant investments in interest bearing financial instruments are exposed to interest rate risk. The impact of interest rate changes on the fair values of fixed instruments is more significant, the longer the term of the instrument. For interest rate price risk, a change in the prevailing level of interest rates in effect at 31 December 2018 for fixed rate instruments will impact the fair value of these instruments. For cash flow interest rate risk, a change in the prevailing level of interest rates in effect at 31 December 2018 for variable rate instruments will impact the future cash flows associated with the instruments and thereby the yield of the unit portfolio.

At 31 December 2018, had interest rates changed by 5% with all other variables remaining constant, the impact on net assets attributable to holders of units of the Money Market Fund and the Balanced Fund for the period would have been K640 million and K374 million (2017: K826 million and K147 million), respectively.

*Liquidity risk*

The Funds are exposed to daily cash redemptions of redeemable units. The Funds invest their assets in investments that are traded on the Malawi Stock Exchange (MSE) and on the Money Market. The Balanced Fund's listed securities are considered readily realisable, as they are listed on the MSE.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's liquidity position on a daily basis and has developed a comprehensive history of the Fund's daily and/or periodic liquidity requirements. Guided by this history, the manager maintains sufficient cash and near cash investments to meet the day to day redemption requirements.

Below are the Funds' investments in cash and near cash equivalents at 31 December 2018.

	<b>Money Market Fund</b>		<b>Balanced Fund</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>
Bank balances and cash (note 9)	254 885	238 811	55 941	198 901
Investments in fixed deposits maturing in less than 3 months (note 7)	5 421 850	4 719 071	1 777 124	1 194 169
Investment in treasury bills maturing in less than 3 months (note 7)	<u>3 240 437</u>	<u>6 333 748</u>	<u>1 628 182</u>	<u>243 171</u>
Total	<u>8 917 172</u>	<u>11 291 630</u>	<u>3 461 247</u>	<u>1 636 241</u>
Maturity analysis of financial liabilities and Unit holder's balances (all on demand)				
Unit holder's balances	12 809 515	17 917 868	7 487 189	4 563 119
Current liabilities	<u>185 998</u>	<u>280 658</u>	<u>116 860</u>	<u>123 015</u>
Total	<u>12 995 513</u>	<u>18 198 526</u>	<u>7 604 049</u>	<u>4 686 134</u>

**15. Financial instruments – associated risks & risk management (Continued)**

**15.2 Financial risk management strategy (Continued)**

*Credit risk*

The Funds are exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash equivalents and fixed deposits held in banks and interest bearing investments with Government of Malawi.

**15.3 Capital management**

The capital of the Funds is represented by unit holder balances. The amount of unit holder balances can change significantly on a daily basis as the Funds are subject to daily subscriptions and redemptions at the discretion of unit holders. The Funds' objectives when managing capital are to safeguard the Funds' ability to continue as a going concern in order to provide returns for unit holders.

The Funds undertakes further financial analysis and measures to ensure that the institutions issuing the securities are of sound financial health.

**16. Fair value measurements**

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

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- 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.

**16.2 Fair value of the company's financial assets and financial liabilities that are measured at fair value on a recurring basis.**

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;
- 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).

OLD MUTUAL UNIT TRUST MONEY MARKET AND BALANCED FUNDS

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2018

**16. Fair value measurements (Continued)**

16.2 Fair value of the company's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial asset	Fair value as at			Fair value hierarchy	Valuation technique(s) and key input(s)
		31/12/2018	31/12/2017		
Held for trading non-derivative financial asset	Listed equity securities	<b>K'000</b> 2 176 017	<b>K'000</b> 1 128 678	Level 1	Quoted share prices in an active market.

There were no movements in the fair values from level 1 to 2.

16.3 Fair value of the company's financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

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

**17. Subsequent events**

There were no subsequent events that require adjustment to, or disclosure in the financial statements.

**18. Going concern**

As at 31 December 2018, there were no issues impacting the Funds' ability to continue in operational existence for the foreseeable future.

**19. Economic indicators**

The average of the year end buying and selling rates of the foreign currencies most affecting the performance of the Funds is stated below, together with the increase in the National Consumer Price index for the year, which represents an official measure of inflation.

	<b><u>2018</u></b>	<b><u>2017</u></b>
Kwacha/Rand	50.83	51.5
Kwacha/US Dollar	<u>729.84</u>	<u>731.24</u>
Reserve Bank of Malawi base rate %	<u>16.0</u>	<u>20.43</u>
Inflation rate %	<u>9.2</u>	<u>11.6%</u>

As at the date of approval of the financial statements, the above rates had moved as follows:

Kwacha/Rand	51.64
Kwacha/US Dollar	<u>731.19</u>
Inflation rate (February 2019) (%)	<u>7.9</u>