ICON PROPERTIES PLC

ANNUAL REPORT 2023

Building Better Futures

ICON PROPERTIES PLC

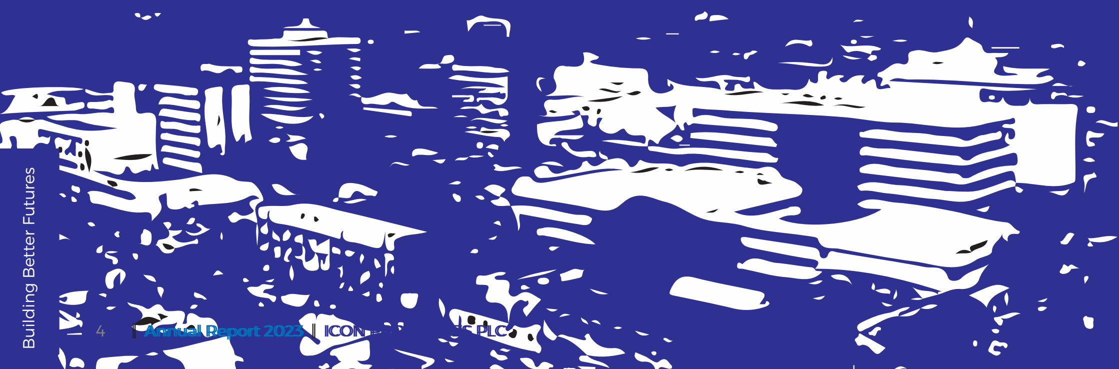
CONTENTS

MISSION STATEMENT

To be at the forefront of successful quality property investments and developments in Malawi and to provide maximum returns for all stakeholders.

INVESTMENT AND DEVELOPMENT PHILOSOPHY

ICON Properties plc is focused on acquiring high rental yield assets. ICON Properties plc has specific strategies for each investment opportunity by putting in place the most appropriate capital structures to meet strict criteria in terms of underlying quality of the assets, project returns, stability of cash flows and capital growth.



FINANCIAL HIGHLIGHTS

Total Assets
K122.6bn
For the year ended 31 December 2023 (2022: K108.8bn)

Total Income
K20.9bn
For the year ended 31 December 2023 (2022: K22.8bn)

Profit after tax
K19.2bn
For the year ended 31 December 2023 (2022: K16.7bn)

Profit After Tax grew by
15%

CHAIRMAN'S STATEMENT

Profit After Tax
K19.2 billion
(2022: K16.7 Billion)
15%

Total Income Generated
K20.9 bllion

OVERVIEW

I am pleased to report the results of ICON Properties Plc for the year ended 31 December 2023.

ECONOMIC PERFORMANCE

During the year, the Malawi economy continued to face several challenges due to external and internal factors. The Malawi Kwacha depreciated against the United States Dollar by 64.1% (2022: 25.73%) compared to the corresponding year mostly due to the 44% devaluation of the Malawi Kwacha in November 2023. The average headline inflation for 2023 increased to 28.8% (2022: 21%). The increase in inflation was due to increases in both food and non-food inflation.

PERFORMANCE REVIEW

The Company reported a 15% increase in profit after tax of K19.2 billion for the year ended 31 December 2023 (2022: K16.7 billion).

The Company generated total income of K20.9 billion (2022: K22.8 billion) for the year which included an increase in fair value of properties of K11.8 billion (2022: K14.3 billion). The Company's income performance was lower due to property revaluation gains and finance income. The property revaluation gains on properties were lower than the corresponding year due to normalisation of above normal growth on some properties in the previous year following market realignments. Investment income decreased due to reduced cash balances following an additional investment in Oasis Hospitality Limited (Oasis) at K1.7 billion (2022: K6.8 billion) bringing the total investment to K8.5 billion. Oasis is in the process of constructing an hotel in Lilongwe led by Blantyre Hotels plc and ICON Properties plc is one of the shareholders.

Total investment in hotel construction

K8.5 bllion

Rental income growth at 15% improved from the previous year growth of 6% due to executed rental escalations and consistent occupancy rate at above 90% throughout the financial year.

Total expenses for the year were at K3.9 billion (2022: K3.2 billion) representing a 23% increase. Some of the major expense areas included utility costs, repairs and maintenance and administration costs. The Company recorded an aggregate tax credit for the year due to the recalculation of deferred taxes which led to the reduction of deferred tax liabilities.

In March 2024, after the year end, the Company finalised piloting of the automated parking management system at Chichiri Shopping Centre, the system is expected to improve the customer experience at the mall by reducing over parking and generating income to sustain the growing cost of maintaining the car park as well as enhancing security.

DIVIDEND PERFORMANCE

The Directors have recommended a final dividend of MK935.2 million (2022: MK868.4 million) representing 14 tambala per share (2022: 13 tambala). The payment date will be announced after the Company's Annual General Meeting (AGM).

An interim dividend of MK868.4 million (2022: MK801.6 million) representing 13 tambala per share (2022: 12 tambala) was paid on 27 October 2023.

This would bring the total dividend for the year to MK1.804 billion (2022: MK1.603 billion) representing 27 tambala per share.

CORPORATE SOCIAL RESPONSIBILITY

In April 2024, the construction of a double story classroom block at Mbayani Primary School in Blantyre was completed and this was done in collaboration with the NICO Foundation and other technical partners

Double story classroom block at Mbayani Primary School

Chichiri Shopping Centre Police Unit

and the same was handed over to the Ministry of Education. The Company contributed K49.7 million towards the project during the year and the total contribution will be K89 million.

As reported last year, the Company had begun construction of a Police unit at Chichiri Shopping Centre. The police unit was completed and handed over during the year and will be used by the law enforcement agency at no rent.

The Company also donated K1.5 million to Netball Association of Malawi (NAM) towards the National Netball Team's (The Queens) World Cup Tournament 2023 in South Africa.

The Company will seek to continue responding to the needs of its tenants and wider community whilst delivering value to its shareholders.

PROSPECTS FOR 2024

Following the devaluation of the Malawi Kwacha in November 2023, foreign currency reserves remain low which risks further pressure on the local unit. High inflationary pressures have resulted in suppliers of goods and services hiking their prices hence impacting Company costs as well as disposable income of current and prospective tenants. These conditions are expected to persist in 2024.

Despite the economic challenges, demand for quality space which the Company offers remains high. Rental growth as well as growth in property values is expected to continue as the property market gradually adjusts to changes in the economic landscape. Management will continue controlling expenditure levels whilst ensuring that service delivery is unaffected.

FUTURE PROJECTS

The Company continues to work on projects that will grow the asset base. The Company has had to restructure some projects considering the ever-changing economic environment which has extended the intended start dates. The projects in the pipeline are in the commercial, hospitality and industrial real estate sectors. Once project structuring and following negotiations are complete, the Company will work towards launching these projects.

As the Company progresses in its strategic projects, it will cautiously manage cashflows to balance between operational and capital needs.

As Chairman, I would like to thank the Board of Directors and the staff at the management company for their continued efforts in producing positive results each year despite economic challenges.

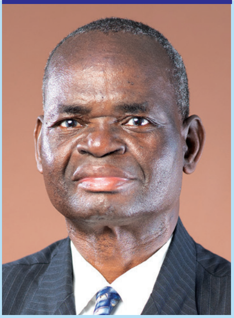
Eric Chapola
Chairman

Mr. Eric Chapola

Chairperson

Mr. Eric Chapola is a Chartered Insurer with the UK Associateship ACII qualification (Master's Equivalent), and a fellow under Society of Fellows UK. He also holds a Diploma in Business Studies from the then University of Malawi (Polytechnic). He served as the Chief Executive Officer of NICO Life Insurance Company Limited up to December 2023. In his tenure as Chief Executive Officer, Mr. Chapola has provided strategic leadership in management of the NICO Life property portfolio.

Mr. Chapola has extensive board leadership and experience having served as Chairman of Malawi Revenue Authority (2017 -2019) and currently the Chairman of the Malawi Blood Transfusion Services Board and Life Pharmacies Limited Board. He also serves on the boards of the University of Malawi, Sanlam Mozambique, NICO Zambia Insurance Company Limited, Insurance Institute of Malawi, amongst other boards.



Mr. Dasford Kamkwamba

Non-executive Director

Mr. Kamkwamba is an accountant by profession. He holds an MBA from Stellenbosch University Business School and is an Associate Member of the Chartered Institute of Secretaries. He is a Chartered Certified Accountant and was awarded a Fellowship (FCCA). Mr. Kamkwamba holds a Bachelor of Commerce and has over 35 years' work experience in financial management; strategic management and corporate secretarial matters.

Mr. Simeon Banda

Non-executive Director

Mr. Simeon D. Banda is a Chartered Quantity Surveyor and Registered Valuer. He holds a Bachelor of Science (Hons) in Quantity Surveying and is a Professional Associate of The Royal Institute of Chartered Surveyors (MRICS); a member of the Surveyors Institute of Malawi (MSIM) and Architects and Quantity Surveyors Board of Malawi. Mr. Banda has 28 years Quantity Surveying, Project Management and Valuation experience in Public and Private Sector Landed Property.

Mrs. Emily Makuta

Non-executive Director

Mrs. E. Makuta holds a Bachelor of Law (Hons) Degree from the University of Malawi and a master's degree in International Economic Law from the University of Warwick, UK. She is a Chartered governance professional having qualified as such with the with the Chartered Governance Institute UK and Ireland in 2007. She also holds an International Diploma in Compliance from the Manchester Business School and the International Compliance Association. She previously worked in the banking sector, first in an investment, development and merchant banking environment plus legal support in pensions, and later in a commercial bank. Early in her career she worked as a legal practitioner in two busy private legal firms. She has been an adjunct lecturer for the Masters in Commercial Law program at the University of Malawi, lecturing in Corporate Governance, since 2013. Emily Makuta is currently the Group General Counsel and Group Head of Compliance for NICO Holdings plc providing legal, compliance and governance expertise and support to businesses in the general and life insurance, asset management, pensions, banking, property development and management sectors, that comprise the NICO Group companies.

Emily's areas of experience and expertise therefore are in, legal practice, corporate governance, compliance, commercial transactions (negotiations, legal drafting, and analysis) including substantive experience and expertise in investment banking and project finance.

Mr. Graham Chipande

Non-executive Director

With over 15 years' experience in banking and finance, Mr. Chipande is a strategic financial planner with experience in various industries such as Financial Services, Infrastructure, Agri business, and Manufacturing. He is the Head of Business Banking at Standard Bank Plc and currently sits on the Standard Bank Pension Fund Board. He has held various positions within other multinational organizations with experience across the Globe. He holds an MBA in Finance from Webster University and a Bachelor of Science in Business Management (Honours) from the University of Surrey.

Mr. Joseph Malingamoyo

Non-executive Director

Mr. Malingamoyo is a Chartered Quantity Surveyor and holds a Bachelor of Science (Hons) in Quantity Surveying and Construction Economics and an LLM in Construction Law and Practice. He has over 35 years' work experience as a Quantity Surveyor. He is a Professional Associate of the Royal Institute of Chartered Surveyors (MRICS); a full member of the Surveyors Institute of Malawi (MSIM) and Architects and Quantity Surveyors Board of Malawi and an Associate Member of the Chartered Institute of Arbitrators (UK).

Mr. Sangwani Hara

Non-executive Director

Mr Sangwani Hara holds a Bachelor of Commerce (Accountancy from the University of Malawi, Polytechnic. He is also graduate of Emile Woolf Accountancy College, London, United Kingdom where he obtained his chartered certified accountancy qualification. He has over twenty-five years experience in accounting, finance, general and commodity marketing gained from working for multinational groups; initially CDC Group plc, then Global Tea & Commodities Limited, both of which have their headquarters in the United Kingdom. He is currently working for Dhunseri Petrochem & Tea (pte) Limited which has its headquarters in Singapore. He has been a member of several boards. He brings to the NICO Board a wealth of experience in accounting, finance and general management. He is a key member of the Group Investment and Audit and Finance Committees where his analytical approach and orientation to detail adds value to those committee's work.

OVERARCHING STRATEGIC MANAGERS' REPORT

As economic indicators improve, property markets are poised for a rebound driven by demand in growing markets such as student accommodation

1.0 Malawi Economy Overview

Despite the recovery in the global economy, Malawi's economy continued to face considerable downside risks. The great impact of weather shocks from Cyclone Freddy in 2023 and El Nino spells in early 2024 exacerbated an already volatile economic environment. The adverse weather conditions significantly impacted the Country's rain-fed agriculture sector as Cyclone Freddy unleashed floods and mudslides, causing extensive damage to critical infrastructure, farmland, and livestock with over 2 million farmers affected and substantial hectares of export crops submerged or washed away. Coupled with a scarcity of agricultural inputs, agricultural output was consistently hampered, restraining it from reaching its full potential with its consequent impact on economic activity.

Further challenges presented themselves as echoes of the Russia-Ukraine conflict. Disruptions to global supply chains persisted, leading to an escalation in commodity prices and straining foreign currency reserves. This, in turn, exerted downward pressure on the exchange rate, which was further constrained by the 44% devaluation of the Malawi Kwacha in November 2023. In the wake of these obstacles, the real GDP growth projection for 2023 was revised downwards to 1.5% from the earlier estimate of 1.9%. The revision was attributed to lower than anticipated growth in the agriculture, wholesale and retail and manufacturing sectors, stemming from persistent shortages of foreign exchange.

These challenges, compounded by limited concessional financing, posed substantial hurdles to economic expansion.

As the Country grappled with a challenging 2023, 2024 presents a more promising outlook with the World Bank projecting 2% GDP growth while the IMF anticipates a less conservative 3.3%. The growth estimates are on account of improved public investment, growth in agriculture, mining and quarrying, manufacturing, accommodation and food services, wholesale, and retail trade as well as information and communication sectors. This performance is likely to be supported by the agriculture commercialisation through introduction of mega farms which may lead to improved food output and the reinstatement of the IMF and bilateral support including IDA which may entail improved budgetary support for essential amenities including infrastructure for the country.

2.0 Property Market Overview

Real estate continues to evolve during the Covid post-pandemic era, adverse weather conditions, and significant advancements in technology. The commercial sector in particular remains dynamic, with new challenges such as rental affordability issues emerging daily as well as the flexible working approach which has shifted demand dynamics as occupiers seek smaller spaces.

Given the current economic trends, it will be challenging for the sales market, and consequently property values, to see a significant upturn in the near future unless issues related to rising interest rates, challenging economic terrain and environmental shocks, and geopolitical shocks affecting both the global and local economy improve. However a surge in demand for residential accommodation for entry level graduates and middle-income earners is predicted, which could slightly increase rental rates for houses. In addition, the demand for quality commercial rental space is significantly high, however the supply is not keeping pace due to the scarcity of land suitable for development, high development costs and the high cost of borrowing.

The Reserve Bank of Malawi's interventions to manage inflation and the general economy, the impact of which is still uncertain, has had a negative effect, leading to an increase in lending rates by commercial banks. However the coming in of the Development Bank, once operationalised and capitalised, might provide a cheaper alternative for development finance which may include investment property.

Transactional markets are currently limited to a small number of capable buyers, primarily pension funds and larger trading communities due to liquidity constraints and high lending/ mortgage rates. There are few investors with readily available cash to finance property purchases, leading to minimal growth in values, except in isolated instances. However, the exact number of transactions is uncertain due to confidentiality of most deals. In a stable economic environment, despite high demand and borrowing costs that limit supply, the growing population, improved education levels, increased purchasing power, and a liberalised economy should provide those with the financial means with a variety of options for property purchases and facilitate deal-making.

As economic indicators improve, property markets are poised for a rebound driven by demand in growing markets such as student accommodation which continues to enjoy high demand inspite of issues on affordability which constrains ability for such properties to attract much higher rentals.

Future developments in the industry will likely be underpinned by sustainability as Environmental, Social, and Governance (ESG) issues continue to gain momentum. Upcoming property development projects are increasingly incorporating ESG aspects into their design and operation processes intersecting with Government's initiatives on sustainable infrastructure development.

3.0 Portfolio Review

As at 31st December 2023, the company's investment property portfolio was valued at K96.1 billion (2022: K84.0 billion). The portfolio generated total income of K20.9 billion (2022: K22.7 billion) for the year which includes rental income of K5.9 billion (2022:K5.1 billion) and an increase in fair value of properties of K11.8 billion (2022: K14.3 billion). The gains from property revaluation on properties were lower compared to the previous year, as the above-normal growth experienced by some properties in the preceding year normalized due to market realignments.

Key portfolio highlights include robust performance by the landmark retails assets, valued at K55 billion and located in prime locations in the country's two largest cities boasting blue-chip tenants and high occupancy rates for retail with an average vacancy rate of less than 2% for the reporting year. The Company further holds investments in a diverse commercial portfolio located across the three major regions, in 2023, the Company further expanded its portfolio by acquiring 10 Hectares of prime industrial land earmarked for a development currently in planning stages.

Investment Property Portfolio
K96.1 billion
(2022: K84.0 billion)

Rental Income
K5.9 billion
(2022: K5.1 billion)

High occupancy rates for retail with an average vacancy rate of less than 2%

The table below gives a high-level snapshot of the key statistics of the property portfolio:

	12 months ended 31 December 2023	12 months ended 31 December 2022
Property portfolio value (K'mn)	96,090	83,985
Gross rental income (K'mn)	5,947	5,167
Number of properties	35	34

Despite persistent challenges in the operating environment, portfolio growth was driven by robust rental performance by the commercial properties and the impact of value added enhancement projects initiated portfolio-wide. The repurposing of specialized assets will continue as the Company seeks to optimize revenue generation by ensuring the portfolio remains relevant to market needs.

Below is the composition of the property portfolio by type of the property:

Property Type	Number of properties	Number of tenants	Lettable area (Sqm)	Occupancy	Asset Value (MK'000)
Retail	2	104	28,470	99%	54,637,500,000
Offices	17	64	29,751	100%	33,836,080,800
Industrial	1	0	3,649	*0%	2,004,947,700
Residential	13	13	4,186	100%	3,641,200,000
Land Bank	2	N/A	N/A	N/A	3,861,500,000
Total	**35**	**181**	**66,056**		

**Was under repurposing*

The Company continues to streamline and optimise its asset base through various strategic initiatives.

4.0 Outlook

In it's continued evolution, ICON's pursuit of exponential growth will be driven by fostering diversified assets and geographic reach, aligning with national policy directives and optimizing revenue streams while prioritizing sustainability. This strategy entails leveraging innovative approaches, extracting organizational and process efficiencies, and implementing revenue-driving initiatives as further outlined in the Chairman's Statement.

Eris Properties Mw Limited
Overarching Strategic Manager

OVERARCHING MANAGERS' PROFILE

Through Eris, ICON benefits from a new benchmark in property service as it draws on both Eris Property Group's and local team decades of experience and takes on growth opportunities in the sector.

Eris Properties Mw Limited ("Eris") was appointed by the Board of ICON Properties plc to provide Overarching Management Services to ICON Properties plc effective 1st April 2022.

Eris is a property services company formed under a fifty-fifty joint venture between Eris Property Group (South Africa) ("EPG") and NICO Holdings Plc. The objective of Eris is to offer leading and effective property services solutions for property investors and expand ICON's property through bespoke property services solutions.

Eris looks after the property development, management and other value addition on a case-by-case basis of ICON through a range of commercial property services. Through Eris, ICON benefits from a new benchmark in property service as it draws on both EPG's and local team's decades of experience and takes on growth opportunities in the sector. With a footprint across 7 offices including Ghana, Lesotho, Namibia, Botswana, Mauritius and South Africa, EPG provides a range of commercial property skills and employs over 400 people. EPG, formerly called Rand Merchant Bank (RMB) Properties has been operating since 1985 before it changed its name to Eris Property Group in 2000.

Eris leverages off EPG's philosophy of a long-term view and attention to detail in property management and investment, ensuring optimal and efficient solutions through a spectrum of property services. EPG has US$1.2bn properties under management, completed over 100 property developments in Africa worth US$2bn in market value and holds US$120m in proprietary investments.

On the local front, Eris also leverages on the diversity and in-depth experience of its team as indicated in the Overarching Manager's management team section herein below. In summary, with an experience across all the value chain of a landed property business and in all landed property types, the team brings property skills ranging from project technical preparation, project viability analysis, project management, leasing including asset preservation and valuation. Further, Eris also taps expertise on a case-by-case basis from outsourced dependencies it has with highly accredited local practices in the built environment in the country.

Services

Eris offers expertise in the following property service lines;

• Property Development and Project Management	• Facilities Management
	• Leasing and Investment Broking
• Property Management	• Property Advisory and Brokerage/Estate Agency
• Property Valuation	• Retail Services

OVERARCHING MANAGERS' MANAGEMENT TEAM

Eris has a multi-disciplinary team of professionals working in Blantyre and Lilongwe with experience in property management and investment, facilities management, land economy, corporate real estate and development, quantity surveying, engineering, architecture, accounting, financial analysis and governance. Eris further taps knowledge from EPG and NICO Group whose senior members of staff collaborate in all strategic matters.

Brief profiles of the senior management of the company are set out below:

Mrs. Ellen Chapinduka Nyasulu – Chief Executive Officer

Mrs. Chapinduka Nyasulu is a holder of an MBA obtained from the University of Reading (UK). Further, she also holds a Master of Science Real Estate (University of Pretoria), a Bachelor Business Administration (University of Malawi) as well as other qualifications in Management, Valuation and Facilities Management. Mrs. Nyasulu is the past President for the Surveyors Institute of Malawi after having served for 2 terms in that capacity. She has also served on various boards as a director including National Construction Industry Council, National Urban Planning and Road Authority. She is a licensed surveyor with Surveyors Institute of Malawi (SIM) and an experienced real estate practitioner with 23 years' work experience. Prior to her role as Eris' Chief Executive Officer, she worked as Operations and Marketing Manager for MPICO plc. Prior work experience includes an extensive career at Malawi Housing Corporation where she joined as an Estates Officer and rose through the ranks to Principal Estates Officer and finally acted as Chief Estates Officer before joining MPICO.

Mr. Donald Kambalametore - Finance Manager

Mr. Kambalametore is a fellow member of the Association of Chartered Certified Accountants (FCCA). He holds a Bachelor of Business Science Degree in Finance and Accounting from the University of Cape Town. Prior to joining Eris Properties Mw, he worked as Chief Accountant and Risk Officer for NICO Asset Managers Limited. Prior work experience includes audit experience at Deloitte as an Assistant Audit Manager.

Ms. Tawene Lungu - Head of Property Management

Ms. Lungu holds a Master of Science in Corporate Real Estate and Facilities Management, a Bachelor of Science (Hons) in Property Management and Investment from the University of Salford. She is a candidate of Royal Institute of Chartered Surveyors and a Graduate Member of Surveyors Institute of Malawi. Prior to joining Eris, she served as a Property Manager at Knight Frank Malawi for 2 years after completing the Knight Frank's graduate management trainee program for 3 years. She now heads the Property Management department after serving 4 years as Senior Property Manager.

Mr. Yankho Somanje - Property Manager

Mr. Somanje holds a Bachelor of Science in Quantity Surveying from the University of Malawi. He has over 10 years' experience in property management and quantity surveying. He has worked at Malawi Housing Corporation – Henan Guoji Development Company Limited and Mkaka Construction prior to joining Eris as a Property Manager. He is a registered member with the Board of Architects and Quantity Surveyors in Malawi.

Mr. Kizito Sonkho Kumwenda – Company Secretary and Legal Manager

Mr. Kumwenda holds an LLB (Hons) from the University of Malawi. He is an active member of the Malawi Law Society where he is currently an Executive Committee Member for the 2023 to 2025 period. He has over 7 years post admission experience in corporate governance, labor, commercial and corporate law as well as a wide range of civil and criminal law practice. Prior to taking up the post of Company Secretary and Legal Manager at Eris, Kizito worked for First Capital Bank Plc, Mwangomba & Associates, Anchor Mooring Partners and Chisanga & Tomoka Legal Practitioners.

ICON PROPERTIES SHAREHOLDER STATISTICS

RANGES STATISTICS FOR ICON PROPERTIES PLC AS AT 31 DECEMBER 2023

Description	Shareholders	% of Holders	Shares	% of Shares
1 - 5000 shares	146	12.73	535,294	0.01
5001-25,000 shares	439	38.27	6,435,866	0.10
25,001-50,000 shares	126	10.99	5,123,197	0.08
50,001-100,000 shares	133	11.60	10,882,957	0.16
100,001-200,000 (up to two hundred thousand) shares	99	8.63	13,969,535	0.21
200,001-500,000 (up to five hundred thousand) shares	79	6.89	26,163,511	0.39
500,001-1,000,000 (up to 1 million) shares	37	3.23	29,660,134	0.44
1,000,001 (greater than 1 million) shares	88	7.67	6,587,229,506	98.61
Totals	**1,147**	**100.00**	**6,680,000,000**	**100.00**

COUNTRY STATISTICS FOR ICON PROPERTIES PLC AS AT 31 DECEMBER 2023

Country Code	Description	Shareholders	% of Holders	Shares	% of Shares
NILL	NOT DEFINED	1	0.09	18,000	0.00
GBR	UNITED KINGDOM	5	0.44	102,000	0.00
LUX	LUXEMBOURG	4	0.35	125,000	0.00
MOZ	MOZAMBIQUE	2	0.17	1,800,000	0.04
MWI	MALAWI	1,131	98.61	6,677,517,607	99.96
NLD	NETHERLANDS	1	0.09	193,393	0.00
USA	UNITED STATES OF AMERICA	2	0.17	224,000	0.00
ZAF	SOUTH AFRICA	1	0.09	20,000	0.00
Totals		**1,147**	**100**	**6,680,000,000**	**100**

INDUSTRY STATISTICS FOR ICON PROPERTIES PLC AS AT 31 DECEMBER 2023

Industry Code	Description	Shareholders	% of Holders	Shares	% of Shares
INS	INSURANCE / ASSURANCE	2	0.18	3,760,398,051	56.30
RES	RESIDENT IND	29	2.53	3,849,186	0.06
LI	LOCAL INDIVIDUAL	888	77.42	184,320,031	2.76
OTH	OTHER CORP	1	0.09	24,000	0.00
NILL	NOT DEFINED	2	0.17	83,002	0.00
LC	LOCAL COMPANY	34	2.96	124,571,381	1.86
ITC	INVEST/TRUST ETC.	71	6.19	314,665,863	4.71
NRS	NON-RESIDENT	12	1.05	644,393	0.01
PEN	PENSION/PROVIDENT	27	2.35	1,900,760,570	28.45
BNK	BANKS/NOMINEES	81	7.06	390,683,523	5.85
Totals		1,147	100	6,680,000,000	100

CORPORATE GOVERNANCE STATEMENT

The importance of good corporate governance cannot be overemphasized as it provides the infrastructure to improve the quality of the decisions made by those charged with the responsibility of good, quality and ethical decision making.

The Board of ICON Properties Plc (ICON/ the Company) remains committed to delivering value to the shareholders that is long-term and sustainable. The actions of the Board therefore ought to be consistent with the statutory duties and uphold the highest standards of integrity in instilling the appropriate values, behavior and culture in the boardroom and beyond. The Board complies with the standards of corporate governance as outlined in the Companies Act, 2013; the Malawi Code II; the Malawi Stock Exchange Listing Requirements; the Companies (Corporate Governance) Regulations, 2016; and all other applicable best practice governance principles. The Board is committed to be ethical, transparent and accountable as this is essential for the long-term performance and sustainability of the Company and to protect and enhance the interests of its shareholders and other stakeholders.

The importance of good corporate governance cannot be overemphasized as it provides the infrastructure to improve the quality of the decisions made by those charged with the responsibility of good, quality and ethical decision making. This in turn builds sustainable business and enables the business to create long-term value more effectively.

The Role of the Board

The Board's primary responsibility is to promote the long-term success of the Company and deliver sustainable shareholder value. Its ultimate responsibility is for the management, direction, governance and performance of the company. Through authorities delegated to its Committees, the Board directs and reviews the Company's operations within an agreed framework of controls, allowing risk to be assessed and managed within agreed parameters.

The Composition of the Board and Board Committees

The Board and its Committees have the appropriate balance of skills, independence, knowledge and experience to enable them to discharge their respective duties and responsibilities effectively. All the Directors are Non-Executive Directors and the independent Directors constructively challenge and help in the development of proposals on strategy. As at date of this Annual Report, the Board comprised seven

Directors. The Board has two Committees namely: Finance and Audit Committee and Investment Committee.

Board Support and the Company Secretary

The Company Secretary is responsible for ensuring that Board procedures are complied with, advising the Board on all governance matters, and helping the Board and its committees to function efficiently. All Directors have direct access to the Company Secretary.

Board Evaluation

The Board has adopted an internally facilitated Board Evaluation process.

Communications with Shareholders

The Board is committed to providing shareholders and other financial market participants with consistent and transparent corporate reporting, in a timely manner and complying with all continuing disclosure obligations. It is important that all shareholders are able to discharge their stewardship duties effectively. The Annual General Meeting provides this opportunity to shareholders to receive a performance update directly from the Board and ask questions.

Directors' Tenure Policy

In accordance with Section 20A(4) of the Articles of Association of the Company, any member who holds ten per cent or more of the shares of the Company may from time to time appoint one director of the Company in respect of his every ten per cent holding in the equity shares of the company (with no rounding up). Such entitlement to nominate a Director lapses if the shareholding falls below the complete 10% threshold and any Director appointed pursuant to that entitlement shall automatically vacate his office on the reduction of any relevant shareholding of 10% of the member concerned. Where applicable, the Director or Directors to vacate office shall be identified by the nominating member, but if the nominating member shall fail to do so, the other Directors may identify the Director or Directors to vacate office.

All Non-executive Directors on the Board are subject to the retirement by rotation provisions under the Companies Act, 2013; the Company's Articles of Association; and the Malawi Stock Exchange Listing Requirements. Termination of Non-executive Directors' appointment is effective immediately when the notice of termination of their appointment is delivered to the Company Secretary unless a specific effective termination date is provided. There is no predetermined compensation on termination of the appointment of Non-executive Directors.

The company has no Executive Directors.

Compliance with the Malawi Code II
The provisions of the Malawi Code II have been adhered to. Any concerns over non-compliance with the Code should be addressed to the Company Secretary.

AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2023

DIRECTORS' REPORT

For the year ended 31 December 2023

The directors have pleasure in submitting their report together with the financial statements for the year ended 31 December 2023.

Nature of business

The Company is a property holding company formed with the objective of owning, leasing, managing, and developing commercial, industrial, and retail properties. The Company has properties in Blantyre, Zomba, Lilongwe and Mzuzu.

Incorporation

The Company was incorporated in Malawi as a private limited company on 4 June 2018. It began operations on 1 November 2018 and on this date, the current shareholders transferred the shareholding they held in various property companies, namely Kang'ombe Investment Limited, Chichiri Shopping Centre Limited, Lilongwe City Mall Limited, and NICO Properties Limited, as well as various property interests into the Company in exchange for shares in ICON Properties Limited. The Company was registered and converted to a public limited company on 8 November 2018 and later that month announced its intention to list its shares on the Malawi Stock Exchange. The Company listed on the Malawi Stock Exchange on 21 January 2019.

Group re-organisation

The directors resolved and approved to have the Company undergo a re-organisation where the assets and liabilities of NICO Properties Limited, Lilongwe City Mall Limited, and Chichiri Shopping Centre Limited which were 100% owned subsidiaries of ICON Properties Plc (ICON) be transferred to ICON Properties Plc effective 1 January 2021. The transfer was executed at book value for all assets and liabilities for all components as at the effective date. The effect of this was that these subsidiary companies were made inactive.

Effective 31 December 2022, the assets, and liabilities of Kang'ombe Investment Limited (KIL), a 100% owned subsidiary of ICON Properties Plc, were transferred to ICON Properties Plc following the acquisition by ICON Properties Plc of the 25% shareholding that Press Trust had in KIL towards the end of the 2021 financial year. At this date the Company ceased to be a group as all subsidiary companies were inactive.

Share capital

The authorized share capital of the Company is 10 000 000 000 shares. The issued share capital is 6 680 000 000, fully paid at year end. The shareholders and their respective shareholding as at year end were as follows:

Shareholder	2023 % Holding	2022 % Holding
NICO Life Insurance Company Limited	56	56
Standard Bank Malawi Pension Fund	8	8
National Bank of Malawi Pension Fund	4	4
Magetsi Pension Fund	3	3
Other shareholders*	29	29
	100	100

*Other shareholders include other pension funds and the general public.

Registered office

The physical address of the Company's registered office is:

Michiru House
Victoria Avenue
P O Box 648
Blantyre
Malawi

Financial performance

The results and state of affairs of the Company are set out in the accompanying statements of financial position, statements of comprehensive income, statements of changes in equity, statements of cash flows and accompanying material policy information and notes to the financial statements.

Profit

The profit for the year ended 31 December 2023 attributable to the owners of the Company was K19.2 billion (2022: K16.7 billion).

Dividend

During the year the Company paid a final dividend of K868.4 million for the year ended 31 December 2022 (2021: K801.6 million) and an interim dividend of K868.4 million for the year ended 31 December 2023 (2022: K801.6 million).

Corporate governance

The Company has a unitary Board of directors comprising seven non-executive directors of which four are independent.

Corporate governance (Continued)

The Company embraces best practices in corporate governance as enshrined in the Malawi Code II: Code of Best Practice in Corporate Governance in Malawi ("the Malawi Code/the Code").

The Board adopted the Malawi Code and is committed to comply with all applicable laws and regulations. The Company has a clearly defined governance framework which will be reviewed from time to time to ensure effective oversight by the Board.

Board of directors

The following directors and secretary served in office during the year:

Mr. E. Chapola	Chairman*
Mr. D. Kamkwamba	Director**
Mr. S. Banda	Director**
Mr. J. Malingamoyo	Director**
Mr. G. Chipande	Director**
Mr. Sangwani Hara	Director*
Mrs. Emily Makuta	Director*
Mr. Kizito Kumwenda	Company Secretary

Non-Executive Director *
Non-Executive Independent Director **

In terms of the Memorandum and Articles of Association, any member who holds 10% or more in nominal value of the issued share capital of the Company may from time to time appoint one director of the Company in respect of every 10% shares held.

At the annual general meeting of the Company in every year one-third of the directors for the time being (but excluding any executive director during his term of appointment to such office), or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office.

Main Board and Board committee meetings

The Board and Board committees meet quarterly, and ad-hoc meetings are held when necessary. The directors are provided with comprehensive Board documentation prior to each of the scheduled meetings.

The following are the details of attendance for the Board meetings and committee meetings:

Main Board of Directors – Meeting Attendance

Name of Director	13/04/2023	08/06/2023	24/08/2023	27/11/2023	18/12/2023
Mr. Eric Chapola	√	√	√	√	√
Mr. Simeon Banda	√	√	A	A	√
Mr. Joseph Malingamoyo	√	√	√	√	A
Mr. Dasford Kamkwamba	√	√	√	√	√
Mr. Sangwani Hara	√	√	√	√	√
Mr. Graham Chipande	√	√	√	A	√
Mrs. Emily Makuta	A	√	√	√	√

Investment Committee - Meeting Attendance

Name of Director	21/03/2023	24/05/2023	10/08/2023	18/08/2023	21/11/2023
Mr. Simeon Banda	√	√	√	√	√
Mr. Joseph Malingamoyo	√	A	√	√	√
Mrs. Emily Makuta	√	√	√	A	√
Mr. Sangwani Hara	√	√	√	√	√

Finance and Audit Committee - Meeting Attendance

Name of Director	11/04/2023	19/05/2023	17/08/2023	21/11/2023
Mr. Dasford Kamkwamba	√	√	√	√
Mr. Graham Chipande	√	√	A	√
Mr. Sangwani Hara	√	A	√	√

Key:

√ = Attendance A = Apology

Directors' remuneration

There were no executive directors on the Board of directors of the Company. The directors' fees and remuneration for the Company were as follows:

Directors' remuneration (Continued)

Name of Company	Directors Fees and expenses 2023 K'000	Directors Fees and expenses 2022 K'000
ICON Properties Plc.	48 934	34 033
Kang'ombe Investment Limited	-	6 530
Total	48 934	40 563

External auditor's remuneration

The remuneration of external auditors for the individual companies in the Company is as presented below:

Name of Company	Auditor's Remuneration 2023 K'000	Auditor's Remuneration 2022 K'000
ICON Properties Plc		
• Year-end audit	101 093	72 995
• Mid-year review	20 946	17 455
• Prior year under provision	-	10 168
• Other adjustments	-	(4 473)
Kang'ombe Investment Limited	-	5 337
Total	122 039	101 482

Donations

The Company in collaboration with NICO Foundation contributed towards the construction of a double storey classroom block at Mbayani Primary School. The Company contributed K49.7 million towards the project in year 2023.

The Company donated K1.5 million to Netball Association of Malawi (NAM) towards the National Netball Team's (The Queens) World Cup Tournament 2023 in South Africa.

In the year, the Company also handed over a Police unit at Chichiri Shopping Centre which will be used by the law enforcement agency at no rent.

No donations were made by the Company in the year 2022.

Directors' Interests

Register of interests:

Standing Notice of Disclosure for Mr. Eric Chapola for NICO Life Insurance Company Limited

Directors' Interests (Continued)

executive position (which is the majority shareholder of ICON Properties Plc.). Mr. Chapola retired from NICO Life Insurance Company Limited's executive position on 31 December 2023.

Standing Disclosure for Mr. Graham Chipande because of his association with Standard Bank Pension Fund. Mr. Graham Chipande is a Senior Manager at Standard Bank Plc.

Standing Notice of disclosure for Mr. Sangwani Hara for his position as a NICO Holdings Plc director (which is the majority shareholder of NICO Life Insurance Company Limited, the majority shareholder of ICON Properties Plc).

Standing Notice of Disclosure for Mrs. Emily Makuta for her position as a NICO Holdings Plc executive (which is the majority shareholder of NICO Life Insurance Company Limited, the majority shareholder of ICON Properties Plc). At year end Mrs. Makuta directly held 340 000 shares in the Company.

Activities

The Company has an associate and other investment interests in companies as follows:

Name of associate	% Holding	Type of business
Oasis Hospitality Limited	50*	Property letting

Name of investment in shares	% Holding	Type of business
Plantation House Investment Limited	4.98	Property letting

*In the year 2022, the Company invested in a special purpose vehicle company, Oasis Hospitality Limited (Oasis), which will construct a four-Star hotel in Lilongwe. The Hotel project construction and management is being driven by Blantyre Hotels Plc as the lead project sponsor. Blantyre Hotels Plc is a Malawi-based hospitality company and is listed on the Malawi Stock Exchange.

As at 31 December 2023 the Company had contributed 50% of the first phase of committed capital into the hotel project. The total capital raising is however not concluded hence the Company's shareholding is subject to change. ICON Properties Plc had significant influence over Oasis Hospitality Limited, and has been accounted for as an associate of ICON Properties Plc as at 31 December 2023.

Auditors

Deloitte, Chartered Accountants, have expressed their willingness to continue in office as auditors. A resolution to confirm their appointment as auditors of the Company for the year ending 31 December 2024 and to authorise the directors to determine their remuneration is to be proposed at the forthcoming Annual General Meeting.

Chairperson
Mr. Eric Chapola

Director
Mr. Dasford Kamkwamba

The directors are responsible for the preparation and fair presentation of the annual financial statements of ICON Properties Plc, comprising the statements of financial position as at 31 December 2023 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the period then ended, and the notes to the financial statements, including a summary of material accounting policy information and other explanatory notes, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and in the manner required by the Companies Act, 2013. In addition, the directors are responsible for preparing the directors' report.

The Companies Act, 2013 also requires the directors to ensure that the Company maintains proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and ensure the financial statements comply with the Companies Act, 2013.

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

- Maintenance of proper accounting records;
- Selection of suitable accounting policies and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Compliance with applicable accounting standards, when preparing financial statements; and
- Preparation of financial statements on a going concern basis unless it is inappropriate to presume the

Company will continue in business.
The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have assessed the Company's ability to continue as a going concern and have no reason to believe that the Company will not be a going concern in the year ahead.

The external auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and in a manner required by the Companies Act, 2013.

Approval of the financial statements

The financial statements of ICON Properties Plc as identified in the first paragraph, were approved by the Board of Directors on 25th March 2024 and are signed on its behalf by:

Chairperson
Mr. Eric Chapola

Director
Mr. Dasford Kamkwamba

Deloitte.

P.O. Box 187
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Malawi

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ICON PROPERTIES PLC

Opinion

We have audited the financial statements of ICON Properties Plc set out on pages 38 to 93, which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board and in the manner required by the Companies Act, 2013.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to performing audits of financial statements in Malawi, and we have fulfilled our other 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 period. 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.

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Partners: NT Uka VW Beza CA Kapenda
Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties (Financial statements)	
The Company owns investment properties which are carried at fair value in accordance with IAS 40: *Investment Property* (IAS 40) and IFRS13: *Fair Value Measurement* (IFRS 13). Significant judgement is required by the directors in determining the fair value of the investment properties. We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the financial statements as a whole, combined with methods used to value the investment properties, the judgement and estimation uncertainty associated with determining the amounts. The significance of the amount to the financial statements. The most significant assets for the Company are investment properties. As disclosed in note 4 of the financial statements, the Company's value of the investment properties is K96 billion (2022: K84 million) which makes up approximately 78% (2022: 77%) of the total assets of the Company. The use of judgement and assumptions by the valuers and complexity of the methods used. • The investment properties were revalued as at 31 December 2023 by professional independent property valuation experts using the income and market methods and where appropriate, direct comparison for developed land and buildings and vacant land and these techniques are complex.	To address the key audit matter, we carried out the following audit procedures: • Assessed the design and implementation of key controls; • Assessed the competence and objectivity of the management's experts; • Tested the judgements and assumptions used; • Evaluated the accuracy and completeness of the input data used in the valuation by management's experts; • Using internal property valuation expert, we sampled the properties and tested the reasonableness of the judgements used by management's experts; • ·Evaluated the conclusions reached in light of our understanding of the Company and its business; and • For a sample of investment properties, we engaged our corporate finance specialists in South Africa and local expert valuers in Malawi to evaluate the appropriateness of the external valuations. The specialist procedures included evaluating the appropriateness of the valuation methodologies used by the external independent valuers based on their knowledge of the industry, reperforming the valuations and challenging the inputs used against industry benchmarks and available market information. We found the valuation of the investment properties to be appropriate. The disclosures pertaining to the investment properties were found to be appropriate and comprehensive in the financial statements.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties (Financial statements) (Continued)	
• The valuation of investment properties is of a specialised nature and can rely on judgmental inputs and assumptions. Key areas of judgement relating to inputs into the valuation of investment properties include: i. Capitalisation rates: The capitalisation rate (equivalent yield) which is derived from widely available market related data, and which is continuously updated based on current market conditions. This requires management to exercise their judgement in the selection of a point in the capitalisation rate range, which is based on the category, condition, gross lettable area (GLA), location and grade of a property. ii. Vacancy rates and projected rental income growth and property expenses are judgemental and determined by management based on property specific information. The accounting policies relating to investment properties are disclosed in note 3.5 and significant accounting judgements, estimates and assumptions in note 3.3.2(i) of the financial statements for investment properties disclosures.	

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report and the Statement of Directors' Responsibilities, as required by the Companies Act, 2013 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

Other Information (Continued)

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 Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act and for such internal control as the directors 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 directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 scepticism 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 Company's internal control;

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Company to cease to continue as a going concern;

- 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; and

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors , we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte

Chartered Accountants
Nkondola Uka
Partner

19 April 2024

As at 31 December 2023

	Notes	2023 K'000	2022 K'000
ASSETS			
Non-current assets			
Investment properties	4a	96 090 160	83 984 585
IFRS 16 lease smoothing asset	4c	300 131	-
Deferred tax asset	7	321 656	-
Investment in shares and associate	5&6	8 626 548	6 912 000
Investment in treasury notes	9.2	11 826 523	11 741 508
Office equipment		405	3 970
Total non-current assets		117 165 423	102 642 063
Current assets			
Trade and other receivables	8	1 815 102	2 596 673
Tax recoverable	7.2	282 680	-
Cash and cash equivalents	9.1	3 299 140	3 585 362
Total current assets		5 396 922	6 182 035
TOTAL ASSETS		122 562 345	108 824 098
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	10	58 209 424	58 209 424
Restructuring reserve	11	8 012 031	8 012 031
Retained earnings	12	54 653 218	36 951 712
Total Equity		120 874 673	103 173 167
Non-current liabilities			
Deferred tax liability	7	-	3 436 807
Deferred income	14	373 107	392 905
Total non-current liabilities		373 107	3 829 712
Current liabilities			
Trade and other payables	13	1 314 565	1 558 459
Tax payable	7.2	-	262 760
Total current liabilities		1 314 565	1 821 219
TOTAL EQUITY AND LIABILITIES		122 562 345	108 824 098

The financial statements of ICON Properties Plc were approved by the Board of Directors on 25th March 2024. and are signed on its behalf by:

Chairperson
Mr. Eric Chapola

Director
Mr. Dasford Kamkwamba

The notes on pages 42 to 93 form an integral part of these financial statements.

	Notes	2023 K'000	2022 K'000
INCOME			
Revenue	4b	5 947 415	5 167 640
IFRS 16 lease smoothing rental revenue	4b	21 175	-
Deferred revenue - rental income	14	19 798	23 620
Total rental and deferred income on rentals		5 988 388	5 191 260
Fair value adjustment - investment properties	4a	11 835 422	14 286 836
Fair value adjustment - investment in shares	6	14 548	11 563
Dividend income		2 507	1 288
Other income	15	717 803	425 970
Total income		18 558 668	19 916 917
EXPENSES			
Administrative expenses	16	(2 140 688)	(1 603 989)
Operating expenses	17	(1 637 036)	(1 469 573)
Expected credit losses	8	(158 717)	(115 626)
Total expenses		(3 936 441)	(3 189 188)
Operating income before interest and tax		14 622 227	16 727 729
Finance income	18	2 365 552	2 837 259
Profit before tax		16 987 779	19 564 988
Taxation credit/(charge)	19	2 171 571	(2 858 880)
Profit for the year		19 159 350	16 706 108
Basic and diluted earnings per share (tambala)	20	287	250

The notes on pages 42 to 93 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

	Notes	Share capital K'000	Share premium K'000	Restructuring reserve K'000	Retained earnings K'000	Total K'000
2023						
Balance at 1 January	10	6 680 000	51 529 424	8 012 031	36 951 712	103 173 167
Profit for the year		-	-	-	19 159 350	19 159 350
Straight-lining of rental revenue adjustment*		-	-	-	278 956	278 956
Dividends paid		-	-	-	(1 736 800)	(1 736 800)
Balance at 31 December		6 680 000	51 529 424	8 012 031	54 653 218	120 874 673
2022						
Balance at 1 January	12	6 680 000	51 529 424	7 841 995	21 853 462	87 904 881
Profit for the year		-	-	-	16 706 108	16 706 108
Adjustment on reorganisation		-	-	170 036	(4 658)	165 378
Dividends paid		-	-	-	(1 603 200)	(1 603 200)
Balance at 31 December		6 680 000	51 529 424	8 012 031	36 951 712	103 173 167

The notes on pages 42 to 93 form an integral part of these financial statements.

*Investment properties leased out under operating leases are reflected as investment properties on the statement of financial position. Where there are fixed increments in rental income, the income is recognised on a straight line basis over the term of the lease in accordance with IFRS 16: *Leases*. The resulting difference arising from the straight-line basis of accounting and contractual cash flows is recognised as an operating lease obligation or asset. This interpretation and adoption of IFRS 16 *Leases* means that all rental concessions, incentives, and escalations are spread evenly on a straight-line basis over the lease term, termed the lease smoothing effect on rental income. In prior years, rental income was being recognised based on contracted annual rental income received and not spread on a straight-line basis over the lease term. The prior year balances have not been restated to conform to this classification and the resulting change in presentation.

	Notes	2023 K'000	2022 K'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		16 987 779	19 564 988
Adjusted for the following non – cash movements:			
Fair value adjustments – investment properties	4a	(11 835 422)	(14 286 836)
Fair value adjustments – investment in shares	6	(14 548)	(11 563)
IFRS 16 lease smoothing rental revenue	4b	(21 175)	-
Non-cash reorganisation adjustment		-	(4 658)
Interest income	18	(2 365 552)	(2 837 259)
Dividend received		(2 507)	(1 288)
Depreciation	16	3 565	3 565
Cash flows before working capital changes		2 752 140	2 426 949
Decrease in trade and other receivables		781 571	150 364
Decrease in trade payables and deferred income		(263 691)	(244 878)
Cash generated from operations		3 270 020	2 332 435
Income tax paid		(2 132 332)	(1 331 690)
Net cash generated from operating activities		1 137 688	1 000 745
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received		2 507	1 288
Interest received		2 280 536	2 752 244
Additions to investment properties	4a	(82 522)	(83 156)
Purchase of land	4a	-	(1 200 000)
Additions to work in progress	4a	(187 631)	(737 349)
Sale of investment property		-	2 001 000
Investment in Oasis Hospitality Limited	5	(1 700 000)	(6 800 000)
Net cash generated from / (used in) investing activities		312 890	(4 065 973)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(1 736 800)	(1 603 200)
Net cash used in financing activities		(1 736 800)	(1 603 200)
Net decrease in cash and cash equivalents		(286 222)	(4 668 428)
Cash and cash equivalents at 1 January		3 585 362	8 253 790
Cash and cash equivalents at 31 December	9.1	3 299 140	3 585 362

1. INTRODUCTION

1.1 General information

ICON Properties Plc was incorporated in Malawi as a private limited Company on 4 June 2018. ICON is a property Company formed with the objective of owning, leasing, managing, and developing commercial, industrial, and retail property.

The physical address of registered office is Michiru House, Victoria Avenue, P.O. Box 648, Blantyre

1.2 Group restructuring

In 2018, ICON Properties Plc.'s shareholders had investments in properties and property owning companies. The shareholders restructured the property portfolio to hold the various property interests in one company, ICON Properties Plc., which was eventually listed on the Malawi Stock Exchange to increase its options for raising capital to fund its future investment plans. The restructuring, therefore, involved an offer to the shareholders of Kang'ombe Investment Limited, Chichiri Shopping Centre Limited, Lilongwe City Mall Limited and NICO Properties Limited to transfer their shareholding in the respective companies in exchange for shares in ICON Properties Plc. In addition, NICO Life Insurance Company Limited, Standard Bank Plc Pension Fund and Toyota Malawi Limited Pension Fund transferred their interests in the properties to ICON Properties Plc. The shares were allocated to investors on the basis of the value of their gross investment as adjusted for the related deferred capital gains tax, i.e., the net investment after tax. The consideration was in the form of exchange of shares in the respective companies for shares in ICON Properties Plc.

Under the Taxation Act, the transfer of the assets to ICON Properties Plc is a deemed disposal and subject to capital gains tax. The restructuring was carried out using Section 70E of the Taxation Act, whereby the related capital gains tax on the deemed disposals of these investments was deferred and transferred to ICON Properties Plc and can only crystallise in the event that these assets are disposed of by ICON Properties Plc. The quantum of the deferred capital gains tax as at 1 January 2018 was agreed with the Malawi Revenue Authority and is included as part of the deferred tax in the financial statements.

In 2021, the Company underwent a re-organization effective 1 January 2021 where the assets and liabilities of NICO Properties Limited, Lilongwe City Mall Limited, and Chichiri Shopping Centre Limited which were 100% owned subsidiaries of ICON were transferred to ICON.

In 2022, the Company underwent a further reorganisation and effective 31 December 2022, the assets and liabilities of Kang'ombe Investment Limited which was a 100% owned subsidiary of ICON Properties Plc. were also transferred to ICON. All the subsidiaries are now inactive.

Following the restructuring, ICON Properties Plc now prepares financial statements for the company only. All the subsidiaries are dormant. Details of the Company's subsidiaries at the end of the reporting period are as follows:

1. INTRODUCTION (Continued)

1.2 Group restructuring (Continued)

Name of subsidiary	Principal Activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Company 2023	Proportion of ownership interest and voting power held by the Group 2022
NICO Properties Limited	Inactive	Malawi	100%	100%
Chichiri Shopping Centre Limited	Inactive	Malawi	100%	100%
Lilongwe City Mall Limited	Inactive	Malawi	100%	100%
Kang'ombe Investment Limited	Inactive	Malawi	100%	100%

The group consolidated financial statements were prepared for the last time for the year ended 31 December 2022 and these are available at the Company's registered office at Michiru House, Victoria Avenue, Blantyre, and the company's website at www.iconproperties.mw.

1.3 Going concern basis of accounting

The financial statements have been prepared on a going concern basis, which assumes that the Company will have adequate resources to continue in operation for the foreseeable future.

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 2023.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2023	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2). The amendments require that an entity discloses its material accounting policy information, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.
Annual reporting periods beginning on or after 1 January 2023	Definition of Accounting Estimates (Amendments to IAS 8) The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.
Annual reporting periods beginning on or after 1 January 2023	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12). The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.
Annual reporting periods beginning on or after 1 January 2023, but not required in any interim financial statements for 2023	International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12). The amendments provide a temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes.

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

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 issued and effective for annual periods beginning on or after 1 January 2024 and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2024	Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.
Annual reporting periods beginning on or after 1 January 2024	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.
Annual reporting periods beginning on or after 1 January 2024	Non-current Liabilities with Covenants (Amendments to IAS 1) The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
Annual reporting periods beginning on or after 1 January 2024	Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

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

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2025	Lack of Exchangeability (Amendments to IAS 21) The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.
Annual reporting periods beginning on or after 1 January 2024	IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.
Annual reporting periods beginning on or after 1 January 2024	IFRS S2 Climate-related Disclosures IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.
Annual reporting periods beginning on or after 1 January 2025	Amendments to the SASB standards to enhance their international applicability The amendments remove and replace jurisdiction-specific references and definitions in the SASB standards, without substantially altering industries, topics or metrics.

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

3. MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and provisions of the Companies Act, 2013.

Basis of preparation

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Basis of accounting

The financial statements have been prepared on the historical cost basis except for the following items in the statement of financial position:

- Financial instruments at fair value through profit or loss are measured at fair value;
- Investment property is measured at fair value; and
- Investments in joint ventures and associates are accounted for using the equity method.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 and 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently.

3.2 Investments in associates and Joint Ventures

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-Current Assets Held of Sale and Discontinued Operations*.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Investments in associates and Joint Ventures (Continued)

Under the equity method, an investment in an associate or a joint venture is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Company's share of losses of an associate or a joint venture exceeds the Company's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate or joint venture), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 *Impairment of Assets* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 *Impairment of Assets* to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Company retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Company measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9.

The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Company accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Investments in associates and Joint Ventures (Continued)

the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

The Company continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no re-measurement to fair value upon such changes in ownership interests.

When the Company reduces its ownership interest in an associate or a joint venture but the Company continues to use the equity method, the Company reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

3.3 Significant accounting judgements, estimates and assumptions

3.3.1 Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

(i) Leases

The Company applied the following judgements that significantly affect the determination of the amount and timing of income from lease contracts where the Company acts as a lessor:

- **Determination of the lease term**

  As a lessor, the Company enters into lease agreements that contain options to terminate or to extend the lease. These options are generally exercisable after an initial period of 4 to 6 years. At commencement date, the Company determines whether the lessee is reasonably certain to extend the lease term or not to terminate the lease.

- To make this analysis, the Company takes into account any difference between the contract terms and the market terms, any significant investments made by the lessee in the property, costs relating to the termination of the lease and the importance of the underlying asset to the lessee's operations. In many cases the Company does not identify sufficient evidence to meet the required level of certainty.

- **Property lease classification – the Company as lessor**

  The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.3 Significant accounting judgements, estimates and assumptions (Continued)

3.3.1 Judgements (Continued)

(i) Leases (Continued)

terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of this property and accounts for the contracts as operating leases.

(ii) Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determination of performance obligations

With respect to the sale of property, the Company concluded the goods and services transferred in each contract constitute a single performance obligation. In particular, the promised goods and services in contracts for the sale of property under development mainly include design work, procurement of materials and development of the property. Generally, the Company is responsible for all these goods and services and the overall management of the project. Although these goods and services are capable of being distinct, the Company accounts for them as a single performance obligation because they are not distinct in the context of the contract. The Company uses those goods and services as inputs and provides a significant service of integrating them into a combined output i.e., the completed property for which the customer has contracted.

In relation to the services provided to tenants of investment property (such as cleaning, security, landscaping, reception services, catering) as part of the lease agreements into which the Company enters as a lessor, the Company has determined that the promise is the overall property management service and that the service performed each day is distinct and substantially the same. Although the individual activities that comprise the performance obligation vary significantly throughout the day and from day to day, the nature of the overall promise to provide management service is the same from day to day.

Therefore, the Company has concluded that the services to tenants represent a series of daily services that are individually satisfied over time, using a time-elapsed measure of progress, because tenants simultaneously receive and consumes the benefits provided by the Company.

Principal versus agent considerations – services to tenants

The Company arranges for certain services provided to tenants of investment property included in the contract the Company enters into as a lessor, to be provided by third parties. The Company has determined that it controls the services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them. In making this determination, the Company has considered that it is primarily responsible for fulfilling the promise to provide these specified services because it directly deals with tenants' complaints, and it is primarily responsible for the quality or suitability of the services.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.3 Significant accounting judgements, estimates and assumptions (Continued)

3.3.1 Judgements (Continued)

Principal versus agent considerations – services to tenants (Continued)

In addition, the Company has discretion in establishing the price that it charges to the tenants for the specified services. Therefore, the Company has concluded that it is the principal in these contracts. In addition, the Company has concluded that it transfers control of these services over time, as services are rendered by the third-party service providers, because this is when tenants receive and at the same time, consume the benefits from these services.

(iii) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

(iv) Deferred tax on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Company's investment property portfolios and concluded that the Company's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Company's deferred tax on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Company has recognised any deferred taxes on changes in fair value of investment properties as the Company is subject to income taxes on the fair value changes of the investment properties on disposal.

3.3.2 Estimates and assumptions

The key assumptions concerning future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.3 Significant accounting judgements, estimates and assumptions (Continued)

3.3.2 Estimates and assumptions (Continued)

the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(i) Valuation of investment property

The fair value of investment property is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 *Fair Value Measurement*. Investment property is measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined.

(ii) Taxes

Significant judgment is required in determining the provision for current and deferred taxes. There are several transactions and calculations involved in determining the ultimate tax position, including elements that are uncertain. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits which can be uncertain. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

(iii) Loss allowance for trade and other receivables

The Company provides credit terms to some customers. Management is aware that certain debts due to the Company may not be recoverable either in part or in full. The Company always recognises lifetime ECL for trade receivables and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.4 Foreign currency translation

3.4.1 Functional and presentation currency

The financial information is presented in Malawi Kwacha, which is the Company's functional and presentation currency. Except as indicated, financial information presented in Malawi Kwacha has been rounded to the nearest thousand.

3.4.2 Transactions and balances

Transactions in currencies other than the Company's functional currency (foreign currencies) are translated at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are re-translated to the functional currency at the rates prevailing at that date.

Foreign currency gains or losses arising on the settlement of monetary items, and on the translation of monetary items, are included in the profit or loss. When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

3.5 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction cost, and borrowing costs where applicable.
After initial recognition, investment property is carried at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location, or condition of the specific asset. Valuations are performed as of the end of the reporting period by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the financial statements.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.5 Investment property (Continued)

Changes in fair values are recognised in profit or loss. Investment properties are derecognised when they have been disposed. If an investment property becomes owner-occupied, it is reclassified as property, plant, and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

Fair value gains and losses net of tax are transferred to non-distributable reserves in the statement of changes in equity each year.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

3.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

3.6.1 Financial assets

3.6.1.1 Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15 *Revenue from Contracts with Customers*, all financial assets are initially measured at fair value adjusted for transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss). Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- Amortised cost;
- Fair value through profit or loss (FVTPL); and
- Fair value through other comprehensive income (FVTOCI).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Company determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company's business model does not depend on

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)
3.6 Financial instruments (Continued)

3.6.1 Financial assets (Continued)

3.6.1.1 Classification and initial measurement of financial assets (Continued)

management's intentions for an individual instrument; therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Company applies the following business models:-

(i) Holding financial instruments for trading to maximize income and reduce losses;
(ii) Holding financial instruments to maturity. Thus the Company receives only principal and interest from the financial instruments; and
(iii) Holding financial instruments for liquidity management.

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Debt and loan instruments that are held by the Company whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are measured at amortised cost.

For an asset to be classified and measured at amortised cost, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g., if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with the basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to the basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

The Company recognises loss allowances for expected credit losses on the financial

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.6 Financial instruments (Continued)

3.6.1 Financial assets (Continued)

3.6.1.1 Classification and initial measurement of financial assets (Continued)

instruments that are not measured at FVTPL but are carried at amortised cost: No impairment loss is recognised on equity investments. IFRS 9 eliminates impairment assessment requirements for investments in equity instruments as they are only measured at FVPL or FVTOCI without recycling of fair value changes to profit and loss.

3.6.1.2 Subsequent measurement of financial assets

Subsequently, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

3.6.1.3 Financial assets at amortised cost (debt instruments)

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. For financial assets other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)
3.6 Financial instruments (Continued)
3.6.1 Financial assets (Continued)

3.6.1.3 Financial assets at amortised cost (debt instruments) (Continued)
Amortised cost and effective interest method (Continued)

at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income calculated using the effective interest method, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

3.6.1.4 Financial assets designated at fair value through OCI (equity instruments)
On initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)
3.6 Financial instruments (Continued)
3.6.1 Financial assets (Continued)

3.6.1.4 Financial assets designated at fair value through OCI (equity instruments) (Continued)

not held for trading. The classification is determined on an instrument-by-instrument basis.

A financial asset is held for trading if:
- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Gains and losses arising from changes in fair value of these financial assets are recognised in other comprehensive income and accumulated in the investment's revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9 except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its non-listed equity investments under this category.

3.6.1.5 Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above); and
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.6 Financial instruments (Continued)

3.6.1 Financial assets (Continued)

3.6.1.6 Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Foreign exchange gains and losses are recognised as follows:

- on financial assets at FVTPL and at amortised cost, are recognised in profit or loss;
- on equity instruments at FVTOCI are recognised in other comprehensive income; and
- on debt instruments held at FVTOCI are recognised in profit or loss, with the foreign currency element not based on the amortised cost being recognised in other comprehensive income.

3.6.1.7 Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables, loans and advances and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company recognises lifetime ECL for its financial instruments unless there has been no significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. Both Lifetime ECL and 12-month ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The collective assessment is based on the Company's customer classification per industrial sectors as disclosed in note 21.3.

Expected credit losses on trade receivables, finance lease receivables and contract assets are determined using the simplified approach. Under this approach expected credit losses are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

3.6.1.8 Significant increase in credit risk

The Company performs an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition. In assessing whether the credit risk on a financial instrument has increased significantly

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.6 Financial instruments (Continued)

3.6.1 Financial assets (Continued)

3.6.1.8 Significant increase in credit risk (Continued)

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. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

3.6.1.9 Significant increase in credit risk

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g., a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; 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 30 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; and
- 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 borrower to fulfil its contractual cash flow obligations.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)
3.6 Financial instruments (Continued)
3.6.1 Financial assets (Continued)

3.6.1.9 Significant increase in credit risk

The Company considers a financial asset to have low credit risk where the borrower has a strong capacity to meet their contractual cashflow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. It also considers assets in the investment grade category to be low credit risk assets.

For financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3.6.1.9 Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3.6.1.10 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) Significant financial difficulty of the issuer or the borrower;
(b) A breach of contract, such as a default or past due event;
(c) The lender(s) of the borrower, for economic or contractual reasons relating to the

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.6 Financial instruments (Continued)

3.6.1 Financial assets (Continued)

3.6.1.10 Credit-impaired financial assets (Continued)

borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) The disappearance of an active market for that financial asset because of financial difficulties.

3.6.1.11 Write-off policy

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 in the case of trade receivables, when the Company's collection efforts have been exhausted and it is no longer cost effective to continue collection efforts.

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.

3.6.2 Financial liabilities and equity

3.6.2.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.6.2.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue, or cancellation of the Company's own equity instruments.

3.6.2.3 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.6 Financial instruments (Continued)

3.6.2 Financial liabilities and equity (Continued)

3.6.2.3 Financial liabilities (Continued)

Initial recognition and measurement (Continued)

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

Subsequent measurement

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together;
- And has a recent actual pattern of short-term profit-taking; or
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' in profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.6 Financial instruments (Continued)

3.6.2 Financial liabilities and equity (Continued)

3.6.2.3 Financial liabilities (Continued)

Subsequent measurement (Continued)

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Company that are designated by the Company as at FVTPL are recognised in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not:-
(i) contingent consideration of an acquirer in a business combination,
(ii) held-for-trading, or
(iii) designated as at FVTPL,
are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9; and
- The amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the profit or loss for financial liabilities that

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.6 Financial instruments (Continued)

3.6.2 Financial liabilities and equity (Continued)

3.6.2.3 Financial liabilities (Continued)

Subsequent measurement (Continued)

are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'finance costs" line item in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at amortised cost in the statement of financial position.

3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at amortised cost in the statement of financial position.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.8. Leases

Company as a lessor
Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

Company as a lessee

(i) Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

(ii) Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

(iii) Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.8. Leases (Continued)

Company as a lessee (Continued)

(iii) Short-term leases and leases of low-value assets (Continued)

leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.9. Income and deferred tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Company's financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in the statement of comprehensive income, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.10 Provision

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefit will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

3.11 Revenue recognition

The Company's key sources of income include rental income, services to tenants, and interest income. The accounting for each of these elements is discussed below. The Company's main revenue is own property rentals and interest income.

(i) Rental income

The Company earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property. In addition, the Company subleases investment property acquired under head leases with lease terms exceeding 12 months at commencement. Subleases are classified as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying investment property. All the Company's subleases are classified as operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Lease incentives that are paid or payable to the lessee are deducted from lease payments. Accordingly, tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Company is reasonably certain that the tenant will exercise that option.

(ii) Revenue from services to tenants

For investment property held primarily to earn rental income, the Company enters as a lessor into lease agreements that fall within the scope of IFRS 16. These agreements include certain services offered to tenants (i.e., customers) including common area maintenance services (such as cleaning, security, and landscaping as well as other support services (e.g., reception services, catering and other event related services). The consideration charged to tenants for these services are reimbursement of certain expenses incurred. These services are specified in the lease agreements and separately invoiced.

The Company has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15. The Company allocates the consideration in the contract

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.11 Revenue recognition (Continued)

(ii) Revenue from services to tenants (Continued)

to the separate lease and revenue (non-lease) components on a relative stand-alone selling price basis.

In respect of the revenue component, these services represent a series of daily services that are individually satisfied over time because the tenants simultaneously receive and consume the benefits provided by the Company. The Company applies the time elapsed method to measure progress. The consideration charged to tenants for these services is based on a percentage of the rental income. The variable consideration only relates to the non-lease component and is allocated to each distinct period of service (i.e., each day) as it meets the variable consideration allocation exception criteria.

The Company arranges for third parties to provide certain of these services to its tenants. The Company concluded that it acts as a principal in relation to these services as it controls the specified services before transferring them to the customer. Therefore, the Company records revenue on a gross basis.

(iii) Interest income

Interest income for all interest-bearing financial instruments except for those classified as held for trading or designated at fair value through profit and loss are recognised within "revenues" in the statement of comprehensive income using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

(iv) Income from investments

Income from investments includes dividend income and increase in fair value of investments in unlisted companies.

Dividend income is recognised when the right to receive income is established.

Increase in fair value of investments designated at fair value through profit or loss includes all realised and unrealised fair value changes.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.11 Revenue recognition (Continued)

(iv) Other income

The Company's other revenue arises mainly from income from activities held at shopping centres.

To determine whether to recognise revenue, the Company follows a 5-step process:

- Identifying the contract with a customer;
- Identifying the performance obligations;
- Determining the transaction price;
- Allocating the transaction price to the performance obligations; and
- Recognising revenue when/as performance obligation(s) are satisfied.

(iv) Other income (Continued)

Revenue is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers. Revenue is measured at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services and excludes any amounts collected on behalf of third parties.

3.12 Share capital and dividends

i) Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12 – Income taxes.

ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the directors.

iii) Dividend per share

The calculation of dividend per share is based on the ordinary dividends recognised during the period divided by the number of ordinary shareholders on the register of shareholders on the date of payment.

iv) Earnings per share

The calculation of basic earnings per share is based on the profit or loss attributable to ordinary shareholders for the year and the weighted average number of shares in issue throughout the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees. Where new equity shares have been issued by way of capitalisation or subdivision, the profit is apportioned over the shares in issue after the capitalisation or subdivision and the corresponding figures for all earlier periods are adjusted accordingly.

v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.13 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e., the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data, or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price. Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

4A. INVESTMENT PROPERTIES (Continued)

	Vacant land K'000	Buildings K'000	Work in progress K'000	Total K'000
	K'000	K'000	K'000	K'000
2023				
As at 1 January	1 624 000	81 908 181	452 404	83 984 585
Additions	24 040	58 482	187 631	270 153
Transfer from work in progress	-	348 606	(348 606)	-
Fair value adjustment	534 460	11 300 962	-	11 835 422
As at 31 December	2 182 500	93 616 231	291 429	96090 160
2022				
As at 1 January	381 000	66 961 482	334 762	67677244
Additions	1 200 000	83 156	781 392	2 064 548
Transfer from work in progress	-	619 707	(619 707)	-
Fair value adjustment	43 000	14 243 836	-	14 286 836
Reorganisation costs expensed	-	-	(44 043)	(44 043)
As at 31 December	1 624 000	81 908 181	452 404	83 984 585

The additions relate to value enhancing capital expenditure. In 2022 a plot of land was purchased in Lilongwe. There was no property under development in the current year as well as in 2022.

The fair value of the investment properties for the Company as at 31 December 2023 has been arrived at on the basis of a valuation carried out by:

- T.G. Msonda, Bsc, MRICS, MSIM Chartered Valuer for ICON direct portfolio and Lilongwe City Mall portfolio;
- Nickson S.C. Mwanyali, Bsc (Est. Man), Dip (Bus Mngt), MSIM of Knight Frank for Chichiri Shopping Centre and Kang'ombe building; and
- G. M. Wawanya, Bsc, PGdip, MRIC, MSIM of Landed Property Agents for the portfolio of properties previously owned by ex-NICO Properties Limited.

All valuers were independent, professionally qualified, and not related to the Company. Each valuer holds a recognised relevant professional qualification and has recent experience in valuation of properties in the locations and segments of the investment properties valued.

The fair value of developed land was determined based on the capitalisation of net income derived from the properties. The income has been capitalised at market related rates after consideration of the rental profiles and all relevant factors affecting the property market. The fair value of vacant land has been determined on the basis of a collation and analysis of appropriate comparable transactions, together with the evidence of demand within the vicinity of the subject properties.

4A. INVESTMENT PROPERTIES (Continued)

In estimating the fair value of the properties, the highest and best use of the property is their current use.

Details of the Company's investment properties and information about the fair value hierarchy as at 31 December 2023 are as follows:

	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Vacant land	-	2 182 500	-	2 182 500
Capital work in progress	-	291 429	-	291 429
Developed land and buildings	-	-	93 616 231	93 616 231
Total	-	2 473 929	93 616 231	96 090 160

There were no transfers between levels 1 and 2 during the year.

Details of the Company's investment properties and information about the fair value hierarchy as at 31 December 2022 were as follows:

	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Vacant land	-	1 624 000	-	1 624 000
Capital work in progress	-	452 404	-	452 404
Developed land and buildings	-	-	81 908 181	81 908 181
Total	-	2 076 404	81 908 181	83 984 585

There were no transfers between levels 1 and 2 during the year.

4A. INVESTMENT PROPERTIES (Continued)

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The valuation approach of Open Market Value was adopted as a result of a consideration of both the income and market approach and where appropriate direct comparison. The income approach relies much on rental income of the property while comparable approach relies on recent sales data and all relevant factors pertaining to the property like age of the buildings and remaining lease life for the land. The rental is benchmarked to market rentals as opposed to rack end rentals that a subject property may be raking due to different varying factors. Similarly, rental yields used are those that are derived from actual sales on the market on similar properties within the period of the valuation.	The following unobservable inputs were used in the current year by the independent valuers in estimating the fair value of the investment properties. • Capitalisation rates of between 3% to 11 % (2022:6% to 13%) • Market rental growth rate 15% to 25% (2022: 5% to 11%) • Vacancy rates: The valuation was based on market rentals assuming the premises were vacant.	An increase of 100 basis points in the capitalisation rates and rental would increase (decrease) the estimated fair value of the investment properties by K958 million (2022: K835 million) for the Company. The rental market is likely to remain reasonably strong on the back of inflationary pressures as landlords continue to hedge against inflation and currency depreciation. On the basis of the general economic trends observed so far it appears likely that the sales market will improve in the near term.

The fair value measurements have been categorised as Level 2 and Level 3 for value based on inputs to the valuation techniques used.

4B REVENUE

Revenue comprises gross rental income earned from investment properties. The Company's investment properties are situated principally in the two major cities in Malawi. The following shows the Company's rental income for the year. The disclosure of revenue by geographical location is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segment (See note 21).

	2023 K'000	2022 K'000
Revenue	5 947 415	5 167 640
IFRS 16 lease smoothing – rental revenue*	21 175	-
Total	5 968 590	5 167 640

4C REVENUE

	2023 K'000	2022 K'000
IFRS 16 lease smoothing asset*	300 131	-

The Lease smoothing asset relates to a receivable that rose as a result of the Company recognising rental income on a straight-line basis over the lease term in line with IFRS 16 Leases. This is applicable to leases that are not renewable on annual basis and have fixed rental escalations.

*Investment properties leased out under operating leases are reflected as investment properties on the statement of financial position. Where there are fixed increments in rental income, the income is recognised on a straight line basis over the term of the lease in accordance with IFRS 16: *Leases*. The resulting difference arising from the straight-line basis of accounting and contractual cash flows is recognised as an operating lease obligation or asset. This interpretation and adoption of IFRS 16 *Leases* means that all rental concessions, incentives, and escalations are spread evenly on a straight-line basis over the lease term, termed the lease smoothing effect on rental income. In prior years, rental income was being recognised based on contracted annual rental income received and not spread on a straight-line basis over the lease term. The prior year balances have not been restated to conform to this classification and the resulting change in presentation.

5 INVESTMENT IN ASSOCIATE

Oasis Hospitality Limited

	2023 K'000	2022 K'000
Opening balance	6 800 000	-
Capital contribution	1 700 000	6 800 000
Closing balance	8 500 000	6 800 000

5 INVESTMENT IN ASSOCIATE (Continued)

Oasis Hospitality Limited

In 2022 the Company invested in a special purpose vehicle Company, Oasis Hospitality Limited (Oasis), which is constructing a four-Star hotel in Lilongwe. The Hotel project construction and management is being driven by Blantyre Hotels Plc as the lead project sponsor. Blantyre Hotels Plc is a Malawi-based company in the hospitality industry and is listed on the Malawi Stock Exchange. During the year, the Company made a further investment into the project amounting to K1.7 billion.

The total capital raising is however not concluded hence the Company's shareholding is subject to change. As at 31 December 2023 the Company had contributed 50% (2022: 60%) and had significant influence over Oasis Hospitality Limited therefore has been accounted for as an associate.

6. INVESTMENT IN SHARES

	At the beginning of the year K'000	Re-organisation K'000	Acquisition K'000	Fair value adjustment K'000	Total K'000
As at 31 December 2023					
Plantation House Investment Limited	112 000	-	-	14 548	126 548
As at 31 December 2022					
Plantation House Investment Limited	100 437	-	-	11 563	112 000

Plantation House Investment Limited
The Company has a 4.98% shareholding in Plantation House Investment Limited, which is a Company registered in Malawi and owns property for lease to third parties. The investment is measured at fair value with fair value changes recognised in profit or loss.

Two valuations were carried out largely based on the two valuation techniques namely the Discounted Free Cash Flow (DCF) Model and the Net Asset Value (NAV) Model.

The NAV model was deemed the most appropriate model for this Company. NAV model is preferred for companies with a balance sheet dominated by investment property where the intrinsic value of the Company is derived from the assets it holds.

6. INVESTMENT IN SHARES (Continued)

The Net Asset Value valuation method takes into account the Company's net asset value or fair market value of its total assets minus its total liabilities. The method does not take into account the historic, current and future earnings generation of the business. It incorporates additional capital investments and outgoings over the valuation period of the Company.

7. DEFERRED TAX

	Assets K'000	Liabilities K'000	Net K'000
The deferred tax balance arises from:			
2023			
Revaluation of investment properties	(1 197 251)	1 200 999	3 748
Other temporary differences	(116 946)	-	(116 946)
Impairment allowance on trade receivables	(204 710)	-	(204 710)
Revaluation of investments in shares	(3 748)	-	(3 748)
Net deferred tax (asset)/liability	(1 522 655)	1 200 999	(321 656)
2022			
Revaluation of investment properties	-	3 813 922	3 813 922
Other temporary differences	(184 399)	-	(184 399)
Impairment allowance on trade receivables	(197 624)	-	(197 624)
Revaluation of investments in shares	-	4 908	4 908
Net deferred tax (asset)/liability	(382 023)	3 818 830	3 436 807

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available. Against which the asset can be utilised. With respect to deferred tax arising from estimated future capital losses, the Company has recognised deferred tax assets only to the extent of estimated future capital gains.

7. DEFERRED TAX (Continued)

2023	1 January K'000	Balance as at Re-organisation K'000	Recognised in profit and loss K'000	Balance as at 31 December K'000
Revaluation of investment properties	3 813 922	-	(3 810 174)	3 748
Impairment allowance on trade receivables	(197 624)	-	(7 461)	(205 085)
Revaluation of investment in shares	4 908	-	(8 656)	(3 748)
Other temporary differences	(184 399)	-	67 828	(116 571)
Net deferred tax liability	3 436 807	-	(3 758 463)	(321 656)

2022	1 January K'000	Balance as at Re-organisation K'000	Recognised in profit and loss K'000	Balance as at 31 December K'000
Revaluation of investment properties	2 511 791	-	1 302 131	3 813 922
Impairment allowance on trade receivables	(206 600)	-	8 976	(197 624)
Revaluation of investment in shares	175 419	(170 036)	(475)	4 908
Other temporary differences	(143 259)	-	(41 140)	(184 399)
Net deferred tax liability	2 337 351	(170 036)	1 269 492	3 436 807

	2023 K'000	2022 K'000
7. 2 Tax recoverable		
Opening balance	-	34 554
Opening recoverable balance utilised	-	(34 554)
Current tax provision	(1 586 641)	-
Tax paid	1 826 710	-
Tax refunds/ (offsets)/prior year adjustments	42 611	-
Total	282 680	-
7. 2 Tax payable		
Opening balance	262 760	39 616
Opening recoverable balance utilised	-	(34 554)
Current tax provision	1 586 641	1 589 260
Tax paid	(1 826 710)	(1 524 787)
Tax refunds/prior year	(22 691)	193 225
Total	-	262 760

8. TRADE AND OTHER RECEIVABLES

	2023 K'000	2022 K'000
Trade receivables		
Rental receivables	1 650 990	1 999 801
Expected credit loss (ECL)	(682 366)	(657 491)
Net trade receivables	968 624	1 342 310
Expected credit loss movement analysis		
Balance at the beginning of the year	657 491	687 412
Increase in ECL recognised in profit or loss	158 717	115 626
Bad debts write-off	(133 842)	(145 547)
Balance at end of the year	682 366	657 491
Other receivables		
Input VAT claimable	252 279	258 394
Prepaid insurance	-	56 369
Accrued interest	45 066	36 644
Land purchase deposit	255 000	255 000
Other receivables	21 767	357 997
Prepaid land rates	705	669
Service charge recoveries	44 421	112 581
Prepaid city rates	15 621	-
Other prepaid costs	2 896	3 154
Advances to contractors	208 039	161 581
NICO Technologies Limited	-	540
Clearing accounts	684	684
Eris Properties Limited	-	10 621
NICO Holdings Plc	-	129
Total other receivables	846 478	1 254 363
Total trade and other receivables	1 815 102	2 596 673

A refundable deposit was paid on the purchase of a plot of land in Lilongwe amounting to K255 million (2022: K255 million). This plot of land was purchased for the purpose of an upcoming planned construction project.

Advances to contractors relate to cash paid in advance to contractors amounting to K208 million (2022:K161.6 million) for capital expenditure projects for which performance guarantees were obtained to manage performance risk.

8. TRADE AND OTHER RECEIVABLES (Continued)

The average credit period on rental receivables is 30 days. No interest is charged on overdue rental receivables. An individual assessment was performed on trade receivables as at 31 December 2023. The Company has recognised an impairment on rental receivables using the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance.

8.1 Trade receivables

Below is the aged analysis of the Company's rental receivables as at 31 December 2023:

	30 days K'000	30-60 days K'000	61-90 days K'000	Over 90 days K'000	Total K'000
2023					
Gross carrying amount	(203 638)	114 893	(53 294)	1 793 029	1 650 990
Loss allowance	(3 185)	(5 019)	(120)	(674 042)	(682 366)
Net carrying amount	(206 823)	109 874	(53 414)	1 118 987	968 624
2022					
Gross carrying amount	117 303	259 768	18 243	1 604 487	1 999 801
Loss allowance	(33 295)	(4 768)	(688)	(618 740)	(657 491)
Net carrying amount	84 008	255 000	17 555	985 747	1 342 310

9.1 CASH AND CASH EQUIVALENTS

	2023 K'000	2023 K'000
Fixed deposits	2 606 812	2 156 249
Bank balances and cash	692 328	1 429 113
Cash and cash equivalents in the statement of cash flows	3 299 140	3 585 362

The fixed deposits interest rates ranging from 14% to 23.5% per annum with maturity of 30 to 90 days. Bank balances earn an interest rate of 0.1 % to 4% (2022: 0.5%). All bank balances are denominated in Malawi Kwacha and are held with locally registered banks which include NBS Bank Plc, National Bank Plc and Standard Bank Plc. NBS Bank Plc is a related party by virtue of common ownership.

9.2 INVESTMENT IN TREASURY NOTES

	2023 K'000	2022 K'000
Opening balance	11 741 508	11 656 493
Accrued interest	85 015	85 015
	11 826 523	11 741 508

The Company invested in a seven-year Government of Malawi treasury note with a coupon rate of 15.5% (2022: 15.5%).

The treasury note is measured at amortised cost.

9.2 INVESTMENT IN TREASURY NOTES (Continued)

10 SHARE CAPITAL

	2023	2022
Number of authorised shares ('000)	10 000 000	10 000 000
Number of issued and fully paid shares ('000)	6 680 000	6 680 000
Issued and fully paid (K'000	58 209 424	58 209 424

11 RESTRUCTURING RESERVE

	2023 K'000	2022 K'000
Opening restructuring reserve	8 012 031	7 841 995
Restructuring reserve adjustment on reorganisation conclusion	-	170 036
	8 012 031	8 012 031

The restructuring reserve represents the deferred tax arising from the deemed disposal of shares for the initial shareholders of the respective acquired companies during the restructuring.

On conclusion of the reorganisation in 2022, a deferred tax amount was re-allocated to the restructuring reserve as it related to the first restructuring detailed in note 1.2. This amount related to the deferred tax on NICO Properties Limited's share of Kang'ombe Investment Limited at the time of the first restructuring. NICO Properties Limited is now an inactive subsidiary of the Company.

12 RETAINED EARNINGS

	2023 K'000	2022 K'000
Realised reserves		
Opening balance as at 1 January 2023	9 750 053	7 648 546
Distributable profit for the period	3 769 509	3 709 365
Less dividends paid	(1 736 800)	(1 603 200
Adjustment on reorganisation	-	(4 658)
As at 31 December 2023	11 782 762	9 750 053

	2023	2022
Revaluation reserves		
Opening balance as at 1 January 2023	27 201 659	14 204 916
Movement in fair values	11 849 970	14 298 399
Related deferred tax	3 818 827	(1 301 656)
As at 31 December 2023	42 870 456	27 201 659
Total retained earnings	54 653 218	36 951 712

The application of IAS 40 Investment Property, IAS 28 *Investments in Associates and Joint Ventures* and IFRS 9 *Financial Instruments* requires that the unrealised profits of the Company's underlining assets, and the related tax effect, be dealt with in the statement of comprehensive income.

12 RETAINED EARNINGS (Continued)

13 TRADE AND OTHER PAYABLES

	2023 K'000	2022 K'000
Trade and other payables		
Trade creditors	-	16 758
Accrued expenses	309 632	434 889
Unpaid dividend	50 842	19 149
Audit Fees	79 207	58 647
Rent receivable in advance	294 579	103 304
Value added tax	-	4 182
Rental deposits	63 966	101 354
Marketing fund	37 882	42 272
Accrued NCIC levy	1 355	5 092
Withholding tax payable	12 716	36 099
ERIS Properties (Malawi) Limited control account	4 568	835
Contractor retentions	114 767	124 602
Sundry and other payables	328 238	599 505
Unidentified receipts	16 813	11 771
Total	1 314 565	1 558 459

The directors consider that the carrying amounts of these amounts approximate to their fair value. These amounts do not attract any interest.

14. DEFERRED INCOME

	2023 K'000	2022 K'000
Opening balance	392 905	416 525
Transfer to statement of comprehensive income	(19 798)	(23 620)
Total	373 107	392 905

The amount relates to a twenty-year long-term lease paid in advance. The amount is being amortised on a straight-line basis over the twenty-year period of the lease. Current year rentals reduce the deferred income balance and are recognised within rental income in the income statement.

15. OTHER INCOME

	2023 K'000	2022 K'000
Service charge recoveries	609 107	422 639
Sundry income	108 696	3 331
Total	717 803	425 970

15. OTHER INCOME (Continued)

Service charge recoveries relate to costs recovered from tenants on utility and other costs paid for tenants. Sundry income arises from income from outdoor activities held at Chichiri Shopping Centre and Lilongwe City Mall. In the current year, sundry income also related to expense provision reversals and expense refunds relating to prior years.

16. ADMINISTRATION EXPENSES

	2023 K'000	2022 K'000
Listing expenses	32 502	28 000
Management fees	1 446 168	903 104
Legal and professional fees	26 077	150 416
Property revaluation fees	36 819	57 175
Directors' fees expenses and allowances	48 934	40 564
IT printing and stationery	107 220	33 781
Advertising and marketing expenses	44 172	15 608
Transfer secretarial fees	24 080	20 067
Bad debts	-	6 975
Bank charges	7 522	7 847
External audit fees	122 039	101 483
Shared services	44 778	57 004
Depreciation	3 565	3 565
Consultancy	9 147	-
Corporate social responsibility	51 165	-
Reorganisation costs and stamp duty*	136 500	178 400
Total	2 140 688	1 603 989

*Stamp duty was incurred on transfer of investment property from Kang'ombe Investment Ltd to ICON Properties Plc as part of the Company's reorganisation.

17. OPERATING EXPENSES

	2023 K'000	2022 K'000
Property repairs and maintenance	346 792	462 781
Insurance	245 492	191 474
Cleaning	89 185	99 016
City rates	149 235	89 375
Landscaping	6 250	5 171
Land rental	12 871	5 729
Pest and disinfection costs	34 554	37 234
Electricity and water expenses	334 549	240 786
Refuse removal costs	36 606	9 344
Security charges	248 391	212 807
Gardening	13 680	10 711
Genset costs	51 377	33 487
Letting commission	44 885	49 040
Post office fees	-	257
Resident technician	23 169	22 361
Total operating expenses	1 637 036	1 469 573

18. FINANCE INCOME

	2023 K'000	2022 K'000
Interest income – money market investments	2 365 552	2 837 259
Total finance income	2 365 552	2 837 259

19. INCOME TAX CHARGE

Current tax provision	1 586 641	1 589 259
Tax on dividends	251	129
Deferred tax (credit)/charge	(3 758 463)	1 269 492
Total income tax charge/(credit)	(2 171 571)	2 858 880

Deferred tax (credit)/charge analysed as:

Deferred tax arising from components of revaluation reserves	(3 818 827)	1 301 656
Deferred tax arising from components of realised reserves	60 364	(32 164)
Total	(3 758 463)	1 269 492

Reconciliation of the tax rate	2023	2022
Effective tax rate (%)	(0.13)	15
Permanent and temporary differences (%)	(0.65)	15
Statutory tax rate	(0.78)	30

20. EARNINGS PER SHARE

	2023	2022
Weighted average number of shares ('000)	6 680 000	6 680 000
Profit attributable to ordinary shareholders (K'000)	19 159 350	16 706 108
Earnings per share (tambala)	287	250

There were no dilutive instruments in issue.

21. SEGMENTAL INFORMATION

21.1 Operating segments

Operating segments have been identified on the basis of internal reports about components of the Company that are regularly reviewed by management and the Board of Directors in order to allocate resources to the segments and to assess their performance.

21.2 Products and services from which reportable segments derive their revenues

The Company has one principal line of business - rental of investment properties. Information reported to and used by the Board of Directors for decision making for the purposes of resource allocation and assessment of segment performance is more specifically focused on each of the Company's current investment properties. One of the properties contributed K1 681 million (2022: K 1 581 million) representing 28% (2022: 30%) of the total rental revenue in the current year and its value at K 27 440 million (2022: K 24 440 million) being 29% (2022: 28%) of the total investment portfolio value, none of the investment properties contributed over 30% of the total revenue from customers.

21.3 Segmental information

The Company's investment properties are situated principally in the two major cities in Malawi - Lilongwe and Blantyre.

The following analysis shows the rental income, investment property values and property fair value movements by geographical mark.

	Rental income K'000	Property values K'000	Fair value increase K'000
2023			
Blantyre	2 537 971	44 195 485	4 916 974
Lilongwe	3 338 118	50 445 478	6 790 666
Other markets	92 501	1 449 197	127 782
Total	5 968 590	96 090 160	11 835 422
2022			
Blantyre	2 173 014	39 795 323	8 391 952
Lilongwe	2 908 144	42 867 847	5 784 358
Other markets	86 482	1 321 415	110 527
Total	5 167 640	83 984 585	14 286 837

22. RELATED PARTIES

During the year, the Company entered into the following transactions with related parties:

Company	Relationship	Type	Value of transaction K'000	Balance K'000
NICO Holdings Plc	Significant shareholder through NICO Life Limited	Rental income	60 143	8 883
NICO Asset Managers Limited	Company under common ownership	Rental income Secretarial fees	27 196 (24 080)	(9 427) -
ERIS Properties (Malawi) Limited	Company under common ownership	Management fee Rental	(1 446 168) 9 788	(160 269) (10 691)
NBS Bank Plc.	Company under common ownership	Rental income	551 760	75 187
NCO Capital Limited	Company under common ownership	Rental income	7 222	2 286
NICO Technologies Limited	Company under common ownership	Rental income	21 888	18 097
NICO Life Insurance Company	Company under common ownership	Rental income	43 073	47 651
NICO General Insurance Company	Company under common ownership	Rental Income	13 008	4 825

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Service organisation compensation:
The Company has no staff of its own, the directors delegated NICO Asset Managers Limited, a subsidiary of NICO Holdings Plc to provide investment management, financial management, tax, and Company secretarial services for an initial period of 3 years and 5 months commencing 1 September 2018 to 31 March 2022.

The directors also delegated property management services to Eris Properties (Malawi) Limited, a joint venture between NICO Holdings Plc and ERIS South Africa Limited, for an initial period of 3 years and 4 months commencing 1 November 2018 to 31 March 2022.

22. RELATED PARTIES (Continued)

Effective 1 April 2022 the directors appointed Eris Properties (Malawi) Limited to be the sole overarching manager for ICON Properties Plc.

Management fees for the year amounted to: -

	2023 K'000	2022 K'000
NICO Asset Managers Limited	-	57 610
ERIS Properties (Malawi) Limited	1 446 168	865 561
Total	1 446 168	923 171

23. OVERVIEW OF THE COMPANY'S FINANCIAL RISK MANAGEMENT FRAMEWORK

Financial instrument and associated risk

The Company has exposure to the following risks from its use of financial instruments:
(i) Market risk;
(ii) Interest rate risk;
(iii) Liquidity risk; and
(iv) Credit risk.

Categories of financial instruments

	At amortised cost K'000	At FVPL K'000	Total K'000
2023			
Financial assets			
Investment in shares and associate	-	8 826 548	8 826 548
Trade and other receivables	1 562 823	-	1 562 823
Investment in treasury notes	11 826 523	-	11 826 523
Cash and cash equivalents	3 299 140	-	3 299 140
Total financial assets	16 688 486	8 826 548	25 515 034
Financial liabilities			
Trade and other payables	1 314 565	-	1 314 565
Total financial liabilities	1 314 565	-	1 314 565

Building Better Futures

23. OVERVIEW OF THE COMPANY'S FINANCIAL RISK MANAGEMENT FRAMEWORK (Continued)

Financial instrument and associated risk (Continued)

	At amortised cost K'000	At FVPL K'000	Total K'000
2022			
Financial assets			
Investment in shares	-	6 912 000	6 912 000
Trade and other receivables	2 338 279	-	2 338 279
Investment in treasury notes	11 741 508	-	11 741 508
Cash and cash equivalents	3 585 362	-	3 585 362
Total financial assets	17 665 149	6 912 000	24 577 149
Financial liabilities			
Trade and other payables	1 558 459	-	1 558 459
Total financial liabilities	1 558 459	-	1 558 459

Risk Management Approach

It is the Board of Directors' ultimate responsibility for the establishment and monitoring of risk management framework.

The risk management framework is established to identify and analyse the risks faced by the Company, to set appropriate risk management limits and controls, and to monitor risks and adherence to limits. Reviews of the policies and systems are done regularly to reflect changes in market conditions and activities.

The Company's approach to risk management is based on the Company's investment objectives. The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management. The Board delegates risk related responsibilities to the Company's management, who manage the distribution of the financial resources to achieve the Company's investment objectives. The Company's overall financial instruments position is monitored on a quarterly basis by the Board of Directors.

Categories of financial instruments risks

i) Market risk

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads will affect the Company's income or the value of holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Overall authority for market risk management is vested in management. The Company monitors this risk on a continuing basis.

23. OVERVIEW OF THE COMPANY'S FINANCIAL RISK MANAGEMENT FRAMEWORK (Continued)

Financial instrument and associated risk (Continued)
Categories of financial instruments risks (Continued)

ii) Interest rate risk

Interest rate risk is generally referred to as the exposure of the net interest income to adverse movements in interest rates as a result of assets and liabilities re-pricing at different times which has therefore a direct impact on the interest margins. The Company adopts a policy of ensuring that its exposure to changes in interest rates is on a fixed rate basis. The Board monitors the movement of interest rates and takes necessary precautions to hedge. Interest rate sensitivity analysis as on the reporting date is set out below:-

The following table details the company's exposure to interest rate risk:

	Interest bearing K'000	Non-interest bearing K'000	Total K'000
2023			
Financial assets			
Investment in shares and associate	-	8 626 548	8 626 548
Trade and other receivables	-	1 562 823	1 562 823
Cash and cash equivalents	3 299 140	-	3 299 140
Investment in treasury notes	11 826 523	-	11 826 523
Total financial assets	15 125 663	10 189 371	25 315 034
Financial liabilities			
Trade and other payables	-	1 314 565	1 314 565
Total financial liabilities	-	1 314 565	1 314 565

	Interest bearing K'000	Non-interest bearing K'000	Total K'000
ii) Interest risk			
2022			
Financial assets			
Investment in shares and associate	-	6 912 000	6 912 000
Trade and other receivables	-	2 338 279	2 338 279
Cash and cash equivalents	3 585 362	-	3 585 362
Investment in treasury notes	11 741 508	-	11 741 508
Total financial assets	15 326 870	9 250 279	24 577 149
Financial liabilities			
Trade and other payables	-	1 558 459	1 558 459
Total financial liabilities	-	1 558 459	1 558 459

23. OVERVIEW OF THE COMPANY'S FINANCIAL RISK MANAGEMENT FRAMEWORK (Continued)

Financial instrument and associated risk (Continued)
Categories of financial instruments risks (Continued)

iii) Liquidity risk
This is the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate assets at reasonable prices and in a timely manner.

Management of liquidity risk
The Board is responsible for managing overall liquidity by setting guidelines and limits for anticipated liquidity gaps. Liquidity position is monitored on a regular basis to ensure sufficient liquidity. The Board continually assesses liquidity risk by identifying and monitoring changes in funding requirements for business operations.

An analysis of the Company's assets and liabilities based on the contractual period to maturity as at 31 December 2023 is shown below:

	Up to 1 month K'000	1 to 6 months K'000	Over 1 year K'000	Total K'000
2023				
Financial assets				
Investment in shares and associate	-	-	8 626 548	8 626 548
Trade and other receivables	1 562 823	-	-	1 562 823
Investment in treasury notes	-	-	11 826 523	11 826 523
Bank balances and cash	692 328	-	-	692 328
Fixed deposits	877 147	1 729 665	-	2 606 812
Total financial assets	3 132 298	1 729 665	20 453 071	25 315 034
Financial liabilities				
Trade and other payables	1 314 565	-	-	1 314 565
Total financial liabilities	1 314 565	-	-	1 314 565
Liquidity gap	1 817 733	1 729 665	20 453 071	24 000 469
Cumulative liquidity gap	1 817 733	3 547 398	24 000 469	24 000 469

23. OVERVIEW OF THE COMPANY'S FINANCIAL RISK MANAGEMENT FRAMEWORK (Continued)

Financial instrument and associated risk (Continued)
Categories of financial instruments risks (Continued)

	Up to 1 month K'000	1 to 6 months K'000	Over 1 year K'000	Total K'000
iii) Liquidity risk (Continued)				
2022				
Financial assets				
Investment in shares and associate	-	-	6 912 000	6 912 000
Trade and other receivables	2 338 279	-	-	2 338 279
Investment in treasury notes	-	-	11 741 508	11 741 508
Bank balances and cash	1 429 113	-	-	1 429 113
Fixed deposits	3 949 539	587 943	-	4 537 482
Total financial assets	7 716 931	587 943	18 653 508	26 958 382
Financial liabilities				
Trade and other payables	1 558 459	-	-	1 558 459
Total financial liabilities	1 558 459	-	-	1 558 459
Liquidity gap	6 158 472	587 943	18 653 508	25 399 923
Cumulative liquidity gap	6 158 472	6 746 415	25 399 923	25 399 923

iv) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Board of Directors has a policy put in place to monitor on an ongoing basis, the management of Credit risk. The Board has delegated responsibility for the management of credit risk to the Finance and Audit committees which have oversight of the credit risk.

Exposure to credit risk

As at 31 December 2023, there were no significant concentrations of credit risk. The maximum exposure to credit risk is presented by the carrying amount of each financial asset in the statement of financial position.

	2023 K'000	2022 K'000
Financial assets		
Trade and other receivables	1 562 823	2 338 279
Investment in treasury notes	11 826 523	11 741 508
Cash and cash equivalents	3 299 140	3 585 362
Total financial assets	16 688 486	17 665 149

19 OPERATING EXPENSES

Financial instrument and associated risk (Continued)
Categories of financial instruments risks (Continued)

iv) Credit risk (Continued)
Trade and other receivables largely consist of rental receivables from a large number of customers, spread across diverse industries. Amounts of K308 million (2022: K225 million) and K528 million (2022: K395 million) were due from Stansfield Motors Limited and Malawi Government respectively and represent 19.6% (2022: 11%) and 33.7% (2022: 19%) of the Company's total rental receivables respectively. The Company does not have any other exposures to any single counterparty that are in excess of 5% of total rental receivables. Credit risk is managed by continuous engagement with counter parties and arriving at agreements to clear arrears.

The Company's cash and cash equivalents comprises cash held with various local financial institutions that are duly licensed by the Reserve Bank of Malawi.

24 FAIR VALUE MEASUREMENTS
This note provides information about how the Company determines fair values of various financial assets and financial liabilities.

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.

Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required).

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

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

With the exception of the Company's investment in the shares of Plantations House Investment Limited, the Company did not have any financial assets and financial liabilities that are measured at fair value at the end of the reporting period. The Company's investment in Plantations House Investments Limited is measured at fair value with related value changes recognised in profit or loss. The fair value measurement is classified as level three on the fair value hierarchy.

25 CONTINGENT LIABILITIES
There were no contingent liabilities for the Company as at 31 December 2023 (2022: nil).

26 CAPITAL COMMITMENTS

There were no capital commitments as at 31 December 2023 (2022: K1 940 million).

27 IMPACT OF CLIMATE CHANGE

The Company assessed the impact of climate change on the business. Climate change did not have a significant impact on the property portfolio being the significant income generating asset for the Company. There will however be minor to medium repairs required on some affected buildings.

Malawi has experienced the impact of climate change with cyclones striking the country more often. The significant damage has mainly been restricted to the Lower Shire area where the Company does not own property. The Company assessed that climate change has not had any impact on the going concern, useful life, or impairment of the property portfolio which in return did not have a direct impact on revenue.

28 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

The Company is aware of the new standards on Environmental, Social and Governance Reporting (ESG) which will be effective in the year 2024. The Company is establishing policies and processes to comply with the MSErequirements when the standards become effective.

29 EVENTS AFTER THE REPORTING PERIOD

There were no subsequent events to report.

30 EXCHANGE RATES AND INFLATION

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

	2023	2022
Kwacha/Rand	94	62
Kwacha/US Dollar	1 683	1 028
Kwacha / British Pound	2 212	1 274
Inflation rate (%)	35.0	25.8

At the date of approval of the financial statements, the above noted rates had moved as disclosed below:

Kwacha/Rand	94.21
Kwacha/USD	1 733.83
Kwacha /British Pound	2 252.67
Inflation rate (%) (February 2024)	33.5

NOTES

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