ANNUAL REPORT 2018

ICON PROPERTIES PLC

Building Better Futures

Contents

Mission statement and Investment and development philosophy

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.

ICON Properties plc's business model is to partner with suitable investors to develop opportunities that meet prescribed investment criteria. ICON Properties plc focuses primarily on investments and development opportunities in prime central business district areas that have the greatest opportunity for growth.

ICON PROPERTIES

Key highlights

Total assets
K72.8 bn
as at 31 December 2018

Profit after tax
K1.28 bn
for the two months period ended 31 December 2018

Total income
K1.44 bn
for the two months period ended 31 December 2018

CHAIRMAN'S STATEMENT

Overview

I am pleased to report the results of ICON Properties Plc for the operating period of two months ended 31 December 2018 before the share floating on the Malawi Stock Exchange.

Incorporation and Listing

ICON Properties plc was incorporated in Malawi as a private limited company on 4 June 2018. It commenced its activities on 1 November 2018 and therefore had operated for two months in 2018. On 1 November 2018, the Company acquired the shareholding of various property companies, namely Kang'ombe Investment Limited (75%), Chichiri Shopping Centre Limited (100%), Lilongwe City Mall Limited (100%) and NICO Properties Limited (100%), as well as various direct properties in exchange for shares in ICON Properties plc.

The Company was converted to a public limited company on 8 November 2018, later that month it announced its intention to list its shares on the Malawi Stock Exchange. Following the public offer which closed on 28 December 2018 the Company successfully listed on the Malawi Stock Exchange. The listing of the shares was concluded on 21 January 2019. The prolonged technical consultations on the presentation of the results stemming from the structure of the Company, has led to the delay in publishing the results for the two months period ended 31 December 2018.

Performance Review

The year 2018 witnessed a drop in inflation and the monetary policy rate compared to 2017. Performance of the company was driven by our high occupancy levels reflecting a strong demand for the commercial and office space in our property portfolio. Although the company only operated for a period of two months in 2018, the property portfolio was in operation for much longer. Average occupancy rate across the property portfolio was above 90% throughout the reporting period. The portfolio sustained high level of occupancy rates and achieved rental income targets thanks to their ideal location and quality of infrastructure.

The Group generated total income of K1.44 billion which includes property revaluation gains of K512 million. Total expenses for the period were at K632 million, which composed primarily of pre-listing and listing expenses, property management fees and property operating costs. The company's profit after tax was K1.28 billion. The group's performance is underpinned by the strength of the core properties.

Outlook

The outlook continues to be dominated by political and economic uncertainty, with considerable uncertainty remaining about the likely outcome of the political impasse in the country. The Malawi general elections occurred in May 2019 and, although the property market appears to have been only slightly affected, the economic and political environment continues to impact the surrounding business investment. The monetary policy was eased further in the wake of the lower inflation, but the extent of policy impact will be a factor affecting the property market outlook.

In an environment of relatively lower growth and increased economic and political uncertainty, property's income return should prove an attractive defensive characteristic to investors. The Board believes that the existing portfolio remains well placed to continue to deliver the Company objectives. The Company will focus on maintaining its occupancy levels, continuing to improve its property standards and tenant satisfaction, reducing receivables and actively looking to deploy the IPO proceeds in various property investments. We invite you to visit our web site at www.Iconproperties.mw for additional information.

Robert Scharar
Chairman

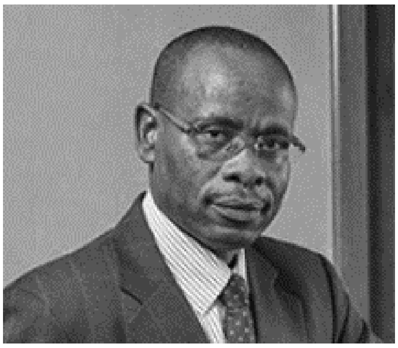
BOARD OF DIRECTORS

Robert Scharar BSc. Accounting, MBA, Masters of Law Juris Doctorate

Chairperson

Mr. Scharar is the President of FCA Corp and provides financial planning and investment advisory services to individuals from various professions and to closely held businesses at FCA Corp. Mr. Scharar graduated from Polk Junior College with an Associate of Arts degree in Accounting followed by a Bachelor of Science degree in Accounting from the University of Florida. He also received a Master's in Business Administration from Northeastern University. Mr. Scharar graduated from the Northeastern University Law School with a Juris Doctorate degree and further went on to receive a Master's Degree of Law in Taxation from Boston University School of Law.

Since 1977, Mr. Scharar has been a Director of the American Academy of Attorneys-Certified Public Accountants, Inc. and served as President for two years, from December 1986 to November 1988. In 2009, he was appointed to serve as a Trustee of Florida Southern College. Mr. Scharar serves on numerous corporate boards throughout the United States and abroad.



Vizenge Kumwenda B.Com, MSc Finance, FCCA, ACII

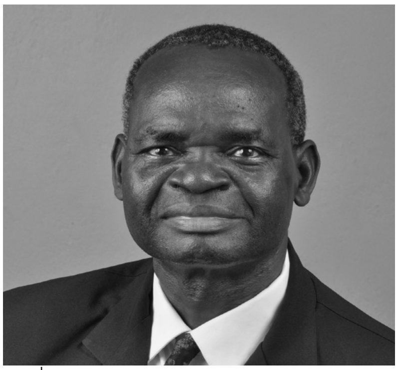
Director

Mr Vizenge Kumwenda is the Group Managing Director of NICO Holdings Plc, a position he has held since January 2016. He has worked for the NICO Group in various senior management positions for over twenty-four years. He serves as the Chairman of the Boards of directors of NICO Holdings Plc's Subsidiary companies. Mr. Kumwenda is a Fellow of the Association of Chartered Certified Accountants and an Associate member of the Chartered Insurance Institute (UK). He holds a Master of Science Degree (Finance) from the University of Strathclyde (Scotland), a Bachelor of Commerce Degree (Accountancy) and Diploma in Business Studies from the University of Malawi. He brings to the Board a breadth of experience and expertise in finance and investment management.

Louis Sibande B.Com, ACMA, AMCT

Director

Mr. Sibande is a Chartered Management Accountant (ACMA, UK), Chartered Global Management Accountant (CGMA), CA (Mw) and an Associate Member of The Association of Corporate Treasurers in UK (AMCT). He holds a Bachelor of Accountancy degree from University of Malawi and has local and international working experience spanning over 20 years having worked at various levels in the NICO Group.



Dasford Kamkwamba B.Com, FCCA, MBA

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 qualified Chartered Certified Accountant and was awarded a Fellowship (FCCA). Mr. Kamkwamba holds a Bachelor's degree in Commerce and has over 35 years' work experience in financial management; strategic management and corporate secretarial matters.

Simeon Banda BSc QS, MRICS, MSIS, Chartered Quantity Surveyor

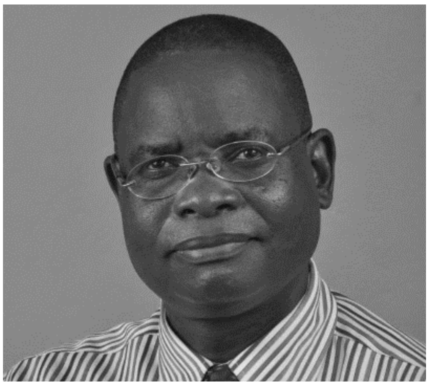
Director

Mr. Simeon Banda is a Chartered Quantity Surveyor and holds a Bachelor of Science (Honours) in Quantity Surveying. He 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 26 years Quantity Surveying, Project Management and Valuation Experience in public infrastructural and institutional buildings.

Graham Chipande BSc. Business Management, MBA Finance

Director

Mr. Chipande holds an MBA in Finance from Webster University and a Bachelor of Science in Business Management (Honors) from the University of Surrey. He is the Head of Business Banking at Standard Bank Plc and currently sits on the Stanbic Pension Fund Board. Mr. Chipande has over 12 years' experience in banking and finance and has held various positions at Standard Bank Plc and previously worked as a market analyst at Standard Chartered Bank.



Joseph Malingamoyo BSc QS, MRICS, MSIS, Chartered Quantity Surveyor, LLM Construction Law

Director

Mr. Malingamoyo is a Chartered Quantity Surveyor and holds a Bachelor's Degree (Honours) in Quantity Surveying and Construction Economics and an LLM in Construction Law and Practice. Mr. Malingamoyo has over 35 years' work experience as a Quantity Surveyor. Mr. Malingamoyo 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).

Zunzo Mitole LLB Hons, MBA

Director

Mrs. Zunzo Mitole is a lawyer by profession with an LLB (Honours) degree from the University of Malawi. She holds an MBA from Eastern and Southern African Management Institute and is currently the Company Secretary/Legal Counsel of National Bank Plc with 23 years' experience in litigation; contract management; compliance and corporate governance.

PORTFOLIO MANAGERS' PROFILE

ICON Properties Plc does not have staff of its own. The directors of ICON Properties plc appointed NICO Asset Managers Limited to provide management services for a period of 3 years commencing 1 September 2018 to 30 August 2021.

NICO Asset Managers Limited (NAML) is registered with the Reserve Bank of Malawi as a Portfolio/Investment Manager, Investment Advisor and Transfer Secretary, licenced under the Securities Act 2010. NAML offers specialist investment management, corporate finance, infrastructure development, investor services, company secretarial and transfer secretarial services to institutional and individual investors.

Investments and Projects Division

The Investment management team is responsible for management of all investment assets and is responsible for development of new equity and/debt opportunities and real estate development. It comprises of two sub-divisions: Investment management which is responsible for managing investment assets and corporate finance, responsible for origination of debt and equity instruments.

Finance and Administration Division

The Finance team is responsible for all financial management. The team is experienced in maintaining accounting and similar records in a manner consistent with all applicable regulations including the Malawi Stock Exchange listing regulations and the International Financial Reporting Standards.

Investor Services

The Investor services team is responsible for transfer secretarial and company secretarial services to companies listed on the Malawi Stock Exchange and unlisted companies under NAML's management. The division's practical and solutions-focused approach ensures that the legal requirements are clearly set out and all options are fully explained.

NAML manages a portfolio valued at over K450bn. The property portfolio represents about 15% of the total assets under management.

NAML provides the following services to ICON Properties plc:

- Strategy formulation and execution;
- Investment management and advisory;
- Capital raising where necessary;
- Financial management and accounting services; and
- Legal and regulatory compliance.

NAML was the lead transaction manager of the transaction that resulted in the creation and successful listing of ICON Properties plc.

PORTFOLIO MANAGERS' MANAGEMENT TEAM

Emmanuel Chokani, CFA – Chief Executive Officer
Mr. Chokani is a CFA Charter holder (USA) and a fellow of the Association of Chartered Certified Accountants (ACCA). He also holds a Bachelor of Accountancy with distinction. He has been CEO for NAML for 10 years and led the setup of NAML, building the company to become a reputable and reliable portfolio management firm in Malawi. Emmanuel also held the positions of Head of Risk Management and Compliance services at NICO Holdings Plc and Audit Manager at Deloitte prior to setting up NAML.

Daniel Dunga – Chief Investment Officer
Mr. Dunga is a fellow of the Association of Chartered and Certified Accountants (ACCA). He holds an MBA from the University of Derby (UK) and a Bachelor of Accountancy degree from the University of Malawi. He was previously Managing Director for Continental Asset Management Limited. Prior to that, he was the Chief Executive Officer of the Society of Accountants in Malawi (SOCAM) -now ICAM. Daniel has also served on a number of national economic development policy taskforces in Malawi.

Chikondi Gomani - Investment Manager
Mr. Gomani is a fellow of the Association of Chartered and Certified Accountants (ACCA) and currently pursuing the Chartered Financial Analyst (CFA) program. He holds a Bachelor of Business Administration from the University of Malawi and a Diploma in Marketing with Chartered Institute of Marketing. Prior to joining NICO Asset Mangers Limited, he worked for The Foods Company Limited as the Chief Finance Officer.

James Tsonga – Chief Finance Officer
Mr. Tsonga is a member of the Association of Chartered Certified Accountants (ACCA). He holds a Bachelor of Accountancy degree from the University of Malawi with Distinction. He worked at Deloitte as an audit senior prior to joining NAML as the accounting manager. He is currently the Chief Finance Officer. James is also the company secretary of National Investment Trust Plc.

Memory Chipembere – Legal Executive
Mrs. Chipembere holds a Bachelor of Laws (Honours) from the University of Malawi and a Certificate in insurance from the Chartered Institute of Insurers (UK). Prior to her current role, she spent 5 years at National Bank of Malawi Plc as a Legal Manager and 5 years as Legal Officer at Britam Insurance Limited (formaly Real Insurance Company of Malawi Limited)

PROPERTY MANAGERS' PROFILE

The directors appointed Eris Properties (Mw) Limited to provide property management services to ICON Properties plc for a period of 3 years and one month commencing 1 November 2018 to 30 November 2021.

Eris Property Mw Limited ("ERIS") is a 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 the NICO property portfolio through bespoke property developments.

ERIS looks after the property development and management of ICON Properties plc through a range of commercial property services. Through ERIS, ICON Properties plc will benefit from a new benchmark in property service as it draws on EPG'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.

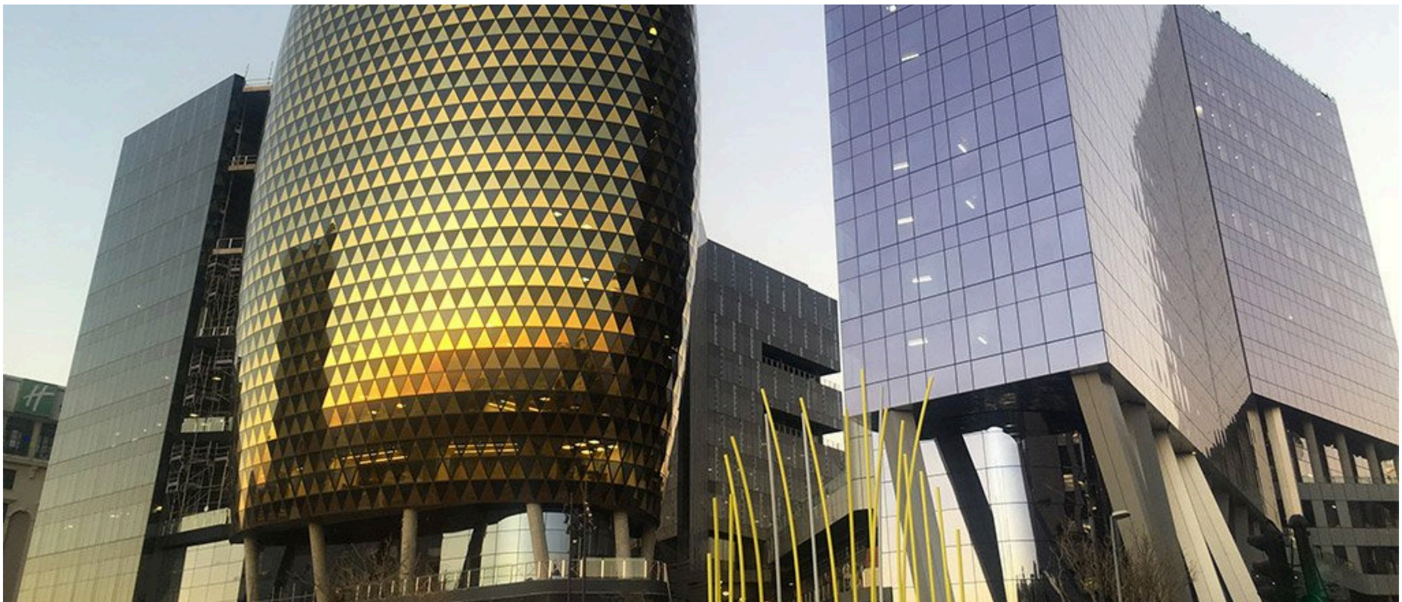
ERIS leverages off EPG's philosophy of a long term view and attention to detail to property management and investment, ensuring optimal and efficient solutions through a spectrum of property services. EPG has US$2.25bn properties under management, completed over 100 property developments in Africa worth US$2.5bn in market value and holds US$120m in proprietary investments.

Services

ERIS offers expertise in the following property business lines;

- Property management;
- Property development;
- Facilities management;
- Leasing and investment broking;
- Property advisory; and
- Retail services.

Profile of ERIS Management



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, architecture, accounting and financial analysis. ERIS further taps knowledge from EPG whose senior members of staff collaborate with the local team.

Mrs Ellen Nyasulu - Chief Executive Officer
Ellen Chapinduka Nyasulu is a holder of an MBA obtained from the University of Reading (UK). She has an MSc -Real Estate (University of Pretoria) and a Bachelor of Business Administration (BBA) from the University of Malawi. She further completed Management Advancement Programme with Wits University in 2015. She is a licensed surveyor with Surveyors Institute of Malawi (SIM) and also hold various post graduate diplomas and certificates affiliated to the built environment.

Ellen Chapinduka Nyasulu is a real estate specialist with cross-functional expertise in residential, retail and commercial property analysis, feasibility studies, planning and legal considerations, marketing, building practice and property management and valuation. She has over 20 years' experience juggling across the residential, industrial, commercial and retail properties in the real estate industry. She has dealt with issues on land administration, property development, project and property management, facilities management, property valuation, shopping mall management and marketing. 13 years plus of this experience has been gained while working in different portfolios at MPICO plc and 8 years working for Malawi Housing Corporation.

She is currently serving as a Board member on the boards of Roads Authority and National Urban Planning. Between 2015 and 2017 she served on the board of the National Construction Industry Council (NCIC) where she chaired the Ethics and Disciplinary Committee. She has served two terms (2013 to 2018) as the President of the Surveyors Institute of Malawi.

Ms. Tawene Lungu, Senior Property Manager
Ms Lungu holds a Master's of Science in Corporate Real Estate and Facilities Management, a Bachelor of Science (Honours) 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 her role as senior property manager which she has held for over a year, she was a property manager at Knight Frank Malawi for 2 years after completing the Knight Frank's graduate management trainee program for 3 years.

Mr. Yankho Somanje, Property Manager
Mr. Somanje holds a Master's of Science in Strategic Management from University of Derby (UK) and a Bachelor of Science in Quantity Surveying from the University of Malawi. He has over 8 years' experience in property management and quantity surveying. Mr. Somanje worked at Malawi Housing Corporation, Henan Guoji Development Company Limited and Mkaka Construction prior to joining Eris as a Property Manager.

Mr. Petros Mkandawire, Operations Officer
Mr Mkandawire holds a Bachelor of Science in Land Economy from the University of Malawi and has a Certificate in Real Estate and Facilities Management accredited by the Royal Institute of Chartered Surveyors and an Advanced Certificate in Information Technology from Mzuzu University. He is a Graduate Member of Surveyors Institute of Malawi and prior to his role as Operations Officer, he worked at NICO Asset Managers as an Infrastructure Management Associate among other roles for over 4 years.

PORTFOLIO MANAGERS' REPORT

Property Market Overview

The real estate industry generally enjoyed a solid performance in 2018. Demand for office space, which continues to be reserved, is being driven primarily by non-governmental organisations and small to medium enterprises. Sentiments in the retail market reveal steady demand although tenants remain under pressure from increasing operating costs. Several retail offerings are under development in all three major cities and are expected to add over 100,000 square metres of prime retail space to the market in the next five years. Despite the easing of electricity blackouts, activity in the industrial sector remains stifled, uptake of space across the sector has been limited whilst developments remain primarily driven for owner occupation.

Increased demand from the entertainment and leisure market has been evident in recent months with operators' actions ranging from implementing the use of change from residential use to sub-urban neighbourhood traditional retail outlets. The industrial space has also not done as well as shopping malls.

On the other hand, banks have been advertising several repossessed properties as they are trying to unwind their non-performing loans despite the drop in base lending rates. Banks are still willing to lend on commercial property, but we are yet to see a boom in property lending despite the drop in lending rates.

Portfolio Review

As at 31 December 2018, the Company's portfolio was valued at K51.96 billion. Total expenses for the period were at K632 million which composed primarily of pre-listing and listing expenses, property management fee and property operating costs.. Total expenses for the period were at K632 million, of which K452 million was composed primarily of pre-listing and listing expenses, property management fee and property operating costs. Although ICON Properties plc only operated for a period of two months, the portfolio held by ICON Properties plc were in operation for much longer.

The company's performance was particularly attributed to the retail and office sectors of the portfolio which maintained occupancy levels.

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

	2 Months
Property portfolio value (K'mn)	51,962
Gross rental income (K'mn)	813
Number of properties	35

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

	Number of properties	Number of tenants	Lettable area (sqm)	Occupancy
Retail	2	109	32,296	97%
Offices	17	29	26,012	98%
Industrial	2	2	10,136	100%
Residential	13	11	4,186	84%
Vacant Land	1	N/A	N/A	N/A
Total	35	151	72,630	98%

The industrial sector portfolios was fully let, the office sector was 98% and the retail sector was 97%. Lower occupancy rates were experienced on the residential sector portfolio at 84%. All leases with anchor tenants on the retail sector portfolios that were due were renewed.

Redevelopments where no optimum potential has not been achieved and case-by-case green field investments will form the main strategic component of ICON Properties plc's active asset growth and management strategy, driving value enhancements across its portfolio. These will be the key elements of our future growth strategy to ensure we provide enjoyable and comfortable accommodation solutions to our tenants and enjoyable family shopping experience for customers who visit our shopping malls and deliver a secure and growing income stream for our investors.

In the third quarter of 2018, ICON Properties plc commenced K1.86 billion refurbishment projects of Lilongwe City Mall, NBS Lilongwe City Centre and NBS Ginnery Corner Service Centre and Head Office. The projects focus on the uplifting of the buildings' façade, exterior repairs and renovations and other remedial works to both structural and non-structural elements of the buildings. The projects are expected to be completed by the end of fourth quarter of 2019.

Outlook

The current year is expected to see ICON Properties plc remain competitive on the market with rental growth estimated to be between 7% and 12%. The retail sector will continue to be the standout performers in our portfolio, despite the increase in competition. We will continue to see growth from our shopping malls with solid occupancy levels relative to competition.

The macro-economic environment has led to a climate of uncertainty which may lead to a focus on the downside risk and delays in committing to decisions until the outlook is clearer. The Malawi general elections were held in May 2019 and, although the property market appears to have been little affected, the economic and political environment continue to impact the surrounding business investment. The monetary policy was eased further in the wake of the lower inflation, but the extent of policy impact will be a factor affecting the property market outlook.

Property remains attractive to investors seeking a high- and stable-income return, in an environment of relatively lower growth and increased economic and political uncertainty. Performance will continue to be strongly influenced by occupancy levels and portfolio management. As the economic and political market outlook becomes clearer, property is expected to deliver stronger total returns, underpinned by income. The Company will focus on maintaining its occupancy levels, improving its property standards, reducing receivables, positioning the brand for high visibility and actively looking to deploy the IPO proceeds in various property investments.

The Fund Manager embraces the challenges and recognizes the opportunities that the current market presents. The Fund Manager will continue to monitor the performance of the portfolio during this period of uncertainty.

NICO Asset Managers
Portfolio Managers

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. This in turn builds sustainable business and enables the business to create long-term value more effectively.

The Board of Directors of ICON Properties Plc has the ultimate responsibility of providing direction of the company through its oversight over the execution of the company's strategic objectives in compliance with the legislative, regulatory and governance framework. The Board is accountable to the shareholders and is fully committed to good corporate governance in dealing with the shareholders as well as all other stakeholders.

The Directors are thus committed to best practice in corporate governance by following principles of openness, integrity and accountability as set out in the Malawi Code II (Code of Best Practice for Corporate Governance in Malawi) (the Code has now been incorporated into the Companies Act, 2013(the Act) and the regulations made thereunder; and the Malawi Stock Exchange Listing Requirements (MSELR).

BOARD OF DIRECTORS
As at 31st December 2018, the Board consisted of 8 directors, all non-executives.

The Board met twice during the period under review. The Board has delegated some of its compliance and monitoring responsibilities to standing committees of the Board namely – Finance and Audit Committee; Appointments and Remuneration Committee and Investment Committee.

BOARD COMMITTEES

FINANCE AND AUDIT COMMITTEE
The Finance and Audit Committee is responsible for the review of the company's financial statements, accounting policies, External and Internal Auditors' reports to ensure the effectiveness and adequacy of the internal controls. The Committee is responsible for compliance with all statutory and regulatory requirements and monitoring thereof. The Company's External and Internal Auditors have unrestricted access to the Committee Chairperson. The Committee consisted of three members as follows:

- Mr. Dasford Kamkwamba;
- Mr. Joseph Malingamoyo; and
- Mr. Graham Chipande.

APPOINTMENTS AND REMUNERATION COMMITTEE
The Committee is responsible for assisting the Board in ensuring that the Board and Management retain an appropriate structure, size and balance of skills to support the strategic objectives and values of the Company. The Committee is thus responsible for the review of compensation for Directors, recommending for board approval the appointment of Directors and fund managers as well as property managers. The Committee consisted of three members as follows:

- Mr. Louis Sibande;
- Mrs. Zunzo Mitole; and
- Mr. Joseph Malingamoyo.

INVESTMENT COMMITTEE
The Investment Committee's mandate was established to regularly review the Board's decisions on capital deployment. Its mandate is to determine, agree and develop the company's strategic growth plans. The Committee consisted of three members as follows:

- Mr. Louis Sibande;
- Mr. Dasford Kamkwamba; and
- Mr. Simeon Banda.

The Committees did not meet during the two months period under review.

ICON PROPERTIES

ETHICAL STANDARDS
The company is committed to a policy of fair dealing and integrity in the conduct of its business to create a value-based organization. This is based on the fundamental belief that company business must be conducted honestly, fairly and legally.

RELATED PARTY TRANSACTIONS
The company does enter into related party transactions that are not on “arm’s length basis.”

COMPANY SECRETARY
The Company Secretary has a key role in governance, ensuring the Board complies with Corporate Governance regulations and requirements and all board procedures. The Board has access to the advice and services of the Company Secretary.

DIRECTORS' REPORT
For the two months period ended 31 December 2018

The directors have pleasure in submitting their report together with the consolidated and separate financial statements for the two months period ended 31 December 2018.

Nature of business
The Company is a property holding company formed with the objective of owning, leasing, managing and developing commercial, industrial and retail property.

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 8th November 2018 and later that month announced its intention to list its shares on the Malawi Stock Exchange. The public offer opened on 7 December 2018 and closed on 28 December 2018. The listing and allotment of shares was concluded on 21 January 2019.

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 was as follows:

Shareholder	% Holding
NICO Life Insurance Company Limited	63
Standard Bank Malawi Pension Fund	8
National Bank of Malawi Pension Fund	6
Magetsi Pension fund	3
Other Shareholders*	20
	100

*Other shareholders include pension funds and the general public.

The shareholders and their respective shareholding prior to the Company's listing was as follows:

Shareholder	% Holding
NICO Life Insurance Company Limited	63
Standard Bank Malawi Pension Fund	10
National Bank of Malawi Pension Fund	8
Magetsi Pension Fund	4
Other Shareholders**	15
	100

**Other shareholders include all other shareholders that transferred the shareholding they held in various property companies as well as various property interests at 1 November 2018.

Registered office
The physical address of the company's registered office is: -
Chibisa House
19 Glyn Jones Road
P.O. Box 3117
Blantyre

Financial performance
The results and state of affairs of the Group are set out in the accompanying consolidated and separate statements of financial position, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity, consolidated and separate statements of cash flows and accompanying accounting policies and notes to the consolidated and separate financial statements.

Profit
The profit for the two months period ended 31 December 2018 attributable to the owners of the parent was K1.24 billion.

Dividend
During the two months period ended 31 December 2018 the Group did not declare a dividend.

Corporate governance
The company has a unitary board of directors comprising eight non-executive directors.

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.

The Board subcommittees did not meet in the reporting period.

Board of Directors
Non-Executive Director *
Non-Executive Independent Director **

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

Mr. R. Scharar	Chairman*	Throughout the period
Mr. V. Kumwenda	Director*	From 8 November 2018
Mr. L. Sibande	Director *	Throughout the period
Mr. D. Kamkwamba	Director**	Throughout the period
Mrs. Z. Mitole	Director*	Throughout the period
Mr. S. Banda	Director**	Throughout the period
Mr. J. Malingamoyo	Director**	Throughout the period
Mr. G. Chipande	Director*	Throughout the period
NICO Asset Managers	Company Secretary	Throughout the period

In accordance with the company's articles of association, Mr. R. Scharar, Mr. L. Sibande, Mr. D. Kamkwamba and Mr. S. Banda retire at the forthcoming annual general meeting, but being eligible for re-appointment, they are offering themselves for re-election.

Board meetings
The Board meets quarterly. Ad-hoc meetings are held when necessary. The directors are provided with comprehensive board documentation prior to each of the scheduled meetings. The directors met twice during the reporting period.

Board of Directors (Continued)

Main Board meetings - Meeting Attendance

	08 November 2018	20 November 2018
Mr. R. Scharar	√	√
Mr. V. Kumwenda	n/a	A
Mr. L. Sibande	√	√
Mr. D. Kamkwamba	√	√
Mrs. Z. Mitole	A	A
Mr. S. Banda	√	√
Mr. J. Malingamoyo	√	√
Mr. G. Chipande	√	√

Key:
√ = Attendance A = Apology

Chichiri Shopping Centre Limited

Mr. C. Chiundira	Chairman*
Mr. C. Luhanga	Director*
Mr. D. Lipemba	Director*
Ms. M. Mbeye	Director*
Mrs. V. Zigowa	Director*
Mr. L. Sibande	Director*
Mrs. Z. Mitole	Director*

Kang'ombe Investment Limited

Mr. C. Chiundira	Chairman*
Ms. M. Mdoko	Director*
Mr. L. Sibande	Director*
Mrs. E. Gondwe	Director*
Mr. J. Malingamoyo	Director**

Lilongwe City Mall Limited

Mr. G. Chiundira	Chairman*
Mr. E. Kandapo	Director*
Mr. G. Chipande	Director*
Mr. L. Sibande	Director*
Mr. D. Ulanje	Director*
Dr. P. Kulemeka	Director**
Mr. G. Chitera	Director*

NICO Properties Limited

Mr. R. Scharar	Chairman*
Mr. L. Sibande	Director *
Mr. D. Kamkwamba	Director **
Mr. G. Chipande	Director*

NICO Properties Limited (Continued)

Mr. S. Banda	Director**
Mr. B. Yafete	Alternate Director *

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

Directors' remuneration
There were no executive directors on the board of directors of the Group or its subsidiaries. The directors' fees and remuneration for the Group and its subsidiaries were as follows:

Name of Company	Directors Fees and expenses K'000
ICON Properties Plc	2 877
NICO Properties Limited	2 766
Chichiri Shopping Centre Limited	2 161
Lilongwe City Mall Limited	2 126
Kang'ombe Investment Limited	2 091
Total	12 021

External auditor's remuneration
The remuneration of External Auditors for the individual subsidiary companies is as presented below:

Name of Company	Auditor's Remuneration K'000
ICON Properties Plc	35 000
NICO Properties Limited	1 013
Chichiri Shopping Centre Limited	1 927
Lilongwe City Mall Limited	614
Kang'ombe Investment Limited	763
Total	39 317

Donations
No donations were made by the Group Companies during the reporting period.

Directors' Interests
During the year ended 31 December 2018, there were no contracts between the company and its directors.

Directors' Interests (Continued)

Register of Interests:-
Standing Notice of Disclosure for the Chairman, Mr. Robert Scharar because of his association with the majority shareholder of ICON Properties plc, NICO Life Insurance Company Limited (NLI). NLI is 51% owned by NICO Holdings plc, and NICO Holdings plc is 27.9% owned by Africap LLC, a company for which Mr. Robert Scharar is President.

Standing Notice of Disclosure for Mr. Vizenge Kumwenda for NICO Holdings plc executive position (which is the majority shareholder of NICO Life Insurance Company Limited, the majority shareholder of ICON Properties plc). Mr. Kumwenda declared his interest in discussions relating to the appointment of ERIS Properties Malawi Limited (Eris) as property managers because he is a director on the Board of Eris. Mr. Kumwenda indirectly held 22 858 000 shares in ICON Properties plc through WOP VJ Trust whose beneficiaries are his family members.

Standing Notice of Disclosure for Mr. Louis Sibande for NICO Holdings plc executive position (which is the majority shareholder of NICO Life Insurance Company Limited, the majority shareholder of ICON Properties plc). Mr. Sibande declared his interest in discussions relating to the appointment of ERIS Properties Malawi Limited (Eris) as property managers because he is a director on the Board of Eris.

Standing Disclosure for Mrs. Zunzo Mitole because of her association with National Bank of Malawi Pension Fund (shareholder in ICON). Mrs. Mitole is Company Secretary/Legal Counsel for National Bank of Malawi plc.

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.

Mr. J. Malingamoyo held 2 000 000 shares in ICON Properties plc.

There were no other contracts between the company and its Directors nor were there any arrangements to enable the Directors of the company acquire shares in the company.

Activities
The Company has subsidiary, associate and other investment interests in companies as follows:-

Name of subsidiary	**% Holding**	**Type of business**
NICO Properties Limited	100	Property letting
Chichiri Shopping Centre Limited	100	Property letting
Lilongwe City Mall Limited	100	Property letting
Kang'ombe Investment Limited	75	Property letting

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

The Company owns 35% shareholding in Kang'ombe Investment Limited and indirect shareholding of 40% through Nico Properties shareholding in Kang'ombe Investment Limited.

Auditors
Deloitte, Chartered Accountants, have expressed their willingness to continue in office as Group auditors. A resolution to confirm their appointment as auditors of the Group for the year ending 31 December 2019 and to authorize the Directors to determine their remuneration is to be proposed at the forthcoming annual General meeting.

....
DIRECTOR   **DIRECTOR**

ICON PROPERTIES PLC

DIRECTORS' RESPONSIBILITY STATEMENT

For the two months period ended 31 December 2018

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of ICON Properties plc, comprising the consolidated and separate statements of financial position as at 31 December 2018 and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the period then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, 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 Group maintains proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and ensure the financial statements comply with the Companies Act, 2013.

In preparing the consolidated and separate 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 consolidated and separate financial statements on a going concern basis unless it is inappropriate to presume the Group and 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 made an assessment of the company and its subsidiaries abilities to continue as going concerns and have no reason to believe that the company will not be going concerns in the year ahead.

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

Approval of the financial statements

The consolidated and separate financial statements of ICON Properties plc as identified in the first paragraph, were approved by the Board of Directors on 31 July 2019 and are signed on its behalf by:

....

DIRECTOR

....

DIRECTOR

Deloitte.

P. O. Box 187
Blantyre
Malawi

Deloitte Chartered Accountants
Registered Auditors
1st Floor
PCL House, Top Mandala
Kaohsiung Road
Blantyre
Malawi

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www.deloitte.com

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

Opinion

We have audited the consolidated and separate financial statements of ICON Properties Plc set out on pages 29 to 77, which comprise the consolidated and separate statements of financial position as at 31 December 2018, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the period then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and company as at 31 December 2018, and of their consolidated and separate financial performance and consolidated and separate cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act.

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

Key Audit Matters

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

Key Audit Matters (Continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Business combinations (Consolidated and Separate financial statements)</td></tr>
<tr><td>During the period, the company acquired the following subsidiaries:

• Nico Properties Limited;
• Chichiri Shopping Center Limited;
• Lilongwe City Mall Limited; and
• Kang'ombe Properties Limited.

The acquisition was through exchange of shares in the acquired companies for shares in the company. In accordance with IFRS 3 Business Combinations, the fair values of the assets acquired and liabilities assumed in a business combination were determined at acquisition date.

The fair values of the identifiable assets and liabilities acquired, together with the fair value of the purchase consideration, was identified as of 1 January 2018 and the final acquisition date was determined to be 31 October 2018.

Determination of the Purchase Price Allocation is based on judgement and estimates which are inherently difficult to determine with precision. There are also tax implications of the transactions when determining the final purchase price. Specific considerations include:

• Determining the fair values of the assets acquired especially the values of investment properties which are significant asset value in the acquired companies; and
• Determining the tax impact on the deemed purchase of the shares from the acquired companies but for which there is an exemption due to the re-structuring provisions of the Taxation Act.

The disclosures relating to the business combinations are in note 1.2. to the financial statements.</td><td>We reviewed management's assessment of the fair value of the identifiable assets acquired and liabilities assumed at the date of the business combination.

We reviewed management's valuation of investment property acquired by performing the following procedures:

• We reviewed the reports of a professional property valuator;
• We evaluated the competence, capabilities and objectivity of management's specialist;
• We obtained an understanding of the work of management's specialist; and
• We evaluated the appropriateness of the valuation methodology chosen for investment properties.

We engaged, as part of our team, tax specialists to assist us in evaluating tax principles applied to these transactions.

We evaluated management's calculation and support of the purchase price.

We reviewed the take on balance sheet for the identification of identifiable assets acquired and liabilities assumed.

We assessed compliance with IFRS and whether the transaction meets the definition of a business combination in terms of IFRS 3.

We evaluated the adequacy of financial statement disclosures regarding these transactions.

We found that the determination of the fair values of assets acquired and liabilities assumed and the treatment of the tax impact of the transaction, and the related disclosures were appropriate.</td></tr>
</table>

Key Audit Matters (Continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Valuation of investment property (Consolidated and separate financial statements)</td></tr>
<tr><td>The group owns various investment properties which are carried at fair value in line with IAS 40 Investment Property. The investment properties are the group's most significant revenue generating assets and represent a very material balance on both the group's and company's Statement of Financial Position.

The investment properties were revalued as at 31 December 2018 by an independent valuer.

The valuation of the group's property was considered a key audit matter due to:

• The significance of the amount to the financial statements;
• The use of judgement and assumptions by the valuers; and
• The complexity of the methods used in the valuation of the property.

The accounting policies relating to investment properties are disclosed in notes 3.8 and 4 to the financial statements.</td><td>We evaluated the acceptability of valuation work performed by the valuation expert by, among other things:

• Evaluating the nature and scope of the expert's work;
• Assessing the competence and objectivity of the expert;
• Assessing the judgement and assumptions applied;
• Evaluating the accuracy and completeness of the input data used in the valuation; and
• Evaluating the conclusions reached in light of our understanding of the entity and its business.

We found the valuation of the property to be appropriate.</td></tr>
<tr><td colspan="2">Valuation of investment in shares (Separate financial statements)</td></tr>
<tr><td>The company's investment in shares is made in companies which are all unlisted. The valuation of these investments in the separate financial statements are carried at fair value.

Valuation of these investments was done at the end of the financial period. The valuation methods adopted as well as the valuations are disclosed in note 6 to the financial statements. The total value of these unlisted investments is K42 billion.

Determination of fair values for the investments involves significant judgement and assumptions and is complex in nature. We consider this as a key audit matter.</td><td>We obtained the valuation reports, which were independently done by a professional valuer, and assessed the professional competence of the valuer by examining the valuer's qualifications, and experience.

We assessed that the information provided by the company to the valuer is accurate and complete for valuation purposes based on our understanding of the investee companies.

We read the valuation reports and assessed the reasonableness of assumptions used in the valuations reports in comparison to market data.

We considered the relevance and appropriateness of the valuation methods used.

We agreed information used in the valuation such as net assets, shareholding, profits, and others to relevant supporting documents of the investment companies.

We found that the assumptions used in determining the valuations were reasonable and that the valuations were appropriate. We further concluded that details of the valuations have been disclosed appropriately in the financial statements.</td></tr>
</table>

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, 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 consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this 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 Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate 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 Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing 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, related safeguards.

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

31 July 2019

ICON PROPERTIES PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Notes	GROUP 2018 K'000	COMPANY 2018 K'000
ASSETS			
Non-current assets			
Investment property	4	51 962 000	10 099 000
Office equipment	5	5 144	-
Investment in subsidiaries	6	-	41 212 005
Investment in associates	7	-	1 741 379
Other investment in shares	8	65 505	65 505
Deferred tax asset	9	226 220	177 388
Total non-current assets		52 258 869	53 295 277
CURRENT ASSETS			
Taxation recoverable		769 906	289
Trade and other receivables	10	1 538 403	242 933
Deposits and bank and cash balances	11	18 252 613	15 666 073
Total current assets		20 560 922	15 909 295
TOTAL ASSETS		72 819 791	69 204 572
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	12	58 209 424	58 209 424
Restructuring reserve	13	7 841 995	7 841 995
Retained earnings	14	1 241 630	1 178 226
Equity attributable to owners of the company		67 293 049	67 229 645
Non-controlling interests	15	1 243 842	-
Total equity		68 536 891	67 229 645
Non-current liabilities			
Deferred taxation	9	1 746 628	-
Deferred income	17	1 082	-
Total non-current liabilities		1 747 710	-
Current liabilities			
Bank overdraft	11	198 824	36
Trade and other payables	16	2 308 604	1 974 891
Taxation payable		27 762	-
Total current liabilities		2 535 190	1 974 927
TOTAL EQUITY AND LIABILITIES		72 819 791	69 204 572

The consolidated and separate financial statements of ICON Properties plc were approved by the Board of Directors on 31 July 2019 and are signed on its behalf by:

....

DIRECTOR **DIRECTOR**

ICON PROPERTIES PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

For the two months period ended 31 December 2018

	Notes	GROUP 2018 K'000	COMPANY 2018 K'000
INCOME			
Rental income		813 358	117 831
Fair value adjustment - investment property	4	512 003	133 513
Fair value adjustment - investment in subsidiaries	6	-	750 993
Share of associate profits	7	-	47 989
Fair value adjustment - investment in shares	8	4 366	4 366
Other income	18	57 517	11 530
Total income		1 387 244	1 066 222
EXPENSES			
Administrative expenses	19	(455 301)	(142 611)
Operating expenses	20	(176 573)	(25 611)
Total expenses		(631 874)	(168 222)
Operating income before interest and tax		755 370	898 000
Finance income	21	51 438	1 02 838
Profit before taxation		806 808	1 000 838
Taxation credit	22	469 100	177 388
Profit for the period		1 275 908	1 178 226
Attributable to:			
Owners of the parent		1 241 630	-
Non-controlling interests		34 278	-
Profit for the period		1 275 908	-
Earnings per share (tambala)	23	19	-

ICON PROPERTIES PLC

STATEMENTS OF CHANGES IN EQUITY

For the two months period ended 31 December 2018

	Notes	Share capital K'000	Restructuring reserve K'000	Retained earnings K'000	Total attributable to shareholder K'000	Non-contolling interest K'000	Total K'000
GROUP							
Capital injection	12	44 322 212	7 841 995	-	52 164 207	1 209 564	53 373 771
Issue of shares	12	14 700 000	-	-	14 700 000	-	14 700 000
Share issue costs		(812 788)	-	-	(812 788)	-	(812 788)
Profit for the period		-	-	1 241 630	1 241 630	34 278	1 275 908
Balance at 31 December 2018		58 209 424	7 841 995	1 241 630	67 293 049	1 243 842	68 536 891
COMPANY							
Capital injection	12	44 322 212	7 841 995	-	52 164 207	-	52 164 207
Issue of shares	12	14 700 000	-	-	14 700 000	-	14 700 000
Share issue costs		(812 788)	-	-	(812 788)	-	(812 788)
Profit for the period		-	-	1 178 226	1 178 226	-	1 178 226
Balance at 31 December 2018		58 209 424	7 841 995	1 178 226	67 229 645	-	67 229 645

ICON PROPERTIES PLC
CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
For the two months period ended 31 December 2018

	Notes	GROUP 2018 K'000	COMPANY 2018 K'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		806 808	1 000 838
Fair value adjustments		(516 369)	(888 872)
Interest received	21	(51 438)	(102 838)
Share of associate profit	7	-	(47 989)
Depreciation	5	411	-
Operating profit/(loss) before working capital changes		239 412	(38 861)
Increase/(decrease) in receivables		107 401	(242 933)
Increase in payables		1 790 484	1 974 891
Cash generated from operations		2 137 297	1 693 097
Income tax paid		66 008	(289)
Net cash generated from operating activities		2 203 305	1 692 808
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to investment properties	4	(130 331)	(16 821)
Net cash used in investing activities		(130 331)	(16 821)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares for cash	12	14 700 000	14 700 000
Transaction costs on issue of shares		(812 788)	(812 788)
Interest received	21	51 438	102 838
Net cash generated from financing activities		13 938 650	13 990 050
Net increase in cash and cash equivalents		16 011 624	15 666 037
Cash and cash equivalents at acquisition date		2 042 165	-
Cash and cash equivalents at 31 December 2018		18 053 789	15 666 037

1. Introduction

1.1 General information

ICON Properties plc (the Group) was incorporated in Malawi as a private limited company on 4 June 2018. ICON is a property holding company formed with the objective of owning, leasing, managing and developing commercial, industrial and retail property.

The address of registered office is Chibisa House, 19 Glyn Jones road, P O Box 3173 Blantyre.

1.2 Group restructuring

ICON Properties plc's shareholders had investments in property 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 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 interest in properties to 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 note 9 to the financial statements.

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.

Following the restructuring, ICON Properties plc has equity interests in the following companies, in addition to owning property in its own name:

- NICO Properties Limited (NPL) (100%);
- Chichiri Shopping Centre Limited (CSC) (100%);
- Lilongwe City Mall Limited (LCM) (100%);
- Kang'ombe Investment Limited (KIL) (75%); and
- Plantation House Investments Limited (4.98%)

1. Introduction (Continued)

1.2 Group restructuring (Continued)

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of these companies as at the date of acquisition were as follows:

	NPL	CSC	LCM	KIL	Direct property interest transferred	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Assets						
Investment property	7 591 333	13 779 000	14 966 667	5 034 000	9 948 666	51 319 666
Office fittings and equipment	-	-	5 555	-	-	5 555
Financial Asset – Plantation House	-	-	-	-	61 139	61 139
Investment in associate	1 935 303	-	-	-	-	1 935 303
Trade and other receivables	775 885	195 322	492 586	182 010	-	1 645 804
Tax recoverable	181 669	132 901	528 891	-	-	843 461
Cash and cash equivalents	551 999	303 190	1 086 750	106 251	-	2 048 190
Total assets	11 036 189	14 410 413	17 080 450	5 322 261	10 009 805	57 859 118
Liabilities						
Deferred tax	99 226	1 304 413	231 868	374 429	-	2 009 936
Deferred income	-	1 143	-	-	-	1 143
Tax Payable	-	-	-	14 881	-	14 881
Other payables	40 928	112 086	270 352	94 693	-	518 059
Bank overdraft	6 025	-	-	-	-	6 025
Total liabilities	146 179	1 417 642	502 220	484 003	-	2 550 044
Total identifiable net assets at fair value	10 890 010	12 992 771	16 578 230	4 838 258	10 009 805	55 309 074
Elimination of investment in KIL in NPL*	-	-	-	(1 935 303)	-	(1 935 303)
Non-controlling interest*	-	-	-	(1 209 564)	-	(1 209 564)
Consolidated net assets acquired by ICON	10 890 010	12 992 771	16 578 230	1 693 391	10 009 805	52 164 207
Restructuring reserve	(1 896 901)	(1 902 224)	(2 352 905)	(308 528)	(1 381 437)	(7 841 995)
Fair value of share transferred	8 993 109	11 090 547	14 225 325	1 384 863	8 628 368	44 322 212

1. Introduction (Continued)

1.2 Group restructuring (Continued)

As noted above, the consideration was in the form of exchange of shares in the respective companies for shares in ICON Properties plc.

*ICON directly acquired 35% shareholding in Kang'ombe Investment Limited (KIL) making it an associate to the Group. However, ICON also acquired 100% shareholding of NICO Properties Limited which had 40% shareholding in KIL. Ultimately, ICON Properties plc acquired a combined 75% shareholding in KIL making it its subsidiary. The non-controlling interest relates to the remaining 25% shareholding in KIL.

1.3 Going concern basis of accounting

The financial statements have been prepared on a going concern basis, which assumes that the Group 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 Group 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 November 2018.

2.2 Standards and Interpretations in issue, not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019, and have not been applied in preparing these financial statements. Those which may be relevant to Group are set out below. The Group does not plan to adopt these standards early.

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but not yet effective:

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 periods beginning on or after 1 January 2019	IFRS 16 Leases IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guide including IAS 17 Leases and the related interpretations when it becomes effective. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at present value of the lease payments. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion that will be presented as financing and operating cash flows respectively. In contracts to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by IFRS 16.
Annual reporting periods beginning on or after 1 January 2019	IFRIC 23 Uncertainty over Income Tax Treatments The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.
Annual periods beginning on or after 1 January 2019	Prepayment Features with Negative Compensation (Amendments to IFRS 9) Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

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 periods beginning on or after 1 January 2019	Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
Annual periods beginning on or after 1 January 2019	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are: • If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the re- measurement are determined using the assumptions used for the re- measurement. • In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.
Annual periods beginning on or after 1 January 2020	Amendments to References to the Conceptual Framework in IFRS Standards The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.
Annual reporting periods beginning on or after 1 January 2021	IFRS 17 *Insurance Contracts* IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

The directors anticipate that, except for IFRS 16 *Leases*, the adoption of these standards and interpretations in future periods will have no significant impact on the financial statements of the Group.

3. Significant accounting policies

3.1 Statement of compliance

The consolidated and separate 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.

3. Significant accounting policies (Continued)

Basis of accounting
The consolidated and separate 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;
- Investments in subsidiaries, joint ventures and associates are measured at fair value in the company financial statements; and

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 consolidated and separate financial statements, and have been applied consistently by Group entities.

The consolidated financial statements incorporate the financial statements of the Company and entities that are controlled by the company and its subsidiaries. Under the Companies Act, 2013 and International Financial Reporting Standard 10, Consolidated Financial Statements, control is achieved when the company:

- Has power over the investee;
- Is exposed, or has rights to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3.2 Basis of consolidation
When the company has less than a majority of the voting rights of an investee, it has power when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- The size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the company has, does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including patterns at previous shareholders' meetings.

3. Significant accounting policies (Continued)

3.2 Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income and financial position from the date the company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

In the separate financial statements the investments are measured at fair value. These are valued on a regular basis by external valuers.

<u>Changes in the Group's ownership interests in existing subsidiaries</u>

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group has directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

3. Significant accounting policies (Continued)

3.3 Business combinations (Continued)

Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively*;*

Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share Based Payments* at the acquisition date; and

Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assts. The choice of measurement basis is made on a transaction by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is re-measured at subsequent reporting dates in accordance with IFRS 9 *Financial Instruments*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arisings from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss when such treatment would be appropriate if that interest were disposed of.

3. Significant accounting policies (Continued)

3.3 Business combinations (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

3.4 Investments in associates and Joint Ventures

An associate is an entity over which the Group 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 consolidated 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*.

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group 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 Group'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 Group'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 Group'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 Group 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 Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group 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.

3. Significant accounting policies (Continued)

3.4 Investments in associates and Joint Ventures (Continued)

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 Group 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 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 Group 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 Group 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 Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group 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.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group. In the Company's separate financial statements, investments in associates and joint ventures are carried at fair value.

3.5 Basis of measurement

The financial information is prepared on the historical cost basis except for investment property and investment in shares which are measured at fair value.

3.6 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated 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.

3.6.1 Judgements

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

(i) Leases

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

- Determination of the lease term
  As a lessor, the Group 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 Group determines whether the lessee is reasonably certain to extend the lease term or not to terminate the lease. To make this analysis, the Group 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 Group does not identify sufficient evidence to meet the required level of certaint

3. Significant accounting policies (Continued)

3.6 Significant accounting judgements, estimates and assumptions (Continued)

3.6.1 Judgements (Continued)

- Property lease classification – the Group as lessor
  The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the 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 Group 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 Group 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 Group 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 Group accounts for them as a single performance obligation because they are not distinct in the context of the contract. The Group 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 Group enters as a lessor, the Group 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 Group 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 Group.

Principal versus agent considerations – services to tenants
The Group arranges for certain services provided to tenants of investment property included in the contract the Group enters into as a lessor, to be provided by third parties. The Group 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 Group 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. In addition, the Group has discretion in establishing the price that it charges to the tenants for the specified services.

Therefore, the Group has concluded that it is the principal in these contracts. In addition, the Group 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.

3. Significant accounting policies (Continued)

3.6 Significant accounting judgements, estimates and assumptions (Continued)

3.6.1 Judgements (Continued)

(iii) Business combinations

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities and assets, including property, is acquired.

When the acquisition of subsidiaries does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

(iv) Consolidation and joint arrangements

The Group has determined that it controls and consolidates the subsidiaries in which it owns a majority of the shares. The Group is a part owner of two investments in which it has a 50% ownership interest. The Group has determined that it has joint control over the investee and the ownership is shared with the other 50% owner. These investments are joint arrangements. The joint arrangements are separately incorporated.

3.6.2 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 Group based its assumptions and estimates on parameters available when the consolidated 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 Group. 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.

In one case, the fair value of the investment property under development could not be reliably determined because it is situated in an area in which there is considerable political uncertainty and economic instability. Therefore, the circumstances do not allow for a reliable fair value estimate to be made; this property is recorded at cost.

(ii) Taxes

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, together with future tax planning strategies

3.6.3 Loss allowance for trade and otherreceivables

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. Significant accounting policies (Continued)

3.7 Foreign currency translation

3.7.1 Functional and presentation currency

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

3.7.2 Transactions and balances

Transactions in currencies other than the Group'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.

3.8 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, 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 Group 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.

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. Significant accounting policies (Continued)

3.9 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 Group's and company's statement of financial position when the Group / Company becomes a party to the contractual provisions of the instrument.

3.9.1 Financial assets

3.9.1.1 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 Group'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 Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on 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 Group 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 Group 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 Group has applied the practical expedient, the Group 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 Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Debt and loan instruments that are held by the Group 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.

3. Significant accounting policies (Continued)

3.9.1 Financial assets (Continued)

3.9.1.1 Classification and initial measurement of financial assets (Continued)

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 Group recognises loss allowances for expected credit losses on the financial 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.

3.9.1.2 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 gainsand losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

3.9.1.3 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 assetsand collect its contractual cash flows; and
- The contractual terms of the financial assets give rise to cash flows that are solely paymentsof 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 Group'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.

3. Significant accounting policies (Continued)

3.9.1 Financial assets (Continued)

3.9.1.3 <u>Financial assets at amortised cost (debt instruments)</u> (Continued)

***Amortised cost and effective interest method** (continued)*

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 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 Group 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 Group 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.

3.9.1.4 <u>Financial assets designated at fair value through OCI (equity instruments)</u>

On initial recognition, the Group 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 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 Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or

3. Significant accounting policies (Continued)

3.9 Financial instruments (Continued)

3.9.1 Financial assets (Continued)

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

- 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 investments revaluation reserve. The cumulative gain or loss is not be 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 Group 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 Group elected to classify irrevocably its non-listed equity investments under this category.

3.9.1.5 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 Group 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).

- 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.

3.9.1.6 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. Significant accounting policies (Continued)

3.9 Financial instruments (Continued)

3.9.1 Financial assets (Continued)

3.9.1.7 <u>Impairment of financial assets</u>

The Group 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 Group 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 Group 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 Group's customer classification per industrial sectors as disclosed in note 6.4.5. 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 Group'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.

3.9.1.8 <u>Significant increase in credit risk</u>

The Group 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 since initial recognition, the Group 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 Group 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 Group'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 Group's core operations.

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;

3. Significant accounting policies (Continued)

3.9 Financial instruments (Continued)

3.9.1 Financial assets (Continued)

3.9.1.8 <u>Significant increase in credit risk</u> (Continued)

- 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 Group 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 Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group 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.

The Group 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 Group 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 Group considers the changes in the risk that the specified debtor will default on the contract.

The Group 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.

3.9.1.9 <u>Definition of default</u>

The Group 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 Group, in full (without taking into account any collateral held by the Group).

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

3. Significant accounting policies (Continued)

3.9 Financial instruments (Continued)

3.9.1 Financial assets (Continued)

3.9.1.10 <u>Credit-impaired financial assets</u>

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 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.

3.9.1.11 <u>Write-off policy</u>

The Group 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 amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3.9.2 Financial liabilities and equity

3.9.2.1 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.

3.9.2.2 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 Group 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.

3.9.2.3 Financial liabilities

<u>Initial recognition and measurement</u>

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 Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

3. Significant accounting policies (Continued)

3.9 Financial instruments (Continued)

3.9.2 Financial liabilities and equity (Continued)

3.9.2.3 Financial liabilities (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 Group, are measured in accordance with the specific accounting policies set out below.

(i) 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; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group 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 Group'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' line item (note 11) in profit or loss.

3. Significant accounting policies (Continued)

3.9 Financial instruments (Continued)

3.9.2 Financial liabilities and equity (Continued)

(i) Subsequent measurement (Continued)

Financial liabilities at FVTPL (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 riskin 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 Group that are designated by the Group 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.

3. Significant accounting policies (Continued)

3.9 Financial instruments (Continued)

3.9.2 Financial liabilities and equity (Continued)

(i) Subsequent measurement (Continued)

Financial guarantee contract liabilities (Continued)
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 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.

(ii) 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.

3.10 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.

3.11 Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor
Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group'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 Group's net investment outstanding in respect of the leases.

3. Significant accounting policies (Continued)

3.11 Leasing (Continued)

The Group as lessor (Continued)
Rental income from operating leases is recognized 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 the leased asset and recognized on a straight-line basis over the lease term.

The Group as lessee
Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidate statement of financial position as a finance lease obligation

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability.

3.12 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.

3.13 Income 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 Group'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.

3. Significant accounting policies (Continued)

3.13 Income tax (Continued)

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 Group 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 taxation authority and the Group 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.

3.14 Provision

A provision is recognised in the statement of financial position when the Group 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.

3.15 Revenue recognition

The Group's revenue arises mainly from provision rentals, service charges, sale of completed property, sales of property under construction, management charges and other expenses recoverable from the tenant, interest income. The Company's main revenue is own property rentals and dividend income.

To determine whether to recognise revenue, the Group 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.

Revenue is recognised either at a point in time or over time, when (or as) the Group 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 Group expects to be entitled in exchange for those goods or services and excludes any amounts collected on behalf of third parties.

The Group's key sources of income include: rental income, services to tenants, and interest income. The accounting for each of these elements is discussed below.

3. Significant accounting policies (Continued)

3.15 Revenue recognition (Continued)

i) Rental income
The Group earns revenue from acting as a lessor in 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.

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 Group is reasonably certain that the tenant will exercise that option.

The initial direct costs and tenant lease incentives are presented as current assets in the line item 'Trade and other receivables' in the statement of financial position. Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the statement of profit or loss when the right to receive them arises.

ii) Revenue from services to tenants
For investment property held primarily to earn rental income, the Group enters as a lessor into lease agreements that fall within the scope of IAS 17. These agreements include certain services offered to tenants (i.e., customers) including CAM services (such as cleaning, security, landscaping and snow removal), as well as other support services (e.g., reception services and catering). The consideration charged to tenants for these services includes fees charged based on a percentage of the rental income and reimbursement of certain expenses incurred.

The Group 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 Group allocates the consideration in the contract 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 Group. The Group 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 Group arranges for third parties to provide certain of these services to its tenants. The Group 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 Group 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.

3. Significant accounting policies (Continued)

3.15 Revenue recognition (Continued)

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 Group 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.

3.16 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 Group are recorded at the proceeds received, net of direct issue costs.

3. Significant accounting policies (Continued)

3.17 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 Group has access at that date. The fair value of a liability reflects its non- performance risk.

When available, the Group 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 Group 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 Group 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 Group 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 Group 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 Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

4. Investment property

	GROUP	**COMPANY**
	2018	**2018**
	K'000	**K'000**
Acquired through business combination	51 319 666	9 948 666
Additions	130 331	16 821
Fair value adjustment	512 003	133 513
At end of period	51 962 000	10 099 000

4. Investment property (Continued)

The fair value of the investment property as at 31 December 2018 has been arrived at on the basis of a valuation carried out by Nickson S.C. Mwanyali, Bsc (Est. Man), Dip (Bus Mngt), MSIM of Knight Frank, an independent, professionally qualified valuer not related to the Group. The valuer holds a recognised relevant professional qualification and has recent experience in valuation of properties in the locations and segments of the investment property valued.

The fair value of developed land was determined based on the capitalisation of net income derived from the property. 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 property.

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

Details of the Group's investment property and information about the fair value hierarchy as at 31 December 2018 are as follows:

	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Vacant land	-	292 000	-	292 000
Developed land	-	-	51 670 000	51 670 000
Total	-	292 000	51 670 000	51 962 000

Details of the Company's investment property and information about the fair value hierarchy as at 31 December 2018 are as follows:

	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Vacant land	-	292 000	-	292 000
Developed land	-	-	9 807 000	9 807 000
Total	-	292 000	9 807 000	10 099 000

For property categorised into level 3 of the fair value hierarchy, the following information is relevant:

Valuation technique	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Income capitalisation approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property and prevailing market conditions.	An increase in the capitalisation rate used would result in a decrease in fair value, and vice versa.

5. Office equipment - Group

	Furniture & fittings K'000	Equipment K'000	Total K'000
Cost			
Cost at acquisition	10 250	4 172	14 422
Total	10 250	4 172	14 422
Accumulated depreciation			
Balance at acquisition	7 858	1 009	8 867
Charge for the year	342	69	411
Total	8 200	1 078	9 278
Net book value	2 050	3 094	5 144

6. Investment in subsidiaries

6.1 Details of the company's subsidiaries

Details of the company's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal Activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group
			2018
NICO Properties Limited	Property leasing	Malawi	100%
Chichiri Shopping Centre Limited	Property leasing	Malawi	100%
Lilongwe City Mall Limited	Property leasing	Malawi	100%
Kang'ombe Investment Limited	Property leasing	Malawi	75%

The company directly owns 35% shareholding in Kangombe Investment Limited and 40% is owned indirectly through NICO Properties Limited. Accordingly, the shareholding in Kangombe Investment Limited is accounted for as an associate in the books of the company.

There have been no changes in shareholding since the acquisition date of these subsidiaries and the company did not receive any dividends from the subsidiaries during the year.

6.2 Reconciliation of carrying amount

	COMPANY 2018 K'000
Balance at acquisition date	40 461 012
Increase in fair value	750 993
Balance at 31 December	41 212 005

6. Investment in subsidiaries (Continued)

6.3 Analysis of carrying amount

The carrying amount of subsidiaries shown above is analysed as follows:

	Fair value K'000
NICO Properties Limited	10 959 926
Chichiri Shopping Centre Limited	13 367 156
Lilongwe City Mall Limited	16 884 923
Total	41 212 005

All investments in subsidiaries are unquoted and were independently valued by NBM Capital Markets Limited (NBM Capital) on behalf of the Directors as at 31st December 2018. NBM Capital Markets Limited is a wholly owned investment management subsidiary of National Bank of Malawi Plc (NBM) which is a licensed Investment / Portfolio Manager under the Financial Securities Act, 2010 by Reserve Bank of Malawi (RBM). NBM Capital used Discounted Free Cash Flow and Net Asset Value methods for all investments. In addition they also used the Maintainable Earnings Model to value Nico Properties.

7. Investment in associate

	COMPANY 2018 K'000
Cost at acquisition	1 693 390
Share of associate's profits	47 989
Balance at 31 December	1 741 379

The Company has a 35% shareholding in Kang'ombe 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.

8. Other investment in shares

	GROUP 2018 K'000	COMPANY 2018 K'000
Cost at acquisition	61 139	61 139
Fair value adjustment	4 366	4 366
Total	65 505	65 505

The Company has a 4.98% shareholding in Plantation House Investment Limited, which is a companyregistered 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.

8. Other investment in shares (Continued)

The investment which is measured at fair value with fair value changes recognised in profit or loss, was independently valued by NBM Capital Markets Limited (NBM Capital) on behalf of the directors as at 31st December 2018. NBM Capital used Discounted Free Cash Flow, Net Asset Value and Maintainable Earnings Model method to value the investment.

	2018 Assets K'000	2018 Liabilities K'000	2018 Net K'000
9. Deferred taxation			
The deferred tax balance arises from:			
Group			
Revaluation of investment property	(19 918)	1 988 854	1 968 936
Impairment allowance on trade receivables	-	(20 209)	(20 209)
Revaluation of investments in shares	840	131 992	132 832
Assessed tax losses	(207 142)	(314 962)	(522 104)
Other temporary differences	-	(39 047)	(39 047)
Net deferred tax (asset)/liability	(226 220)	1 746 628	1 520 408
Company			
Revaluation of investment property	(19 918)	-	(19 918)
Impairment allowance on trade receivables	-	-	-
Revaluation of investments in shares	49 672	-	49 672
Assessed tax losses	(207 142)	-	(207 142)
Other temporary differences	-	-	-
Net deferred tax asset	(177 388)	-	(177 388)

Deferred tax balances at subsidiary level are presented on a net basis. Malawi does not have a group tax registration as such there is no legal right to offset the liability at the subsidiary level and the asset at the company.

	GROUP 2018 K'000	COMPANY 2018 K'000
10. Trade and other receivables		
Rental receivables	1 126 865	124 650
Impairment	(202 962)	-
Net trade receivables	923 903	124 650
Input VAT claimable	141 697	-
Prepayments	346 489	-
Recoverable insurance	16 581	-
Accrued interest	3 394	-
Other receivables	106 339	15 703
Debenture interest receivable	-	102 580
Total	1 538 403	242 933

10. 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 receivable as at 31 December 2018. The Group has recognised an impairment on rental receivables using the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. Below is the aged analysis of the Group's rental receivables as at 30 December 2018:

	GROUP 2018 K'000	COMPANY 2018 K'000
1-30 days	354 746	124 650
31-60 days	203 930	-
61-90 days	87 933	-
Above 90 days	480 256	-
Total	1 126 865	124 650

11. Cash and cash equivalents

	GROUP	COMPANY
Fixed deposits	16 499 504	14 019 291
Bank balances and cash	1 753 109	1 646 782
Total deposits and bank balances and cash	18 252 613	15 666 073
Bank overdraft	(198 824)	(36)
Cash and cash equivalents in the statement of cash flows	18 053 789	15 666 037

The fixed deposits included proceeds from initial public offer (IPO) and earned interest at interest rates ranging from 11.75% to 15%. Current account balances earned an interest rate of 0.4%.

The Group did not have any overdraft facility as at 31 December 2018. The balance reported in the consolidated statement of financial position represents an overdrawn cash book position.

12. Share capital

	COMPANY 2018
Number of authorised shares ('000)	10 000 000
Issued and fully paid:	
Issued through share exchange (K'000)	44 322 212
Issued in cash (K'000)	14 700 000
Share issue costs (K'000)	(812 788)
Total issued share capital (K'000)	58 209 424

12. Share capital (Continued)

ICON Properties plc's shareholders had investments in property and property owning companies. The shareholders restructured their property portfolio to hold their various property interests in one company, ICON Properties plc. The restructuring involved an offer to shareholders of Kang'ombe Investment Limited, Chichiri Shopping Centre Limited, Lilongwe City Mall Limited, NICO Properties Limited and Plantation House Investments Limited, as well as to Nico Life Insurance Company Limited, Standard Bank plc Pension Fund and Toyota Malawi Limited Pension Fund, to transfer their shareholding in the respective companies and interests in various properties in exchange for 5 000 000 000 ordinary shares in ICON Properties plc.

Following this, the entity was converted into a public limited company on 8 November 2018, and it made an initial public offer of 1 680 000 000 shares on the Malawi Stock Exchange in December 2018. These shares were fully paid for in cash.

13. Restructuring reserve

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 as disclosed in note 1.2 of the financial statements. The reserve will be realised when ICON Properties plc sells the shareholding in these acquired companies. The reserve was determined as follows:

	GROUP 2018 K'000	COMPANY 2018 K'000
Consolidated net asset acquired by ICON	53 373 771	53 373 771
Tax adjusted value of investments contributed by shareholders	(44 322 212)	(44 322 212)
Non-controlling interests	(1 209 564)	(1 209 564)
Restructuring reserve	7 841 995	7 841 995

14. Retained earnings

	GROUP	COMPANY
Distributable reserves		
Distributable profit for the period	439 687	271 119
Non-Distributable reserves		
Movement in fair values	516 369	888 872
Share of associate profits	-	47 989
Related deferred tax credit/(charge)	299 947	(29 754)
Less non-controlling interests' share of net fair value movement	(14 373)	-
Non-distributable reserves as at 31 December 2018	801 943	907 107
Total retained earnings	1 241 630	1 178 226

14. Retained earnings (Continued)

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. Company law in Malawi however requires that unrealised capital profits should not be distributable. Accordingly, retained earnings are segmented as above into distributable and non- distributable elements.

15. Non-controlling interests

	GROUP 2018
Net assets of Kang'ombe Investment Limited (K'000)	4 975 370
Shareholding attributable to NCI	25%
Carrying amount of NCI	1 243 842

16. Trade and other payables

	GROUP 2018 K'000	COMPANY 2018 K'000
Trade payables	43 514	-
Accrued expenses	936 063	966 971
Audit fees	57 840	35 000
Rent received in advance	103 388	-
Value Added Tax	59 309	8 732
Rental deposits	43 993	-
Marketing fund	68 141	-
Accrued NCIC levy	123	-
Withholding tax payable	4 492	-
IPO refunds	963 628	963 628
Sundry payables	11 443	-
Customer deposits	16 670	560
Total	2 308 604	1 974 891

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

IPO refunds arose from oversubscription on initial public offer. These funds were refunded to the subscribers subsequent to year end.

17. Deferred income

	Group 2018 K'000	Company 2018 K'000
Opening balance	1 143	-
Transfer to statement of comprehensive income	(61)	-
Total	1 082	-

Chichiri Shopping Centre Limited entered into a lease agreement with Puma Energy Limited to rent land adjacent to the shopping centre. The agreed rental paid in advance was ZAR 230 000 for a period of 20 years. The amount is being amortised on a straight-line basis over the 20-year period of the lease.

		GROUP 2018 K'000	COMPANY 2018 K'000
18.	**Other income**		
	Service charge recoveries	56 397	11 530
	Sundry income	1 120	-
	Total	57 517	11 530

Service charge recoveries relate to costs recovered from tenants on utility and other costs paid for tenants.

		GROUP 2018 K'000	COMPANY 2018 K'000
19.	**Administrative expenses**		
	Listing expenses	27 621	27 621
	Property management fees	103 365	-
	Legal and professional fees	25 885	-
	Property revaluation fees	7 470	10 350
	Directors' fees, expenses and allowances	12 021	2 877
	Sundry expenses	17	-
	Printing and stationery costs	7 679	7 631
	Travelling expenses	416	-
	Advertising and marketing expenses	57 618	47 454
	Accounting and secretarial fees	45 357	11 624
	Impairment on trade receivables	37 955	-
	Bank charges	785	54
	Audit fees	39 317	35 000
	ICON pre-listing expenses	89 384	-
	Depreciation	411	-
	Total administrative expenses	455 301	142 611
20.	**Operating expenses**		
	Repairs and maintenance expenses	70 542	12 337
	Insurance cost	14 643	-
	Cleaning expenses	8 724	816
	City rates	7 182	-
	Landscaping expenses	2 284	-
	Land rental	5 604	-
	Pest control costs	3 520	-
	Electricity and water expenses	39 205	8 728
	Refuse removal costs	780	-
	Security charges	17 597	3 180
	Fire equipment maintenance costs	658	-
	Letting commission	5 787	550
	Post office fees	47	-
	Total operating expenses	176 573	25 611

		GROUP 2018 K'000	COMPANY 2018 K'000
21.	**Finance income**		
	Interest income – Bank interest	51 438	258
	Interest income – Income notes	-	102 580
	Total finance income	51 438	102 838
22.	**Taxation**		
	Dividend tax	2 000	-
	Current tax	18 428	-
	Deferred tax	(489 528)	(177 388)
	Total taxation credit	(469 100)	(177 388)
	Reconciliation of the tax rate		
	Effective tax rate	(58)	(18)
	Permanent differences	88	48
	Statutory tax rate	30	30

		Group
23.	**Earnings per share**	
	Weighted average number of shares ('000)	6 680 000
	Profit attributable to ordinary shareholders (K'000)	1 241 630
	Earnings per share (tambala)	19

24. Segmental information

24.1 Operating segments

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

24.2 Products and services from which reportable segments derive their revenues

The Group has one principal line of business - rental of investment property. 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 Group's current investment properties. One of the properties contributed K280 million representing 34% of the total rental revenue in the current year and its value at K15,100 million being 29% of the total investment portfolio value, no single investment property contributes close to 75% of the total revenue from external customers.

24.3 Segmental information

The Group's investment property is situated principally in the two major cities in Malawi -Lilongwe and Blantyre.

24. Segmental information (Continued)

24.3 Segmental information (Continued)

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

	Rental income	Property values	Fair value increase
	K'000	K'000	K'000
Blantyre	331 840	24 604 000	292 744
Lilongwe	468 873	26 467 000	206 926
Other markets	12 645	891 000	12 333
Total	813 358	51 962 000	512 003

25. Related parties

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below.

During the year, group companies entered into the following transactions with related parties who are not members of the Group:

Company	Relationship	Type	Value of transaction K'000	Balance K'000
NICO Holdings Limited	Significant shareholder through NICO Life Limited	Rental income	6 978	6 978
NICO Asset managers Limited	Company under common ownership	Rental income	3 973	3 973
		Management fees	45 357	13 721
ERIS Properties (Mw) Limited	Company under common ownership	Management fees	103 365	23 123
NBS bank plc	Company under common ownership	Rental income	74 056	135 483

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.

Key management personnel compensation:

The Group has no staff of its own, the directors delegated NICO Asset Managers Limited, a subsidiary of NICO Holdings plc to provide provision of investment management, financial management, taxation and company secretarial services for a period of 3 years commencing 1 September 2018 to 30 August 2021.

25. Related parties (Continued)

The directors have delegated property management services to Eris Properties (Mw) Limited, a joint venture between NICO Holdings plc and ERIS SA Limited, for a period of 3 years one month commencing 1 November 2018 to 30 November 2021.

Management fees for the year amounted to:

	GROUP 2018 K'000	COMPANY 2018 K'000
NICO Asset Managers Limited	45 357	11 624
ERIS Properties (Mw) Limited	103 365	-
Total	148 722	11 624

26. Overview of the Group's financial risk management framework

Financial instrument and associated risk

The Group 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

GROUP	At amortised cost K'000	At FVPL K'000	Total K'000
Financial assets			
Investment in shares	-	65 505	65 505
Trade & other receivables	1 538 403	-	1 538 403
Deposits and bank and cash balances	18 252 613	-	18 252 613
Total financial assets	19 791 016	65 505	19 856 521
Financial liabilities			
Bank overdraft	198 824	-	198 824
Trade and other payables	2 308 604	-	2 308 604
Total financial liabilities	2 507 428	-	2 507 428

26. Overview of the Group's financial risk management framework (Continued)

Financial instrument and associated risk

COMPANY	At amortised cost K'000	At FVPL K'000	Total
Financial assets			
Investment in subsidiaries	-	41 212 005	41 212 005
Investment in shares	-	65 505	65 505
Trade & other receivables	242 933	-	242 933
Deposits and bank and cash balances	15 666 073	-	15 666 073
Total financial assets	15 909 006	41 277 510	57 186 516
Financial liabilities			
Bank overdraft	36	-	36
Trade and other payables	1 974 891	-	1 974 891
Total financial liabilities	1 974 927	-	1 974 927

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

Categories of financial instruments

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 Group'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 Group monitors this risk on a continuing basis.

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 Group 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:-

26. Overview of the Group's financial risk management framework (Continued)

Categories of financial instruments (Continued)

ii) Interest rate risk (Continued)

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

	Interest bearing K'000	Non-interest bearing K'000
Financial assets		
Investment in shares	-	65 505
Trade & other receivables	-	1 538 403
Deposits and bank and cash balances	18 252 613	-
Total financial assets	18 252 613	1 603 908
Financial liabilities		
Bank overdraft	-	198 824
Trade and other payables	-	2 308 604
Total financial liabilities	-	2 507 428

Interest rate sensitivity

A change in interest rates by ±5% at the reporting date would increase/decrease profit by K913 million.

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

	Interest bearing K'000	Non-interest bearing K'000
Financial assets		
Investment in subsidiaries	-	41 212 005
Investment in shares	-	65 505
Trade & other receivables	-	242 933
Deposits and bank and cash balances	15 666 073	-
Total financial assets	15 666 073	41 520 443
Financial liabilities		
Bank overdraft	36	-
Trade and other payables	-	1 974 891
Total financial liabilities	36	1 974 891

Interest rate sensitivity

A change in interest rates by ±5% at the reporting date would increase/decrease profit by K783 million.

26. Overview of the Group's financial risk management framework (Continued)

Categories of financial instruments (Continued)

iii) Liquidity risk

This is the risk that the Group 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 Group's assets and liabilities based on the contractual period to maturity as at 31 December 2018 is shown below:

	Up to 1 month	1 to 3 months	Over 1 year	Total
	K'000	K'000	K'000	K'000
Financial assets				
Investment in shares	-	-	65 505	65 505
Trade and other receivables	1 538 403	-	-	1 538 403
Bank balances and cash	1 753 109	-	-	1 753 109
Fixed deposits	15 911 561	587 943	-	16 499 504
Total financial assets	19 203 073	587 943	65 505	19 856 521
Financial liabilities				
Bank overdraft	198 824	-	-	198 824
Trade and other payables	2 308 604	-	-	2 308 604
Total financial liabilities	2 507 428	-	-	2 507 428
Liquidity gap	16 695 645	587 943	65 505	17 349 093
Cumulative liquidity gap	16 695 645	17 283 588	17 349 093	17 349 093

26. Overview of the Group's financial risk management framework (Continued)

Categories of financial instruments (Continued)

iii) Liquidity risk (Continued)
An analysis of the Company's assets and liabilities based on the contractual period to maturity as at 31 December 2018 is shown below:

	Up to 1 month	1 to 3 months	Over 1 year	Total
	K'000	K'000	K'000	K'000
Financial assets				
Investment in subsidiaries	-	-	41 212 005	41 212 005
Investment in shares	-	-	65 505	65 505
Trade and other receivables	242 933	-	-	242 933
Bank balances and cash	1 646 782	-	-	1 646 782
Fixed deposits	14 019 291	-	-	14 019 291
Total financial assets	15 909 006	-	41 277 510	57 186 516
Financial liabilities				
Bank overdraft	36	-	-	36
Trade and other payables	1 974 891	-	-	1 974 891
Total financial liabilities	1 974 927	-	-	1 974 927
Liquidity gap	13 934 079	-	41 277 510	55 211 589
Cumulative liquidity gap	13 934 079	13 934 079	55 211 589	55 211 589

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

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 Investment and Audit committees which have oversight of the credit risk.

Exposure to credit risk
As at 31 December 2018, 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.

	GROUP	COMPANY
	2018	2018
	K'000	K'000
Financial assets		
Trade and other receivables	1 538 403	242 933
Deposits and bank and cash balances	18 252 613	15 666 073
Total financial assets	19 791 016	15 909 006

26. Overview of the Group's financial risk management framework (Continued)

Categories of financial instruments (Continued)

iv) Credit risk

Exposure to credit risk (Continued)

Trade and other receivables largely consist of rental receivables from a large number of customers, spread across diverse industries. Other than an amount of K127 million which is due from Stansfield Motors Limited and represents 8% of the Group's total rental receivables as at 31 December 2018, the Group does not have any other exposures to any single counterparty that are in excess of 5% of total rental receivables.

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

27. Fair value measurements

This note provides information about how the Group 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 conditionsand 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 disclosure 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 Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

With the exception of the Group's investment in the shares of Plantations House Investment Limited, the Group did not have any financial assets and financial liabilities that are measured at fair value at the end of the reporting period. The Group'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.

28. Contingent liabilities

There were no contingent liabilities for the company and the Group as at 31 December 2018

29. Capital commitments

There were no capital commitments which were authorised but not contracted for as at 31 December 2018. Capital commitment are financed from internal resources.

30. Events after the reporting period

Subsequent to the date of these consolidated and separate financial statements, no events have occurred necessitating adjustments to or disclosures in the consolidated and separate financial statements.

31. Exchange rates and inflation

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

	2018
Kwacha/Rand	51.92
Kwacha/US Dollar	729.84
Inflation rate (%)	9.9

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

Kwacha/Rand	54.40
Kwacha/USD	771.16
Inflation rate (%) May 2019	8.9

Building Better Futures

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Member of the NICO Group

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