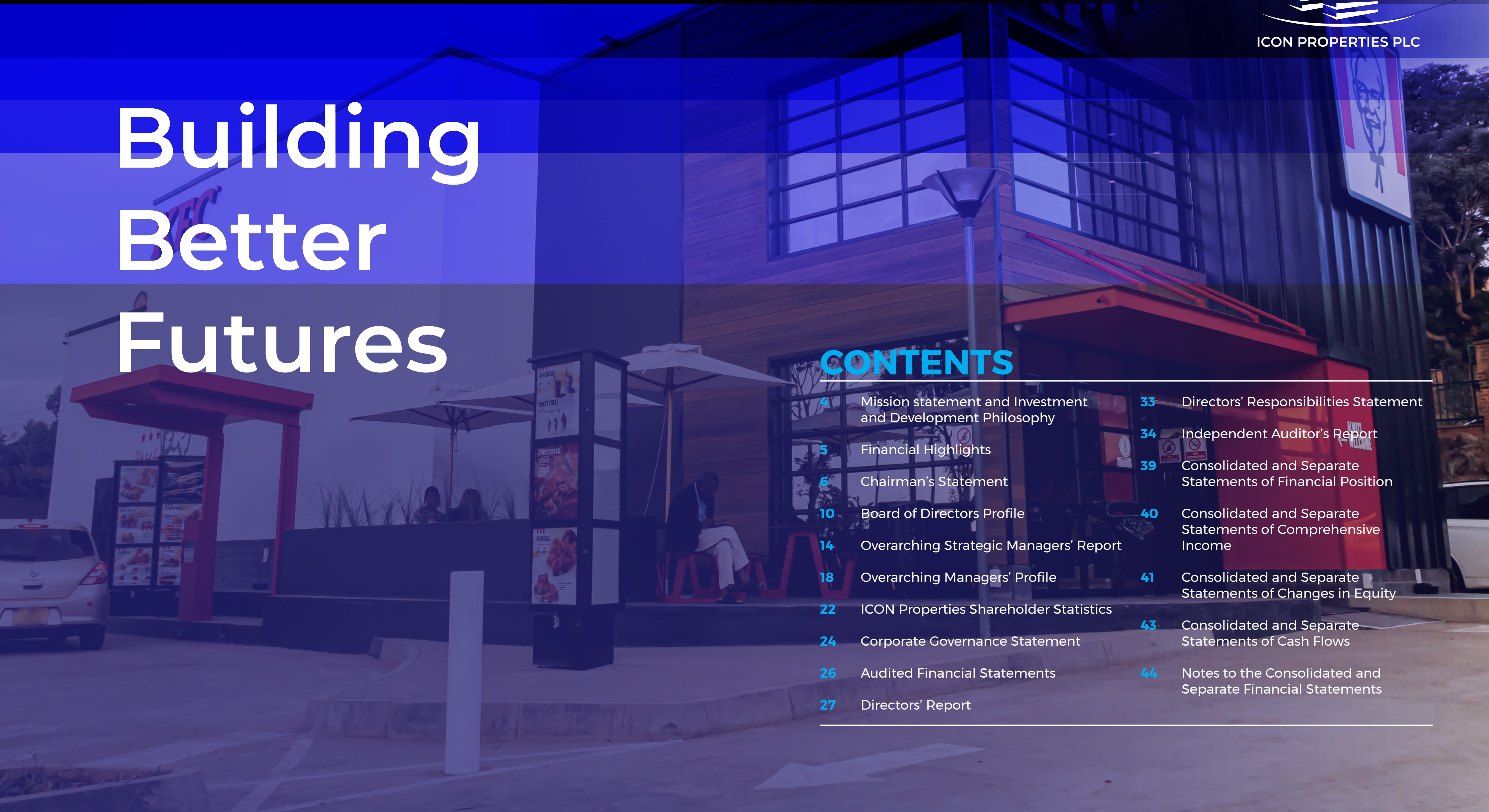
ICON PROPERTIES PLC

# ANNUAL REPORT 2022



ICON PROPERTIES PLC

# Building Better Futures

## CONTENTS

## MISSION STATEMENT

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

## INVESTMENT AND DEVELOPMENT PHILOSOPHY

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



Building Better Futures

## GROUP FINANCIAL HIGHLIGHTS

**Profit after tax**
**K16.7bn**
For the year ended 31 December 2022
(2021: K8.7bn)

**Total income**
**K22.8bn**
For the year ended 31 December 2022
(2021: K12.9bn)

**Total assets**
**K108.8bn**
For the year ended 31 December 2022
(2021: K92.5bn)

Building Better Futures

# CHAIRMAN'S STATEMENT

## Overview

I am pleased to report the results of ICON Properties Plc for the year ended 31 December 2022.

## Economic performance

During the year, the Malawi Kwacha depreciated against the United States Dollar by 25.73% (2021: 5.91%) compared to the corresponding year mostly due to the 25% devaluation of the Malawi Kwacha in May 2022. The average headline inflation for 2022 increased to 21% (2021: 9.30%). The increase in inflation was due to increases in both food and non-food inflation.

## Performance Review

The Group reported a 92% increase in profit after tax of K16.7 billion for the year ended 31 December 2022 (2021: K8.7 billion) being an improvement from the 1% decrease in profit after tax from the corresponding year.

The Group reported a **92% increase in profit after tax of K16.7 billion** for the year ended 31 December 2022





The Group generated total income of K22.8 billion (2021: K12.9 billion) for the year which includes an increase in fair value of properties of K14.3 billion (2021: K4.7 billion). The revaluation gains of properties were higher than the corresponding year due to the impact of both accommodation space re-configuration and increased rentals in the property market which continues to recover from adverse economic factors. Investment income however decreased due to capital investments, particularly in the Oasis Hospitality Limited hotel project in Lilongwe.

The Group's rental income continues to be led by the retail and office sectors of the portfolio which maintained occupancy levels of above 95%. The Group's property portfolio value grew to K84 billion (2021: K67.7 billion) being a 24% increase (2021: 6% increase) from last year. Rental income growth improved from the previous year by 6% due to executed rental escalations.

Total expenses for the year were at K3.2 billion (2021: K3 billion), some of the major expense areas included management fees, repairs and maintenance and utility costs. Repairs and maintenance cost growth was driven by overdue works previously postponed from the Covid-19 pandemic period 2020 to 2021. During those years, cash flows were impacted by minimal revenue growth.

The Group made an initial investment into Oasis Hospitality Limited, a subsidiary of Blantyre Hotels plc which is in the process of constructing a four-star lifestyle themed hotel in Lilongwe. The initial investment at K6.8 billion reduced cash balances compared to balances as at 31 December 2021.

Furthermore, during the year, the Group completed the sale of a property in Blantyre and reinvested part of the sale proceeds in the purchase of industrial land in Lilongwe, the balance of the proceeds will be invested in future projects.

## Dividend performance

The Directors have recommended a final dividend of MK868.4 million (2021: MK801.6 million) representing 13 tambala per share (2021:12 tambala). The payment date will be announced after the Company's Annual General Meeting (AGM).

An interim dividend of MK801.6 million (2021: MK801.6 million) representing 12 tambala per share (2021: 12 tambala) was paid on 28 October 2022. This would bring the total dividend for the year to MK1.670 billion (2021: MK1.603 billion) representing 25 tambala per share.

## Prospects for 2023

The Country's economic outlook faces volatility owing to rising food and energy prices, global instability including wars and pandemics, environmental occurrences including cyclones and changing economic fundamentals such as rising inflation. The recent Cyclone "Freddy", which reached Malawi in early March 2023, did not significantly affect the portfolio however, some buildings which were impacted required minor to medium level repairs.

Rental growth is expected to continue as the property market continues to adjust following changes to the economic landscape.

In a bid to contribute towards social needs, the Group embarked on a project to construct a police unit at Chichiri Shopping Centre which will be used by the law enforcement agency at no rent and is contributing towards the construction of a double storey classroom block at Mbayani Primary School in Blantyre which will be done together with the NICO Foundation. Both the police unit and classroom block are to be launched in the second half of the 2023 year.

The Group seeks to continue to respond to the needs of its tenants and wider community whilst delivering value to its shareholders.

## Future projects

The Group is working to consolidate, diversify and align the portfolio with a view to create an asset base that can withstand the various shocks in the market. At the moment it is in the final stages of various negotiations and designs to close on projects in the commercial, hospitality and industrial real estate sectors. Once negotiations are complete, the Group will work towards launching these projects.

Further the group is aware of the social accommodation needs in the country and as such these will also be considered in tandem with the country's Malawi 2063 strategic direction.

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

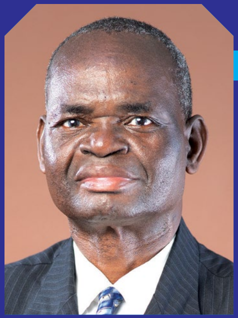
As Chairman, I would like to thank the Board of Directors and the staff at the management company for their continued efforts in producing positive results despite economic challenges.

**Eric Chapola**
**Chairman**

**Mr. Eric Chapola**

Chairperson

Mr. Eric Chapola is a Chartered Insurer with the UK Associateship ACII qualification (Master's Degree Equivalent), and a fellow under Society of Fellows UK. He also holds a Diploma in Business Studies from the then University of Malawi (Polytechnic). He is currently the Chief Executive Officer of NICO Life Insurance Company Limited since 2017. In his tenure as Chief Executive Officer, Mr. Chapola has provided strategic leadership in management of the NICO Life property portfolio. Mr. Chapola has extensive board leadership and experience having served as Chairman of Malawi Revenue Authority (2017 -2019) and currently the Chairman of the Malawi Blood Transfusion Services Board and Life Pharmacies Limited Board. He also serves on the boards of the University of Malawi, Sanlam Mozambique, NICO Zambia Insurance Company Limited, Insurance Institute of Malawi, amongst other boards.



**Mr. Dasford Kamkwamba**

Non-executive Director

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





**Mr. Simeon Banda**

Non-executive Director

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

**Mrs. Emily Makuta**

Non-executive Director

Mrs. Makuta holds a Bachelor of Law (Hons) Degree from the University of Malawi and a Masters' Degree in International Economic Law from the University of Warwick, UK. She qualified as a Chartered Secretary with the Institute of Chartered Secretaries and Administrators (UK) in 2007 and holds an International Diploma in Compliance from the Manchester Business School and the International Compliance Association. She previously worked in the banking sector, first in an investment, development and merchant banking environment plus legal support in pensions; and later in a commercial bank. Early in her career she worked as a legal practitioner in two busy private legal firms. She has also been an adjunct lecture for the Masters in Commercial Law program at the University of Malawi Chancellor college, lecturing in Corporate Governance. Emily Makuta is currently the Group General Counsel and Group Head of Compliance for NICO Holdings plc providing legal, compliance and governance expertise and support to the NICO Group companies. Emily therefore has experience and expertise in, legal practice, governance, compliance, commercial transactions (negotiations, legal drafting and analysis) and substantive experience and expertise in investment banking and project finance. She is currently the Board Chairperson of Blantyre Hotels plc.

**Mr. Graham Chipande**

Non-executive Director

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

**Mr. Sangwani Hara**

Non-executive Director

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





BOARD OF DIRECTORS PROFILE (CONTINUED)

**Mr. Joseph Malingamoyo**

Non-executive Director

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

# OVERARCHING STRATEGIC MANAGERS' REPORT



## 1.0 Malawi Economy Overview

The country's economic prospects continued to follow an adverse trend during the reporting period as tentative recovery in 2021 was followed by increasingly dim developments in 2022 as risks began to materialize. The major challenges to economic growth included weather shocks that affected the country's rain-fed agriculture sector, limited concessional financing and a business environment riddled with challenges that eroded investor confidence. The recent devastating effects of Cyclone Freddy were unprecedented in any natural disaster Malawi has experienced causing floods and mudslides that damaged power lines, roads, farmland and livestock, as well as disrupted water supply and telecommunication services.

According to the Department of Disaster Management Affairs over 2 million farmers were affected and over 179,000 hectares of export crops including maize, pigeon peas, beans, tobacco and sorghum were either submerged or washed away. The expected decline in foreign exchange earnings from the damage caused to export crops may cause the local currency to weaken, additionally, the expected higher Government expenditure on emergency response and reconstruction efforts could negatively affect the economy.

The shock to growth prospects were further hampered by supply chain disruption posed by the Russia-Ukraine war which increased commodity prices further constraining foreign currency reserves and exerting downward pressure on the exchange rate.

The major challenges to economic growth included weather shocks that affected the country's rain-fed agriculture sector, limited concessional financing and a business environment riddled with challenges that eroded investor confidence.

In 2023, inflationary pressures are expected to continue from external and internal sources, commercial productivity will be further impacted owing to insufficient power generation, foreign currency shortages, the weakening of the local currency, high interest rates and limited concessional financing.

The projected growth in the economy will be driven by recovery in the tourism and agriculture sectors, exports, foreign direct investment, and public investments in infrastructure (airport, roads, energy).

## 2.0 Property Market Overview

Local markets faced several challenges in 2022 with high interest rates negatively affecting commercial real estate leading to more expensive financing and lower demand amid high prices. This trend continued to be negative early in 2023 with the Reserve Bank of Malawi (RBM) further increasing the base lending rate to 22%. The rising cost of borrowing may further lead to increase in construction costs and hamper investments in the real economy including infrastructure investment. The flip side of it is that with increased cost of financing, the supply side may be constrained hence creating demand for existing stock on the market. Uptake of office space remained conservative as more startups and smaller businesses opted to work remotely in a bid to keep operating costs low. Despite this, there is untapped demand for modular grade A space as evidenced by the pre-letting of upcoming grade B+ accommodation in the Capital and sub-urban neighbourhood retail outlets.

Stifled business confidence continues to hit the retail property sector as tenants struggle to stay afloat and fulfil rental obligations with SME retailers hardest hit due to mounting pressure of high operational costs and forex shortages amidst a turbulent sales environment. Despite this, the high street continues to enjoy strong performance and high rentals per square meter.

Residential rental markets, particularly in the middle-income sector remain buoyant spurred on by steady demand from young upwardly mobile professionals amid rising cost of living ushered by increasing inflation. However, rentals in low density areas continue to show signs of contraction, these were particularly impacted by the exodus of expatriate workers returning to their base countries at the height of the COVID-19 pandemic.

Developments in the industrial sector continue to lag behind other commercial offerings and are often built to owners' expectations leaving little room for flexibility in design likely foreshadowing a surplus of stock in the medium term should conditions for industrial activity continue to shrink.

The leisure and hospitality sectors have shown some signs of recovery and are increasingly targeting their offerings to local tourists following the devastating impact of COVID-19 on international travel.

### 3.0 Portfolio Review

As at 31st December 2022, the Group's investment property portfolio was valued at **K84.0 billion (2021: K67.7 billion).** The portfolio generated total income of **K22.8 billion (2021: K12.9 billion)** for the year which includes increase in fair value of properties and invester company of K14.3 billion (2021: K4.7 billion).

Key portfolio highlights include sturdy performance by the office assets, valued at K29 billion, most of these boast prime locations in the country's major cities and high occupancy rates with an average vacancy rate of less than1% for the reporting year. The Company further holds investments in a sizeable retail portfolio valued at K48 billion that is underpinned by long-term leases with blue-chip companies and average occupancy of 96%.

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

| | Consolidated 12 months ended 31 December 2022 | Consolidated 12 months ended 31 December 2021 |
|---|---|---|
| Property portfolio value (K'mn) | 83,985 | 67,677 |
| Gross rental income (K'mn) | 5,167 | 4,875 |
| Number of properties | 35 | 35 |

Despite a strong performance on asset value growth, rental growth continued to be stifled by the enormity of challenges faced by tenants, particularly on the retail portfolio, who saw significant increases in the cost of doing business. The specialized nature of the Company's industrial asset necessitates a repurposing to align with market needs and improve revenue generation.



OVERARCHING STRATEGIC MANAGERS' REPORT (CONTINUED)

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

| Property Type | Number of properties | Number of tenants | Lettable area (Sqm) | Occupancy | Asset Value (MK'000) |
|---|---|---|---|---|---|
| Retail | 2 | 100 | 32,296 | 96% | 48,212,500.00 |
| Offices | 17 | 65 | 26,012 | 98% | 28,916,349.48 |
| Industrial | 1 | 0 | 3,649 | *0% | 1,684,830.00 |
| Residential | 13 | 11 | 4,186 | 94% | 3,094,500.00 |
| Land Bank | 2 | N/A | N/A | N/A | 424,000.00 |
| Total | 35 | 176 | 66,143 | 92% | 82,332,179.48 |

*Being repurposed

The Company is continually looking at ways to streamline and optimise its asset base through various strategic initiatives.

### 4.0 Outlook

To propel the business, ICON will look to exponential growth through the creation of increased and sustainable revenue line drivers and initiatives, continued innovation and extraction of organizational and process efficiencies as outlined in the Chairman's Statement.

**Eris Properties Mw Limited**
*Overarching Strategic Manager*

# OVERARCHING MANAGERS' PROFILE

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

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

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

Eris leverages off EPG's philosophy of a long-term view and attention to detail in property management and investment, ensuring optimal and efficient solutions through a spectrum of property services. EPG has US$2.3bn properties under management, completed over 100 property developments in Africa worth US$2.5bn in market value and holds US$120m in proprietary investments.
On the local front, Eris also leverages on the diversity and in-depth experience of its team as indicated in the property manager's management team section herein below. In summary, with an experience across all the value chain of a landed property business and in all landed property types, the team brings property skills ranging from project technical preparation, project viability analysis, project management, leasing including asset preservation and valuation. Further, Eris also taps expertise on a case-by-case basis from outsourced dependencies it has with highly accredited local practices in the built environment in the country,

### Services

Eris offers expertise in the following property service lines;

- Property Development and Project Management
- Property Management
- Property Valuation
- Facilities management
- Leasing and investment broking
- Property advisory and brokerage/ estate agency
- Retail services





### Property Managers' Management Team

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

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

**Mrs. Ellen Chapinduka Nyasulu – Chief Executive Officer**

Mrs. Chapinduka Nyasulu is a holder of an MBA obtained from the University of Reading (UK). Further, she also holds a Master of Science in Real Estate (University of Pretoria), a Bachelor of Business Administration (University of Malawi) as well as other qualifications in Management, Valuation and Facilities Management. Mrs. Nyasulu is the past President of the Surveyors Institute of Malawi after having served 2 terms in that capacity. She has also served on various boards as a director including National Construction Industry Council, National Urban Planning and Roads Authority. She is a licensed surveyor with The Surveyors Institute of Malawi (SIM) and an experienced real estate practitioner with over 26 years of work experience. Prior to her role as Eris Chief Executive Officer, she worked as Operations and Marketing Manager for MPICO plc. Prior work experience includes an extensive career at Malawi Housing Corporation where she joined as an Estates officer and rose through the ranks to principal Estates Officer & finally acted as Chief Estates Officer before joining MPICO.

**Mr. Donald Kambalametore – Finance Manager**

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

**Ms. Tawene Lungu - Head of Property Management**

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

**Mr. Yankho Somanje – Development Manager**

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

**Mr. Andrew Sondhi – Development Officer**

Mr. Sondhi holds a Bachelor of Architectural Studies from the University of Cape Town as well as a Bachelor of Commerce from the University of Pretoria, and a RICS-accredited Certificate in Quantity Surveying Practice. He has over 7 years of experience in building design, architectural technology, and construction project management. Prior to joining Eris in the Property Services division, he worked as a Graduate Architect and Project Supervisor at MOD Chartered Architects. He is a registered Graduate Member of the Board of Architects and Quantity Surveyors of Malawi.



OVERACHING MANAGERS' PROFILE (CONTINUED)

**Mr. Petros Mkandawire – Facilities Manager**

Mr. Mkandawire holds a Bachelor of Science in Land Economy from the University of Malawi and has a Post Graduate Certificate in Real Estate and Facilities Management, Project Management and Construction and Quantity Surveying Practice all 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 Facilities Manager, he gained over 8 years' experience in real estate through his roles as Senior Operations Officer at Eris and previously as an Infrastructure Management Associate at NICO Asset Managers.

**Mr. Kizito Sonkho Kumwenda – Company Secretary and Legal Manager**

Mr. Kumwenda holds a Bachelor of Laws (Honours) degree from the University of Malawi. He is a member of the Malawi Law Society, and he is serving as an Executive Committee Member of the Society for the 2023 to 2025 term. He has extensive post-admission experience in corporate governance as well as in labour, criminal, commercial and corporate law practice. Prior to taking up the post of Company Secretary and Legal Manager at Eris, Kizito worked for First Capital Bank Plc, Mwangomba & Associates, Anchor Mooring Partners, and Chisanga & Tomoka Legal Practitioners.

### "COUNTRY STATISTICS FOR ICON PROPERTIES AS AT 31-Dec-2022"

| Country Code | Description | Shareholders | % of Holders | Shares | % of Shares |
|---|---|---|---|---|---|
| GBR | UNITED KINGDOM | 5 | 0.45 | 102,000 | 0.00 |
| LUX | LUXEMBOURG | 4 | 0.36 | 125,000 | 0.00 |
| MOZ | MOZAMBIQUE | 2 | 0.18 | 1,800,000 | 0.03 |
| MWI | MALAWI | 1,097 | 98.56 | 6,677,625,925 | 99.96 |
| NLD | NETHERLANDS | 1 | 0.09 | 85,075 | 0.00 |
| USA | UNITED STATES OF AMERICA | 2 | 0.18 | 224,000 | 0.00 |
| ZAF | SOUTH AFRICA | 1 | 0.09 | 20,000 | 0.00 |
| NILL | NOT DEFINED | 1 | 0.09 | 18,000 | 0.00 |
| **Totals** | | **1,113** | **100.00** | **6,680,000,000** | **100** |

### INDUSTRY STATISTICS FOR ICON PROPERTIES AS AT 31-Dec-2022

| Country Code | Description | Shareholders | % of Holders | Shares | % of Shares |
|---|---|---|---|---|---|
| BNK | BANKS/NOMINEES | 72 | 6.47 | 225,351,003 | 3.37 |
| INS | INSURANCE / ASSURANCE | 2 | 0.18 | 3,752,343,598 | 56.17 |
| ITC | INVEST/TRUST ETC. | 71 | 6.38 | 306,221,899 | 4.58 |
| LC | LOCAL COMPANY | 36 | 3.23 | 124,073,670 | 1.86 |
| LI | LOCAL INDIVIDUAL | 863 | 77.53 | 213,345,692 | 3.19 |
| NRS | NON RESIDENT | 12 | 1.08 | 536,075 | 0.01 |
| OTH | OTHER CORP | 1 | 0.09 | 24,000 | 0.00 |
| PEN | PENSION/PROVIDENT | 29 | 2.61 | 2,055,158,260 | 30.77 |
| RES | RESIDENT IND | 26 | 2.34 | 2,912,801 | 0.04 |
| NILL | NOT DEFINED | 1 | 0.09 | 33,002 | 0.00 |
| **Totals** | | **1,113** | **100** | **6,680,000,000** | **100** |





### RANGES STATISTICS FOR ICON PROPERTIES AS AT 31-Dec-2022 AS AT 31-Dec-2022

| Description | Shareholders | % of Holders | Shares | % of Shares |
|---|---|---|---|---|
| 1 - 5000 shares | 123 | 11.05 | 492,189 | 0.01 |
| 5001-25,000 shares | 430 | 38.64 | 6,395,339 | 0.10 |
| 25,001-50,000 shares | 115 | 10.33 | 4,788,289 | 0.07 |
| 50,001-100,000 shares | 139 | 12.49 | 11,281,044 | 0.17 |
| 100,001-200,000 (up to two hundred thousand) shares | 99 | 8.89 | 13,881,386 | 0.21 |
| 200,001-500,000 (up to five hundred thousand) shares | 82 | 7.37 | 27,504,828 | 0.41 |
| 500,001-1,000,000 (up to 1 million) shares | 39 | 3.50 | 30,984,944 | 0.46 |
| 1,000,001 (greater than 1 million) shares | 86 | 7.73 | 6,584,671,981 | 98.57 |
| **Totals** | **1,113** | **100** | **6,680,000,000** | **100** |

# CORPORATE GOVERNANCE STATEMENT

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

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

## The Role of the Board

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

## The Composition of the Board and Board Committees

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

## Board Support and the Company Secretary

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





## Board Evaluation

The Board has adopted an internally facilitated Board Evaluation process.

## Communications with Shareholders

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

## Directors' Tenure Policy

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

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

The company has no Executive Directors.

## Compliance with the Malawi Code II

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

# AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2022





# DIRECTORS' REPORT

For the year ended 31 December 2022

The directors have pleasure in submitting their report together with the consolidated and separate financial statements for the year ended 31 December 2022.

## NATURE OF BUSINESS

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

## INCORPORATION

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

## GROUP RE-ORGANISATION

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

Effective 31 December 2022, the assets and liabilities of Kang'ombe Investment Limited (KIL), a 100% owned subsidiary of ICON Properties plc., were transferred to ICON Properties plc following the acquisition by ICON Properties plc of the 25% shareholding that Press Trust had in KIL towards the end of the 2021 financial year.

## SHARE CAPITAL

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

| **Shareholder % Holding** | **2022** | **2021** |
|---|---|---|
| NICO Life Insurance Company Limited | 56 | 59 |
| Standard Bank Malawi Pension Fund | 8 | 8 |
| National Bank of Malawi Pension Fund | 4 | 4 |
| Magetsi Pension Fund | 3 | 4 |
| Other shareholders* | 29 | 25 |
| | 100 | 100 |

*Other shareholders include pension funds and the general public.

**REGISTERED OFFICE**

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

Michiru House
Victoria Avenue
P O Box 648
Blantyre

**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 year ended 31 December 2022 attributable to the owners of the parent was K16.7 billion (2021: K8.60 billion).

**DIVIDEND**

During the year the Company paid a final dividend of K801.6 million for the year ended 31 December 2021 (2020: K801.6 million) and an interim dividend of K801.6 million for the year ended 31 December 2022 (2021: K801.6 million).

**CORPORATE GOVERNANCE**

The Company has a unitary Board of directors comprising of seven non-executive directors.

The Group 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 Group has a clearly defined governance framework which will be reviewed from time to time to ensure effective oversight by the Board.

**BOARD OF DIRECTORS**

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

| | |
|---|---|
| Mr. E. Chapola | Chairman* |
| Mr. D. Kamkwamba | Director** |
| Mr. S. Banda | Director** |
| Mr. J. Malingamoyo | Director** |
| Mr. G. Chipande | Director** |
| Mr. Sangwani Hara | Director* |
| Mrs. Emily Makuta | Director* |
| NICO Asset Managers | Company Secretary |

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





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

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

**MAIN BOARD AND BOARD COMMITTEE MEETINGS**

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

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

**Main Board of Directors – Meeting Attendance**

| Name of Director | 1/3/2022 | 28/3/2022 | 11/4/2022 | 01/06/2022 | 25/08/2022 | 17/11/2022 | 29/11/2022 |
|---|---|---|---|---|---|---|---|
| Mr. Eric Chapola | √ | √ | √ | √ | √ | √ | √ |
| Mr. Simeon Banda | √ | √ | √ | √ | √ | √ | √ |
| Mr. Joseph Malingamoyo | √ | √ | √ | √ | √ | √ | √ |
| Mr. Dasford Kamkwamba | √ | √ | √ | √ | √ | √ | √ |
| Mr. Sangwani Hara | √ | √ | A | √ | A | √ | √ |
| Mr. Graham Chipande | √ | √ | A | √ | √ | √ | A |
| Mrs. Emily Makuta | √ | √ | √ | √ | √ | √ | √ |

**Investment Committee - Meeting Attendance**

| Name of Director | 16/3/2022 | 27/05/2022 | 19/08/2022 | 18/11/2022 |
|---|---|---|---|---|
| Mr. Simeon Banda | √ | √ | √ | √ |
| Mr. Joseph Malingamoyo | √ | √ | √ | √ |
| Mr. Dasford Kamkwamba | √ | √ | √ | √ |
| Mr. Sangwani Hara | √ | √ | √ | √ |

**Finance and Audit Committee - Meeting Attendance**

| Name of Director | 22/3/2022 | 20/05/2022 | 18/08/2022 | 21/11/2022 |
|---|---|---|---|---|
| Mr. Dasford Kamkwamba | √ | √ | √ | √ |
| Mr. Graham Chipande | √ | √ | √ | √ |
| Mr. Sangwani Hara | n/a | n/a | √ | √ |

**Key:**
√ = Attendance A = Apology n/a = Not applicable

The following are details of Board of directors' composition for subsidiary companies:

**Kang'ombe Investment Limited**

| | | |
|---|---|---|
| Mr. L. Sibande | Director* | Throughout the year |
| Mr. J. Malingamoyo | Director** | Throughout the year |

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:

| | Directors Fees and expenses | |
|---|---|---|
| | 2022 | 2021 |
| | K'000 | K'000 |
| **Name of Company** | | |
| ICON Properties Plc. | 34 033 | 39 747 |
| Kang'ombe Investment Limited | 6 530 | 9 646 |
| Total | 40 563 | 49 393 |

## EXTERNAL AUDITOR'S REMUNERATION

The remuneration of External Auditors for the individual companies in the group is as presented below:

| | Auditor's Remuneration | |
|---|---|---|
| | 2022 | 2021 |
| | K'000 | K'000 |
| **Name of Company** | | |
| ICON Properties Plc | | |
| • Year-end audit | 72 995 | 50 691 |
| • Mid-year review | 17 455 | 15 000 |
| • Prior year under provision | 10 168 | 3 621 |
| • Other adjustments | (4 473) | (7 950) |
| Kang'ombe Investment Limited | 5 338 | 5 732 |
| Total | 101 483 | 67 094 |

## DONATIONS

No donations were made by the Group companies during the reporting period.



DIRECTORS' REPORT (CONTINUED)
For the year ended 31 December 2022

## DIRECTORS' INTERESTS

Register of interests:

Standing Notice of Disclosure for Mr. Eric Chapola for NICO Life Insurance Company Limited executive position (which is the majority shareholder of ICON Properties 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 directly held no shares (2021: 862 211) in the Company.

Mr. Simeon Banda declared his interest in discussions relating to the proposed KFC Drive project at Chichiri Shopping Centre as his firm, SFS Property Consultants, for which he is Managing Partner was engaged by Eris Properties Malawi Limited to prepare the budget estimates.

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

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

## ACTIVITIES

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

| **Name of subsidiary** | **% Holding** | **Type of business** |
|---|---|---|
| Kang'ombe Investment Limited | 100 | Property letting |
| | | |
| **Name of associate** | **% Holding** | **Type of business** |
| Oasis Hospitality Limited | 60* | Property letting |
| | | |
| **Name of investment in shares** | **% Holding** | **Type of business** |
| Plantation House | 4.98 | Property letting |

Effective 1 January 2021 NICO Properties Limited, Chichiri Shopping Centre Limited and Lilongwe City Mall Limited transferred their assets, liabilities and operations to ICON Properties plc.

Effective 31 December 2022 Kang'ombe Investment Limited transferred its asset, liabilities and operations to ICON Properties plc.

During the year the Company invested in special purpose vehicle company, Oasis Hospitality

**ACTIVITIES** (Continued)

Limited (Oasis), which will construct a four-Star hotel in Lilongwe. The Hotel project construction and management is being driven by Blantyre Hotels plc as the lead project sponsor. Blantyre Hotels Plc is a Malawi-based hospitality company and is listed on the Malawi Stock Exchange.

*As at 31 December 2022 the Company had contributed 60% of the first phase of committed capital into the hotel project. The total capital raising is however not concluded hence the Company's shareholding is subject to change. ICON Properties plc had significant influence over Oasis Hospitality Limited, and has been accounted for as an associate of ICON Properties plc as at 31 December 2022.

**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 2023 and to authorize the directors to determine their remuneration is to be proposed at the forthcoming annual General meeting.

Chairperson
Mr Eric Chapola

Director
Mr Dasford Kamkwamba





The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of ICON Properties plc, comprising the consolidated and separate statements of financial position as at 31 December 2022 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 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 Group and Company and its subsidiaries abilities to continue as going concerns and have no reason to believe that the Group and Company will not be a going concern 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 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 11 April 2023 and are signed on its behalf by:

Chairperson
Mr Eric Chapola

Director
Mr. Dasford Kamkwamba

Deloitte.

P.O. Box 187
Blantyre
Malawi

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Registered Auditors
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## 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 39 to 114, which comprise the consolidated and separate statements of financial position as at 31 December 2022, 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 year 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 2022, and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2013.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to performing audits of financial statements in Malawi, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the 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.

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





### Key Audit Matters (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of investment properties (Consolidated and separate financial statements)** | |
| The Group owns investment properties which are carried at fair value in accordance with IAS 40: *Investment Property* (IAS 40) and IFRS13: *Fair Value Measurement* (IFRS 13). Significant judgement is required by the directors in determining the fair value of the investment properties.<br><br>We identified the valuation of investment properties as representing a key audit matter due to the significance of the balance to the Consolidated and Separate financial statements as a whole, combined with methods used to value the investment properties, the judgement and<br><br>**The significance of the amount to the consolidated and separate financial statements.**<br><br>The most significant assets for the Group and Company are investment properties. As disclosed in note 4 of the Consolidated and Separate financial statements, the Group's value of the investment properties is K84 billion and K84 billion for the Company which makes up approximately 78% and 78% of the total assets of the Group and the Company respectively.<br><br>**The use of judgement and assumptions by the valuers and complexity of the methods used.**<br><br>• The investment properties were revalued as at 31 December 2022 by professional independent property valuation experts using the income and market methods for developed land and buildings and vacant land and these techniques are complex. | To address the key audit matter, we carried out the following audit procedures:<br>• Assessed the design and implementation of key controls;<br>• Assessed the competence and objectivity of the management's experts;<br>• Tested the judgements and assumptions used;<br>• Evaluated the accuracy and completeness of the input data used in the valuation by management's experts;<br>• Using internal property valuation expert, we sampled the properties and tested the reasonableness of the judgements used by management's experts; and<br>• Evaluated the conclusions reached in light of our understanding of the Group and its business.<br><br>We found the valuation of the investment properties to be appropriate.<br><br>The disclosures pertaining to the investment properties were found to be appropriate and comprehensive in the financial statements. |

## Key Audit Matters (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of investment properties (Consolidated and separate financial statements) (Continued)** | |
| • The valuation of investment properties is of a specialised nature and can rely on judgmental inputs and assumptions. Key areas of judgement relating to inputs into the valuation of investment properties include:<br><br>i. Capitalisation rates: The capitalisation rate (equivalent yield) which is derived from widely available market related data, and which is continuously updated based on current market conditions. This requires management to exercise their judgement in the selection of a point in the capitalisation rate range, which is based on the category, condition, gross lettable area (GLA), location and grade of a property.<br>ii. Vacancy rates and projected rental income growth and property expenses are judgemental and determined by management based on property specific information.<br><br>The accounting policies relating to investment properties are disclosed in note 3.7 and significant accounting judgements, estimates and assumptions in note 3.5.2(i) of the consolidated and separate financial statements for investment properties disclosures. | |

## Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report and the Statement of Directors' Responsibilities, as required by the Companies Act, 2013 which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the 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 will not express an audit opinion or any form of assurance conclusion thereon.





## Other Information (Continued)

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.

### Directors Responsibilities 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 and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and Company 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 and Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of

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

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 and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 and Company 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 and Company 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, actions taken to eliminate threats or safeguards applied.

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

Chartered Accountants
**Nkondola Uka**
Partner
25 May 2023





| | Notes | GROUP 2022 K'000 | GROUP 2021* K'000 | COMPANY 2022 K'000 | COMPANY 2021* K'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-Current Assets** | | | | | |
| Investment properties | 4 | 83 984 585 | 67 677 244 | 83 984 585 | 61 277 244 |
| Investment in subsidiaries | 5.3 | - | - | - | 6 776 058 |
| Investment in shares and associate | 6&7 | 6 912 000 | 100 437 | 6 912 000 | 100 437 |
| Investment in treasury notes | 11.2 | 11 741 508 | 11 656 493 | 11 741 508 | 11 656 493 |
| Office equipment | | 3 970 | 7 535 | 3 970 | 7 535 |
| **Total non-current assets** | | 102 642 063 | 79 441 709 | 102 642 063 | 79 817 767 |
| **Current Assets** | | | | | |
| Trade and other receivables | 10 | 2 596 673 | 2 747 037 | 2 596 673 | 2 348 828 |
| Tax recoverable | 8.2 | - | 34 554 | - | 34 554 |
| Assets held for sale | 9 | - | 2 001 000 | - | 2 001 000 |
| Cash and cash equivalents | 11.1 | 3 585 362 | 8 253 790 | 3 585 362 | 7 745 535 |
| **Total current assets** | | 6 182 035 | 13 036 381 | 6 182 035 | 12 129 917 |
| **TOTAL ASSETS** | | 108 824 098 | 92 478 090 | 108 824 098 | 91 947 684 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Shareholders' equity** | | | | | |
| Share capital | 12 | 58 209 424 | 58 209 424 | 58 209 424 | 58 209 424 |
| Restructuring reserve | 13 | 8 012 031 | 7 841 995 | 8 012 031 | 7 841 995 |
| Retained earnings | 14 | 36 951 712 | 21 853 462 | 36 951 712 | 21 692 227 |
| **Total Equity** | | 103 173 167 | 87 904 881 | 103 173 167 | 87 743 646 |
| **Non-current liabilities** | | | | | |
| Deferred tax | 8 | 3 436 807 | 2 337 351 | 3 436 807 | 2 073 349 |
| Deferred income | 16 | 392 905 | 416 525 | 392 905 | 416 525 |
| **Total non-current liabilities** | | 3 829 712 | 2 753 876 | 3 829 712 | 2 489 874 |
| **Current liabilities** | | | | | |
| Trade and other payables | 15 | 1 558 459 | 1 779 717 | 1 558 459 | 1 714 164 |
| Tax payable | 8.3 | 262 760 | 39 616 | 262 760 | - |
| **Total current liabilities** | | 1 821 219 | 1 819 333 | 1 821 219 | 1 714 164 |
| **Total equity and liabilities** | | 108 824 098 | 92 478 090 | 108 824 098 | 91 947 684 |

**The order of liquidity has been re-presented in the current period to present assets in decreasing to increasing order of liquidity. The re-presentation includes the movement of trade and other receivables, tax recoverable, assets held for sale and cash and cash equivalents. Trade and other receivables have been moved higher up in the order of liquidity. Tax recoverable has been moved down in order of liquidity. The changes only impact the presentation of these line items in the statement of financial position and have no other impacts on the financial statements.*

The consolidated and separate financial statements of ICON Properties plc were approved by the Board of Directors on 11 April 2023. and are signed on its behalf by:

Mr. Eric Chapola,
Chairperson

Mr. Dasford Kamkwamba,
Director

## CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

| | Notes | GROUP 2022 K'000 | GROUP 2021 K'000 | COMPANY 2022 K'000 | COMPANY 2021 K'000 |
|---|---|---|---|---|---|
| **INCOME** | | | | | |
| Revenue | 4b | 5 167 640 | 4 875 144 | 4 412 957 | 4 165 224 |
| Deferred revenue - rental income | 16 | 23 620 | 8 598 | 23 620 | 8 598 |
| Total rental and deferred income on rentals | | 5 191 260 | 4 883 742 | 4 436 577 | 4 173 822 |
| Fair value adjustment - investment properties | 4a | 14 286 836 | 4 745 269 | 11 604 854 | 4 260 668 |
| Fair value adjustment - investment in subsidiaries | 5.3 | - | - | 2 412 959 | 549 098 |
| Fair value adjustment - investment in shares | 7 | 11 563 | 6 339 | 11 563 | 6 339 |
| Dividend income | | 1 288 | 2 535 | 1 288 | 115 043 |
| Other income | 17 | 425 970 | 356 542 | 328 677 | 264 551 |
| **Total income** | | 19 916 917 | 9 994 427 | 18 795 918 | 9 369 521 |
| **EXPENSES** | | | | | |
| Administrative expenses | 18 | (1 603 989) | (1 768 834) | (1 519 384) | (1 656 123) |
| Operating expenses | 19 | (1 469 573) | (1 184 732) | (1 172 518) | (1 007 673) |
| Expected credit losses | 19 | (115 626) | - | (68 699) | - |
| Total expenses | | (3 189 188) | (2 953 566) ( | 2 760 601) | (2 663 796) |
| Operating income before interest and tax | | 16 727 729 | 7 040 861 | 16 035 317 | 6 705 725 |
| Finance income | 20 | 2 837 259 | 2 917 823 | 2 768 541 | 2 883 441 |
| Profit before tax | | 19 564 988 | 9 958 684 | 18 803 858 | 9 589 166 |
| Taxation charge | 21 | (2 858 880) | (1 235 732) | (2 535 051) | (1 138 775) |
| Profit for the year | | 16 706 108 | 8 722 952 | 16 268 807 | 8 450 391 |
| **Attributable to:** | | | | | |
| Owners of the parent | | 16 706 108 | 8 612 793 | - | - |
| Non-controlling interests | | - | 110 159 | - | - |
| **Profit for the year** | | 16 706 108 | 8 722 952 | - | - |
| **Basic and diluted earnings per share (tambala)** | 22 | 250 | 130 | - | - |

The notes on pages 44 to 114 form an integral part of these financial statements.



## CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
For the year ended 31 December 2022

| | Notes | Share capital K'000 | Share premium K'000 | Restruc-turing reserve K'000 | Retained earnings K'000 | Total attributable to shareholders K'000 | Non controlling interest K'000 | Total |
|---|---|---|---|---|---|---|---|---|
| **GROUP** | | | | | | | | |
| **2022** | | | | | | | | |
| Balance at 1 January | 12 | 6 680 000 | 51 529 424 | 7 841 995 | 21 853 462 | 87 904 881 | - | 87 904 881 |
| Profit for the year | | - | - | - | 16 706 108 | 16 706 108 | - | 16 706 108 |
| Adjustment on reorganisation | | - | - | 170 036 | (4 658) | 165 378 | - | 165 378 |
| Dividends paid | | - | - | - | (1 603 200) | (1 603 200) | - | (1 603 200) |
| **Balance at 31 December** | | 6 680 000 | 51 529 424 | 8 012 031 | 36 951 712 | 103 173 167 | - | 103 173 167 |
| **2021** | | | | | | | | |
| Balance at 1 January | 12 | 6 680 000 | 51 529 424 | 7 841 995 | 14 957 413 | 81 008 832 | 1 513 797 | 82 522 629 |
| Profit for the year | | - | - | - | 8 612 793 | 8 612 793 | - | 8 612 793 |
| Restructuring reserve adjustment on reorganisation | | - | - | - | - | - | 110 159 | 110 159 |
| Dividends declared by the associate | | - | - | - | (113 544) | (113 544) | (1 586 456) | (1 700 000) |
| Derecognition of non-controlling interest | | - | - | - | - | - | (37 500) | (37 500) |
| Dividend declared | | - | - | - | (1 603 200) | (1 603 200) | - | (1 603 200) |
| **Balance at 31 December** | | 6 680 000 | 51 529 424 | 7 841 995 | 21 853 462 | 87 904 881 | - | 87 904 881 |

The notes on pages 44 to 114 form an integral part of these financial statements.

## CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
For the year ended 31 December 2022

| | Notes | Share capital K'000 | Share premium K'000 | Restructuring reserve K'000 | Retained earnings K'000 | Total attributable to shareholders K'000 | Non controlling interest K'000 | Total |
|---|---|---|---|---|---|---|---|---|
| **COMPANY** | | | | | | | | |
| **2022** | | | | | | | | |
| Balance at 1 January | 12 | 6 680 000 | 51 529 424 | 7 841 995 | 21 692 227 | 87 743 646 | - | 87 743 646 |
| Profit for the year | | - | - | - | 16 268 807 | 16 268 807 | - | 16 268 807 |
| Restructuring reserve adjustment on reorganisation | | - | - | 170 036 | 593 878 | 763 914 | - | 763 914 |
| Dividends paid | | - | - | - | (1 603 200) | (1 603 200) | - | (1 603 200) |
| **Balance at 31 December** | | 6 680 000 | 51 529 424 | 8 012 031 | 36 951 712 | 103 173 167 | - | 103 173 167 |
| **2021** | | | | | | | | |
| Balance at 1 January | 12 | 6 680 000 | 51 529 424 | 7 841 995 | 14 012 116 | 80 063 535 | - | 80 063 535 |
| Profit for the year | | - | - | - | 8 450 391 | 8 450 391 | - | 8 450 391 |
| Reversal of subsidiary deferred tax on reorganisation | | - | - | - | 832 920 | 832 920 | - | 832 920 |
| Dividend paid | | - | - | - | (1 603 200) | (1 603 200) | - | (1 603 200) |
| **Balance at 31 December** | | 6 680 000 | 51 529 424 | 7 841 995 | 21 692 227 | 87 743 646 | - | 87 743 646 |

The notes on pages 44 to 144 form an integral part of these financial statements.



## CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS
For the year ended 31 December 2022

| | Notes | GROUP 2022 K'000 | GROUP 2021 K'000 | COMPANY 2022 K'000 | COMPANY 2021 K'000 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Profit before tax | | 19 564 988 | 9 958 684 | 18 803 858 | 9 589 166 |
| Adjusted for the following non – cash movements: | | | | | |
| Fair value adjustments – investment properties | | (14 286 836) | (4 745 269) | (11 604 854) | (4 260 668) |
| Fair value adjustments – investment in subsidiaries | | - | - | (2 412 959) | (549 098) |
| Fair value adjustments – investment in shares | | (11 563) | (6 339) | (11 563) | (6 339) |
| Non-cash reorganisation adjustment | | (4 658) | - | - | - |
| Interest income | 20 | (2 837 259) | (2 917 823) | (2 768 541) | (2 883 441) |
| Dividend received | | (1 288) | (2 535) | (1 288) | (115 043) |
| Depreciation | 18 | 3 565 | 3 268 | 3 565 | 3 268 |
| **Cash flows before working capital changes** | | 2 426 949 | 2 289 986 | 2 008 218 | 1 777 845 |
| Decrease/(increase) in trade and other receivables | | 150 364 | (66 448) | 297 907 | 24 998 |
| (Decrease) /increase in trade payables and deferred income | | (244 878) | 551 662 | (354 498) | 172 980 |
| **Cash generated from operations** | | 2 332 435 | 2 775 200 | 1 951 627 | 1 975 823 |
| Income tax paid | | (1 331 690) | (1 654 740) | (1 167 399) | (1 478 501) |
| **Net cash generated from operating activities** | | 1 000 745 | 1 120 460 | 784 228 | 497 322 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Dividend received | | 1 288 | 2 535 | 1 288 | 115 043 |
| Interest received | | 2 752 244 | 832 808 | 2 683 526 | 2 798 426 |
| Additions to equipment | | - | (10 803) | - | (10 803) |
| Additions to investment properties | 4 | ( 83 156) | (139 152) | (65 138) | (123 753) |
| Purchase of land | 4 | (1 200 000) | - | (1 200 000) | - |
| Additions to work in progress | 4 | (737 349) | (649 310) | (737 349) | (649 310) |
| Sale of investment property | 4 | 2 001 000 | - | 2 001 000 | - |
| Purchase of equity stake from non-controlling interest | 5.3 | - | (1 700 000) | - | (1 700 000) |
| Advances received on investment property transactions | | - | 145 000 | - | 400 000 |
| Cash received from subsidiary in the reorganisation | | - | - | 775 472 | 2 734 767 |
| Investment in Oasis Hospitality Limited | 6 | (6 800 000) | - | (6 800 000) | - |
| **Net cash (used in)/ generated from investing activities** | | (4 065 973) | 481 078 | (3 341 201) | 3 564 370 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Dividend paid | | (1 603 200) | (1 603 200) | (1 603 200) | (1 603 200) |
| Dividend paid – non - controlling interest | | - | (37 500) | - | - |
| **Net cash used in financing activities** | | (1 603 200) | (1 640 700) | (1 603 200) | (1 603 200) |
| **Net (decrease)/ increase in cash and cash equivalents** | | (4 668 428) | (39 162) | (4 160 173) | 2 458 492 |
| Cash and cash equivalents at 1 January | | 8 253 790 | 8 292 952 | 7 745 535 | 5 287 043 |
| **Cash and cash equivalents at 31 December** | 11.1 | 3 585 362 | 8 253 790 | 3 585 362 | 7 745 535 |

## 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 Michiru House, Victoria Avenue, P.O. Box 648, 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 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 had 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%);
- Oasis Hospitality Limited (60%); and
- Plantation House Investments Limited (4.98%).

As noted above, the consideration was in the form of exchange of shares in the respective companies for shares in ICON Properties plc. Further reorganisations were undertaken in 2021 and 2022 (Note 1.3 below).

### 1.3. Group re-organisation-Business combination under common control

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







## 1. INTRODUCTION (Continued)

### 1.3. Group re-organisation-Business combination under common control (Continued)

Parent Company. The transfer was executed at book value of all assets and liabilities for all components at the date of transfer (note 5.4).

The accounting policy on business combination has been disclosed on note 3.3b.

The re-organisation was carried out using Section 70F of the Taxation Act.

As at 31 December 2022, the assets and liabilities of Kang'ombe Investment Limited which was a 100% owned subsidiary of ICON Properties Plc. were also transferred to the Parent Company (note 5.4). The subsidiaries are now dormant and will be deregistered.

### 1.4 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 entity has adopted those new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2022.

| Effective date | Standard, Amendment or Interpretation |
|---|---|
| Annual reporting periods beginning on or after 1 January 2022 | Reference to the Conceptual Framework (Amendments to IFRS 3)<br><br>The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. |
| Annual reporting periods beginning on or after 1 January 2022 | Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)<br><br>The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. |

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

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

Several new standards, amendments to standards and interpretations are issued but not yet effective for periods ending 31 December 2022 and have not been applied in preparing these financial statements. These will be adopted in the period that they become mandatory unless otherwise indicated:

| Effective date | Standard, Amendment or Interpretation |
|---|---|
| Annual reporting periods beginning on or after 1 January 2022 | Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)<br><br>The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour,<br><br>materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). |
| Annual reporting periods beginning on or after 1 January 2022 | IFRS 1 – The amendment permits a subsidiary that applies paragraph D16<br><br>(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.<br><br>• IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.<br><br>• IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.<br><br>• IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. |





## 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)
### 2.2 Standards and Interpretations in issue, not yet effective (Continued)

| Effective date | Standard, Amendment or Interpretation |
|---|---|
| Annual reporting periods beginning on or after 1 January 2023 | IFRS 17 Insurance Contracts<br><br>IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.<br><br>IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.<br><br>The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.<br><br>The standard will not have an impact on the Company. |
| Annual reporting periods beginning on or after 1 January 2024 | IClassification of Liabilities as Current or Non-Current (Amendments to IAS 1)<br><br>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.• |
| Annual reporting periods beginning on or after 1 January 2023 | Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 *Insurance Contracts* was published in 2017. The main changes are:<br><br>• Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023 |

**2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)**
**2.2 Standards and Interpretations in issue, not yet effective (Continued)**

| Effective date | Standard, Amendment or Interpretation |
|---|---|
| Annual reporting periods beginning on or after 1 January 2023 | Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk<br>• Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination<br>• Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level<br>• Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements<br>• Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives<br>• Amendments to require an entity that at initial recognit recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held<br>• Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts<br>• Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach<br>The standard will not have an impact on the Company. |





**2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)**
**2.2 Standards and Interpretations in issue, not yet effective (Continued)**

| Effective date | Standard, Amendment or Interpretation |
|---|---|
| Annual reporting periods beginning on or after 1 January 2023 | Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)<br>The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. |
| Annual reporting periods beginning on or after 1 January 2023 | Definition of Accounting Estimates (Amendments to IAS 8)<br>The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. |
| Annual reporting periods beginning on or after 1 January 2023 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)<br>The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. |
| Annual reporting periods beginning on or after 1 January 2024 | Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)<br>The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. |
| Annual reporting periods beginning on or after 1 January 2024 | Non-current Liabilities with Covenants (Amendments to IAS 1)<br>The amendment clarifies how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. |

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 3.1 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.

**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; and
- Investments in subsidiaries, joint ventures and associates are measured at fair value in the Company financial statements.

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.

Consolidation of a subsidiary begins when the Company obtains control over the





## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)
### 3.2 Basis of consolidation (Continued)

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.

**Changes in the Group's ownership interests in existing subsidiaries**

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 recognised 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.a 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.

**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)
**3.3.a Business combinations** (Continued)

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

- 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;
- 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; and
- 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; and
- 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





**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)
**3.3.a Business combinations** (Continued)

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 recognised 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.
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.

**3.3b Business combination under common control**

Business combinations involving entities under common control are outside the scope of IFRS3 *"Business combinations"*, and there is no other specific IFRS guidance. Accordingly, management have used its judgement to develop an accounting policy that is relevant and reliable, in accordance with IAS 8 *Accounting policies, changes in accounting estimates and errors*. To develop the group policy on business combination under common control the management considered:

- The requirements in IFRS Standards dealing with similar and related issues. In some cases, because IFRS 3 deals with business combinations, companies apply the requirements of IFRS 3 to report business combinations under common control, despite the scope exclusion in that Standard;
- Guidance in the Conceptual Framework for Financial Reporting (Conceptual Framework); and
- The most recent pronouncements issued by other standard-setting bodies that meet specified criteria. Some such bodies have issued requirements or guidance on reporting business combinations under common control.

The group adopted pooling of interests or book value-type method which is widely accepted in accounting for common control combinations under IFRS. Under a pooling of interests-type method, the assets and liabilities of the acquiree are recorded at book value not fair value, no goodwill is recorded, any non-controlling interest is measured as a proportionate share of the book values of the related assets and liabilities (as adjusted to achieve uniform accounting policies) and any expenses of the combination are written off immediately in the statement of comprehensive income.

**3.4 Investments in associates and Joint Ventures**

An associate is an entity over which the Group has significant influence. Significant

**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)
**3.4 Investments in associates and Joint Ventures** (Continued)

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.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)
**3.4 Investments in associates and Joint Ventures** (Continued)

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.

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 reviously 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 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)
## 3.5 Significant accounting judgements, estimates and assumptions (Continued)

### 3.5.1 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 certainty.

- **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.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)
## 3.5 Significant accounting judgements, estimates and assumptions (Continued)

### 3.5.1 Judgements (Continued)
**(ii) Revenue from contracts with customers (Continued)**
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.

**(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

**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)
**3.5 Significant accounting judgements, estimates and assumptions** (Continued)

**3.5.1 Judgements (Continued)**
**(iv) Consolidation and joint arrangements (Continued)**
it has control over those subsidiaries. Control exist when the Group has power over the investee, exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investee's returns. The financial statements of subsidiary are include in the financial statements from the date that control commences until that control ceases.

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

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

**(vii) Restructuring of the Group**
ICON Properties plc merged with its subsidiaries Chichiri Shopping Center Limited, NICO Properties Limited and Lilongwe City Mall Limited which were 100% owned subsidiaries of ICON Properties plc. The transaction was effective 1 January 2021. The merger of the subsidiaries was approved as a Qualified Reorganisation under Section 70F of the Taxation Act by the Malawi Revenue Authority. As a result, all the four entities were considered as one for taxation purposes.





**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)
**3.5 Significant accounting judgements, estimates and assumptions** (Continued)

**3.5.1 Judgements (Continued)**
**(vii) Restructuring of the Group (Continued)**
Effective 31 December 2022, the assets and liabilities of Kang'ombe Investment Limited (KIL), a 100% owned subsidiary of ICON Properties plc, were transferred to ICON Properties plc following the acquisition by ICON Properties plc of the 25% shareholding that Press Trust had in KIL towards the end of the 2021 financial year.

This approved qualified reorganisation was effectively a combination of the four property companies. The accounting standard that deals with this type of transaction is IFRS 3 Business Combinations. However, this accounting standard does not apply to a combination of entities or businesses under common control. There is no accounting standard which addresses the treatment of a combination of entities under common control or one which allows merger accounting. The directors believe that the transaction should be accounted for using the principles of merger accounting. The reasons for this position are detailed out below:

- In the framework for Preparation and Presentation of Financial Statements issued by the International Accounting Standards Board the concept of faithful representation of information is discussed as "to be reliable, information must represent faithfully the transactions and other events it either purports to represent or could reasonably be expected to represent. Most financial information is subject to some risk of being less than a faithful representation of that which it purports to portray. This is not due to bias, but rather to inherent difficulties either in identifying the transactions and other events to be measured or in devising and applying measurement and presentation techniques that convey the messages that correspond with those transactions and events", and
- The framework also considers the issue of substance over form "if information is to represent faithfully the transactions and other events that it purports to represent, it is necessary that they are accounted for and presented in accordance with their substance.

The directors' objective is to make a faithful representation of the transaction which is in effect a merger of the four entities. The directors believe the two overarching principles of accounting allow an entity to transfer the assets from one company to another at their book values because the economic reality is that the two entities are combining.

**3.5.2 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.

The fair value of investment property is determined by real estate valuation experts using

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)
## 3.5 Significant accounting judgements, estimates and assumptions (Continued)

### 3.5.2 Estimates and assumptions (Continued)
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.

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

## 3.6 Foreign currency translation

### 3.6.1 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.

### 3.6.2 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





## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)
## 3.6 Foreign currency translation (Continued)

### 3.6.2 Transactions and balances (Continued)
not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

## 3.7 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.

## 3.8 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.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**
**3.8 Financial instruments (Continued)**

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.

**3.8.1 Financial assets**
**3.8.1.1 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





**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**
**3.8 Financial instruments (Continued)**

**3.8.1 Financial assets (Continued)**
**3.8.1.1 Classification and initial measurement of financial assets (Continued)**
of principal and interest on the principal amount outstanding (SPPI), are measured at amortised cost.

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

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

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

The 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.

**3.8.1.2 Subsequent measurement of financial assets**
Subsequently, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

**3.8.1.3 Financial assets at amortised cost (debt instruments)**
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

The contractual terms of the financial assets give rise to cash flows that are solely

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**
**3.8 Financial instruments (Continued)**

**3.8.1 Financial assets (Continued)**
**3.8.1.3 Financial assets at amortised cost (debt instruments) (Continued)**
payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The 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.

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



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**
**3.8 Financial instruments (Continued)**

**3.8.1 Financial assets (Continued)**
**3.8.1.3 Financial assets at amortised cost (debt instruments) (Continued)**
**Amortised cost and effective interest method (Continued)**
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.

**3.8.1.4 Financial assets designated at fair value through OCI (equity instruments)**
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
- 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. SIGNIFICANT ACCOUNTING POLICIES** (Continued)
**3.8 Financial instruments** (Continued)

**3.8.1 Financial assets (Continued)**

**3.8.1.5 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); and
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

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

**3.8.1.6 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.

**3.8.1.7 Impairment of financial assets**

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.





**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)
**3.8 Financial instruments** (Continued)

**3.8.1 Financial assets (Continued)**

**3.8.1.7 Impairment of financial assets (Continued)**

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.

**3.8.1.8 Significant increase in credit risk**

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.

**3.8.1.9 Significant increase in credit risk**

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**
**3.8 Financial instruments (Continued)**

**3.8.1 Financial assets (Continued)**
**3.8.1.9 Significant increase in credit risk (Continued)**

- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; and
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the 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.

**3.8.1.10 Definition of default**

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





**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**
**3.8 Financial instruments (Continued)**

**3.8.1 Financial assets (Continued)**
**3.8.1.10 Definition of default (Continued)**

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.

**3.8.1.11 Credit-impaired financial assets**

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

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

**3.8.1.12 Write-off policy**

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.

**3.8.2 Financial liabilities and equity**
**3.8.2.1 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.

**3.8.2.2 Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of

**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)
**3.8 Financial instruments** (Continued)

**3.8.1 Financial assets (Continued)**
**3.8.2.2 Equity instruments (Continued)**
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.

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

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

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.

**Subsequent measurement**
Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.
A financial liability is classified as held for trading if:
- It has been acquired principally for the purpose of repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that the 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;





**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)
**3.8 Financial instruments** (Continued)

**3.8.1 Financial assets (Continued)**
**3.8.2.3 Financial liabilities (Continued)**
**Subsequent measurement (Continued)**
Financial liabilities at FVTPL (Continued)
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.

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

Gains or losses on financial guarantee contracts issued by the 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)
## 3.8 Financial instruments (Continued)

### 3.8.1 Financial assets (Continued)
**3.8.2.3 Financial liabilities (Continued)**
**Subsequent measurement (Continued)**
Financial guarantee contract liabilities (Continued)
Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

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

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

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

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

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

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





## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

## 3.9 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.

## 3.10. Leases

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

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

Amounts due from lessees under finance leases are recognised as receivables at the amount of the 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.

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

**Group as a lessee**

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)
### 3.10. Leases (Continued)

**Group as a lessee (Continued)**
**(ii) Lease liabilities (Continued)**
exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

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

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

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the 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.

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





## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)
### 3.11 Income and deferred tax (Continued)

right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the 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.

### 3.12 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.

### 3.13 Revenue recognition
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. The Company's main revenue is own property rentals and interest income.

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)
### 3.13 Revenue recognition (Continued)

**(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 IFRS 16. These agreements include certain services offered to tenants (i.e., customers) including common area maintenance services (such as cleaning, security and landscaping as well as other support services (e.g., reception services, catering and other event related services). The consideration charged to tenants for these services are reimbursement of certain expenses incurred. These services are specified in the lease agreements and separately invoiced.

The 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.

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.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)
### 3.13 Revenue recognition (Continued)

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

**(iv) Income from investments**
Income from investments includes dividend income and increase in fair value of investments in unlisted companies.

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

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

**(iv) Other income**
The Group’s other revenue arises mainly from income from activities held at shopping centres.

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.

### 3.14 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)
### 3.14 Share capital and dividends (Continued)

**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.

### 3.15 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.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)
### 3.15 Fair value measurement (Continued)

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 PROPERTIES

Vacant land Buildings Work in progress Total
related rates after consideration of the rental profiles and all relevant factors affecting

| | Vacant land K'000 | Buildings K'000 | Work in progress K'000 | Total K'000 |
|---|---|---|---|---|
| **GROUP** | | | | |
| **2022** | | | | |
| As at 1 January | 381 000 | 66 961 482 | 334 762 | 67 677 244 |
| Additions | 1 200 000 | 83 156 | 781 392 | 2 064 548 |
| Transfer from work in progress | - | 619 707 | (619 707) | - |
| Fair value adjustment | - | 14 286 836 | - | 14 286 836 |
| Reorganisation costs expensed | - | - | (44 043) | (44 043) |
| **As at 31 December** | 1 581 000 | 81 951 181 | 452 404 | 83 984 585 |
| **2021** | | | | |
| As at 1 January | 347 500 | 63 432 179 | 364 834 | 64 144 513 |
| Additions | - | 139 152 | 649 310 | 788 462 |
| Transfer from work in progress | - | 679 382 | (679 382) | - |
| Transfer to held for sale | - | (2 001 000) | - | (2 001 000) |
| Fair value adjustment | 33 500 | 4 711 769 | - | 4 745 269 |
| **As at 31 December** | 381 000 | 66 961 482 | 334 762 | 67 677 244 |

## 4. INVESTMENT PROPERTIES (Continued)

| | Vacant land K'000 | Buildings K'000 | Work in progress K'000 | Total K'000 |
|---|---|---|---|---|
| **COMPANY** | | | | |
| **2022** | | | | |
| As at 1 January | 381 000 | 60 595 914 | 300 330 | 61 277 244 |
| Additions | 1 200 000 | 65 138 | 781 392 | 2 046 530 |
| Fair value adjustment | - | 11 604 854 | - | 11 604 854 |
| Transfer from work in progress | - | 619 707 | (619 707) | - |
| Reorganization costs expensed | | - | (44 043) | (44 043) |
| Transfer of subsidiary property to parent | - | 9 065 568 | 34 432 | 9 100 000 |
| **As at 31 December** | 1 581 000 | 81 951 181 | 452 404 | 83 984 585 |
| **2021** | | | | |
| As at 1 January | 347 500 | 12 063 574 | 358 608 | 12 769 682 |
| Additions | - | 123 753 | 649 310 | 773 063 |
| Transfer from work in progress | - | 707 588 | (707 588) | - |
| Transfer of subsidiary property to parent Company | - | 45 474 831 | - | 45 474 831 |
| Transfer of asset to held for sale | - | (2 001 000) | - | (2 001 000) |
| Fair value adjustment | 33 500 | 4 227 168 | - | 4 260 668 |
| **As at 31 December** | 381 000 | 60 595 914 | 300 330 | 61 277 244 |

### 4a Investment properties

The additions relate to value enhancing expenditure.

The fair value of the investment properties for the Group as at 31 December 2022 has been arrived at on the basis of a valuation carried out by:

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

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

The fair value of developed land was determined based on the capitalisation of net income derived from the properties. The income has been capitalised at market






## 4a. INVESTMENT PROPERTIES (Continued)

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

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

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

| | Level 1 K'000 | Level 2 K'000 | Level 3 K'000 | Total K'000 |
|---|---|---|---|---|
| Vacant land | - | 1 581 000 | - | 1 581 000 |
| Capital work in progress | - | 452 404 | - | 452 404 |
| Developed land and buildings | - | - | 81 951 181 | 81 951 181 |
| **Total** | - | 2 033 404 | 81 951 181 | 83 984 585 |

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

| | Level 1 K'000 | Level 2 K'000 | Level 3 K'000 | Total K'000 |
|---|---|---|---|---|
| Vacant land | - | 1 581 000 | - | 1 581 000 |
| Capital work in progress | - | 452 404 | - | 452 404 |
| Developed land and buildings | - | - | 81 951 181 | 81 951 181 |
| **Total** | - | 2 033 404 | 81 951 181 | 83 984 585 |

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

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2021 were as follows:

| | Level 1 K'000 | Level 2 K'000 | Level 3 K'000 | Total K'000 |
|---|---|---|---|---|
| Vacant land | - | 381 000 | - | 381 000 |
| Capital work in progress | - | 334 762 | - | 334 762 |
| Developed land and buildings | - | - | 66 961 482 | 66 961 482 |
| **Total** | - | 715 762 | 66 961 482 | 67 677 244 |

## 4a. INVESTMENT PROPERTIES (Continued)

Details of the Company's investment properties and information about the fair value hierarchy as at 31 December 2021 were as follows:

| | Level 1 K'000 | Level 2 K'000 | Level 3 K'000 | Total K'000 |
|---|---|---|---|---|
| Vacant land | - | 381 000 | - | 381 000 |
| Capital work in progress | - | 300 330 | - | 300 330 |
| Developed land and buildings | - | - | 60 595 914 | 60 595 914 |
| **Total** | - | 681 330 | 60 595 914 | 61 277 244 |

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

| Valuation technique | Significant unobservable inputs | Inter-relationship between key unobservable inputs and fair value measurement |
|---|---|---|
| The valuation approach of Open Market Value was adopted as a result of a consideration of both the income and market approach and where appropriate direct comparison. The income approach relies much on rental income of the property while comparable approach relies on recent sales data and all relevant factors pertaining to the property like age of the buildings and remaining lease life for the land. The rental is benchmarked to market rentals as opposed to rack end rentals that a subject property may be raking due to different varying factors. Similarly, rental yields used are those that are derived from actual sales on the market on similar properties within the period of the valuation. | The following unobservable inputs were used in the current year by the independent valuers in estimating the fair value of the investment properties.<br>• Capitalization rates of between 6% to 13 % (2021:6% to 13%)<br>• Market rental growth rate 5% to 11% (2021: 5% to 10%)<br>• Vacancy rates: The valuation was based on market rentals assuming the premises were vacant. | An increase of 100 basis points in the capitalisation rates and rental would increase (decrease) the estimated fair value of the investment properties by K835 million (2021: K677 million) for the Group and Company.<br>The rental market is likely to remain reasonably strong on the back of inflationary pressures as landlords continue to hedge against inflation and currency depreciation. On the basis of the general economic trends observed so far it appears likely that the sales market will improve in the near term. |

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



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

## 4b. REVENUE

Revenue comprises gross rental income earned from investment properties, including all recoveries from tenants. The Group's investment properties are situated principally in the two major cities in Malawi. The following shows the rental income for the year for the Group and the Company.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 K'000 | 2021 K'000 | 2022 K'000 | 2021 K'000 |
| Revenue | 5 167 640 | 4 875 144 | 4 412 957 | 4 165 224 |

## 5. INVESTMENT IN SUBSIDIARIES

### 5.1 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 2022 | Proportion of ownership interest and voting power held by the Group 2021 |
|---|---|---|---|---|
| NICO Properties Limited | Inactive | Malawi | 100% | 100% |
| Chichiri Shopping Centre Limited | Inactive | Malawi | 100% | 100% |
| Lilongwe City Mall Limited | Inactive | Malawi | 100% | 100% |
| Kang'ombe Investment Limited | Property leasing | Malawi | 100% | 100% |

### 5.2 Reconciliation of carrying amount

| | COMPANY | |
|---|---|---|
| | 2022 K'000 | 2021 K'000 |
| Balance as at 1 January | 6 776 058 | 48 658 314 |
| Increase in fair value | 2 412 959 | - |
| *Elimination of subsidiaries on re-organisation | (9 189 017) | (48 658 314) |
| Transfer to parent Company on re-organisation | - | 4 526 960 |
| Acquisition of KIL non-controlling interest | - | 1 700 000 |
| Prior year increase in fair value | - | 549 098 |
| **Balance at 31 December** | - | 6 776 058 |

## 5. INVESTMENT IN SUBSIDIARIES (Continued)

### 5.2 Reconciliation of carrying amount (Continued)

* As at 30 December 2022, the assets and liabilities of Kang'ombe Investment Limited (KIL) which was a 100% owned subsidiary of ICON were transferred to ICON Properties plc following the acquisition by ICON Properties plc of the 25% shareholding that Press Trust had in the KIL towards the end of the 2021 financial year.

### 5.3 Analysis of carrying amount

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

| | At the beginning of the year K'000 | Re-organisation K'000 | Fair value Acquisition K'000 | adjustment K'000 | Total K'000 |
|---|---|---|---|---|---|
| **As at 31 December 2022** | | | | | |
| Kang'ombe Investment Limited | 6 776 058 | (9 189 017) | - | 2 412 959 | - |
| Total | 6 776 058 | (9 189 017) | - | 2 412 959 | - |
| **As at 31 December 2021** | | | | | |
| Kang'ombe Investment Limited | - | 4 526 960 | 1 700 000 | 549 098 | 6 776 058 |
| NICO Properties Limited | 12 969 501 | (12 969 501) | - | - | - |
| Chichiri Shopping Centre Limited | 15 817 165 | (15 817 165) | - | - | - |
| Lilongwe City Mall Limited | 19 871 648 | (19 871 648) | - | - | - |
| Total | 48 658 314 | (44 131 354) | 1 700 000 | 549 098 | 6 776 058 |





## 5. INVESTMENT IN SUBSIDIARIES (Continued)

### 5.3 Analysis of business combination under common control

| | ICON Properties plc K'000 | Kang'ombe Investment limited K'000 | Total assets & liabilities before merger K'000 | Business combination adjustment K'000 | Total assets & liabilities after merger K'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-Current Assets** | | | | | |
| Investment properties | 74 884 585 | 9 100 000 | 83 984 585 | - | 83 984 585 |
| Investment in subsidiaries | 9 189 017 | - | 9 189 017 | (9 189 017) | - |
| Investment in shares and associate | 6 912 000 | - | 6 912 000 | - | 6 912 000 |
| Investment in treasury note | 11 741 508 | - | 11 741 508 | - | 11 741 508 |
| Office equipment | 3 970 | - | 3 970 | - | 3 970 |
| **Total non-current assets** | 102 731 080 | 9 100 000 | 111 831 080 | (9 189 017) | 102 642 063 |
| **Current Assets** | | | | | |
| Trade and other receivables | 2 050 921 | 545 752 | 2 596 673 | - | 2 596 673 |
| Cash and cash equivalents | 2 809 890 | 775 472 | 3 585 362 | - | 3 585 362 |
| **Total current assets** | 4 860 811 | 1 321 224 | 6 182 035 | - | 6 182 035 |
| **TOTAL ASSETS** | 107 591 891 | 10 421 224 | 118 013 115 | (9 189 017) | 108 824 098 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Shareholders' equity** | | | | | |
| Share capital | 58 209 424 | 285 191 | 58 494 615 | (285 191) | 58 209 424 |
| Restructuring reserve | 8 012 031 | - | 8 012 031 | - | 8 012 031 |
| Retained earnings | 36 357 834 | 8 903 826 | 45 261 660 | (8 309 948) | 36 951 712 |
| **Total equity** | 102 579 289 | 9 189 017 | 111 768 306 | (8 595 139) | 103 173 167 |
| **Non-current liabilities** | | | | | |
| Deferred tax | 3 010 482 | 1 020 203 | 4 030 685 | (593 878) | 3 436 807 |
| Deferred income | 392 905 | - | 392 905 | - | 392 905 |
| **Total non-current liabilities** | 3 403 387 | 1 020 203 | 4 423 590 | (593 878) | 3 829 712 |
| **Current liabilities** | | | | | |
| Trade and other payables | 1 383 286 | 175 173 | 1 558 459 | - | 1 558 459 |
| Tax payable | 225 929 | 36 831 | 262 760 | - | 262 760 |
| **Total current liabilities** | 1 609 215 | 212 004 | 1 821 219 | - | 1 821 219 |
| **Total equity and liabilities** | 107 591 891 | 10 421 224 | 118 013 115 | (9 189 017) | 108 824 098 |

## 5. INVESTMENT IN SUBSIDIARIES (Continued)

### 5.3 Analysis of business combination under common control (Continued)

Kang'ombe Investment Limited was under the common control of ICON Properties plc before and after the business combination which is scoped out of IFRS 3 "*Business Combination*". The group policy as disclosed in 3.3b is to apply book value method. The assets and liabilities of Kang'ombe Investment Limited were therefore consolidated in the financial statements of ICON Properties plc using carrying values in the consolidated financial statements. The associated cost of combination such the cost of stamp duties were charged to income statement as disclosed in note 18.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

5. INVESTMENT IN SUBSIDIARIES (Continued)

### 5.4 Analysis of business combination under common control

The statements of financial position of ICON properties, NICO Properties Limited, Chichiri Shopping Centre and Lilongwe City Mall before and after business combination as at 31 December 2021 were as follows:

| | ICON Properties plc K'000 | NICO Properties Limited K'000 | Chichiri Shopping Limited K'000 | Lilongwe Mall City Mall Limited K'000 | Total assets & liabilities before merger K'000 | Business combination adjustment K'000 | Total assets & liabilities after merger K'000 |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Non-current assets** | | | | | | | |
| Investment properties | 12 769 682 | 9 960 331 | 16 020 000 | 19 494 500 | 58 244 513 | - | 58 244 513 |
| Investment in subsidiaries | 48 658 314 | - | - | - | 48 658 314 | (48 658 314) | - |
| Financial asset -Plantation House | 94 098 | - | - | - | 94 098 | - | 94 098 |
| Investment in associate | 2 119 316 | 2 407 644 | - | - | 4 526 960 | - | 4 526 960 |
| Investment in treasure note | 11 571 478 | - | - | - | 11 571 478 | - | 11 571 478 |
| **Total non-current assets** | 75 212 888 | 12 367 975 | 16 020 000 | 19 494 500 | 123 095 363 | (48 658 314) | 74 437 049 |
| **Current assets** | | | | | | | |
| Trade and other receivables | 821 641 | 359 563 | 299 176 | 293 445 | 1 773 825 | - | 1 773 825 |
| Tax recoverable | - | 70 739 | 78 753 | 256 792 | 406 284 | - | 406 284 |
| Cash and cash equivalents | 5 287 043 | 602 337 | 1 021 310 | 1 118 012 | 8 028 702 | - | 8 028 702 |
| **Total current assets** | 6 108 684 | 1 032 639 | 1 399 239 | 1 668 249 | 10 208 811 | - | 10 208 811 |
| **TOTAL ASSETS** | 81 321 572 | 13 400 614 | 17 419 239 | 21 162 749 | 133 304 174 ( | 48 658 314) | 84 645 860 |

## 5. INVESTMENT IN SUBSIDIARIES (Continued)

### 5.4 Analysis of business combination under common control (Continued)

| | ICON Properties plc K'000 | NICO Properties Limited K'000 | Chichiri Shopping Mall Limited K'000 | Lilongwe City Mall Limited K'000 | Total assets & liabilities before merger K'000 | Business combination adjustment K'000 | Total assets & liabilities after merger K'000 |
|---|---|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | | | |
| **Shareholders' equity** | | | | | | | |
| Share capital | 6 680 000 | 31 833 | 27 092 | 5 406 | 6 744 331 | (64 331) | 6 680 000 |
| Share premium | 51 529 424 | 3 463 528 | 663 453 | 2 788 943 | 58 445 348 | (6 915 924) | 51 529 424 |
| Income notes | - | 1 899 183 | 569 083 | 1 914 156 | 4 382 422 | (4 382 422) | - |
| Restructuring reserve | 7 841 995 | - | - | - | 7 841 995 | - | 7 841 995 |
| Retained earnings | 14 012 116 | 7 574 957 | 14 557 537 | 15 163 143 | 51 307 753 | (36 462 706) | 14 845 047 |
| **Total equity** | 80 063 535 | 12 969 501 | 15 817 165 | 19 871 648 | 128 721 849 | (47 825 383) | 80 896 466 |
| **Non-current liabilities** | | | | | | | |
| Deferred tax | 1 056 611 | 231 811 | 1 317 876 | 935 319 | 3 541 617 | (832 921) | 2 708 696 |
| Deferred income | - | - | 361 | - | 361 | - | 361 |
| **Total non-current liabilities** | 1 056 611 | 231 811 | 1 318 237 | 935 319 | 3 541 978 | (832 921) | 2 709 057 |
| **Current liabilities** | | | | | | | |
| Trade and other payables | 125 318 | 194 752 | 166 706 | 226 731 | 713 507 | - | 713 507 |
| Bank overdraft | - | 4 550 | 2 344 | - | 6 894 | - | 6 894 |
| Accrued interest | - | - | 114 787 | 129 051 | 243 838 | - | 243 838 |
| Tax payable | 76 108 | - | - | - | 76 108 | - | 76 108 |
| **Total current liabilities** | 201 426 | 199 302 | 283 837 | 355 782 | 1 040 347 | - | 1 040 347 |
| **TOTAL EQUITY AND LIABILITIES** | 81 321 572 | 13 400 614 | 17 419 239 | 21 162 749 | 133 304 174 | (48 658 304) | (84 645 870) |

NICO Properties Limited, Chichiri Shopping Centre and Lilongwe City Mall were under the common control of ICON Properties plc before and after the business combination which is scoped out of IFRS 3 "Business Combination". The group policy as disclosed in 3.3b is to apply book value method. The assets and liabilities of NICO Properties Limited, Chichiri Shopping Centre and Lilongwe City Mall were therefore consolidated in the financial statements of ICON Properties plc using carrying values in the consolidated financial statements. The associated cost of combination such the cost of stamp duties well charged to income statement as disclosed in note 18.





## 6. INVESTMENT IN ASSOCIATE

| | At the beginning of the year K'000 | Re-organisation K'000 | Acquisition K'000 | Share of Associate's profit K'000 | Total K'000 |
|---|---|---|---|---|---|
| **As at 31 December 2022** | | | | | |
| Oasis Hospitality Limited | - | - | 6 800 000 | - | 6 800 000 |
| Kang'ombe Investment Limited | - | - | - | - | - |
| | - | - | 6 800 000 | - | 6 800 000 |
| **As at 31 December 2021** | | | | | |
| Kang'ombe Investment Limited | 2 119 316 | (2 119 316) | - | - | - |

**Kang'ombe Investment Limited**
Until 1 January 2021, the Company had 35% shareholding in Kang'ombe Investment Limited (KIL), which is a Company registered in Malawi and owns property for lease to third parties. In addition, 40% of shareholding in KIL were held by NICO Properties Limited, which was a 100% owned subsidiary of the Company. After the re-organisation in January 2021, the Company held directly 75% shareholding in KIL. On 31 October 2021, the Company acquired the remaining 25% shareholding in KIL from the non-controlling interests. As at 31 December 2022, the assets and liabilities of Kang'ombe Investment Limited (KIL), a then 100% owned subsidiary of ICON Properties plc., were transferred to ICON Properties plc following the acquisition by ICON Properties plc.

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

The total capital raising was however not concluded hence the Company's shareholding is subject to change. As at 31 December 2022 the Company had contributed 60% of the first phase of committed capital into the hotel project.

The Company has therefore recognised the investment as an investment in an associate as at 31 December 2022.

## 7. INVESTMENT IN SHARES

| | At the beginning of the year K'000 | Re-organisation K'000 | Acquisition K'000 | Share of Associate's profit K'000 | Total K'000 |
|---|---|---|---|---|---|
| **As at 31 December 2022** | | | | | |
| Plantation House Investment Limited | 100 437 | - | - | 11 563 | 112 000 |
| **Total** | 100 437 | - | - | 11 563 | 112 000 |
| **As at 31 December 2021** | | | | | |
| Plantation House Investment Limited | 94 098 | - | - | 6 339 | 100 437 |

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

Two valuations were carried out largely based on the two valuation techniques namely the Discounted Free Cash Flow (DCF) Model and the Net Asset Value (NAV) Model.
The NAV model was deemed the most appropriate model for this Company. NAV model is preferred for companies with a balance sheet dominated by investment property where the intrinsic value of the Company is derived from the assets it holds.

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



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

## 8. DEFERRED TAX

| | Assets K'000 | Liabilities K'000 | Net K'000 |
|---|---|---|---|
| The deferred tax balance arises from: | | | |
| **Group** | | | |
| **2022** | | | |
| Revaluation of investment properties | - | 3 813 922 | 3 813 922 |
| Other temporary differences | (184 399) | - | (184 399) |
| Impairment allowance on trade receivables | (197 624) | - | (197 624) |
| Revaluation of investments in shares | - | 4 908 | 4 908 |
| **Net deferred tax (asset)/liability** | (382 023) | 3 818 830 | 3 436 807 |
| **Group** | | | |
| **2021** | | | |
| Revaluation of investment properties | - | 2 511 791 | 2 511 791 |
| Other temporary differences | (143 259) | - | (143 259) |
| Impairment allowance on trade receivables | (206 600) | - | (206 600) |
| Revaluation of investments in shares | - | 175 419 | 175 419 |
| **Net deferred tax (asset)/liability** | (349 859) | 2 687 210 | 2 337 351 |
| **Company** | | | |
| **2022** | | | |
| Revaluation of investment properties | - | 3 813 922 | 3 813 922 |
| Other temporary differences | (184 399) | - | (184 399) |
| Impairment allowance on trade receivables | (197 624) | - | (197 624) |
| Revaluation of investments in shares | - | 4 908 | 4 908 |
| **Net deferred tax (asset)/liability** | (382 023) | 3 818 830 | 3 436 807 |
| **Company** | | | |
| **2021** | | | |
| Revaluation of investment properties | - | 2 071 770 | 2 071 770 |
| Other temporary differences | (142 933) | - | (142 933) |
| Impairment allowance on trade receivables | (188 103) | - | (188 103) |
| Investment in Kang'ombe (KIL) | - | 327 231 | 327 231 |
| Revaluation of investments in shares | - | 5 384 | 5 384 |
| **Net deferred tax (asset)/liability** | (331 036) | 2 404 385 | 2 073 349 |

## 8. DEFERRED TAX (Continued)

Deferred tax movement analysis;

| Deferred Taxation<br>Group<br>2022 | Balance as at 1 January K'000 | Re-organisation K'000 | Recognised in profit and loss K'000 | Balance as at 31 December K'000 |
|---|---|---|---|---|
| Revaluation of investment properties | 2 511 791 | - | 1 302 131 | 3 813 922 |
| Impairment allowance on trade receivables | (206 600) | - | 8 976 | (197 624) |
| Revaluation of investment in shares | 175 419 | (170 036) | (475) | 4 908 |
| Other temporary differences | (143 259) | - | (41 140) | (184 399) |
| **Net deferred tax liability** | 2 337 351 | (170 036) | 1 269 492 | 3 436 807 |
| **Company** | | | | |
| **2022** | | | | |
| Revaluation of investment properties | 2 071 771 | 1 052 404 | 689 747 | 3 813 922 |
| Impairment allowance on trade receivables | (188 103) | (32 575) | 23 054 | (197 624) |
| Revaluation of investment in shares | 332 614 | (763 214) | 435 508 | 4 908 |
| Other temporary differences | (142 933) | (326) | (41 140) | (184 399) |
| **Net deferred tax liability** | 2 073 349 | 256 289 | 1 107 169 | 3 436 807 |
| 2021 | | | | |
| Group | | | | |
| Revaluation of investment properties | 3 025 329 | - | (513 538) | 2 511 791 |
| Impairment allowance on trade receivables | (155 715) | - | (50 885) | (206 600) |
| Revaluation of investments in shares | 175 749 | - | (330) | 175 419 |
| Other temporary differences | (5 855) | - | (137 404) | (143 259) |
| **Net deferred tax liability** | 3 039 508 | - | (702 157) | 2 337 351 |
| 2021 | | | | |
| Company | | | | |
| Revaluation of investment properties | 177 780 | 2 403 668 | (509 677) | 2 701 771 |
| Impairment allowance on trade receivables | (16 783) | (120 435) | (50 885) | (188 103) |
| Revaluation of investments in shares | 895 614 | (625 291) | 62 291 | 332 614 |
| Other temporary differences | - | (5 529) | (137 404) | (142 933) |
| **Net deferred tax liability** | 1 056 611 | 1 652 413 | (635 675) | 2 073 349 |






## 8.2 TAX RECOVERABLE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 K'000 | 2021 K'000 | 2022 K'000 | 2021 K'000 |
| Opening balance | 34 554 | 406 284 | 34 554 | (76 108) |
| Transfer at re-organisation | - | - | - | 406 284 |
| Opening recoverable balance utilised | (34 554) | - | (34 554) | - |
| Current tax provision | - | (1 774 450) | - | (1 774 450) |
| Tax paid | - | 1 551 245 | - | 1 627 353 |
| Tax refunds/ (offsets) | - | (148 525) | - | (148 525) |
| **Total** | - | 34 554 | - | 34 554 |

## 8.3 TAX PAYABLE

| | Group 2022 K'000 | Group 2021 K'000 | Company 2022 K'000 | Company 2021 K'000 |
|---|---|---|---|---|
| Opening balance | 39 616 | 128 197 | - | - |
| Opening recoverable balance Utilised | (34 554) | - | (34 554) | - |
| Current tax provision | 1 589 260 | 163 439 | 1 427 753 | - |
| Tax paid | (1 524 787) | (252 020) | (1 360 495) | - |
| Tax refunds/prior year | 193 225 | - | 193 225 | - |
| Transfer at re-organisation | - | - | 36 831 | - |
| **Total** | 262 760 | 39 616 | 262 760 | - |

## 9. ASSETS HELD FOR SALE

| | Group 2022 K'000 | Group 2021 K'000 | Company 2022 K'000 | Company 2021 K'000 |
|---|---|---|---|---|
| Current year addition | - | 2 001 000 | - | 2 001 000 |
| Total | - | 2 001 000 | - | 2 001 000 |

The Company concluded the sale of the property held for sale during the year.

## 10 TRADE AND OTHER RECEIVABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 K'000 | 2021 K'000 | 2022 K'000 | 2021 K'000 |
| **Trade receivables** | | | | |
| Rental receivables | 1 999 801 | 1 857 722 | 1 999 801 | 1 409 691 |
| Expected credit loss | (657 491) | (687 411) | (657 491) | (627 017) |
| **Net trade receivables** | 1 342 310 | 1 170 311 | 1 342 310 | 782 674 |
| **Other receivables** | | | | |
| Input VAT claimable | 258 394 | 359 177 | 258 394 | 355 839 |
| Prepaid insurance | 56 369 | - | 56 369 | - |
| Accrued interest | 36 644 | 80 423 | 36 644 | 73 189 |
| Other receivables | 766 134 | 1 119 392 | 766 134 | 1 119 392 |
| Prepaid land rates | 669 | 1 492 | 669 | 1 492 |
| Service charge recoveries | 112 581 | - | 112 581 | - |
| Recoverable insurance | - | 11 242 | - | 11 242 |
| Other prepaid costs | 3 154 | 4 171 | 3 154 | 4 171 |
| Working capital | 8 444 | 829 | 8 444 | 829 |
| NICO Technologies Limited | 540 | - | 540 | - |
| Clearing accounts | 684 | - | 684 | - |
| Eris Properties Limited | 10 621 | - | 10 621 | - |
| NICO Holdings Plc | 129 | - | 129 | - |
| **Total trade and other receivables** | 2 596 673 | 2 747 037 | 2 596 673 | 2 348 828 |

Included in other receivables is a refundable deposit paid on the purchase of a plot of land in Lilongwe amounting to K255 million. This plot of land was purchased for the purpose of an upcoming planned construction project.

The average credit period on rental receivables is 30 days. No interest is charged on overdue rental receivables. An individual assessment was performed on trade receivables as at 31 December 2022. 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.





## 10 TRADE AND OTHER RECEIVABLES (Continued)

### 10.1 TRADE RECEIVABLES

| | 30 days K'000 | 30-60 days K'000 | 61-90 days K'000 | Over 90 days K'000 | Total K'000 |
|---|---|---|---|---|---|
| **GROUP** | | | | | |
| **2022** | | | | | |
| Gross carrying amount | 117 303 | 259 768 | 18 243 | 1 604 487 | 1 999 801 |
| Loss allowance | (33 295) | (4 768) | (688) | (618 740) | (657 491) |
| Net carrying amount | 84 008 | 255 000 | 17 555 | 985 747 | 1 342 310 |
| **2021** | | | | | |
| Gross carrying amount | 213 098 | 204 529 | 98 364 | 1 341 731 | 1 857 722 |
| Loss allowance | (7 503) | (7 654) | ( 8 181) | (664 073) | (687 411) |
| Net carrying amount | 205 595 | 196 875 | 90 183 | 677 658 | 1 170 311 |
| **COMPANY** | | | | | |
| **2022** | | | | | |
| Gross carrying amount | 117 303 | 259 768 | 18 243 | 1 604 487 | 1 999 801 |
| Loss allowance | (33 295) | (4 768) | (688) | (618 740) | (657 491) |
| Net carrying amount | 84 008 | 255 000 | 17 555 | 985 747 | 1 342 310 |
| **2021** | | | | | |
| Gross carrying amount | 120 940 | 134 996 | 96 364 | 1 057 391 | 1 409 691 |
| Loss allowance | (5 909) | (5 641) | (6 923) | (608 544) | (627 017) |
| Net carrying amount | 115 031 | 129 355 | 89 441 | 448 847 | 782 674 |

### 11.1 CASH AND CASH EQUIVALENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 K'000 | 2021 K'000 | 2022 K'000 | 2021 K'000 |
| Fixed deposits | 2 156 249 | 6 469 515 | 2 156 249 | 6 157 575 |
| Government of Malawi promissory notes | - | 876 896 | - | 716 499 |
| Bank balances and cash | 1 429 113 | 907 379 | 1 429 113 | 871 461 |
| Cash and cash equivalents in the statement of cash flows | 3 585 362 | 8 253 790 | 3 585 362 | 7 745 535 |

The fixed deposits interest rates ranging from 12% to 15% per annum with maturity of 30 to 90 days. Bank balances earn an interest rate of 0.5% (2021: 0.4%). All bank balances are denominated in Malawi Kwacha and are held with locally registered banks which include NBS Bank plc, National Bank plc and Standard Bank plc. NBS Bank plc is a related party by virtue of common ownership.

All the promissory notes from the prior year held until maturity during the year ended 31 December 2022.

### 11.2 INVESTMENT IN GOVERNMENT OF MALAWI TREASURY NOTES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 K'000 | 2021 K'000 | 2022 K'000 | 2021 K'000 |
| Opening balance | 11 656 493 | 11 571 478 | 11 656 493 | 11 571 478 |
| Accrued interest | 85 015 | 85 015 | 85 015 | 85 015 |
| | 11 741 508 | 11 656 493 | 11 741 508 | 11 656 493 |

The Group invested in a seven year Government of Malawi treasury note with a coupon rate of 15.5% (2021: 15.5%). The treasury note is measured at amortised cost.

### 12. SHARE CAPITAL

| | COMPANY | |
|---|---|---|
| | 2022 | 2021 |
| Number of authorised shares ('000) | 10 000 000 | 10 000 000 |
| Number of issued and fully paid shares ('000) | 6 680 000 | 6 680 000 |
| Issued and fully paid (K'000) | 58 209 424 | 58 209 424 |

### 13. RESTRUCTURING RESERVE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 K'000 | 2021 K'000 | 2022 K'000 | 2021 K'000 |
| Opening restructuring reserve | 7 841 995 | 7 841 995 | 7 841 995 | 7 841 995 |
| Restructuring reserve adjustment on reorganisation conclusion | 170 036 | - | 170 036 | - |
| | 8 012 031 | 7 841 995 | 8 012 031 | 7 841 995 |

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

On conclusion of the reorganisation deferred tax on NICO Properties Limited share of Kang'ombe Investment Limited was transferred to the restructuring reserve. The balance related to the initial Company restructuring.

### 14. RETAINED EARNINGS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 K'000 | 2021 K'000 | 2022 K'000 | 2021 K'000 |
| Realised reserves | | | | |
| Opening balance as at 1 January | 7 648 546 | 5 904 428 | 5 714 014 | 4 130 313 |
| Distributable profit for the period | 3 709 365 | 3 347 318 | 3 364 686 | 3 186 901 |
| Less dividends paid | (1 603 200) | (1 603 200) | (1 603 200) | (1 603 200) |
| Adjustment on reorganisation | (4 658) | - | - | - |
| **As at 31 December 2022** | **9 750 053** | **7 648 546** | **7 475 500** | **5 714 014** |





### 14. RETAINED EARNINGS (Continued)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 K'000 | 2021 K'000 | 2022 K'000 | 2021 K'000 |
| **Revaluation reserves** | | | | |
| Opening balance as at 1 January | 14 204 916 | 9 052 985 | 15 978 213 | 9 881 803 |
| Movement in fair values | 14 298 399 | 4 751 608 | 14 029 376 | 4 816 105 |
| Share of associate profits | - | - | - | 447 385 |
| Reversal of subsidiary deferred tax on reorganization | - | - | 593 878 | - |
| Related deferred tax | (1 301 656) | 513 867 | (1 125 255) | 832 920 |
| Less loss on NCI acquisition | - | (113 544) | - | - |
| **As at 31 December** | 27 201 659 | 14 204 916 | 29 476 212 | 15 978 213 |
| **Total retained earnings** | 36 951 712 | 21 853 462 | 36 951 712 | 21 692 227 |

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. TRADE AND OTHER PAYABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 K'000 | 2021 K'000 | 2022 K'000 | 2021 K'000 |
| **Trade and other payables** | | | | |
| Trade creditors | 16 758 | 58 085 | 16 758 | 56 534 |
| Accrued expenses | 434 889 | 264 802 | 434 889 | 218 986 |
| Unpaid dividend | 19 149 | 14 250 | 19 149 | 14 250 |
| Audit Fees | 58 647 | 38 213 | 58 647 | 32 498 |
| Rent receivable in advance | 103 304 | 97 331 | 103 304 | 97 331 |
| Value added tax | 4 182 | 4 130 | 4 182 | - |
| Rental deposits | 101 354 | 85 942 | 101 354 | 79 593 |
| Marketing fund | 42 272 | 33 660 | 42 272 | 33 660 |
| Accrued NCIC levy | 5 092 | 3 532 | 5 092 | 3 532 |
| Withholding tax payable | 36 099 | 18 527 | 36 099 | 17 128 |
| Property sale deposit received | - | 1 000 000 | - | 1 000 000 |
| NICO Holdings Plc. | - | 2 455 | - | 2 455 |
| ERIS control account | 835 | 7 794 | 835 | 7 201 |
| Sundry and other payables | 724 107 | 123 820 | 724 107 | 123 820 |
| Unidentified receipts | 11 771 | 27 176 | 11 771 | 27 176 |
| **Total** | 1 558 459 | 1 779 717 | 1 558 459 | 1 714 164 |

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

## 16. DEFERRED INCOME

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 K'000 | 2021 K'000 | 2022 K'000 | 2021 K'000 |
| Opening balance | 416 525 | 361 | 416 525 | - |
| Transfer on reorganisation | - | - | - | 361 |
| Additions | - | 424 762 | - | 424 762 |
| Transfer to statement of comprehensive income | (23 620) | (8 598) | (23 620) | (8 598) |
| Total | 392 905 | 416 525 | 392 905 | 416 525 |

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

## 17. OTHER INCOME

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 K'000 | 2021 K'000 | 2022 K'000 | 2021 K'000 |
| Service charge recoveries | 422 639 | 350 123 | 325 346 | 258 132 |
| Sundry income | 3 331 | 6 419 | 3 331 | 6 419 |
| Total | 425 970 | 356 542 | 328 677 | 264 551 |

Service charge recoveries relate to costs recovered from tenants on utility and other costs paid for tenants. Sundry income arises mainly from income from activities held at shopping centres.

## 18. ADMINISTRATION EXPENSES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 K'000 | 2021 K'000 | 2022 K'000 | 2021 K'000 |
| Listing expenses | 28 000 | 26 621 | 28 000 | 26 621 |
| Management fees | 923 171 | 783 451 | 855 018 | 704 010 |
| Legal and professional fees | 150 416 | 80 022 | 150 416 | 78 770 |
| Property revaluation fees | 57 175 | 31 420 | 54 637 | 30 540 |
| Directors' fees expenses and allowances | 40 564 | 49 393 | 34 033 | 39 747 |
| Sundry expenses | - | 13 141 | - | - |
| IT printing and stationery | 33 781 | 34 977 | 33 781 | 34 977 |
| Travelling expenses | - | 267 | - | 267 |
| Advertising & marketing expenses | 15 608 | 11 537 | 15 608 | 11 537 |
| Bad debts | 6 975 | - | 6 451 | - |
| Bank charges | 7 847 | 7 689 | 6 326 | 6 040 |
| External audit fees | 101 483 | 67 094 | 96 145 | 61 362 |
| Shared services | 57 004 | 18 000 | 57 004 | 18 000 |
| Depreciation | 3 565 | 3 268 | 3 565 | 3 268 |
| Consultancy | - | 7 269 | - | 6 299 |
| Reorganisation costs and stamp duty | 178 400 | 634 685 | 178 400 | 634 685 |
| Total | 1 603 989 | 1 768 834 | 1 519 384 | 1 656 123 |

Stamp duty was incurred on the expected transfer of investment property from the Company's subsidiary to the parent Company as part of the Group reorganisation.



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

## 19 OPERATING EXPENSES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 K'000 | 2021 K'000 | 2022 K'000 | 2021 K'000 |
| Property repairs and maintenance | 462 781 | 131 301 | 334 826 | 94 557 |
| Insurance | 191 474 | 186 615 | 156 092 | 160 869 |
| Cleaning | 99 016 | 88 410 | 77 637 | 72 722 |
| City rates | 89 375 | 116 047 | 73 389 | 94 743 |
| Landscaping | 5 171 | 5 363 | - | - |
| Land rental | 5 729 | 13 077 | 5 336 | 12 685 |
| Pest and disinfection costs | 37 234 | 63 517 | 37 234 | 63 517 |
| Electricity and water expenses | 240 786 | 230 773 | 201 555 | 202 199 |
| Refuse removal costs | 9 344 | 15 660 | 9 344 | 15 660 |
| Security charges | 212 807 | 157 557 | 183 019 | 130 573 |
| Gardening | 10 711 | 12 472 | 10 711 | 12 472 |
| Expected credit losses* | - | 91 444 | - | 91 444 |
| Genset costs | 33 487 | 26 489 | 21 435 | 16 504 |
| Letting commission | 49 040 | 41 073 | 44 639 | 35 074 |
| Post office fees | 257 | 280 | - | - |
| Resident technician | 22 361 | 4 654 | 17 301 | 4 654 |
| **Total operating expenses** | 1 469 573 | 1 184 732 | 1 172 518 | 1 007 673 |

*The current year expected credit losses have been presented separately on the statement of comprehensive income and prior year balances have not been restated to conform to this change in presentation.

## 20. FINANCE INCOME

| | GROUP 2022 K'000 | GROUP 2021 K'000 | COMPANY 2022 K'000 | COMPANY 2021 K'000 |
|---|---|---|---|---|
| Interest income – money market investments | 2 837 259 | 2 917 823 | 2 768 541 | 2 883 441 |
| **Total finance income** | 2 837 259 | 2 917 823 | 2 768 541 | 2 883 441 |

## 21 INCOME TAX CHARGE

| | GROUP 2022 K'000 | GROUP 2021 K'000 | COMPANY 2022 K'000 | COMPANY 2021 K'000 |
|---|---|---|---|---|
| Current tax provision | 1 589 259 | 1 908 636 | 1 427 753 | 1 745 197 |
| Prior year tax adjustments | - | 17 749 | - | 17 749 |
| Tax on dividends | 129 | 11 504 | 129 | 11 504 |
| Deferred tax charge | 1 269 492 | (702 157) | 1 107 169 | (635 675) |
| **Total income tax charge** | 2 858 880 | 1 235 732 | 2 535 051 | 1 138 775 |

## 21 INCOME TAX CHARGE (Continued)

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 K'000 | 2021 K'000 | 2022 K'000 | 2021 K'000 |
| **Reconciliation of the tax rate** | | | | |
| Effective tax rate (%) | 15 | 12 | 16 | 12 |
| Permanent and temporary differences (%) | 15 | 18 | 14 | 18 |
| Statutory tax rate | 30 | 30 | 30 | 30 |

## 22. EARNINGS PER SHARE

| | GROUP | |
|---|---|---|
| | 2022 | 2021 |
| Weighted average number of shares ('000) | 6 680 000 | 6 680 000 |
| Profit attributable to ordinary shareholders (K'000) | 16 706 108 | 8 722 898 |
| Earnings per share (tambala) | 250 | 130 |

There were no dilutive instruments in issue.

## 23. SEGMENTAL INFORMATION

### 23.1 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.

### 23.2 Products and services from which reportable segments derive their revenues

The Group has one principal line of business - rental of investment properties. Information reported to and used by the Board of Directors for decision making for the purposes of resource allocation and assessment of segment performance is more specifically focused on each of the Group's current investment properties. One of the properties contributed K 1 581 million (2021: K 1 557 million) representing 30% (2021: 32%) of the total rental revenue in the current year and its value at K23 773 million (2021: K19 494 million) being 28% (2021: 32%) of the total investment portfolio value, no other single investment property contributes over 30% of the total revenue from customers.

### 23.3 Segmental information

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





## 23. SEGMENTAL INFORMATION (Continued)

### 23.3 Segmental information (Continued)

| | Rental income K'000 | Property values K'000 | Fair value increase K'000 |
|---|---|---|---|
| **2022** | | | |
| Blantyre | 2 173 014 | 39 795 323 | 8 391 952 |
| Lilongwe | 2 908 144 | 42 867 847 | 5 784 358 |
| Other markets | 86 482 | 1 321 415 | 110 527 |
| **Total** | 5 167 640 | 83 984 585 | 14 286 837 |
| **2021** | | | |
| Blantyre | 1 997 504 | 30 114 997 | 737 056 |
| Lilongwe | 2 792 165 | 35 793 500 | 3 289 538 |
| Other markets | 85 475 | 1 768 747 | 84 382 |
| **Total** | 4 875 144 | 67 677 244 | 4 110 976 |

## 24. 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 other related parties are disclosed below.

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

| | | | Group | | Company | |
|---|---|---|---|---|---|---|
| Company | Relationship | Type | Value of transaction K'000 | Balance K'000 | Value of transaction K'000 | Balance K'000 |
| NICO Holdings Limited | Significant shareholder through NICO Life Limited | Rental income | 45 994 | 36 687 | 45 994 | 36 687 |
| NICO Asset Managers Limited | Company under common ownership | Rental income<br>Management fees | 24 470<br>(57 397) | (1 243)<br>- | 24 470<br>(44 587) | (1 243)<br>- |
| ERIS Properties (Malawi) Limited | Company under common ownership | Management fees<br>Rental | (865 561)<br>(810 431) | 5 746<br>5 746 | (77 940)<br>(77 940) | (1 119)<br>(1 119) |
| NBS Bank plc. | Company under common ownership | Rental income | 539 459 | 249 522 | 539 459 | 249 522 |
| NBS Bank plc. | Company under common ownership | Cash and cash equivalents | - | 876 324 | - | 876 324 |
| NICO Technologies Limited | Company under common ownership | Rental income | 13 655 | 3 781 | 13 655 | 3 781 |
| NICO Life Insurance Company | Company under common ownership | Rental income | 31 182 | 19 212 | 31 182 | 19 212 |
| NICO General Insurance Company | Company under common ownership | Rental Income | 13 200 | 1 069 | 13 200 | 1 069 |





## 24. RELATED PARTIES (Continued)

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

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

Effective 1 April 2022 the directors appointed Eris Properties (Mw) Limited to be the sole overarching Manager for ICON Properties plc.

Management fees for the year amounted to: -

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2022 K'000 | 2021 K'000 | 2022 K'000 | 2021 K'000 |
| NICO Asset Managers Limited | 57 610 | 375 388 | 50 992 | 347 356 |
| ERIS Properties (Malawi) Limited | 865 561 | 408 063 | 804 026 | 356 654 |
| Total | 923 171 | 783 451 | 855 018 | 704 010 |

## 25. 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.

## 25. OVERVIEW OF THE GROUP'S FINANCIAL RISK MANAGEMENT FRAMEWORK (Continued)

**Financial instrument and associated risk (Continued)**

**Categories of financial instruments**

| | At amortised cost K'000 | At FVPL K'000 | Total K'000 |
|---|---|---|---|
| **GROUP** | | | |
| **2022** | | | |
| **Financial assets** | | | |
| Investment in shares and associate | - | 6 912 000 | 6 912 000 |
| Trade and other receivables | 2 338 279 | - | 2 338 279 |
| Investment in treasury notes | 11 741 508 | - | 11 741 508 |
| Cash and cash equivalents | 3 585 362 | - | 3 585 362 |
| **Total financial assets** | 17 665 149 | 6 912 000 | 24 577 149 |
| **Financial liabilities** | | | |
| Trade and other payables | 1 558 459 | - | 1 558 459 |
| **Total financial liabilities** | 1 558 459 | - | 1 558 459 |
| **2021** | | | |
| **Financial assets** | | | |
| Investment in shares | - | 100 437 | 100 437 |
| Trade and other receivables | 2 382 197 | - | 2 382 197 |
| Investment in treasury notes | 11 656 493 | - | 11 656 493 |
| Promissory notes | 876 896 | - | 876 896 |
| Cash and cash equivalents | 7 376 894 | - | 7 376 894 |
| **Total financial assets** | 22 292 480 | 100 437 | 22 392 917 |
| **Financial liabilities** | | | |
| Trade and other payables | 1 753 528 | - | 1 753 528 |
| **Total financial liabilities** | 1 753 528 | - | 1 753 528 |



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

## 25. OVERVIEW OF THE GROUP'S FINANCIAL RISK MANAGEMENT FRAMEWORK (Continued)

**Financial instrument and associated risk (Continued)**

**Categories of financial instruments (Continued)**

| | At amortised cost K'000 | At FVPL K'000 | Total K'000 |
|---|---|---|---|
| **COMPANY** | | | |
| **COMPANY** | | | |
| **2022** | | | |
| Investment in shares and associate | 6 800 000 | 112 000 | 6 912 000 |
| Trade and other receivables | 2 338 279 | - | 2 338 279 |
| Investment in treasury notes | 11 741 508 | - | 11 741 508 |
| Cash and cash equivalents | 3 585 362 | - | 3 585 362 |
| **Total financial assets** | 24 465 149 | 112 000 | 24 577 149 |
| **Financial liabilities** | | | |
| Trade and other payables | 1 558 459 | - | 1 558 459 |
| **Total financial liabilities** | 1 558 459 | - | 1 558 459 |
| **2021** | | | |
| **Financial assets** | | | |
| Investment in shares and associate | - | 100 437 | 100 437 |
| Trade and other receivables | 1 987 326 | - | 1 987 326 |
| Investment in treasury notes | 11 656 493 | - | 11 656 493 |
| Promissory notes | 716 499 | - | 716 499 |
| Cash and cash equivalents | 7 029 036 | - | 7 029 036 |
| **Total financial assets** | 21 389 354 | 100 437 | 21 489 791 |
| **Financial liabilities** | | | |
| Trade and other payables | 1 693 504 | - | 1 693 504 |
| **Total financial liabilities** | 1 693 504 | - | 1 693 504 |

## 25. OVERVIEW OF THE GROUP'S FINANCIAL RISK MANAGEMENT FRAMEWORK (Continued)

**Financial instrument and associated risk (Continued)**

**Categories of financial instruments (Continued)**

**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 manage the distribution of the financial resources 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 risks**

**i) Market risk**
Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads will affect the 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:-



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

## 25. OVERVIEW OF THE GROUP'S FINANCIAL RISK MANAGEMENT FRAMEWORK (Continued)

**Financial instrument and associated risk (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 | Total K'000 |
|---|---|---|---|
| **GROUP** | | | |
| **2022** | | | |
| **Financial assets** | | | |
| Investment in shares and associate | - | 6 912 000 | 6 912 000 |
| Trade and other receivables | - | 2 338 279 | 2 338 279 |
| Cash and cash equivalents | 3 585 362 | - | 3 585 362 |
| Investment in treasury notes | 11 741 508 | - | 11 741 508 |
| **Total financial assets** | 15 326 870 | 9 250 279 | 24 577 149 |
| **Financial liabilities** | | | |
| Trade and other payables | - | 1 558 459 | 1 558 459 |
| **Total financial liabilities** | - | 1 558 459 | 1 558 459 |
| **2021** | | | |
| **Financial assets** | | | |
| Investment in shares | - | 100 437 | 100 437 |
| Trade and other receivables | - | 2 382 197 | 2 382 197 |
| Cash and cash equivalents | 7 376 894 | - | 7 376 894 |
| Promissory notes | 876 896 | - | 876 896 |
| Investment in treasury notes | 11 656 493 | - | 11 656 493 |
| **Total financial assets** | 19 910 283 | 2 482 634 | 22 392 917 |
| **Financial liabilities** | | | |
| Trade and other payables | - | 1 753 528 | 1 753 528 |
| **Total financial liabilities** | - | 1 753 528 | 1 753 528 |

## 25. OVERVIEW OF THE GROUP'S FINANCIAL RISK MANAGEMENT FRAMEWORK (Continued)

**Financial instrument and associated risk (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 | Total K'000 |
|---|---|---|---|
| **COMPANY** | | | |
| **2022** | | | |
| **Financial assets** | | | |
| Investment in shares and associate | - | 6 912 000 | 6 912 000 |
| Trade and other receivables | - | 2 338 279 | 2 338 279 |
| Cash and cash equivalents | 3 585 362 | - | 3 585 362 |
| Investment in treasury notes | 11 741 508 | - | 11 741 508 |
| **Total financial assets** | 15 326 870 | 9 250 279 | 24 577 149 |
| **Financial liabilities** | | | |
| Trade and other payables | - | 1 558 459 | 1 558 459 |
| **Total financial liabilities** | - | 1 558 459 | 1 558 459 |
| **2021** | | | |
| **Financial assets** | | | |
| Investment in shares | - | 100 437 | 100 437 |
| Trade and other receivables | - | 1 987 326 | 1 987 326 |
| Cash and cash equivalents | 7 029 036 | - | 7 029 036 |
| Promissory notes | 716 499 | - | 716 499 |
| Investment in treasury notes | 11 656 493 | - | 11 656 493 |
| **Total assets** | 19 402 028 | 2 087 763 | 21 489 791 |
| **Financial liabilities** | | | |
| Trade and other payables | - | 1 693 504 | 1 693 504 |
| **Total financial liabilities** | - | 1 693 504 | 1 693 504 |



NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2022

25. OVERVIEW OF THE GROUP'S FINANCIAL RISK MANAGEMENT FRAMEWORK (Continued)

Financial instrument and associated risk (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 2021 is shown below:

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

## 25. OVERVIEW OF THE GROUP'S FINANCIAL RISK MANAGEMENT FRAMEWORK (Continued)

**Financial instrument and associated risk (Continued)**

**Categories of financial instruments (Continued)**

**iii) Liquidity risk (Continued)**

| | Up to 1 month K'000 | 1 to 6 months K'000 | Over 1 year K'000 | Total K'000 |
|---|---|---|---|---|
| **GROUP** | | | | |
| **2021** | | | | |
| **Financial assets** | | | | |
| Investment in shares | - | - | 100 437 | 100 437 |
| Trade and other receivables | 2 382 197 | - | - | 2 382 197 |
| Investment in treasury notes | - | - | 11 656 493 | 11 656 493 |
| Promissory notes | - | 876 896 | - | 876 896 |
| Bank balances and cash | 907 379 | - | - | 907 379 |
| Fixed deposits | - | 6 469 515 | - | 6 469 515 |
| Total financial assets | 3 289 576 | 7 346 411 | 11 756 930 | 22 392 917 |
| **Financial liabilities** | | | | |
| Trade and other payables | 1 753 528 | - | - | 1 753 528 |
| Total financial liabilities | 1 753 528 | - | - | 1 753 528 |
| **Liquidity gap** | **1 536 048** | **7 346 411** | **11 756 930** | **20 639 389** |
| **Cumulative liquidity gap** | **1 536 048** | **8 882 459** | **20 639 389** | **20 639 389** |





## 25. OVERVIEW OF THE GROUP'S FINANCIAL RISK MANAGEMENT FRAMEWORK (Continued)

**Financial instrument and associated risk (Continued)**

**Categories of financial instruments (Continued)**

**iv) Credit risk**

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

| | Up to 1 month K'000 | 1 to 6 months K'000 | Over 1 year K'000 | Total K'000 |
|---|---|---|---|---|
| **COMPANY** | | | | |
| **2022** | | | | |
| **Financial assets** | | | | |
| Investment in shares and associate | - | - | 6 912 000 | 6 912 000 |
| Trade and other receivables | 2 338 279 | - | - | 2 338 279 |
| Investment in treasury notes | - | - | 11 741 508 | 11 741 508 |
| Bank balances and cash | 1 429 113 | - | - | 1 429 113 |
| Fixed deposits | 3 949 539 | 587 943 | - | 4 537 482 |
| Total financial assets | 7 716 931 | 587 943 | 18 653 508 | 26 958 382 |
| **Financial liabilities** | | | | |
| Trade and other payables | 1 558 459 | - | - | 1 558 459 |
| Total financial liabilities | 1 558 459 | - | - | 1 558 459 |
| **Liquidity gap** | **6 158 472** | **587 943** | **18 653 508** | **25 399 923** |
| **Cumulative liquidity gap** | **6 158 472** | **6 746 415** | **25 399 923** | **25 399 923** |
| **2021** | | | | |
| **Financial assets** | | | | |
| Investment in shares | - | - | 100 437 | 100 437 |
| Trade and other receivables | 1 987 326 | - | - | 1 987 326 |
| Bank balances and cash | 871 461 | - | - | 871 461 |
| Promissory notes | - | 716 499 | - | 716 499 |
| Investment in treasury notes | - | - | 11 656 493 | 11 656 493 |
| Fixed deposits | 6 157 575 | - | - | 6 157 575 |
| Total financial assets | 9 016 362 | 716 499 | 11 756 930 | 21 489 791 |
| **Financial liabilities** | | | | |
| Trade and other payables | 1 714 164 | - | - | 1 714 164 |
| Total financial liabilities | 1 714 164 | - | - | 1 714 164 |
| **Liquidity gap** | **7 302 198** | **716 499** | **11 756 930** | **19 775 627** |
| **Cumulative liquidity gap** | **7 302 198** | **8 018 697** | **19 775 627** | **19 775 627** |

## 25. OVERVIEW OF THE GROUP'S FINANCIAL RISK MANAGEMENT FRAMEWORK (Continued)

**Financial instrument and associated risk (Continued)**

**Categories of financial instruments (Continued)**

**Exposure to credit risk (Continued)**

**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 Finance and Audit committees which have oversight of the credit risk.

**Exposure to credit risk**
As at 31 December 2022, 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 | |
|---|---|---|---|---|
| | 2022 K'000 | 2021 K'000 | 2022 K'000 | 2021 K'000 |
| **Financial assets** | | | | |
| Trade and other receivables | 2 338 279 | 2 382 197 | 2 338 279 | 1 987 326 |
| Investment in treasury notes | 11 741 508 | 11 656 493 | 11 741 508 | 11 656 493 |
| Promissory notes | - | 876 896 | - | 716 499 |
| Cash and cash equivalents | 3 585 362 | 7 376 894 | 3 585 362 | 7 029 036 |
| Total financial assets | 17 665 149 | 22 292 480 | 17 665 149 | 21 389 354 |

Trade and other receivables largely consist of rental receivables from a large number of customers, spread across diverse industries. Amounts of K225 million (2021: K225 million) and K395 million (2021: K286 million) were due from Stansfield Motors Limited and Malawi Government respectively and represent 11% (2020: 12%) and 19% (2020: 17.7%) of the Group's total rental receivables respectively. NBS Bank plc. had amounts outstanding of K235 million which were paid subsequent to year end. The Group does not have any other exposures to any single counterparty that are in excess of 5% of total rental receivables. Credit risk is managed by continuous engagement with counter parties and arriving at agreements to clear arrears.

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





## 26. FAIR VALUE MEASUREMENTS

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

<u>Valuation techniques and assumptions applied for the purposes of measuring fair value</u>

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

<u>Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)</u>

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

<u>Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis</u>

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.

## 27. CONTINGENT LIABILITIES

There were no contingent liabilities for the Company and the Group as at 31 December 2022 (2021: nil).

## 28. CAPITAL COMMITMENTS

There were capital commitments amounting to K1 940 million which were authorised and contracted for as at 31 December 2022 (2021: nil), the main commitment being a capital call for Oasis Hospitality Limited due in the first half of the subsequent year. Capital commitments are financed from internal resources.

## 29. IMPACT OF COVID-19

The COVID-19 pandemic continued to affect the group's performance in the year. This has been evidenced partly by the lack of growth in rental income. However, the pace of the growth in rent receivables was arrested during the year as the Group continues its efforts to improve collection efficiencies affected by the pandemic.

## 29. IMPACT OF COVID-19 (Continued)

The pandemic is expected to continue having an impact on the Group in the subsequent financial year. The directors expect the Group to remain competitive however rental growth is expected to continue to be impacted with the retail sector especially expected to face challenges during recovery.

## 30. IMPACT OF CLIMATE CHANGE

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

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

## 31. EVENTS AFTER THE REPORTING PERIOD

There were no subsequent events to report.

## 32. 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.

| | 2022 | 2021 |
|---|---|---|
| Kwacha/Rand | 62 | 57 |
| Kwacha/US Dollar | 1 028 | 817 |
| Kwacha / British Pound | 1 274 | 1 102 |
| Inflation rate (%) | 25.8 | 9.8 |

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

| | |
|---|---|
| Kwacha/Rand | 55 |
| Kwacha/USD | 1 028 |
| Kwacha /British Pound | 1 304 |
| Inflation rate (%) (April 2023) | 28.8 |

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