



**ANNUAL
REPORT**
2019





Building Better Futures



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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.



GROUP FINANCIAL HIGHLIGHTS



Profit after tax

K7.41bn

for the period ended 31 December 2019



Total income

K11.83bn

(Including Finance Income)
for the period ended 31 December 2019



Total assets

K79.4bn

as at 31 December 2019

CHAIRMAN'S STATEMENT

Overview

I am pleased to report the results of ICON Properties Plc for the year ended 31 December 2019, this being the first full year the Group has been in operation.



Performance Review

The Malawi Kwacha slightly depreciated against the United States Dollar by 0.71% during the year compared to 2018 but remained relatively stable during the year. The average headline inflation for 2019 remained in single digit at 9.38% in comparison to an average inflation of 9.21% recorded in 2018 mainly due to increase in food inflation for the period. The performance of the property industry was at risk amidst uncertainty in the economy arising from the political impasse after the May 2019 elections. Further challenges were faced due to intermittent power supply however the property market stood firm in the year to achieve satisfactory growth.

The Group's performance 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 K57.9 billion (2018: K51.96 billion) being an 11.4% increase from last year.

The Group generated total income of K11.8 billion for the year which included an increase in fair value of properties and investee company of K4.1 billion and finance income of K2.3 billion. Total expenses for the period were at K2.3 billion, which mostly consisted of property and administrative management fees, repairs and maintenance

and utility costs. The Group reported a profit after tax of K7.4 billion for the year ended 31 December 2019.

Dividend

In line with the company's performance, the Directors recommended total dividend for the year of K1.403 billion (2018: nil) representing 21 tambala per share.

Outlook

The outlook for the coming year is dominated by uncertainty arising from the Coronavirus (COVID 19) pandemic. The COVID 19 pandemic that has spread rapidly throughout the world has not spared Malawi, the full impact of the pandemic cannot be fully ascertained yet, however it is expected that rental income growth and rental collection efficiencies will be affected. The Group is closely monitoring the situation and taking necessary actions to limit any potential adverse effects with a three-fold strategy to *React, Respond and Recover*. The effects of social distancing and several other measures put in place by authorities in Malawi and the world over to slow the spread of the virus may reduce economic activity and depress growth in the real estate sector. In the wake to the COVID 19 pandemic, the GDP growth rate has been revised downwards from an average of 5.22% to an average of 0.70% by various institutions.

The groundwork for infrastructure projects is progressing well, some are of the size that require appropriate time for careful due diligence process to ensure shareholder value is maximized. Projects in the pipeline to be rolled out in 2020 include installation of parking management systems at our shopping centers and the refurbishment of Kapeni House. Projects in the planning

stages include the development of a drive through restaurant at Chichiri Shopping Centre, participating in the development of a Ryalls Hotel in Lilongwe, the redevelopment of an underdeveloped prime piece of land held in the middle downtown Blantyre and the prospecting of land in the city of Mzuzu for possible development of business park.

Most of the funds from the 2019 IPO have meanwhile been invested in treasury notes being the most favorable money market investment for the sum of funds available. These notes will be discounted as funds are required to fulfil project needs. The current funds readily available are enough to meet smaller projects needs that are ready to commence.

The Board believes that the existing portfolio remains well placed to remain competitive, react to opportunities and continue to deliver on the Group's objectives despite existing challenges. The Group will continue to focus on improving its property standards, maintaining its occupancy levels and reducing receivable levels.

Robert Scharar Chairman

BOARD OF DIRECTORS PROFILE



Mr. Robert Scharar

BSc. Accounting, MBA,
Masters of Law Juris Doctorate

Chairperson

Mr. Scharar is the President and Director of FCA Corp, based in Houston Texas, and has worked in this capacity since 1975 (including its predecessor firm). His current directorships include Africap LLC; the Commonwealth International Series Trust, a US mutual fund group; Blantyre Hotels plc and NICO Holdings plc. He brings to the Board a combination of finance, investment and legal skills. He holds a BSBA (accounting) from University of Florida. He received his AA degree from Polk Community College. He has a Masters' Degree in Business Administration and a Juris Doctorate degree from Northeastern University and an LLM in taxation from Boston University Law School. Mr. Scharar is a member of the Florida and Massachusetts Bars and is a Certified Public Accountant (Florida).



Mr. Vizenge Kumwenda

B.Com, MSc Finance, FCCA, ACII

Director

Mr. Vizenge Kumwenda is Group Managing Director of NICO Holdings Plc, a position he has held since January 2016. He has worked for the NICO Group in various senior management positions for over twenty-four years. He Chairs the Boards of NICO Holdings Plc Subsidiary companies. Before NICO, Mr. Kumwenda worked for Deloitte, Malawi College of Accountancy (as a member of faculty), Malawi Institute of Management, Continental Discount House and Continental Asset Management Ltd. Mr. Kumwenda is a proponent of Servant Leadership. He likes stretching boundaries, challenging status quo and going into uncharted waters. He holds a Bachelors' Degree in Commerce (Accountancy) and Diploma in Business Studies from the University of Malawi. He holds a Master of Science (Finance) degree from the University of Strathclyde, Glasgow, Scotland. He is a Fellow of the Association of Chartered Certified Accountants (UK). He brings to the Board a breadth of experience and expertise in finance and insurance.



**Mr. Louis Sibande**
B.Acc, ACMA, CGMA, AMCT

Director

Mr. Sibande is Group Chief Finance Officer of NICO Holdings Plc since March 2020 and currently sits on the Boards of Mwaiwathu Private Hospital Ltd, Eris Properties (Mw) Ltd, Kang'ombe Investments Ltd and other companies in the NICO Group. Mr. Sibande holds a Bachelor of Accountancy degree from University Of Malawi and is a Chartered Management Accountant, Chartered Global Management Accountant and an Associate Member of The Association of Corporate Treasurers in United Kingdom, with local and international working experience spanning over 23 years having worked at various senior management positions in the NICO Group. Louis is privileged to have been part of the pioneer management team that was given the task of setting up NIKO Insurance Uganda (now Sanlam Uganda) and NIKO Insurance Tanzania (now Sanlam General Insurance Tanzania).



**Mr. Dasford Kamkwamba**
B.Com, FCCA, MBA

Director

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

BOARD OF DIRECTORS PROFILE (Continued)



Mr. Simeon Banda

BSc QS, MRICS, MSIS,
Chartered Quantity Surveyor

Director

Mr. Simeon Banda is a Chartered Quantity Surveyor and holds a Bachelor of Science (Honours) in Quantity Surveying. He is a Professional Associate of the Royal Institute of Chartered Surveyors (MRICS); a member of the Surveyors Institute of Malawi (MSIM) and Architects and Quantity Surveyors Board of Malawi. Mr. Banda has 26 years Quantity Surveying, Project Management and Valuation Experience in public infrastructural and institutional buildings.



Mr. Graham Chipande

BSc. Business Management,
MBA Finance

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. Joseph Malingamoyo
BSc QS, MRICS, MSIS, Chartered Quantity Surveyor, LL.M Construction Law

Director

Mr. Malingamoyo is a Chartered Quantity Surveyor and holds a Bachelors' Degree (Honours) in Quantity Surveying and Construction Economics and an LL.M 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).



Mrs Zunzo Mitole
LLB Hons, MBA

Director

Mrs Zunzo Mitole is a lawyer by profession with an LLB (Honours) degree from the University of Malawi. She holds an MBA from Eastern and Southern African Management Institute and is currently the Company Secretary/Legal Counsel of National Bank Plc and NBM Pension Administration Limited with 23 years' experience in litigation; contract management; compliance and corporate governance. Mrs Mitole is currently the Chairperson of the National Bank of Malawi plc Pension Fund and also sits on the board of Chichiri Shopping Centre Limited.



PORTFOLIO MANAGERS' PROFILE

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

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

Investments and Projects Division

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

Finance and Administration Division

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

Investor Services

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

NAML manages a portfolio valued at over K560bn. The property portfolio represents about 12% of the total assets under management.

NAML provides the following services to ICON Properties plc:

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



PORTFOLIO MANAGERS' MANAGEMENT TEAM

Daniel Dunga – Chief Investment Officer (Investment Management)

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

David Moyo – Chief Investment Officer (Corporate Finance)

Mr. Moyo is a fellow of the Association of Chartered and Certified Accountants (ACCA) and a Certified Information Systems Auditor (CISA). He holds a Bachelor of Accountancy from the University of Malawi. He previously was the Head of Internal Audit for NICO Holdings Plc. Prior to that, he was Senior Audit Manager at Deloitte.

Chikondi Gomani - Investment Manager

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

James Tsonga – Chief Finance Officer

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

Memory Chipembere – Legal Executive

Mrs. Chipembere holds a Bachelor of Laws (Honours) from the University of Malawi and a Certificate in Insurance from the Chartered Institute of Insurers (UK). She is currently pursuing a governance professional qualification with the Chartered Governance Institute. She has 15 years post qualification experience, having worked at National Bank of Malawi plc and Britam Insurance Company Limited. She is responsible for governance and management of legal and compliance risk.

Donald Kambalometore – Chief Accountant and Risk Officer

Mr. Kambalometore is a 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 NICO Asset Mangers Limited he worked at Deloitte as an Assistant Audit Manager.



PORTFOLIO MANAGERS REPORT

1.0 Malawi Economy Overview

Malawi's economic outlook faces considerable downside risks. The risks include the potential for a widespread domestic outbreak of COVID-19, fiscal policy uncertainty, weather shocks, and fiscal slippages. The COVID-19 outbreak poses considerable downside risks for the economy and, in an adverse scenario, could lead to a recession in 2020. In line with these risks different institutions have revised downwards their economic growth projections to an average of 0.70% for the year 2020. The projection is subject to change depending on the widespread of the domestic outbreak of COVID-19.

The inflation rate for the year 2019 averaged 9.38%. Although inflation has shown a downward movement in the recent months, the risks for the inflation to change direction and begin rising still abound. Although the government is optimistic of the 2020 inflation to average 8.80% the IMF has projected the inflation to average 14%. The risks that are likely to cause upward movement of the inflation include supply chain disruptions due to the COVID-19 and expected rise in maize prices as we move away from the harvest season.

Since the onset of the coronavirus, businesses have been very slow and in other industries they have closed. Even though Malawi seems to have relaxed some measures which were

put forth to curb the spread of the virus, we do not expect businesses to be back to their usual routine anytime soon. As a result, we expect very few businesses to look for funds in the market which will likely leave the interests rates at bay. The only pushing effect for interest rates would be government borrowings at least in the short run.

2.0 Property Market Overview

Activity in the property markets was for the most part solid in 2019 but some major challenges emerged in the latter half namely intermittent power supply and the prolonged political impasse. Demonstrations by various factions and acts of looting affected retail operators who continue to reel from the after-effects of the same. However, despite pressure from increasing operational costs and major disruptions from the spate of demonstrations and looting, retail operators remained resilient in the run up to the festive season which remained a highly profitable period for the sector. Office sector was largely unchanged with Non-Governmental Organizations (NGO) driving demand for the most part in the capital city, whilst demand in Blantyre was dominated by the financial services sector. Demand in Mzuzu's demand was driven by the increasing number of Small to Medium Enterprises (SME). Rental growth in the market which is typically linked to inflation peaked in the early-teen figures with tenants having increasingly higher bargaining power due to slumping market demand.

The notable increased uptake of space from entertainment and leisure operators in Blantyre and Lilongwe in 2019 supports the notion that the Malawian urban consumer is evolving into an 'experience-driven' consumer. This evolution offers investors opportunities to fill gaps in the market. Further gaps exist in the residential markets which have seen little evolution of late. Unsatisfied demand from young professionals for single or double occupancy homes has led to some distortion in rentals for small units in medium to high density neighbourhoods which continue to increase in popularity. The industrial and hospitality sectors continue to see considerable investment with several large projects in the offing in and around Blantyre and Lilongwe.

With the conclusion of the elections case and easing of public demonstrations, the market was poised to make some gains in 2020 owing to improvements in investment conditions including lowering of interest rates.

3.0 Portfolio Review

As at 31 December 2019, the Group's portfolio was valued at K57.9 billion. The portfolio generated total income of K11.8 billion for the year which includes increase in fair value of properties and investee company of K4.0 billion and finance income of K2.3 billion. Total expenses for the period were at K2.3 billion, some of the major expense areas included

PORTFOLIO MANAGERS' REPORT (Continued)

preservations drive through repairs and maintenance, property and administrative management fees, soft services and utility costs. The Group reported a profit after tax of K7.4 billion for the year ended 31 December 2019.

The company's performance continues to be led by the retail and office sectors of the portfolio which maintained occupancy levels of above 95%.

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

	Consolidated 12 months ended 31 December 2019	Consolidated 2 months ended 31 December 2018
Property portfolio value (K'mn)	57,900	51,962
Gross rental income (K'mn)	5,099	813
Number of properties	35	35

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

	Number of properties	Number of tenants	Lettable area (Sqm)	Occupancy
Retail	2	109	32,296	97%
Offices	17	29	26,012	98%
Industrial	2	2	10,136	75%
Residential	13	11	4,186	84%
Vacant Land	1	N/A	N/A	N/A
Total	35	151	72,630	96%

The industrial properties were fully let up to mid Q4, 2019, whilst the retail and office portfolios had minor vacancies at various points throughout the year. Lower occupancy was experienced on the residential sector portfolio at 84% owing to the need to get the right takers. All leases with anchor tenants on the retail sector portfolios were in place, renewal negotiations were initiated in 2020 and expected to be concluded in Q3, 2020.

In line with aspirations to optimise potential return from investments, the main strategic element of ICON's active asset growth and management strategy will be driven by brownfield and greenfield investments aimed at enhancing investment value and to be executed on a case by case basis. The provision of smart, safe and sanitary accommodation solutions will underpin service delivery across the portfolio whilst ensuring a growing income stream for

investors.

The fourth quarter of 2019 saw the final stages of three major refurbishment projects valued at K1.9 billion which focused on the preservation and upgrading of Lilongwe City Mall, NBS Lilongwe Service Centre and NBS Ginnery Corner and Head Office. The projects were all handed over by the first quarter of 2020. Looking forward, the Company has a number of major projects in the offing including the installation of parking management systems at Lilongwe City Mall and Chichiri Shopping Centre which will be rolled out in Q3 2020, the refurbishment of Kapeni House in Blantyre which is due to kick off in June 2020, the development of drive through restaurant at Chichiri Shopping Centre which is currently at planning stage and the development of a Ryalls Hotel in Lilongwe. ICON is currently negotiating the extent of its involvement in the Ryalls Hotel project in Lilongwe which is set to break ground in Q3.

The company had invested the K11.4 billion raised during the IPO in Treasury Notes pending the start of planned infrastructure projects. The groundwork for the infrastructure projects is in progress and the size of the projects in the pipeline has necessitated careful due process to ensure shareholder value is maximized. Considering the prevailing interest rate environment, the most favorable money market investment were Treasury Notes and these will be discounted once the need for funding arises. The company has other short-term money market investments that are enough to meet smaller projects.

4.0 Role of Eris (Malawi) Properties Limited

Eris Properties Mw Limited (Eris), looks after the property development and management of ICON through a spectrum of commercial property services. Eris draws on decades of experience of its parent Companies, NICO Holdings Plc and Eris Property Group of South Africa and takes on growth opportunities in the sector. Eris leverages off a philosophy of a long-term view and attention to detail to property management and investment, ensuring optimal and efficient solutions. Currently, Eris manages the day to day operations of ICON's property portfolio and manages the planning and delivery of a range of both greenfield and brownfield projects.

5.0 Outlook

The unprecedented global COVID-19 pandemic is expected to have some impact on the portfolio. Although ICON is expected to remain competitive, rental growth is expected to be impacted with the retail sector expected to be particularly adversely affected. Various strategies formulated to counter effects of COVID-19 on the portfolios performance are expected to yield results from Q3 through to Q4.

The Company's focus in the wake of the pandemic will be three-fold; React, Respond and Recover in a world where a new normal will be the way forward. Compliance and adherence

to COVID-19 measures, reduction of receivables, selective implementation of projects and scenario-based planning will form the basis of ICON's response paving the way to recovery. Market wide, key investment opportunities will stem from changes in market dynamics in light of the various effects of the pandemic. Whilst the traditional high street retail offering may be at threat owing to social political disposition, opportunities in the logistics sector are anticipated as retailers re-organise their operations to adopt more flexible supply chains to support an increasingly virtual retail landscape. Utilization rates in the office markets are expected to contract as more companies take up remote working practices. However, this is unlikely to have an immediate impact on local office markets as companies still depend on traditional offices to house ICT infrastructure to support remote working.

The climate of uncertainty in the macro-economic environment will likely remain following the conclusion of the 2020 elections. A tentative approach to major commitments taken by some key decision makers in the run up to the polls will continue to impact dynamics in the operating environment and ultimately investments therein.

With the expectation that the Kwacha's relative stability against major currencies is likely to come to an end in the short to medium term, the depreciation of the local unit could lead to higher import costs and relatively cheap domestic exports on the international market. The unpredictability in exchange rate gain or loss in the uncertain environment brings further uncertainty in terms of construction costs determination as Malawi is a net importer of construction materials.

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

NICO Asset Managers

Portfolio Manager



PROPERTY MANAGERS' PROFILE

Eris Properties Mw Limited ("Eris") was appointed by the Directors of ICON Properties plc to provide Property Management services effective 1st November 2018.

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

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

Eris leverages off EPG's philosophy of a long-term view and attention to detail to property management and investment, ensuring optimal and efficient solutions through a spectrum of property services. EPG has US\$2.3bn properties under management, completed over 100 property developments in Africa worth US\$2.5bn in market value and holds US\$120m in proprietary investments.

Services

Eris offers expertise in the following property business lines:

- Property Development;
- Property Management;
- Property Valuation;
- Facilities Management;
- Leasing and Investment Broking;
- Property Advisory; and
- Retail Services.

PROPERTY MANAGERS' MANAGEMENT TEAM

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

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

Mrs. Ellen Chapinduka Nyasulu - Chief Executive Officer

Mrs. Chapinduka Nyasulu is a holder of an MBA obtained from the University of Reading (UK). Further, she also holds a Master of Science Real Estate (University of Pretoria), a Bachelor Business Administration (University of Malawi) as well as other qualifications in Management, Valuation and Facilities Management. Mrs. Nyasulu is the immediate past President for the Surveyors Institute of Malawi after having served for 2 terms in that capacity. She has also served on various boards as a director including National Construction Industry Council, National Urban Planning and Road Authority. She is a licensed surveyor with Surveyors Institute of Malawi (SIM) and an experienced real estate practitioner with 22 years' work experience. Prior to her role as Eris Chief Executive Officer, she worked as Operations and Marketing Manager for MPICO plc. Prior work experience includes an extensive career at Malawi Housing Corporation where she joined as an Estates officer and rose through the ranks to principal Estates Officer & finally acted as Chief Estates Officer before joining MPICO.

Ms. Tawene Lungu - Senior Property Manager

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 Royal Institute of Chartered Surveyors and a Graduate Member of Surveyors Institute of Malawi. Prior to her role as senior property manager which she has held for over a year, she was a property manager at Knight Frank Malawi for 2 years after completing the Knight Frank's graduate management trainee program for 3 years.

Mr. Yankho Somanje - Property Manager

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

Mr. Petros Mkandawire - Senior Operations Officer

Mr. Mkandawire holds a Bachelor of Science in Land Economy from the University of Malawi and has a Certificate in Real Estate and Facilities Management accredited by the Royal Institute of Chartered Surveyors and an Advanced Certificate in Information Technology from Mzuzu University. He is a Graduate Member of Surveyors Institute of Malawi and prior to his role as Operations Officer, he gained over 4 years' experience in real estate through his roles at NICO Asset Managers - most of which was as an Infrastructure Management Associate.

ICON PROPERTIES TOP 10 SHARE HOLDING

AS AT 31 DECEMBER 2019

Investor Name	Holding	% of Total Number of Shares
STANDARD BANK PENSION FUND	516,530,368	7.73%
NBM PENSION FUND	368,481,304	5.52%
MAGETSI PENSION FUND	220,924,891	3.31%
PRESS TRUST PRESS TRUST	170,418,000	2.55%
ASSOCIATED PENSION TRUST	141,999,016	2.13%
LIMBE LEAF PENSION FUND	137,797,869	2.06%
NATIONAL INVESTMENT TRUST LIMITED	133,016,222	1.99%
ILLOVO SUGAR MALAWI PENSION FUND	97,723,619	1.46%
GENERAL PUBLIC	704,273,782	10.54%
NICO LIFE INSURANCE COMPANY LIMITED	4,188, 834,929	62.71%
	6,680,000,000	100%

ICON PROPERTIES TOP 10 SHARE HOLDING

AS AT 21 JANUARY 2019 (IPO completion date)

Investor Name	Holding	% of Total Number of Shares
STANDARD BANK PENSION FUND	516,530,368	7.73%
NBM PENSION FUND	389,944,986	5.84%
MAGETSI PENSION FUND	220,924,891	3.31%
PRESS TRUST	170,418,000	2.55%
ASSOCIATED PENSION TRUST	141,999,016	2.13%
LIMBE LEAF PENSION FUND	137,797,869	2.06%
NATIONAL INVESTMENT TRUST LIMITED	133,016,222	1.99%
ILLOVO SUGAR MALAWI PENSION FUND	97,723,619	1.46%
GENERAL PUBLIC	682,810,100	10.22%
NICO LIFE INSURANCE COMPANY LIMITED	4,188, 834,929	62.71%
	6,680,000,000	100.00%

TOP 10 SHAREHOLDING FOR ICON PROPERTIES

AS AT 31 DECEMBER 2018

Investor Name	Holding	% of Total Number of Shares
STANDARD BANK PENSION FUND	516,530,368	10.33%
NBM PENSION FUND	389,944,986	7.80%
MAGETSI PENSION FUND	220,924,891	4.42%
LIMBE LEAF PENSION FUND	132,083,869	2.64%
NATIONAL INVESTMENT TRUST LIMITED	110,159,222	2.20%
ASSOCIATED PENSION TRUST	108,730,016	2.17%
ILLOVO SUGAR MALAWI PENSION FUND	97,723,619	1.95%
SUCOMA GROUP PENSION FUND	67,976,959	1.36%
PUMA ERNEGY MALAWI PENSION FUND	51,147,355	1.02%
OTHER SHAREHOLDERS	147,289,786	2.95%
NICO LIFE INSURANCE COMPANY LIMITED	3,157,488,929	63.15%
	5,000,000,000	100.00%



INDUSTRY STATISTICS FOR ICON PROPERTIES

AS AT 31 DECEMBER 2019

Description	Shareholders	% of Holders	Shares	% of Shares
BANKS/NOMINEES	17	1.61	44,819,546	0.67
INSURANCE / ASSURANCE	2	0.19	4,188,834,929	62.71
INVEST/TRUST ETC.	88	8.33	428,764,786	6.42
LOCAL COMPANY	31	2.93	45,891,210	0.69
LOCAL INDIVIDUAL	872	82.50	103,383,892	1.55
NON RESIDENT	12	1.14	2,557,270	0.04
OTHER CORP	1	0.09	24,000	0.00
PENSION/PROVIDENT	20	1.89	1,864,965,304	27.92
RESIDENT IND	14	1.32	759,063	0.01
Totals	1,057	100.00	6,680,000,000	100.00

INDUSTRY STATISTICS FOR ICON PROPERTIES

AS AT 21 JANUARY 2019 (IPO completion date)

Description	Shareholders	% of Holders	Shares	% of Shares
BANKS/NOMINEES	2	0.19	16,586,680	0.25
INSURANCE / ASSURANCE	2	0.19	4,188,834,929	62.71
INVEST/TRUST ETC.	96	9.24	434,189,222	6.50
LOCAL COMPANY	24	2.31	47,914,164	0.72
LOCAL INDIVIDUAL	882	84.89	113,139,504	1.69
NON RESIDENT	12	1.15	3,079,000	0.05
OTHER CORP	1	0.10	24,000	0.00
PENSION/PROVIDENT	18	1.73	1,875,958,501	28.08
RESIDENT IND	2	0.19	274,000	0.00
Totals	1,039	100.00	6,680,000,000.00	100.00

INDUSTRY STATISTICS FOR ICON PROPERTIES

AS AT 31 DECEMBER 2018

Description	Shareholders	% of Holders	Shares	% of Shares
BANKS/NOMINEES	1	6.25	15,586,680	0.31
INSURANCE / ASSURANCE	1	6.25	3,157,488,929	63.15
INVEST/TRUST ETC.	1	6.25	110,159,222	2.20
LOCAL COMPANY	2	12.50	34,432,164	0.69
LOCAL INDIVIDUAL	1	6.25	11,635,504	0.23
PENSION/PROVIDENT	10	62.50	1,670,697,501	33.41
Totals	16	100.00	5,000,000,000	100.00

RANGES STATISTICS FOR ICON PROPERTIES

AS AT 31 DECEMBER 2019

Description	Shareholders	% of Holders	Shares	% of Shares
1 - 5000 shares	99	9.37	450,016	0.01
5001-25,000 shares	431	40.78	6,450,472	0.10
25,001-50,000 shares	107	10.12	4,560,576	0.07
50,001-100,000 shares	129	12.20	10,636,919	0.16
100,001-200,000 (up to two hundred thousand) shares	107	10.12	15,594,537	0.23
200,001-500,000 (up to five hundred thousand) shares	80	7.57	26,875,028	0.40
500,001-1,000,000 (up to 1 million) shares	39	3.69	31,814,350	0.48
1,000,001 (greater than 1 million) shares	65	6.15	6,583,618,102	98.56
Totals	1,057	100.00	6,680,000,000	100.00

RANGES STATISTICS FOR ICON PROPERTIES

AS AT 21 JANUARY 2019 (IPO completion date)

Description	Shareholders	% of Holders	Shares	% of Shares
1 - 5000 shares	86	8.28	430,000	0.01
5001-25,000 shares	416	40.04	6,245,000	0.09
25,001-50,000 shares	100	9.62	4,243,000	0.06
50,001-100,000 shares	136	13.09	11,239,000	0.17
100,001-200,000 (up to two hundred thousand) shares	112	10.78	16,085,000	0.24
200,001-500,000 (up to five hundred thousand) shares	86	8.28	28,742,000	0.43
500,001-1,000,000 (up to 1 million) shares	41	3.95	33,597,000	0.50
1,000,001 (greater than 1 million) shares	62	5.97	6,579,419,000	98.49
Totals	1,039	100.00	6,680,000,000	100.00

RANGES STATISTICS FOR ICON PROPERTIES

AS AT 31 DECEMBER 2018

Description	Shareholders	% of Holders	Shares	% of Shares
1 - 5000 shares	-	-	-	-
5001-25,000 shares	-	-	-	-
25,001-50,000 shares	-	-	-	-
50,001-100,000 shares	-	-	-	-
100,001-200,000 (up to two hundred thousand) shares	-	-	-	-
200,001-500,000 (up to five hundred thousand) shares	-	-	-	-
500,001-1,000,000 (up to 1 million) shares	-	-	-	-
1,000,001 (greater than 1 million) shares	16	100.00	5,000,000,000	100.00
Totals	16	100.00	5,000,000,000	100.00



CORPORATE GOVERNANCE STATEMENT

The Board of ICON Properties Plc (ICON/the Company) believes that a robust and effective governance framework is essential to support management in delivering the Company's strategy. In developing such framework, the Board considers 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 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 Board and its Committees hold at least four scheduled meetings per year, with additional meetings convened as and when required.

The Composition of the Board

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 eight Directors.

Board Committees

During the year, the Board had three Committees namely: Finance and Audit Committee; Investment Committee; and Appointments and Remuneration Committee. At its Board

meeting held on 27 November 2019, the Board resolved that due to the management structure of the company, it would discontinue the existence of the Appointments and Remuneration Committee. Matters that would otherwise have been deliberated by it such as board remuneration reviews and appointment of service providers and their remuneration would be discussed by the Investment Committee and Finance and Audit Committee.

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.

Company Secretary

The Company Secretary is accountable to the Board and its Committees; is responsible for implementing corporate governance processes; and ensures that the Board and its Committees are provided with sufficient management and advisory support, including independent advice as required. 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. The Annual General Meeting provides the 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.



**AUDITED
FINANCIAL
STATEMENTS**

DIRECTORS' REPORT

For the year ended 31 December 2019

The directors have pleasure in submitting their report together with the consolidated and separate financial statements for the year ended 31 December 2019.

Nature of business

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

Incorporation

The Company was incorporated in Malawi as a private limited company on 4 June 2018. It began operations on 1 November 2018 and on this date the current shareholders transferred the shareholding they held in various property companies, namely Kang'ombe Investment Limited, Chichiri Shopping Centre Limited, Lilongwe City Mall Limited and NICO Properties Limited, as well as various property interests into the Company in exchange for shares in ICON Properties Limited. The Company was registered and converted to a public limited company on 8th November 2018 and later that month announced its intention to list its shares on the Malawi Stock Exchange. The public offer opened on 7 December 2018 and closed on 28 December 2018. The listing and allotment of shares was concluded on 21 January 2019.

Share capital

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

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

*Other shareholders include pension funds and the general public.

Registered office

The physical address of the company's registered office is:-

**Chibisa House
19 Glyn Jones Road
P.O. Box 3117
Blantyre**

Financial performance

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

Profit

The profit for the year ended 31 December 2019 attributable to the owners of the parent was K7.25 billion (for the period ended 31 December 2018: 1.2 billion).

Dividend

During the year ended 31 December 2019 the Group paid an interim dividend of K668 million.

Corporate governance

The company has a unitary board of directors comprising eight 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. R. Scharar	Chairman*	Throughout the year
Mr. V. Kumwenda	Director*	Throughout the year
Mr. L. Sibande	Director*	Throughout the year
Mr. D. Kamkwamba	Director**	Throughout the year
Mrs. Z. Mitole	Director*	Throughout the year
Mr. S. Banda	Director**	Throughout the year
Mr. J. Malingamoyo	Director**	Throughout the year
Mr. G. Chipande	Director*	Throughout the year
NICO Asset Managers	Company Secretary	Throughout the year

Non-Executive Director *

Non-Executive Independent Director **

In terms of the Memorandum and Articles of Association, any member who holds ten percent 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 percent holding in the equity shares of the company (with no rounding).

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.

DIRECTORS' REPORT (Continued)
For the year ended 31 December 2019

Main board and board committee meetings

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

Main Board - Meeting Attendance

Names of directors	April 2019	June 2019	September 2019	November 2019 (part 1)	November 2019 (part 2)
Mr. Robert Scharar	√	√	√	√	√
Mr. Vizenge Kumwenda	√	√	√	√	√
Mr. Simeon Banda	A	√	A	√	√
Mr. Louis Sibande	√	√	A	√	√
Mr. Graham Chipande	√	√	√	√	√
Mr. Joseph Malingamoyo	√	√	√	√	A
Mr. Dasford Kamkwamba	√	√	√	√	√
Mrs. Zunzo Mitole	A	A	√	A	A

Investment Committee - Meeting Attendance

Names of directors	August 2019	November 2019
Mr. Simeon Banda - Chairman	√	√
Mr. Louis Sibande	√	√
Mr. Dasford Kamkwamba	√	√

Finance and Audit Committee - Meeting Attendance

Names of directors	September 2019	November 2019
Mr. Dasford Kamkwamba - Chairman	√	√
Mr. Graham Chipande	√	√
Mr. Joseph Malingamoyo	√	√

Appointments and Remuneration Committee - Meeting Attendance

Names of directors	November 2019
Mr. Louis Sibande	√
Mr. Joseph Malingamoyo	√

Key:

√ = Attendance

A = Apology

DIRECTORS' REPORT (Continued)
For the year ended 31 December 2019



Due to the management structure of the company, the Directors resolved to discontinue the Appointments and Remuneration committee after its first meeting. Appointment and remuneration matters will be addressed by the remaining committees as and when appropriate.

Chichiri Shopping Centre Limited

Mr. C. Chiundira	Chairman*	Up to 21 June 2019
Mr. L. Sibande	Chairman*	Throughout the year (Chairman from 21 June 2019)
Mr. C. Luhanga	Director*	Up to 21 June 2019
Mr. D. Lipemba	Director*	Up to 21 June 2019
Ms. M. Mbeye	Director*	Up to 21 June 2019
Mrs. V. Zigowa	Director*	Up to 21 June 2019
Mrs. Z. Mitole	Director*	Throughout the year

Kang'ombe Investment Limited

Mr. C. Chiundira	Chairman*	Up to 24 June 2019
Mr. L. Sibande	Director*	Throughout the year (Chairman from 21 June 2019)
Ms. M. Mdoko	Director*	Throughout the year
Mrs. E. Gondwe	Director*	Up to 24 June 2019
Mr. J. Malingamoyo	Director**	Throughout the year

Lilongwe City Mall Limited

Mr. C. Chiundira	Chairman*	Up to 20 June 2019
Mr. L. Sibande	Director*	Throughout the year (Chairman from 21 June 2019)
Mr. E. Kandapo	Director*	Up to 20 June 2019
Mr. G. Chipande	Director*	Throughout the year
Mr. D. Ulanje	Director*	Up to 20 June 2019
Dr. P. Kulemeka	Director**	Up to 20 June 2019
Mr. G. Chitera	Director*	Up to 20 June 2019
Mr D. Kamkwamba	Director**	From 20 June 2019

NICO Properties Limited

Mr. R. Scharar	Chairman*	Up to 20 June 2019
Mr. L. Sibande	Director*	Throughout the year (Chairman from 21 June 2019)
Mr. D. Kamkwamba	Director**	Throughout the year
Mr. G. Chipande	Director*	Up to 20 June 2019
Mr. S. Banda	Director**	Throughout the year
Mrs. B. Yafete	Alternate Director*	Up to 20 June 2019

Non-Executive Director *

Non-Executive Independent Director **

DIRECTORS' REPORT (Continued)
For the year ended 31 December 2019

Directors' remuneration

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

Name of Company	Directors Fees and expenses	
	2019	2018
	K'000	K'000
ICON Properties Plc	27 546	2 877
NICO Properties Limited	4 762	2 766
Chichiri Shopping Centre Limited	8 569	2 161
Lilongwe City Mall Limited	3 279	2 126
Kang'ombe Investment Limited	10 207	2 091
Total	54 363	12 021

External auditor's remuneration

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

Name of Company	Auditor's* Remuneration	
	2019	2018
	K'000	K'000
ICON Properties Plc	38 544	35 000
NICO Properties Limited	9 998	1 013
Chichiri Shopping Centre Limited	17 725	1 927
Lilongwe City Mall Limited	10 352	614
Kang'ombe Investment Limited	7 413	763
Total	84 032	39 317

*Prior period audit fees for subsidiaries represents two months expenses for which the Group was under the control of ICON Properties plc.

Donations

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

Directors' Interests

Register of Interests:

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

Standing Notice of Disclosure for Mr. Vizenge Kumwenda for NICO Holdings plc executive position (which is the majority shareholder of NICO Life Insurance Company, the majority shareholder of ICON Properties plc). At year end Mr. Kumwenda indirectly held 23 858 000

Directors' Interests (Continued)
Register of Interests:- (Continued)

shares (2018: 22 858 000) in the Company through WOP VJ Trust whose beneficiaries are his family members.

Standing Notice of Disclosure for Mr. Louis Sibande for NICO Holdings plc executive position (which is the majority shareholder of NICO Life Insurance Company, the majority shareholder of ICON Properties plc). Mr. Sibande declared his interest in discussions relating to the appointment of ERIS Properties Malawi Limited (Eris) as property managers because he is a Director on the Board of Eris. At year end Mr. Sibande directly held 6 000 000 shares (2018: 3 500 000) in the Company.

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

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

Mr. J. Malingamoyo directly held 1 541 152 shares (2018: 2 000 000) in the Company.

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

Activities

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

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

<u>Name of investment in shares</u>	<u>% Holding</u>	<u>Type of business</u>
Plantation House	4.98	Property letting

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

Auditors

Deloitte, Chartered Accountants, have expressed their willingness to continue in office as Group auditors. A resolution to confirm their appointment as auditors of the Group for the year

DIRECTORS' REPORT (Continued)
For the year ended 31 December 2019

Auditors (Continued)

ending 31 December 2020 and to authorize the Directors to determine their remuneration is to be proposed at the forthcoming annual General meeting.



Mr. Robert Scharar,
Chairman



Mr. Dasford Kamkwamba,
Director

DIRECTORS' RESPONSIBILITIES STATEMENT

For the year ended 31 December 2019



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 2019 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 company and its subsidiaries abilities to continue as going concerns and have no reason to believe that the company will not be going concerns in the year ahead.

The external auditor is responsible for reporting on whether the consolidated and separate financial statements give a true and fair view in accordance with International 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 12 May 2020 and are signed on its behalf by:

A handwritten signature in black ink, appearing to read "R. Scharar".

Mr. Robert Scharar,
Chairman

A handwritten signature in black ink, appearing to read "Dasford Kamkwamba".

Mr. Dasford Kamkwamba,
Director



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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 41 to 105, which comprise the consolidated and separate statements of financial position as at 31 December 2019, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the period then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and company as at 31 December 2019, and of their consolidated and separate financial performance and consolidated and separate cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Revised July 2016), parts 1 and 3 of the International Ethics Standards Board for Accountants International Code of Ethics for professional Standards, (including International Independence Standards) (Revised July 2018) and other independence requirements applicable when performing audits of financial statements in Malawi. We have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment in shares (Separate financial statements)</p> <p>The company's investment in shares is made in companies which are all unlisted. The valuation of these investments in the separate financial statements are carried at fair value.</p> <p>Valuation of these investments was done at the end of the financial period. The valuation methods adopted as well as the valuations are disclosed in note 6 to the financial statements. The total value of these unlisted investments is K44.5 billion (2018: K41.2 billion).</p> <p>Determination of fair values for the investments involves significant judgement and assumptions and is complex in nature. We consider this as a key audit matter.</p>	<p>We obtained the valuation reports, which were independently done by a professional valuer, and assessed the professional competence of the valuer by examining the valuer's qualifications, and experience;</p> <p>We assessed that the information provided by the company to the valuer is accurate and complete for valuation purposes based on our understanding of the investee companies;</p> <p>We read the valuation reports and assessed the reasonableness of assumptions used in the valuations reports in comparison to market data;</p> <p>We considered the relevance and appropriateness of the valuation methods used; and</p> <p>We agreed information used in the valuation such as net assets, shareholding, profits, and others to relevant supporting documents of the investment companies.</p> <p><i>We found the valuation of the investment in shares to be appropriate.</i></p>
<p>Valuation of investment property (Consolidated and separate financial statements)</p> <p>The group owns various investment properties which are carried at fair value in line with IAS 40 <i>Investment Property</i>.</p> <p>The investment properties are the group's most significant revenue generating assets and represent a material balance to the consolidated and separate financial statements.</p>	<p>We evaluated the acceptability of valuation work performed by the valuation expert by, among other things:</p> <ul style="list-style-type: none"> ■ Assessed the design and implementation of key controls; ■ Assessed the competence and objectivity of the expert; ■ Tested the judgements and assumptions applied; ■ Evaluated the accuracy and completeness of the input data used in the valuation;

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS (Continued)
For the year ended 31 December 2019

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment property (Consolidated and separate financial statements)</p> <p>The Group's value of the investment properties is K57.9 billion (2018: K52 billion), and K11.1 billion (2018: K10.1 billion) for the company.</p> <p>The investment properties were revalued as at 31 December 2019 by an independent valuer.</p> <p>The valuation of the group's property was considered a key audit matter due to:</p> <ul style="list-style-type: none"> ■ The significance of the amount to the financial statements; ■ The use of judgement and assumptions by the valuers; and ■ The complexity of the methods used in the valuation of the property. <p><i>The accounting policies relating to investment property are disclosed in notes 3.8 and 4 to the financial statements.</i></p>	<ul style="list-style-type: none"> ■ Using internal expert, tested the reasonableness of the judgements used by entity's expert; and ■ Evaluated the conclusions reached in light of our understanding of the entity and its business. <p><i>We found the valuation of the investment property to be appropriate.</i></p>

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report and the Statement of Directors' Responsibilities, as required by the Companies Act, which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements

Other Information (Continued)

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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS (Continued)

For the year ended 31 December 2019

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



Chartered Accountants
Kondwani Msimuko
Partner
12 May 2020

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019



ICON PROPERTIES PLC

	Notes	2019 K'000	GROUP 2018 K'000	2019 K'000	COMPANY 2018 K'000
ASSETS					
Non-current assets					
Investment property	4	57 900 447	51 962 000	11 114 799	10 099 000
Office equipment	5	-	5 144	-	-
Investment in subsidiaries	6	-	-	44 494 350	41 212 005
Investment in associates	7	-	-	1 905 622	1 741 379
Other investment in shares	8	91 933	65 505	91 933	65 505
Investment in treasure note	11.2	11 441 722	-	11 441 722	-
Deferred tax asset	9	-	226 220	-	177 388
Total non-current assets		69 434 102	52 258 869	69 048 426	53 295 277
CURRENT ASSETS					
Taxation recoverable	9.2	528 415	769 906	-	289
Trade and other receivables	10	1 469 180	1 538 403	1 421 115	242 933
Bank and cash balances	11.1	7 946 760	18 252 613	3 995 490	15 666 073
Total current assets		9 944 355	20 560 922	5 416 605	15 909 295
TOTAL ASSETS		79 378 457	72 819 791	74 465 031	69 204 572
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	12	58 209 424	58 209 424	58 209 424	58 209 424
Restructuring reserve	13	7 841 995	7 841 995	7 841 995	7 841 995
Retained earnings	14	7 822 252	1 241 630	7 552 737	1 178 226
Equity attributable to owners					
of the company		73 873 671	67 293 049	73 604 156	67 229 645
Non-controlling interests	15	1 361 159	1 243 842	-	-
Total equity		75 234 830	68 536 891	73 604 156	67 229 645
Non-current liabilities					
Deferred taxation	9	2 288 682	1 746 628	160 080	-
Deferred income	17	722	1 082	-	-
Total non-current liabilities		2 289 404	1 747 710	160 080	-
Current liabilities					
Bank overdraft	11.1	-	198 824	-	36
Trade and other payables	16	1 268 032	2 308 604	174 723	1 974 891
Taxation payable	9.3	586 191	27 762	526 072	-
Total current liabilities		1 854 223	2 535 190	700 795	1 974 927
TOTAL EQUITY AND LIABILITIES		79 378 457	72 819 791	74 465 031	69 204 572

The consolidated and separate financial statements of ICON Properties plc were approved by the Board of Directors on 12 May 2020 and are signed on its behalf by:

Mr. Robert Scharar,
Chairman

Mr. Dasford Kamkwamba,
Director

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

		GROUP		COMPANY	
		2019	2 months	2019	2 months
	Notes	K'000	period	K'000	period
			ended		ended
			31/12/2018		31/12/2018
			K'000		K'000
INCOME					
Rental income		5 099 376	813 358	756 863	117 831
Dividend income		2 496	-	26 161	-
Fair value adjustment - investment property	4	4 044 547	512 003	860 524	133 513
Fair value adjustment - investment in subsidiaries	6	-	-	3 282 345	750 993
Share of associate profits	7	-	-	231 014	47 989
Fair value adjustment - investment in shares	8	26 428	4 366	26 428	4 366
Other income	18	336 499	57 517	82 649	11 530
Deferred income		360	-	-	-
Total income		9 509 706	1 387 244	5 365 984	1 066 222
EXPENSES					
Administrative expenses	19	(1 274 798)	(455 301)	(336 357)	(142 611)
Operating expenses	20	(1 020 995)	(176 573)	(240 422)	(25 611)
Total expenses		(2 295 793)	(631 874)	(576 779)	(168 222)
Operating income before interest and tax		7 213 913	755 370	4 789 205	898 000
Finance income	21	2 320 669	51 438	3 578 353	102 838
Profit before taxation		9 534 582	806 808	8 367 558	1 000 838
Taxation (charge)/credit	22	(2 120 950)	469 100	(1 325 047)	177 388
Profit for the period		7 413 632	1 275 908	7 042 511	1 178 226
Attributable to:					
Owners of the parent		7 248 622	1 241 630	-	-
Non-controlling interests		165 010	34 278	-	-
Profit for the period		7 413 632	1 275 908	-	-
Earnings per share (tambala)	23	109	19	-	-

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2019



ICON PROPERTIES PLC

	Notes	Share capital K'000	Restructuring reserves K'000	Retained earnings K'000	Total attributable to shareholder K'000	Non- controlling interest K'000	Total K'000
GROUP							
Balance at 1 January 2019	12	58 209 424	7 841 995	1 241 630	67 293 049	1 243 842	68 536 891
Profit for the year		-	-	7 248 622	7 248 622	165 010	7 413 632
Dividends paid		-	-	(668 000)	(668 000)	(47 693)	(715 693)
Balance at 31 December 2019		58 209 424	7 841 995	7 822 252	73 873 671	1 361 159	75 234 830
2 months period ended 31 December 2018							
Capital injection	12	44 322 212	7 841 995	-	52 164 207	1 209 564	53 373 771
Issue of shares	12	14 700 000	-	-	14 700 000	-	14 700 000
Share issue costs		(812 788)	-	-	(812 788)	-	(812 788)
Profit for the period		-	-	1 241 630	1 241 630	34 278	1 275 908
Balance at 31 December 2018		58 209 424	7 841 995	1 241 630	67 293 049	1 243 842	68 536 891
COMPANY							
	Notes	Share capital K'000	Restructuring reserves K'000	Retained earnings K'000	Total K'000		
Balance at 1 January 2019	12	58 209 424	7 841 995	1 178 226	67 229 645		
Profit for the year		-	-	7 042 511	7 042 511		
Dividends paid		-	-	(668 000)	(668 000)		
Balance at 31 December 2019		58 209 424	7 841 995	7 552 737	73 604 156		
2 months period ended 31 December 2018							
Capital injection	12	44 322 212	7 841 995	-	52 164 207		
Issue of shares	12	14 700 000	-	-	14 700 000		
Share issue costs		(812 788)	-	-	(812 788)		
Profit for the period		-	-	1 178 226	1 178 226		
Balance at 31 December 2018		58 209 424	7 841 995	1 178 226	67 229 645		

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

For the year ended 31 December 2019

	Notes	GROUP		COMPANY	
		2019 K'000	2 months period ended 31/12/2018 K'000	2019 K'000	2 months period ended 31/12/2018 K'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		9 534 582	806 808	8 367 558	1 000 838
Fair value adjustments - Investment property		(4 044 547)	(512 003)	(860 524)	(133 513)
Fair value adjustments - Investment in subsidiaries		-	-	(3 282 345)	(750 993)
Fair value adjustments - Investment in shares		(26 428)	(4 366)	(26 428)	(4 366)
Interest received	21	(2 320 669)	(51 438)	(3 578 353)	(102 838)
Share of associate profit	7	-	-	(231 014)	(47 989)
Depreciation	5	-	411	-	-
Dividend received		(2 496)	-	(126 161)	-
Operating profit/(loss) before working capital changes		3 140 442	239 412	262 733	(38 861)
Increase/(decrease) in receivables		69 223	107 401	(1 178 182)	(242 933)
(Decrease)/increase in payables		(1 040 932)	1 790 484	(1 800 168)	1 974 891
Cash generated from/(used in) operations		2 168 733	2 137 297	(2 715 617)	1 693 097
Income tax paid		(552 756)	66 008	(461 218)	(289)
Net cash generated from/(used in) operating activities		1 615 977	2 203 305	(3 176 835)	1 692 808
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	21	2 320 669	51 438	3 578 353	102 838
Dividend received		2 496	-	192 932	-
Additions to investment properties	4	(250 453)	(130 331)	(101 476)	(16 821)
Additions to work in progress	4	(1 638 303)	-	(53 799)	-
Investment in treasury bills		(11 441 722)	-	(11 441 722)	-
Net cash used in investing activities		(11 007 313)	(78 893)	(7 825 712)	86 017
CASH FLOWS FROM FINANCING ACTIVITIES					
Issue of shares for cash	12	-	14 700 000	-	14 700 000
Transaction costs on issue of shares		-	(812 788)	-	(812 788)
Dividend paid		(668 000)	-	(668 000)	-
Dividend paid to non-controlling interest		(47 693)	-	-	-
Net cash (used in)/generated from financing activities		(715 693)	13 887 212	(668 000)	13 887 212
Net increase/(decrease) in cash and cash equivalents		(10 107 029)	16 011 624	(11 670 547)	15 666 037
Cash and cash equivalents at acquisition date		-	2 042 165	-	-
Cash and cash equivalents at 1 January		18 053 789	-	15 666 037	-
Cash and cash equivalents at 31 December*		7 946 760	18 053 789	3 995 490	15 666 037

*Details of cash and cash equivalents are included in note 11.1 to the financial statements.

1. INTRODUCTION

1.1 General information

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

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

1.2 Group restructuring

ICON Properties plc's shareholders had investments in property and property owning companies. The shareholders restructured the property portfolio to hold the various property interests in one company, ICON Properties plc, which was eventually listed on the Malawi Stock Exchange to increase its options for raising capital to fund its future investment plans. The restructuring, therefore, involved an offer to shareholders of Kang'ombe Investment Limited, Chichiri Shopping Centre Limited, Lilongwe City Mall Limited and NICO Properties Limited to transfer their shareholding in the respective companies in exchange for shares in ICON Properties plc. In addition, Nico Life Insurance Company Limited, Standard Bank plc Pension Fund and Toyota Malawi Limited Pension Fund transferred their interest in properties to ICON Properties plc.

Under the Taxation Act, the transfer of the assets to ICON Properties plc is a deemed disposal and subject to capital gains tax.

The restructuring was carried out using Section 70E of the Taxation Act, whereby the related capital gains tax on the deemed disposals of these investments was deferred and transferred to ICON Properties plc and can only crystallise in the event that these assets are disposed of by ICON Properties plc. The quantum of the deferred capital gains tax as at 1 January 2018 was agreed with the Malawi Revenue Authority and is included as part of the deferred tax in note 9 to the financial statements.

The shares were allocated to investors on the basis of the value of their gross investment as adjusted for the related deferred capital gains tax, i.e. the net investment after tax.

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

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

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

*ICON directly acquired 35% shareholding in Kang'ombe Investment Limited (KIL)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2019

1. INTRODUCTION (Continued)

1.2 Group restructuring (Continued)

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

1.3 Going concern basis of accounting

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1 Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements

In the current year, the Group has adopted those new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2019.

2.1.1 Initial application of IFRS 16 Leases

In the current year, the Group has applied IFRS 16 Leases (as issued by the IASB in January 2016).

IFRS 16 replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of transactions Involving the Legal Form of a Lease').

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

The Group is largely a lessor, and the adoption of the standard did not have a significant impact to the Group.

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

2.2 Standards and Interpretations in issue, not yet effective

A number of new standards, amendments to standards and interpretations are in issue but not yet effective for annual period ended 31 December 2019, and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective date	Standard, Amendment or Interpretation
Annual periods beginning on or after 1 January 2020	<p>Amendments to References to the Conceptual Framework in IFRS Standards</p> <p>Together with the revised <i>Conceptual Framework</i>, which became effective upon publication on 29 March 2018, the IASB has also issued <i>Amendments to References to the Conceptual Framework in IFRS Standards</i>. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.</p> <p>Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised <i>Conceptual Framework</i>. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB <i>Framework of 2010</i>, or the new revised <i>Framework of 2018</i>) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised <i>Conceptual Framework</i>.</p>
Annual reporting periods beginning on or after 1 January 2020	<p>Definition of a Business (Amendments to IFRS 3).</p> <p>The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:</p> <ul style="list-style-type: none"> ■ clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; ■ narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;

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

	<ul style="list-style-type: none"> ■ add guidance and illustrative examples to help entities assess whether a substantive process has been acquired; ■ remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and ■ add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.
Annual reporting periods beginning on or after 1 January 2020	<p>Definition of Material (Amendments to IAS 1 and IAS 8).</p> <p>The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.</p>
Annual reporting periods beginning on or after 1 January 2020	<p>Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).</p> <p>The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.</p>

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

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

Basis of accounting

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

- Financial instruments at fair value through profit or loss are measured at fair value;
- Investment property is measured at fair value;
- Investments in subsidiaries, joint ventures and associates are measured at fair value in the company financial statements; and

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 and 3 based on the degree to which inputs to the fair value measurements

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Statement of compliance (Continued)

Basis of accounting (Continued)

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Basis of consolidation (Continued)

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 recognized in profit or loss and is calculated as the difference between:

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

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

3.3 Business combinations

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

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

- 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;

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

- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share Based Payments* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

Other types of non-controlling interests are measured at fair value or, when applicable on the basis specified in another IFRS.

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

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified.

Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is re-measured at

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Business combinations (Continued)

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 arising 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.

3.4 Investments in associates and Joint Ventures

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

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

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

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

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

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

The requirements of IAS 36 *Impairment of Assets* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 *Impairment of Assets* to the extent that the recoverable amount of the investment subsequently increases.

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

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 remeasurement to fair value upon such changes in ownership interests.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Investments in associates and Joint Ventures (Continued)

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

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

3.5 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.

3.5.1 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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Significant accounting judgements, estimates and assumptions (Continued)

3.5.1 Judgements (Continued)

the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of this property and accounts for the contracts as operating leases.

(ii) Revenue from contracts with customers

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

Determination of performance obligations

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

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

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

Principal versus agent considerations - services to tenants

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Significant accounting judgements, estimates and assumptions (Continued)

3.5.1 Judgements (Continued)

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 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 taxation 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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Significant accounting judgements, estimates and assumptions (Continued)

3.5.1 Judgements (Continued)

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 taxation 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.

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.

(i) Valuation of investment property

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

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

(ii) Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies

(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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5.2 Estimates and assumptions (Continued)

(iii) Loss allowance for trade and other receivables (Continued)

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)
3.7 Investment property (Continued)

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.

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:

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)

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group applies the following business models:-

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

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

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

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.

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)

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 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.

NOTES TO THE CONSOLIDATED AND
SEPARATE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2019

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)

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Financial instruments (Continued)

3.8.1 Financial assets (Continued)

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.

3.8.1.5 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).
- 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.

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 (Continued)

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.

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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Financial instruments (Continued)

3.8.1 Financial assets (Continued)

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;
- 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:

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)

- 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.

3.8.1.9 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 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.

3.8.1.10 Credit-impaired financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Financial instruments (Continued)

3.8.1 Financial assets (Continued)

3.8.1.10 Credit-impaired financial assets (Continued)

- (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.

3.8.1.11 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 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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Financial instruments (Continued)

3.8.2 Financial liabilities and equity (Continued)

3.8.2.3 Financial liabilities (Continued)

Initial recognition and measurement (Continued)

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

(i) Subsequent measurement

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item (note 11) in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Financial instruments (Continued)

3.8.2 Financial liabilities and equity (Continued)

3.8.2.3 Financial liabilities (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Financial instruments (Continued)

3.8.2 Financial liabilities and equity (Continued)

3.8.2.3 Financial liabilities (Continued)

Financial guarantee contract liabilities (Continued)

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.

(i) 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.

3.9 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

Accounting policies applies before 1 January 2019

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

The Group as lessor

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

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

The Group as lessor (Continued)

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Group as lessee

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

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

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

Accounting policies applied after 1 January 2019

Group as a lessor

Refer to accounting policies on rental income in note 2.15(i) to the financial statements.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Leases (Continued)

(ii) Lease liabilities (Continued)

The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the 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 from investments

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

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

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

3.12 Income tax

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)
3.12 Income tax (Continued)

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

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

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

3.13 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.

3.14 Revenue recognition

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

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

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

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Revenue recognition (Continued)

customers. Revenue is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services and excludes any amounts collected on behalf of third parties.

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

(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.

(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, landscaping and snow removal of common areas), as well as other support services (e.g., reception services, catering and other event related services). The consideration charged to tenants for these services includes fees charged based on a percentage of the rental income and reimbursement of certain expenses incurred. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)
3.14 Revenue recognition (Continued)

(ii) Revenue from services to tenants (Continued)

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 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.

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

3.15 Share capital and dividends

(i) Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Share capital and dividends (Continued)

(i) Ordinary shares (Continued)

as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12 – Income taxes.

(ii) Dividends on ordinary shares

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

(iii) Dividend per share

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

(iv) Earnings per share

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

(v) Equity instruments

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

3.16 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 nonperformance 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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Fair value measurement (Continued)

market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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

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

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

4 INVESTMENT PROPERTY

	Investment property K'000	Work in progress K'000	Total K'000
GROUP			
2019			
As at 1 January	51 962 000	-	51 962 000
Additions	250 453	1 638 303	1 888 756
Transfer from office equipment	5 144	-	5 144
Fair value adjustment	4 044 547	-	4 044 547
As at 31 December	56 262 144	1 638 303	57 900 447
2018			
Capital injection	51 319 666	-	51 319 666
Additions	130 331	-	130 331
Fair value adjustment	512 003	-	512 003
At end of the year	51 962 000	-	51 962 000

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4 INVESTMENT PROPERTY (Continued)

	Investment property K'000	Work in progress K'000	Total K'000
COMPANY			
2019			
As at 1 January	10 099 000	-	10 099 000
Additions	101 476	53 799	155 275
Fair value adjustment	860 524	-	860 524
As at 31 December	11 061 000	53 799	11 114 799
2018			
Capital injection	9 948 666	-	9 948 666
Additions	16 821	-	16 821
Fair value adjustment	133 513	-	133 513
At end of the year	10 099 000	-	10 099 000

The fair value of the investment property as at 31 December 2019 has been arrived at on the basis of a valuation carried out by Nickson S.C. Mwanyali, Bsc (Est. Man), Dip (Bus Mngt), MSIM of Knight Frank, an independent, professionally qualified valuer not related to the Group. The valuer holds a recognised relevant professional qualification and has recent experience in valuation of properties in the locations and segments of the investment property valued.

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

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

Details of the Group's investment property and information about the fair value hierarchy as at 31 December 2019 are as follows:

	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Vacant land	-	327 000	-	327 000
Developed land	-	-	57 573 447	57 573 447
Total	-	327 000	57 573 447	57 900 447

4 INVESTMENT PROPERTY (Continued)

Details of the company's investment property and information about the fair value hierarchy as at 31 December 2019 are as follows:

	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Vacant land	-	327 000	-	327 000
Developed land	-	-	10 787 799	10 787 799
Total	-	327 000	10 787 799	11 114 799

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

The following table shows the valuation technique used in measuring the fair value of the investment property as at 31 December 2019.

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 Comparable approaches. 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 that 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.	<ul style="list-style-type: none"> ■ The investment properties comprises of commercial and residential properties which were valued as at 30 November 2019 on open market basis by Knight Frank – professional & qualified valuer. ■ The valuer makes professional judgement on adjustments as properties and locations are never the same mainly in situations where there are not much sale transactions taking place. 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> ■ Expected average rental yields were higher (lower); ■ The occupancy rates were higher (lower); or 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 unlikely that the sales market will improve in the near term unless a sustained reduction in interest rates take place.

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4 INVESTMENT PROPERTY (Continued)

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

	Furniture & fittings K'000	Equipment K'000	Total K'000
5. OFFICE EQUIPMENT - GROUP			
2019			
Cost			
Balance at 1 January	10 250	4 172	14 422
Transfer to investment property	(10 250)	(4 172)	(14 422)
Total	-	-	-
Accumulated depreciation			
Balance at 1 January	8 200	1 078	9 278
Transfer to investment property	(8 200)	(1 078)	(9 278)
Total	-	-	-
Net book value	-	-	-
2018			
Cost			
Cost at acquisition	10 250	4 172	14 422
Total	10 250	4 172	14 422
Accumulated depreciation			
Balance at acquisition	7 858	1 009	8 867
Charge for the year	342	69	411
Total	8 200	1 078	9 278
Net book value	2 050	3 094	5 144

6. INVESTMENT IN SUBSIDIARIES

6.1 Details of the company's subsidiaries

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

6. INVESTMENT IN SUBSIDIARIES (Continued)
6.1 Details of the company's subsidiaries (Continued)

Name of subsidiary	Principal Activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 2019	Proportion of ownership interest and voting power held by the Group 2018
NICO Properties Limited	Property leasing	Malawi		100%
Chichiri Shopping Centre Limited	Property leasing	Malawi	100%	100%
Lilongwe City Mall Limited	Property leasing	Malawi	100%	100%
Kang'ombe Investment Limited	Property leasing	Malawi	75%	75%

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

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

6.2 Reconciliation of carrying amount

	COMPANY	
	2019 K'000	2018 K'000
Balance as at 1 January/acquisition date	41 212 005	40 461 012
Increase in fair value	3 282 345	750 993
Balance at 31 December	44 494 350	41 212 005

Included in the investment in subsidiaries are income notes of K4.4 billion (2018: K4.4 billion) which form part of the capital structure of the subsidiaries. The income notes earn interest which varies with the performance of the individual subsidiaries. Interest income arising from the income notes is included in note 21 to the financial statements.

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6. INVESTMENT IN SUBSIDIARIES (Continued)

6.3 Analysis of carrying amount

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

	At the beginning of the year K'000	Capital injection K'000	Fair value adjustment K'000	Total K'000
As at 31 December 2019				
NICO Properties Limited	10 959 926	-	927 289	11 887 15
Chichiri Shopping Centre Limited	13 367 156	-	1 151 722	14 518 878
Lilongwe City Mall Limited	16 884 923	-	1 203 334	18 088 257
Total	41 212 005	-	3 282 345	44 494 350
As at 31 December 2018				
NICO Properties Limited	-	10 890 010	69 916	10 959 926
Chichiri Shopping Centre Limited	-	12 992 771	374 385	13 367 156
Lilongwe City Mall Limited	-	16 578 231	306 692	16 884 923
Total	-	40 461 012	750 993	41 212 005

Three valuations were carried out largely based on the three valuation techniques namely the Discounted Free Cash Flow (DCF) Model, the Maintainable Earnings (ME) Approach and the Net Asset Value (NAV) Model.

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

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.

	At the beginning of the year K'000	Capital injection K'000	Share of associate profit K'000	Dividends K'000	Total K'000
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7. INVESTMENT IN ASSOCIATE

As at 31 December 2019

Kang'ombe Investment Limited	1 741 379	-	231 014	(66 771)	1 905 622
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7. INVESTMENT IN ASSOCIATE (Continued)

	At the beginning of the year K'000	Capital injection K'000	Share of associate profit K'000	Dividends K'000	Total K'000
As at 31 December 2018					
Kang'ombe Investment Limited	-	1 693 390	47 989	-	1 741 379

The Company has a 35% shareholding in Kang'ombe Investment Limited, which is a company registered in Malawi and owns property for lease to third parties.

	At the beginning of the year K'000	Capital injection K'000	Fair value adjustment K'000	Total K'000

8. OTHER INVESTMENT IN SHARES

As at 31 December 2019

Plantation House Investment Limited	65 505	-	26 428	91 933
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As at 31 December 2018

Plantation House Investment Limited	-	61 139	4 366	65 505
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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.

Three valuations were carried out largely based on the three valuation techniques namely the Discounted Free Cash Flow (DCF) Model, the Maintainable Earnings (ME) Approach and the Net Asset Value (NAV) Model.

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

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.

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	Assets K'000	Liabilities K'000	Net K'000
9. TAXATION			
Deferred taxation			
The deferred tax balance arises from:			
Group			
2019			
Revaluation of investment property	-	2 394 984	2 394 984
Other temporary differences	(3 858)	-	(3 858)
Impairment allowance on trade receivables	(98 848)	-	(98 848)
Assessed tax losses	(142 266)	-	(142 266)
Revaluation of investments in shares	-	138 630	138 630
Net deferred tax (asset)/liability	(244 932)	2 533 614	2 288 682
2018			
Revaluation of investment property	(19 918)	1 988 854	1 968 936
Impairment allowance on trade receivables	-	(20 209)	(20 209)
Revaluation of investments in shares	840	131 992	132 832
Assessed tax losses	(207 142)	(314 962)	(522 104)
Other temporary differences	-	(39 047)	(39 047)
Net deferred tax (asset)/liability	(226 220)	1 746 628	1 520 408
The deferred tax balance arises from:			
Company			
2019			
Revaluation of investment property	(42 694)	-	(42 694)
Impairment allowance on trade receivables	(20 867)	-	(20 867)
Revaluation of investments in shares	-	223 641	223 641
Net deferred tax (asset)/liability	(63 561)	223 641	160 080
2018			
Revaluation of investment property	(19 918)	-	(19 918)
Revaluation of investments in shares	49 672	-	49 672
Assessed tax losses	(207 142)	-	(207 142)
Net deferred tax asset	(177 388)	-	(177 388)

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

9. TAXATION (Continued)

Deferred tax movement analysis

	Balance as at 1 January K'000	Recognised in profit and loss K'000	Balance as at 31 December K'000
2019			
Group			
Revaluation of investment property	1 968 936	426 048	2 394 984
Impairment allowance on trade receivables	(20 209)	(78 639)	(98 848)
Revaluation of investments in shares	132 832	5 798	138 630
Assessed tax losses	(522 104)	379 878	(142 226)
Other temporary differences	(39 047)	35 189	(3 858)
Net deferred tax liability	1 520 408	768 274	2 288 682
Company			
Revaluation of investment property	(19 918)	(22 777)	(42 694)
Impairment allowance on trade receivables	-	(20 867)	(20 867)
Revaluation of investments in shares	49 672	173 969	223 641
Assessed tax losses	(207 142)	207 142	-
Net deferred tax liability	(177 388)	337 467	160 080
2018			
Group			
Revaluation of investment property	2 268 025	(299 089)	1 968 936
Impairment allowance on trade receivables	-	(20 209)	(20 209)
Revaluation of investments in shares	131 993	839	132 832
Assessed tax losses	(381 762)	(140 342)	(522 104)
Other temporary differences	(8 320)	(30 727)	(39 047)
Net deferred tax liability	2 009 936	(489 528)	1 520 408
Company			
Revaluation of investment property	-	(19 918)	(19 918)
Revaluation of investments in shares	-	49 672	49 672
Assessed tax losses	-	(207 142)	(207 142)
Net deferred tax asset	-	(177 388)	(177 388)

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9. TAXATION (Continued)

	GROUP		COMPANY	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
9.2 TAX RECOVERABLE				
Opening balance	769 906	-	-	-
Balance at acquisition	-	843 461	-	-
Current tax provision	(212 521)	9 395	-	-
Tax paid	524 494	79 851	-	289
Tax refunds/ (offsets)	(553 464)	(162 801)	-	-
Total	528 415	769 906	-	289

9.3 Tax payable

Opening balance	27 762	-	-	-
Balance at acquisition	-	14 188	-	-
Current tax provision	1 122 364	28 524	972 549	-
Tax paid	(563 935)	(14 950)	(446 477)	-
Taxation payable	586 191	27 762	562 072	-

	GROUP		COMPANY	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
10. TRADE AND OTHER RECEIVABLES				
Rental receivables	1 463 456	1 126 865	159 653	1 24 650
Impairment	(486 393)	(202 962)	(69 556)	-
Net trade receivables	977 063	923 903	90 097	124 650
Input VAT claimable	304 054	141 697	190 829	-
Prepayments	1 375	346 489	-	-
Recoverable insurance	11 242	16 581	-	-
Accrued interest	122 616	3 394	99 722	-
Other receivables	49 208	106 339	1 037 671	15 703
Prepaid city rates	-	405	-	405
Prepaid ICON Properties contract safe	2 794	3 768	2 796	3 768
Service charge recoveries	-	11 530	-	11 530
Working capital	828	-	-	-
ERIS Properties Limited	-	30 017	-	-
Total other receivables	492 117	1 538 403	1 331 018	118 283
Total trade and other receivables	1 469 180	1 538 403	1 421 115	242 933

10. TRADE AND OTHER RECEIVABLES (Continued)

The average credit period on rental receivables is 30 days. No interest is charged on overdue rental receivables.

An individual assessment was performed on trade receivable as at 31 December 2019. The Group has recognised an impairment on rental receivables using the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. Below is the aged analysis of the Group's rental receivables as at 31 December 2019:

	GROUP		COMPANY	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
1-30 days	382 068	354 746	39 118	124 650
31-60 days	180 951	203 930	32 053	-
61-90 days	19 317	87 933	-	-
Above 90 days	881 121	480 256	88 482	-
Total	1 463 456	1 126 865	159 653	124 650

	GROUP		COMPANY	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
11.1 Cash and cash equivalents				
Fixed deposits	6 976 175	16 499 504	3 199 159	14 019 291
Bank balances and cash	970 585 1	753 109	796 331	1 646 782
Total deposits and bank balances and cash	7 946 760	18 252 613	3 995 490	15 666 073
Bank overdraft	-	(198 824)	-	(36)
Cash and cash equivalents in the statement of cash flows	7 946 760	18 053 789	3 995 490	15 666 037

The fixed deposits included proceeds from initial public offer (IPO) and earned interest at interest rates ranging from 5.5% to 15.5%. Bank balances earned an interest rate of 0.4%.

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

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	GROUP		COMPANY	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
11.2 Investment in treasury notes	11 441 722	-	11 441 722	-

The Group invested in a seven year treasury note with a coupon rate of 15.5%. The treasury note is measured at amortised cost.

12. SHARE CAPITAL

	COMPANY	
	2019	2018
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:		
Balance as at 1 January	58 209 424	-
Issued through share exchange (K'000)	-	44 322 212
Issued in cash (K'000)	-	14 700 000
Share issue costs (K'000)	-	(812 788)
Total issued share capital (K'000)	58 209 424	58 209 424

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

13. RESTRUCTURING RESERVE

	GROUP		COMPANY	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
Restructuring reserve	7 841 995	7 841 995	7 841 995	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. The reserve will be realised when ICON Properties plc sells the shareholding in these acquired companies.

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	GROUP		COMPANY	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
14. RETAINED EARNINGS				
Distributable reserves				
Balance as at 1 January	439 687	-	271 119	-
Distributable profit for the period	3 609 493	439 687	2 793 392	271 119
Less dividends paid	(668 000)	-	(668 000)	-
Balance as at 31 December	3 381 180	439 687	2 396 511	271 119
Non-Distributable reserves				
Opening balance as at 1 January	801 943	-	907 107	-
Movement in fair values	4 070 975	516 369	4 169 297	888 872
Share of associate profits	-	-	231 014	47 989
Related deferred tax (charge)/credit	(431 846)	299 947	(151 192)	(29 754)
Less non-controlling interests' share of net fair value movement	-	(14 373)	-	-
Non-distributable reserves as at 31 December	4 441 072	801 943	5 156 226	907 107
Total retained earnings	7 822 252	1 241 630	7 552 737	1 178 226

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.

	GROUP	
	2019 K'000	2018 K'000
15.1 NON-CONTROLLING INTERESTS		
Net assets of Kang'ombe Investment Limited (K'000)	5 444 636	4 975 370
Shareholding attributable to NCI	25%	25%
Carrying amount of NCI	1 361 159	1 243 842

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15.2 DETAILS OF SUBSIDIARIES OF GROUP WHERE THERE IS A MATERIAL NON-CONTROLLING INTEREST ARE DISCLOSED BELOW:

The following table summarises the information relating to the Company's subsidiaries that have material non-controlling interest before any intra-group eliminations.

	GROUP	
	2019 K'000	2018 K'000
Kang'ombe Investment Limited		
Shareholding attributable to NCI	25%	25%
Non-current assets	5 550 000	5 100 000
Current assets	593 747	353 677
Non-current liabilities	(433 674)	(350 430)
Current liabilities	(265 437)	(127 877)
Net assets	5 444 636	4 975 370
Carrying amount of NCI	1 361 159	1 243 843
Total income	1 149 642	165 776
Profit	660 038	137 113
Total comprehensive income	660 038	137 113
Profit allocated to NCI	165 010	34 278
Net cash generated from operating activities	346 241	100 901
Net cash used in investing activities	(15 350)	(47 831)
Net cash used in financing activities - cash dividends to NCI	(190 774)	(50 000)
Net increase in cash and cash equivalents	140 117	3 070

	GROUP		COMPANY	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
16. TRADE AND OTHER PAYABLES				
Trade payables	338 063	43 514	-	-
Accrued expenses	310 704	936 063	50 782	966 971
Unpaid dividend	616	-	616	-
Audit fees	52 794	57 840	22 844	35 000
Rent received in advance	71 085	103 388	-	-
Value Added Tax	91 445	59 309	66 853	8 732
Rental deposits	69 889	43 993	-	-
Marketing fund	79 632	68 141	-	-
Accrued NCIC levy	6 011	123	650	-

16. TRADE AND OTHER PAYABLES (Continued)

	GROUP		COMPANY	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
Withholding tax payable	27 621	4 492	6 477	-
IPO refunds	-	963 628	-	963 628
NICO Properties Limited	-	-	-	134 492
ERIS control account	21 437	-	21 161	-
Sundry payables	201 473	11 443	3 078	-
Customer deposits	2 262	16 670	2 262 560	-
Total	1 268 032	2 308 604	174 723	1 974 891

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

In 2018, IPO refunds arose from oversubscription on initial public offer. These funds were refunded to the subscribers.

	GROUP		COMPANY	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
17. DEFERRED INCOME				
Opening balance	1 082 1143	-	-	-
Transfer to statement of comprehensive income	(360)	(61)	-	-
Total	722	1 082	-	-

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

	GROUP		COMPANY	
	2019 K'000	2 months period ended 31/12/2018 K'000	2019 K'000	2 months period ended 31/12/2018 K'000
18. OTHER INCOME				
Service charge recoveries	324 854	56 397	82 649	11 530
Sundry income	11 645	1 120	-	-
Total	336 449	57 517	82 649	11 530

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18. OTHER INCOME (Continued)

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

	GROUP		COMPANY	
	2019 K'000	2 months period ended 31/12/2018 K'000	2019 K'000	2 months period ended 31/12/2018 K'000
19. ADMINISTRATIVE EXPENSES				
Listing expenses	-	27 621	-	27 621
Property management fees	312 918	103 365	29 920	-
Legal and professional fees	90 159	25 885	27 139	-
Property revaluation fees	41 962	7 470	21 662	10 350
Directors' fees, expenses and allowances	54 363	12 021	27 546	2 877
Sundry expenses	2 095	17	-	-
Printing and stationery costs	22 816	7 679	22 737	7 631
Travelling expenses	624	416	-	-
Advertising and marketing expenses	10 887	57 618	8 338	47 454
Accounting and secretarial fees	335 556	45 357	87 713	11 624
Impairment on trade receivables	307 650	37 955	69 556	-
Bank charges	10 461	785	3 202	54
Audit fees	81 511	39 317	38 544	35 000
ICON pre-listing expenses	-	89 384	-	-
Depreciation	-	411	-	-
Consultancy	3 795	-	-	-
Total administrative expenses	1 274 798	455 301	336 357	142 611

20. OPERATING EXPENSES

Repairs and maintenance expenses	187 720	70 542	66 870	12 337
Insurance cost	175 430	14 643	49 009	-
Cleaning expenses	50 767	8 724	3 662	816
City rates	64 044	7 182	25 885	-
Landscaping expenses	7 336	2 284	-	-
Land rental	2 932	5 604	660	-
Pest control costs	20 629	3 520	426	-
Electricity and water expenses	229 829	39 205	42 090	8 728
Refuse removal costs	6 820	780	-	-
Security charges	206 046	17 597	45 630	3 180
Gardening	8 187	-	1 932	-

20. OPERATING EXPENSES (Continued)

	GROUP		COMPANY	
	2019 K'000	2 months period ended 31/12/2018 K'000	2019 K'000	2 months period ended 31/12/2018 K'000
Genset hire costs	17 179	-	-	-
Fire equipment maintenance costs	3 607	658	-	-
Letting commission	40 166	5 787	4 358	550
Post office fees	303	47	-	-
Total operating expenses	1 020 995	176 573	240 422	25 611
21. FINANCE INCOME				
Interest income – Money market investments	2 320 669	51 438	2 038	803 258
Interest income – Income notes	-	-	1 539 550	102 580
Total finance income	2 320 669	51 438	3 578 353	102 838
22. TAXATION				
Dividend tax	17 791	2 000	15 031	-
Current tax	1 334 885	18 428	972 549	-
Deferred tax	768 274	(489 528)	337 467	(177 388)
Total taxation charge/(credit)	2 120 950	(469 100)	1 325 047	(177 388)
Reconciliation of the tax rate				
Effective tax rate	22	(58)	16	(18)
Permanent differences	8	88	14	48
Statutory tax rate	30	30	30	30

23. EARNINGS PER SHARE GROUP

	2019	2018
Weighted average number of shares ('000)	6 680 000	6 680 000
Profit attributable to ordinary shareholders (K'000)	7 248 622	1 241 630
Earnings per share (tambala)	109	19

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24. SEGMENTAL INFORMATION

24.1 Operating segments

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

24.2 Products and services from which reportable segments derive their revenues

The Group has one principal line of business - rental of investment property. Information reported to and used by the Board of Directors for decision making for the purposes of resource allocation and assessment of segment performance is more specifically focused on each of the Group's current investment properties. One of the properties contributed K1726 million (2018: K280 million) representing 34% (2018: 34%) of the total rental revenue in the current year and its value at K17,183 million (2018: K15,100 million) being 30% (2018: 29%) of the total investment portfolio value, no single investment property contributes close to 75% of the total revenue from external customers.

24.3 Segmental information

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

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

	Rental income K'000	Property values K'000	Fair value increase K'000
2019			
Blantyre	2 152 692	27 279 552	1 953 673
Lilongwe	2 863 040	29 589 096	2 009 220
Other markets	83 644	1 031 799	81 654
Total	5 099 376	57 900 447	4 044 547
2018			
Blantyre	331 840	24 604 000	292 744
Lilongwe	468 873	26 467 000	206 926
Other markets	12 645	891 000	12 333
Total	813 358	51 962 000	512 003

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25. RELATED PARTIES

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

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

Company	Relationship	Type	Value of transaction		Group		Company	
			K'000	K'000	Balance	transaction	Value of transaction	Balance
NICO Holdings Limited	Significant shareholder through NICO Life Limited	Rental income	38 974	(6 263)	38 974	(6 263)		
NICO Asset managers Limited	Company under common ownership	Rental income Management fees	22 877 335 556	3 153 -	22 877 87 713		3 153 7 275	
ERIS Properties (Mw) Limited	Company under common ownership	Management fees	312 918	-	29 920		21 161	
NBS bank plc	Company under common ownership	Rental income	476 656	79 882	14 474		3 162	
NICO Technologies Limited	Company under common ownership	Rental income	570	375	570		375	
NICO Life Insurance Company	Company under common ownership	Rental income	7 030	8 586	7 030		8 586	
Chichiri Shopping Centre Limited	Subsidiary company	Income note interest	-	-	472 898		354 534	
Lilongwe City Mall Limited	Subsidiary company	Income note interest	-	-	809 676		583 043	
Kang'ombe	Subsidiary company	Dividend	-	-	66 771		42 621	
NICO Properties Limited	Subsidiary company	Income note interest	-	-	256 976		56 976	

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

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25. RELATED PARTIES (Continued)

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

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 provision of investment management, financial management, taxation and company secretarial services for a period of 3 years commencing 1 September 2018 to 30 August 2021.

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

Management fees for the year amounted to:

	GROUP		COMPANY	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
NICO Asset Managers Limited	335 556	45 357	87 713	11 624
ERIS Properties (Mw) Limited	312 918	103 365	29 920	-
Total	648 474	148 722	117 633	11 624

26. OVERVIEW OF THE GROUP'S FINANCIAL RISK MANAGEMENT FRAMEWORK

Financial instrument and associated risk

The Group has exposure to the following risks from its use of financial instruments:

- (i) Market risk;
- (ii) Interest rate risk;
- (iii) Liquidity risk; and
- (iv) Credit risk.

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

Categories of financial instruments

GROUP	At amortised cost K'000	At FVPL K'000	Total K'000
2019			
Financial assets			
Investment in shares	-	91 933	91 933
Trade & other receivables	1 465 011	-	1 465 011
Investment in treasury bills	11 441 722	-	11 441 722
Deposits and bank and cash balances	7 946 760	-	7 946 760
Total financial assets	20 853 493	91 933	20 945 426
Financial liabilities			
Trade and other payables	1 268 032	-	1 268 032
Total financial liabilities	1 268 032	-	1 268 032
2018			
Financial assets			
Investment in shares	-	65 505	65 505
Trade & other receivables	1 538 403	-	1 538 403
Deposits and bank and cash balances	18 252 613	-	18 252 613
Total financial assets	19 791 016	65 505 1	9 856 521
Financial liabilities			
Bank overdraft	198 824	-	198 824
Trade and other payables	2 308 604	-	2 308 604
Total financial liabilities	2 507 428	-	2 507 428
COMPANY			
2019			
Financial assets			
Investment in subsidiaries	- 44 494 350	44 494 350	
Investment in shares	-	91 933	91 933
Trade & other receivables	1 418 319	-	1 418 319
Investment in treasury bills	11 441 722	-	11 441 722
Deposits and bank and cash balances	3 995 490	-	3 995 490
Total financial assets	16 855 531	44 586 283	61 441 814
Financial liabilities			
Trade and other payables	174 723	-	174 723
Total financial liabilities	174 723	-	174 723

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

	At amortised cost K'000	At FVPL K'000	Total K'000
COMPANY			
2018			
Financial assets			
Investment in subsidiaries	-	41 212 005	41 212 005
Investment in shares	-	65 505	65 505
Trade & other receivables	242 933	-	242 933
Deposits and bank and cash balances	15 666 073	-	15 666 073
Total financial assets	15 909 006	41 277 510	57 186 516
Financial liabilities			
Bank overdraft	36	-	36
Trade and other payables	1 974 891	-	1 974 891
Total financial liabilities	1 974 927	-	1 974 927

Risk Management Approach

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

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

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

Categories of financial instruments

i) Market risk

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

The Group monitors this risk on a continuing basis.

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

ii) Interest rate risk

Interest rate risk is generally referred to as the exposure of the net interest income to adverse movements in interest rates as a result of assets and liabilities re-pricing at different times which has therefore a direct impact on the interest margins. The 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:

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

	Interest bearing K'000	Non-interest bearing K'000	Total K'000
2019			
Financial assets			
Investment in shares	-	91 933	91 933
Trade & other receivables	-	1 465 011	1 465 011
Investment in treasury bills	11 441 722	-	11 441 722
Deposits and bank and cash balances	7 946 760	-	7 946 760
Total financial assets	19 388 482	1 556 944	20 945 426
Financial liabilities			
Trade and other payables	-	1 268 032	1 268 032
Total financial liabilities	-	1 268 032	1 268 032
2018			
Financial assets			
Investment in shares	-	65 505	65 505
Trade and other receivables	-	1 538 403	1 538 403
Deposits and bank and cash balance	18 252 613	-	18 252 613
Total financial assets	18 252 613	1 603 908	19 856 521
Financial liabilities			
Bank overdraft	-	198 824	198 824
Trade and other payables	-	2 308 604	2 308 604
Total financial liabilities	-	2 507 428	2 507 428
Interest rate sensitivity			
A change in interest rates by $\pm 5\%$ at the reporting date would increase/decrease profit by K116 million (2018: K2.6 million).			

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

ii) Interest rate risk (Continued)

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

	Interest bearing K'000	Non-interest bearing K'000	Total K'000
2019			
Financial assets			
Investment in subsidiaries	-	44 494 350	44 494 350
Investment in shares	-	91 933	91 933
Trade and other receivables	-	1 418 319	1 418 319
Investment in treasury bills	11 441 722	-	11 441 722
Deposits and bank and cash balances	3 995 490	-	3 995 490
Total assets	15 437 212	46 004 602	61 441 814
Financial liabilities			
Trade and other payables	-	174 723	174 723
Total financial liabilities	-	174 723	174 723
2018			
Financial assets			
Investment in subsidiaries	-	41 212 005	41 212 005
Investment in shares	-	65 505	65 505
Trade and other receivables	-	242 933	242 933
Deposits and bank and cash balances	15 666 073	-	15 666 073
Total assets	15 666 073	41 520 443	57 186 516
Financial liabilities			
Bank overdraft	36	-	36
Trade and other payables	-	1 974 891	1 974 891
Total financial liabilities	-	1 974 891	1 974 927

A change in interest rates by $\pm 5\%$ at the reporting date would increase/decrease profit by K102 million (2018: K 0.01 million).

26. OVERVIEW OF THE GROUP'S FINANCIAL RISK MANAGEMENT FRAMEWORK (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 2019 is shown below:

	Up to 1 month K'000	1 to 3 months K'000	Over 1 year K'000	Total K'000
GROUP				
2019				
Financial assets				
Investment in shares	-	-	91 933	91 933
Trade and other receivables	1 465 011	-	-	1 465 011
Investment in treasury bills	-	-	11 441 722	11 441 722
Bank balances and cash	970 585	-	-	970 585
Fixed deposits	587 943	6 388 232	-	6 976 175
Total financial assets	3 023 539	6 388 232	11 533 655	20 945 426
Financial liabilities				
Trade and other payables	1 268 032	-	-	1 268 032
Total financial liabilities	1 268 032	-	-	1 268 032
Liquidity gap	1 755 507	6 388 232	11 533 655	19 677 394
Cumulative liquidity gap	1 755 507	8 143 739	19 677 394	19 677 394
2018				
Financial assets				
Investment in shares	-	-	65 505	65 505
Trade and other receivables	1 538 403	-	-	1 538 403
Bank balances and cash	1 753 109	-	-	1 753 109
Fixed deposits	15 911 561	587 943	-	16 499 504
Total financial assets	19 203 073	587 943	65 505	19 856 521

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

	Up to 1 month K'000	1 to 3 months K'000	Over 1 year K'000	Total K'000
GROUP				
2018				
Financial liabilities				
Bank overdraft	198 824	-	-	198 824
Trade and other payables	2 308 604	-	-	2 308 604
Total financial liabilities	2 507 428	-	-	2 507 428
Liquidity gap	16 695 645	587 943	65 505	17 349 093
Cumulative liquidity gap	16 695 645	17 283 588	17 349 093	17 349 093

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

COMPANY
2019

Financial assets				
Investment in subsidiaries	-	-	44 494 350	44 494 350
Investment in shares	-	-	91 933	91 933
Trade and other receivables	1 418 319	-	-	1 418 319
Bank balances and cash	796 331	-	-	796 331
Investment in treasury bills	-	-	11 441 722	11 441 722
Fixed deposits	-	3 199 159	-	3 199 159
Total financial assets	2 214 650	3 199 159	56 028 005	61 441 814

Financial liabilities				
Trade and other payables	174 723	-	-	174 723
Total financial liabilities	174 723	-	-	174 723

Liquidity gap	2 039 927	3 199 159	56 028 005	61 267 091
Cumulative liquidity gap	2 039 927	5 239 086	61 267 091	61 267 091

2018

Financial assets				
Investment in subsidiaries	-	-	41 212 005	41 212 005
Investment in shares	-	-	65 505	65 505
Trade and other receivables	242 933	-	-	242 933
Bank balances and cash	1 646 782	-	-	1 646 782
Fixed deposits	14 019 291	-	-	14 019 291
Total financial assets	15 909 006	-	41 277 510	57 186 516

Financial liabilities				
Bank overdraft	36	-	-	36
Trade and other payables	1 974 891	-	-	1 974 891
Total financial liabilities	1 974 927	-	-	1 974 927

Liquidity gap	13 934 079	-	41 277 510	55 211 589
Cumulative liquidity gap	13 934 079	3 934 079	55 211 589	55 211 589

26. OVERVIEW OF THE GROUP'S FINANCIAL RISK MANAGEMENT FRAMEWORK (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 Investment and Audit committees which have oversight of the credit risk.

Exposure to credit risk

As at 31 December 2019, 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	
	2019 K'000	2018 K'000	2019 K'000	2018 K'000
Financial assets				
Trade and other receivables	1 465 011	1 538 403	1 418 319	242 933
Investment in treasury bills	11 441 722	-	11 441 722	-
Deposits and bank and cash balances	7 946 760	18 252 613	3 995 490	15 666 073
Total financial assets	20 853 493	19 791 016	16 855 531	15 909 006

Trade and other receivables largely consist of rental receivables from a large number of customers, spread across diverse industries. Other than an amount of K 225 million (2018: K127 million), and K125 million (2018: K73 million) which is due from Stansfield Motors Limited, and Malawi Government respectively and represents 15% (2018: 8%), and 12% (2018: 7%) of the Group's total rental receivables, the Group does not have any other exposures to any single counterparty that are in excess of 5% of total rental receivables.

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

27. FAIR VALUE MEASUREMENTS

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

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference

27. FAIR VALUE MEASUREMENTS (Continued)

to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

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

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

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

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

The Group's investment in Plantations House Investments Limited is measured at fair value with related value changes recognised in profit or loss. The fair value measurement is classified as level three on the fair value hierarchy.

28. CONTINGENT LIABILITIES

There were no contingent liabilities for the company and the Group as at 31 December 2019.

29. CAPITAL COMMITMENTS

There were no capital commitments which were authorised but not contracted for as at 31 December 2019. Capital commitment are financed from internal resources.

30. EVENTS AFTER THE REPORTING PERIOD

Subsequent to year end the Corona virus pandemic spread to the country. The directors anticipate that the pandemic will impact the Group's business due to the various measures governments are taking both local and international that are affecting the country's economic landscape. The directors anticipate that the impact pandemic and related measures to curb its spread will impact the Group's collection of rentals. The directors are unable to fully assess the financial impact of the pandemic on these financial statements.

31. EXCHANGE RATES AND INFLATION

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

	2019	2018
Kwacha/Rand	51.5	51.92
Kwacha/US Dollar	739.6	729.84
Inflation rate (%)	9.2	9.9

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

Kwacha/Rand	39.39
Kwacha/USD	736.71
Inflation rate (%)	9.8



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