



ANNUAL
REPORT | 2020



Building Better Futures



ANNUAL
REPORT | 2020

CONTENTS

04	Mission statement and Investment and Development Philosophy	36	Directors' Responsibility Statement
05	Group Financial Highlights	37	Independent Auditor's Report
06	Chairman's Statement	41	Consolidated and Separate Statements of Financial Position
08	Board of Directors Profile	42	Consolidated and Separate Statements of Comprehensive Income
12	Portfolio Managers' Profile	43	Consolidated and Separate Statements of Changes in Equity
17	Portfolio Managers' Report	44	Consolidated and Separate Statements of Cash Flows
22	Property Managers' Profile	45	Notes to the Consolidated and Separate Financial Statements
25	ICON Properties Shareholder Statistics		
27	Corporate Governance Statement		
29	Audited Financial Statements		
30	Directors' Report		

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

K8.8bn

For the period ended
31 December 2020

Total assets

K86.3bn

As at 31 December 2020

Total income

K13.4bn

For the period ended
31 December 2020

CHAIRMAN'S STATEMENT

The Group reported an **18.9% increase** in profit after tax to **K8.8 billion** for the year ended 31 December 2020 (2019: K7.4 billion).



Overview

I am pleased to report the results of ICON Properties Plc for the year ended 31 December 2020.

Economic performance

During the period, the Malawi Kwacha depreciated against the United States Dollar by 4.33% during the year compared to 2019 mostly due to a decline in foreign exchange supply. The headline inflation for 2020 averaged 8.60% in comparison to an average headline inflation of 9.38% recorded in 2019. The decreases in inflation was due to decreases in both food and non-food inflation.

Performance Review

The Group reported an 18.9% increase in profit after tax to K8.8 billion for the year ended 31 December 2020 (2019: K7.4 billion). The Group's performance continues to be led by the retail and office sectors of the portfolio which maintained occupancy levels of above 96%. The Group's property

portfolio value grew to K64.1 billion (2019: K57.9 billion) being a 10.7% increase from last year. The Group generated total income of K13.4 billion (2019: K11.8 billion) for the year which includes an increase in fair value of properties of K5.3 billion (2019: K4.0 billion). The Group's performance was driven by property revaluation gains and finance income as rental income reduced compared to the previous year.

Total expenses for the period decreased to K2.1 billion (2019: K2.3 billion). Some of the major expense areas that reduced were impairment of trade receivables, repairs and maintenance and lease servicing cost.

Investment income increased due to interest earned on a treasury note which was held for a full year in the current period compared to six months in the previous period. Rental growth rate reduced as compared to projection due to efforts to accommodate tenants who were heavily affected by the Covid-19 pandemic.

The 2020 valuation of properties was positively impacted by the inclusion of several refurbished properties.

Dividend and share performance

The Directors have recommended an increase in the final dividend of K801.6 million (2019: K734.8 million) representing 12 tambala per share (2019: 11 tambala). An interim dividend of K734.8 million (2019: K668 million) representing 11 tambala per share (2019: 10 tambala) was paid on 6 November 2020.

This increases the total dividend for the year by 9.5% to K1.536 billion (2019: K1.403 billion) representing 23 tambala per share (2019: 21

CHAIRMAN'S STATEMENT (Continued)

tambala).

Our stock price at year end was K12.27 (2019: K: 10.50 tambala), an increase of K1.77. The combination of the dividend paid and price increase totaled K2 or a total return for 2020 of 19%.

Challenges

The property industry was heavily impacted by the global Covid-19 pandemic which affected rental collection as tenants were visibly affected by the changes in consumer patterns in the first half of the 2020 year. Demand for space, however, managed to remain resolute throughout the period.

In light of uncertainties brought about by the Covid-19 pandemic, implementation of several planned projects were delayed during the year. Some of the key projects the Group is directly and indirectly involved that were impacted included the commencement of the construction of the Lilongwe Ryalls Hotel, the installation of parking management systems at Lilongwe City Mall and Chichiri Shopping Centre in Blantyre, the development of a drive through restaurant at Chichiri Shopping Centre and the refurbishment of Kapeni House in Blantyre.

The Kapeni House refurbishment is expected to be handed over in the second half of 2021. The rest of the projects are currently in progress.

Outlook

The rate of depreciation of the Malawi Kwacha against the United States Dollar is expected to improve in the short to medium term due to an improved harvest season, however, continuous supply and demand imbalances may keep the local currency under pressure. The property market is projected to strengthen under the accommodative monetary policy rates set by the Reserve Bank of Malawi which may reduce borrowing costs.

The Covid-19 pandemic is expected to continue having an impact on the portfolio. Although the Group is expected to remain competitive, rental growth is expected to

continue to be impacted. The retail sector is particularly expected to face challenges in the short to medium term.

The Group's asset growth ambitions and in turn growth in profitability will continue to be driven by a robust pipeline of development opportunities, enhancements to existing properties and active property management strategies. Market wide, key investment opportunities will stem from changes in market dynamics in light of the various effects of the pandemic and changed operating environment.

As part of our efforts to improve operating and governance efficiency, the Directors resolved and approved to have the Group undergo a reorganization where the assets and liabilities of NICO Properties Limited, Lilongwe City Mall Limited and Chichiri Shopping Centre Limited which are 100% owned subsidiaries of ICON plc will be transferred to the Parent Company. There will be numerous future benefits from the reorganization which will outweigh the initial costs including cost savings, optimizing the treasury function through centralization and reduced decision making time frames.

The Group's focus during the ever-evolving pandemic will continue to be three-fold; Pre-Plan, Consolidate and Recover. The compliance and adherence to COVID-19 measures, reduction of receivables, selective implementation of projects and scenario-based planning will form the basis of the Group's response on the way to recovery.

As my tenure as Chairman comes to a close, I appreciate the opportunity to have been, since inception, part of the team creating ICON Properties Plc and believe the company is on strong footing for its continued success.

Robert Scharar
Chairman

BOARD OF DIRECTORS PROFILE



Mr. Robert Scharar
Chairperson

Mr Robert 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 and the Commonwealth International Series Trust, a US mutual fund group. He brings to the Board a combination of finance, investment and legal skills. He also serves on the Boards of Blantyre Hotels Plc, Oasis Hospitality Limited and Nico Holdings Plc.

Mr Robert Scharar 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. Vizege Kumwenda
Non-executive Director
(up to 1 March 2020)

Mr Vizege 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-five years. He chairs the Boards of some 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. Mr Kumwenda holds a bachelor's 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 Chartered Accountant and Associate of the Chartered Insurance Institute (UK).

BOARD OF DIRECTORS PROFILE (Continued)



Mr. Louis Sibande
Non-Executive Director
(up to 21 September 2020)

Mr. Sibande is a Chartered Management Accountant (ACMA), Chartered Global Management Accountant (CGMA), CA (Mw) and an Associate Member of the Association of Corporate Treasurers in UK (AMCT), with local and international working experience spanning over 20 years having worked at various levels in the NICO Group. His qualifications include a Bachelor of Accountancy degree from University of Malawi. Mr. Sibande is currently Group Chief Finance Officer for the NICO Group, and was previously Chief Finance Officer for NICO General Insurance Company Limited. He 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). He sits on Boards of Mwaiwathu Private Hospital, NICO Technologies Ltd, Chichiri Shopping Centre Ltd, Kang'ombe Investment Ltd, Lilongwe City Mall Ltd, Eris Properties (Mw) Ltd and NICO Properties Ltd. He was recently appointed to the NICO Asset Managers Limited Board.



Mr. Dasford Kamkwamba
Non-executive Director

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



Mr. Simeon Banda
Non-executive Director

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

BOARD OF DIRECTORS PROFILE (Continued)



Emily Makuta
Non-executive Director
(from 21 September
2020)

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



Mr. Graham Chipande
Non-Executive Director

With over 15 years' experience in banking and finance, Mr. Chipande is a strategic financial planner with experience in various industries such as Financial Services, Infrastructure, Agri business, and Manufacturing. He is the Head of Business Banking at Standard Bank Plc and currently sits on the Standard Bank Pension Fund Board. He has held positions in 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.

BOARD OF DIRECTORS PROFILE (Continued)



Mr Sangwani Hara
Non-executive Director
(from 1 March 2020)

Mr Sangwani Hara holds a Bachelor's Degree in Commerce (Accountancy) from the University of Malawi, Polytechnic. He is also graduate of Emile Woolf Accountancy College, London, United Kingdom where he obtained his chartered certified accountancy qualification. He has over twenty-five years experience in accounting, finance, general and commodity marketing gained from working for multinational groups; initially CDC Group plc, then Global Tea & Commodities Limited, both of which have their headquarters in the United Kingdom. He is currently working for Dhunseri Petrochem & Tea (pte) Limited which has its headquarters in Singapore. He has been a member of several boards and serves on the Nico Holdings plc board. He brings to the board a wealth of experience in accounting, finance and general management.



Mr. Joseph Malingamoyo
Non-executive Director

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



Mrs Zunzo Mitole
Non-Executive Director

Zunzo E. Mitole, MBA., LLB (Hons), is a lawyer with 25 years practice in public and private practice. She worked briefly with the State Advocate Chambers after graduating before going into private practice and subsequently joined National Bank of Malawi plc at management level. She is currently Company Secretary for Malawi Stock Exchange listed National Bank of Malawi plc, a position she has held for the past 8 years. Her work involves board secretary responsibilities and advice on compliance to laws, regulations and policies to the Bank and its subsidiaries. She has served in a Money Laundering Compliance role and also serves as Board Secretary of NBM Pension Administration Limited, a subsidiary of National Bank of Malawi plc. Zunzo is currently the Chairperson of the National Bank of Malawi plc Pension Fund, a position she has held for 2 years. She previously sat on the board of MPICO Malls Limited. She has conducted research with Women and the Law in Southern African and has also held leadership positions in Women Lawyers Association in its earlier days.

PORTFOLIO MANAGERS' PROFILE

ICON Properties Plc (ICON) 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, 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 K680bn. 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 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 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 a Senior Audit Manager at Deloitte.

Chikondi Gomani

Investment Manager

Mr. Gomani is a fellow of the Association of Chartered 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 fellow 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. 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

Malawi Economy Overview

Malawi's economic outlook faces considerable downside risks. The risks include the global spill over of the impact of the COVID-19 pandemic, weather shocks, and fiscal slippages. However, due to the arrival of COVID-19 vaccines and an expected good agricultural harvest, the economy is projected to have a gradual favourable outlook. In line with this economic outlook, monetary institutions have revised upwards their economic growth projections to an average of 2.38% for the year 2021. The projection is subject to the expected recovery in the tourism and agriculture sectors, exports, Foreign Direct Investment (FDI), and public investments in infrastructure.

Inflation rate for the year 2020 averaged 8.60%. Despite efforts by the Reserve Bank of Malawi to maintain inflation in single digits and anchoring inflation expectations, the risks for the inflation changing direction and beginning to rise still abound. Although the government is optimistic of the 2021 inflation to average 7.80%, the AfDB has projected that inflation will average 9.00%. The risks that are likely to cause an upward movement of inflation include increasing global fuel prices. However, expected improved maize productions may keep the inflation rate moderate.

The Reserve Bank of Malawi (RBM) continues to monitor the financial market and make prudent decisions to support the economic recovery of Malawi. This is in light to the impact of the COVID-19 pandemic on the country's economic activity. The RBM has and will continue to provide an accommodative monetary policy, alongside other financial sector initiatives.

Regarding the impact of the rollout of COVID-19 vaccines, Malawi is projected not to return to normal pre-pandemic levels in 2021. This is mainly attributed to uncertain effects of COVID-19 infections especially for Malawi as a lower-income country. However, the rollout of effective vaccines means that a path to normality will gradually become clearer over 2022 (Source: EIU, AfDB).

Property Market Overview

The unprecedented global COVID-19 pandemic had a profound impact on property markets with retail markets particularly affected due to the introduction of various restrictions on the movement of people and goods. Demand for high street retail space remained buoyant despite operators in the sector continuing to reel from the effects of the pandemic and facing stiff competition from vendor trading on digital platforms. Although E-commerce

has well and truly arrived in Malawi, a significant majority of retail transactions still take place on the high street propping up demand for the same. Retail rental growth in the short to medium term will likely be suppressed until markets recover from the COVID-19 impact. As the economy recovers however, unsatisfied demand will prompt improved passing rents.

The widespread adoption of remote working in the wake of the pandemic has redefined the understanding of the workplace as the virtual office took centre stage and became the norm. Locally, without adequate alternatives, remote working typically equals working from home which has had varied success rates owing mainly to the discord in living situations. In Blantyre, initial fears of significant office vacancy rates due to the adoption of remote working were for the most part alleviated as some firms took up additional space in an effort to decongest. In contrast, Lilongwe office vacancies remain owing to surplus supply of both old stock and new supply.

Residential markets did not undergo major changes in 2020 although the Lilongwe residential rental market continued to show signs of slowed growth. Indicators suggest that the market is unable to absorb the large number of new builds. This is likely to bring equilibrium to passing rentals.

The leisure and hospitality sectors which were arguably hardest hit by the pandemic have shown some signs of recovery although significant improvements will only likely be noted with the easing of international travel restrictions.

With the adoption of the new normal, the market is poised for a stable performance although rental growth is expected to be impacted due to stiff competition in an increasingly tenant-lead market.

Portfolio Review

As at 31 st December 2020, the Group's portfolio was valued at K64.1 billion. The property company generated total income of K13.4 billion for the year which includes increase in fair value of properties and investee company of K5.3 billion.

Total expenses for the period were at K2.1 billion, some of the major expense areas included preservations drive through repairs and maintenance, property and administrative management fees, soft services and utility costs. The Group reported a profit after tax of K8.8 billion for the year ended 31 December 2020.

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 31 December 2020	Consolidated 31 December 2019
Property portfolio value (K'mn)	64,144	57,900
Gross rental income (K'mn)	4,912	5,099
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	Comments
Retail	2	109	32,296	96%	
Offices	17	29	26,012	98%	
Industrial	2	2	10,136	0%	Earmarked for sale
Residential	13	11	4,186	100%	
Vacant Land	1	N/A	N/A	N/A	
Total/Average	35	151	72,630	96%	

The strategic planned disposal of the two industrial properties resulted in the units remaining vacant, whilst the retail and office portfolios had minor vacancies at various points throughout the year. By year end, all residential vacancies had been filled. All leases with anchor tenants on the retail sector portfolios were in place, two significant renewal negotiations were concluded in the year.

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.

During the year, the property managers completed a comprehensive portfolio review of the property portfolio. Key future actions resulting for the review will include the following:

- An extensive preservation drive where maintenance and repair works will be undertaken to ensure

properties are operating at optimum acceptable standards. Refurbishment, redevelopment and value enhancement projects to be worked out on a case by case basis with the aim of maximising value, utility and potential of properties

- Disposal of underperforming properties and redeployment of funds into alternative investments that would add value to the portfolio

Selective implementation of projects in light of uncertainties brought about by the COVID-19 pandemic has delayed execution of a number of key projects ICON is directly and indirectly involved in including the Ryalls Hotel Project in Lilongwe, the installation of parking management systems at Lilongwe City Mall in Lilongwe and Chichiri Shopping Centre and the development of a drive through restaurant at Chichiri Shopping Centre in Blantyre. ICON completed the refurbishment of Kapeni House in Blantyre, and the building is due to be handed over to become operational within Q2 of 2021.

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 Outlook

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 the effects of COVID-19 and increasing competition on the portfolio's performance are ongoing and being adapted accordingly as the situation demands.

The Company's focus in the wake of the ever-evolving pandemic continues to be three-fold; Pre-Plan, Consolidate 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 and changed operating environment. Solid performance from medical retailers such as pharmacies and clinics offer some resilience to the tenant mix a 'classic' retail reels from the effects of the pandemic. The emergence of remote and flexible working as well as

shared workspaces present an opportunity for operators in the office accommodation space to provide such 'plug and play' solutions through partnerships with service providers pursuing such opportunities in emerging markets such as Malawi.

The rate of depreciation of the Malawi Kwacha against the United States Dollar is expected to moderate in the short to medium term due to the expected improved harvest season. However, continuous supply and demand imbalances may keep the local currency under pressure.

The property market is projected to bolster as costs of borrowing reduce. This is due to the continued trend of the Reserve Bank of Malawi cutting down interest rates. Furthermore, lower inflation rates are expected to keep the cost

of investment lower thereby boosting private sector growth, which may translate into increased demand from the sector. However, spill overs of the impact of COVID-19 and the depreciation of the Kwacha continue to bring uncertainty in terms of construction cost as Malawi is a net importer of construction materials.

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

NICO Asset Managers Portfolio Managers



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

PROPERTY MANAGERS' PROFILE (Continued)

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) & 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 Bachelor of Science in Quantity Surveying from the University of Malawi. He has over 9 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. He is a Graduate Member of both the Surveyors Institute of Malawi and the Board of Architects and Quantity Surveyors.

PROPERTY MANAGERS' PROFILE (Continued)

Mr. Edwin Macdonald Chopi Development Officer

Mr. Chopi holds a Bachelor of Science in Quantity Surveying (2009) and a Diploma in Architectural Technology both from the University of Malawi. He is registered by both the Board of Architects and Quantity Surveyors and the Surveyors Institute of Malawi and has over 20 years' experience working in the built environment. He was worked with notable design firms including ABC Design Associates, MD Initiative and Norman & Dawbarn as well as construction firms Nangaunozge, Fargo Ltd and Maoni Building Contractors.

Mr. Petros Mkandawire Senior Operations Officer

Mr Mkandawire holds a Bachelor of Science in Land Economy from the University of Malawi, 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 SHAREHOLDER STATISTICS

SHAREHOLDERS' COUNTRY STATISTICS FOR ICON PROPERTIES AS AT 31-Dec-2020

Country Code	Description	Shareholders	% of Holders	Shares	% of Shares
GBR	UNITED KINGDOM	5	0.46	102 000	-
LUX	LUXEMBOURG	4	0.37	125 000	-
MOZ	MOZAMBIQUE	2	0.18	1 800 000	0.03
MWI	MALAWI	1 077	98.53	6 677 694 185	99.97
USA	UNITED STATES OF AMERICA	3	0.27	258 815	-
ZAF	SOUTH AFRICA	1	0.09	20 000	-
Total		1 092.00	100	6 680 000 000.00	100.00

SHAREHOLDERS' INDUSTRY STATISTICS FOR ICON PROPERTIES AS AT 31-Dec-2020

Industry Code	Description	Shareholders	% of Holders	Shares	% of Shares
BNK	BANKS/NOMINEES	52	4.76	77 422 744	1.16
INS	INSURANCE/ ASSURANCE	2	0.18	4 188 834 929	62.71
ITC	INVEST/TRUST ETC.	78	7.14	388 220 197	5.81
LC	LOCAL COMPANY	32	2.93	37 587 292	0.56
LI	LOCAL INDIVIDUAL	867	79.40	110 967 105	1.66
NRS	NON RESIDENT	11	1.01	451 000	0.01
OTH	OTHER CORP	1	0.09	24 000	0.00
PEN	PENSION/PROVIDENT	22	2.01	1 873 361 966	28.04
RES	RESIDENT IND	27	2.47	3 130 767	0.05
Total		1 092.00	100	6 680 000 000.00	100.00

ICON PROPERTIES SHAREHOLDER STATISTICS

SHAREHOLDERS' RANGES STATISTICS FOR ICON PROPERTIES AS AT 31-Dec-2020

Description	Shareholders	% of Holders	Shares	% of Shares
1 - 5000 shares	112	10.26	470 456	0.01
5001-25,000 shares	428	39.19	6 399 522	0.10
25,001-50,000 shares	120	10.99	4 991 570	0.07
50,001-100,000 shares	133	12.18	10 886 220	0.16
100,001-200,000 (up to two hundred thousand) shares	103	9.43	14 806 280	0.22
200,001-500,000 (up to five hundred thousand) shares	89	8.15	29 683 792	0.44
500,001-1,000,000 (up to 1 million) shares	38	3.48	30 693 750	0.46
1,000,001 (greater than 1 million) shares	69	6.32	6 582 068 410	98.53
Total	1 092	100.00	6 680 000 000	100.00

CORPORATE GOVERNANCE STATEMENT



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

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

The Role of the Board

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

The Composition of the Board and Board Committees

The Board and its Committees have the

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

Board Support and the Company Secretary
The Company Secretary is responsible for ensuring that board procedures are



CORPORATE GOVERNANCE STATEMENT (Continued)

complied with, advising the Board on all governance matters, and helping the board and its committees to function efficiently. All directors have direct access to the Company Secretary.

Board Evaluation

The Board has adopted an internally facilitated Board Evaluation process.

Communications with Shareholders

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

Directors' Tenure Policy

In accordance with Section 20A (4) of the Articles of Association, any member who holds ten per cent or more of the shares of the company may from time to time appoint one director of the company in respect of his every ten per cent holding in the equity shares of the company (with no rounding up). Such entitlement to nominate a director lapses if the shareholding falls below the

complete 10% threshold and any director appointed pursuant to that entitlement shall automatically vacate his office on the reduction of any relevant shareholding of 10% of the member concerned. Where applicable, the director or directors to vacate office shall be identified by the nominating member, but if the nominating member shall fail to do so, the other directors may identify the director or directors to vacate office.

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

The company has no Executive Directors.

Compliance with the Malawi Code II

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

AUDITED FINANCIAL STATEMENTS

DIRECTORS' REPORT

For the year ended 31 December 2020

The directors have pleasure in submitting their report together with the consolidated and separate financial statements for the year ended 31 December 2020.

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.

Group re-organisation

The directors have resolved and approved to have the company undergo a re-organisation where the assets and liabilities of NICO Properties Limited, Lilongwe City Mall Limited and Chichiri Shopping Centre Limited which are 100% owned subsidiaries of ICON plc will be transferred to the Parent Company. The effect of this is that these subsidiary Companies will be dormant and hence deregistered. The transfer will be executed at a fair value approximation of all assets and liabilities for all components.

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

Share capital

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

Shareholder	2020	2019
	% Holding	% Holding
NICO Life Insurance Company Limited	63	63
Standard Bank Malawi Pension Fund	8	8
National Bank of Malawi Pension Fund	5	6
Magetsi Pension Fund	3	3
Other shareholders*	21	20
	100	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

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2020

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 2020 attributable to the owners of the parent was K8.6 billion (2019: K7.2 billion).

Dividend

During the year the Company paid a final dividend of K734.8 million for the year ended 31 December 2019 and an interim dividend of K734.8 million for the year ended 31 December 2020 (2019: 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*	Up to 1 March 2020
Mr. L. Sibande	Director*	Up to 21 September 2020
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
Mr. Sangwani Hara	Director*	From 1 March 2020
Mrs. Emily Makuta	Director*	From 21 September 2020
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 2020

Main board and board committee meetings

The Board and board committees meet quarterly. Ad-hoc meetings are held when necessary. The directors are provided with comprehensive board documentation prior to each of the scheduled meetings. At the March board meeting held on the 25th of March 2020 the board committees were re-constituted. Directors Malingamoyo and Hara joined the Investment Committee whereas Director Sibande departed. For the Finance and Audit committee, Director Mitole joined whereas Director Malingamoyo departed.

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

Main Board – Meeting Attendance

NAME OF DIRECTOR	25/03/2020	4/6/2020	28/08/2020	6/11/2020
Mr. Simeon Banda	√	√	√	√
Mr. Joseph Malingamoyo	√	√	√	√
Mr. Dasford Kamkwamba	√	√	√	√
Mr. Louis Sibande	√	√	√	n/a
Mr. Sangwani Hara	√	√	√	√
Mr. Robert Scharar	√	√	√	√
Mr. Graham Chipande	√	√	√	√
Mrs. Zunzo Mitole	√	√	√	A
Mrs. Emily Makuta	n/a	n/a	n/a	√

Investment Committee - Meeting Attendance

NAME OF DIRECTOR	20/03/2020	28/05/2020	21/08/2020	25/08/2020	18/12/2020
Mr. Simeon Banda	√	√	√	√	√
Mr. Joseph Malingamoyo	n/a	√	√	√	√
Mr. Dasford Kamkwamba	√	√	√	√	√
Mr. Louis Sibande	√	n/a	n/a	n/a	n/a
Mr. Sangwani Hara	n/a	√	√	√	√

Finance and Audit Committee - Meeting Attendance

NAME OF DIRECTOR	16/03/2020	29/05/2020	17/08/2020	18/12/2020
Mr. Joseph Malingamoyo	√	n/a	n/a	n/a
Mr. Dasford Kamkwamba	√	√	√	√
Mr. Graham Chipande	A	√	√	√
Mrs. Zunzo Mitole	n/a	A	√	A

Key:

√ = Attendance A = Apology n/a = Not applicable

DIRECTORS' REPORT (Continued)
For the year ended 31 December 2020

The following are details of board of directors composition for subsidiary companies:

Chichiri Shopping Centre Limited

Mr. L. Sibande	Chairman*	Throughout the year
Mrs. Z. Mitole	Director*	Throughout the year
Mr. J. Malingamoyo	Director**	Throughout the year

Kang'ombe Investment Limited

Mr. L. Sibande	Director*	Throughout the year
Ms. M. Mdoko	Director*	Throughout the year
Mr. J. Malingamoyo	Director**	Throughout the year

Lilongwe City Mall Limited

Mr. L. Sibande	Director*	Throughout the year
Mr. G. Chipande	Director*	Throughout the year
Mr D. Kamkwamba	Director**	Throughout the year

NICO Properties Limited

Mr. L. Sibande	Director *	Throughout the year
Mr. D. Kamkwamba	Director **	Throughout the year
Mr. S. Banda	Director**	Throughout the year

Non-Executive Director *

Non-Executive Independent Director **

Directors' remuneration

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

Name of Company	Directors fees and expenses	
	2020 K'000	2019 K'000
ICON Properties Plc	21 232	27 546
NICO Properties Limited	4 151	4 762
Chichiri Shopping Centre Limited	6 590	8 569
Lilongwe City Mall Limited	3 142	3 279
Kang'ombe Investment Limited	9 229	10 207
Total	44 344	54 363

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2020

External auditor's remuneration

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

Name of Company	Auditor's Remuneration	
	2020 K'000	2019 K'000
ICON Properties Plc	37 996	38 544
NICO Properties Limited	10 947	9 998
Chichiri Shopping Centre Limited	20 275	17 725
Lilongwe City Mall Limited	8 523	10 352
Kang'ombe Investment Limited	7 497	7 413
Total	85 238	84 032

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). When Mr. Kumwenda ceased being Director of the Company on 28 February 2020 he indirectly held 23 858 000 shares (2019: 23 858 000) 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. When Mr. Sibande ceased being Director of the Company on 1 September 2020 he directly held 6 000 000 shares (2019: 6 000 000) 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 (2019: 1 541 152) in the Company. Mr. Simeon Banda declared his interest in discussions relating to the proposed KFC Drive Thru 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.

DIRECTORS' REPORT (Continued)

For the year ended 31 December 2020

Directors' Interests (Continued)

Register of Interests:- (Continued)

Standing Notice of Disclosure for Mr. Sangwani Hara for his position as a NICO Holdings plc director (which is the majority shareholder of NICO Life Insurance Company, the majority shareholder of ICON Properties plc). At year end Mr. Hara directly held 7 000 000 shares in the Company.

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

The significant transactions for the year occurred through the balance sheet as the Company progresses in the construction of the hotel in Lilongwe.

Activities

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

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

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

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

Auditors

Deloitte, Chartered Accountants, have expressed their willingness to continue in office as Group auditors. A resolution to confirm their appointment as auditors of the Group for the year ending 31 December 2021 and to authorize the Directors to determine their remuneration is to be proposed at the forthcoming annual General meeting.



.....
DIRECTOR



.....
DIRECTOR

DIRECTORS' RESPONSIBILITIES STATEMENT

For the year ended 31 December 2020

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 2020 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 31 March 2021 and are signed on its behalf by:



.....
DIRECTOR



.....
DIRECTOR

Deloitte.

P. O. Box 187
Blantyre
Malawi

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

Tel : + 265 (0) 1 822 277
: + 265 (0) 1 820 506
Fax : + 265 (0) 1 821 229
Email: btdeoitte@deloitte.co.mw
www.deloitte.com

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

Opinion

We have audited the consolidated and separate financial statements of ICON Properties Plc set out on pages 41 to 102, which comprise the consolidated and separate statements of financial position as at 31 December 2020, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of ICON Properties Plc as at 31 December 2020, and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act.

Basis for Opinion

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

Key Audit Matters

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

Partners: NT Uka VW Beza CA Kapenda MC Mwenelupembe (Mrs) KCD Msimuko
Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS (Continued)

For the year ended 31 December 2020

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 Group owns various investment properties which are carried at fair value in line with <i>IAS 40 Investment Property</i>. The investment properties are the Group's most significant revenue generating assets and represent a material balance to the consolidated and separate financial statements. As disclosed in note 4 of the financial statements, the Group's value of the investment properties is K64.9 billion (2019: K57.9 billion), and K12.8 billion (2019: K11.1 billion) for the company.</p> <p>The investment properties were revalued as at 31 December 2020 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 3.7 of the financial statements.</i></p>	<p>To address the key audit matter, we carried out the following audit procedures:</p> <ul style="list-style-type: none"> ■ Assessed the design and implementation of key control; ■ Assessed the competence and objectivity of the management's expert; ■ Tested the judgements and assumptions used; ■ Evaluated the accuracy and completeness of the input data used in the valuation by management's expert; ■ Using internal property valuation expert, we tested the reasonableness of the judgements used by management's expert; and ■ Evaluated the conclusions reached in light of our understanding of the Group 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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS (Continued)

For the year ended 31 December 2020

Other Information (Continued)

statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors Responsibilities for the Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's 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;
- Conclude on the appropriateness of the directors' use of the going concern basis

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS (Continued)

For the year ended 31 December 2020

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

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, actions taken to eliminate threats or safeguards applied.

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



Chartered Accountants
Kondwani Msimuko
Partner
30 April 2021

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 K'000	GROUP 2019 K'000	2020 K'000	COMPANY 2019 K'000
ASSETS					
Non-current assets					
Investment property	4	64 144 513	57 900 447	12 769 682	11 114 799
Investment in subsidiaries	5.2	-	-	48 658 314	44 494 350
Investment in associate	6	-	-	2 119 316	1 905 622
Investment in shares	7	94 098	91 933	94 098	91 933
Investment in treasure note	10.2	11 571 478	11 441 722	11 571 478	11 441 722
Total non-current assets		75 810 089	69 434 102	75 212 888	69 048 426
Current assets					
Tax recoverable	8.2	406 284	528 415	-	-
Trade and other receivables	9	1 825 589	1 469 180	821 641	1 421 115
Deposits and bank and cash balances	10.1	8 292 952	7 946 760	5 287 043	3 995 490
Total current assets		10 524 825	9 944 355	6 108 684	5 416 605
TOTAL ASSETS		86 334 914	79 378 457	81 321 572	74 465 031
EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital	11	58 209 424	58 209 424	58 209 424	58 209 424
Restructuring reserve	12	7 841 995	7 841 995	7 841 995	7 841 995
Retained earnings	13	14 957 413	7 822 252	14 012 116	7 552 737
Equity attributable to owners of the company		81 008 832	73 873 671	80 063 535	73 604 156
Non-controlling interests	14	1 513 797	1 361 159	-	-
Total equity		82 522 629	75 234 830	80 063 535	73 604 156
Non-current liabilities					
Deferred tax	8	3 039 508	2 288 682	1 056 611	160 080
Deferred income	16	361	722	-	-
Total non-current liabilities		3 039 869	2 289 404	1 056 611	160 080
Current liabilities					
Trade and other payables	15	644 219	1 268 032	125 318	174 723
Tax payable	8.3	128 197	586 191	76 108	526 072
Total current liabilities		772 416	1 854 223	201 426	700 795
TOTAL EQUITY AND LIABILITIES		86 334 914	79 378 457	81 321 572	74 465 031

The consolidated and separate financial statements of ICON Properties plc were approved by the Board of Directors on 31 March 2021 and are signed on its behalf by:



.....
DIRECTOR



.....
DIRECTOR

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	GROUP		COMPANY	
		2020 K'000	2019 K'000	2020 K'000	2019 K'000
INCOME					
Rental income		4 912 249	5 099 376	757 689	756 863
Dividend income		2 311	2 496	313 958	126 161
Fair value adjustment - investment properties	4	5 277 212	4 044 547	1 186 807	860 524
Fair value adjustment - investment in subsidiaries	5	-	-	4 163 964	3 282 345
Share of associate profits	6	-	-	265 088	231 014
Fair value adjustment - investment in shares	7	2 165	26 428	2 165	26 428
Other income	17	381 474	336 499	97 008	82 649
Deferred income		361	360	-	-
Total income		10 575 772	9 509 706	6 786 679	5 365 984
EXPENSES					
Administrative expenses	18	(1 150 603)	(1 274 798)	(300 376)	(336 357)
Operating expenses	19	(972 741)	(1 020 995)	(204 621)	(240 422)
Total expenses		(2 123 344)	(2 295 793)	(504 997)	(576 779)
Operating income before interest and tax					
Finance income	20	8 452 428	7 213 913	6 281 682	4 789 205
Profit before tax		11 298 951	9 534 582	10 126 903	8 367 558
Taxation charge	21	(2 504 841)	(2 120 950)	(2 197 924)	(1 325 047)
Profit for the year		8 794 110	7 413 632	7 928 979	7 042 511
Attributable to:					
Owners of the parent		8 604 761	7 248 622	-	-
Non-controlling interests		189 349	165 010	-	-
Profit for the year		8 794 110	7 413 632	-	-
Earnings per share (tambala)	22	129	109	-	-

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2020

	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							
2020							
Balance at 1 January	11	58 209 424	7 841 995	7 822 252	73 873 671	1 361 159	75 234 830
Profit for the year		-	-	8 604 761	8 604 761	189 349	8 794 110
Dividends paid		-	-	(1 469 600)	(1 469 600)	(36 711)	(1 506 311)
Balance at 31 December		58 209 424	7 841 995	14 957 413	81 008 832	1 513 797	82 522 629
2019							
Balance at 1 January	11	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		58 209 424	7 841 995	7 822 252	73 873 671	1 361 159	75 234 830
COMPANY							
2020							
Balance at 1 January	11	58 209 424	7 841 995	7 552 737	73 604 156	-	73 604 156
Profit for the year		-	-	7 928 979	7 928 979	-	7 928 979
Dividends paid		-	-	(1 469 600)	(1 469 600)	-	(1 469 600)
Balance at 31 December		58 209 424	7 841 995	14 012 116	80 063 535	-	80 063 535
2019							
Balance at 1 January	11	58 209 424	7 841 995	1 178 226	67 229 645	-	67 229 645
Profit for the year		-	-	7 042 511	7 042 511	-	7 042 511
Dividends paid		-	-	(668 000)	(668 000)	-	(668 000)
Balance at 31 December		58 209 424	7 841 995	7 552 737	73 604 156	-	73 604 156

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

For the year ended 31 December 2020

	Notes	GROUP		COMPANY	
		2020 K'000	2019 K'000	2020 K'000	2019 K'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		11 298 951	9 534 582	10 126 903	8 367 558
Fair value adjustments – Investment properties		(5 277 212)	(4 044 547)	(1 186 807)	(860 524)
Fair value adjustments – Investment in subsidiaries		-	-	(4 163 964)	(3 282 345)
Fair value adjustments – Investment in shares		(2 165)	(26 428)	(2 165)	(26 428)
Interest income	20	(2 846 523)	(2 320 669)	(3 845 221)	(3 578 353)
Share of associate profit	6	-	-	(265 088)	(231 014)
Dividend received		(2 311)	(2 496)	(313 958)	(126 161)
Operating profit before working capital changes		3 170 740	3 140 442	349 700	262 733
(Increase)/decrease in receivables		(356 409)	69 223	599 474	(1 178 182)
Decrease in payables		(624 174)	(1 040 932)	(49 405)	(1 800 168)
Cash generated from/(used in) operations		2 190 157	2 168 733	899 769	(2 715 617)
Income tax paid		(2 089 878)	(552 756)	(1 751 357)	(461 218)
Net cash generated from/(used in) operating activities		100 279	1 615 977	(851 588)	(3 176 835)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	20	2 716 767	2 320 669	3 715 465	3 578 353
Dividend received		2 311	2 496	365 352	192 932
Additions to investment properties	4	(240 215)	(250 453)	(163 267)	(101 476)
Additions to work in progress	4	(726 639)	(1 638 303)	(304 809)	(53 799)
Investment in treasury bills		-	(11 441 722)	-	(11 441 722)
Net cash used in investing activities		1 752 224	(11 007 313)	3 612 741	(7 825 712)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid		(1 506 311)	(715 693)	(1 469 600)	(668 000)
Net cash generated from/(used in) financing activities		(1 506 311)	(715 693)	(1 469 600)	(668 000)
Net increase/(decrease) in cash and cash equivalents		346 192	(10 107 029)	1 291 553	(11 670 547)
Cash and cash equivalents at 1 January		7 946 760	18 053 789	3 995 490	15 666 037
Cash and cash equivalents at 31 December	10.1	8 292 952	7 946 760	5 287 043	3 995 490

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 8 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) 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. Introduction (Continued)

1.3. Group re-organisation

Subsequent to year end, by the 30th April 2021, the Company intends to undergo a re-organization where the assets and liabilities of NICO Properties Limited, Lilongwe City Mall Limited and Chichiri Shopping Centre Limited which are 100% owned subsidiaries of ICON plc will be transferred to the Parent Company. The effect of this is that these subsidiary Companies will be dormant and hence deregistered. The transfer will be executed at a fair value approximation of all assets and liabilities for all components.

The re-organisation which will be carried out using Section 70F of the Taxation Act.

1.4 Going concern basis of accounting

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

2. Adoption of new and revised International Financial Reporting Standards

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

In the current year, the 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 or after 1 January 2020.

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

2.2 Standards and Interpretations in issue, not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2021, 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 2023	<p>Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)</p> <p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p>

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

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

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2022	<p>Reference to the Conceptual Framework (Amendments to IFRS 3)</p> <p>The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.</p>
Annual reporting periods beginning on or after 1 January 2022	<p>Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)</p> <p>The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.</p>
Annual reporting periods beginning on or after 1 January 2022	<p>Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)</p> <p>The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).</p>
Annual reporting periods beginning on or after 1 January 2022	<p>Annual Improvements to IFRS Standards 2018–2020</p> <p>Makes amendments to the following standards:</p> <ul style="list-style-type: none"> <p>IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.</p> <p>IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.</p>

2. Adoption of new and revised International Financial Reporting Standards (Continued)
2.2 Standards and Interpretations in issue, not yet effective (Continued)

Effective date	Standard, Amendment or Interpretation
	IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

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 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

3. Significant accounting policies (Continued)
3.1 Statement of compliance (Continued)

Basis of accounting (Continued)

- 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.

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.

3. Significant accounting policies (Continued)

3.2 Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

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;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share Based Payments at the acquisition date;
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.
- Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain; and

3. Significant accounting policies (Continued)

3.3 Business combinations (Continued)

- 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 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

3. Significant accounting policies (Continued)

3.4 Investments in associates and Joint Ventures (Continued)

influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

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

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

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

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

3. Significant accounting policies (Continued)

3.4 Investments in associates and Joint Ventures (Continued)

retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9.

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

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

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had 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:

3. Significant accounting policies (Continued)

3.5 Significant accounting judgements, estimates and assumptions (Continued)

3.5.1 Judgements (Continued)

(i) Leases

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

■ **Determination of the lease term**

As a lessor, the Group enters into lease agreements that contain options to terminate or to extend the lease. These options are generally exercisable after an initial period of 4 to 6 years. At commencement date, the Group determines whether the lessee is reasonably certain to extend the lease term or not to terminate the lease. To make this analysis, the Group takes into account any difference between the contract terms and the market terms, any significant investments made by the lessee in the property, costs relating to the termination of the lease and the importance of the underlying asset to the lessee's operations. In many cases the Group does not identify sufficient evidence to meet the required level of certainty.

■ **Property lease classification – the Group as lessor**

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of this property and accounts for the contracts as operating leases.

(ii) Revenue from contracts with customers

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

Determination of performance obligations

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

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

3. Significant accounting policies (Continued)

3.5 Significant accounting judgements, estimates and assumptions (Continued)

3.5.1 Judgements (Continued)

Determination of performance obligations (Continued)

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-elapsing measure of progress, because tenants simultaneously receive and consumes the benefits provided by the Group.

Principal versus agent considerations – services to tenants

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

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

(iii) Business combinations

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

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

(iv) Consolidation and joint arrangements

The Group has determined that it controls and consolidates the subsidiaries in which 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.

3. Significant accounting policies (Continued)

3.5 Significant accounting judgements, estimates and assumptions (Continued)

3.5.1 Judgements (Continued)

(v) Business model assessment

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

(vi) Deferred tax on investment properties

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

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

3. Significant accounting policies (Continued)

3.5 Significant accounting judgements, estimates and assumptions (Continued)

3.5.2 Estimates and assumptions (Continued)

(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 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. Significant accounting policies (Continued)

3.7 Investment property

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

Investment property is measured initially at its cost, including related transaction cost and borrowing costs where applicable.

After initial recognition, investment property is carried at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable.

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

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

Changes in fair values are recognised in profit or loss. Investment properties are derecognised when they have been disposed.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment.

Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

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

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

3.8 Financial instruments

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

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. Significant accounting policies (Continued)

3.8 Financial instruments (Continued)

3.8.1 Financial assets

3.8.1.1 Classification and initial measurement of financial assets

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

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

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

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

The Group applies the following business models:-

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

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

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

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)

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

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

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

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

3.8.1.2 Subsequent measurement of financial assets

Subsequently, financial assets are classified in four categories:

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

3.8.1.3 Financial assets at amortised cost (debt instruments)

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

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

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

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

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

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

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

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the 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

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)

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

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

On initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

A financial asset is held for trading if:

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

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

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

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

3.8.1.5 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:

- The financial instrument has a low risk of default; and

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 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. Significant accounting policies (Continued)

3.8 Financial instruments (Continued)

3.8.1 Financial assets (Continued)

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:

- (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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. Significant accounting policies (Continued)

3.8 Financial instruments (Continued)

3.8.2 Financial liabilities and equity (Continued)

Initial recognition and measurement (Continued)

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

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

Subsequent measurement

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

3. Significant accounting policies (Continued)

3.8 Financial instruments (Continued)

3.8.2 Financial liabilities and equity (Continued)

Subsequent measurement (Continued)

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

Gains or losses on financial guarantee contracts issued by the 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) (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)

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.

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

Group as a lessor

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

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

3. Significant accounting policies (Continued)

3.10. Leases (Continued)

Group as a lessor (Continued)

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

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

Group as a lessee

(i) Right-of-use assets

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

(ii) Lease liabilities

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

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

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

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

3.11 Income and deferred tax

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

3. Significant accounting policies (Continued)

3.11 Income and deferred tax (Continued)

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

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

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

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

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

3.12 Provision

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

3.13 Revenue recognition

The Group's 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.

3. Significant accounting policies (Continued)

3.13 Revenue recognition (Continued)

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

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

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

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

(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 and landscaping as well as other support services (e.g., reception services, catering and other event related services). The consideration charged to tenants for these services are reimbursement of certain expenses incurred. These services are specified in the lease agreements and separately invoiced.

3. Significant accounting policies (Continued)

3.13 Revenue recognition (Continued)

(ii) Revenue from services to tenants (Continued)

The Group has determined that these services constitute distinct non-lease components (transferred separately from the right to use the underlying asset) and are within the scope of IFRS 15. The Group allocates the consideration in the contract to the separate lease and revenue (non-lease) components on a relative stand-alone selling price basis.

In respect of the revenue component, these services represent a series of daily services that are individually satisfied over time because the tenants simultaneously receive and consume the benefits provided by the Group. The Group applies the time elapsed method to measure progress. The consideration charged to tenants for these services is based on a percentage of the rental income.

The variable consideration only relates to the non-lease component and is allocated to each distinct period of service (i.e., each day) as it meets the variable consideration allocation exception criteria.

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

(iii) Interest income

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

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

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

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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. Significant accounting policies (Continued)

3.13 Revenue recognition (Continued)

(iv) Income from investments

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

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

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

3.14 Share capital and dividends

i) Ordinary shares

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

ii) Dividends on ordinary shares

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

iii) Dividend per share

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

iv) Earnings per share

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

v) Equity instruments

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

3.15 Fair value measurement

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

When available, the Group measures the fair value of an instrument using the

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

3. Significant accounting policies (Continued)

3.15 Fair value measurement (Continued)

quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

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

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

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

4. Investment property

	Investment property K'000	Work in progress K'000	Total K'000
GROUP			
2020			
As at 1 January	56 262 144	1 638 303	57 900 447
Additions	240 215	726 639	966 854
Transfer from work in progress	2 000 108	(2 000 108)	-
Fair value adjustment	5 277 212	-	5 277 212
As at 31 December	63 779 679	364 834	64 144 513
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
COMPANY			
2020			
As at 1 January	11 061 000	53 799	11 114 799
Additions	163 267	304 809	468 076
Fair value adjustment	1 186 807	-	1 186 807
As at 31 December	12 411 074	358 608	12 769 682
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

The fair value of the investment property for the Group as at 31 December 2020 has been arrived at on the basis of a valuation carried out by:

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

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

4. Investment property (Continued)

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 2020 are as follows:

	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Vacant land	-	345 000	-	345 000
Developed land and buildings	-	-	63 799 513	63 799 513
Total	-	345 000	64 799 513	64 144 513

Details of the company's investment property and information about the fair value hierarchy as at 31 December 2020 are as follows:

	Level 1 K'000	Level 2 K'000	Level 3 K'000	Total K'000
Vacant land	-	345 000	-	345 000
Developed land and buildings	-	-	12 424 682	12 424 682
Total	-	345 000	12 424 682	12 769 682

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

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

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

4 Investment property (Continued)

The following table shows the valuation technique used in measuring the fair value of the investment property as at 31 December 2020.

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 2020 on open market basis by various professional & qualified valuers. 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 <p>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.</p>

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

5. Investment in subsidiaries

5.1 Details of the company's subsidiaries

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

Name of subsidiary	Principal Activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 2020	Proportion of ownership interest and voting power held by the Group 2019
NICO Properties Limited	Property leasing	Malawi	100%	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.

5.2 Reconciliation of carrying amount

	2020 K'000	COMPANY 2019 K'000
Balance as at 1 January	44 494 350	41 212 005
Increase in fair value	4 163 964	3 282 345
Balance at 31 December	48 658 314	44 494 350

Included in the investment in subsidiaries are income notes of K4.4 billion (2019: K4.4 billion) which form part of the capital structure of the subsidiaries. The holding company earns interest on the income notes. The interest earned varies with the performance of the individual subsidiaries. Interest income arising from the income notes is included in note 20 to the financial statements.

4 Investment property (Continued)

5.3 Analysis of carrying amount

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

	At the beginning of the year K'000	Fair value adjustment K'000	Total K'000
As at 31 December 2020			
NICO Properties Limited	11 887 215	1 082 286	12 969 501
Chichiri Shopping Centre Limited	14 518 878	1 298 287	15 817 165
Lilongwe City Mall Limited	18 088 257	1 783 391	19 871 648
Total	44 494 350	4 163 964	48 658 314
As at 31 December 2019			
NICO Properties Limited	10 959 926	927 289	11 887 315
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

All investments in subsidiaries are unquoted and were independently valued by NBM Capital Markets Limited (NBM Capital) on behalf of the Directors as at 31st December 2020. NBM Capital Markets Limited is a wholly owned investment management subsidiary of National Bank of Malawi Plc (NBM) which is a licensed Investment / Portfolio Manager under the Financial Securities Act, 2010 by Reserve Bank of Malawi (RBM).

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

The NAV model was deemed the most appropriate model for 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. In addition, the pending ICON Group reorganization where the assets and liabilities of these subsidiary companies will be transferred to the parent Company will be executed at net asset value. Refer to note 1.3 to the financial statements for the details on the re-organisation.

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.

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

	At the beginning of the year K'000	Share of associate profit K'000	Dividends K'000	Total K'000
6. Investment in associate				
As at 31 December 2020				
Kang'ombe Investment Limited	1 905 622	265 088	(51 394)	2 119 316
As at 31 December 2019				
Kang'ombe Investment Limited	1 741 379	231 014	(66 771)	1 905 622

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	Fair value adjustment K'000	Total K'000
7. Investment in shares			
As at 31 December 2020			
Plantation House Investment Limited	91 933	2 165	94 098
As at 31 December 2019			
Plantation House Investment Limited	65 505	26 428	91 933

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

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

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

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

	Assets K'000	Liabilities K'000	Net K'000
8. Deferred tax			
The deferred tax balance arises from:			
Group			
2020			
Revaluation of investment property	-	3 025 329	3 025 329
Other temporary differences	(5 855)	-	(5 855)
Impairment allowance on trade receivables	(155 715)	-	(155 715)
Revaluation of investments in shares	-	175 749	175 749
Net deferred tax (asset)/liability	(161 570)	3 201 078	3 039 508
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	(142 226)	-	(142 226)
Revaluation of investments in shares	-	138 630	138 630
Net deferred tax (asset)/liability	(244 972)	2 533 614	2 288 682
Company			
2020			
Revaluation of investment property	-	177 780	177 780
Impairment allowance on trade receivables	(16 783)	-	(16 783)
Revaluation of investments in shares	-	895 614	895 614
Net deferred tax (asset)/liability	(16 783)	1 073 396	1 056 611
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

8. Deferred tax (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
2020			
Group			
Revaluation of investment property	2 394 984	630 345	3 025 329
Impairment allowance on trade receivables	(98 848)	(56 867)	(155 715)
Revaluation of investments in shares	138 630	37 119	175 749
Assessed tax losses	(142 226)	142 226	-
Other temporary differences	(3 858)	(1 997)	(5 855)
Net deferred tax liability	2 288 682	750 826	3 039 508
Company			
Revaluation of investment property	(42 694)	220 474	177 780
Impairment allowance on trade receivables	(20 867)	4 084	(16 783)
Revaluation of investments in shares	223 641	671 973	895 614
Net deferred tax liability	160 080	896 531	1 056 611
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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2020

	GROUP		COMPANY	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
8.2 Tax recoverable				
Opening balance	(528 415)	(769 906)	-	-
Current tax provision	271 401	212 521	-	-
Tax paid	(542 734)	(524 494)	-	-
Tax refunds/ (offsets)	393 464	553 464	-	-
Total	(406 284)	(528 415)	-	-
8.3 Tax payable				
Opening balance	586 191	27 762	526 072	-
Current tax provision	1 482 614	1 122 364	1 301 393	972 549
Tax paid	(1 940 608)	(563 935)	(1 751 357)	(446 477)
Total	128 197	586 191	76 108	526 072

	GROUP		COMPANY	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
9. Trade and other receivables				
Rental receivables	1 841 125	1 463 456	149 728	159 653
Expected credit loss	(597 225)	(486 393)	(55 951)	(69 556)
Net trade receivables	1 243 900	977 063	93 777	90 097
Input VAT claimable	231 121	304 054	196 499	190 829
Prepayments	700	1 375	-	-
Prepaid insurance	4 283	-	-	-
Recoverable insurance	11 242	11 242	-	-
Accrued interest	185 782	122 616	118 791	99 722
Other receivables	97 820	49 208	363 846	1 037 671
Prepaid city rates	1 184	-	-	-
Prepaid ICON Properties contract safe	-	2 794	-	2 796
Service charge recoveries	48 728	-	48 728	-
Working capital	829	828	-	-
Total trade and other receivables	1 825 589	1 469 180	821 641	1 421 115

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2020

9. Trade and other receivables (Continued)

The average credit period on rental receivables is 30 days. No interest is charged on overdue rental receivables. An individual assessment was performed on trade receivables as at 31 December 2020. 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 2020:

	30 days K'000	30-60 days K'000	61-90 days K'000	Over 90 days K'000	Total K'000
GROUP 2020					
Gross carrying amount	339 614	322 187	23 821	1 155 503	1 841 125
Loss allowance	(8 530)	(8 234)	(1 981)	(578 480)	(597 225)
Net carrying amount	331 084	313 953	21 840	577 023	1 243 900
2019					
Gross carrying amount	382 068	180 951	19 317	881 120	1 463 456
Loss allowance	(8 113)	(8 340)	(899)	(469 041)	(486 393)
Net carrying amount	373 955	172 611	18 418	412 079	977 063
COMPANY 2020					
Gross carrying amount	25 807	24 076	2 801	97 044	149 728
Loss allowance	(3 902)	(2 825)	(723)	(48 501)	(55 951)
Net carrying amount	21 905	21 251	2 078	48 543	93 777
2019					
Gross carrying amount	39 118	32 053	-	88 482	159 653
Loss allowance	(3 322)	(3 604)	-	(62 630)	(69 556)
Net carrying amount	35 796	28 449	-	25 852	90 097

	GROUP		COMPANY	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
10.1 Cash and cash equivalents				
Fixed deposits	8 173 643	6 976 175	5 248 514	3 199 159
Bank balances and cash	119 309	970 585	38 529	796 331
Total deposits and bank balances and cash	8 292 952	7 946 760	5 287 043	3 995 490
Cash and cash equivalents in the statement of cash flows	8 292 952	7 946 760	5 287 043	3 995 490

The fixed deposits interest rates ranging from 4.5% to 15.5%. Bank balances earned an interest rate of 0.4% (2019: 0.4%). All bank balances are denominated in Malawi Kwacha and are held with locally registered banks which include NBS Bank plc, National Bank plc and Standard Bank plc.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2020

	GROUP		COMPANY	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
10.2 Investment in treasury notes				
Opening balance	11 441 722	11 441 722	11 441 722	11 441 722
Accrued interest	129 756	-	129 756	-
	11 571 478	11 441 722	11 571 478	11 441 722

The Group invested in a seven year treasury note with a coupon rate of 15.5% (2019: 15.5%). The treasury note is measured at amortised cost.

11. Share capital

	COMPANY	
	2020 K'000	2019 K'000
Number of authorised shares ('000)	10 000 000	10 000 000
Number of issued and fully paid shares ('000)	6 680 000	6 680 000
Issued and fully paid (K'000)	58 209 424	58 209 424

12. Restructuring reserve

	GROUP		COMPANY	
	2020 K'000	2019 K'000	2020 K'000	2019 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.

	GROUP		COMPANY	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
13. Retained earnings				
Distributable reserves				
Balance as at 1 January	3 381 180	439 687	2 396 511	271 119
Distributable profit for the year	3 992 848	3 609 493	3 203 402	2 793 392
Less dividends paid	(1 469 600)	(668 000)	(1 469 600)	(668 000)
Balance as at 31 December	5 904 428	3 381 180	4 130 313	2 396 511

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2020

13. Retained earnings (Continued)

	GROUP		COMPANY	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
Non-Distributable reserves				
Opening balance as at 1 January	4 441 072	801 943	5 156 226	907 107
Movement in fair values	5 279 377	4 070 975	5 352 936	4 169 297
Share of associate profits	-	-	265 088	231 014
Related deferred tax charge	(667 464)	(431 846)	(892 447)	(151 192)
Non-distributable reserves as at 31 December	9 052 985	4 441 072	9 881 803	5 156 226
Total retained earnings	14 957 413	7 822 252	14 012 116	7 552 737

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	
	2020 K'000	2019 K'000
14.1 Non-controlling interests (NCI)		
Net assets of Kang'ombe Investment Limited (K'000)	6 055 188	5 444 636
Shareholding attributable to NCI	25%	25%
Carrying amount of NCI (K'000)	1 513 797	1 361 159

14.2 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.

14.2 Details of subsidiaries of Group where there is a material non-controlling interest are disclosed below: (Continued)

	GROUP	
	2020 K'000	2019 K'000
Kang'ombe Investment Limited		
Shareholding attributable to NCI	25%	25%
Non-current assets	5 900 000	5 550 000
Current assets	694 229	593 747
Non-current liabilities	(425 384)	(433 674)
Current liabilities	(113 658)	(265 437)
Net assets	6 055 187	5 444 636
Carrying amount of NCI	1 513 797	1 361 159
Total income	1 161 398	1 149 642
Profit	757 397	660 038
Total comprehensive income	757 397	660 038
Profit allocated to NCI	189 349	165 010
Net cash generated from operating activities	136 201	346 241
Net cash used in investing activities	5 270	(15 350)
Net cash used in financing activities	(146 844)	(190 774)
Net increase in cash and cash equivalents	(5 373)	140 117

15. Trade and other payables

	GROUP		COMPANY	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
Trade payables	72 741	333 063	-	-
Accrued expenses	163 777	310 704	27 393	50 782
Unpaid dividend	1 014	616	1 014	616
Audit fees	92 807	52 794	25 800	22 844
Rent received in advance	47 788	71 085	-	-
Value Added Tax	31 702	91 445	-	66 853
Rental deposits	78 353	69 889	-	-
Marketing fund	50 427	79 632	-	-
Accrued NCIC levy	10 303	6 011	919	650
Withholding tax payable	20 344	27 621	5 894	6 477
ERIS control account	283	21 437	-	21 161
Sundry payables	63 058	7 465	59 570	3 078
Customer deposits	4 728	2 262	4 728	2 262
Unpresented cheques	6 894	194 008	-	-
Total	644 219	1 268 032	125 318	174 723

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

16. Deferred income

	GROUP		COMPANY	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
Opening balance	722	1 082	-	-
Transfer to statement of comprehensive income	(361)	(360)	-	-
Total	361	722	-	-

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	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
Service charge recoveries	358 513	324 854	83 403	82 649
Sundry income	22 961	11 645	13 605	-
Total	381 474	336 499	97 008	82 649

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

18. Administrative expenses

Listing expenses	25 100	-	25 100	-
Property management fees	285 046	312 918	27 952	29 920
Legal and professional fees	127 448	90 159	35 919	27 139
Property revaluation fees	35 576	41 962	20 638	21 662
Directors' fees, expenses and allowances	44 345	54 363	21 233	27 546
Sundry expenses	4 380	2 095	-	-
Printing and stationery costs	17 792	22 816	15 390	22 737
Travelling expenses	680	624	-	-
Advertising and marketing expenses	6 563	10 888	6 201	8 338
Accounting and secretarial fees	342 295	335 556	88 788	87 713
Impairment on trade receivables	125 713	307 650	-	69 556
Bank charges	8 236	10 461	3 159	3 202
Audit fees	103 238	81 511	55 996	38 544
Consultancy	24 191	3 795	-	-
Total administrative expenses	1 150 603	1 274 798	300 376	336 357

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

	GROUP		COMPANY	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
19. Operating expenses				
Repairs and maintenance expenses	141 413	187 720	38 459	66 870
Insurance cost	197 872	175 430	54 177	49 009
Cleaning expenses	67 959	50 767	1 196	3 662
City rates	66 037	64 044	24 409	25 885
Landscaping expenses	7 868	7 336	-	-
Land rental	3 901	2 932	660	660
Pest control costs	35 594	20 629	1 200	426
Electricity and water expenses	225 379	229 829	33 497	42 090
Refuse removal costs	6 538	6 820	-	-
Security charges	155 583	206 046	39 894	45 630
Gardening	12 471	8 187	2 559	1 932
Genset hire costs	23 478	17 179	6 294	-
Fire equipment maintenance costs	1 800	3 607	-	-
Letting commission	26 568	40 166	2 276	4 258
Post office fees	280	303	-	-
Total operating expenses	972 741	1 020 995	204 621	240 422
20. Finance income				
Interest income – Money market investments	2 846 523	2 320 669	2 457 818	2 038 803
Interest income – Income notes	-	-	1 387 403	1 539 550
Total finance income	2 846 523	2 320 669	3 845 221	3 578 353
21. Taxation charge				
Dividend tax	48 496	17 791	40 807	15 031
Current tax	1 705 519	1 334 885	1 260 586	972 549
Deferred tax	750 826	768 274	896 531	337 467
Total taxation charge	2 504 841	2 120 950	2 197 924	1 325 047
Reconciliation of the tax rate				
Effective tax rate	22	22	22	16
Permanent differences	8	8	8	14
Statutory tax rate	30	30	30	30

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

	GROUP	
	2020	2019
Weighted average number of shares ('000)	6 680 000	6 680 000
Profit attributable to ordinary shareholders (K'000)	8 604 761	7 248 622
Earnings per share (tambala)	129	109

22. Earnings per share Group

23. Segmental information

23.1 Operating segments

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

23.2 Products and services from which reportable segments derive their revenues

The Group has one principal line of business - rental of investment 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 K 1 644 million (2019: K 1 726 million) representing 33% (2019: 34%) of the total rental revenue in the current year and its value at K19 494 million (2019: K17 183 million) being 30% (2019: 30%) of the total investment portfolio value, no single investment property contributes close to 75% of the total revenue from external customers.

23.3 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.

23.3 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
2020			
Blantyre	2 024 737	31 084 451	2 358 151
Lilongwe	1 157 980	31 930 934	2 812 245
Other markets	1 729 532	1 129 128	106 816
Total	4 912 249	64 144 513	5 277 212
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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

24. Related parties
Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and 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	Group		Company	
			Value of transaction K'000	Balance K'000	Value of transaction K'000	Balance K'000
NICO Holdings Limited	Significant shareholder through NICO Life Limited	Rental income	58 742	6 978	58 742	6 978
NICO Asset managers Limited	Company under common ownership	Rental income Management fees	34 976 342 295	3 973 13 721	34 976 88 788	3 973 -
ERIS Properties (Mw) Limited	Company under common ownership	Management fees	285 046	23 123	50 228	4 090
NBS bank plc	Company under common ownership	Rental income	502 964	150 091	17 786	(4 667)
NICO Technologies Limited	Company under common ownership	Rental income	654	-	654	-
NICO Life Insurance Company	Company under common ownership	Rental income	6 491	-	6 491	-
Chichiri Shopping Centre Limited	Subsidiary company	Income note interest	-	-	308 940	114 786
Lilongwe City Mall Limited	Subsidiary company	Income note interest	-	-	1 143 216	129 052
Kang'ombe	Subsidiary company	Dividend	-	-	51 394	-
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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

24. 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, tax and company secretarial services for a period of 3 years commencing 1 September 2018 to 30 August 2021.

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

Management fees for the year amounted to:

	GROUP		COMPANY	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
NICO Asset Managers Limited	342 295	335 556	29 952	87 713
ERIS Properties (Mw) Limited	285 047	312 918	88 788	29 920
Total	627 342	648 474	118 740	117 633

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

Financial instrument and associated risk

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

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

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

Categories of financial instruments

GROUP	At amortised cost K'000	At FVPL K'000	Total K'000
2020			
Financial assets			
Investment in shares	-	94 098	94 098
Trade & other receivables	1 593 768	-	1 593 768
Investment in treasury bills	11 571 478	-	11 571 478
Deposits and bank and cash balances	8 292 952	-	8 292 952
Total financial assets	21 458 198	94 098	21 552 296
Financial liabilities			
Trade and other payables	644 219	-	644 219
Total financial liabilities	644 219	-	644 219
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
COMPANY			
2020			
Financial assets			
Investment in subsidiaries	-	48 658 314	48 658 314
Investment in shares	-	94 098	94 098
Trade & other receivables	625 142	-	625 142
Investment in treasury bills	11 571 478	-	11 571 478
Deposits and bank and cash balances	5 287 043	-	5 287 043
Total financial assets	17 483 663	48 752 412	66 236 075
Financial liabilities			
Trade and other payables	125 318	-	125 318
Total financial liabilities	125 318	-	125 318

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

Financial instrument and associated risk (Continued)

COMPANY	At amortised cost K'000	At FVPL 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 & 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

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.

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

Categories of financial instruments (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
2020			
Financial assets			
Investment in shares	-	94 098	94 098
Trade & other receivables	-	1 593 768	1 593 768
Cash and cash equivalents	8 292 952	-	8 292 952
Investment in treasury bills	11 571 478	-	11 571 478
Total financial assets	19 864 430	1 687 866	21 552 296
Financial liabilities			
Trade and other payables	-	644 219	644 219
Total financial liabilities	-	644 219	644 219
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

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

Categories of financial instruments (Continued)

Interest rate sensitivity

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

	Interest bearing K'000	Non-interest bearing K'000	Total K'000
2020			
Financial assets			
Investment in subsidiaries	-	48 658 314	48 658 314
Investment in shares	-	94 098	94 098
Trade and other receivables	-	625 142	625 142
Cash and cash equivalents	5 287 043	-	5 287 043
Investment in treasury bills	11 571 478	-	11 571 478
Total assets	16 858 521	49 377 554	66 236 075
Financial liabilities			
Trade and other payables	-	125 318	125 318
Total financial liabilities	-	125 318	125 318
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

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.

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

Categories of financial instruments (Continued)

iii) Liquidity risk (Continued)

An analysis of the Group's assets and liabilities based on the contractual period to maturity as at 31 December 2020 is shown below:

	Up to 1 month K'000	1 to 3 months K'000	Over 1 year K'000	Total K'000
GROUP				
2020				
Financial assets				
Investment in shares	-	-	94 098	94 098
Trade and other receivables	1 593 768	-	-	1 593 768
Investment in treasury bills	-	-	11 571 478	11 571 478
Bank balances and cash	119 309	-	-	119 309
Fixed deposits	7 309 025	587 943	-	7 896 968
Total financial assets	9 022 102	587 943	11 665 576	21 275 621
Financial liabilities				
Trade and other payables	644 219	-	-	644 219
Total financial liabilities	644 219	-	-	644 219
Liquidity gap	8 377 883	587 943	11 665 576	20 631 402
Cumulative liquidity gap	8 377 883	8 965 826	20 631 402	20 631 402
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

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

Categories of financial instruments (Continued)

iv) Credit risk (Continued)

Exposure to credit risk (Continued)

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

	Up to 1 month K'000	1 to 3 months K'000	Over 1 year K'000	Total K'000
COMPANY				
2020				
Financial assets				
Investment in subsidiaries	-	-	48 658 314	48 658 314
Investment in shares	-	-	94 098	94 098
Trade and other receivables	625 142	-	-	625 142
Bank balances and cash	38 529	-	-	38 529
Investment in treasury bills	-	-	11 571 478	11 571 478
Fixed deposits	5 248 514	-	-	5 248 514
Total financial assets	5 912 185	-	60 323 890	66 236 075
Financial liabilities				
Trade and other payables	125 318	-	-	125 318
Total financial liabilities	125 318	-	-	125 318
Liquidity gap	5 786 867	-	60 323 890	66 110 757
Cumulative liquidity gap	5 786 867	5 786 867	66 110 757	66 110 757
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

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

Categories of financial instruments (Continued)

Exposure to credit risk (Continued)

iv) Credit risk

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

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

Exposure to credit risk

As at 31 December 2020, 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	
	2020 K'000	2019 K'000	2020 K'000	2019 K'000
Financial assets				
Trade and other receivables	1 593 768	1 465 011	625 142	1 418 319
Investment in treasury bills	11 571 478	11 441 722	11 571 478	11 441 722
Deposits and bank and cash balances	8 292 952	7 946 760	5 287 043	3 995 490
Total financial assets	21 458 198	20 853 493	17 483 663	16 855 531

Trade and other receivables largely consist of rental receivables from a large number of customers, spread across diverse industries. Amounts of K225 million (2019: K225 million) and K326 million (2019: K125 million) were due from Stansfield Motors Limited and Malawi Government respectively and represent 12% (2019: 15%) and 17.7% (2019: 12%) of the Group's total rental receivables respectively. NBS Bank had amounts outstanding of K150 million which were paid subsequent to year end. The Group does not have any other exposures to any single counterparty that are in excess of 5% of total rental receivables. Credit risk is managed by continuous engagement with counter parties and arriving at agreements to clear arrears.

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

26. Fair value measurements

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

26. Fair value measurements (Continued)

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

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

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

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

Fair value of the 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.

27. Contingent liabilities

There were no contingent liabilities for the company and the Group as at 31 December 2020 (2019: nil).

28. Capital commitments

There were no capital commitments which were authorised but not contracted for as at 31 December 2020 (2019: nil). Capital commitment are financed from internal resources.

29. Impact of covid-19

The COVID-19 pandemic affected the group's performance in the year. The first wave in the first half of the financial year affected rental collection as tenants were visibly affected by the changes in consumer patterns. To protect cash flows, several maintenance projects were postponed until further notice, whereas capital projects faced several delays. The fourth quarter of the year saw improvement in conditions which allowed the Group to close with a stronger position.

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2020

30. Exchange rates and inflation

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

	2020	2019
Kwacha/Rand	47.2	51.5
Kwacha/US Dollar	745.9	739.6
Inflation rate (%)	7.9	9.2

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

Kwacha/Rand	56.5
Kwacha/USD	785.6

Inflation rate (%) (February 2021) 8.3

Building Better Futures



ICON PROPERTIES PLC

Chibisa House, 9 Glyn Jones Road, Blantyre
P.O. Box 3117, Blantyre, Malawi. Tel +265 (0) 1 832 085/6
Member of the NICO Group

Building Better Futures