NOTICE OF THE 50TH ANNUAL GENERAL MEETING

MPICO

Reg. No. 1495

NOTICE IS HEREBY GIVEN that the 50th Annual General Meeting (AGM) of the shareholders of MPICO plc will be held **physically** at Sunbird Capital Hotel, Lilongwe **on Friday 30th June 2023 at 10.00 am**

Notes

1. The AGM Pack and proxy form will be sent via email, post and also be available on the MPICO website (www.mpicomw.com) from 1st June 2023 onwards.
2. Shareholders can raise their questions during a two-week period by email, WhatsApp or post, starting from 12th June to 23rd June 2023.
3. The Company will collate all questions and publish these on its website. Questions and answers will be read out and commented upon to give context by the Chairperson during the meeting.
4. Shareholders will be required to send the proxy forms by 28th June 2023.
5. To facilitate this process, all shareholders are requested to send their email addresses and mobile phone numbers to: **mpicoshareholders@natbankmw.com** or WhatsApp Number **+265 885 932 787** by 6th June 2023..

ORDINARY BUSINESS

1. To approve the minutes of the 49th Annual General Meeting held on 21st June 2022.

2. FINANCIAL STATEMENTS

To receive and consider the Directors and Auditors' report and Financial Statements of the Company for the year ended 31st December 2022.

3. DIVIDEND

To declare a final dividend of K505.6 million (2021: K436.6 million representing 22 tambala per share (2021: 19 tambala) for the year ended 31 December 2022 as recommended by the Board of Directors.

An interim dividend of K321.7 million (2021: K275.8 million) representing 14 tambala per share (2021: 12 tambala) was paid in December 2022. If the proposal to pay the final dividend is approved, the total dividend for the year will be K827.3 million (2021: K712.3 million) representing a total of 36 tambala per share (2021: 31 tambala).

The register of members will be closed from close of business on Friday 14th July 2023 to Tuesday 18th July 2023 inclusive, and no transfer will be registered during that time. Only members whose names shall appear in the register as of 14th July 2023 shall be eligible for the dividend which will be payable on 28th July 2023.

4. RE-APPOINTMENT OF AUDITORS

To re-appoint Deloitte – Certified Accountants as Auditors for the ensuing year and authorize the Directors to determine the Auditors' remuneration for the period.

5. RESIGNATION OF DIRECTORS

5.1 To note the resignation of Director Mark Mikwamba as Director of the Company

5.2 To note the resignation of Director Damien Kafoteka as Director of the Company

5.3 To note the resignation of Director Veronica Masikini as Director of the Company.

5.4 To note the resignation of Director Jim Nsomba as Director of the Company.

6. RE-ELECTION OF DIRECTORS

6.1 **To re-elect Mrs. Edith Jiya (47) as a director of the company who retires by rotation and being eligible, offers herself for re-election. The Board recommends her re-election.**

Mrs. Jiya is a holder of MSc. in Strategic Management from University of Derby and Bachelor of Business Administration degree from the University of Malawi. She is Group CEO of Old Mutual [Malawi] Limited. Previously, she was the Managing Director of the Old Mutual Life Assurance Company (Malawi) Limited (OMLAC), a position she held for 5 years. She has also held senior managerial positions at OMLAC and BP [Malawi] Limited. Mrs. Jiya is an associate member of the Chartered Insurance Institute (The CII) UK and associate of the Chartered Institute of Marketing. She currently serves on Old Mutual Malawi Group Board, Old Mutual Unit Trust [Malawi] Board, Old Mutual Investment Group Board and as a Director on the Board of UAPOM Life Uganda.

6.2 **To re-elect Mr. Felix Mangani (64) as a director of the company who retires by rotation and being eligible, offers himself for re-election. The Board recommends his re-election.**

Mr. Mangani is a former Commissioner for Lands and before that Surveyor General in the Government of Malawi. He holds a Bachelor of Science (Hons) degree in Surveying and Mapping Sciences obtained from the University of East London (UK) formerly Northeast London Polytechnic majoring in Land Surveying and Land Registration in 1985. He retired from Government in 2018 after 37 years of public service. He is currently a practising licensed Land Surveyor and a member of the Land Surveyors Registration Board and the Surveyors Institute of Malawi (SIM).

7. APPOINTMENT OF DIRECTORS

7.1 **To confirm the appointment of Mr. Edmund Hami (62) as Director to fill a vacant position.**

Mr. Hami is a Certified Chartered Accountant (ACCA – UK), a holder of Masters Business Administration (MBA) degree from East and Southern Africa Management Institute. He is a Board member of MPICO plc and MPICO Malls Limited and Chairman of the Audit, Risk and Compliance Committee (ARCC) for MPICO Group. Previously, he served in several senior finance management positions in Unilever PLC, Central Africa, East Africa, West Africa and Middle East Regions for over 28 years of which 14 years in international finance service. He briefly worked for Carlsberg (Malawi) and Kentam products as Chief Finance Officer and Finance & Operations Manager respectively.

7.2 **To confirm the appointment of Mr. Benard Ndau (51) as a Director to fill a vacant position**

Mr. Ndau is a holder of an LLM and LLB (Hons) degree and a qualified legal practitioner with over 20 years' post-graduate experience and has interest and international experience in Commercial law; Project Due Diligence; Telecommunications Law, International Commercial Arbitration; Mergers and Acquisitions and Corporate Governance.

7.3 **To confirm the appointment of Mrs. Vera Zulu (46) as a Director to fill a vacant position**

Mrs. Zulu is a Fellow of the Association of Chartered Certified Accountants (FCCA) UK, and a Chartered Accountant (CA) Malawi. She holds a Masters'

Degree in Business Administration (MBA) from the University of Derby, UK, and a Bachelors' Degree in Accountancy (BAC) Malawi. She is currently the Chief Finance Officer of Old Mutual (Malawi) Limited.

To confirm the appointment of Mrs. Martha Mkandawire (49) as a Director to fill a vacant position
Mrs. Mkandawire is a Fellow Certified Chartered Accountant (FCCA) and an Associate Member of CIPS (MCIPS) having graduated with the CIPS Level 6 Professional Diploma in Purchasing and Supply. She holds a Bachelor's Degree and Masters Degree in Accounting (BACC) and Business Administration (MBA), respectively. She has over twenty-six (26) years' experience in senior management.

8. NON-EXECUTIVE DIRECTORS' FEES AND SITTING ALLOWANCES

To approve the increase in Directors' fees and sitting allowances of the Chairperson and Non-Executive Directors with effect from 1st January 2023 as follows:

i. **Directors' fees**
Chairperson – MK7,835,549 per annum payable in arrears (MK6,121,523 – 2022)
Non-Executive Directors – MK7,698,793 per annum payable in arrears (MK6,014,682 – 2022).

ii. **Sitting Allowances**
Chairperson-MK231,875 per sitting (MK181,152 – 2022)
Non-Executive Directors – MK177,701 per sitting (MK138,829 – 2022).

9. SPECIAL BUSINESS

To consider and if deemed fit to pass the following special resolutions:

9.1 "**That** new Articles of Association of the company be adopted in compliance with section 35 of the Companies Act, 2013."

9.2 **That** clause 20.1 of the Articles of Association be amended by increasing the minimum and maximum number of Directors from 3 to 6 and from 7 to 10 respectively, as follows:
20.1 The Board shall consist of not less than 6 (six) and not more than 10 (ten) members. For every 10 (ten) percent of Ordinary Shareholding held in the issued share capital of the Company by a Shareholder, that Shareholder shall be entitled to appoint one Director.

9.3 **That** clause 20.8 of the Articles of Association be amended by replacing the term "Managing Director" with "Management Company", as defined under clause 1.2.15:
20.8 The control and ultimate management of the Company shall lie with the Board and the day-to-day running and management of the Company shall be delegated to the Management Company or any other person or body corporate as appointed from time to time by the Board. The Management Company or any other person or body corporate in charge of the Company shall be accountable to the Board of Directors of the Company and shall implement such policies and act within such parameters as the Board shall decide from time to time.

9.4 That a new clause 17.2 be inserted as follows:
17.2 No Right to Attend Meetings
A Transmittee shall not have a right to attend or vote at a general meeting, or agree to a proposed written resolution, in respect of shares to which he is entitled, by reason of the holder's death or bankruptcy or otherwise, unless he becomes the holder of those shares.

9.5 **That** a new clause 18.15 be inserted as follows:
18.15 Shareholders' Declaration of Interest
A Shareholder who is in any way, whether directly or indirectly, interested in any transaction with the Company must declare the nature and extent of its interest to the other Shareholders of the Company before it is entitled to vote on a Shareholder resolution relating to the matter.

9.6 **That** the following clause be deleted:
12. New Certificates If a share certificate be defaced, lost or destroyed, it may be renewed on payment of a fee of one Kwacha (K1.00) (or on such other reasonable fee as may be permitted by the Act and notified to and not objected to by MSE) on such terms, as to evidence and indemnity and the payment of out-of-pocket expenses of the Company of investigating evidence as the directors may reasonably think fit.

9.7 **That** the following clause be deleted:
32. Managing Director and Executive Directors
The Directors may from time to time appoint under contract Executive Directors including the Managing Director and such other Executive Directors, for a period not exceeding three years and may from time to time renew such appointment for a period or periods not exceeding three years on such terms as they may think fit, and, subject to the terms of any agreement entered into in any particular case, may revoke such appointment. A Director so appointed shall during the period of such contract not be subject to retirement by rotation nor be taken into account in determining the number of Directors required to retire.

The proposed Articles of Association are published on the Company's website www.mpicomw.com and can also be obtained from the Company Secretary.

10. OTHER BUSINESS

To transact such other business as may be transacted at an Annual General Meeting of members and which the Secretary will have been duly notified not less than 21 days before the date of the meeting.

Dated 1st June 2023

BY ORDER OF THE BOARD

CHIFUNDO KALAILE
COMPANY SECRETARY

Registered Office:
MPICO plc
Old Mutual House, P.O. Box 30459, Lilongwe 3

A member entitled to attend and vote at the meeting is entitled to appoint a proxy (or more than one proxy) to attend and vote in his / her stead. A proxy need not to be a member of the company.

The instrument appointing a proxy and the power of attorney or the other authority, if any, under which if it is signed or a notarially certified copy of that power or authority shall be deposited at the Company Secretary's Office not less that forty-eight hours before the time for holding the meeting and in default the instrument of proxy shall not be treated as valid.

MINUTES OF THE 49TH ANNUAL GENERAL MEETING OF THE COMPANY HELD ON TUESDAY 21st JUNE 2022 AT MOUNT SOCHE HOTEL, BLANTYRE AND VIA MICROSOFT TEAMS.

<u>SHAREHOLDERS PRESENT</u>

Cosmas Katulukira
Zunzo Mitole
Remmie Ng'omba
Edda Khulamba
Rupert Nkhono
Richard Butao
William Matewene
Madalitso Mittochi
Mjedo Mkandawire
L Tinto
Lucia Chiola
Joe Maere
Wilson Kuyokwa
B. T Maele
G Mwamira
Andrew Mkandawire
Gloria M
C Makadia

<u>PROXIES</u>

Cuthbert Mnyenyembe	-
Frank Harawa	- Proxy for Lucinda

<u>OBSERVERS</u>

Wilfred Golden	- Nyasa Times
Rachel Phoebe Nyasulu	-
David Magombo	- Stockbrokers Malawi
LusubiloMwakwinja	- Maravi Post
Douglas David Nyirenda	- Malawi Stock Exchange (MSE)
Kelline Kanyangala	- Malawi Stock Exchange (MSE)
Kondwani Nyirongo	- Cedar Capital
Mwaitabasa Kaipa	- Cedar Capital

Geoffrey Chinawa	- MBC
Maggie Mwamira	

IN ATTENDANCE

DIRECTORS

Mrs. E. Jiya	Chairperson
Mrs. V. Masikini	Director
Mr. M. Mikwamba	Director
Mr. F. Mangani	Director
Mr. C. Kapanga	Director
Mr. D. Kafoteka	Managing Director

EXECUTIVE MANAGEMENT

Ms. M. Mlenga	Assistant Company Secretary
Mr. E. Jambo	Operations Manager
Mr. R. Butao	Senior Accountant
Mr. L. Mwabutwa	Facilities Manager
Mrs. G. Mkandawire	Commercial Manager

EXTERNAL AUDITORS

Mr. V. Beza	Deloitte, Audit Partner
Mr. K. Banda	Deloitte, Audit Manager

1. QUORUM AND NOTICE

a. The Chairperson called the meeting to order at 8:30am. The Assistant Company Secretary confirmed that a quorum had been formed and that the meeting was duly constituted.
b. The Chairperson proposed that the notice of the meeting having been previously circulated be taken as read. It was noted that some participating and voting members voted against the adoption of the notice because of not receiving the AGM pack on time.
c. It was noted that the majority of the participating and voting members voted to procced with the meeting. The Chairperson proceeded to declare the meeting duly constituted and welcomed all present.

2. CONFIRMATION OF THE MINUTES OF 48TH ANNUAL GENERAL MEETING

a. The minutes of the 48th Annual General Meeting held on Tuesday, 29th June 2021 were tabled before the meeting for adoption and confirmation. The Chairperson took the members through the minutes.
b. After confirmation from the Assistant Company Secretary that there were no corrections to the minutes received, the majority of the members voted for the resolution to adopt the minutes and two members voted against.
c. **Resolved**: THAT the said minutes be hereby adopted and confirmed as a correct record of the proceedings.

3. APPROVAL OF FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31st DECEMBER 2021

a. The audited financial statements for the year ended 31st December 2021 were tabled before the shareholders.
b. The external auditors informed the members that the 2021 financial statements were a fair reflection of the financial performance for the year ended 2021.
c. The motion to receive, consider and adopt the Annual Report and Financial Statements for the year ended 31 December 2021 together with the Reports of the Auditors thereon was adopted by the majority of members after noting one members' objection.
d. **Resolved:** That the audited financial statements for the year ended 31st December 2021 together with the reports of the Auditors and Directors thereon be approved and adopted.

4. DIVIDEND PROPOSAL

a. A proposal was made for a final dividend of K436.6 million from the profits of 2021.
b. The majority of the members voted for the resolution to declare the dividend and one member voted against.
c. **Resolved:** That a final dividend of MK436.6million be declared from the profits of 2021.

5. RE-APPOINTMENT OF EXTERNAL AUDITORS

a. A proposal was made to re-appoint Deloitte Certified Public Accountants as the Auditors of the Company for the ensuing year and authorise Management to fix their remuneration.
b. It was unanimously **Resolved:** That Deloitte, Certified Public Accountants, be re-appointed as Auditors of the Company for the ensuing financial year and that Management be authorised to fix their remuneration.

6. DIRECTOR'S RESIGNATION, RE-ELECTION AND APPOINTMENT

a. The members noted the resignation of Ms. Chifundo Kalaile as Director of the company.

b. The members noted the retirement of Director Eluphy Salamba who retired by rotation and eligible for re-election but did not offer herself for re-election.

c. A proposal was made to re-elect Mr. Jim Nsomba as Director of the Company. **Resolved:** That the re-election of Mr. Jim Nsomba be approved.
d. A Proposal was made to re-elect Mr. Christopher Kapanga as Director of the Company. **Resolved:** That the re-election of Mr. Christopher Kapanga be approved.
e. A proposal was made to confirm the appointment of Dr. Peter Matipwiri as Director of the Company. **Resolved:** That the appointment of Dr. Peter Matipwiri be approved.

7. DIRECTOR'S REMUNERATION

a. A proposal was made that the remuneration of the Chairperson and other non-Executive Directors be approved with effect from 1st January 2022.
b. **Resolved:** That the remuneration of the Chairperson and Non-Executive Directors be fixed with effect from 1st January 2022 as follows:

Directors' fees
Chairperson – MK6,121,523 per annum payable in arrears (MK5,626,400 – 2021)
Non-Executive Directors – MK6,014,682 per annum payable in arrears (MK5,528,200 – 2021).

Sitting Allowances
Chairperson -MK181,152 per sitting (MK166,500 – 2021)
Non-Executive Directors – MK138,829 per sitting (MK127,600 – 2021).

5. OTHER BUSINESS

There was no further business of which due notice was given. The meeting was declared closed at 10:47 am

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Edith Jiya
CHAIRPERSON **DATE**

2022 ANNUAL REPORT

MPICO

A MEMBER OF THE OLD MUTUAL GROUP

PROPERTY DEVELOPMENT

PROJECT MANAGEMENT

PROPERTY VALUATION

PROPERTY MANAGEMENT

PROPERTY OWNERSHIP

PROPERTY LEASING

FACILITIES MANAGEMENT

Contents

To be a leading provider of property solutions in Malawi, creating shareholder and customer value whilst being an employer of first choice

Vision

MPICO

50 YEARS

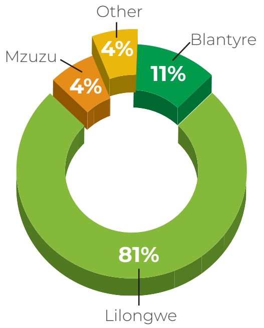
BUILDING A LEGACY AS A LEADING PROVIDER OF LANDED PROPERTY SOLUTIONS IN MALAWI

A MEMBER OF THE OLDMUTUAL GROUP

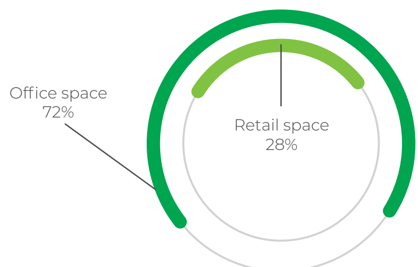
27 PROPERTIES

Commercial, residential, retail and industrial properties with a total of 67,800 square meters.

NUMBER OF PROPERTIES



SPACE ALLOCATION sqm



Chairperson's Statement

Economic Environment

The macroeconomic environment for 2022 remained challenging due to persistent fuel, electricity, and foreign currency shortages, which were exacerbated by the negative effects of the Russia-Ukraine war and weather-related shocks. By the year's end, the real Gross Domestic Product (GDP) growth figures had been revised downward from an initial 4.0% to 0.9%, which was also a slowdown from the estimated growth of 2.2% for 2021. Headline inflation reached a six-year high in 2022, averaging 21%, due to a surge in food prices and a multiplier effect from the 25% currency devaluation implemented in May 2022. The listed equity return of 36.70% was above average inflation for the year, after another strong price return of 40.05% in 2021. Money market yields were generally below inflation due to the cautious monetary policy stance aimed at simultaneously reining in inflation and supporting economic recovery.

Property Market in Malawi

The property market was adversely affected by rising inflation, with rental adjustments lagging inflation, while rising interest rates challenged new investments in the sector.

Post the covid pandemic, trends such as flexible working conditions lingered, continuing to affect office occupancy. The 25% devaluation in May 2022 as well as increased cost from unstable supply of power and fuel led to increased operating costs for property owners. Rental adjustments however, lagged in an attempt to retain occupancy levels. The residential property sector was impacted by weak macroeconomic conditions.

Management Company

Mpico plc does not have any staff. Old Mutual Investment Group Limited provides management services to MPICO plc and has done so since September 2021.

Old Mutual Investment Group Limited – (OMIG) is registered as a Portfolio Manager and as an Investment Adviser under the Financial Services Act, 2010. Old Mutual Investment Group is also licensed by the Malawi Stock Exchange for Corporate Finance Advisory Services.

Group Performance

The MPICO plc Board is pleased to announce the results of the Group for the year ended 31 December 2022. Rental income increased by 3% to MK6.8 billion in 2022 from MK6.6 billion in 2021. The increase is mainly due to rent reviews and improved occupancy levels. Total operating expenditure for the year marginally increased by 1% to K4.85 billion from MK4.79 billion in 2021.

Profit after tax increased to MK8.1 billion in 2022 from MK6.4 billion in 2021, representing a year-on-year increase of 27% due to improved total income.

Government debt increased to MK6.0 billion as at 31 December 2022 (2021: MK4.8 billion) and continued to negatively impact on Group's operations. After the reporting date, further engagements with Government did yield positive results. Promissory notes amounting MK2.9 billion were collected on 05 April 2023. Government is processing promissory notes amounting to MK2.6 billion and committed to release them by 31 May 2023.

Economic Outlook

The economy is projected to grow by 2.5% in 2023 in real terms according to the International Monetary Fund (IMF), compared to an estimated real GDP growth of 0.9% in 2022. The impact of cyclone freddy combined with energy and foreign exchange shortages, may result in lower than projected economic growth.

In addition, headline inflation is projected to remain high in 2023 due to the impact of cyclone freddy on maize output and pressure on fuel and utility prices.

The Board will continue to monitor enomic developments and take necessary precautionary and mitigating measures.

Edith Jiya
Chairperson

Board of Directors

EDITH JIYA

Mrs. Edith Jiya is a holder of MSc. in Strategic Management from University of Derby and Bachelor of Business Administration degree from the University of Malawi. Edith Jiya is Group CEO of Old Mutual Malawi Limited. Previously, she was the Managing Director of the Old Mutual Life Assurance Company (Malawi) Limited (OMLAC), a position she held for 5 years. She has also held senior managerial positions at OMLAC and BP Malawi Limited. Mrs. Jiya is an associate member of the Chartered Insurance Institute (The CII) UK and associate of the Chartered Institute of Marketing. She currently serves on Old Mutual Malawi Group Board and as a Director on the Board of UAPOM Life Uganda.

CHRISTOPHER KAPANGA

Mr. Kapanga is a former CEO of Old Mutual West Africa and before that CEO of Old Mutual Ghana and Old Mutual Malawi. He holds an MBA degree from the University of Cape Town. He is one of the earliest Malawians to qualify as a Chartered Insurer and has over 38 years of international experience in the insurance industry. Mr. Kapanga has previously served on boards of some major corporates in Malawi, including Old Mutual Malawi, Press Corporation, National Bank of Malawi, Malawi Development Corporation (MDC).

Board of Directors

VERONICA MASIKINI

Mrs. Veronica Masikini was a Director up to June 2022. She is a holder of Chartered Institute of Management (CIMA) certification. She is the General Manager of Blantyre Printing and Publishing Company - Times Group with over 30 years of practical experience.

ELUPHY SALAMBA

Ms. Eluphy Salamba was a Director up to June 2022. She is a holder of MSc. in Leadership and Change Management from Leeds Metropolitan University and Bachelor of Commerce (Business Administration) from the University of Malawi Polytechnic. Ms. Salamba currently works with National Bank of Malawi and is the Head of Credit Management. She has held different positions within Credit at National Bank of Malawi and has also worked with Standard Bank. Her banking experience spans over 20 years.

Board of Directors

CHIFUNDO KALAILE
Company Secretary

Ms. Chifundo Kalaile is a holder of an LLM in Commercial Law from Cardiff University and an LLB (Hons) from University of Malawi, Chancellor College. Ms. Kalaile also completed her Management Advancement Programme with the University of Wits in 2013. Ms. Kalaile qualified as a Certified Anti-Money Laundering Specialist in 2019. Ms. Kalaile currently works for Old Mutual as the Corporate Governance Executive and Company Secretary, a position she has held since 2008. She previously worked for Ministry of Justice for 7 years as a State Advocate. Her legal career spans over 19 years.

JIM NSOMBA

Mr. Nsomba was the Chief Finance Officer for Old Mutual (Malawi) Limited and its subsidiaries up to November 2022. He was also a Director on the Board of Old Mutual (Malawi) Limited, Old Mutual Unit Trust Company (Malawi) Limited and Old Mutual Investment Group Limited. He is a Chartered Accountant by profession, a Fellow of the Chartered Institute of Certified Accountants (FCCA) and a Chartered Public Accountant (CPA) (Malawi).

Board of Directors

FELIX MANGANI

Mr. Felix Mangani is a former Commissioner for Lands and before that Surveyor General in Government. He holds a Bachelor of Science (Hons) degree in Surveying and Mapping Sciences obtained from the University of East London (UK) formerly North East London Polytechnic majoring in Land Surveying and Land Registration in 1985.He retired from Government in 2018 after 37 years of public service. He is currently a practising licensed Land Surveyor and a member of the Land Surveyors Registration Board and the Surveyors Institute of Malawi.(SIM).

DR. PETER MATIPWIRI

Dr. Peter Matipwiri holds a PhD by research in Sustainable Infrastructure Management from University of Bolton, England, Master of Business Administration and Bachelor of Science in Civil Engineering from the University of Malawi. He successfully founded PBM Group of Companies comprising PBM Construction, PBM Drilling Company, PBM Consultants.

Board of Directors

BENARD NDAU

Mr. Benard Ndau is a holder of an LLM and LLB(Hons) degree and a qualified legal practitioner with over 20 years' post-graduate experience and has interest and international experience in Commercial law; Project Due Diligence; Telecommunications Law, International Commercial Arbitration; Mergers and Acquisitions and Corporate Governance.

EDMUND HAMI

Mr. Edmund Hami is a Certified Chartered Accountant (ACCA – UK), a holder of Masters Business Administration (MBA) degree from East and Southern Africa Management Institute. He is a board member of MPICO plc and MPICO Malls Limited and Chairman of the Audit, Risk and Compliance Committee (ARCC) for MPICO group. Previously, he served in several senior finance management positions in Unilever PLC, Central Africa, East Africa, West Africa and Middle East Regions for over 28 years of which 14 years in international finance service. He briefly worked for Carlsberg (Malawi) and Kentam products as Chief Finance Officer and Finance & Operations manager respectively.

Board of Directors

VERA ZULU

Mrs. Vera Zulu is a Fellow of the Association of Chartered Certified Accountants (FCCA) UK, and a Chartered Accountant (CA) Malawi. She holds a Masters' Degree in Business Administration (MBA) from the University of Derby, UK, and a Bachelors' Degree in Accountancy (BAC) Malawi. She is currently the Chief Finance Officer of Old Mutual (Malawi) Limited.

The Gateway Mall,
Lilongwe

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The Gateway Mall,
Lilongwe

MPICO PLC

REPORT OF THE DIRECTORS

For the year ended 31 December 2022

The directors have pleasure in presenting the separate and consolidated financial statements of MPICO plc “The Company” and its subsidiary companies together “The Group” for the year ended 31 December 2022.

INCORPORATION AND REGISTERED OFFICE

MPICO plc is a Company incorporated in Malawi under the Companies Act, 2013 of Malawi. It is listed on the Malawi Stock Exchange. The address of its registered office is:

Old Mutual House
Robert Mugabe Crescent
P.O. Box 30459
LILONGWE 3

AREAS OF OPERATION

The Group has 27 (2021: 27) investment properties in the country mainly in Lilongwe and Blantyre, which it rents out to the government and the private sector.

SHARE CAPITAL

The authorized share capital of the Company is K150 million (2022: K150 million) divided into 3 000 000 000 ordinary Shares of 5 tambala each (2022: 3 000 000 000 ordinary shares of 5 tambala each). The issued capital is K114.902 million (2022: K114.902 million) divided into 2 298 047 460 ordinary shares of 5 tambala each (2021: 2 298 047 460 ordinary shares of 5 tambala each), fully paid.

The shareholders and their respective shareholding as at year-end were:

	2022	2021
	%	%
Old Mutual Life Assurance Company (Malawi) Limited	42.98	42.98
Old Mutual (Malawi) Limited	28.58	28.58
General Public	23.43	23.43
Lincoln Investments Limited	5.01	5.01
	100.00	100.00

MPICO PLC

REPORT OF THE DIRECTORS

For the year ended 31 December 2022

PROFITS AND DIVIDENDS

The directors report a net profit for the year of K8.1 billion (2021: K6.4 billion) for the Group (Company K3.5 billion (2021: K2.2 billion). A final dividend of K436.7 million in respect of 2021 profits was declared and paid on 27 July 2022. An interim dividend of K321.7 million was declared and paid on 12 December 2022.

FINANCIAL PERFORMANCE

The results and state of affairs of the Company and the Group are as disclosed in the statements of financial position, statements of comprehensive income, changes in equity and cash flows and other explanatory information and do not, in our opinion, require any further comment.

CORPORATE GOVERNANCE

The Company embraces the best practices in corporate governance as enshrined under the Companies Act, 2013, the Malawi Code II, the Group Governance Framework (GGF) and Malawi Stock Exchange Listing requirements plus other laws applicable to the real estate industry.

The Board and its subcommittees have written charters and terms of references respectively which include all material points as required under the corporate governance guidelines. The subcommittees are chaired by a non-executive director.

The Company has entered into an agreement with Old Mutual Investment Group Ltd (OMIG) where OMIG manages the business both from an operations and investment management perspectives with the aim of achieving the best of outcomes for all stakeholders of the company.

DIRECTORS

Selection and succession planning
The selection and appointment of directors is affected through a formal and transparent process and is a matter for the Board as a whole. A formal orientation programme exists to familiarize incoming directors with the Company's operations and its business environment and to induct them in their fiduciary duties and responsibilities.

Rotation and retirement
Newly appointed directors may hold office only until the next annual general meeting at which they retire and become available for re-election by the shareholders on the recommendation of the Board. All directors are subject to retirement by rotation and re-election by the shareholders at least once every three years.

REPORT OF THE DIRECTORS

For the year ended 31 December 2022

The following directors, appointed in terms of the Articles of Association of the Company, served office during the year:

Mrs. E. Jiya	- Chairperson all year	Non-executive director
Mr. C. Kapanga	- Member all year	Independent non-executive director
Mr. F. Mangani	- Member all year	Independent non-executive director
Dr. P. Matipwiri	- Member from 21st June 2022	Independent non-executive director
Mr. E. Hami	- Member from 25th August 2022	Independent non-executive director
Mr. B. Ndau	- Member from 25th August 2022	Independent non-executive director
Ms. E. Salamba	- Member up to 21st June 2022	Independent non-executive director
Mrs.V. Masikini	- Member up to 21st June 2022	Independent Non-executive director
Mr. J. Nsomba	- Member all year	Non-executive director

The following directors served office for the subsidiaries during the year.

MPICO MALLS LIMITED

Mr. K. Phiri	- Chairperson all year	Non-executive director
Mr. C. Kapanga	- Member all year	Independent non-executive director
Mr. F. Mangani	- Member all year	Independent non-executive director
Mrs. V. Masikini	- Member up to 21st June 2022	Independent non-executive director
Mr. B. Ndisale	- Member all year	Independent non-executive director
Ms. J. Namitembo	- Member all year	Independent non-executive director
Mr. E. Hami	- Member from 25th August 2022	Independent non-executive director
Mr. M. Mikwamba	- Member up to 21st June 2022	Executive director
Mr. D. Kafoteka	- Member up to 21st June 2022	Executive Director

CAPITAL INVESTMENTS LIMITED

Mr. D. Kafoteka	- Chairman all year	Executive director
Mr. B. Jere	- Member all year	Independent non-executive director
Mr. W. Mabulekesi	- Member all year	Independent non-executive director
Mr. K Phiri	- Member all year	Non-executive director

FRONTLINE INVESTMENTS LIMITED

Mr. D. Kafoteka	- Chairperson all year	Executive director
Mr. P. Fitzsimons	- Member all year	Independent non-executive director
Mr. K. Phiri	- Member all year	Non-executive director

The directors for the 100% owned companies New Capital Properties Limited and Capital Developments Limited were the same as for the Company.

MPICO PLC

REPORT OF THE DIRECTORS

For the year ended 31 December 2022

COMPANY SECRETARY

The Company Secretary for the Company was Ms. Chifundo Kalaile.

DIRECTORS' INTERESTS

The directors noted below hold the following ordinary shares in the Company as at 31st December 2022:

Mr. C. Kapanga: 452 773 (2021: 452 773) shares
Mr. F. Mangani: 12 000 (2021: 0) shares

NUMBER OF BOARD MEETINGS HELD

The Board maintains a scheduled calendar of meetings and a standing agenda. The meetings are held quarterly and the Board at times also schedule adhoc meetings. Further, where necessary some specific items are added to the agenda in order to allow the Board to focus on key matters at each prevailing time. After each quarterly meeting, the Board schedules informal sessions and interactions, which allows directors, management and other stakeholders to discuss matters affecting the business.

During the year ended, 31 December 2022, four meetings were held and attendance by each director is given below:

NAME OF DIRECTOR	NUMBER OF MEETINGS ELIGIBLE TO ATTEND DURING THE YEAR	NUMBER OF MEETINGS ATTENDED
Edith Jiya	4	4
Christopher Kapanga	4	4
Jim Nsomba	4	4
Felix Mangani	4	3
Veronica Masikini*	2	2
Mark Mikwamba*	2	2
Eluphy Salamba*	2	2
Damien Kafoteka*	2	2
Peter Matipwiri**	2	2
Edmund Hami***	1	1
Benard Ndau***	1	1

* The director retired in June 2022.
** The director was appointed in June 2022.
*** The director was appointed in August 2022.

MPICO PLC

REPORT OF THE DIRECTORS

For the year ended 31 December 2022

BOARD COMMITTEES

The Board has an Audit, Risk and Compliance Committee to assist the Board in discharging its responsibilities.

All Board committees have terms of reference and report to the main Board.

AUDIT, RISK & COMPLIANCE COMMITTEE (ARCC)

Principal functions
The ARCC serves in an advisory capacity to the Board and assists the directors to discharge their duties relating to the safeguarding of assets, the operation of adequate systems, risk management and controls, the review of financial information and the preparation of the financial statements. This includes satisfying the Board that adequate internal operating and financial controls are in place and that material corporate risks have been identified and are being effectively managed and monitored.

The ARCC comprises three non-Executive directors, and the Management Company and the management team attends the ARCC meetings. Further, the Company's external auditors attend the meetings when appropriate and necessary.

The committee met three times during the year 2022 and the members' attendance is summarised as below:

NAME OF DIRECTOR	NUMBER OF MEETINGS ELIGIBLE TO ATTEND DURING THE YEAR	NUMBER OF MEETINGS ATTENDED
Veronica Masikini*	2	2
Mark Mikwamba*	2	2
Jim Nsomba	3	3
Edmund Hami**	1	1
Benard Ndau**	1	1

* The director resigned/retired in June 2022
** The director was appointed in August 2022

Remuneration and Nominations Committee (RemCom)

The committee met once during the year 2022 and the members attendance is summarised as below:

MPICO PLC

REPORT OF THE DIRECTORS

For the year ended 31 December 2022

NAME OF DIRECTOR	NUMBER OF MEETINGS ELIGIBLE TO ATTEND DURING THE YEAR	NUMBER OF MEETINGS ATTENDED
Eluphy Salamba	1	1
Mark Mikwamba	1	1
Chris Kapanga	1	1

Following the change in operating model and contracting of Old Mutual Investment Group to manage the business, the company does not have employees and therefore no Appointments and Remuneration Committee.

DIRECTORS REMUNERATION

The directors' fees and remuneration for the Group and its subsidiaries was as follows:

Entities	**Non-executive Directors fees and expenses**	**Executive Directors remuneration**	**Total**
	K' million	**K' million**	**K' million**
For the year ended 31 December 2022			
MPICO plc	64.0	-	64.0
MPICO Malls Limited	36.8	-	36.8
Capital Investments Limited	20.8	-	20.8
Capital Developments Limited	15.5	-	15.5
New Capital Properties Limited	14.9	-	14.9
Frontline Investments Limited	15.2	-	15.2
	167.2	-	167.2
For the year ended 31 December 2021			
MPICO plc	39.8	98.7	138.5
MPICO Malls Limited	28.8	-	28.8
Capital Investments Limited	15.5	-	15.5
Capital Developments Limited	14.4	-	14.4
New Capital Properties Limited	14.4	-	14.4
Frontline Investments Limited	11.8	-	11.8
	124.7	98.7	223.4

REPORT OF THE DIRECTORS

For the year ended 31 December 2022

ACTIVITIES

MPICO plc is in the business of development, rental and management of property. It has subsidiary companies as follows:

Subsidiaries of MPICO PLC	Percentage of Control	Nature of operations
Capital Developments Limited	100%	Development and rental of property
New Capital Properties Limited	100%	Development and rental of property
Capital Investments Limited	50.75%	Development and rental of property
Frontline Investments Limited	69.5%	Development and rental of property
MPICO Malls Limited	53.10%	Rental of property

DONATIONS

The Group and its subsidiaries did not make any charitable donation this year (2021: K500 thousand) as shown below:

	2022	2021
	K' million	K' million
MPICO plc	-	0.5
	-	0.5

MPICO PLC

REPORT OF THE DIRECTORS

For the year ended 31 December 2022

AUDITORS REMUNERATION

The agreed fees payable by the Group and its subsidiaries to their external auditors for financial audit and non-financial audit services are as follows:

Entity	**Financial Audit**
	K' million
For the year ended 31 December 2022	
MPICO plc	38.3
MPICO Malls Limited	13.9
Capital Investments Limited	9.8
Capital Developments Limited	8.1
New Capital Properties Limited	9.7
Frontline Investments Limited	8.9
	88.7
For the year ended 31 December 2021	
MPICO plc	30.9
MPICO Malls Limited	11.2
Capital Investments Limited	7.9
Capital Developments Limited	6.5
New Capital Properties Limited	7.8
Frontline Investments Limited	7.2
	71.5

The Auditors did not provide non-audit services during the year. The directors are therefore satisfied with the same.

AUDITORS

The Group auditors, Deloitte, have indicated their willingness to continue in office and a resolution is to be proposed at the forthcoming Annual General Meeting to re-appoint them as auditors in respect of the Company's 31 December 2023 financial statements.

BY ORDER OF THE BOARD

CHIFUNDO KALAILE
COMPANY SECRETARY

MPICO PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 2022

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of MPICO plc(the Company) and its subsidiaries (the Group), comprising the consolidated and separate statements of financial position at 31 December 2022, and the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate 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 Malawi Companies Act, 2013.

The Malawi Companies Act, 2013 also requires the directors to ensure that the Group and the Company keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Malawi 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 financial statements on a going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business in the foreseeable future.

The directors also accept responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company and to maintain adequate systems of internal controls to prevent and detect fraud and other irregularities.

The directors are of the opinion that the consolidated and separate financial statements give a true and fair view of the state of the financial affairs of the Group and the Company and of their operating results and cash flows for the year ended 31 December 2022.

....

Edmund Hami (Director)

....

Mrs Edith Jiya (Chairperson)

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MPICO plc

Opinion

We have audited the consolidated and separate financial statements of MPICO plc (the Company) and its subsidiaries ("the Group") set out on pages 19 to 68, which comprise the consolidated and separate statements of financial position as at 31 December 2022, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate 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 financial position of the MPICO plc and its subsidiaries as at 31 December 2022, and of its 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 Malawi Companies Act, 2013.

Basis for Opinion

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

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matter	How the matter was addressed in the audit
Valuation of Investment Properties	
The Group and the Company have investment properties which are carried at fair value in accordance with IAS 40: Investment Property (IAS 40) and IFRS13: Fair Value Measurement (IFRS 13). Significant judgement is required by the directors in determining the fair value of the investment properties. The valuation of investment properties is considered a key audit matter due to the significance of the balance to the financial statements as a whole, combined with methods used to value the investment properties, the judgement and estimation uncertainty associated with determining the amounts. The significance of the amount to the financial statements The most significant assets for the Group and Company are investment properties and had consolidated fair value of K77.8 billion as at 31 December 2022 and K23.93 billion in the Company's separate financial statements. The use of judgement and assumptions by the valuers and complexity of the methods used. The investment properties were revalued as at 31 December 2022 by professional independent property valuation expert using the investment method and, wherever appropriate, the direct comparison method and depreciated replacement cost method. The valuation of investment properties is of a specialised nature and rely on judgmental inputs and assumptions. Key areas of judgement relating to inputs into the valuation of investment properties include capitalisation and rental market rates. Refer to note 3.5 and 4.2.1 of the financial statements for the accounting policy and critical accounting estimates and judgements and note 6 of the consolidated and separate financial statements for investment properties disclosures.	To address the key audit matter, we carried out the following audit procedures: • We assessed the design and implementation and tested operating effectiveness of controls relating to investment properties; • We assessed the competence, capabilities and objectivity of the Group's management experts, and verified their qualifications and experience. In addition, we discussed the scope of their work and reviewed their terms of engagement to determine that there were no matters that affected their independence and objectivity or imposed scope limitations upon them. We confirmed that the approach they used is consistent with the prior year and industry norms; • We also involved our independent valuation experts in evaluating the directors and their valuer's judgements and, in particular the methods used; • Our independent valuation experts counterchecked the data used for calculation and the output from the calculation of the investment properties and the emerging gain as prepared and presented by the directors; • We performed an analysis of the significant assumptions made by the Group's management expert so as to evaluate the extent of impact on investment properties and assessed the appropriateness of Group's and the Company's disclosures; and • In addition, we tested a selection of data inputs underpinning the valuation, including total rental income, percentage rental increase in a year, rental market rates and occupancy levels to appropriate supporting documentation, to assess the accuracy, reliability and completeness thereof. We found that the methods used for valuation of investment properties were appropriate; and the disclosures pertaining to the investment properties were found to be appropriate and comprehensive in the consolidated and separate financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

Other Information

The directors are responsible for the other information. The other information comprises Report of Directors, as required by the Companies Act, 2013, and the Statement of Directors' Responsibilities, which we obtained prior to the date of this auditor's report. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

Directors' Responsibilities for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation of the 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, 2014 and for such internal control as the directors determine is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT (continued)

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 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

INDEPENDENT AUDITOR'S REPORT (continued)

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

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

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

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

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

Deloitte

Chartered Accountants
Vilengo Beza
Partner
05 May 2023

MPICO PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

31 December 2022

	Notes	Group 2022 K'000	Group 2021 K'000	Company 2022 K'000	Company 2021 K'000
ASSETS					
NON-CURRENT ASSETS					
Investment properties	6	77 786 747	71 095 847	23 928 707	21 500 207
Plant and equipment	7	320 382	429 870	209 496	264 532
Investment in subsidiaries	8	-	-	14 640 612	14 640 612
Capital work in progress		12 652	12 651	-	-
Deferred tax		9	2 989 753	2 060 934	-
Secured staff loans		93 201	106 525	93 201	106 525
Total non-current assets		81 202 735	73 705 827	38 872 016	36 511 876
CURRENT ASSETS					
Amounts due from related parties	12	-	-	279 576	761 378
Taxation recoverable		1 370 413	764 074	1 282 086	344 552
Trade and other receivables	10	9 536 366	7 557 233	3 158 753	2 390 647
Promissory notes receivables	11	-	3 068 982	-	760 250
Cash and cash equivalents	15	379 654	427 302	75 324	65 441
Total current assets		11 286 433	11 817 591	4 795 739	4 322 268
TOTAL ASSETS		92 489 168	85 523 418	43 667 755	40 834 144
EQUITY AND LIABILITIES					
SHAREHOLDERS' EQUITY					
Share capital		114 902	114 902	114 902	114 902
Share premium		8 626 938	8 626 938	8 626 938	8 626 938
Distributable reserves		5 906 364	5 574 906	9 699 948	8 858 060
Non-distributable reserves		37 643 559	33 006 932	18 040 792	16 172 702
Equity attributable to equity holders of the parent		52 291 763	47 323 678	36 482 580	33 772 602
Non-controlling interests		23 308 595	21 481 571	-	-
Total equity		75 600 358	68 805 249	36 482 580	33 772 602
NON-CURRENT LIABILITIES					
Deferred tax	9	11 159 743	10 200 483	5 751 748	5 238 579
Borrowings	13	-	3 601 410	-	-
Total non-current liabilities		11 159 743	13 801 893	5 751 748	5 238 579
CURRENT LIABILITIES					
Borrowings	13	3 601 410	437 095	-	-
Amounts due to related parties	12	640 965	135 026	650 390	135 026
Trade and other payables	14	1 486 692	1 251 585	783 037	595 367
Bank overdraft	15	-	1 092 570	-	1 092 570
Total current liabilities		5 729 067	2 916 276	1 433 427	1 822 963
Total liabilities		16 888 810	16 718 169	7 185 175	7 061 542
TOTAL EQUITY AND LIABILITIES		92 489 168	85 523 418	43 667 755	40 834 144

The consolidated and separate financial statements were approved and authorised for issue by the Board of Directors on ....2023 and were signed on its behalf by:

.... **Edmund Hami (Director)**

.... **Mrs Edith Jiya (Chairperson)**

MPICO PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	Group 2022 K'000	Group 2021 K'000	Company 2022 K'000	Company 2021 K'000
INCOME					
Rental income	5	6 841 041	6 613 794	2 468 693	2 392 500
Interest income on rental arrears		879 720	1 014 134	268 152	266 950
Total rental and interest income on rent arrears		7 720 761	7 627 928	2 736 845	2 659 450
Increase in fair value of investment properties	5	6 690 900	5 425 600	2 428 500	1 737 000
Dividends income from subsidiaries		-	-	1 716 000	-
Other income	16	148 158	141 611	915 213	1 732 084
Total income		14 559 819	13 195 139	7 796 558	6 128 534
OPERATING EXPENSES					
Property and administration expenses	17	(4 583 257)	(4 723 461)	(3 286 166)	(2 783 427)
Expected credit losses	10.	(271 521)	(67 192)	(106 040)	(26 553)
Total operating expenses		(4 854 778)	(4 790 653)	(3 392 206)	(2 809 980)
FINANCE COST					
Interest income on bank deposits and staff loans		21 127	22 106	15 944	12 836
Finance costs on borrowings		(720 909)	(737 444)	(167 126)	(175 921)
Net finance cost		(699 782)	(715 338)	(151 182)	(163 085)
PROFIT BEFORE TAXATION	18	9 005 259	7 689 148	4 253 170	3 155 469
Taxation	19	(867 783)	(1 266 558)	(784 832)	(961 538)
PROFIT FOR THE YEAR		8 137 476	6 422 590	3 468 338	2 193 931
APPROPRIATION OF PROFIT FOR THE YEAR					
Distributable reserves	21	1 089 817	1 140 863	1 600 247	870 033
Non-distributable reserves	21	4 636 627	3 564 801	1 868 091	1 323 898
Amounts attributable to members of the parent		5 726 444	4 705 664	3 468 338	2 193 931
Amounts attributable to non-controlling interests		2 411 032	1 716 926	-	-
		8 137 476	6 422 590	3 468 338	2 193 931
Basic earnings per share (K)	21	2.49	205		
Analysed as:					
Distributable (K)		0.47	0.50		
Non-distributable (K)		2.02	1.55		

The Group and Company had no other comprehensive income in the current or prior year.

MPICO PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2022

Group	Share capital K'000	Share premium K'000	Distributable reserves K'000	Non-distributable reserves K'000	Attributable to equity holders of interests K'000	Non controlling interests K'000	Total K'000
For the year ended 31 December 2022							
At the beginning of the year	114 902	8 626 938	5 574 906	33 006 932	47 323 678	21 481 571	68 805 249
Distributable profit for the year	-	-	1 089 817	-	1 089 817	377 445	1 467 262
Non-distributable profit for the year	-	-	-	4 636 627	4 636 627	2 033 579	6 670 206
Dividends declared – Final 2021	-	-	(436 631)	-	(436 631)	-	(436 631)
Dividends declared – Interim 2022	-	-	(321 728)	-	(321 728)	(584 000)	(905 728)
At the end of the year	114 902	8 626 938	5 906 364	37 643 559	52 291 763	23 308 595	75 600 358
For the year ended 31 December 2021							
At the beginning of the year	114 902	8 626 938	5 289 825	29 505 572	43 537 237	19 976 897	63 514 134
Transfer to distributable reserve on disposal of properties	-	-	63 441	(63 441)	-	-	-
Distributable profit for the year	-	-	1 140 863	-	1 140 863	204 492	1 345 355
Non-distributable profit for the year	-	-	-	3 564 801	3 564 801	1 512 432	5 077 233
Dividends declared – Final 2020	-	-	(643 456)	-	(643 456)	(212 250)	(855 706)
Dividends declared – Interim 2021	-	-	(275 767)	-	(275 767)	-	(275 767)
At the end of the year	114 902	8 626 938	5 574 906	33 006 932	47 323 678	21 481 571	68 805 249

MPICO PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2022

	Share K'000	Share K'000	Distributable K'000	Non-distributable K'000	K'000
Company					
For the year ended 31 December 2022					
At the beginning of the year	114 902	8 626 938	8 858 060	16 172 702	33 772
602Distributable profit for the year	-	-	1 600 247	-	1 600 247
Non-distributable profit for the year	-	-	-	1 868 090	1 868 090
Final dividend declared 2021	-	-	(436 631)	-	(436 631)
Interim dividend declared 2022	-	-	(321 728)	-	(321 728)
At the end of the year	114 902	8 626 938	9 699 948	18 040 792	36 482 580
For the year ended 31 December 2021					
At the beginning of the year	114 902	8 626 938	8 843 809	14 912 245	32 497 894
Transfer to distributable reserve on disposal of properties	-	-	63 441	(63 441)	-
Distributable profit for the year	-	-	870 033	-	870 033
Non-distributable profit for the year	-	-	-	1 323 898	1 323 898
Final dividend declared 2020	-	-	(643 456)	-	(643 456)
Interim dividend declared 2021	-	-	(275 767)	-	(275 767)
At the end of the year	114 902	8 626 938	8 858 060	16 172 702	33 772 602

The distributable reserve is available for distribution to shareholders as dividends subject to a 10% withholding tax. The non-distributable reserve relates to unrealised capital profits (net of related deferred tax) on valuation of investment properties and is not available for distribution in terms of the Malawi Companies Act, 2013.

	Group		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
SHARE CAPITAL				
Authorised:				
3 000 000 000 Ordinary shares of 5t each (2021: 3 000 000 000 Ordinary Shares of 5t each)	150 000	150 000	150 000	150 000
Issued and fully paid:				
2 298 047 460 Ordinary shares of 5t each (2021: 2 298 047 460 Ordinary Shares of 5t each)	114 902	114 902	114 902	114 902

MPICO PLC

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2022

		Group		Company	
	Notes	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Cash flows from operating activities					
Net cash generated from operations	23	4 103 207	3 519 871	1 244 935	1 314 853
Returns on investments and servicing of finance					
Dividends received		-	-	1 716 000	557 750
Interest received		900 847	1 036 240	284 096	279 786
Interest paid		(720 909)	(737 444)	(167 126)	(175 921)
Dividends paid		(758 359)	(919 223)	(758 359)	(919 223)
Dividends paid to non-controlling shareholders		(584 000)	(212 250)	-	-
Net cash flow generated from returns on investments and servicing of finance		2 940 786	2 687 194	2 319 546	1 057 245
Taxation paid		(1 443 688)	(1 840 436)	(1 209 198)	(781 139)
Net cash generated by operating activities		1 497 098	846 758	1 110 348	276 108
Cash flows to investing activities					
Additions to plant and equipment	7	(30 628)	(63 385)	(23 442)	(39 519)
Proceeds on disposal of equipment		2 223	3 377	2 223	3 371
Proceeds on disposal of investment properties		-	65 000	-	65 000
Additions in capital work in progress		-	(12 651)	-	-
Staff long-term loans granted		13 324	(35 252)	13 324	(35 248)
Net cash used in investing activities		(15 081)	(42 911)	(7 895)	(6 396)
Cash flows from financing activities					
Repayment of borrowings	13	(437 095)	(284 439)	-	-
Net cash used in financing activities		(437 095)	(284 439)	-	-
Net increase in cash and cash equivalents		1 044 922	519 408	1 102 453	269 712
Cash and cash equivalents at the beginning of the year		(665 268)	(1 184 676)	(1 027 129)	(1 296 841)
Cash and cash equivalents at the end of the year	15	379 654	(665 268)	75 324	(1 027 129)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. General information

MPICO plc, the holding Company of the Group, is domiciled in Malawi. The registered office is at Old Mutual House, Robert Mugabe Crescent, P.O. Box 30459, Lilongwe. These consolidated financial statements comprise MPICO plc and its subsidiaries (together referred to as Group). The Group is primarily in the business of development, rentals and management of properties.

2. Adoption of new and revised International Financial Reporting Standards

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

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

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2022	Reference to the Conceptual Framework (Amendments to IFRS 3) The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.
Annual reporting periods beginning on or after 1 January 2022	Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) 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.

Annual reporting periods beginning on or after 1 January 2022	Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) 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).
Annual reporting periods beginning on or after 1 January 2022	Makes amendments to the following standards: • 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. • 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. • 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. • IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2022

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

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

2.2 Standards and Interpretations in issue, not yet effective

A number of new standards, amendments to standards and interpretations are issued and effective for annual periods beginning on or after 1 January 2023 and have not been applied in preparing these financial statements.

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2023	IFRS 17 Insurance Contracts IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.
Annual reporting periods beginning on or after 1 January 2024	Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Annual reporting periods beginning on or after 1 January 2023	Amendments to IFRS 17

Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The main changes are:

- Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023
- Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk
- Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination
- Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level
- Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements
- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives
- Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held
- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts
- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2022

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

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

3. Significant accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

3.2 Basis of preparation

The financial statements are prepared in terms of the historical cost basis with the exception of investment properties, which are included at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets as explained in the accounting policies below.

The principal accounting policies are set out below.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of MPICO plc and entities controlled by MPICO plc. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is 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 into line with those used by other members of the Group.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

3.4 Plant and equipment

Plant and equipment are shown at cost, less related accumulated depreciation and impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Plant and equipment are depreciated on the straight line basis at rates that will reduce book amounts to estimated residual values over the anticipated useful lives of the assets as follows:

Fixtures and equipment	5 years
Computers	3 years
Generators and Lifts	10 years
Motor vehicles	4 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at every year-end. An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

3.5 Investment properties

Investment properties are stated at fair value determined as economic conditions dictate by an independent registered valuer. Fair value is based on current prices in an active market for similar properties in the same location and condition. Properties are valued by independent valuers annually on a willing seller, willing buyer basis on an open market value. Any gain or loss arising from a change in fair value is recognized in the income statement. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise.

The increase in the fair value of investment properties, net of the related deferred tax, is appropriated to a non-distributable reserve in compliance with profit distribution restrictions included in the Companies Act, 2013. In the event of disposal of the property held at fair value, the related portion of the reserve is transferred to the distributable reserve. The statement of comprehensive income will then report a profit or loss on disposal based on the difference between proceeds and the carrying value. A property is deemed to have been sold when formal Government consent to the sale is received and that investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal.

3.6 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and 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 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 liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been 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 reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year
Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or directly in equity respectively. Where current and deferred tax arise from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.7 Foreign currencies

a. Functional and presentation currency
   Items included in the financial statements of each of the Group's companies are measured using Malawi Kwacha, the functional currency of the primary economic environment in which the entire Group operates. The consolidated financial statements are presented in Malawi Kwacha, which is the Group's functional and presentation currency.
b. Transactions and balances
   Transactions in currencies other than Malawi Kwacha are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

   Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

3.8 Revenue recognition

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease. Such rental income recognition commences when an occupancy agreement with a tenant is formalised.

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3.9 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets
Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; 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.
- Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; 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.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

(i) 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 (i.e. assets that are credit-impaired on initial recognition), 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.

Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item.

(ii) Debt instruments classified as at FVTOCI
The corporate bonds held by the Group are classified as at FVTOCI. The corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI
On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

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).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value 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, unless the dividends clearly represent a recovery of part of the cost of the investment.

iv) Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (iii) above) 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 (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

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

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. Specifically;
- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

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 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 always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets 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.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, 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.

(i) Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- 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 90 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:

1. The financial instrument has a low risk of default,
2. The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
3. 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 when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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.

(ii) 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.

(iii) 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 (see (ii) above);
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.

(iv) 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.

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.

(v) Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less any impairment.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short- term deposits with an original maturity period of three months or less. For cash flow statement purposes, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

3.10 Financial liabilities and equity

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.

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 Group'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 Group's own equity instruments.

Compound instruments

The component parts of convertible loan notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

Financial liabilities

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.

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. 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 in profit or loss.

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

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

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

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 (see financial assets above); and
- the amount recognised initially less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

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 'other gains and losses' 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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Loans and borrowings

After initial recognition, accounts payables are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.
Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statement of comprehensive income.

3.11 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.
Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.15 Classification, measurement and recognition of leases

The group as a lessee

The group assesses whether a contract is or contains a lease, at inception of the contract. The group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable if available; and
- The amount expected to be payable by the lessee under residual value guarantees.

If the lease term reflects the exercise of an option to terminate the lease. The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. The group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received, if any and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The group has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessor
The Group enters into lease agreements as a lessor with respect to some of its investment properties.

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.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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

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

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements, in conformity with IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the principal accounting policies of the Group. Estimates and judgements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical judgments in applying the Company's significant accounting policies In the application of the Group's accounting policies which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

No critical judgments were made by the management during the current period which would have a material impact on the financial statements.

4.2 Key sources of estimation uncertainty

The key assumptions that were made concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

4.2.1 Valuation of investment properties

Investment properties are carried at fair value in accordance with IAS 40 Investment Property. Fair values have been determined through valuations carried out by Knight Frank, qualified and registered valuers.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

4.2.2 Calculation of impairment loss allowance

When measuring Expected Credit Losses (ECL), the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimation of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

5. Operating segments

5.1 Operating Segments

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

5.2 Products and services from which reportable segments derive their revenues

The Group has one principal line of business – rental and management of investment property. Information reported to and used by the Managing Director 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 27 (2021: 27) investment properties.

5.3 Geographical information

The Group's investment property is situated principally in the two major cities in Malawi. The following analysis shows the rental income, investment property values and property fair value movements by geographical market.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

GROUP

	Rental income		Property values		Fair value increase	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Blantyre	497 765	464 920	6 125 075	5 316 575	808 500	415 000
Lilongwe	6 178 198	5 997 682	70 288 793	64 694 795	5 594 000	4 933 000
Other markets	165 078	151 192	1 372 879	1 084 477	288 400	77 600
Total	6 841 041	6 613 794	77 786 747	71 095 847	6 690 900	5 425 600

COMPANY

	Rental income		Property values		Fair value increase	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
	K'000	**K'000**	**K'000**	**K'000**	**K'000**	**K'000**
Blantyre	497 765	464 920	6 125 075	5 316 575	808 500	415 000
Lilongwe	1 805 850	1 776 388	16 485 754	15 149 755	1 336 000	1 248 000
Other markets	165 078	151 192	1 317 878	1 033 877	284 000	74 000
Total	2 468 693	2 392 500	23 928 707	21 500 207	2 428 500	1 737 000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

6. Investment properties

	Group		Company	
	2022 **K'000**	**2021** **K'000**	**2022** **K'000**	**2021** **K'000**
VALUATION				
Freehold	35 668 369	32 412 369	21 508 329	19 455 329
Leasehold	42 118 378	38 683 478	2 420 378	2 044 878
Total investment properties	77 786 747	71 095 847	23 928 707	21 500 207

Movements in the valuation of investment properties are set out below.

VALUATION

	Group 2022 K'000	Group 2021 K'000	Company 2022 K'000	Company 2021 K'000
Freehold				
At the beginning of the year	32 412 369	29 554 369	19 455 329	17 871 329
Fair value adjustment	3 256 000	2 858 000	2 053 000	1 584 000
At the end of the year	35 668 369	32 412 369	21 508 329	19 455 329
Leasehold				
At the beginning of the year	38 683 478	36 115 878	2 044 878	1 891 878
Fair value adjustment	3 434 900	2 567 600	375 500	153 000
At the end of the year	42 118 378	38 683 478	2 420 378	2 044 878
Total valuation	77 786 747	71 095 847	23 928 707	21 500 207

The registers of land and buildings are open for inspection at the registered offices of the Group and the Company.

Investment properties were revalued at fair value as at 31 December 2022 on the basis set out in note 3.5 to the consolidated and separate financial statements. The valuations were carried out by an independent registered valuer, Knight Frank (Malawi) Limited by Nickson S.C. Mwanyali, BSc (Est. Man), adv. Dip (Bus Mngt), MSIM, Chartered Valuation Surveyor, in accordance with the Appraisal and Valuation Standards laid down by the Royal Institution of Chartered Surveyors and the International Valuation Standards, and the resultant fair value increase was taken to profit or loss in line with the IAS 40 Investments Property requirements.

There has been no change to the valuation technique during the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2022

Details of the Group's and Company's land and buildings and fair value hierarchy as at the end of the year are as follows:

Group

	Level 2 K'000	**Fair value** K'000
31 December 2022		
Investment properties	77 786 747	77 786 747
31 December 2021		
Investment properties	71 095 847	71 095 847

Company

	Level 2 K'000	**Fair value** K'000
31 December 2022		
Investment propertie	23 928 707	23 928 707
31 December 2021		
Investment properties	21 500 207	21 500 207

There were no transfers amongst any of the levels during the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 31 December 2022

Valuation technique	Significant observable inputs	Inter-relationship between key unobservable inputs and fair value measurement
The valuation techniques used were investment or income method and, wherever appropriate, the direct comparison method and depreciated replacement cost method were used. The Income approach relies much on rental income of the property while comparable approach relies on recent sales data and all relevant factors pertaining to the property like age of the buildings and remaining lease life for the land. The rental is benchmarked to market rentals as opposed to rack end rentals that a subject property may be raking due to different varying factors.	The following observable inputs were used in the current year by the independent valuer in estimating the fair value of the investment properties. • Capitalization rates of between 8% to 17 % (2021:9% to 11%) • Market rentals per square metre K4 000 to K14 600 (2021: K4 000 to K13 350)	An increase of 1% in capitalization rate would decrease the fair value by K6.7 billion while a decrease in capitalization rate would increase the fair value by K8.3 billion. An increase or decrease of 10% in market rentals per square metre would increase or decrease the fair value by K7.3 billion.

Included in the investment properties balance as at 31 December 2022 were properties encumbered as follows:

1. **Development House in Lilongwe valued at K1.27 billion and Tikwere House valued at K2.573 billion**
   These properties are the subject of a charge in favour of FDH Bank plc and National Bank of Malawi plc to secure overdraft facilities of K900 million and K500 million, respectively.

2. **The Gateway valued at K34.8 billion**
   The property is the subject of a charge in favour of Standard Bank (Malawi) Plc to secure a loan of K4.6 billion.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Details of the cost of the investment properties are as follows:-

	Group 2022 K'000	Group 2021 K'000	Company 2022 K'000	Company 2021 K'000
At cost	19 572 285	19 572 285	305 956	305 956
Fair values	58 214 462	51 523 56	23 622 751	21 194 251
Total investment properties	77 786 747	71 095 847	23 928 707	21 500 207

7. Plant and equipment

GROUP

	Fixture & Fittings	Generators	Motor vehicles	Furniture & equipment	Total
COST					
At 1 January 2022	230 778	291 554	118 147	490 987	1 131 466
Additions	18 774	-	-	11 853	30 627
Disposals	-	-	-	(6 326)	(6 326)
At 31 December 2022	249 552	291 554	118 147	496 514	1 155 767
At 1 January 2021	224 572	258 384	118 147	482 318	1 083 421
Additions	6 906	33 170	-	23 309	63 385
Disposals	(700)	-	-	(14 640)	(15 340)
At 31 December 2021	230 778	291 554	118 147	490 987	1 131 466
ACCUMULATED DEPRECIATION					
At 1 January 2022	161 545	114 967	95 834	329 250	701 596
Charge for the year	34 437	20 909	21 250	61 578	138 174
Disposal	-	-	-	(4 385)	(4 385)
At 31 December 2022	195 982	135 876	117 084	386 443	835 385
At 1 January 2021	129 150	89 663	70 322	269 312	558 447
Charge for the year	33 095	25 304	25 512	72 015	155 926
Disposal	(700)	-	-	(12 077)	(12 777)
At 31 December 2021	161 545	114 967	95 834	329 250	701 596
CARRYING AMOUNT					
Carrying amount at 31 December 2022	53 570	155 678	1 063	110 071	320 382
Carrying amount at 31 December 2021	69 233	176 587	22 313	161 737	429 870

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Company

	Fixture & fittings	Generators	Motor vehicles	Furniture & equipment	Total
COST					
At 1 January 2022	76 169	179 367	118 147	291 132	664 815
Additions	14 269	-	-	9 173	23 442
Disposal	-	-	-	(6 326)	(6 326)
At 31 December 2022	90 438	179 367	118 147	293 979	681 931
At 1 January 2021	74 857	164 024	118 147	282 907	639 935
Additions	1 312	15 343	-	22 864	39 519
Disposal	-	-	-	(14 639)	(14 639)
At 31 December 2021	76 169	179 367	118 147	291 132	664 815
ACCUMULATED DEPRECIATION					
At 1 January 2022	59 605	61 982	95 834	182 862	400 283
Depreciation	7 305	14 234	21 250	33 748	76 537
Disposal	-	-	-	(4 385)	(4 385)
At 31 December 2022	66 910	76 216	117 084	212 225	472 435
ACCUMULATED DEPRECIATION					
At 1 January 2021	53 859	46 459	70 322	150 910	321 550
Depreciation	5 746	15 523	25 512	44 029	90 810
Disposal	-	-	-	(12 077)	(12 077)
At 31 December 2021	59 605	61 982	95 834	182 862	400 283
CARRYING AMOUNT					
Carrying amount at 31 December 2022	23 528	103 151	1 063	81 754	209 496
Carrying amount at 31 December 2021	16 564	117 385	22 313	108 270	264 532

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

8. Subsidiary companies

	2022 %	2021 %	2022 K'000	2021 K'000
Wholly owned subsidiaries				
New Capital Properties Limited	100.00	100.00	571	571
Capital Developments Limited	100.00	100.00	68 969	68 969
Other subsidiaries				
Frontline Investments Limited	69.50	69.50	1 870	1 870
MPICO Malls Limited	53.10	53.10	14 567 801	14 567 801
Capital Investments Limited	50.75	50.75	1 401	1 401
Total investment in subsidiary companies			14 640 612	14 640 612

The investments in subsidiary companies comprise ordinary shares and are stated at cost. The subsidiaries have no other forms of shares in issue.

9. Deferred taxation

Group
Deferred tax asset

	Balance as at 1 January 2022 K'000	Recognised in Profit or loss K'000	Balance as at 31 December 2022 K'000
For the year ended 31 December 2022 **Deferred tax assets movement in the year**			
Revaluation of investment property	1 599 902	994 705	2 594 607
Excess capital allowances	8 904	11 238	20 142
Tax losses	351 311	(118 828)	232 483
Other temporary differences	100 817	41 704	142 521
Total	2 060 934	928 819	2 989 753

	Balance as at 1 January 2021 K'000	Recognised in Profit or loss K'000	Balance as at 31 December 2021 K'000
For the year ended 31 December 2021 **Deferred tax assets movement in the year**			
Revaluation of investment property	1 065 865	534 037	1 599 902
Excess capital allowances	(2 583)	11 487	8 904
Tax losses	557 296	(205 985)	351 311
Other temporary differences	75 048	25 769	100 817
Total	1 695 626	365 308	2 060 934

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

In 2020 deferred tax asset amounting to K2.46 billion on tax losses of K8.2b billion was derecognised in the profit and loss statement. The legal framework allows tax losses to be carried forward for a maximum period of six years. The unused tax losses have the expiry period as follows;

Year	Tax Losses	Deferred Tax	Legal Expiry
2011			
2012	20 402	6 120	2018
2013	1 240 199	378 180	2019
2014	233 451	448 216	2020
2015	3 221 657	1 414 713	2021
2016	4 797 908	2 854 085	2022
2017	2 189 654	3 510 981	2023

Group
Deferred tax liabilities

For the year ended 31 December 2022	Balance as at 1 January 2022 K'000	Recognised in Profit or loss K'000	Balance as at 31 December 2022 K'000
Deferred tax liabilities movement in the year			
Revaluation of investment property	(10 343 609)	(1 075 461)	(11 419 070)
Excess capital allowances	13 457	10 787	24 244
Other temporary differences	129 669	105 416	235 085
Total	(10 200 483)	(959 258)	(11 159 741)

For the year ended 31 December 2021	Recognised Balance as at 1 January 2021 K'000	Balance as at in Profit or loss K'000	31 December 2021 K'000
Deferred tax liabilities movement in the year			
Revaluation of investment property	(9 461 208)	(882 401)	(10 343 609)
Excess capital allowances	3 895	9 562	13 457
Other temporary differences	117 816	11 853	129 669
Total	(9 339 497)	(860 986)	(10 200 483)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Company

	Recognised Balance as at 1 January 2022 K'000	Recognised in Profit or loss K'000	Balance as at 31 December 2022 K'000
Deferred tax liabilities movement in the year			
Revaluation of investment property	(5 359 626)	(560 412)	(5 920 037)
Excess capital allowances	11 782	9 833	21 615
Other temporary differences	109 264	37 410	146 674
Total	(5 238 579)	(513 169)	(5 751 748)

Company

For the year ended 31 December 2021	Recognised Balance as at 1 January 2021 K'000	Recognised in Profit or loss K'000	Balance as at 31 December 2021 K'000
Deferred tax liabilities movement in the year			
Revaluation of investment property	(4 946 523)	(413 102)	(5 359 625)
Excess capital allowances	1 955	9 827	11 782
Other temporary differences	83 833	25 431	109 264
Total	(4 860 735)	(377 844)	(5 238 579)

	Group		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
10. Receivables				
Rental and service charges	8 479 669	5 476 094	3 020 258	1 887 288
Prepaid property expenses	165 080	105 872	80 722	46 120
Accrued interest	-	994 470	-	344 785
Staff receivables	181 251	208 605	181 251	208 605
IFRS 16 Receivable	1 589 582	1 437 653	-	-
Other receivables	208 233	150 468	194 191	115 477
Expected Credit Losses	(1 087 449)	(815 929)	(317 669)	(211 628)
Total receivables	9 536 366	7 557 233	3 158 753	2 390 647

Interest is charged on receivables in respect of outstanding rentals at 4% above base lending rate. As at year end the amount outstanding from Government was K5 982 million (2021: K4 777 million) for the Group {Company K1 848 million (2021: K1 433 million)}. The total interest charged on overdue Government rentals and other tenants amounted to K880 million (2021: K1 014 million) {Company K268 million (2021: K267 million)} for the year.

The IFRS 16 receivable of K1 590 million (2021: K1 438 million) relates to a receivable that arose as a result of the entity recognizing income on a straight-line basis over the lease term in line with IFRS 16 Leases. This is applicable to leases that are not renewable on an annual basis.

The Group has provided for all receivables in line with IFRS 9 on the basis out in note 3 and note 4.2.2.

Rentals and service charges receivables which were outstanding as at year end are analysed below:-

	Group		Company	
	2022 K'000	**2021 K'000**	**2022 K'000**	**2021 K'000**
0-90 days	1 531 155	1 452 599	512 279	556 852
Over 90 days	6 948 514	5 017 965	2 507 979	1 675 221
	8 479 669	6 470 564	3 020 258	2 232 073
Movement in Expected Credit Losses (ECL)				
Balance at beginning of the year	815 928	748 736	211 628	185 075
Increase in ECL recognised in the profit or loss	271 521	67 192	106 041	26 553
Balance at end of the year	1 087 449	815 928	317 669	211 628

In determining the recoverability of rentals receivable, the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. Except for the Government which for the Group accounts for approximately 40 % (2021: 40%) {Company 36% (2021: 36%)} rental income, the concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the loss allowance for trade receivables.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL). The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtors and an analysis of the debtors' current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which debtors operate and on the assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognized a loss allowance of 100% against all receivables that were handed over to external debt collectors. The Group has recognized a loss allowance for all Government receivables at 1.5%. This was based on the directors' judgment in the determination of the probability of default and loss given default.

The following table details the risk profile of trade receivables other than from Government and those handed over to external collectors based on the Group's provision matrix. As the Group's historical credit loss allowance does not

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

Group

Trade receivables for Government-days past due

	Current	93 to 184 days	185 to 275 days	276 to 365 days	Over 365 days	Total
	K'000	MK'000	K'000	K'000	K'000	K'000
Estimated total gross carrying amount at default	1 176 334	1 171 830	884 817	374 356	2 575 909	9 266 728
Expected loss rate	1.5%	1.5%	1.5%	1.5%	1.5%	
Lifetime ECL	17 645	17 577	13 272	5 618	38 639	139 000

Trade receivables for private tenants-days past due

	Current	93 to 184 days	185 to 275 days	276 to 365 days	Over 365 days	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Estimated total gross carrying amount at default	355 114	596 703	230 459	156 098	1 541 869	982 791
Expected loss rate	2.0%	1.0%	2.0%	5.0%	5.0%	
Lifetime ECL	7 102	5 967	4 609	7 805	77 094	29 474

Trade receivables with external debt collectors

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

	Current	93 to 184 days	185 to 275 days	276 to 365 days	Over 365 days	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Estimated total gross carrying amount at default	-	8 744	29 356	66 607	651 409	372 418
Expected loss rate	100%	100%	100%	100%	100%	-
Lifetime ECL	-	8 744	29 356	66 607	651 409	372 418

Company

Trade receivables for Governments-days past due

	Current	93 to 184 days	185 to 275 days	276 to 365 days	Over 365 days	Total
	MK'000	MK'000	MK'000	MK'000	MK'000	MK'000
Estimated total gross carrying amount at default	375 544	398 465	230 258	115 187	879 344	1 376 966
Expected loss rate	1.5%	1.5%	1.5%	1.5%	1.5%	
Lifetime ECL	5 633	5 977	3 454	1 128	13 190	35 572

Trade receivables for private tenants-days past due

	Current	93 to 184 days	185 to 275 days	276 to 365 days	Over 365 days	Total
	MK'000	MK'000	MK'000	MK'000	MK'000	MK'000
Estimated total gross carrying amount at default	137 027	278 754	93 102	85 271	176 022	421 901
Expected loss rate	2%	1%	2%	5%	5%	
Lifetime ECL	2 741	2 788	1 882	4 264	8 801	17 090

Trade receivables with external debt collectors

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

	Current	93 to 184 days	185 to 275 days	276 to 365 days	Over 365 days	Total
	K'000	K'000	K'000	K'000	K'000	K'000
Estimated total gross carrying amount at default	-	-	2 071	11 646	253 601	116 862
Expected loss rate	100%	100%	100%	100%	100%	
Lifetime ECL	-	-	2 071	11 646	253 601	116 862

11 Promissory notes receivables

	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Malawi Government	-	3 068 982	-	760 250

The promissory notes amounting to K3.1 billion and K760 million for the Group and the Company respectively matured in October 2022.

12. Amounts due from (to) related parties

At the year-end, the Company had the following balances with subsidiary companies. The Group and the Company also had staff loans and advances as presented in the statement of financial position and in this note below;

	Amounts due from (to) Related	
	2022 K'000	2021 K'000
New Capital Properties Limited	4 120	201 517
Capital Developments Limited	12 389	276 898
Frontline Investments Limited	(9 425)	162 935
Capital Investments Limited	27 373	12 757
MPICO Malls Limited	235 694	107 271
Net amount due from subsidiaries	270 151	761 378
Amounts due to related parties	(9 425)	-
Amounts due from related parties	279 576	761 378
Net amount due from related parties	270 151	761 378

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

The intermediate holding companies are Old Mutual Life Assurance Company (Malawi) Limited and Old Mutual Malawi. The ultimate holding Company is Old Mutual Limited, which is incorporated in South Africa and listed on Johannesburg Stock Exchange. The Company's principal interest in and the amounts due by or (to) other group companies disclosed in the note below: Other companies consist of fellow subsidiaries and holding company. Transactions with holding company and other group companies are as follows:

During the year, the Company entered into the following transactions with its related party entities.

Related party	**Nature of related party**	**Type of transaction**	**Value of transaction**		**Balance at year end**	
			2022 K'000	**2021 K'000**	**2022 K'000**	**2021 K'000**
Old Mutual Life Assurance Company	Holding company	Direct operation expense	(940 386)	(271 286)	(271 286)	(135 026)
		Rental and service charges	145 286	121 875	-	-
		Corporate expenditure items	(3 225)	-	-	-
Old Mutual Investment Group	Fellow subsidiary	Shared operating expenses	(626 486)	-	(362 327)	-
		Management fees	(171 234)	-	-	-
		VAT on management fees	(28 254)	-	-	-

	Company	
	2022 K'000	**2021 K'000**
Management fees charged to subsidiaries	769 061	1 605 208

Compensation of key management personnel

No loans were advanced to employees in key positions during the year (2021: K82 million). At 31 December 2022 the total loans balance outstanding from employees in key positions was K135 million (2021: K185 million). These loans were granted on the same interest and repayment terms as loans to other staff members.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

13. Borrowings

Borrowings summary	Group 2022 K'000	Group 2021 K'000	Company 2022 K'000	Company 2021 K'000
Balance at 1 January	4 038 505	4 322 944	-	-
Repayments during the year	(437 095)	(284 439)	-	-
Balance at 31 December	3 601 410	4 038 505	-	-
Amounts due after 1 year	-	3 601 410	-	-
Amounts due within 1 year	3 601 410	437 095	-	-
Total borrowings	3 601 410	4 038 505	-	-

MPICO Malls Limited (the subsidiary Company of MPICO plc) borrowed K4.6 billion from Standard Bank plc in the year 2018. The loan is subject to interest charges at 1.1% above the publicly quoted reference lending rate per annum and as at year end the actual interest rate was 18.4%. The loan is repayable over a period of 5 years to 30 September 2023. The loan is secured by investment property, The Gateway.

14. Payables

	Group 2022 K'000	Group 2021 K'000	Company 2022 K'000	Company 2021 K'000
Accruals & property expenses	321 473	231 713	200 898	118 449
Prepaid rentals	630 896	449 496	325 845	231 588
Other payables	107 984	59 844	41 058	22 472
Provisions	426 339	510 492	215 236	222 858
Total payables	1 486 692	1 251 585	783 037	595 367

Accruals are in respect of various expenses incurred but whose invoices had not yet been received or received but not booked as at year-end.

Property expenses payables relate to unpaid but booked invoices for property maintenance and other directly attributable property management costs. No interest is chargeable on these payables and there is no specific allowed credit period from the date of the invoice but the Group's financial risk management policies include ensuring that invoices are paid within 30 days.

The directors consider that the carrying amount of trade payables approximates to their fair value.

	Group		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
15. Cash and cash equivalents as stated in the statement of financial position				
Funds at call and on deposit	100 000	209 270	-	-
Bank balances and cash	279 654	218 032	75 324	65 441
Total funds on deposit and banks	379 654	427 302	75 324	65 441
Bank overdraft	-	(1 092 570)	-	(1 092 570)
Total cash and cash equivalents	379 654	(665 268)	75 324	(1 027 129)

The Group has an overdraft facility of K900 million (2022: K900 million) with FDH Bank plc and K500 million (2022: K500 million) with National Bank of Malawi plc. The FDH Bank plc facility is secured on Development House and accrues interest at the rate of 5.6% above the floating base lending rate. The National Bank of Malawi Plc facility is secured on Tikwere House and accrues interest at the rate of 4.6% above the floating base lending rate. These bank overdraft facilities are repayable on demand.

The deposits accounts are maintained with National Bank of Malawi Plc and FDH Bank plc and attract interest at an average 7.5% (2022: 4%) per annum.

	Group		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
16. Other Income				
Management fees	-	-	769 061	1 605 208
Other income	148 158	141 611	146 152	126 876
Total other income	148 158	141 611	915 213	1 732 084

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

	Group		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
17. Property and administration expenses				
Net property expenses	1 742 154	1 480 709	719 592	427 255
Discounting costs	-	536 303	-	116 540
Service costs and administration costs	2 303 385	298 150	2 237 681	297 162
Salaries and benefits	-	1 558 847	-	1 558 847
Other costs	537 718	849 452	323 893	383 623
Total	4 583 257	4 723 461	3 286 166	2 783 427

Other costs include audit fees , depreciation charges, listing costs, transfer secretaries' expenses and legal and professional fees.

	Group		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
18. Profit before taxation				
Profit before taxation is arrived at after charging:				
Auditors' remuneration	88 660	71 500	38 328	30 910
Donations	-	500	-	500
Depreciation of plant and equipment	138 174	155 926	76 537	90 810
Loss on disposal of non-current assets	282	11 813	282	11 813
Directors' remuneration	-			
fees for directors	167 293	124 596	63 969	39 758
- for managerial services	-	98 688	-	98 688
Pension costs	80 770	139 907	80 770	139 907
Service costs	1 125 944	1 558 847	1 125 944	1 558 847
19. Taxation				
Income tax	665 742	705 924	100 064	518 737
Deferred tax	30 441	495 678	513 168	377 845
Capital gains tax	-	9 181	-	9 181
Dividend tax	171 600	55 775	171 600	55 775
Total taxation charge	867 783	1 266 558	784 832	961 538

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Group

Reconciliation of effective tax rates to standard rates	Rate	2022 K'000	Rate	2021 K'000
Profit before tax income		9 005 259		7 689 148
Income tax based on tax profits	30%	2 701 578	30%	2 306 744
Non-deductible expense	1.7%	154 452	10%	737 698
Other temporary differences	(22.1)%	(1 988 247)	(23)%	(1 777 884)
Effective tax rate	9.6 %	867 783	17%	1 226 558

Company

Reconciliation of effect tax rates to standard rates	Rate	2022 K'000	Rate	2021 K'000
Profit before tax income		4 253 170		3 155 469
Income tax based on tax profits	30%	1 275 951	30%	946 641
Non-deductible expense	2%	82 265	12%	381 257
Income not subject to tax at 30%	-	-	-	-
Other temporary differences	(13.5)%	(573 384)	(11.5%)	(366 360)
Effective tax rate	18.5 %	784 832	30.5%	961 538

20. Increase in fair value of investment properties

During the year, a fair value adjustment to investment properties has been credited and the associated tax has been charged to the statement of comprehensive income. To ensure compliance with profit distribution rules under Company Law in Malawi, the net of tax balance has been transferred to a non-distributable reserve. This is analysed as follows:

	Group		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Fair value adjustment credited to statement of comprehensive income	6 690 900	5 425 600	2 428 500	1 737 000
Related deferred tax	(20 694)	(348 365)	(560 409)	(413 102)
Non-controlling interests	(2 033 579)	(1 512 434)	-	-
Amount transferred to non-distributable Reserves	4 636 627	3 564 801	1 868 091	1 323 898

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

21. Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2022 K'000	2021 K'000
Distributable profit	1 089 817	1 140 863
Non-distributable profit	4 636 627	3 564 801
Profit for the year attributable to equity holders of the parent	5 726 444	4 705 664
Weighted average number of ordinary shares for the purposes of basic earnings per share	2 298 047	2 298 047
Basic earnings per share	2.49	2.05
Distributable (K)	0.47	0.50
Non-distributable (K)	2.02	1.55

22. Dividends declared

A final dividend of K436.7 million in respect of 2021 profits was declared and paid on 27 July 2022. An interim dividend of K321.7 million was declared and paid on 12 December 2022.

23. Reconciliation of profit before taxation to net cash inflow from operating activities

	Group		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Profit before taxation	9 005 259	7 689 148	4 253 170	3 155 469
Increase in fair value of investment properties	(6 690 900)	(5 425 600)	(2 428 500)	(1 737 000)
Interest income	(900 847)	(1 036 240)	(284 096)	(279 786)
Dividends receivable	-	-	(1 716 000)	-
Interest paid	720 909	737 444	167 126	175 921
Depreciation	138 174	155 926	76 537	90 810
Changes in trade and other receivables	(1 979 133)	4 024 371	(768 106)	671 534
Changes in promissory notes receivables	3 068 982	(3 068 982)	760 250	(760 250)
Changes in trade and other payables	235 106	455 617	187 670	221 514
Loss on disposal of non-current assets	(282)	(11 813)	(282)	(11 813)
Movement on intercompany balances	505 939	-	997 166	(211 547)
Net cash generated from operating activities	4 103 207	3 519 871	1 244 935	1 314 853

24. Financial risk management

Categorization of financial instruments

The analysis below sets out the Group's classification of financial assets and liabilities and their fair values including accrued interest.

	Group		Company	
	2022 K'000	**2021 K'000**	**2022 K'000**	**2021 K'000**
Financial assets held at amortised cost				
Trade and other receivables	9 536 366	7 557 233	3 158 753	2 390 647
Amounts due from related parties	-	-	279 576	761 379
Dividends receivable	-	-	-	-
Promissory notes receivable	-	3 068 982	-	760 250
Funds at call and on deposit	100 000	209 270	-	-
Bank balance and cash	279 654	218 032	75 324	65 441
Total financial assets	9 916 020	11 053 517	3 513 653	3 977 717
Financial liabilities held at amortised cost				
Borrowings	3 601 410	4 038 505	-	-
Trade and other payables	1 486 692	1251 58	783 037	595 367
Amounts due to related parties	640 965	135 026	650 390	135 026
Bank overdraft	-	1 092 570	-	1 092 570
Total financial liabilities	5 729 067	6 517 686	1 433 427	1 822 963

The Group has exposure to the following risks arising from its transactions in financial instruments:

- Capital risk
- Interest rate risk
- Credit risk
- Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for identification, measurement, monitoring and controlling risk, and the Group's management of capital. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

Below is an analysis of how the Group manages the risk associated with the following relevant financial instruments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

(a) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of mainly equity comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

The Board reviews the capital situation on an annual basis and based on each review, the Group will balance its overall capital structure through the payment of dividends and raising finance through borrowings or repaying any existing borrowings.

Gearing ratio

The gearing ratio at the year end was as follows:-

	Group		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
Trade and other payables	1 486 692	1 251 585	783 037	595 367
Amounts due to related parties	640 965	135 026	650 390	135 026
Borrowings	3 601 410	4 038 505	-	-
Bank overdraft	-	1 092 570	-	1 092 570
Net debt	5 729 067	6 517 686	1 433 427	1 822 963
Equity	75 600 358	68 805 249	36 482 580	33 772 603
Net debt to equity ratio	7.58%	9.47%	3.9%	5.40%

(b) Interest rate risk management

The Group is exposed to interest rate risk as it has significant borrowings. All borrowings are at commercial rates based on the bank base lending rate. The Group also charges interest on overdue rentals from government at 4% above base lending rate . Changes to the base lending rate would have a significant impact on the results for the year.

As at year-end, MPICO Malls Limited (the subsidiary Company of MPICO plc) had an outstanding loan of K3.6 billion with Standard Bank plc. The loan is subject to interest charges at 1.1% above the publicly quoted reference lending rate per annum and as at year end the actual interest rate was 18.4%. An increase by 5% from the current reference rate of 17.3% per annum would result in actual interest rate of 22.8% hence additional interest charge of K166 million. Conversely, a decrease of by 5% would result in savings in interest charges of the same amount.

(c) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and ensuring that tenants pay rentals in advance, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit worthiness of its tenants is continuously monitored. Excluding Government rentals, receivables are from a large number of tenants, spread across diverse sectors and geographical areas.

Apart from the exposure to Government, the Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk exposure is managed by proactively engaging Government on amounts due from it and agreeing on a settlement plan for the outstanding balance. The credit risk on liquid funds is limited because the counterparties are financial institutions in a highly regulated industry.

The carrying amount of receivables (note 10) and cash and cash equivalents (note 15) recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk.

(d) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's and Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted contractual maturities and cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

GROUP

2022	Carrying amounts	Gross Nominal inflow/ outflow	1 -3 months	3 - 12 months	Over 12 months
	K'000	K'000	K'000	K'000	K'000
Assets					
Cash and bank balances	379 654	379 654	379 654	-	-
Trade and other receivables	9 536 366	9 536 366	8 346 784	1 589 582	
Total	9 916 020	9 916 020	8 726 438	1 589 582	-
Liabilities					
Trade and other payables	1 486 692	1 486 692	1 486 692	-	-
Amounts due to related parties	640 965	640 965	640 965	-	-
Borrowings	3 601 410	3 601 410	142 665	3 458 745	-
Total	5 729 067	5 729 067	2 270 322	3 458 745	-

2021	Carrying amounts	Gross Nominal inflow/ outflow	1 -3 months	3 - 12 months	Over 12 months
	K'000	K'000	K'000	K'000	K'000
Assets					
Cash and bank balances	427 302	427 302	427 302	-	-
Promissory notes receivable	3 068 982	3 068 982	-	3 068 982	-
Trade and other receivables	7 557 233	7 557 233	6 119 580	1 437 653	-
Total	11 053 517	11 053 517	6 546 882	4 506 635	-
Liabilities					
Trade and other payables	1 251 585	1 251 585	1 251 585	-	-
Amounts due to related parties	135 026	135 026	135 026	-	-
Borrowings	4 038 505	4 038 505	98 143	338 952	3 601 410
Bank overdraft	1 092 570	1 092 570	1 092 570	-	-
Total	6 517 686	6 517 686	2 577 323	338 952	3 601 410

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

COMPANY

	Carrying amounts	Gross Nominal inflow/ outflow	1 -3 months	3 - 12 months	Over 12 months
2022					
Assets					
Cash and bank balances	75 324	75 324	75 324	-	-
Intercompany receivables	279 576	279 576	279 576	-	-
Trade and other receivables	3 158 753	3 158 753	3 158 753	-	-
Total	3 513 653	3 513 653	3 513 653	-	-
Liabilities					
Trade and other payables	783 037	783 037	783 037	-	-
Amounts due to related parties	650 390	650 390	650 390	-	-
Total	1 433 427	1 433 427	1 433 427	-	-

	Carrying amounts	Gross Nominal inflow/outflow	1 -3 months	3 – 12 months	Over 12 months
2021					
Assets	K'000	K'000	K'000	K'000	K'000
Cash and bank balances	65 441	65 441	65 441	-	-
Intercompany receivables	761 378	761 378	761 378	-	-
Promissory notes receivable	760 250	760 250	-	760 250	-
Trade and other receivables	2 390 647	2 390 647	2 390 647	-	-
Total	3 977 716	3 977 717	3 217 467	760 250	-
Liabilities					
Trade and other payables	595 367	595 367	595 367	-	-
Amounts due to related parties	135 026	135 026	135 026	-	-
Bank overdraft	1 092 570	1 092 570	1 092 570	-	-
Total	1 822 963	1 822 963	1 822 963	-	-

25. Operating lease arrangements

The Group as lessor

Leasing arrangements
Operating leases relate to the investment property owned by the Group with lease terms of between 1 and 10 years, with an option to extend the lease term. All operating lease contracts contain market based rental review clauses in the event that the lessee exercises its option to renew. Additionally, the rentals are renegotiated on an annual basis based on prevailing market conditions. The lessees do not have options to purchase the property at the expiry of the lease period.

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounts to K6 841 million (2021: K6 613 million).

26. Fair value measurements

IFRS 13 Fair Value Measurement establishes a single source of guidance for fair value measurement and disclosure and this applies to both financial and non-financial instruments items which either IFRS require or permit fair value measurements except for share based payments that are within the scope of IFRS 2 Share-Based Payment, leasing transactions that are within the scope of IFRS 16 Leases and other measurements that have similarities to fair value but are not fair value such as Net Realisable Value (NRV) for measuring of inventories and value in use for impairment assessment purposes.

This note provides information about how the entity determines fair values of various financial assets and financial liabilities.
26.1 Valuation techniques and assumptions applied for the purposes of measuring fair value

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values

The fair values of financial assets and financial liabilities are determined as follows:

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.

26.2 Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

26.2 Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

26.3 Fair value of financial assets and financial liabilities that are not measured at fair value on recurring basis (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 values.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

GROUP

	Fair value hierarchy as at 31 December 2022		
	Level 1 K'000	Level 2 K'000	Total K'000
Financial assets			
Trade and other receivables	-	9 536 366	9 536 366
Cash and bank balances	379 654	-	379 654
Total financial assets	379 654	9 536 366	9 916 020
Financial liabilities			
Financial liabilities held at amortised cost:			
Trade and other payables	-	1 486 692	1 486 692
Amounts due to related parties	-	640 965	640 965
Borrowings	-	3 601 410	3 601 410
Total financial liabilities	-	5 729 067	5 729 067

	Fair value hierarchy as at 31 December 2021		
	Level 1 K'000	Level 2 K'000	Total K'000
Financial assets			
Trade and other receivables	-	7 557 233	7 557 233
Promissory notes receivable	-	3 068 982	3 068 982
Cash and bank balances	427 302	-	427 302
Total financial assets	427 302	10 626 215	11 053 517
Financial liabilities			
Financial liabilities held at amortised cost:			
Trade and other payables	-	1 251 585	1 251 585
Amounts due to related parties	-	135 026	135 026
Borrowings	-	4 038 505	4 038 505
Bank overdraft	-	1 092 570	1 092 570
Total financial liabilities	-	6 517 686	6 517 686

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

COMPANY

	Fair value hierarchy as at 31 December 2022		
	Level 1	**Level 2**	**Total**
	K'000	**K'000**	**K'000**
Financial assets			
Trade and other receivables		3 158 753	3 158 753
Amounts due from related parties	-	279 576	279 576
Cash and bank balances	75 324	-	75 324
Total financial assets	75 324	3 438 329	3 513 653
Financial liabilities			
Financial liabilities held at amortised cost:			
Trade and other payables	-	783 037	783 037
Amounts due to related parties	-	650 390	650 390
Total financial liabilities	-	1 433 427	1 433 427

	Fair value hierarchy as at 31 December 2021		
	Level 1	**Level 2**	**Total**
	K'000	**K'000**	**K'000**
Financial assets			
Trade and other receivables	-	2 390 647	2 390 647
Amounts due from subsidiaries	-	761 378	761 378
Promissory notes receivable	-	760 250	760 250
Cash and bank balances	65 441	-	65 441
Total financial assets	65 441	3 912 275	3 977 716
Financial liabilities			
Financial liabilities held at amortised cost:			
Trade and other payables	-	595 367	595 367
Amounts due to related parties	-	135 026	135 026
Bank overdraft	-	1 092 570	1 092 570
Total financial liabilities	-	1 822 963	1 822 963

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

27. Contingent liabilities

The Group is currently contesting various civil cases filed by various plaintiffs. Based on Group's legal representatives, there are no contingent liabilities and provisions in respect of these claims.

	Group		Company	
	2022 K'000	2021 K'000	2022 K'000	2021 K'000
28. Capital commitments				
Authorised	3 389 750	1 870 152	2 064 000	127 652

Capital expenditure commitments are financed from internal resources, existing facilities as well as external sources.

29. Economic factors

Economic factors relevant to the Company's performance are set out below.

	2022	2021
Year-end exchange rate K/US$	1 028.48	817.30
Inflation rate	25.4%	11.5%

Subsequent to the year-end as at 5 March 2023 the rates had moved as follows;

Exchange rate (K/US$)	1 028.48
Inflation rate (March 2023)	27%

30. Holding Company

The intermediate holding companies are Old Mutual Life Assurance Company (Malawi) Limited and Old Mutual Malawi. The ultimate holding Company is Old Mutual Limited, which is incorporated in South Africa and listed on Johannesburg Stock Exchange

31. Events after the reporting period

There were no significant events after the reporting period.

32. Comparative figures

Certain prior year figures were regrouped and reclassified where necessary to conform to the current year presentation.

33. Impact of Covid-19

The impact of the COVID-19 did not materially affect the financial performance of the business. There was an evident reduction in the national cases and deaths over the year. Accordingly no rent concessions were given to tenants during the year.

34. Environmental, Social and Governance

Responsible Business is at the heart of our purpose to champion mutually positive futures every day. Caring deeply for our customers, communities, and employees is in our DNA and is what sets us apart.

We are guided by our Responsible Business Philosophy which is informed by understanding the expectations society has of our business, an awareness of growing environmental and social crises, governed by regulations and driven by the business imperative, and a desire to be a purposeful organization.

During 2022, our business continued to invest in the upliftment and development of society and the communities in which we operate, through several interventions.

Sustainability and Climate Change

As a provider of property solutions, we recognize Climate Change as a systemic risk which needs to be integrated into the way in which we do business. Our approach to sustainability is embedded in the activities we undertake to reduce energy consumption and carbon footprint as we offer space to let.

To demonstrate our commitment to reduce the carbon footprint by reducing carbon emissions from our property portfolio we have embarked on an ambitious project of adopting clean energy. In the year 2022 the business instituted a feasibility study for the installation of a 2.3 Megawatts solar power plant at The Gateway. Implementation of this initiative will result in a significant reduction in carbon emissions emanating from the operation of diesel generators during loadshedding.

To reduce energy consumption the business during the year continued with the project of replacing the high energy consuming fluorescent light fittings with the low energy consuming LED light fittings. This project once completed will lead to a reduction in energy consumption through light fittings by close to 50%.

We continue to explore the impacts of Climate Change on our business, including through our operations and product offerings, in order to make informed decisions to create synergies and benefit from the shared value for our customers.

Corporate Social Investment (CSI)

As a corporate citizen we are driven by our commitment to run a responsible business which strives to positively impact our communities through various initiatives including supporting organizations that work with vulnerable groups, contributing towards the health and wellbeing of our society as well as giving back to our customers.

Some of the projects delivered in 2022 include:

- Reached out to the elderly through the Malawi Network of the Older Persons Organization (MANEPO) in Lilongwe as well as Hope House Orphan Care in Dowa district which houses over 300 children, we donated assorted items including food stuffs and cleaning detergents worth MK1 250 000.
- Sponsored a run for mental health awareness initiative: The ‘Run4mental Health’ activity was hosted at The Gateway Mall and was organized by the Platform, a youth centered and focused advocacy project that exists to create a safe space for young people to discover themselves and their potential.
- Sponsored Bra Bank Malawi’s ‘Bra Bank Collection’ initiative during breast cancer awareness month by using The Gateway as a drop off point for bra donations.
- Provided Christmas entertainment to the community through a Christmas carols event as a festive season activation for The Gateway mall thereby giving back to our customers MK8 747 000 was spent on this activation.

NOTES

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MPICO

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