MPICO

A MEMBER OF THE OLDMUTUAL GROUP

ANNUAL REPORT 2023

www.mpicomw.com

27
PROPERTIES

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

MPICO

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The Gateway


MPICO House


Zowe House


Development House


Gemini House


PROPERTY DEVELOPMENT
PROJECT MANAGEMENT
PROPERTY VALUATION
PROPERTY MANAGEMENT
PROPERTY OWNERSHIP
PROPERTY LEASING
FACILITIES MANAGEMENT

Property Development

Meeting your property development needs
for a sustainanble built environment.

Property Management

Discover peace of mind with our dedicated
team managing your landed properties.

Property Valuation

Unlock the true worth of your property
with our trusted valuation experts.

Vision

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

01

Chairperson's Statement

Economic Overview

The macroeconomic environment was challenging in 2023, with currency shortages leading to a 44% currency devaluation in November 2023. In addition, weather related shocks negatively impacted the agricultural season which together with currency weakness pushed inflation to an annual average of 28.8% while limiting real Gross Domestic Product (GDP) growth for 2023 to only 1.5%.

The equity market performed strongly with a price return of 78.9% which was well above average inflation for the year and prior year's 36.7% price return. Interest Bearing Assets returns lagged inflation while the property market was adversely affected by the challenging macro-economic conditions resulting into muted rental adjustments and low capital appreciation of properties.

Group Performance

The MPICO plc Board is pleased to announce the results of the Group for the year ended 31 December 2023.

Core operations registered strong growth, with profit before tax increasing by 21% to MK10.93 billion in 2023 from MK9.0 billion in 2022 due to improved income at MK17.35 billion (2022: MK14.56 billion). However, profit after tax decreased by 13% to MK7.07 billion in 2023 from MK8.14 billion in 2022 on account of a once-off deferred tax adjustment of MK2.6 billion following de-recognition of prior year deferred tax asset relating to investment properties. The Board determined that based on current taxable profits projections, deferred tax asset relating to investment properties may not be fully utilised during the allowable period.

Rental income marginally increased by 1% to MK6.9 billion in 2023 from MK6.8 billion in 2022. Although the business achieved the planned rent reviews during the year, rental income growth year on year was limited by voids due to economic challenges. Total operating expenditure for the year increased by 15% to MK6.41 billion in 2023 from MK5.55 billion in 2022 as efforts to manage expenses continued.

Government rental arrears decreased to MK3.5 billion as at 31 December 2023 from MK6.0 billion in the same period in 2022 due to payments made by Government during the year. Further payment was received post year end leaving rental arrears at MK2.1 billion as at 29 February 2024.

Property Market in Malawi

The Malawi economy remained under pressure in 2023 which was reflected in the property market. The weak macros negatively impacted the property market and as a result, there were only a few transactions on the property investment market and rental adjustments lagged inflation. In addition, vacancy rates were generally higher compared to prior year.

Retail yields were higher in Lilongwe estimated at 11% compared to the Blantyre estimate of 9.5%. In terms of office yields, Blantyre was estimated at 9% while Lilongwe was estimated at 11%. Lilongwe realised higher rent per square metre at approximately K11,500.00 compared to Blantyre and Mzuzu which had an estimate of K9,000.00 and K7,000.00 per square metre respectively. Retail occupancy was estimated to be higher in Blantyre at 80% compared to Lilongwe at 70%. However on office occupancy, Lilongwe was higher at approximately 90% compared to Blantyre at 80%.

Group Property Portfolio Performance

The Group property portfolio remained resilient. The occupancy rate for the Group continued to hold at 91.24% in 2023. The strong performance of the Group was due to the prime location of the property portfolio, refurbishments and good customer care. Occupancy for 2022 was at 91.87%.

As of 31st December 2023, the overall property portfolio for MPICO plc was in a good state of repair except for one site, Tikwere House, which was damaged by a fire incident in the course of the year.

Routine maintenance plans were executed on the buildings as per the approved budget for 2023 which targeted the refurbishment of 7,843 square meters of space. Overall execution of the maintenance plan was at 80% as at 31st December 2023 due to the impact of foreign currency shortages and the subsequent devaluation that led to increased maintenance costs.

Economic Outlook

Economic growth prospects hinge around the successful traction of the International Monetary Fund's (IMF) Extended Credit Facility (ECF) Program, which has the potential to unlock the much-needed foreign exchange. The Reserve Bank of Malawi (RBM) projects a real GDP growth of 3.8% in 2024 (2023: 1.5%). Downside risks to this projection remain climate change induced weather patterns, foreign currency supply shortages, and geopolitical conflicts.

Edith Jiya
Chairperson

02

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 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. Christopher 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 is the Chairman of the Board of Standard Bank plc and has previously served on boards of some major corporates in Malawi, including Old Mutual Malawi, Press Corporation, National Bank of Malawi and Malawi Development Corporation (MDC).

02

Board of Directors

BENARD NDAU

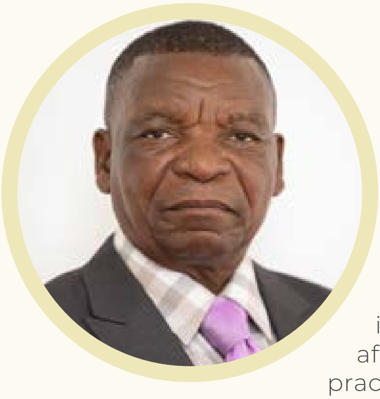
Mr. Benard Ndau is a holder of an LLM and LLB(Hons) degree and a qualified legal practitioner with over 20 years' post-graduate experience. Mr Ndau has interest and international experience in Commercial Law; Project Due Diligence; Telecommunications Law, International Commercial Arbitration; Mergers 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 were in international finance service. He briefly worked for Carlsberg (Malawi) and Kentam products as Chief Finance Officer and Finance & Operations Manager respectively.

02

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).

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 and PBM Consultants.

02

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.

MARTHA MKANDAWIRE

Mrs. Martha Mkandawire is a seasoned professional in finance, administration, and management, holding a Bachelor's Degree in Accounting and an MBA from the University of Malawi. Mrs Mkandawire is a Fellow Certified Chartered Accountant (FCCA) of the UK, Associate Member of CIPS, and Full Member of the Institute of Chartered Accountants, CA, Mw. With over 28 years of experience, she has held senior roles in organizations such as KPMG, NCIC and the National Council for Higher Education. Currently serving as Director of Finance and Administration, her leadership extends to various boards including NGORA and MBTS. Mrs. Mkandawire's expertise underscores her commitment to excellence in finance, administration, and governance across public and private sectors.

02

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.

03 The Gateway Netball Challenge Corporate Social Investment Initiative

The Gateway netball challenge is MPICO's Corporate Social Investment towards sports development in Malawi which has been carried out for five years since its inception in 2016. This initiative compliments government efforts towards sports development while empowering the girl child by creating an enabling environment for girls to thrive. The Gateway central region netball challenge is delivered in collaboration with Central Region Netball Committee, CRNC. In 2023, MPICO plc sponsored the Gateway Central Region Netball League with MK 24,000,000. The league took place between June and November 2023 with games being played at the Gateway netball court. Seventeen (17) teams participated in the league; the top two teams were Blue Eagles and Civo Nets, in the end Blue Eagles emerged as the winners and received MK3,000,000 as prize money.

The winning team Blue Eagles flaunts their medals and celebrates their win

(From left) At the final league event MPICO representative Elliot Jambo holds trophy with Ministry of Sports representative Charles Ulaya, Netball Association of Malawi (NAM) representative Isaac Chimwala and Central Region Netball Committee representative, Cecelia Mtukule

The top two teams: Blue Eagles and Civo Nets play the final game at The Gateway netball court

04

Consolidated and Separate financial statements

MPICO PLC

REPORT OF THE DIRECTORS

For the year ended 31 December 2023

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 2023.

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 (2022: 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 (2022: 2 298 047 460 ordinary shares of 5 tambala each), fully paid.

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

	2023	**2022**
	%	%
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

PROFITS AND DIVIDENDS

The directors report a net profit for the year of K7.1 billion (2022: K8.1 billion) for the Group [Company K3.1 billion (2022: K3.5 billion)]. A final dividend of K503 million in respect of 2022 profits was declared and paid on 26 July 2023 (2021: K437 million in respect of 2021 profits).

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 Group 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 effected 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.

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 all year	Independent non-executive director
Mr. E. Hami	- Member all year	Independent non-executive director
Mr. B. Ndau	- Member all year	Independent non-executive director
Mrs. M. Mkandawire	- Member from 06th March 2023	Independent non-executive director
Mrs. V. Zulu	- Member from 31st January 2023	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
Mr. B. Ndisale	- Member all year	Independent non-executive director
Ms. J. Namitembo	- Member all year	Independent non-executive director
Mr. E. Hami	- Member all year	Independent non-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.

COMPANY SECRETARY

The Company Secretary in the year was Ms. Chifundo Kalaile.

DIRECTORS' INTERESTS

The directors noted below hold the following ordinary shares in the Company as at 31st December 2023:

Mr. C. Kapanga: 452 773 (2022: 452 773) shares
Mr. F. Mangani: 12 000 (2022: 12 000) 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 2023, six 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	5	5
Christopher Kapanga	6	6
Felix Mangani	6	4
Peter Matipwiri	6	6
Edmund Hami	6	6
Benard Ndau	6	4
Martha Mkandawire	6	5
Vera Zulu	5	5

BOARD COMMITTEE

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

The Board committee 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 four times during the year 2023 and the members' attendance is summarised as below:

NAME OF DIRECTOR	NUMBER OF MEETINGS ELIGIBLE TO ATTEND DURING THE YEAR	NUMBER OF MEETINGS ATTENDED
Edmund Hami	4	4
Benard Ndau	4	4
Vera Zulu	4	4

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 2023			
MPICO plc	93.1	-	93.1
MPICO Malls Limited	38.8	-	38.8
Capital Investments Limited	28.9	-	28.9
Capital Developments Limited	25.8	-	25.8
New Capital Properties Limited	28.0	-	28.0
Frontline Investments Limited	19.4	-	19.4
	234.0	-	234.0
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

MPICO PLC

REPORT OF THE DIRECTORS (continued)

For the year ended 31 December 2023

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%	Development and rental of property

DONATIONS

The Group and its subsidiaries did not make any direct charitable donation this year (2022: Nil).

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 2023	
MPICO Plc	47.5
MPICO Malls Limited	17.3
Capital Investments Limited	12.1
Capital Development Limited	10.0
New Capital Properties Limited	12.0
Frontline Investments Limited	11.0
	109.9

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 Development Limited	8.1
New Capital Properties Limited	9.7
Frontline Investments Limited	8.9
	88.7

The Auditors did not provide any 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 2024 financial statements.

MPICO PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 2023

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 2023, 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 material accounting policy information 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 material accounting policy information and applying it 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 2023.

Edmund Hami

....

Edmund Hami (Director)

....

Mrs Edith Jiya (Chairperson)

Deloitte.

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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 (together "the Group") set out on pages 32 to 93, which comprise the consolidated and separate statements of financial position as at 31 December 2023, 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, including material accounting policy information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of MPICO plc as at 31 December 2023, 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 Group 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.

MAKING AN IMPACT THAT MATTERS since 1845

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (Continued)

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><th colspan="2">Valuation of Investment Properties (Consolidated and Separate financial statements)</th></tr>
<tr><td>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 K86.7 billion as at 31 December 2023 and K26.9 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 2023 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 notes 3.6 and 4.2.1 to the financial statements for the accounting policy and critical accounting estimates and judgements and note 6 to the financial statements for investment properties disclosures.</td><td>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 valuation of investment properties;
• We assessed the competence, capabilities and objectivity of the management's investment property valuation experts, and we 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 appropriate and consistent with the prior year and industry norms;
• We also involved our independent investment property valuation experts in evaluating the directors' and their expert valuer's judgements, including the methods and related assumptions used;
• Our independent valuation experts counterchecked the data used for calculation and the output from the calculation of the investment properties and the emerging values as prepared and presented by the directors;
• We performed a sensitivy analysis of the significant assumptions made by the management's expert so as to evaluate the extent of impact on investment properties and assessed the appropriateness of disclosures in the financial statements; 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 evidence, to assess the accuracy 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.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the Report of the Directors and the Statement of Directors' Responsibilities, as required by the Companies Act, 2013, which we obtained prior to the date of this auditor's report; and the Annual Report, which is expected to be made available to us after 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, 2013 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.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control;
- Evaluate the appropriateness of accounting policy information 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 and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

INDEPENDENT AUDITOR'S REPORT (continued)

- 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
- 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
Christopher Kapenda
Partner
2 April 2024

MPICO PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

31 December 2023

	Notes	Group 2023 K'000	Group 2022 K'000	Company 2023 K'000	Company 2022 K'000
ASSETS					
NON-CURRENT ASSETS					
Investment properties	5&6	86 718 868	77 786 747	26 943 289	23 928 707
Plant and equipment	7	231 518	320 382	170 331	209 496
Investment in subsidiaries	8	-	-	14 640 612	14 640 612
Capital work in progress		12 652	12 652	-	-
Deferred tax	9	395 146	2 989 753	-	-
Secured staff loans		79 423	93 199	79 423	93 201
Total non-current assets		87 437 607	81 202 733	41 833 655	38 872 016
CURRENT ASSETS					
Dividend receivable		-	-	400 000	-
Amounts due from related parties	12	-	-	1 488 463	279 576
Taxation recoverable	19	3 062 911	1 370 413	2 861 541	1 282 086
Trade and other receivables	10	7 391 408	9 536 366	2 495 108	3 158 753
Promissory notes receivables	11	5 095 690	-	1 369 825	-
Cash and cash equivalents	15	326 710	379 654	8 544	75 324
Total current assets		15 876 719	11 286 433	8 623 481	4 795 739
TOTAL ASSETS		103 314 326	92 489 166	50 457 136	43 667 755
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		6 350 314	5 906 364	9 456 389	9 699 948
Non-distributable reserves		42 165 340	37 643 559	20 836 541	18 040 792
Equity attributable to equity holders of the parent		57 257 494	52 291 763	39 034 770	36 482 580
Non-controlling interests		24 906 546	23 308 595	-	-
Total equity		82 164 040	75 600 358	39 034 770	36 482 580
NON-CURRENT LIABILITIES					
Deferred tax	9	11 895 931	11 159 741	5 994 324	5 751 748
Borrowings	13	2 321 260	-	-	-
Total non-current liabilities		14 217 191	11 159 741	5 994 324	5 751 748
CURRENT LIABILITIES					
Amounts due to related parties	12	3 460 141	640 965	3 460 141	650 390
Borrowings	13	765 081	3 601 410	-	-
Trade and other payables	14	1 388 902	1 486 692	648 930	783 037
Bank overdraft	15	1 318 971	-	1 318 971	-
Total current liabilities		6 933 095	5 729 067	5 428 042	1 433 427
Total liabilities		21 150 286	16 888 808	11 422 366	7 185 175
TOTAL EQUITY AND LIABILITIES		103 314 326	92 489 166	50 457 136	43 667 755

The consolidated and separate financial statements were approved and authorised for issue by the Board of Directors on 6 March 2024 and were signed on its behalf by:

Edmund Hami .... Edmund Hami (Director)

.... Mrs Edith Jiya (Chairperson)

CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	Group 2023 K'000	Group 2022 K'000	Company 2023 K'000	Company 2022 K'000
INCOME					
Rental income	5	6 882 542	6 841 041	2 590 041	2 468 693
Interest income on rental arrears		1 079 806	879 720	340 186	268 152
Total rental and interest income on rental arrears		7 962 348	7 720 761	2 930 227	2 736 845
Increase in fair value of investment properties	5	8 932 121	6 690 900	3 014 582	2 428 500
Dividends income from subsidiaries		-	-	400 000	1 716 000
Other income	16	452 582	148 158	1 489 940	915 213
Total income		17 347 051	14 559 819	7 834 749	7 796 558
OPERATING EXPENSES					
Property and administration expenses	17	(5 380 143)	(4 583 257)	(4 243 285)	(3 286 166)
Expected credit losses	10	(166 055)	(271 521)	(80 826)	(106 040)
Total operating expenses		(5 546 198)	(4 854 778)	(4 324 111)	(3 392 206)
FINANCE COST					
Interest income on bank deposits and staff loans		17 758	21 127	13 793	15 944
Finance costs on borrowings		(880 472)	(720 909)	(226 584)	(167 126)
Net finance cost		(862 714)	(699 782)	(212 791)	(151 182)
PROFIT BEFORE TAXATION	18	10 938 139	9 005 259	3 297 847	4 253 170
Taxation	19	(3 871 376)	(867 783)	(242 576)	(784 832)
PROFIT FOR THE YEAR		7 066 763	8 137 476	3 055 271	3 468 338
APPROPRIATION OF PROFIT FOR THE YEAR					
Distributable reserves	21	947 031	1 089 817	259 523	1 600 247
Non-distributable reserves	21	4 521 781	4 636 627	2 795 748	1 868 091
Amounts attributable to members of the parent		5 468 812	5 726 444	3 055 271	3 468 338
Amounts attributable to non-controlling interests		1 597 951	2 411 032	-	-
		7 066 763	8 137 476	3 055 271	3 468 338
Basic earnings per share (K)	21	2.38	2.49		
Analysed as:					
Distributable (K)		0.41	0.47		
Non-distributable (K)		1.97	2.02		

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

MPICO PLC

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2023

Group	Share capital K'000	Share premium K'000	Distributable reserves K'000	Non-distributable reserves K'000	Attributable to equity holders of the parent K'000	Non-controlling interests K'000	Total K'000
For the year ended 31 December 2023							
At the beginning of the year	114 902	8 626 938	5 906 364	37 643 559	52 291 763	23 308 595	75 600 358
Distributable profit for the year	-	-	947 031	-	947 031	498 710	1 445 741
Non-distributable profit for the year	-	-	-	4 521 781	4 521 781	1 099 241	5 621 022
Dividends declared – Final 2022	-	-	(503 081)	-	(503 081)	-	(503 081)
At the end of the year	114 902	8 626 938	6 350 314	42 165 340	57 257 494	24 906 546	82 164 040
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

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2023

Company	Share capital K'000	Share premium K'000	Distributable reserves K'000	Non-distributable reserves K'000	Total K'000
For the year ended 31 December 2023					
At the beginning of the year	114 902	8 626 938	9 699 948	18 040 792	36 482 580
Distributable profit for the year	-	-	259 522	-	259 522
Non-distributable profit for the year	-	-	-	2 795 749	2 795 749
Dividend declared – Final 2022	-	-	(503 081)	-	(503 081)
At the end of the year	114 902	8 626 938	9 456 389	20 836 541	39 034 770
For the year ended 31 December 2022					
At the beginning of the year	114 902	8 626 938	8 858 060	16 172 702	33 772 602
Distributable profit for the year	-	-	1 600 247	-	1 600 247
Non-distributable profit for the year	-	-	-	1 868 090	1 868 090
Dividend declared-Final 2021	-	-	(436 631)	-	(436 631)
Dividend declared -Interim 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

The distributable reserve is available for distribution to shareholders as dividends subject to a 10% withholding tax. The non-distributable reserves relate to unrealised profits (net of related deferred tax) on valuation of investment properties and are not available for distribution.

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
SHARE CAPITAL				
Authorised: 3 000 000 000 Ordinary shares of 5t each (2022: 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 (2022: 2 298 047 460 Ordinary Shares of 5t each)	114 902	114 902	114 902	114 902

MPICO PLC

CONSOLIDATED AND SEPERATE STATEMENTS OF CASH FLOWS

For the year ended 31 December 2023

	Notes	Group 2023 K'000	Group 2022 K'000	Company 2023 K'000	Company 2022 K'000
Cash flows from operating activities					
Cash generated from operations	23	1 668 526	4 103 207	570 270	1 244 935
Dividends received		-	-	-	1 716 000
Interest received		1 097 564	900 847	353 979	284 096
Interest paid		(778 603)	(720 909)	(226 583)	(167 126)
Dividends paid		(503 082)	(758 359)	(503 082)	(758 359)
Dividends paid to non-controlling shareholders		-	(584 000)	-	-
Cash flows generated from operating activities		1 484 405	2 940 786	194 584	2 319 546
Taxation paid		(2 233 075)	(1 443 688)	(1 579 453)	(1 209 198)
Net cash (used in)/generated by operating activities		(784 670)	1 497 098	(1 384 869)	1 110 348
Cash flows from investing activities					
Additions to plant and equipment	7	(19 190)	(30 628)	(13 765)	(23 442)
(Costs)/proceeds on disposal of equipment		(893)	2 223	(893)	2 223
Receipts from staff long-term loans		13 776	13 324	13 776	13 324
Net cash used in investing activities		(6 307)	(15 081)	(882)	(7 895)
Cash flows from financing activities					
Repayment of borrowings	13	(616 938)	(437 095)	-	-
Net cash used in financing activities		(616 938)	(437 095)	-	-
Net (decrease) /increase in cash and cash equivalents		(1 371 915)	1 044 922	(1 385 752)	1 102 453
Cash and cash equivalents at the beginning of the year		379 654	(665 268)	75 324	(1 027 129)
Cash and cash equivalents at the end of the year	15	(992 261)	379 654	(1 310 427)	75 324

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 Group has adopted those new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2023. The adoption of these standards did not have a material impact on the financial statements of the Group.

Effective date	Standard, Amendment or Interpretation
Annual reporting periods beginning on or after 1 January 2023	*IAS 12 Income Taxes* -Deferred Tax related to Assets and Liabilities arising from a single Transaction The Group has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

Annual reporting periods beginning on or after 1 January 2023	*IAS 8 Accounting Policies, Changes in accounting Estimates and Errors*-Definition of Accounting Estimates The Group has adopted the amendments to IAS 8 for the first time in the current year. 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. The definition of a change in accounting estimates was deleted.
Annual reporting periods beginning on or after 1 January 2023	IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies The Group has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

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 2024 and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective date	Standard, Amendment or Interpretation
Annual 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.
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.

Annual reporting periods beginning on or after 1 January 2024	Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.
Annual reporting periods beginning on or after 1 January 2024	IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.
Annual reporting periods beginning on or after 1 January 2024	IFRS S2 Climate-related Disclosures IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

Except for IFRS S1 and IFRS S2, the directors anticipate that these Standards and Interpretations in future periods will have no significant impact on the financial statements of the Group. The directors are working on disclosure policies for IFRS S1 and IFRS S2.

3. Material accounting policy information

3.1 Basis of accounting

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

3.2 Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

3.3 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.

3.4 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.

3.5 Plant and equipment

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

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.

3.6 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 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.

3.7 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.

3.8 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.

3.9 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.

3.10 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) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (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 assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology is as simplified approach which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(iii) 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.

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.

3.11 Financial liabilities and equity

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.

3.12 Impairment of non-financial assets
At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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.

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.

3.13 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.

3.14 Classification, measurement and recognition of leases

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.

3.15 Statement of cash flow

Cash flows are reported using the indirect method as per IAS-" Statement of cash flows", whereby profit for the period is adjusted for the effect of transactions of a non-cash nature, any deferral or accrual of past or future cash operating receipts or payments and item of income or expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities are segregated. Management elected to disclose dividends paid and interest paid as operating activities.

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 Group's material accounting policy information

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, refer to note 3.6 and 6 to the financial statements for details of the estimates and judgements.

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. Investment property is measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined.

4.2.2 Calculation of impairment loss allowance

The entity recognises lifetime Expected Credit Losses (ECL) for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the entity'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.

The process of determining ECL involves high degree of judgement from management, which affects valuation of the balance, hence gives risk to significant risk.

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 (2022: 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.

GROUP

	Rental income		Property values		Fair value increase	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Blantyre	468 466	497 765	6 925 435	6 125 075	800 360	808 500
Lilongwe	6 213 836	6 178 198	78 219 113	70 288 793	7 930 320	5 594 000
Other markets	200 240	165 078	1 574 320	1 372 879	201 442	288 400
Total	6 882 542	6 841 041	86 718 868	77 786 747	8 932 122	6 690 900

COMPANY

	Rental income		Property values		Fair value increase	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Blantyre	468 466	497 765	6 925 435	6 125 075	800 360	808 500
Lilongwe	1 929 291	1 805 850	18 504 843	16 485 754	2 019 090	1 336 000
Other markets	192 284	165 078	1 513 011	1 317 878	195 132	284 000
Total	2 590 041	2 468 693	26 943 289	23 928 707	3 014 582	2 428 500

6. Investment properties

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
VALUATION				
Freehold	39 804 369	35 668 369	24 194 209	21 508 329
Leasehold	46 914 499	42 118 378	2 749 080	2 420 378
Total investment properties	86 718 868	77 786 747	26 943 289	23 928 707

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

VALUATION				
Freehold				
At the beginning of the year	35 668 369	32 412 369	21 508 329	19 455 329
Fair value adjustment	4 136 000	3 256 000	2 685 880	2 053 000
At the end of the year	39 804 369	35 668 369	24 194 209	21 508 329
Leasehold				
At the beginning of the year	42 118 378	38 683 478	2 420 378	2 044 878
Fair value adjustment	4 796 121	3 434 900	328 702	375 500
At the end of the year	46 914 499	42 118 378	2 749 080	2 420 378
Total valuation	86 718 868	77 786 747	26 943 289	23 928 707

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 2023 on the basis set out in note 3.5 to the financial statements. The valuations were carried out by an independent registered valuer, Desmond N. Namangale, MSc. Intl. Project. Mgmt.; BSc (Est. Man), Pg.Cert. Research; Methods, & PGCert. Prop Dev. & invest. MSIM, of Knight Frank (Malawi) Limited, 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.

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 3 K'000	Fair value K'000
31 December 2023		
Investment properties	86 718 868	86 718 868
31 December 2022		
Investment properties	77 786 747	77 786 747

Company

	Level 3 K'000	Fair value K'000
31 December 2023		
Investment properties	29 943 289	26 943 289
31 December 2022		
Investment properties	23 928 707	23 928 707

There has been a change in disclosure of levels from level 2 to level 3 as there is little market activity for investment properties at measurement date. There were no transfers amongst any of the levels during the year.

Valuation technique	Significant unobservable 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. Replacement method is applied on the assumption of replacing a particular property as new by calculating its valued based current construction rates. Depreciation is subtracted from the replacement cost to reflect the age of the property. The land value is added to the depreciated value of improvements to arrive at the total value.	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 5.93% to 17 % (2022: 5.93% to 17%) • Market rentals per square metre K4, 500 to K17 000 (2022: K4, 500 to K15 000)	An increase of 1% in capitalization rate would decrease the fair value by K7.9 billion while a decrease of 1% in capitalization rate would increase the fair value by K9.9 billion. An increase of 10% in market rentals per square metre would increase the fair value by K7.8 billion while a decrease of 10% in market rentals per square metre would decrease the fair value by K7.4 billion.

Included in the investment properties balance as at 31 December 2023 were properties encumbered as follows:

1. **Development House in Lilongwe valued at K1.38 billion (2022: K1.27 billion) and Tikwere House valued at K2.591 billion (2022: K2.8 billion)**
   As detailed in note 15 to the financial statements, 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 K38.7 billion (2022: K34.8 billion)**
   The property is the subject of a charge in favour of Standard Bank (Malawi) Plc to secure a loan of K3.3 billion as detailed in note 13 to the financial statements.

In the year under review, two of the seven floors of Tikwere house caught fire. The lost rentals amounting to K292 million are being claimed from the insurer and, as at the time of approval of these financial statements, the insurance claim processes were at an advance stage.

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

	Group		Company	
	2023 K'000	**2022 K'000**	**2023 K'000**	**2022 K'000**
At cost	19 572 285	19 572 285	305 956	305 956
Fair values	67 146 583	58 214 462	26 637 333	23 622 751
Total investment properties	86 718 868	77 786 747	26 943 289	23 928 707

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

7. Plant and equipment

GROUP

	Fixture & Fittings	Generators	Motor vehicles	Furniture equipment	Total
COST					
At 1 January 2023	249 552	291 554	118 147	496 514	1 155 767
Additions	3 319	-	-	15 871	19 190
Disposals	-	-	-	(2 190)	(2 190)
At 31 December 2023	252 871	291 554	118 147	510 195	1 172 766
At 1 January 2022	230 778	291 554	118 147	490 987	1 131 466
Additions	18 775	-	-	11 853	30 628
Disposals	-	-	-	(6 326)	(6 326)
At 31 December 2022	249 553	291 554	118 147	496 514	1 155 768
ACCUMULATED DEPRECIATION					
At 1 January 2023	195 982	135 876	117 084	386 443	835 385
Charge for the year	27 775	25 334	1 063	53 941	108 113
Disposal	(59)	-	-	(2 190)	(2 249)
At 31 December 2023	223 698	161 210	118 147	438 194	941 249
At 1 January 2022	161 546	114 967	95 834	329 250	701 597
Charge for the year	34 437	20 909	21 250	61 578	138 174
Disposal	-	-	-	(4 385)	(4 385)
At 31 December 2022	195 983	135 876	117 084	386 443	835 386
CARRYING AMOUNT					
Carrying amount at 31 December 2023	29 174	130 344	-	72 001	231 518
Carrying amount at 31 December 2022	53 570	155 678	1 063	110 071	320 382

Company

	Fixture & Fitting	Generators	Motor vehicles	Furniture & equipment	Total
COST					
At 1 January 2023	90 438	179 367	118 147	293 979	681 931
Additions	2 992	-	-	10 773	13 765
Disposal	-	-	-	(1 441)	(1 441)
At 31 December 2023	93 430	179 367	118 147	303 311	694 555
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
ACCUMULATED DEPRECIATION					
At 1 January 2023	66 910	76 216	117 084	212 225	472 435
Depreciation	8 642	16 374	1 063	26 912	52 991
Disposal	(61)	-	-	(1 441)	(1 502)
At 31 December 2023	75 491	92 590	118 147	237 696	523 924
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
CARRYING AMOUNT					
Carrying amount at 31 December 2023	17 939	86 777	-	65 615	170 331
Carrying amount at 31 December 2022	23 528	103 151	1 063	81 754	209 496

8. Subsidiary companies

	2023 %	2022 %	2023 K'000	2022 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	50.74	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

For the year ended 31 December 2023	Balance as at 1 January 2023 K'000	Recognised in profit or loss K'000	Balance as at 31 December 2023 K'000
Deferred tax assets movement in the year			
Revaluation of investment property	2 594 607	(2 594 607)	-
Excess capital allowances	20 142	-	20 142
Tax losses	232 483	-	232 483
Other temporary differences	142 521	-	142 521
Total	2 989 753	(2 594 607)	395 146

For the year ended 31 December 2022	Balance as at 1 January 2023 K'000	Recognised in profit or loss K'000	Balance as at 31 December 2023 K'000
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

Deferred tax asset of K2.6 billion has been derecognised in respect of carried forward revaluation gains of investment property in MPICO Malls Limited due to the uncertainties regarding the entity's ability to generate sufficient taxable profits against which the deferred tax asset can be utilised.

Group

Deferred tax liabilities

For the year ended 31 December 2023

	Balance as at 1 January 2023 K'000	Recognised in Profit or loss K'000	Balance as at 31 December 2023 K'000
Deferred tax liabilities movement in the year			
Revaluation of investment property	(11 419 070)	(716 496)	(12 135 566)
Excess capital allowances	24 244	7 727	31 971
Other temporary differences	235 085	(27 421)	207 664
Total	(11 159 741)	(736 190)	(11 895 931)

For the year ended 31 December 2022

	Balance as at 1 January 2023 K'000	Recognised in Profit or loss K'000	Balance as at 31 December 2023 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	29 669	105 416	235 085
Total	(10 200 483)	(959 258)	(11 159 741)

Company

For the year ended 31 December 2023

Deferred tax liabilities movement in the year			
Revaluation of investment property	(5 920 037)	(218 833)	(6 138 870)
Excess capital allowances	21 615	3 382	24 997
Other temporary differences	146 674	(27 125)	119 549
Total	(5 751 748)	(242 576)	(5 994 324)

For the year ended 31 December 2022

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)

	Group		Company	
	2023 K'000	**2022 K'000**	**2023 K'000**	**2022 K'000**
10. Receivables				
Rental and service charges	6 256 081	8 479 669	2 518 929	3 020 258
Prepaid property expenses	188 844	165 080	86 447	80 722
Staff receivables	140 458	181 251	140 455	181 200
IFRS 16 receivable	1 618 635	1 589 582	-	-
Other receivables	440 894	208 233	147 772	194 191
Expected Credit Losses	(1 253 504)	(1 087 449)	(398 495)	(317 668)
Total receivables	7 391 408	9 536 366	2 495 108	3 158 753

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 K3 519 million (2022: K5 982 million) for the Group {Company K1 216 million (2022: K1 848 million)}. The total interest charged on overdue Government rentals and other tenants amounted to K1 080 million (2022: K880 million) {Company K340 million (2022: K268 million)} for the year.

The IFRS 16 receivable of K1 618 million (2022: K1 590 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 set out in note 3 and note 4.2.2 to the financial statements.

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

	Group		Company	
	2023 K'000	**2022 K'000**	**2023 K'000**	**2022 K'000**
0-90 days	501 833	1 531 155	238 830	512 279
Over 90 days	5 754 248	6 948 514	2 280 099	2 507 979
	6 256 081	8 479 669	2 518 929	3 020 258
Movement in Expected Credit Losses (ECL)				
Balance at beginning of the year	1 087 449	815 928	317 669	211 628
Increase in ECL recognised in the profit or loss	166 055	271 521	80 826	106 040
Balance at end of the year	1 253 504	1 087 449	398 495	317 668

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 37 % (2022: 40%) {Company 36% (2022: 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 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 K'000	93 to 184 days K'000	185 to 275 days K'000	276 to 365 days K'000	Over 365 days K'000
Estimated total gross Carrying amount at Default	426 063	-	-	663 782	2 772 172
Expected loss rate	1.5%	1.5%	1.5%	1.5%	1.5%
Lifetime ECL	6 391	-	-	9 957	41 583

Trade receivables for private tenants-days past due

	Current K'000	93 to 184 days K'000	185 to 275 days K'000	276 to 365 days K'000	Over 365 days K'000
Estimated total gross Carrying amount at Default	70 404	136 403	255 195	161 180	880 084
Expected loss rate	2.0%	2.0%	1.0%	5.0%	5.0%
Lifetime ECL	1 408	2 728	2 552	8 059	44 004

Trade receivables with external debt collectors

	Current K'000	93 to 184 days K'000	185 to 275 days K'000	276 to 365 days K'000	Over 365 days K'000
Estimated total gross Carrying amount at Default	5 366	3 301	907	99 495	824 830
Expected loss rate	100%	100%	100%	100%	100%
Lifetime ECL	5 366	3 301	907	99 495	824 830

Company

Trade receivables for Governments-days past due

	Current K'000	93 to 184 days K'000	185 to 27 days K'000	276 to 36 days K'000	Over 365 days K'000
Estimated total gross Carrying amount at Default	214 237	-	-	194 347	958 465
Expected loss rate	1.5%	1.5%	1.5%	1.5%	1.5%
Lifetime ECL	3 214	-	-	2 915	14 378

Trade receivables for private tenants-days past due

	Current K'000	93 to 184 days K'000	185 to 27 days K'000	276 to 36 days K'000	Over 365 days K'000
Estimated total gross Carrying amount at Default	25 564	73 064	138 708	29 132	598 888
Expected loss rate	2	2 %	1%	5%	5%
Lifetime ECL	511	1 461	1 387	1 457	29 944

Trade receivables with external debt collectors

	Current K'000	93 to 184 days K'000	185 to 275 days K'000	276 to 365 days K'000	Over 365 days K'000
Estimated total gross Carrying amount at Default	-	173	-	55 762	329 367
Expected loss rate	100%	100%	100%	100%	100%
Lifetime ECL	-	173	-	55 762	329 367

11. Promissory notes receivables

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Malawi Government	5 095 690	-	1 369 825	-

During the year the Group and the Company received promissory notes amounting to K5.1 billion and K1.4 billion for the Group and the Company respectively from the Malawi Government being part settlement of rental arrears. For the Group, K2.9 billion will mature in March 2024, K1.6 billion in June 2024 and K0.5 billion in September 2024. For the Company, K0.88 billion will mature in March 2024. K0.46 billion in June 2024 and K0.03 billion in September 2024. The promissory notes are at zero coupon rate and they mature within 12 months as at year end therefore, the entity elected not to discount them.

12. Amounts due from (to) related parties

At the year-end, the Company had the following balances with subsidiary companies in respect of management fees for various services property management.

	Amounts due from(to) Related paries	
	2023 K'000	2022 K'000
New Capital Properties Limited	213 922	4 120
Capital Developments Limited	426 258	12 389
Frontline Investments Limited	210 754	(9 425)
Capital Investments Limited	47 731	27 373
MPICO Malls Limited	589 798	235 694
Net amount due from subsidiaries	1 488 463	270 151
Amounts due to related parties	-	(9 425)
Amounts due from related parties	1 488 463	279 576
Net amount due from related parties	1 488 463	270 151

The intermediate holding companies are Old Mutual Life Assurance Company (Malawi) Limited and Old Mutual (Malawi) Limited. 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 as disclosed in the note below, other companies consist of fellow subsidiaries and holding Company. Transactions with holding Company and group companies are as follows:

Related Party	Nature of related Party	Type of transaction	Value of transactions		Balance at year end	
			2023 K'000	2022 K'000	2023 K'000	2022 K'000
Old Mutual Life Assurance Company	Holding company	Direct operating expenses	(386 065)	(940 386)	(664 703)	(278 638)
		Rental and service charges	(202 239)	145 286	-	-
		Capital expenditure items	-	(3 225)	-	-
		Repayments	-	800 000		
Old Mutual Investment Group Company	Fellow Subsidiary	Management fees	(572 541)	(171 234)	(2 795 438)	(362 327)
		VAT on fees	(94 469)	(28 254)	-	-
		Shared operating expenses	(1 976 585)	(620 486)	-	-
Total					3 460 141	640 965

	Company 2023 K'000	Company 2022 K'000
Management fees charged to subsidiaries	1 333 946	769 061

Compensation of key management personnel

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. Accordingly, there are no employees in MPICO hence no staff compensation carried in the Company's books. Neither were any staff loans advanced by the Company to employees during the year (2022: Nil). At 31 December 2023 the total loans balance outstanding from employees of K79 million (2022: K93 million) relates to legacy loans which are still being recovered through OMIG.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2023

13. Borrowings

	Group 2023 K'000	Group 2022 K'000	Company 2023 K'000	Company 2022 K'000
Balance at 1 January	3 601 410	4 038 505	-	-
Interest charges during the year	653 889	553 783		
Interest paid during the year	(552 020)	(553 783)		
Principal repayments during the year	(616 938)	(437 095)	-	-
Balance at 31 December	3 086 341	3 601 410	-	-
Amounts due after 1 year	2 321 260	-	-	-
Amounts due within 1 year	765 081	3 601 410	-	-
Total borrowings	3 086 341	3 601 410	-	-

MPICO Malls Limited (the subsidiary Company of MPICO plc) initially borrowed K4.6 billion from Standard Bank plc in the year 2018. The 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 24.7% (2022: 18.4%). The loan balances of K3.3 billion as at 30 September 2023 has been extended for a further period of 5 years to 30 September 2028. The loan is secured by investment property, The Gateway, which is included in investment properties as detailed in note 6 to the financial statements and as at 31 December 2023 was valued at K38.7 billion (2022: K34.8 billion).

14. Payables

	Group 2023 K'000	Group 2022 K'000	Company 2023 K'000	Company 2022 K'000
Property expenses payable	471 414	321 473	197 878	200 898
Prepaid rentals	577 473	630 896	228 315	325 845
Other payables	-	107 984	-	41 058
Accruals	340 015	426 339	222 737	215 236
Total payables	1 388 902	1 486 692	648 930	783 037

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.

Prepaid rentals relate to deposits that tenants make at initial occupation of the property and these act as security against damages and are repaid when the tenant evacuates. Included in prepaid rentals are also deferred rental income for future period when the tenants make quarterly prepayments.

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 and contracts with various jobs which were not yet concluded as at year end.

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

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
15. Cash and cash equivalents as stated in the statement of financial position				
Funds at call and on deposit	-	100 000	-	-
Bank balances and cash	326 710	279 654	8 544	75 324
Total funds on deposit and in banks	326 710	379 654	8 544	75 324
Bank overdraft	(1 318 971)	-	(1 318 971)	-
Total cash and cash equivalents	(992 261)	379 654	(1 310 427)	75 324

The Company 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 bank reference 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 bank reference lending rate. Both Development House and Tikwere House are included in investment properties as detailed in note 6 to the financial statements.

These bank overdraft facilities are repayable on demand.

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

16. Other income

	Group 2023 K'000	Group 2022 K'000	Company 2023 K'000	Company 2022 K'000
Management fees	-	-	1 333 946	769 061
Other income	452 582	148 158	155 994	146 152
Total other income	452 582	148 158	1 489 940	915 213

17. Property and administration expenses

	Group 2023 K'000	Group 2022 K'000	Company 2023 K'000	Company 2022 K'000
Net property expenses	1 672 915	1 742 154	707 600	719 592
Service costs and administration costs	3 231 952	2 303 385	3 162 861	2 237 681
Other costs	475 276	537 718	372 824	325 893
Total	5 380 143	4 583 257	4 243 285	3 286 166

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

18. Profit before taxation

	Group 2023 K'000	Group 2022 K'000	Company 2023 K'000	Company 2022 K'000
Profit before taxation is arrived at after charging:				
Auditors' remuneration	109 938	88 660	47 527	38 328
Depreciation of plant and equipment	108 112	138 174	52 991	76 537
Loss on disposal of non-current assets	(833)	282	(833)	282
Directors' remuneration	234 014	167 293	93 102	63 969
Pension costs	-	80 770	-	80 770
Direct operating cost	1 528 369	1 125 944	1 528 369	1 125 944

19. Taxation

	Group 2023 K'000	Group 2022 K'000	Company 2023 K'000	Company 2022 K'000
Income tax	540 581	665 742	-	100 064
Deferred tax	3 330 795	30 441	242 576	513 168
Dividend tax	-	171 600	-	171 600
Total taxation charge	3 871 376	867 783	242 576	784 832

Group

	Rate	2023 K'000	Rate	2022 K'000
Reconciliation of effective tax rates to standard rates				
Profit before tax income		10 938 140		9 005 259
Income tax based on profits	30%	3 281 442	30%	2 701 578
Non-deductible expense	0.5%	57 539	1.7%	154 452
Indexation of investment property	4.9%	532 395	22.1)%	(1 988 247)
Effective tax rate	35.4%	3 871 476	9.6%	867 783

Company

	Rate	2023 K'000	Rate	2022 K'000
Reconciliation of effective tax rates to standard rates				
Profit before tax income		3 297 847		4 253 170
Income tax based on profits	30.0%	989 354	30.0%	1 275 951
Non-deductible expense	1.0%	48 207	1.7%	82 265
Indexation of investment property	(24.0%)	(794 985)	(13.5)%	(573 384)
Effective tax rate	7.0%	242 576	18.5%	784 832

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Taxation recoverable	3 062 911	1 370 413	2 861 541	1 282 086

As required by the Taxation Act, every person who makes payment specified in the Fourteenth Schedule to any person shall, before making such payment withhold tax in accordance with the rates specified in that Schedule. Accordingly, receipts from Government and private tenants were received net of withholding tax, hence the taxation recoverable.

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. The net of tax balance has been transferred to a non-distributable reserve. This is analysed as follows:

	Group		Company	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Fair value adjustment credited to statement of comprehensive income	8 932 122	6 690 900	3 014 582	2 428 500
Related deferred tax	(3 311 100)	(20 694)	(218 834)	(560 409)
Non-controlling interests	(1 099 241	(2 033 579)	-	-
Amount transferred to non-distributable Reserves	4 521 781	4 636 627	2 795 748	1 868 091

21. Earnings per share

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

	2023 K'000	2022 K'000
Distributable profit	947 032	1 089 817
Non-distributable profit	4 521 781	4 636 627
Profit for the year attributable to equity holders of the parent	5 468 813	726 444
Weighted average number of ordinary shares for the purposesof basic earnings per share	2 298 047	2 298 047
Basic earnings per share	2.38	2.49
Distributable (K)	0.41	0.47
Non-distributable	1.97	2.02

22. Dividends declared

A final dividend of K503 million in respect of 2022 profits was declared and paid on 26 July 2023.

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

	Group 2023 K'000	Group 2022 K'000	Company 2023 K'000	Company 2022 K'000
Profit before taxation	10 938 139	9 005 259	3 297 847	4 253 170
Increase in fair value of investment properties	(8 932 121)	(6 690 900)	(3 014 582)	(2 428 500)
Interest receivable	(1 097 564)	(900 847)	(353 979)	(284 096)
Dividends receivable	-	-	(400 000)	(1 716 000)
Interest payable	880 472	720 909	226 584	167 126
Depreciation	108 113	138 174	52 991	76 537
Expected credit losses	166 055	-	80 826	-
Operating cash flows before movements in working capital	2 063 094	2 272 595	(110 314)	(68 237)
Changes in trade and other receivables	1 978 903	(1 979 133)	582 819	(768 106)
Changes in promissory notes receivables	(5 095 690)	3 068 982	(1 369 825)	760 250
Changes in trade and other payables	(97 790)	235 106	2 675 644	187 670
Loss on disposal of non-current assets	833	(282)	833	(282)
Movement on intercompany balances	2 819 176	505 939	(1 208 887)	997 166
Cash generated by operating activities	1 668 526	4 103 207	570 270	1 244 935

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	
	2023 K'000	2022 K'000	2023 K'000	2022 K'000
Financial assets held at amortised cost				
Trade and other receivables	6 396 539	9 536 366	2 659 384	3 158 753
Amounts due from related parties	-	-	1 488 463	279 576
Promissory notes receivable	5 095 690	-	1 369 825	-
Funds at call and on deposit	-	100 000	-	-
Bank balance and cash	326 710	279 654	8 544	75 324
Total financial assets	11 818 939	9 916 020	5 526 216	3 513 653
Financial liabilities held at amortised cost				
Borrowings	3 086 341	3 601 410	-	-
Trade and other payables	1 388 902	1 486 692	648 928	783 037
Amounts due to related parties	3 460 141	640 965	3 460 141	650 390
Bank overdraft	1 318 971	-	1 318 971	-
Total financial liabilities	9 254 355	5 729 067	5 428 040	1 433 427

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 material accounting policy information 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.

(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	
	2023 K'000	**2022 K'000**	**2023 K'000**	**2022 K'000**
Borrowings	3 086 341	3 601 410	-	783 037
Trade and other payables	1 388 902	1 486 692	648 928	650 390
Amounts due to related parties	3 460 141	640 965	3 460 141	-
Bank overdraft	1 318 971	-	1 318 971	-
Net debt	9 254 355	5 729 067	5 428 040	1 433 427
Equity	82 164 040	75 600 358	39 034 771	36 482 580
Net debt to equity ratio	11.3%	7.58%	13.91%	3.93%

(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 K3.086 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 23.7%. An increase by 5% from the current reference rate of

23.7% per annum would result in actual interest rate of 28.7% hence additional interest charge of K100 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.

GROUP

	Carrying amount K'000	Gross/ Nominal inflow/ outflow K'000	1-3 months K'000	3-12 months K'000	Over 12 months K'000
2023					
Assets					
Cash and cash balances	326 710	326 710	326 710	-	-
Promissory notes	5 095 690	5 095 690	2 986 511	2 109 179	-
Trade and other receivables	6 396 539	6 396 539	3 903 179	2 493 360	-
Total	11 818 939	11 818 939	7 216 400	4 602 539	-
Liabilities					
Trade and other payables	1 388 902	1 388 902	949 137	-	439 765
Amounts due to related parties	3 460 141	3 460 141	960 141	2 500 000	-
Borrowings	3 086 341	3 086 341	267 672	497 409	2 321 260
Bank overdraft	1 318 971	1 318 971	1 318 971	-	-
Total	9 254 355	9 254 355	3 495 921	2 997 409	2 761 025

	Carrying amount K'000	Gross/ Nominal inflow/ outflow K'000	1-3 months K'000	3-12 months K'000	Over 12 months K'000
2022					
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	5 729 076	2 270 322	3 458 745	-

COMPANY

	Carrying amount K'000	Gross/ Nominal inflow/ outflow K'000	1-3 months K'000	3-12 months K'000	Over 12 months K'000
2023					
Cash and banks balances	8 544	8 544	8 544	-	-
Intercompany receivables	1 488 463	1 488 463	1 488 463	-	-
Trade and other receivables	2 659 384	2 659 384	2 333 149	326 235	-
Promissory notes receivable	1 369 825	1 369 825	877 455	492 370	-
Total	5 526 216	5 256 216	4 707 611	818 605	-
Liabilities					
Trade and other payables	648 928	648 928	481 761	-	167 167
Amounts due to related parties	3 460 141	3 460 141	960 141	2 500 000	-
Bank overdraft	1 318 971	1 318 971	1 318 971	-	-
Total	5 428 040	5 428 040	2 760 873	2 500 000	167 167

	Carrying amount K'000	Gross/ Nominal inflow/ outflow K'000	1-3 months K'000	3-12 months K'000	Over 12 months K'000
2022					
Cash and banks 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	-	-

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 883 million (2022: K6 841 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:

- 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.

GROUP

Fair value hierarchy as at 31 December 2023

	Level 1 K'000	Leve 2 K'000	Total K'000
Financial assets			
Trade and other receivables	-	7 202 564	7 202 564
Promissory notes receivables	-	5 095 690	5 095 690
Cash and bank balances	326 710	-	326 710
Total financial assets	326 719	12 298 254	12 624 964
Financial liabilities			
Financial liabilities held at Amortised cost:			
Trade and other payables	-	1 048 887	1 048 887
Amounts due to related parties	-	3 460 141	3 460 141
Borrowings	-	3 086 341	3 086 341
Overdraft	1 318 971	-	1 318 971
Total financial liabilities	1 318 971	7 595 369	8 914 340

Fair value hierarchy as at 31 December 2022

	Level 1 K'000	Leve 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

COMPANY

	Fair value hierarchy as at 31 December 2023		
	Level 1 K'000	Leve 2 K'000	Total K'000
Financial assets			
Trade and other receivables	-	2 330 028	2 330 028
Amounts due from related parties	-	1 369 825	1 369 825
Cash and bank balances	8 544	-	8 544
Total financial assets	8 544	3 699 853	3 669 853
Financial liabilities			
Financial liabilities held at Amortised cost:			
Trade and other payables	-	426 193	426 193
Amounts due to related parties	-	3 460 141	3 460 141
Bank overdraft	1 318 971	-	1 318 971
Total financial liabilities	1 318 971	3 886 334	5 205 305

	Fair value hierarchy as at 31 December 2022		
	Level 1 K'000	Leve 2 K'000	Total K'000
Financial assets			
Trade and other receivables		3 157 753	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

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	
	2023	**2022**	**2023**	**2022**
	K'000	**K'000**	**K'000**	**K'000**
28. Capital commitments				
Authorised	7 379 95	3 389 750	3 345 599	2 064 000

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.

	2023	**2022**
Year-end exchange rate K/US$	1 700	1 028.48
Inflation rate	34.5%	25.4%

As at the date if approval the above rates had moved as follows:

Exchange rate (K/US$)	1 700
Inflation rate (February 2024)	33.5%

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. Going Concern

In accordance with their responsibilities, the directors considered the appropriateness of the going concern basis for the preparation of the financial statements. The Company recorded a profit after taxation for the year ended 31 December 2023 of K3.1 billion (2022: K3.5 billion) and, as at that date, it had current liabilities of K5.4 billion (2022: K1.4 billion) against current assets of K 8.6 billion (2022: K4.8 billion). The Company as at 31 December 2023 was in net current liabilities position of K3.2 billion (2022: K3.4 billion). The directors determined that the Company is a going concern and thus the financial statements should be prepared on a going concern basis.

32. Events after the reporting period

There were no significant events after the reporting period.

33. Comparative figures

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

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.

This report shares our impact and material topics guided by our strategy and vision of being a leading provider of property solutions in Malawi creating shareholder and customer value whilst being an employer of 1st choice.

We are guided by our Responsible Business policy 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 organisation. The responsible business policy drives MPICO to be a purpose-led organisation that pursues commercial success in a sustainable way.

The company's sustainability initiatives align to contribute to the attainment of Malawi long term vision, The Malawi 2063 which aspires to become a sustainably wealth and self-reliant nation. Ultimately, our initiatives feed to the attainment of the United Nation's Sustainable Development Goals (SDG's) by 2030.

Impacts and material topics

a. Risks and risk mitigation

In quest to efficiently implement its sustainability initiatives, the business identified the following risks

- Risk of reliability of raw materials and sustainability of supply chains. (Issues including scarcity of raw materials and increased costs); and
- Technological risks (Issues including transitioning to LED light fittings posed risks related to reliability and performance.

b. Risks mitigation measures.

- Managing community and stakeholder expectations by communicating transparently;
- Development of sponsorships MOUs with flexibility clauses to accommodate unforeseen circumstances;
- Annual review of sponsorships to ensure alignment with the company values; and
- Proactive stakeholder engagements as a way of managing expectations.

c. Environmental impact and climate change

- To ensure environmental Sustainability, the business continues to specify environmentally friendly and sustainable materials in all its virgin construction and refurbishment projects;
- To reduce energy usage and consumption the business completed migration from use of high energy consuming fluorescent light fittings in its buildings to LED light fittings. The projected reduction in energy consumption from lighting is close to 50%

d. Communities and stakeholder engagements

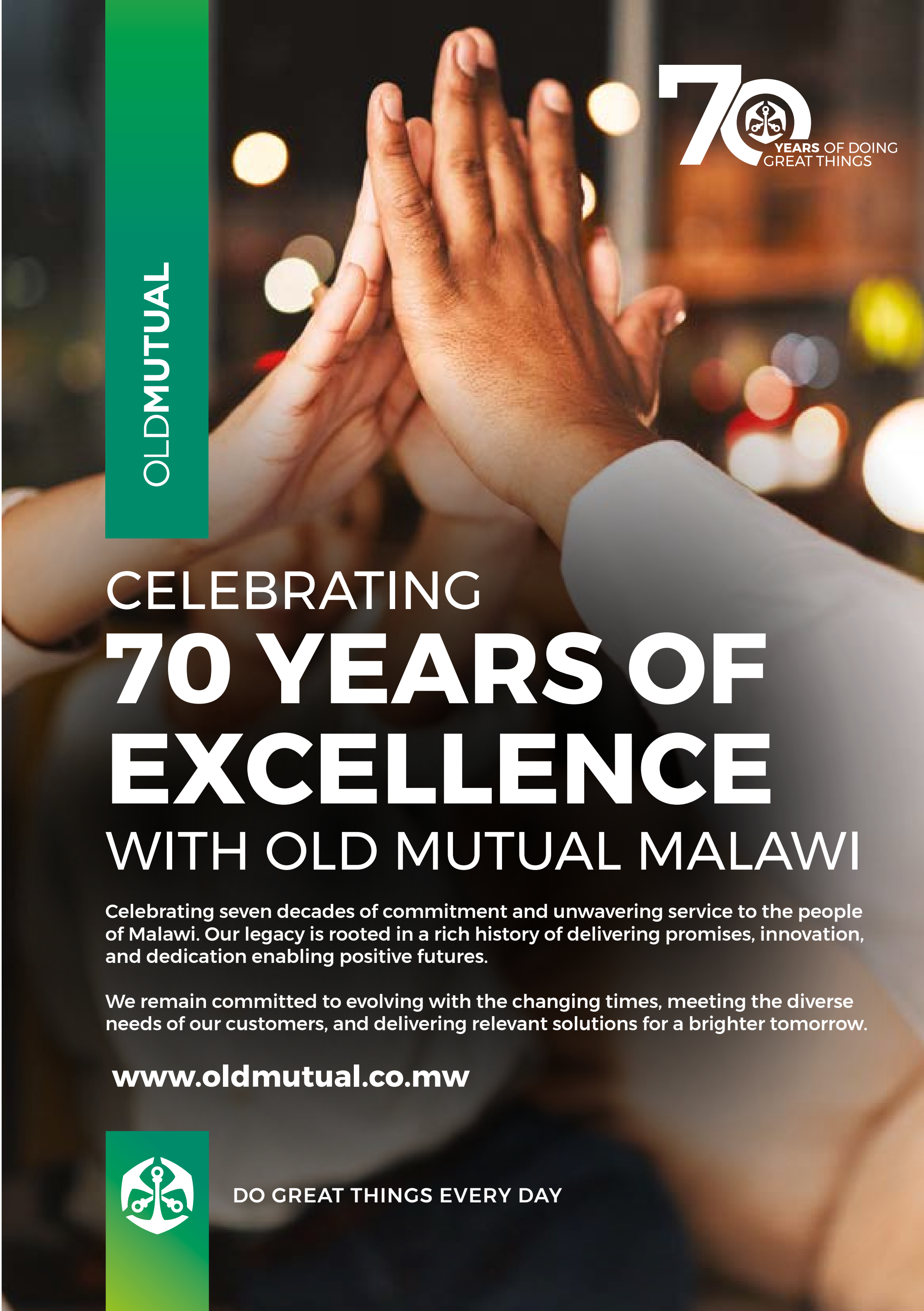
Our long-term success is closely linked to being part of flourishing and sustainable local communities. In 2023, MPICO implemented various initiatives including.

- Sponsorship of the Gateway Netball Challenge worth MK24 million;
- Sponsorship of MK1 million to the Lilongwe City Summit; and
- Pro-active stakeholder engagements in alignment with the company's annual stakeholder engagement plans

Impacts

- Youth empowerment, development of netball as a sporting discipline and unearthing and exposure of netball talent; and
- The sponsorship to the city summit demonstrated MPICO's commitment to contribute to the development of Lilongwe City apart from meeting the expectations of the City Council as a strategic partner.

NOTES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